

# OPIC/AID INVESTMENT MISSION



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# BOTSWANA

APRIL 10-12, 1991

**Overseas Private Investment Corporation**

**J.S. Agency for International Development**

**Investment Mission to Southern Africa**

**BOTSWANA**

**April 10 - 13, 1991**

**BRIEFING BOOK**

545

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- U.S. Department of State, Bureau of Public Affairs, Botswana Background Notes, (Washington: U.S. Government Printing Office, October 1990), 7 pp.
- U.S. Department of State, Investment Climate Statement, (Gaborone: U.S. Embassy, April 1990), 16 pp.
- U.S. Department of Commerce, International Trade Administration, Botswana, Foreign Economic Trends and Their Implications for the United States, (Washington: U.S. Government Printing Office, September 1990), 11 pp.
- "Marketing in Botswana, Lesotho, and Swaziland," Overseas Business Report, (Washington: U.S. Government Printing Office, April 1988), 31 pp.
- U.S. Department of Commerce, "U.S. Trade with Southern Africa: Botswana," February 20, 1991, 2pp.
- OPIC Investor Information Service, "Country Information for Botswana," (1990), 11pp.

### 6. REPUBLIC OF BOTSWANA DOCUMENTS AND PUBLICATIONS

- Botswana: Income Taxes on Corporations, July 1990, 8pp.
- Ministry of Commerce and Industry, The Investors Handbook, August 1983, 17pp.

## **Table of Contents (continued)**

### **7. INVESTMENT-RELATED PUBLICATIONS**

- A Businessman's Introduction to Botswana, sponsored by Bitex Limited and Barclays Bank of Botswana Ltd, 4pp.
- Coopers & Lybrand, Tax Information Summary, (1989), 49pp.

#### In Front Pocket:

- Botswana Development Corporation, "Your Investment Partner in Botswana," (1990), 17pp.

#### In Back Pocket:

- Price Waterhouse, Doing Business in Botswana, (1990), 131pp.

### **8. LIST OF U.S. COMPANIES IN BOTSWANA**

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**OPIC/A.I.D. INVESTMENT MISSION TO BOTSWANA**  
**SCHEDULE**

**Wednesday, April 10th**

**Afternoon** Participants arrive in Botswana and transfer to the Sheraton Gaborone.

**1900** Opening at the Sheraton by Ambassador David Passage and briefing by the Embassy and A.I.D. mission officers.

**Thursday, April 11th**

**0830** Welcome and briefing by OPIC/A.I.D. staff and introductions by mission participants.

**0900** Briefing by Government of Botswana Officials.

**1230** Luncheon hosted by the Trade and Investment Promotion Agency (TIPA).

**1500** Briefing session by Botswana Confederation of Commerce, Industry and Manpower (BOCCIM).

**1800** Reception hosted by Ambassador Passage at his residence.

**Friday, April 12th**

**A.M.** Individual appointments.

**Noon** Luncheon hosted by the African Business Roundtable OR  
Visit to Lobatse Clay Works, a joint venture between Interkiln Corp. of America and the Botswana Development Corp. (BDC).  
Tour of facility to be led by Elmer Salgo, President and Chairman of Interkiln. [This visit will present a case study of a successful investment that resulted from the 1989 mission. The venture was financed and insured by OPIC.]

**P.M.** Individual appointments and site visits.

**Saturday, April 13th**

Departures for Zimbabwe

## **CONTACTS**

### **U.S. Embassy**

[267] 353-9823  
[267] 353-982, Ext. 313 FAX

**Kenneth McGhee  
Commercial Officer**

### **Gaborone Sheraton**

[267] 312-999  
[267] 312-989 FAX

## GENERAL INFORMATION

### Size and Location

Botswana, located in south-central Africa, is slightly larger than the state of Texas. The country is landlocked and eighty percent of it is covered by the Kalahari desert.

### People

Most Batswana live in the eastern part of the country, primarily in villages. More than half of the population is made up of the Tswana tribe (Batswana), which is divided into eight subgroups including the Bamangwato, Bakwena, Batawana, Bangwaketse, Bakgatla, Bamalete, Barolong, and Batlokwa. The Kalanga, Herero, Bushmen (basarwa), Yei, Kgalagadi and Europeans are minorities.

### Date of Independence

Botswana was granted independence on September 30, 1966 by the United Kingdom.

### Government

**Type:** Multi-party Parliamentary Democracy

**Constitution:** March, 1965

#### Branches:

**Executive:** Botswana has an executive president who is popularly elected for a five-year term. The president's cabinet is composed of an unspecified number of members who are selected by the National Assembly. The current president of Botswana is Dr. Quett K. J. Masire.

**Legislative:** A unicameral National Assembly is comprised of 34 elected seats and 4 appointed ones. A House of Chiefs serves as an advisory body to the government, and is comprised of the chiefs of the eight principal sub-groups of the Batswana tribe, and four other members elected by sub-chiefs from the four remaining districts.

## General Information (continued)

**Judicial:** Botswana's high court is comprised of judges appointed by the president. Chiefs and headmen enforce traditional law in customary courts over which they preside.

## Major Political Parties

The Botswana Democratic Party (BDP) won 31 of the 34 contested seats for the National Assembly in 1989. The BDP, founded by Botswana's first president, Sir Seretse Khama, has been in power since independence. Other parties include the Botswana National Front (BNF), the main opposition party, and the Botswana People's Party (BPP), which lost its only seat in the last election.

## History

The original inhabitants of Botswana consisted of self-sufficient herders and farmers and hunters and gatherers. First contact with Europeans occurred in the early 19th century when missionaries arrived in Botswana in the midst of intertribal warfare.

Hostilities between the Batswana tribe and Afrikaaners from the Transvaal region of South Africa climaxed toward the end of the century. The British Government, in response to appeals for protection from the Batswana, proclaimed "Bechuanaland" to be a British Protectorate in 1885. The Protectorate was initially formed as a crown colony and then later became part of the Cape Colony. From thereon until the early 1960's, the British government expanded its central authority in conjunction with a gradual progression of local tribal government.

Proposals for self-government in Botswana were accepted by the British government in 1964. After the new constitution became effective in March 1965, Botswana was made officially independent on September 30, 1966. The country's first president was Sir Seretse Khama. The current president is Dr. Quett K.J. Masire.

## **TRAVEL NOTES**

### **Entering Botswana**

Visas are required by all travelers except nationals of the Commonwealth countries, South Africa, the U.S.A. and Western Europe (excluding Portugal and Spain). Americans entering Botswana need only a valid passport. Currency is declared upon arrival and departure.

### **Language**

English is the official language and Setswana is the national language.

### **Climate and Dress**

Most of the country lies in the temperate zone and can be described as sub-tropical. The northern part however, is considered tropical. Summer (October-April) in Botswana is hot, dry and dusty. Winter (May-September) is sunny and dry. The rains occur primarily between November and April, but are unpredictable. April tends to be warm during the days and cooler in the evenings.

Business attire in Botswana is similar to that worn during the warmer months in the United States. Business dress is fine for evening social and business events.

### **Currency**

The pula is the currency of Botswana. One pula is divided into 100 thebe and is considered a "hard" currency as it is fully convertible. The rate of exchange for March 1991 was:

P 2.00 = U.S. \$1.00

### **Electricity**

Electricity is 220 volts, 50-cycle, AC. American-made appliances require transformers.

## **Travel Notes (continued)**

### **Health**

Healthcare and medical services are generally good. Essential medicines are available. Drinking water in most parts of the country is potable and most foreign residents drink the tapwater. Malaria pills should be taken if travel outside of the cities is planned. Although not required, gamma globulin and typhoid vaccinations are recommended.

### **Hours of Business**

Business hours: M-F, 8:30-5:00 p.m.  
Government Hours: M-F, 7:30-12:30 p.m., 1:45-4:30 p.m.

### **Communications**

Telephone and telex services are good. Telecopiers are commonly used. Direct-dial service to the United States and Europe is available. The country code for Botswana is 267. City codes for internal calls are 31 for Gaborone and 21 for Francistown. Botswana is 2+ hours of GMT and 7 hours ahead of Eastern Standard Time.

### **Transportation**

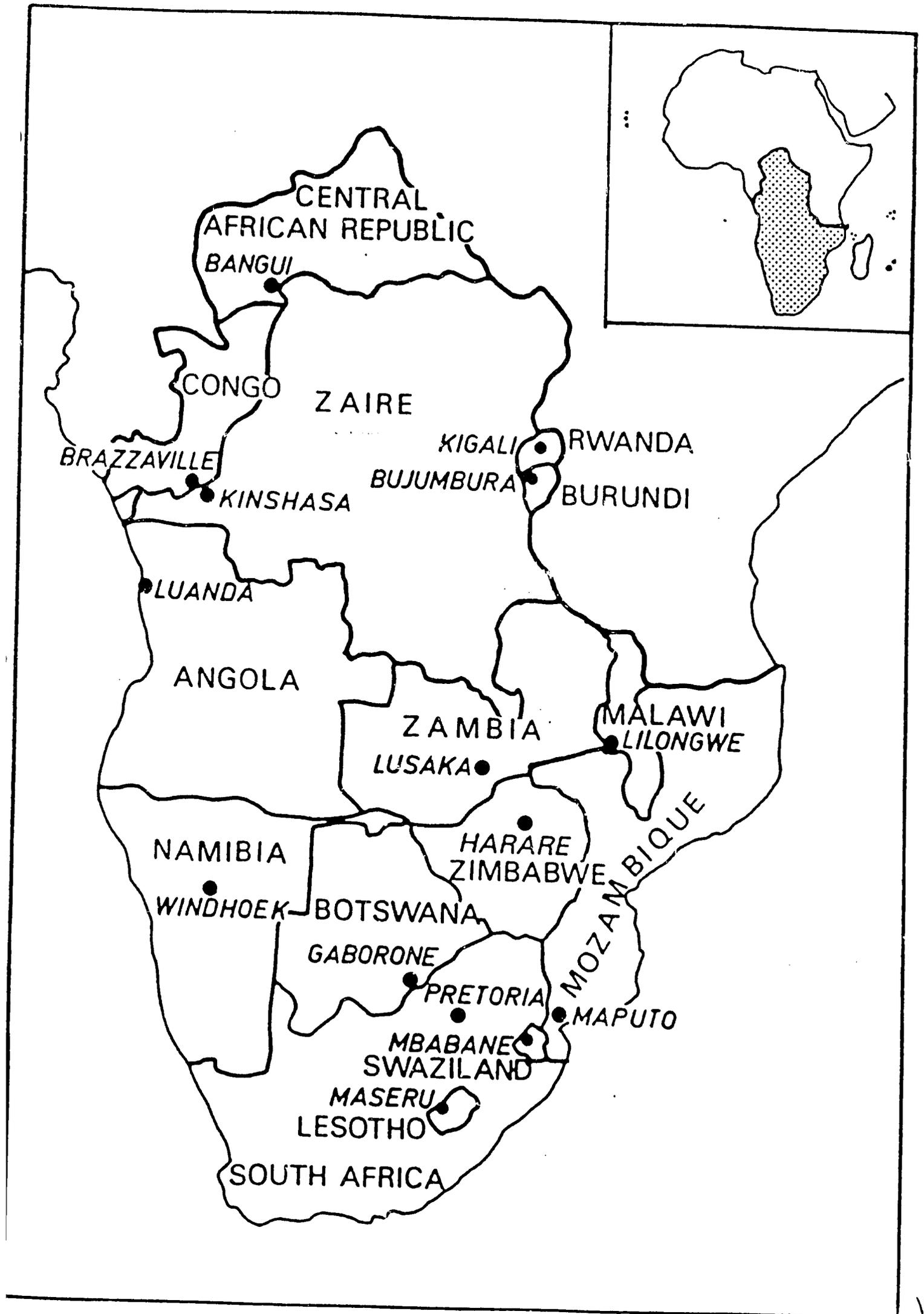
**Taxis:** They are not plentiful, but may be found in Francistown and Gaborone. Although inexpensive, taxis accept passengers until they are completely full, which may delay your trip. Roads between major cities are good all year.

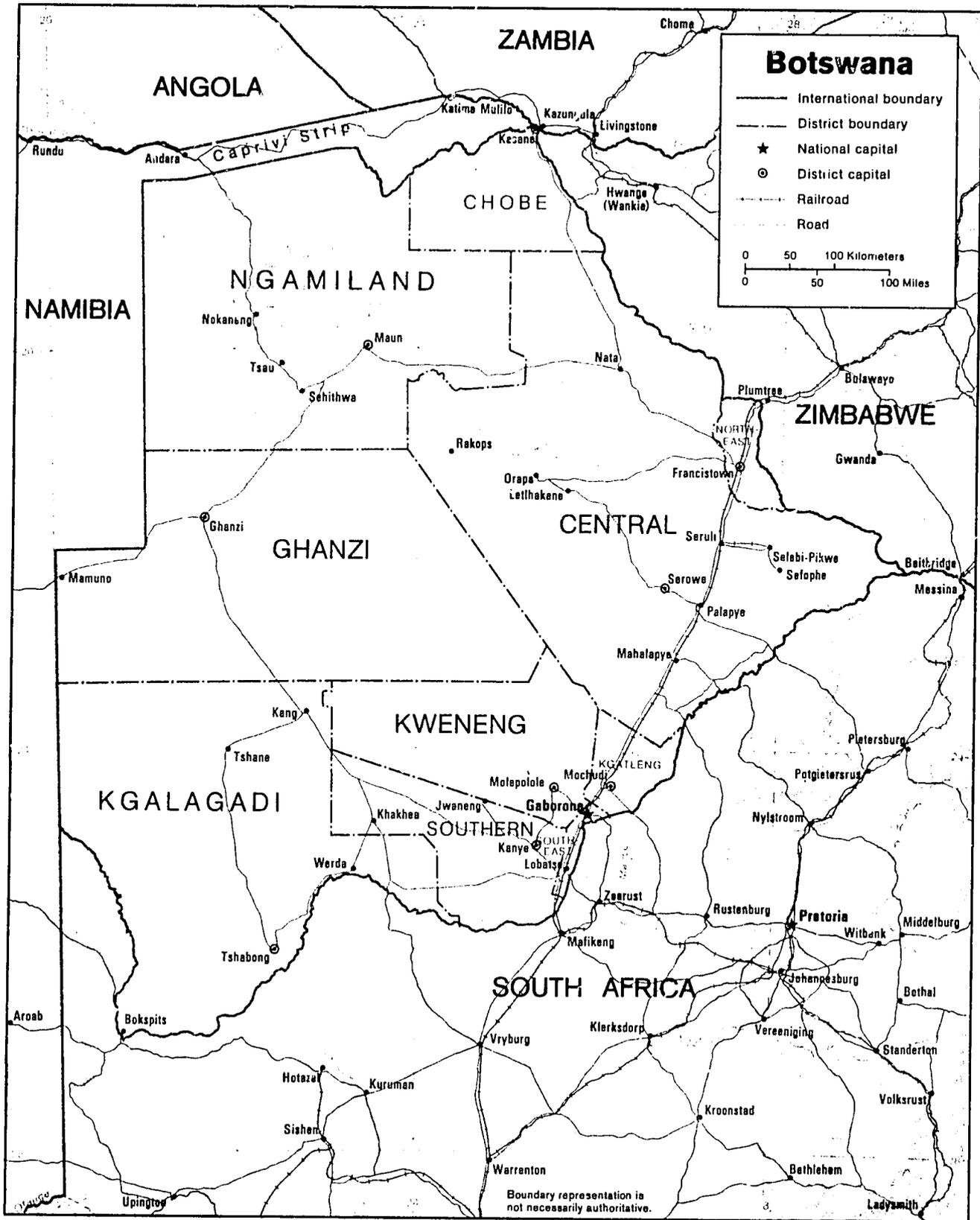
**Airport:** Air Botswana serves Francistown, Maun and Selebi-Phikwe from Gaborone and, internationally, serves Johannesburg, South Africa; Harare, Bulawayo, and Victoria Falls, Zimbabwe; Maseru, Lesotho; Manzini, Swaziland; and, Nairobi, Kenya.

### **Taxes and Gratuities**

There is a general 13% tax point of sale. The sales tax value.

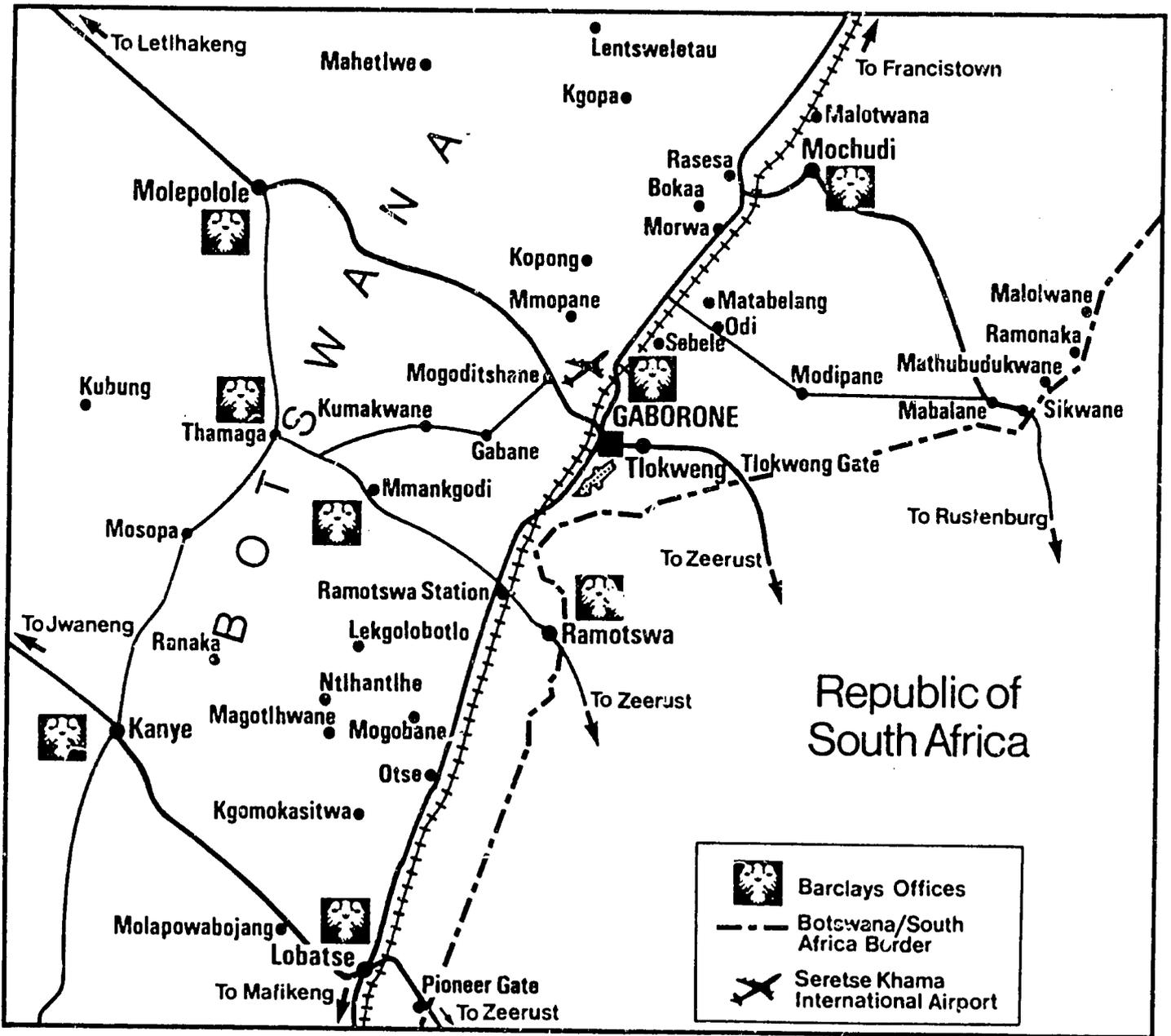
most goods and services at the commodities is 15% of its

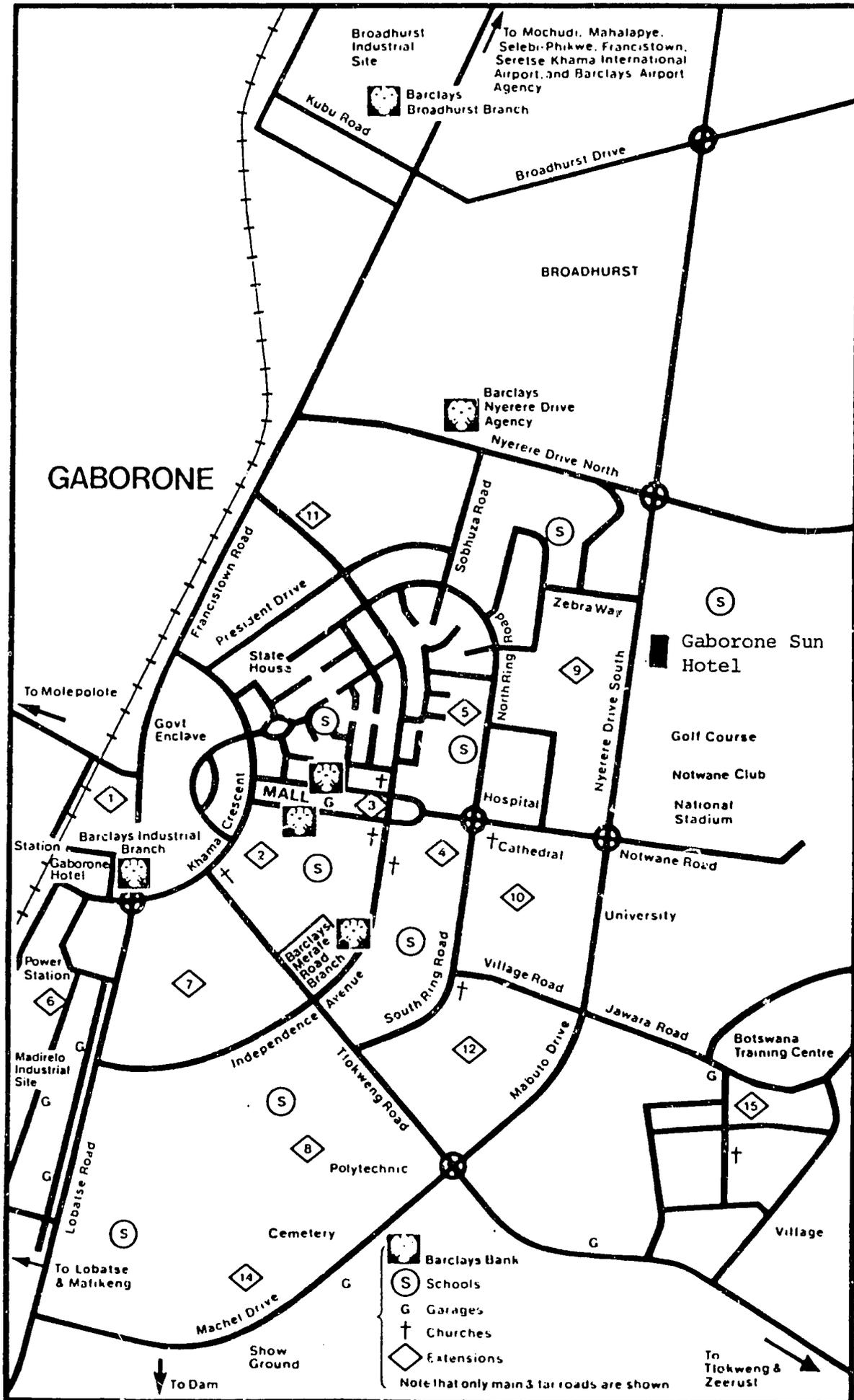




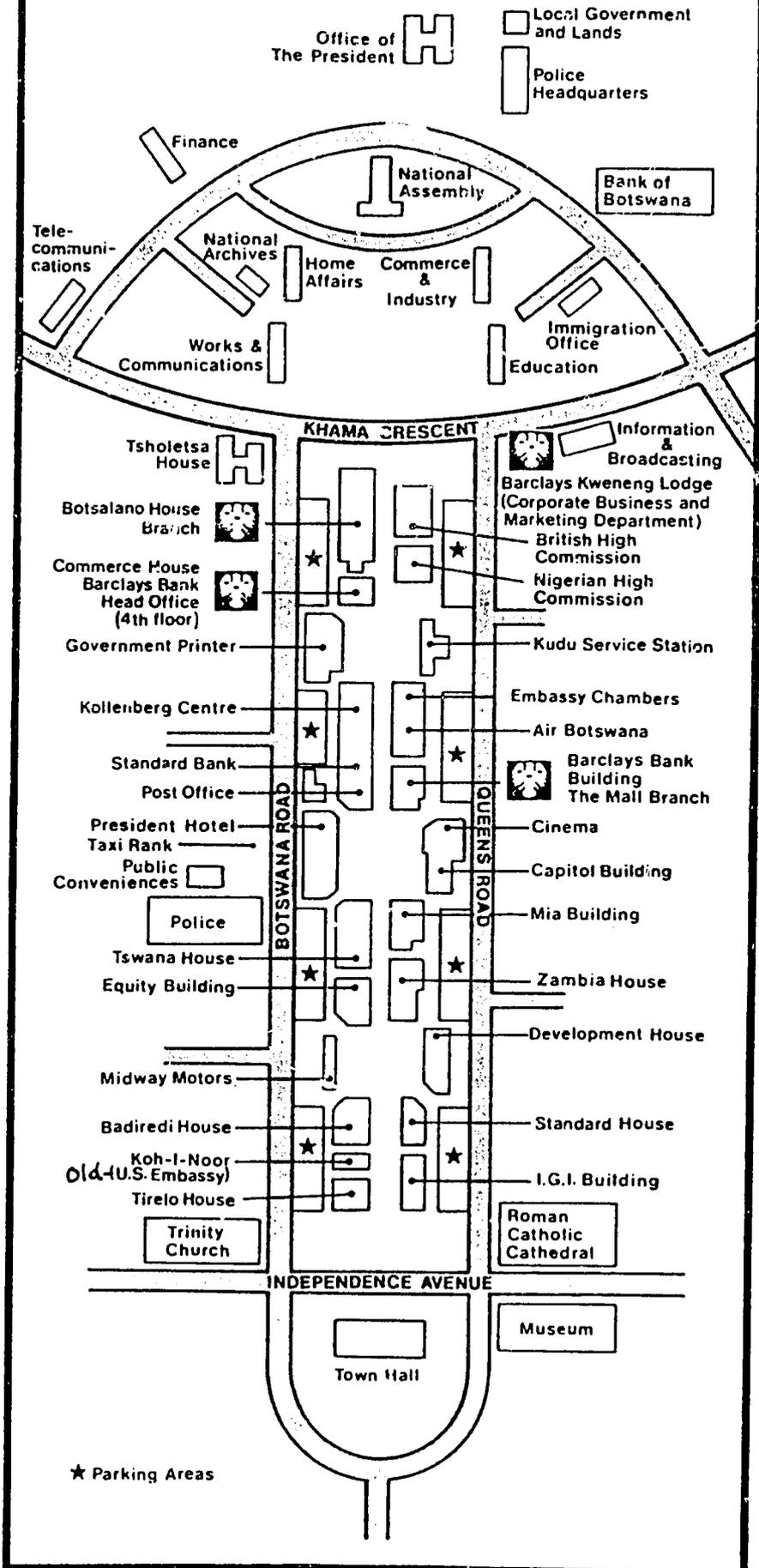


# GABORONE AND ENVIRONS





# GABORONE MALL



**U.S. GOVERNMENT OFFICIALS IN THE UNITED STATES**

**STATE DEPARTMENT**

U.S. Department of State  
Washington, D.C. 20520

Kathy Gerstner  
Desk Officer for Botswana

Tel: (202) 647-9429  
Fax: (202) 647-5007

Marc Carlisle  
Office of Investment Affairs  
Bureau of Economic and Business  
Affairs

Tel: (202) 647-1448

**COMMERCE DEPARTMENT**

U.S. Department of Commerce  
Washington, D.C. 20230

Steve Lamar  
Desk Officer for Botswana  
Office of Africa

Tel: (202) 377-5148  
Fax: (202) 377-5330

**A.I.D.**

U.S. Agency for International Development  
Washington D.C. 20523

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Associate Assistant  
Administrator  
Office of Market Development  
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Bureau for Africa (AFR)

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Office of Market Development  
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Paul Greenough  
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**U.S. Government Officials in the United States (continued)**

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U.S. Trade and Development Program  
Washington, D.C. 20523-1602

Fred Eberhart  
Regional Director for Africa

Tel: (703) 875-4357  
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**EX-IM BANK**

Export-Import Bank of the United States  
811 Vermont Avenue, N.W.  
Washington, D.C. 20571

Annmarie Emmet  
Loan Officer for Africa

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**USDA**

U.S. Department of Agriculture  
Private Sector Relations  
Room 342, McGregor Building  
Washington, D.C. 20250

Tel: (202) 653-7873

**SBA**

U.S. Small Business Administration  
309 4th Street, S.W.  
Washington, D.C. 20416

Antony Korenstein  
Director  
Office of International Trade

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**U.S. Government Officials in the United States (continued)**

**OPIC**

Overseas Private Investment Corporation 1615 M Street, N.W. Washington, D.C. 20527	Tel: (202) 457-7200 Tel: (202) 424-OPIC Fax: (202) 331-4234 Telex: 893-8219
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Graham Williams Manager, Special Projects (Africa Growth Fund)	Tel: (202) 457-7105 Fax: (202) 223-3824
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David H. Miller Senior Associate for Africa Investment Development	Tel: (202) 457-7107 Fax: (202) 223-3514
Anna M. Crabtree Associate for Africa Investment Development	Tel: (202) 457-7024 Fax: (202) 223-3514

**U.S. GOVERNMENT OFFICIALS IN BOTSWANA**

Embassy of the United States of America  
P. O. Box 90  
Gaborone, Botswana

Tel: [267] 353-982/3/4  
Fax: [267] 353-982, Ext. 313

<b>Ambassador</b>	<b>The Hon. David Passage</b>
<b>Deputy Chief of Mission:</b>	<b>Jimmy Kolker</b>
<b>Political and Economic Officer:</b>	<b>Douglas R. Kramer</b>
<b>Commercial Officer and Consul:</b>	<b>G. Kenneth McGhee</b>
<b>U.S.A.I.D. Director:</b>	<b>Howard R. Handler</b>
<b>Labor Officer:</b>	<b>John R. Dinger</b>
<b>Administrative Officer:</b>	<b>Mark Boulware</b>
<b>Agricultural Officer:</b>	<b>Roger F. Puterbaugh</b>
<b>Public Affairs Officer:</b>	<b>Alice LeMaistre</b>

## **OFFICIALS OF THE GOVERNMENT OF BOTSWANA**

<b>President</b>	<b>Dr. Quett K.J. Masire</b>
<b>Vice President and Minister of Local Government &amp; Lands</b>	<b>Peter S. Mmusi</b>
<b>Agriculture</b>	<b>Daniel K. Kwelagobe</b>
<b>Commerce and Industry</b>	<b>Panatshego H.K. Kedikelwe</b>
<b>Mineral Resources and Water Affairs</b>	<b>Archibald Mogwe</b>
<b>Minister of Finance &amp; Development Planning</b>	<b>Festus Mogae</b>
<b>Assistant Minister of Finance &amp; Development Planning</b>	<b>David N. Magang</b>
<b>Foreign Affairs</b>	<b>Dr. Gaositwe K.T. Chiepe</b>
<b>Health</b>	<b>Kebatleng Morake</b>
<b>Labor &amp; Home Affairs</b>	<b>Patrick Balopi</b>
<b>Presidential Affairs and Public Administration</b>	<b>Mompati Merafhe</b>
<b>Education</b>	<b>Ray M. Molomo</b>
<b>Public Works, Transportation and Communication</b>	<b>Chapson J. Butale</b>

**OFFICIALS OF THE GOVERNMENT OF BOTSWANA  
IN THE UNITED STATES**

**Embassy of the Republic of Botswana**

**4301 Connecticut Ave., N.W.  
Suite 404,  
Washington, D.C. 20008  
(202) 244-4990**

<b>Ambassador</b>	<b>His Excellency Kingsley Sebele</b>
<b>Minister-Counselor</b>	<b>Mr. Cecile I. Manyeula</b>
<b>Commercial Attache</b>	<b>Mr. Alex Thabo Yalala</b>
<b>First Secretary</b>	<b>Mrs. Naomi E. Majinda</b>
<b>Second Secretary</b>	<b>Mr. Phalaagae S. Tay</b>
<b>Military Attache</b>	<b>Major Michael M. Molefe</b>

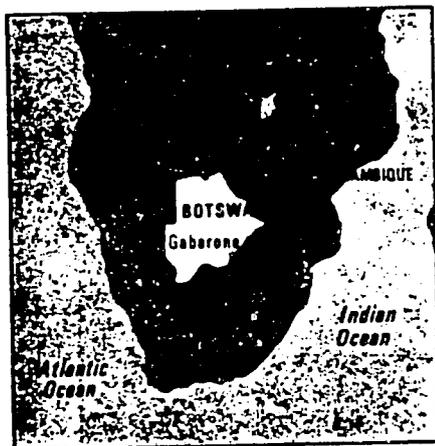
# background notes

# Botswana



United States Department of State  
Bureau of Public Affairs

October 1990



**Official Name:**  
Republic of Botswana

## PROFILE

### Geography

**Area:** 600,372 sq. km. (224,710 sq. mi.), about the size of Texas. **Cities:** *Capital*—Gaborone (pronounced Ha-bo-ro-neh, pop. 120,000). *Other towns*—Francistown (55,000), Selebi-Phikwe (50,000), Lobatse (26,000), Palapye (17,000), Jwaneng (13,900), Tlokweng (11,800). **Terrain:** Desert and savanna. **Climate:** Mostly arid and subtropical.

### People

**Nationality:** *Noun and adjective* — Motswana (sing.), Batawana (pl.). **Population** (1989 est.): 1,255,700. **Annual growth rate:** 3.6%. **Ethnic groups:** Tswana 55%-60%; Kalanga 25%-30%; Kgalagadi, Yei, Herero, Mbukushu, Basarwa

("Bushmen"), Khoi (Hottentots), whites (about 1%), others 10%. **Religions:** Indigenous beliefs 50%, Christianity 50%. **Languages:** English (official), Setswana. **Education:** *Attendance* (primary school adjusted)—93%. *Adult literacy* (1988 est.): 84% (ages 15 to 70). **Health:** *Infant mortality rate* (1983-88): 63/1,000. *Life expectancy* (1988): 59 yrs. **Work force** (formal sector, 1988): 187,000.

### Government

**Type:** Republic, parliamentary democracy. **Constitution:** March 1965. **Independence:** September 30, 1966.

**Branches:** *Executive*—president (chief of state and head of government), cabinet. *Legislative*—unicameral National Assembly. House of Chiefs (second House with advisory powers only). *Judicial*—High Court, Court of Appeal, local and customary courts.

**Administrative subdivisions:** Five town councils and 10 district councils. Central District, seat at Serowe; Chobe District, Kasane; Ghanzi District, Ghanzi; Kgalagadi District, Tsabong; Kgatleng District, Mochudi; Kweneng District, Molepolole; Northeast District, Francistown; Southeast District, Gaborone; Southern District, Kanye; and Northwest District, Maun.

**Political parties:** Botswana Democratic Party (BDP), Botswana National Front (BNF), Botswana Independence Party (BIP), Botswana Peoples Party (BPP), Botswana Progressive Union (BPU), Botswana Freedom Party (BFP), Botswana Labor Party (BLP). **Suffrage:** Universal adult.

**National budget** (FY 1989-90): \$503.5 million. *Development expenditures*—\$408.6 million, under half of which is financed by international donors.

**Defense and police forces** FY 1989-90: \$54.1 million, about 10.8% of the budget.

**Flag:** Blue field divided by horizontal black band with narrow white stripe on either side. The colors represent the blue sky and blue water of the Okavango Delta; the black and white symbolize the nonracial composition of the society.

### Economy

**GDP** (1988-89 est.): \$2.023 billion. **Annual growth rate** (1988-89): 13%. **Per capita GDP** (1989): \$1,611.

**Natural resources:** Diamonds, copper, nickel, salt, gold, soda ash, potash, coal.

**Agriculture** (about 3.5% of GDP):

**Products**—livestock, sorghum, corn, millet, cowpeas, beans.

**Industry:** *Types*—mining (45% of 1988 GDP); diamonds, copper, nickel, coal, processed food, frozen beef, textile, tourism.

**Trade** (1988): *Exports*—\$1,297.2 million (f.o.b.): diamonds, nickel, copper, meat products, hides and skins, textiles. *Partners*—Switzerland, South Africa, Zimbabwe, UK, other European countries. *Imports*—\$978.3 million (c.i.f.): machinery, transport equipment, manufactured goods, food, chemicals, minerals, fuels. *Major suppliers*—South Africa, Zimbabwe, US, UK, other EEC countries.

**Economic aid received:** Total from all sources—avg. \$220 million per year. *US aid* (1965-89)—\$289 million, avg. \$12 million per year.

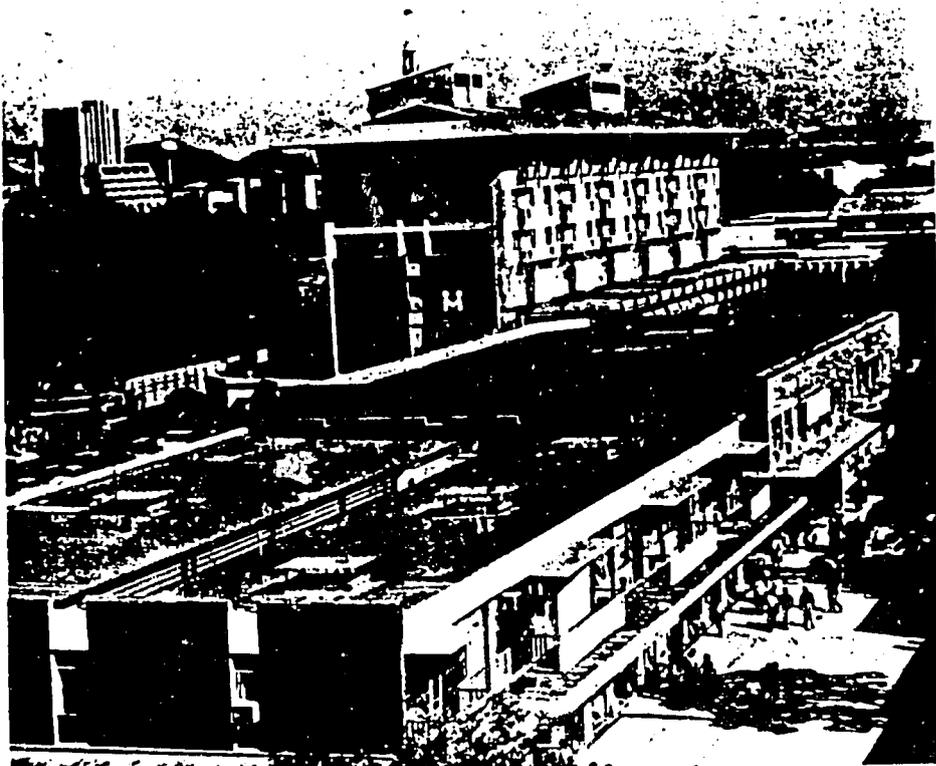
### Membership in International Organizations

UN and most of its specialized agencies, Organization of African Unity (OAU), Commonwealth, Southern African Customs Union (SACU), Southern African Development Coordination Conference (SADCC), Front Line States, Nonaligned Movement, Lome Convention (Africa-Caribbean-Pacific/European Economic Community).

## PEOPLE

Most Batswana live in the eastern part of the country, primarily in villages. Only seven towns have populations of more than 10,000, although several large, traditional villages (including Kanye and Serowe, home of the country's first president, Sir Seretse Khama) have more than 30,000 people.

An estimated 40,000 Batswana work in neighboring African countries, mainly in the Republic of South Africa. The 1981 census estimated the nomadic population at about 10,000. Some 55%–60% of the country's population is made up of the Tswana tribe (Batswana), which is divided into eight subgroups: Bamangwato, Bakwena, Batawana, Bangwaketse, Bakgatla, Bamalete, Barolong, and Batlokwa. The Kalanga, Herero, Bushmen (Basarwa), Yei, and Kgalagadi are minorities. In addition, there are about 5,500 British citizens resident in Botswana and about 30,000 people of other nationalities.



Gaborone—named for a 19th-century Batlokwa chief from the village of Gaborone-a-Matlapeng. Shopping mall with President Hotel and Orapa House in background.

## HISTORY

By the 1700s, the ancestors of today's African population were established either as self-sufficient herders and farmers or as hunters and gatherers in the region that is now Botswana. First contact with Europeans came through missionaries in the early 19th century, when the territory was torn by intertribal warfare. In the last quarter of the century, hostilities broke out between the Batswana and the Afrikaners from South Africa (Transvaal). Following appeals by the Batswana for assistance, the British Government in 1885 proclaimed "Bechuanaland" to be under British protection. The southern part of the territory was first constituted as a crown colony, later became part of the Cape Colony, and is now part of the Cape Province of the Republic of South Africa. The northern part, known as the "Bechuanaland Protectorate" (now Botswana) remained under British control.

In 1909, despite South African pressure, inhabitants of Bechuanaland, Basutoland (now Lesotho), and Swaziland demanded and received British agreement that they not be included in the proposed Union of South Africa.

As British central authority gradually expanded, it was accompanied by a steady

evolution of local tribal government. In 1920, the central authority established two advisory councils representing the African and European inhabitants. In 1934, proclamations were issued that regularized the positions and powers of the chiefs and defined the constitution and functions of the native courts under the native authority system that had evolved in other British dependencies. Tribal treasuries were created in 1938. In 1951, a Joint Advisory Council was formed, consisting of official and nonofficial European and African members. The May 2, 1961, constitution established a Legislative Council, which held its first session at Lobatse on June 21, 1961.

In June 1964, the British Government accepted proposals for a form of self-government for Botswana that would lead to independence. These proposals had been agreed upon unanimously during discussions in Botswana between the British Commissioner and representatives of the chiefs, political parties, and important minority communities.

The seat of the government was

moved from Mafeking, South Africa, to the new capital at Gaborone in February 1965. The new constitution became effective in March 1965, and general elections were held. Botswana became independent on September 30, 1966.

## GOVERNMENT

Under the 1965 constitution, executive power in Botswana is vested in the president, chosen in a national election for a 5-year term. The president's cabinet, selected from the National Assembly, consists of a vice president and an unspecified number of ministers. The unicameral National Assembly is composed of 38 seats, of which 34 are directly elected, and the remainder appointed.

General elections must be held at least every 5 years. Botswana is divided into 34 single-member constituencies with roughly equal population per constituency. A voters roll, based on universal adult suffrage, is maintained for each constituency. The constitution also provides for a House of Chiefs, which serves as an advisory body to the



Botswana has recently become the largest producer of diamonds in the world: over 12.9 million carats were produced in 1984. These diamonds are some of the first discovered in Botswana.

#### Principal Government Officials

President—Quett K. J. Masire  
Vice President and Minister of Local Government and Lands—  
Peter S. Mmusi

Other Ministers  
Presidential Affairs and Public Administration—Lt. Gen. Mompoti Merafhe  
External Affairs—Gaositwe Chiepe

Ambassador to the United States—B. K. Sebele  
Ambassador to the United Nations—L. J. M. J. Legwaila

Botswana maintains an embassy in the United States at 3400 International Drive, NW., Suite 7M, Washington, DC 20008 (tel. 202-244-4990). Botswana's mission to the United Nations is at 866 UN Plaza, New York, NY 10017.

#### POLITICAL CONDITIONS

Botswana has one of the few flourishing, multiparty constitutional democracies in Africa. The openness of the country's political system compares favorably with mature democracies elsewhere and has contributed to Botswana's remarkable stability and economic growth. Although a government-owned newspaper and broadcasting operation dominate the media, there is an independent press, and foreign publications are readily available. During its sixth national election in 1989, candidates from two of the country's eight political parties won election to the National Assembly. The Botswana Democratic Party (BDP) holds 31 of the 34 parliamentary seats. However, the opposition Botswana National Front (BNF) made significant gains in town council seats.

Botswana has one of the best human rights records in the world. The country's small white minority and other minorities participate freely in the political process. The roots of the country's democracy go back to Tswana traditions, such as the "kgotla," or village council, in which the powers of traditional leaders were limited by custom and law. Currently, political debate in Botswana often centers on development and on regional economic and political issues. Although they find the policy of apartheid repugnant and support efforts to abolish it, the pragmatic Batswana maintain necessary economic ties with South Africa. No restrictions exist on the free movement of

government. The chiefs of the eight principal subgroups of the Batswana tribe are permanent ex-officio members, and four other members are elected by the subchiefs in the Chobe, North East, Ghanzi, and Kgalagadi Districts. The National Assembly may not proceed with any bill relating to matters of tribal concern unless a draft has been referred to the House of Chiefs.

Botswana's High Court is the trial court, with general civil and criminal jurisdiction. Judges are appointed by the president and may be removed only for cause and after a hearing. Chiefs and headmen preside over customary courts

(called "kgotla") constituted according to local custom for enforcing traditional law. The constitution contains a code of fundamental human rights, enforced by the courts.

Local government is administered by 10 district councils and 4 town councils. Executive authority is vested in the district commissioner, appointed by the central government and assisted by the elected and specially nominated district councillors and district development committees.

goods or people between the two countries, and Botswana is a member of the Southern Africa Customs Union. Recognizing Botswana's national security interests, the Batswana refuse to allow their territory to be used as a staging area for violent attacks on other countries of the region.

## ECONOMY

Since independence in 1966, Botswana's economy has grown at an 8%-14% rate. This growth has been almost exclusively fueled by mining, particularly of diamonds. Since the early 1980s, the country has become the world's largest producer of quality diamonds. Three large diamond mines are located in Botswana; all opened since independence. The proceeds of the diamond industry, considerable international grant and loan aid, and the prudent fiscal policies and wise economic management of the past 20 years have placed Botswana in an extremely strong financial position. Recently, the government has had consistent budget surpluses and, as of December 1989, almost \$2.8 billion in foreign exchange reserves.

### Mining

Two large mining companies, Debeers Botswana Mining (Debswana) and Bamangwato Concession, Ltd. (BCL), both partly government owned, operate mining facilities in the eastern and central regions of the country. Botswana produced a total of 15.2 million carats of diamonds from the three Debswana mines in 1988. BCL, which operated a copper-nickel mine at Selebi-Phikwe, produced 57,500 tons of semi-refined copper-nickel ore for export in 1988. In addition, Botswana's major coal mine at Morupule had a 1988 output of 612,000 tons. The Sua Pan soda ash project, which is expected to produce 300,000 tons of soda ash as well as 650,000 tons of salt yearly, will begin operation in mid-1991. The Francistown area has several small gold mines in operation.

Petroleum, coal, and natural gas deposits are currently being studied for future exploitation.

### Agriculture

Three-quarters of Botswana's people live in rural areas and are largely dependent

on subsistence and livestock farming. Cattle raising is historically a dominant aspect in Botswana's economy and social structure. Botswana's cattle herd has grown slowly in recent years to about 2.5 million head, but it still has not reached the pre-1980s drought level of almost 3 million. The government-owned Botswana Meat Commission, located in Lobatse, operates the largest abattoir in Africa and is the continent's largest meat export company. The Commission also operates smaller abattoirs in Francistown and Maun. Botswana exported about \$61 million of beef and beef products in 1988, mostly to Europe and South Africa. Farming, although marginal in the near-desert climate, continues to be a major means of employment. To increase food production, the government promotes dry-land and irrigation farming.

### Private-Sector Development and Foreign Investment

The government currently seeks to diversify Botswana's economy to achieve a better balanced and sustainable future growth. Emphasis is on private-sector development and foreign investment, considered important primarily for the much-needed managerial and technical expertise that accompanies such investment. Two areas receiving consideration are manufacturing and tourism. Extensive national parks and wildlife areas, covering more than 17% of Botswana's land area, provide the potential for considerable tourism development.

US investment in Botswana, though still relatively minor, is growing steadily. In 1987, two American companies, Heinz and Colgate-Palmolive, agreed to establish plants there. Since then, Phelps-Dodge and Interkiln Corp., of Houston, Texas, have initiated investments in the country.

### Transportation and Communications

Botswana has about 2,000 kilometers (1,200 mi.) of paved roads, 1,266 kilometers (785 mi.) of engineered gravel roads, and 4,875 kilometers (3,022 mi.) of earth-and-sand roads. The US Agency for International Development (USAID) funded the paving of the Nata-Kazungula road, completed in 1984, linking the country's main highway with Zambia. Botswana's one rail line (714 kilometers—443 mi.) links the major population

centers to Zimbabwe and South Africa, although a new 173 kilometer (104 mi.) line between Francistown and the Sua Pan soda ash project is expected to be completed in April 1991. Botswana depends on South Africa for more than 85% of its imports (which either come from South Africa or pass through South African ports) and for beef and copper-nickel ore exports. Botswana has nine permanent-surface airfields, two with runways more than 2,000 meters (6,600 ft.). Sir Seretse Khama International Airport in Gaborone has connections to all southern African countries, including South Africa, as well as direct flights to Nairobi, London, and Paris.

Botswana instituted international direct-dialing telephone service for urban areas in late 1986. Automatic direct-dial access gradually is being extended to more remote rural areas.

## DEFENSE

According to Botswana's constitution as amended in 1975, the president is the commander in chief of the Botswana Defense Force (BDF). The BDF was formed in 1977, largely in response to the

## Southern African Customs Union (SACU)

Based on history and geography, Botswana long has had strong economic ties with South Africa. The Southern African Customs Union, which includes Botswana, Lesotho, Swaziland, and South Africa, dates from the formation of the Union of South Africa in 1910. According to the terms of this agreement, South Africa levies and collects most of the customs, sales, and excise duties for the four countries, paying out a share of the collections to each, based on each country's level of imports. Imports from outside the customs area are subject to common tariff rates and regulations.

The customs agreement was renegotiated in 1969, and Botswana's share of the revenue increased from \$1.7 million in 1968 to almost \$141 million in 1988-89, accounting for some 13% of the government's revenues. In 1976, Botswana began to issue its own currency, the pula, which is fully convertible. It is evaluated against a basket of currencies that is heavily weighted to the South African rand but recently has been valued 30% above the rand.

## Travel Notes

**Customs:** American citizens do not need visas to enter Botswana. They may stay for up to 90 days without a residence permit.

**Health:** Botswana's climate is basically healthful, and tapwater is potable in the major towns. Seek advice before swimming in lakes or rivers, in which bilharzia (causing schistosomiasis) is prevalent. Hepatitis is a problem in urban areas.

**Transportation:** Botswana is served by air from Johannesburg, South Africa; Nairobi, Kenya by Kenya Air and Air Botswana; London, England by British Airways; Paris, France by UTA; Lusaka, Zambia, and Harare, Zimbabwe, by Air Botswana, AirZimbabwe, Royal Swazi Airlines, and Zambia Airways. Rental cars are available in Gaborone and other major towns. Traffic moves on the left.

**Tourist attractions:** Roughly 16% of the land has been designated as national parks or game reserves, and Botswana's Chobe National Park and Moremi Wildlife Reserve are considered superb in terms of wildlife and setting. The Okavango Delta also is a major tourist area. Hotel facilities are comfortable in all major centers.

**National holidays:** Business establishments and the US Embassy may be closed on the following holidays:

New Year's Day	January 2
Good Friday	varies
Easter Monday	varies
Ascension Thursday	varies
President's Day	July 16
Botswana Day	September 30
Christmas Day	December 25
Boxing Day	December 26

Rhodesian conflict, which was affecting Botswana. It currently has about 5,000 members of whom 280 serve in the Air Wing.

Facing a threat of overt or covert military raids from South Africa directed against believed ANC targets, Botswana has embarked on modest modernization and expansion of the BDF, including acquisition of air defense and anti-tank weapons, as well as a small number of jet fighters, transport aircraft, and helicopters. The United States has provided

more than \$35 million in military assistance, and about 250 BDF soldiers and officers have received military training in the United States.

## FOREIGN RELATIONS

Botswana is opposed to South Africa's policy of apartheid and has no formal diplomatic relations with that country. It does not recognize the independence of so-called homelands, including its neighbor Bophuthatswana, which is populated by the same ethnic Tswana group as Botswana. In part because of its geographic location and reliance on South African transportation systems and goods, which will continue with a post-apartheid South Africa, Botswana, nevertheless, maintains a pragmatic working relationship and close economic ties with South Africa. This includes police contacts in criminal matters and day-to-day customs union and other economic activities. Substantial foreign investment in Botswana comes from South Africa, a situation also dictated by geography and unlikely to change markedly in the near future.

Botswana has formal diplomatic relations with most African countries and with many West and East European nations and Arab countries. Most ambassadors accredited to Botswana reside in Harare or Lusaka, with only 12 diplomatic missions maintaining a full-time presence in Gaborone, including the United States, Soviet Union, People's Republic of China (PRC), Poland, United Kingdom, and several other West European nations. Multilateral and bilateral aid donors include the United States, the European Community (EC) and individual EC member states, the Nordic states, multilateral development banks, and the PRC.

Currently, Botswana maintains eight diplomatic missions abroad. It is a member of numerous international organizations, including the United Nations and various UN-related organizations, the Organization of African Unity, the front-line states, and of SADCC. Botswana has very good relations with other southern African countries and fully supports regional efforts at economic integration and political independence. It generally follows a nonaligned policy in international forums, voting with its African colleagues on most issues.

## US-BOTSWANA RELATIONS

The United States supports Botswana's progressive political, economic, and social development as a nonracial, democratic, independent nation, and recognizes it as an important force for stability in the turbulent southern African region. The United States operates a Peace Corps program, (more than 200 volunteers), which provides development assistance and food aid, and has an investment guarantee agreement with the Botswana government. The United States also seeks to encourage private-sector growth in Botswana and to expand the role of American investment and trade in Botswana's program of economic development.

Total US assistance from FY 1965 to FY 1989 was some \$289 million, or an average of about \$12 million annually. In FY 1988, combined US assistance from all sources was \$28.2 million, and the amount for FY 1989 for all donors was \$28.7 million. US assistance has emphasized education, including primary and secondary school curriculum development, and funding of training and education both in Botswana and other countries. Since 1965, more than 800 Botswana have completed US-funded studies at the

## Southern African Development Coordination Conference

Gaborone houses the Executive Secretariat of SADCC, an organization of 10 southern African nations formed in 1980 to accelerate regional economic growth and reduce members' economic dependence on South Africa. Because the entire region is highly dependent on South Africa's transportation network for import and export routes, the main focus of SADCC efforts thus far has been on development of alternative shorter and cheaper transportation routes. Although its geographic location makes this effort of limited relevance to Botswana, it has fully supported SADCC programs.

The Botswana accept the interdependence of the region and the continued importance of South Africa as its largest and richest state and fully intend to continue economic ties with that nation. Nevertheless, they also fully support efforts to reduce South Africa's regional domination.

undergraduate or graduate level in the United States, and many more have been to the United States for shorter term training programs. The United States also maintains an active Fulbright program with Botswana, in which four or five American Fulbright Scholars spend an academic year at the University of Botswana. Several Botswana generally come to the United States on Fulbright or other academic grants each year.

The United States operates a small Voice of America (VOA) relay station at Selebi-Phikwe, near Francistown, which is being expanded to improve the quality of VOA transmissions in southern Africa. It is the only such facility in southern or eastern Africa.

#### **Principal US Officials**

Ambassador—David Passage  
Deputy Chief of Mission—Jimmy Kolker  
AID Mission Director—vacant  
Public Affairs Officer—Alice LeMaistre  
Peace Corps Director—Lloyd O. Pierson

The address of the US Embassy in Botswana is Embassy Drive, P.O. Box 90, Gaborone, Botswana (tel. 353982; fax 356947; telex 2554 BD); USAID address is Barclays House, 3rd floor, Khama Crescent, P.O. Box 2427, Gaborone; USIS, P.O. Box 90, Gaborone; VOA, Botswana Relay Station, Private Bag 38, Selebi-

Phikwe; Peace Corps, 133 Independence Ave., P.O. Box 93, Gaborone. The long distance telephone country code for Botswana is 267. ■

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## Investment Climate Statement

for

Botswana

The following concerns the investment climate in Botswana. The information was compiled by the United States Department of State and was made available to the Overseas Private Investment Corporation (OPIC) for use in Investor Information Service (IIS) information kits.

Every attempt has been made to provide you with a quality copy of the original Department of State Airgram. The information is unclassified and is intended to provide interested investors with a general overview of the country's investment climate situation.

Investment climate information is supplied by American embassies abroad. The information contained in this document represents the latest available data of this type concerning foreign investment in the country indicated above.

For further information concerning the Overseas Private Investment Corporation or the Investor Information Service, please write or call:

Information Officer  
Overseas Private Investment Corporation  
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Washington, D.C. 20527

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\* Individuals residing outside of the Washington, D.C. metropolitan area may call (800) 424-6742.

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INVESTMENT CLIMATE STATEMENT

BOTSWANA

APRIL 1990

A. ECONOMIC OVERVIEW

Since independence in 1966, Botswana's economic growth has been one of the most rapid in Africa, often exceeding 10% per year. Most of this growth was due to the development of the country's mineral resources -- diamonds in particular, and copper/nickel ore -- as well as beef. Since 1974, Botswana, in partnership with DeBeers of South Africa, has opened three major diamond mines. In 1989, these mines produced about 15.6 million carats, making Botswana one of the world's largest diamond producers. The high percentage of gems among Botswana's diamond production makes it the world's most important source of gem diamonds; by value, it accounts for 60 percent of De Beers total diamond revenues. Botswana's diamond exports in 1989 accounted for \$1.41 billion. Diamond revenues provide over 60% of the government's total revenue.

Copper/nickel ore is mined by a consortium which includes the Government of Botswana, Anglo-American Corporation of South Africa, and AMAX of Greenwich, Connecticut. This operation has experienced numerous technical and financial problems since it opened in 1974. It now has one of the most efficient processing plants in the world, but problems in the initiation of the flash smelter processing, and years of depressed prices for copper and nickel resulted in a very high level of debt for many years. However, the mine has shown strong earnings in recent years as the operation has improved and nickel prices have recovered somewhat. BCL has been able to retire all of its senior debt and much of its subordinated debt. Although for a period AMAX tried to extricate itself from the investment, improved BCL performance has put any such plans on hold for the time being.

For the foreseeable future, Botswana's exploitable reserves of coal (estimated at at least 30 billion tons) will be mined only for internal consumption, primarily for the generation of electricity. The Morupule Power Station, co-located with the colliery operated by Anglo-American, came on line in early 1987 and has helped make Botswana essentially self-sufficient in electricity. Despite the enormous reserves, coal export is not feasible at this time due to the cost of transport and the low quality of the coal. However, the government is making a preliminary investigation of a possible large coal-fired power generating plant to export power, co-located with a large coal mine.

The Sua Pan Soda Ash project, a joint venture of a South African consortium led by the chemical company AECI, and the Government of Botswana, is presently under development. Production is slated to begin in mid-1991. The project expects to export about 300,000 tons of soda ash and perhaps 400,000 tons of salt per year to other African countries, primarily to South Africa. This would help to reduce the trade imbalance with South Africa and will provide Botswana with another (non-diamond) source of revenue and employment.

Through special agreements with the European Economic Community (EEC) under the Lome Convention, Botswana beef enters European markets duty-free and at a price anywhere from two to five times the world market price. In 1989, Botswana earned some \$73 million from the sale of beef, the major portion of which was sold to the EEC. Although cattle ownership is skewed toward large cattle holders, it still provides the most immediate and direct access to an export market for the majority of the country's population.

Although over 75% of the population of about 1.3 million lives in rural areas and depends at least partially on subsistence agriculture, Botswana's aridity is a major drawback to productive dry-land farming. Production levels have recovered somewhat from the levels of the 1981-87 drought, but they still fall far short of the government's previous goal of self-sufficiency in cereal grains by the 1990's. The government has recently announced that it will shift its goal to that of food security, with Botswana producing those foodstuffs that it can economically, and importing others. Although the Government has encouraged the private sector to become involved in several irrigated farming projects in the river valleys on the eastern and northern borders and in the lands near the Okavango Delta in the northwest, the drought, the very high cost of water for irrigation, and long distances from major markets have limited the success of most large commercial farming ventures.

Infrastructure has improved enormously during the past twenty years. With negligible paved road surface at independence, Botswana now has about 2000 miles paved, primarily the major north-south artery connecting Botswana's major cities and villages with South Africa, Zimbabwe, and Zambia; and spurs off this main road to recently developed towns such as Selebi-Phikwe, Orapa, and Jwaneng. Additional gravel (800 miles) and dirt/sand (3000 miles) roads connect most parts of the country, albeit in many areas requiring four-wheel drive capability. An ongoing series of projects, funded in part by bilateral and multilateral aid, has concentrated on improving road connections between the more densely populated eastern side of the country and the more sparsely settled western areas. One major project is the Trans-Kalahari road, which will connect Jwaneng with Ghanzi and Mamuno on the Namibian border. The first sections of this road are presently under construction, with the remainder to be completed in the next few years. This route would provide an alternate market outlet for western Botswana beef and other livestock products, particularly if the future sees a fairly stable Namibia.

In 1987, Botswana took over from the National Railways of Zimbabwe the railway segment between Zimbabwe and South Africa, but regional conditions, including attempts by other Frontline States to reduce transport dependency on South Africa, have greatly reduced the level of traffic on that line, which led to initially large revenue losses to the nascent Botswana Railways. Botswana Railways continues to lose money due to major capital expenditures, but its financial picture is improving and it hopes to be profitable within two years. The idea of a Trans-Kalahari Railway to Walvis Bay, Namibia, is unlikely to come to fruition in the near future. The railway has made one major expansion in the form of the new 104 mile line to link the Sua Pan soda ash project with Francistown. The line expects to carry 800,000 tons per year of soda ash and salt within five years.

Botswana's manufacturing sector was almost non-existent prior to independence, and was kept at a fairly low priority during the early years of independence as the government concentrated on physical and social infrastructure development. Botswana still has no heavy industry of any kind, but light industry has seen increasing growth in recent years. Manufacturing output grew by almost 20 percent in 1989, but it still accounts for a little over 3 percent of GDP. Most entrepreneurs have concentrated on import substitution for the local market, sometimes with tariff protection within the parameters of the Southern African Customs Union (SACU) of which Botswana -- with

South Africa, Lesotho, Namibia, and Swaziland -- is a member. In recent years, a few successful export-oriented firms have arisen, primarily in textiles and garment manufacturing. The Government, faced with a rapidly increasing population of unemployed youth, looks to the private sector, especially light industry, to generate greater employment during the next decade.

In 1988 Botswana's total exports -- primarily diamonds, copper/nickel matte, and beef -- were valued at \$1.38 billion, divided between Switzerland (the initial shipment point for diamonds), the SACU countries, other African countries (primarily Zimbabwe), the United Kingdom, and other countries. Because of limited natural resources and an infant manufacturing sector, Botswana imports almost everything, especially fuel, machinery and vehicles, chemicals, and foodstuffs. In 1988, total imports reached almost \$1.27 billion, over 80 percent of which came from or through South Africa.

One can be cautiously optimistic about the Botswana economy: the economy continues to experience some of the highest growth rates in sub-Saharan Africa, although they have slowed down somewhat from the boom years of the seventies. Rapid population growth, urbanization, and both rural and urban unemployment pose serious difficulties for the future. Since Botswana sells most of its exports (diamonds) in dollars and buys most of its imports from South Africa in rand, the exchange rate of these two currencies plays an exaggerated role in its economic situation. Much of the recent apparent expansion of the economy has in fact resulted more from fluctuating exchange levels than from real economic growth, and much of what growth has occurred has been almost entirely restricted to the mineral sector.

Botswana's economic managers -- conservative and efficient -- have demonstrated the capacity to take tough decisions to ensure fiscal and balance of payments equilibrium. As a result, Botswana's economy is financially one of the healthiest in Africa. The central bank holds foreign exchange reserves of almost \$2.8 billion, equivalent to twenty-nine months of imports. Given Botswana's combination of dependence on diamonds and on imports from and through South Africa, larger exchange reserves than in most developed countries are probably required, although many economists question whether the current level is fully justified. Many feel, however, that to maintain healthy growth and combat the problems of unemployment, as well as to continue its development and economic expansion, Botswana will have to open its economy even more to attract sufficient foreign investment.

The Customs Union agreement permits members to seek tariff protection for up to eight years for infant industries. However, the Government of Botswana has sought such protection very rarely. Tariffs for goods entering Botswana are set according to standards of the Customs Union at the port of entry, most often in South Africa. No further duties are levied by individual members of the Customs Union.

The Industrial Development Policy, adopted by Parliament on October 31, 1984, spells out the Government's perception of the relationship between Botswana and foreign investors. Basically, the Government expects that foreign investors will identify with Botswana's development aspirations and participate fully in the country's economic life. Specifically, investors should encourage the growth of a cadre of local employees through appropriate training programs, and offer shares and other economic benefits for citizen participation as they would to other foreign investors.

In return, the Government offers fair and equitable treatment regarding taxation and exchange control. In practice, investors receive the following advantages:

- full remittance abroad, subject only to withholding tax at 15%, of interest and dividend incomes earned by non-citizens;
- full repatriation rights in the event of sale or liquidation of a company;
- no exchange controls or delays in payments for imports of goods or services;
- authorization for expatriate employees to remit each year 50% of their gross earnings up to 25,000 Pula (\$13,100) without Bank of Botswana approval. (The Bank approves greater remittances routinely upon submission of the documents requested.)

Some of the problems which have been identified as limiting the success of Botswana's efforts to attract foreign investment include bureaucratic delays in obtaining residence and work permits for expatriates; relatively high corporate taxation (currently at 40%); limited availability of housing and schooling for expatriate personnel; and relatively high wage levels by third world standards. These and other problems are being addressed by the Government of Botswana in a serious effort to boost the level of (non-South African) foreign investment coming into the country.

### C. RULES AND REGULATIONS COVERING INVESTMENT

Botswana has relatively few rules and regulations governing foreign investment. However, like many countries in Africa, the long range goal of the Government is ownership of, or at least participation in, businesses by citizens. Recognizing the unique contributions of the private sector to the economy, the Government will participate directly in businesses generally only in very large projects or projects which are of a sensitive and strategic nature for which some Government control is absolutely necessary. Since independence, Government has insisted on being a partner only in major mining projects.

Where indirect participation is deemed necessary for the success of a desired project, the Government will participate through parastatals such as the Botswana Development Corporation in certain categories of business:

- where it is in the best interest of the nation that an economic rent be transferred to government as a share of returns to equity instead of being charged as simple royalty;
- where there is a foreseeable possibility of passing control to citizen shareholders in a relatively short period (3-5 years);
- where the project has been identified as profitable and economically beneficial but despite active promotion, has not been undertaken by the private sector or would not be without Government intervention;
- Where the investment will add to the skills of the local work force, produce products which can be substituted for imports, and/or generate additional business opportunities;
- where the project would give considerable economic or rural development benefits, but little or no financial return.

Despite this concern with participation in certain industries, the Government is not involved in direct managerial influence or control. It regards competent manpower as too scarce a commodity for that luxury. It may insist, however, on a seat on the board of directors.

Certain business opportunities are currently restricted to citizen entrepreneurs. These reserved businesses include filling stations, butcheries, dairies, security guard services, general trading stores (excluding chain stores), and village-type restaurants, as well as simple specialty businesses such as clothing boutiques, manufacture of school uniforms, furniture, milling, and cement brick-making. In addition, certain types of government contracts are reserved for local businesses: road maintenance, fencing, culvert construction, and bridge painting. None of these areas are likely to be of interest to an American investor.

While no formal screening procedures exist, potential investors are encouraged to contact officials of the Trade Investment Promotion Agency (TIPA) in the Ministry of Commerce and Industry (MCI). TIPA was established in 1984 to provide "one-stop" service for investors: provision of information about domestic and export markets and assistance in registration of their firms and acquisition of industrial licenses. Officials are supposed to advise on the viability of the project and the likelihood of receiving a manufacturing license. Some local commentators have said that the effectiveness and follow-through of TIPA is not always as rapid or thorough as would be desired. However, we are hoping that the efforts currently underway to improve assistance to investors will lead to a stronger TIPA. Other sources of help to potential investors are: the Botswana Development Corporation (BDC), the Selebi-Phikwe Regional Development Project, and the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM - the employers' federation).

The MCI does not promote monopolies but officials have an obligation to assure that an existing firm -- especially if citizen-owned -- will not be displaced; the MCI believes that one strong firm is better than two unstable, struggling firms.

While there is no stated policy on geographic preference, the Government encourages industrial development throughout the country, away from the already built-up areas (such as around Gaborone, the capital city), in an attempt to improve life in the rural areas. Target areas for dispersed development are Francistown and Selebi-Phikwe in the northeastern part of Botswana. Both cities are on the main rail line and both have access to assured water supplies, a critical factor for development in this arid country.

The Government of Botswana has never nationalized or expropriated an industry or property owned by a non-citizen. By law, the Government cannot take over any property without providing appropriate and prompt compensation. The Government of Botswana signed an Investment Guarantee Treaty with the United States in 1968. There are no restrictions on reinvestments and/or repatriation of earnings and capital. Royalty payments and other such similar payments may be paid outside of Botswana upon presentation of appropriate documentation to the Bank of Botswana. Botswana is not a member of WIPO (World Intellectual Property Organization), but it is currently drafting an Industrial Property Act with the assistance of WIPO. United Kingdom patents receive automatic

registration, and South African patents may receive automatic registration upon application and payment of a nominal fee. Botswana has a Copyright Act, and in practice has said it will afford reciprocal status to United States copyrights. However, Botswana's status vis-a-vis the Berne and Universal Copyright Conventions is still unclear. WIPO does not regard Botswana as a party to these conventions. Botswana has now joined the Industrial Property Organization for English-Speaking Africa (ESAWIPO), which acts in liaison with European/American patenting organizations (including WIPO) and member countries in Africa.

Foreign investors have free access to local credit markets within a prescribed framework. A foreign investor may borrow up to Pula 100,000 (\$52,600) without difficulty. In excess of that amount, the ratio of local borrowing to total effective capital is four for one. In the case of a loan from a parent company to a locally-based subsidiary, the money must remain in-country for a minimum of two years before it can be repaid. Loans from an unrelated third party can be paid back within the two years without presentation of the appropriate documents (e.g., repayment schedule) to the Bank of Botswana.

Company taxes are levied on capital gains and income at the rate of 40% of net. Certain exemptions are outlined below in discussion of the Financial Assistance Policy (FAP). Non-resident shareholders are subject to a once-and-for-all non-refundable tax of 15% on dividends. However, Minister of Finance and Development Planning Festus Mogae proposed in February 1990 that taxation of corporate dividends be eliminated. Botswana law contains provisions for Government-to-Government agreements for the avoidance of double taxation. To date such agreements have been signed between Botswana and the UK, South Africa, and Sweden.

#### D. INVESTMENT INCENTIVES: FINANCIAL ASSISTANCE POLICY

##### Financial Assistance Policy

The Financial Assistance Policy (FAP), introduced in 1982, provides incentives in the form of tax breaks or cash grants for local and foreign investors. Incentives are available to foreign investors for projects valued at over 25,000 Pula (currently about \$13,000). Government has established two FAP packages: the Automatic Financial Assistance (AFA), available only to new investments in the manufacturing sector; and the Case-by-Case Financial Assistance (CFA), available for new investments and expansions of existing productive activities.

1. AFA. The AFA involves a minimum of Government scrutiny and red tape. Once the grant is approved, the investor knows exactly what assistance the project will receive. The investor must have obtained an industrial license and must be registered. The Government seeks to assure itself that the new business will not be in significant competition with existing domestic producers. The AFA consists of three components:

(a) Tax Holiday -- the business is reimbursed for taxes paid during the first five years at percentages of 100%, 100%, 75%, 50%, and 25% respectively (three years at 100% in rural areas);

(b) Unskilled Labor Grant -- For laborers earning less than P12.87 per day (as of June 1989), the business is reimbursed a portion of the wage bill for the first five years at the annual percentage rate of 80%, 80%, 60%, 40% and 20% respectively.

(c) Training Grant -- Automatic reimbursement of 50% of off-the-job training costs for the first five years of operation provided training is completed at an institution licensed by the Botswana Ministry of Education; half of costs for training at other institutions or off-the-job training done with the business may also be reimbursed with prior authorization.

All reimbursements are made at three month intervals and are taxable.

2. CFA. Case-by-Case Financial Assistance takes into account the expected economic rate of return of the business from Botswana's point of view, and thus involves a detailed application including profit forecasts, capital expenditures, marketing plans, etc. The project must yield a real economic rate of at least six percent per annum in order to be considered for assistance. The evaluation process favors labor-intensive versus capital-intensive projects, as citizen employment is one of the major goals of the policy. Grants consist of four components, all of which are taxable:

(a) Capital Grant -- As much as P1,000 may be paid towards the fixed costs of the project per citizen job created. The amount depends upon the location of the investment, with rural areas and the western part of the country heavily favored.

(b) Sales Augmentation Grant -- The grant is given over the first five years at maximum rates respectively of 8%, 8%, 6%, 4%, and 2% of sales revenue of the project, though projects in urban areas often receive a much lower percentage. If the project can satisfy a large proportion of the domestic market (i.e., 60%), Government might seek customs protection.

(c) Unskilled Labor Grant -- as under AFA.

(d) Training Grant -- as under AFA.

Since its inception in 1982, the Government has committed more than P100 million for some 2000 projects; about 85% of the funds went to medium- and large-scale projects, which have created or will create more than 11,000 jobs for residents of Botswana.

Additional Incentives for Selebi-Phikwe -- Certain investors may benefit from additional incentives for projects in Selebi-Phikwe, which are designed to reduce the town's dependence on copper-nickel mining. Selebi-Phikwe is a town of 46,000 located in East-Central Botswana. These incentives are in addition to FAP grants.

-- Requirements: Eligible firms must be established international firms in existence for at least ten years; they must set up a project in Selebi-Phikwe which employs at least 400 Botswana citizens within 2 years of start-up and exports 100 percent of its output outside of SADCC and SACU; the investors must put in at least 25 percent of the project's combined fixed and working capital as equity.

-- Special Incentives: Eligible companies will be taxed at a nominal rate of 15 percent for the first 20 years of the project, and they will be exempt from withholding tax on dividends for the first 10 years. FAP capital grants toward the fixed cost of the project will be 65 % of the costs or 1,000 Pula per citizen job created, whichever is the lesser.

Performance Requirements. The Government of Botswana imposes no performance requirements, allowing the incentives provided by the FAP to set the pace. Items qualifying as "made in Botswana" are eligible for a 12.5% preference in competition to fill contracts tendered by the Government and parastatals. At least 25% of production costs must be represented by materials wholly produced or manufactured in Botswana and used directly in the manufacture of the goods concerned and by labor employed directly in the manufacture of such goods. The last stage of the production process must take place in Botswana. The Government does not provide export subsidies, but the Customs Union Agreement does permit a "duty drawback" for firms which import an item, further process it, and re-export it.

Employment of Host Country Nationals. The Government imposes no specific quotas for employing host country nationals, but it is official policy that no expatriate should hold a position for which a qualified Botswana citizen is available. In general, firms have no difficulty hiring expatriate professionals (e.g., accountants), but will have difficulty hiring expatriates for mid-level management positions for which the Government believes qualified Botswana are available. A firm with that intention must submit a localization program with the request for a work permit. The program must indicate

the name of the local trainee and when he/she will be able to move into the position. In general, local businessmen have not found the government's demands or interpretations onerous, although bureaucratic delays in processing can sometimes be a problem. The Ministry of Labor and Home Affairs has recently made a concerted effort to speed up the processing of work and residence permits.

Export Opportunities. While the internal market in Botswana is relatively small, Botswana is a member of various international organizations which increase the potential market severalfold. The Southern African Customs Union -- comprising Botswana, Lesotho, Swaziland, and South Africa -- has a total population of about 33 million people. Through accession to the Lome Convention, many items "made in Botswana" enter the European market at duty free rates. Certain items enter the United States duty-free through Botswana's participation in the Generalized System of Preferences (GSP). Under a bilateral trade agreement with Zimbabwe, Botswana-origin products with a local content of at least 25 percent are afforded tariff-free entry. However, Zimbabwean officials interpret local content very narrowly, and few Botswana manufactures have in practice qualified for tariff-free entry into Zimbabwe. Botswana is also a member of the Southern African Development Coordination Conference (SADCC), which although not an economic trading entity, does provide an informal structure and encourage trade relationships among the southern African nation members. In the future, as the economies of these neighboring African countries become less volatile, Botswana products should be able to develop new markets. At present, certain items essential to economic development (such as items for mining) could be produced in Botswana for export to neighboring countries.

Publications. Business firms located in Botswana have demonstrated their support for investment by publishing, at their own expense, aids for foreign (and local) businessmen. Barclays Bank publishes biennially a Business Guide to Botswana, which provides an extremely useful overview of Botswana's business and economy. This excellent guide may be obtained from the Commercial Section of the U.S. Embassy in Gaborone or by writing directly to Barclay's Bank of Botswana Limited, P.O. Box 478, Gaborone, Botswana, Telex 2417 BAHOF BD. The local accounting firms -- Deloitte, Haskins, and Sells; Price Waterhouse; and Coopers and Lybrands -- produce up-to-date advice on changes in taxation and investment laws in Botswana, as well as information booklets on programs such as the Financial Assistance Policy. The Ministry of Commerce and Industry also produces a number of helpful publications about

investing in Botswana. Plans are underway to establish a Small Business Center, which will serve as a clearing house on investment in Botswana. The U.S. Agency for International Development (USAID) is supporting this and other efforts designed to strengthen private sector development in Botswana.

While the general investment climate in Botswana is excellent, potential investors should be aware of a few problems. Because of different types of land tenure in Botswana -- tribal land and state land -- there has been a shortage of industrial land available for development in recent years. The Government is very aware of the problem and is negotiating with other land-holding bodies to obtain the necessary land.

Water and electricity charges are higher than in some neighboring countries. All electricity is produced by thermal generating plants and currently varies in cost from about \$0.06 to \$0.15 per KWH, depending on the location, amount used, and type of use (domestic, industrial and commercial, or government). Water rates range from \$0.21 to \$1.40 per kiloliter, depending on the consumption rate, with higher rates for higher consumption reflecting the value of this scarce commodity in Botswana. At consumption rates of 40 KL and above per month, the price ranges from \$0.65 to \$1.40 per KL, with the highest rates in Gaborone and Lobatse in the south and lowest in Selebi-Phikwe in the northeast.

#### E. ANTICIPATED CHANGES IN INVESTMENT POLICY

Botswana is a stable, functioning multi-party democracy which has several political parties and holds freely contested parliamentary elections every five years. The Botswana Democratic Party (BDP), which has dominated the political scene since independence, was re-elected to power by a large majority in October 1989. Despite recent gains by the opposition Botswana National Front in the urban areas, there is no indication that Botswana's general adherence to market forces in its economic approach will change in the foreseeable future. In fact, the Botswana Democratic Party openly and specifically committed itself in its 1989 Election Manifesto to attracting increased foreign investment.

#### F. INVESTMENT DISPUTES

The Government has not been involved in any significant investment disputes during the past fifteen years, although there have been periods of intense negotiations between the Government of Botswana and other shareholders of companies in which the Government is a partner. The Government has not insisted on special prerogatives or privileges but has sought to arrive at a solution mutually agreeable to all shareholders. The Government has not nationalized or confiscated any industry. Botswana is a member of the International Center for the Settlement of Investment Disputes (ICSID). Botswana has also recently joined the Multilateral Investment Guarantee Agency (MIGA). The Constitution insists upon full and prompt compensation if the Government should seize private property.

#### G. BILATERAL INVESTMENT TREATIES

Botswana has not entered into any investment agreements, nor are any planned in the foreseeable future. Such programs have been suggested to the Government by various countries, including the United States, but thus far the Government of Botswana has not perceived them to carry sufficient advantages, and discussions have not progressed beyond initial stages.

#### H. OPIC PROGRAMS

The Government of Botswana signed an investment guarantee agreement with the United States in 1968. A number of major American companies currently have OPIC insurance for their investments in Botswana. OPIC sponsored a Trade and Investment Mission to Botswana in April 1989, which resulted in at least one major new U.S. investment in Botswana, by Interkiln Corp. of Houston.

#### I. LABOR

Botswana has an abundance of unskilled labor, but suffers a severe lack of skilled labor and professionals -- artisans as well as office workers. For this reason, a large number of expatriates with skills unavailable in the local labor market are very visible in the public and private sector. Though localization has proceeded at a steady pace, and many civil service jobs have been turned over to Botswana in the last few years, the Government continues to be under some pressure to increase the rate of localization.

In general, businessmen in need of expatriate expertise have been able to hire the manpower they need from abroad and obtain the necessary work permits, though there are continuing complaints of excessive bureaucratic delays. However, the Government has publically committed itself to improving delivery of work permits and renewals. Work permits are valid for two years and are renewable, but there is no guarantee that a particular permit will be renewed. In addition, it has recently been proposed to allow prospective investors an initial three month residence permit by registering with TIPPA, and actual investors may obtain a five-year residence permit, which is renewable. Problems with work permits have apparently caused some potential investors to judge the risks not worth the potential return of an investment in Botswana, and may, along with the small market and transport distances and difficulties, have seriously impeded the growth of foreign investments in Botswana.

Labor legislation controls minimum wages, the length of the workweek, annual and maternity leave, hiring and termination. There is no provision for sick leave although it is given in practice. Dismissal of workers is allowed if there is misconduct, willful disobedience, lack of skill, substantial neglect of duties or unexcused absence from work.

Government sets hourly minimum wage rates for some types of employment, including construction, manufacturing, and wholesale and retail trade. Minimum hourly wages are currently set at between P0.65 and P0.83 (\$0.34 to \$0.44). In order to limit wage inequality and insure that private and public sector wages are comparable, a Wage Advisory Board including representatives of the Government, Employers, and Employees meets to discuss across-the-board wage increases granted to public sector employees and generally duplicated by private sector employers. The Government is presently engaged in a major review of its income policies. The Workmen's Compensation Act places a legal obligation on employers to pay compensation benefits for a person incapacitated, killed, or injured by accidents arising during the hours of employment.

Botswana's dozen or so trade unions are governed by the Trade Union Act. Most are members of the Botswana Federation of Trade Unions, which is loosely affiliated with the western-oriented International Confederation of Free Trade Unions (ICFTU). Although trade unions are legal in Botswana, government does keep unions on a short leash, especially by insisting that union members must be employed full-time in their trade, thus preventing the emergence of paid full-time union organizers. The strongest union is in mining, followed

by railway workers. Other segments of the working community are unorganized or poorly organized (e.g. construction workers, clerks, domestic help, agricultural workers). Industrial relations have been increasingly contentious in recent years; several major wildcat strikes occurred in 1989, the most important among bank employees and teachers. Since Botswana law requires an extensive period of arbitration before a strike vote may be called, most strikes are of a wildcat nature and are usually of short duration.

Government does not attempt in any way to set conditions on introduction of technology or labor-saving devices, but the FAP provides incentives for firms which hire the unskilled and provide training for employees.

#### J. FOREIGN TRADE ZONES/FREE PORTS

The investment incentives offered to exporters via the Selebi-Phikwe Regional Development Project are similar to some extent those of a foreign trade zone. For more details, see Section D.

#### K. CAPITAL OUTFLOW POLICY

The Government of Botswana maintains very liberal policies on repatriation of earnings and profits by non-residents. Residents who wish to invest outside of the country are not encouraged to do so since Botswana, as a developing country, needs capital here and attempts to encourage investment by citizens as well as by foreigners.

L. For further information, please contact the U.S. Embassy in Gaborone at P.O. Box 90, Gaborone, Botswana. (Tel: (267) 353982, FAX: (267) 356947.)

NOTE: All U.S. Dollar values given are based on an exchange rate of 1 Pula equals \$0.53. Changes from this exchange rate, if applicable, should be taken into account.

Drafted:POL/ECON:DKramer:DCM:JCarson



# ***Foreign Economic Trends and Their Implications for the United States***

SEPTEMBER 1990

BOTSWANA

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**BOTSWANA: KEY ECONOMIC INDICATORS**  
(In millions of U.S. dollars unless noted)

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989 (2)</u>
<b>Domestic Economy (1)</b>				
Population (000s) (est)	1128	1169	1212	1256
Population growth rate (%)	3.6	3.7	3.7	3.7
GDP	1196.8	1577.9	1871.2	2478.5
Real GDP growth (%)	8.0	10.2	9.0	13.5
Per capita GDP (\$)	1061	1350	1544	1974
Government budget surplus (3)	221.7	321.4	282.5	382.2
<b>Money and Prices</b>				
Money supply (M1)	454.3	840.2	979.0	1502.6
Prime lending rate (%)	10.0	10.0	7.5	8.0
Annual inflation rate (%)	10.8	8.1	10.4	11.5
Average annual exchange rate (US\$/Pula)	.535	.596	.551	.497
<b>Employment (4)</b>				
Formal Sector (000s)	130.1	150.2	169.5	191.9
- Private and parastatal	79.4	97.4	111.8	N/A
- Government	50.7	52.8	57.7	N/A
Migrant mineworkers in S. Africa	21.0	20.1	19.3	17.9
<b>Balance of Payments</b>				
Exports (f.o.b.)	857.7	1587.5	1479.4	1819.2
of which, diamonds	641.1	1342.5	1090.1	1411.0
Imports (f.o.b.)	612.2	804.4	994.0	1227.2
Trade balance	245.5	783.1	485.4	592.0
Current account balance	172.6	649.8	383.3	366.3
Foreign exchange reserves	1161.5	2013.0	2217.1	2791.0
<b>U.S.-Botswana Trade</b>				
Exports to Botswana (f.a.s.)	19.1	28.4	41.0	30.1
Imports from Botswana (c.i.f.)	2.4	6.9	8.7	16.7
U.S. share of Botswana imports (%)	3.2	3.5	4.1	2.5
U.S. share of Botswana exports (%)	0.3	0.4	0.6	1.0
U.S. bilateral aid (5)	28.2	27.7	18.0	15.0

Principal U.S. exports: Communications and computer equipment, aircraft, agricultural products.

Principal U.S. imports: Leather, hides and skins, unwrought nickel.

(1) For year ending June 30, unless otherwise noted.

(2) Figures for 1989 are estimates.

(3) For year ending March 31. Fiscal year runs from April to March.

(4) As of September 30.

(5) The large drop in bilateral aid largely reflects the phasing-out of food assistance related to the extended drought from 1981-87.

Sources: Central Statistics Office, Bank of Botswana,  
U.S. Department of Commerce.

### SUMMARY

Ranked among the poorest countries at independence in 1966, Botswana now boasts one of the highest per capita Gross Domestic Product (GDP) levels in Africa. Moreover, Botswana is one of the few genuine multi-party democracies in Africa, noted for its democratic traditions, political stability, and largely free market economy.

Botswana's main sources of revenue are sales of diamonds, copper-nickel, and beef, though manufacturing is also growing in importance. About one-eighth of the government's revenues come from customs duties. Cattle are the economic backbone of the country's rural population; more than 50 percent of the country's people make their livelihood from raising stock, and cattle outnumber people in Botswana by about two to one. Strong increases in diamond revenues have enabled Botswana to continue its impressive rates of economic growth, averaging 12.9 percent since 1965. Conservative and prudent economic management have kept Botswana from the pitfalls experienced by many developing countries.

The Government of Botswana has a liberal private foreign investment incentive scheme and welcomes joint venture operations. Botswana sent its first trade and investment mission to the United States in September 1985. The April 1989 investment mission to Botswana sponsored by the Overseas Private Investment Corporation (OPIC) has heightened interest among U.S. investors in Botswana and led to a major investment by a U.S. firm in a brick manufacturing facility.

Botswana's membership in the Southern African Customs Union (SACU) -- which also includes Lesotho, Namibia, South Africa, and Swaziland -- allows its products to be exported duty-free to the 35 million inhabitants of those countries. Botswana plays a leading role in the Southern African Development Coordination Conference (SADCC), an economic organization of all the black-ruled countries of southern Africa. As a signatory to the Lome IV Convention, Botswana enjoys duty-free access to the European Community for many of its products. The United States Generalized System of Preferences (GSP) also permits duty free entry to the United States from Botswana for a list of some 3,500 items.

U.S. exports to Botswana increased in value from about \$5 million in 1982 to over \$30 million in 1989. Major imports from the United States include radio navigation aids, agricultural products (mainly cereal grains and vegetable oils), aircraft, and television apparatus.

## PART A: CURRENT ECONOMIC SITUATION AND TRENDS

### I. SOURCES OF ECONOMIC GROWTH

Outlook: Although it was one of the world's poorest countries at independence, Botswana has shown some of the most rapid economic growth among developing countries. From 1980 to 1988, it had the third highest rate of real GNP growth in the world, trailing only the People's Republic of China and South Korea. Recent years have seen a continuation of strong economic expansion, with real GDP growth of 10.2 percent in 1986/87, 9.0 percent in 1987/88, and 13.5 percent in 1988/89. This growth has been achieved mainly through the development of its mineral resources, especially diamonds. Botswana also supports a strong cattle industry, exporting approximately \$73 million of livestock products in 1989. About half the population depends on cattle raising for its economic mainstay. Despite continued high growth rates, however, Botswana recognizes the need to diversify its economy to decrease its dependence on diamonds and on South Africa. As a member of the Southern African Development Coordination Conference (SADCC), and the host country for that organization's Executive Secretariat, Botswana is working with its neighbors to further the economic development and integration of the region.

Formal Employment: Approximately 47 percent of Botswana's labor force is employed in the formal sector. Government continues to be the largest employer, accounting for 34 percent of formal sector jobs. Other important employment sectors in 1988 were: commerce (about 17 percent of the formal sector jobs), construction (13 percent), services (11 percent), manufacturing (10 percent), transport (7 percent), and mining (4 percent). Additionally, just under 18,000 Botswana are employed in South African mines, although the importance of employment in the South African mines to the Botswana economy has gradually dwindled in recent years. Formal sector unemployment rates are difficult to estimate because of the large informal sector, but are probably at or above 25 percent.

Import Dependence: Because of the country's arid climate and small percentage of arable land (about 5 percent), as well as the recent drought, Botswana is not able to feed its own people. It relies heavily on imported food. Botswana also obtains most of its fuel, chemicals, machinery, and clothing from abroad. About 80 percent of the country's imports arrive via South Africa, and well over half of these are actually made there. Food, machinery, vehicles, and fuels comprise about 55 percent of the country's import expenses. In addition, Botswana is largely dependent on South Africa to ship its bulk export items: all of Botswana's beef, and much of its copper-nickel matte, are shipped from South African ports.

Balance of Payments: In 1989 Botswana registered a trade surplus of \$592 million. The strong export performance can be largely attributed to favorable conditions in the world market for diamonds, Botswana's main export, as well as to increased diamond production. Diamonds account for over 77 percent of Botswana's export revenues, while the remainder comes from copper/nickel matte (12 percent), beef (4 percent), and other exports (7 percent -- largely textile and consumer goods). Total estimated value of the country's 1989 exports was \$1.82 billion. Because of the relative strength of the dollar, in which most exports are priced, compared to the South African rand, in which most imports are priced, Botswana has built up a strong and healthy foreign exchange surplus with currency reserves equaling over \$2.8 billion at the end of 1989. This covers approximately 29 months of foreign trade. Botswana officials feel that such relatively large reserves are only a temporary phenomenon, as they believe diamond revenues will plateau in upcoming years and lead to budget and trade deficits over the medium term, which will then deplete the reserves. Outside economists argue that the level of reserves is higher than required, although they admit that Botswana will need greater reserves than other countries because of its landlocked situation and propensity for drought.

Botswana has run positive balance-of-payments accounts in all but one year (1981) since 1978. It is expected that this trend will continue in 1990 because of the government's consistent budget surplus and its large foreign exchange reserves.

Fiscal Policy: The government continues to follow a cautious fiscal policy, which has led to budget surpluses since 1983. The 1990/91 budget calls for a fiscal surplus of approximately \$255 million. Mineral revenues, primarily from diamonds, are expected to account for \$1.1 billion, or about 63 percent of the expected treasury receipts for the 1990/91 fiscal year.

Monetary Policy/Inflation: Botswana's currency, the Pula, is based on a currency basket composed of the South African Rand and Special Drawing Rights (SDR). In 1989, Botswana revalued the Pula by 5 percent against the Rand as a measure to reduce inflation imported from South Africa. Recently, the Pula has been trading approximately 30 percent higher than the Rand.

Although inflation eased throughout 1988, it began to accelerate in 1989, hovering in the 11 to 12 percent range. The government has pursued two strategies to combat inflation. The first strategy has involved the revaluation of the Pula to reduce the effect of price increases in South Africa. Although the annual inflation rate did drop from a high of 12.5 percent in mid-1989, the government believes it cannot continually revalue the Pula, lest it damage the competitiveness of Botswana's manufactured exports.

The second strategy has focused on an income policy that encourages wage restraint. Under this policy, private employers voluntarily follow the level of wage increases granted to public sector workers in similar jobs. The government believes that high wages for skilled employees would not relieve shortages, due to the absolute scarcity of trained personnel, while for unskilled workers, higher wages would only stimulate greater migration to the cities and add to inflationary pressures. With a booming economy that has led to ever-increasing demands for skilled workers, especially in the construction sector, there are increasing signs that the ability of the incomes policy to keep wages and inflation in check is weakening, since private sector employers are less willing to adhere to public sector wage scales. In addition to the incomes policy, a governmental advisory board sets minimum wages which are periodically revised.

Development Objectives: Faced with a high population growth rate and growing unemployment, Botswana is placing heavy emphasis on private sector growth and job creation, especially in manufacturing and agriculture. Botswana hopes that these efforts will create about 12,000 jobs per year, but with a very high population growth rate and a demographically young population, even this will fall short of providing jobs for all who will be entering the job market each year.

In part to stem the flow of job-seekers to the small but expanding urban areas, heavy emphasis is also placed on rural development. A floor price for farm goods is also seen as a means of increasing food production. The government has tried to promote arable agriculture in addition to stock raising and has investigated the development of irrigated agriculture in areas of northern Botswana near rivers. In early 1990, the government changed its emphasis from food self-sufficiency to food security: Botswana will no longer try to produce all its food but instead will attempt to produce those foodstuffs that economically can be raised in the country.

Areas of increased government expenditure include education, housing, primary health care, and commercial and trade development. The budget for educational, commercial, and local development programs has increased considerably over the last few years. School fees for secondary education were abolished in 1988, with the result that all education through university level is now free. At the same time, the government initiated a massive school construction and staffing program. Although this investment in education will reduce the persistent shortage of skilled manpower, it will put additional pressure on the economy to absorb individuals with only some primary or secondary education, a group whose numbers may already exceed the economy's demand for their skills.

Diamonds: Minerals are the mainspring of Botswana's economy, and diamonds are by far its largest foreign currency earning export. The country is one of the world's four largest

producers of diamonds (along with Australia, Zaire, and the Soviet Union), and the largest Western producer in terms of value, since a high proportion of Botswana's production are gem quality. Botswana produced over 15.2 million carats in 1989, worth more than \$1.35 billion. Diamonds account for approximately 35 percent of Botswana's GDP, 77 percent of its export revenues, and 60 percent of government revenues.

Copper-Nickel: Second in order of export earnings is Botswana's copper-nickel matte, produced at the Bamangwato Concessions Ltd. (BCL) mine and smelter at Selebi-Phikwe. Recent years of relatively high copper and nickel prices have allowed the firm to pay off most of its old debts. Because of a smelter shutdown and lower-than-expected ore grades, BCL's 1989 production of 49,754 metric tons (mt) was down from 1988. The value of BCL's copper/nickel production in 1989 was \$273 million.

Coal: Although Botswana possesses vast coal resources, estimated at some 35 billion mt, exploitation of coal has lagged because of high transportation costs and low world demand. Presently the Anglo-American Corporation mines 663,000 mt per year of coal at the Morepule colliery, most of which is burned at the Morupule power station. As a result, Botswana is self-sufficient in electricity. The government is also considering opening a much larger coal mine with an adjacent power station near Mmamabula to export power to South Africa in the beginning of the next century.

Soda Ash: After over a decade of study, the Sua Pan Soda Ash Project is now under construction and will start operations in mid-1991. The refinery will produce soda ash for use in refining metal, producing glass, and manufacturing detergent and fertilizer, as well as table salt. It will be a joint venture between a South African consortium led by the chemical company AECI and the Government of Botswana. The products will be marketed in South Africa and in other southern African countries. This project will be the first major mining venture to come on line in Botswana since the Jwaneng diamond mine opened in 1982.

Petrochemicals and Other Mineral Resources: Botswana probably possesses mineral resources which have not yet been discovered; a number of firms are engaged in exploration for both metals and precious stones. Although no oil has yet been found, the results of preliminary aeromagnetic and seismic surveys led the government along with Petro Canada to drill a 4,000 meter exploratory stratigraphic well in the western Kalahari in late 1989. The drilling results are still being evaluated; the government hopes to attract petroleum exploration firms with the data from the drilling and the surveys. In addition, platinum bearing formations currently being mined just over the border in South Africa may extend into Botswana. Other prospectors are examining the possibility that some geologic structures in Botswana may contain extensive gold and base metal deposits.

**Beef - Largest Agricultural Product:** Beef and beef products constitute Botswana's second largest export sector after mining. Botswana's beef exports declined during the drought of the early and mid-1980s, but have recovered in recent years. Over 60 percent of Botswana's beef exports go to the European Economic Community, where the Lome Convention assures a higher-than-world market price. Much of the rest of the exports go to South Africa and Reunion. In 1989, Botswana earned about \$73 million for its beef exports.

**Agribusiness Potential:** Botswana is not agriculturally self-sufficient. Grains production has recovered somewhat in recent years from the drought years of 1980/87, when Botswana produced less than 10 percent of sorghum and maize requirements annually. The 1987/88 harvest was a record 107,000 mt, while in 1988/89 it was reduced to 72,000 mt. The country needs over 200,000 mt annually to feed its people, and Botswana has imported enough cereals to make up for this shortfall. Zimbabwe and South Africa are the major commercial suppliers of food for the country.

The Government of Botswana has begun some projects designed to tap the agricultural potential of the northern part of the country, where the Okavango Delta and the Linyati, Chobe and Limpopo rivers provide substantial water resources. However, results from these projects have been inconclusive. The government also hopes to expand agricultural productivity in the Pandamatenga and Tuli Block areas, where the soil is rich but rainfall can be uncertain.

**Manufacturing:** The country's economic development plans call for diversification, including expanded investment in manufacturing. Since 1987, Botswana's light industrial sector has grown at a rate of about 5 percent annually, somewhat slower than the overall rate of economic growth. Textile products represent an important segment of this sector and one which is expected to expand over the next few years and to exceed the rate of growth in other segments. Botswana's major textile markets are the countries of the European Economic Community, South Africa, and Zimbabwe.

Other important manufacturing industries in Botswana include food processing, vaccine production, brewing, and cereal milling, as well as the production of plastics and tin cans. Two American companies, Colgate Palmolive and H.J. Heinz, are active in food processing and toiletries production. Another recent venture was the initiation of a brick making plant by Interkiln Corp. of Houston, Texas. In 1988/89, manufacturing accounted for about 4.2 percent of Botswana's GDP, declining from over 7 percent in the early 1980s.

Tourism: Tourism earns the country some foreign exchange, but it has yet to make a major contribution to the country's total output. In 1988, about 61,000 holiday visitors came to Botswana and spent approximately \$32 million. The development of the country's unique tourist areas -- the Kalahari desert, the Okavango delta, and the Chobe game reserve -- could make tourism one of the country's foremost growth sectors. Botswana is presently formulating a national tourism policy, including policy guidelines on promotion and investment in tourism areas and preservation of the country's natural habitats. In general terms, the country intends to pursue high-value, low-volume tourism, so as to minimize pressure on wildlife areas.

## II. DEVELOPMENT CONSTRAINTS

Climate: Botswana's semiarid climate and its scarce water resources remain prominent obstacles to its economic development. The Government of Botswana has sought to overcome this problem through continued development of the country's infrastructure, such as numerous reservoir projects and the continued development of boreholes (wells) throughout the country.

Manpower: Lack of trained manpower is a major constraint on the country's development. To help overcome this, the government has increased considerably its educational budget and now provides free education through university level. Manpower training is a major emphasis of America's economic assistance efforts in Botswana. Productivity of the Botswana labor force also tends to be low.

Limited and Costly Infrastructure: Although Botswana has made important strides forward in developing its infrastructure, many of the areas of the country suitable for agricultural development are not at present served by paved roads. The trans-Kalahari road project to connect the eastern corridor with the west and with Namibia, opening vast areas of the country to commercial activity, is currently in the design phase. It should be completed by the mid-1990s. Botswana's telecommunications facilities have been greatly expanded and upgraded and most areas of the country now have automatic exchanges, but the number of telephones in rural areas is very limited, and installation can take a long time. Utility costs -- especially water -- are quite high, and although Botswana is essentially self-sufficient in electricity, costs remain high because of large distances, low density use, and World Bank stipulations that the parastatal power corporation receive a set return on assets.

Small Market Size: Botswana's small market size requires extensive development of export markets to produce lasting growth. Because of the competition it faces from South African products (which enter duty free under the Southern African Customs Union agreement), the manufacturing sector in Botswana

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has developed slowly. Botswana's membership in the Customs Union, however, provides Botswana-based exporters duty-free access to a market of about 35 million people. The additional market represented by the 70 million inhabitants of the SADCC countries also holds potential for exploitation, although Botswana's manufactured goods at present face a variety of trade barriers among its SADCC neighbors, most of whom lack foreign exchange.

Weak Financial Sector: Domestic economic development has probably been impeded by the poor investment performance of local commercial banks. The local banks have generally refused to engage in the longer term lending necessary for industrial development because of their trade financing orientation and because the expatriate managers at some of the major commercial banks focus more on short-term profit performance. In addition, the major banks have shown a certain reluctance to lend to small and medium-sized business, especially if these businesses are just starting. The government hopes to spur competition in the banking and financial sector and has allowed additional banks to operate in Botswana.

#### PART B: IMPLICATIONS FOR POTENTIAL U.S. INVESTMENT AND TRADE

Botswana's Attitude Toward Foreign Investment: Botswana actively encourages foreign investment. Botswana has liberal exchange controls; there are no restrictions on reinvestments or repatriation of earnings and capital. The government has never nationalized or expropriated any foreign business. It scrupulously follows the rules for investment that it has established. The courts uphold contracts. Government corruption is rare and severely punished. The policy on work and residence permits and licensing is improving.

Botswana signed an investment guarantee agreement with the United States in 1968, but does not at present have a Bilateral Investment Treaty with the United States. Botswana also is a member of the Multilateral Investment Guarantee Agency (MIGA). While much of the country's export trade is aimed toward Europe, there is an increasing interest in, and familiarity with, U.S. products in Botswana. Currently, about 25 American or U.S.-related firms operate in Botswana, including the two previously mentioned giants: Colgate Palmolive and H.J. Heinz.

Areas for Potential U.S. Trade: Several areas are expected to show at least moderate sales growth during the next few years. In agriculture, there will be continued demand for heavy machinery, including trucks, tractors, other farm machines, and irrigation, water pumps, and well-drilling equipment. Botswana will continue investigating its groundwater resources and will therefore need groundwater exploration equipment, water quality

testing materials, and possibly water transportation equipment (such as pipes, pumps, and engineering services) for a contemplated large-scale water transport scheme to connect the country's northern water supplies with population centers in the east and south. Botswana will continue to need computers, business machines, and commercial supplies for both government and industry, as well as more specialized electronics, such as radar. The country is interested in the development of solar energy and is currently using and acquiring solar technology for some of its telecommunications installations. The transportation sector will likely require support equipment and spare parts for the air and rail operations. In general, high-value, low-bulk products are generally the most competitive American products in Botswana.

Areas for Potential U.S. Investment: During 1990-95, opportunities exist for U.S. investment in the minerals, agricultural, and manufacturing sectors. In the minerals sector, Phelps Dodge has already begun working small gold mines; other such mines may be feasible. Further minerals exploration could also turn up prospects for mining of base metals, gold, diamonds, or petroleum. Some agricultural projects, such as development of oilseed production, may have potential. Botswana continues to pursue an ambitious program of infrastructure development, which will create opportunities in areas such as road engineering, water projects, and general construction. The government has recently committed itself to a \$300 million nationwide housing project involving all facets of land servicing, development and construction. Investment opportunities exist in the manufacture of textiles and garment, health and beauty aids, building materials, and agricultural supplies (especially for such items as windmills, irrigation equipment, and water pumps). Botswana's tourism sector could also be attractive to U.S. firms.

Assessing Market Potential: Visiting Botswana can be an effective means of assessing the country's market potential and determining fields for local investment. Two local trade fairs, the Gaborone International Trade Fair, held in late August, and the Botswana International Trade Exhibition (BITEX), held in mid-April, provide the best opportunity to meet Botswana and regional business people and to test local receptivity to new products. However, business representatives and government officials are generally available for discussions at any time. The Commercial Officer at the U.S. Embassy -- P.O. Box 90, Gaborone, Botswana, Phone: (267) 353-982, Fax: (267) 356-947 -- is available to help plan and schedule such visits. Additional information on Botswana may be obtained from the Botswana Desk, Room 3317, International Trade Administration, U.S. Department of Commerce, Washington, DC 20230; Telephone: (202)377-5148.

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## Overseas Business Reports

April 1988

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Supersedes OBR 83-05

Prepared by Fred Stokelin  
Office of African Affairs  
with the assistance of the  
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International Trade Administration

OBR

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## INTRODUCTION

Botswana, Lesotho, and Swaziland, all former British colonies in southern Africa, are politically and economically divergent and yet sufficiently similar to warrant treatment with this Overseas Business Report. Each is a member, with the Republic of South Africa, in the Southern African Customs Union (SACU), which provides for common external tariffs and few internal tariffs, confirming a close economic relationship between them and South Africa. Botswana, Lesotho, and Swaziland, all landlocked, in addition have joined six other nations to form the Southern African Development Coordination Conference (SADCC), with the aim of increasing their regional autonomy and promoting their economic cooperation and interdependence.

This marketing study will examine the similarities and differences among these countries in order to highlight for the U.S. business community trade opportunities and prospects for U.S. investment.

## GEOGRAPHICAL DATA

Botswana.-The Republic of Botswana is the largest of the three countries and covers some 231,000 square miles (about the size of Texas). The nation lies at the center of the southern African plateau, and a large portion of the country is covered by the Kalahari Desert. The country's mean altitude is 3,000 feet above sea level. Botswana is bordered by Namibia, the Republic of South Africa, Zimbabwe, and Zambia. The population reached 1.13 million in 1986, with a growth rate of 3 percent per annum. Approximately 15 percent of the formal sector work force is employed in South Africa.

Lesotho.-The Kingdom of Lesotho covers some 11,700 square miles (slightly larger than the state of Maryland) and is completely surrounded by the Republic of South Africa. The country's mean altitude is 5,100 feet above sea level, making it one of the highest nations in the world. The country has few lakes, but it is the source of one of the largest rivers in southern Africa, the Orange River. The population reached 1.5 million in 1985, and some 25 percent of the labor force is employed in South Africa.

Swaziland.-The Kingdom of Swaziland covers some 6,700 square miles (slightly smaller than New Jersey) and is bordered by Mozambique on the east and by South Africa on the remaining three sides. The country is a mix of mountains (in the west), valleys (in the center), and plateaus (in the east). The population reached 676,000 in 1986, of which an estimated 90,000 were wage and salary earners. In addition, approximately 25,000 - 30,000 Swazis are employed in South Africa; about 17,000 - 20,000 are employed in the mining industry.

## FOREIGN TRADE OUTLOOK

Botswana, Lesotho, and Swaziland possess developing economies that offer a number of investment and trade opportunities for U.S. business. Substantial economic growth will continue to be fueled by increased domestic and foreign investment. Development of these countries' extensive and varied natural resources will ensure sustained economic opportunities. Assuming political stability in southern Africa, diversification of the export sectors, and a

continued positive climate towards foreign investors, these nations' long-term economic prospects are promising.

Botswana.-At independence in 1966, Botswana was one of the world's poorest countries. Since then, its economy has become one of the world's fastest growing. The country boasts one of the highest Gross Domestic Product per capita levels in Africa (approximately \$900 per person) and has posted trade surpluses several times during the mid-1980s. Botswana is one of the few multi-party democracies in Africa and is noted for its democratic traditions and political stability.

Botswana's main revenue sources are sales of diamonds, copper/nickel matte, and beef, though tourism is also an important and growing sector of the economy. Proceeds from its membership in the Southern African Customs Union represent about 15 percent of the government's revenues. Despite several years of persistently harsh drought, Botswana has maintained a positive balance-of-payments accounts since 1983.

Botswana encourages American trade and investment, and sent its first trade and investment mission to the United States in September 1985. The Government of Botswana has a liberal private foreign investment incentive scheme and welcomes joint-venture operations. U.S. investment in Botswana totaled \$96 million as of 1985, principally in mining. Major exports from the United States include radio equipment, trucks and heavy machinery, agricultural products (mainly cereal grains and vegetable oils), and computer equipment.

Lesotho.-Lesotho is one of the world's least developed countries, with few natural resources apart from modest diamond deposits and the hydroelectric power potential of its swift-running rivers. Only about 13 percent of the land area is arable, and large areas suffer from soil erosion, population pressures, and overgrazing. Agriculture is a declining sector, while manufacturing has grown more slowly than expected, and mining has declined following the closure of the country's main diamond mine in 1982. The main sources of income for Lesotho are remittances by migrants working in the South African mines, revenue from the Southern African Customs Union (SACU), and inflows of foreign assistance.

U.S. trade with Lesotho is still quite limited. The United States supplies Lesotho with a limited number of food products. Increased sales will depend on U.S. firms' interest in bidding on selected major projects in Lesotho.

Swaziland.-Swaziland's economy has grown significantly but erratically since the mid-1970s, averaging approximately 4 percent per year in real terms. Growth has occurred principally in the modern, export-oriented sectors of the economy, comprising commercial agriculture, forestry, mining, and manufacturing, and reflects the country's success in attracting private capital for development. Favorable terms of trade for the country's main exports--sugar, wood pulp, timber, asbestos, and canned fruit--have contributed to the economy's strong performance in recent years. Since late 1983, the Swazi Lilangeni, pegged on a one-to-one basis to the South African Rand, has lost more than 50 percent of its value vis-a-vis all major currencies, boosting the competitiveness of Swazi exports.

Further export expansion, especially in the agricultural sector, will require greater diversification, increased processing of Swazi commodities, expansion of existing markets, and the development of new export markets, particularly regional markets in eastern and southern Africa.

Direct export opportunities are limited because of the small size of the Swazi market and its close ties with South Africa's economy. However, companies operating in southern Africa are in an excellent position to take advantage of Swaziland's future growth. Swaziland offers a number of investment opportunities, primarily in the agro-industrial area, but also in mining and tourism. The economy is basically open, and private investment is encouraged.

The United States has consistently run trade deficits with Swaziland because of its purchases of Swaziland's sugar. The actual level of U.S. exports to Swaziland is probably higher than U.S. trade statistics indicated, due to the secondary distribution of U.S. goods through South African distributors. Most of the local wholesalers and retailers are subsidiaries of South African or British companies with long-established links inside the country. Nevertheless, trade opportunities for U.S. companies will grow as Swaziland develops.

#### INDUSTRY TRENDS

##### GDP Movements and Development Planning

Botswana.-Botswana's real gross domestic product (GDP) increased an average of 9 percent annually from 1981 to 1985. The last 10 years have seen great growth due to the rapid expansion in diamond production, but growth has slowed slightly due to stabilization in diamond outputs. GDP for 1986 was estimated at \$1.1 billion, and per capita GDP was about \$1,000. The fundamental objectives of Botswana's Sixth National Development Plan (1986-91) are as follows:

- o To ensure substantial economic growth and employment opportunities.
- o To achieve greater economic independence through improved transport facilities, communication, routes, sources of foreign aid, and better investment strategies.
- o To emphasize development of key export-oriented sectors of the economy such as beef production, diamonds, and coal.

The Botswana Government intends to finance about 50 percent of its development budget from Southern African Customs Union revenues and export earnings from the mining sector. Grants and loans from foreign donors will provide the remaining 50 percent of that budget. Botswana's international reserves held by the Bank of Botswana rose from the equivalent of 4 months' worth of imports in 1976 to over 24 months' worth in 1987.

Lesotho.-Since 1980 the performance of the economy of Lesotho has been mixed. Having grown by about 5 percent in 1980-81, real GDP contracted at an average of 3.6 percent during 1981-84.

Favorable weather conditions and a substantial increase in agricultural output in 1985, plus increases in migrant workers' remittance helped to sustain growth at around 3 percent and above the population growth rate of 2.3 percent. GDP for 1986 was estimated at \$254.9 million, and per capita GDP was about \$170.

The Government of Lesotho has outlined its Fourth Five-Year Development Plan which is expected to cover 1986/87 to 1990/91. The main objectives of the plan are higher growth and employment, as well as an equitable distribution of income. The plan emphasizes the agriculture and livestock sectors, although it recognizes that agriculture in Lesotho is likely to remain basically a subsistence activity in the near future. Policies to expand crop production to complement the livestock sector and to encourage the development of a modern agro-industrial sector by focusing on meat and poultry production and the processing and manufacture of wool products are envisaged.

Swaziland.-During the period covered by Swaziland's Third Development Plan (1978-82), real GDP grew by an average of 5 percent per annum, well above average for African states. Swaziland experienced an economic slowdown beginning in 1982 when real growth was 2.6 percent in real terms. During the first 4 years of the Fourth Development Plan (1983-87), real GDP has risen by an estimated 3.4 percent per year.

In 1986, the economy experienced an encouraging upswing, primarily attributable to record sugar production and an increase in new investments in the industrial sector. Real GDP grew by an estimated 7-9 percent, to approximately Emlangeni 957 million (approximately \$465 million) in 1986, and per capita income was approximately E 1415 (\$700).

The Swazi Government's Fourth National Development Plan calls for:

- o Greater efficiency and control over spending,
- o Encouragement of private investment, and
- o Creation of jobs through vocational training and generation of employment opportunities in rural areas.

#### Agriculture

Agriculture continues to play a major role in the economies of Botswana, Lesotho, and Swaziland. In Swaziland and Botswana, this sector generates a large percentage of export earnings. On the other hand, Lesotho's agricultural sector consists primarily of subsistence farming, and therefore substantial food imports are necessary. All three nations are highly susceptible to periodic droughts and continued soil erosion. Thus, despite large-scale investments in a variety of development programs, annual crop output can fluctuate widely. The three countries are committed to improving productivity and output in agriculture, and U.S. businesses will have opportunities to expand exports.

Botswana.-Agriculture is the predominant form of economic activity in Botswana in terms of numbers of people involved. Although agriculture accounts for only 11 percent of GDP, more than 75 percent of the population is dependent on this sector. Livestock production, primarily cattle, is by far agriculture's most valuable commodity. The country possesses the proper mix of climate, soils, and vegetation to be suitable for cattle production. The nation's cattle herd outnumbers the population by almost two to one.

Beef and beef products constitute Botswana's second largest export sector after mining. Botswana's beef exports have declined only slightly during the middle 1980s despite the drought and consequent reduction of the national herd. From 1982 to 1984, the country exported about 27,000 metric tons (MT) of beef annually. Approximately 62 percent of Botswana's beef exports go to the European Economic Community. Most of the rest of the exports go to South Africa. In 1985, Botswana earned \$85.5 million for its beef exports.

Botswana is not, however, agriculturally self-sufficient. During the drought years of 1980-85, Botswana produced only 20,000 MT of sorghum and maize annually. The country needs about 200,000 MT annually to feed its people, and Botswana has imported or received from foreign donors enough cereals to make up for this shortfall. South Africa is the major commercial supplier of food to Botswana.

The Government of Botswana is currently considering projects designed to tap the agricultural potential of the northern part of the country, where the Okavango Delta and the Linyati and Limpopo rivers are located. Such projects may begin in the late 1980s or early 1990s, but will in any case take some time to increase substantially Botswana's crop output. Until such time, U.S. suppliers may be able to increase their market share substantially.

Lesotho.-Of the three countries, Lesotho is most heavily dependent on agriculture as a source of GDP. While 90 percent of the population derives its income from subsistence agriculture, only 30 percent of the nation's GDP comes from this sector. In recent years, soil erosion, inadequate use of fertilizers, and the large migrant work force in South Africa have contributed to declining rates of agricultural productivity. Despite efforts to achieve self-sufficiency in agriculture, Lesotho has had to increase imports of wheat, corn, and sorghum in recent years.

U.S. exporters have slowly made inroads into the Lesotho market. Sales of dairy and grain products rose from approximately \$4.1 to \$9.4 million during 1982-84. South Africa is still the predominant exporter of agricultural goods to Lesotho. As Lesotho attempts to modernize its agricultural sector to improve yields, U.S. exporters may be able to sell irrigation equipment, tractors, and fertilizer.

Swaziland.-Swaziland's agriculture is highly dualistic in nature. Title Deed Land farms comprise about 40 percent of rural land area. These farms are largely foreign-owned, capital-intensive, and export-oriented. Swazi National Land, held by the king in trust for the nation, covers the remaining rural land. Non-cash farming at subsistence level characterizes this subsector.

In the 1970s, the Swazi Government implemented the Rural Development Area (RDA) programs to improve productivity and raise the income levels of the people who are dependent on subsistence farming. The RDA has had limited success in inducing farmers to switch to cash crop production. Maize is still the most important crop. The Swazi Government has increased emphasis on cash cropping aimed at offsetting agricultural imports from other countries in the region, primarily South Africa.

Swaziland's most important crop and leading export earner is sugar. Approximately 400,000 MT of raw sugar were produced in 1986. Almost 95 percent were exported. Swaziland earned over \$160 million from these sales. The Swaziland Sugar Association (P.O. Box 445, Mbabane, Swaziland, telex 2031WD) markets the country's sugar.

Under the Lome III Convention, the European Economic Community (EEC) guarantees annual purchases of 120,000 tons of Swazi sugar. This is approximately 34 percent of total exports. The rest of the crop is sold on the free market, most of which goes to the United States and Canada.

Nearly 15,000 people are employed in the sugar industry. The three mills, Mhlume, Ubombo, and Simunye, have a total annual production capacity of 430,000 tons. Production of ethanol, distilled spirits, and soft drinks in Swaziland are expected to increase local sugar production significantly in coming years. This is likely to offset decreased overseas demand. Efforts are being made to increase the degree of mechanization in harvesting, loading, weeding, and fertilizing. U.S. suppliers of tractors, harrows, ridges, spreaders, harvesters, and loaders will have excellent sales opportunities.

Forest products are Swaziland's second largest export. Sales in 1985 totaled nearly \$65 million. Usutu Pulp Co., a joint venture between Commonwealth Development Corporation and Courtaulds, and Peak Timber Ltd., owned by Anglo-American, are the two major foreign-owned companies dominating this industry. Swaziland has ample land, adequate water supplies, and favorable tax and export provisions for forest development. However, the weak world market for these products indicates no major expansion of the forestry industry is likely. If the world market demand for wood should rise, U.S. investors should be aware of the investment opportunities this sector could offer.

Canned and fresh fruits, specifically pineapples and citrus products, are Swaziland's third most important export crop. Export sales in 1985 exceeded \$30 million. Eighty percent of the citrus fruit exports are canned oranges and grapefruits. Fresh citrus products make up 20 percent of the total citrus exports. The Lome Convention allows Swaziland substantial reductions on tariffs imposed on citrus products and pineapples sold to the EEC. Thus, the EEC, Japan, and the Middle East are the major purchasers of Swazi fruits.

The Swaziland Citrus Board is responsible for distribution, promotion, and sale of Swaziland oranges. The Board works closely with the South Africa Co-operative Citrus Exchange. Libby Swaziland Ltd. and the Commonwealth Development Corporation are primarily responsible for marketing Swazi pineapples overseas.

The sugar, wood pulp, and fruit industries offer good prospects for U.S. sales of harvesting, loading, weeding, fertilizing, and irrigation equipment.

### Mining

In the 1970s, the mining sectors in Botswana, Lesotho, and Swaziland grew substantially. For Botswana and Lesotho, this sector brought in the bulk of the export revenues. In Swaziland, increased exports of its high-quality asbestos and large coal reserves promise future export payoffs.

The slowdown in the Western economies has diminished foreign interest in developing the three countries' mineral resources. In addition, the lack of adequate internal transport infrastructure hinders their development. Nevertheless, opportunities will exist for U.S. business as the countries seek to expand their mineral output.

Botswana.-Mineral production in Botswana has become the key to the country's development, accounting for well over 50 percent of real GDP and 70 percent of exports in the mid-1980s. The two most important export commodities are diamonds and copper/nickel matte. Earnings from Botswana's minerals sector surpassed \$750 million in 1986.

Botswana is one of the world's three largest diamond producers (along with Australia and the Soviet Union). The country's three mines have a combined annual capacity of 13.1 million carats. The Jwaneng Mine, considered to be the best diamond mine in the world, has a production capacity of 7.6 million carats, which are evenly split between gem and industrial quality stones. Botswana's diamond mines are owned and operated by DeBeers Botswana Mining Company (Debswana), a joint venture of the Botswana Government and DeBeers Consolidated Mines, Ltd. Botswana's diamonds are marketed by the Diamond Corporation of Botswana (Dicobot), which purchases them from its parent company, Debswana, and sells them to the Central Selling Organization (CSO), the marketing arm of DeBeers based in London.

Botswana's copper/nickel matte mine at Selebi-Phikwe has known ore deposits of approximately 40 million tons. The mine, one of the world's most modern and efficient, is operated by Bamangwato Concessions, Ltd. (BCL), which is 80 percent owned by Botswana Roan Selection Trust (BRST) and 20 percent owned by the Government of Botswana. The major shareholders of BRST are the Anglo-American Corporation of South Africa and the U.S. firm. AMAX Botswana's copper/nickel matte is refined and marketed by Falconbridge, a Canadian company. Annual production at Selebi-Phikwe is approximately 52,000 tons.

Botswana's coal reserves are estimated at over 17 billion tons. The Morupule Mine in the eastern part of Botswana is the country's only coal mine and is operated by the Anglo-American Corporation. Depressed world prices have made coal exports uneconomical, and current production is utilized by BCL to generate electrical power at the Selebi-Phikwe mine, and by the Botswana Power Corporation (BPC) at its Gaborone and Morupule power stations. The Government of Botswana continues to study the feasibility of coal exports with interest from a number of prospective foreign investors.

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The Botswana Government is actively looking for development of the vast Sua Pan alkaline brine area. A potential regional market exists for approximately 300,000 MT of soda ash annually, primarily to glass-making, paper-making, and steel-making industries in South Africa, Zimbabwe and Zambia. Construction of a soda ash plant is estimated at a cost of \$272 million, and the International Finance Corporation and the World Bank have indicated an interest in financing the plant. Besides large reserves of soda ash, the Sua Pan Basin has considerable deposits of potash and bromine and may contain oil, natural gas, and uranium deposits.

Swaziland.-Currently, Swaziland's leading export earner in the mining sector is asbestos. Production reached a peak of 36,000 MT in 1979, but declined steadily to 20,908 MT in 1986, due to the depressed world demand caused by health restrictions introduced in the West. Havelock Mine is Swaziland's sole producer of asbestos and its aggressive marketing strategy has enabled it to capture a sizable market in the Far East. At this time, the Swazi Government is seeking a developer to exploit a promising area adjacent to the existing mine.

Coal has the brightest export future in Swaziland. Swaziland's one coal mine at Mpaka produced approximately 172,000 MT in 1986, and exports reached over \$4 million. Known reserves of this low sulfur, high-energy resource are more than 200 million MT. The coal exists in shafts that are much deeper and less accessible than those in South Africa. U.S. business has the opportunity to either directly invest in the coal mine's development or provide the mining technology necessary to exploit these more difficult-to-reach deposits.

Lesotho.-Diamonds were Lesotho's most important export. Revenue rose from \$17 million to \$25 million in the 1978-81 period. DeBeers Consolidated Mining Co. ran the concession, but in 1982, closed the mine. This left Lesotho without any major mining industry and more dependent on worker remittances for balance-of-payments financing.

The Lesotho National Development Corporation offers very favorable investment incentives for mining. However, recent studies show that while Lesotho possesses coal, peat, and semi/precious stones, none are present in economically exploitable quantities.

### Industry

The industrial sectors in Botswana, Lesotho, and Swaziland are small. Much of the present activity centers around the processing of primary products and agricultural goods. The lack of skilled labor and capital, as well as the slack demand on the world market, has hampered development of this sector. Nevertheless, the three countries will continue to promote industrial growth to raise employment and income levels and to stimulate export growth.

Botswana.-Botswana's industrial sector has grown in importance in the last 5 years. Meat and meat products dominate this sector, averaging 37 percent of gross manufacturing output. The two other major industrial activities are beverages and textiles, which average 14 percent and 12 percent of gross

manufacturing output, respectively. Handicrafts produced by village industries average 4 percent of total output. The Botswana Development Corporation is the main investor in manufacturing in Botswana and emphasizes industrial development as part of the government's effort to attract private investment to Botswana.

Lesotho.-Lesotho's small industries primarily serve the local market. Recently established industries include clothing, footwear, umbrellas, and furniture manufacturing. Lesotho's large livestock herds produce wool and mohair. These products are exported and earned more than \$8 million in 1986. Efforts are continuing to improve the quality of these exports. Lesotho plans to enlarge its beer factory and to construct a new shopping mall in the late 1980s.

Swaziland.-The industrial sector of Swaziland has grown substantially in the past decade and accounts for a relatively large 24 percent of GDP. Agro-industries and wood processing dominate this sector. Commercial agro-processing involves mainly sugar, wood pulp, citrus, pineapples, cotton, and meat. In addition, the manufacturing sector includes cement, bricks, and textiles. Diversification has occurred principally through the establishment of small industries by South Africa capital, which dominates the sector.

#### Tourism

Despite varied landscape, attractions for hunters, and large national parks and game reserves, Botswana, Lesotho, and Swaziland did not succeed in dramatically expanding their tourist industries in the latter half of the past decade. The recession in the West, especially in South Africa, combined with inadequate communication and transportation services, were primarily responsible. Swaziland's Ezulweni Valley is the most popular resort in this area. Increased foreign investment and better advertising are key to expansion of tourism.

#### IMPORT AND TARIFF REGULATIONS

Botswana, Lesotho, Swaziland, and South Africa form the Southern African Customs Union (SACU). Organized in 1910 and revised to its present form in 1969, the Customs Union provides for the free exchange of goods within the four-country area, a common external tariff, and a sharing of custom revenues.

The framework of the external tariff is the two-column Harmonized System (formerly the Brussels Tariff Nomenclature). The columns are broken down into most favored nation (United States and most other GATT members) and general (remaining trading partners). Botswana, Lesotho, and Swaziland are not signatories to GATT, but they do maintain defacto application of its provisions.

Botswana, Lesotho, and Swaziland are members of the British Commonwealth and signatories to the Lome III Convention. As a result, their exports receive special tariff preferences with other Commonwealth members and with the EEC. In addition, by virtue of Title V of the U.S. Trade Act of 1974, and the Trade

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and Tariff Act of 1984, these nations participate in the U.S. Generalized System of Preferences (GSP), which grants beneficiary developing countries duty-free treatment into the United States on a wide range of manufactured and semimanufactured goods.

External tariffs, excise duties, and several rebate and refund provisions are the same for all Custom Union members. The Custom Union's revenues are apportioned among the countries according to a set formula. These funds constitute a significant contribution to each of the countries' government revenues.

Each SACU member possesses individually the right to levy sales taxes and also additional duties on goods imported into the area to enable new industries to meet competition from other producers in the area. However, such protection, requires the prior consent of the members and may last for 8 years only. Additional protective measures are provided for those industries which are declared as being vital to the countries' economies.

#### Duty Assessment

For articles subject to duty on an ad valorem basis, the dutiable value is the transaction value of the goods. Normally, the transaction value is considered to be the wholesale market price in the exporting country plus all costs, charges, and expenses incidental to the sale and to bringing the goods next to the ship, less excise taxes or sales taxes imposed by the country of origin and less drawbacks, refunds, rebates, or remissions of customs duty granted by the exporting country.

When goods are sold in the exporting country under such conditions that no transaction value can be calculated, the Director of Customs may determine a value for duty purposes. This is subject to the right of appeal to the Minister of Finance.

Dutiable weight for the assessment of specific duties is the legal weight of the merchandise plus the weight of the immediate container in which it is sold, unless specified otherwise in the tariff. Import duties are payable by the importer in the local currency. For purposes of such payment, foreign values are converted at the exchange rate current on the date of shipment, or at the discretion of the chief customs officer, at the rate prevailing on the date of purchase of the goods. Import licences are required for most goods entering the countries. They can be obtained by contacting:

The Director of Customs and Excise  
Private Bag 0041  
Gaborone, Botswana

Department of Customs and Excise  
P.O. Box 891  
Maseru 100, Lesotho

The Permanent Secretary Ministry of Finance  
P.O. Box 443  
Mbabane, Swaziland

## Other Taxes

Sales Tax.-The value for calculating sales tax on imported commodities is the transaction value plus 10 percent of that value, plus any non-rebated customs duty payable on such commodities. Rebates of duties and/or exemption from tax are granted certain raw materials used in local manufacturing processes. If part or all of the customs duty is to be rebated, then that portion of the customs duty is not included in the value for sales tax purposes. Botswana has no sales tax.

Excise Duty.-An excise duty is levied on a number of imported and locally produced goods such as tobacco, vinegar, alcohol and petroleum products. The excise duty is computed on the transaction value or the specific quantity and is added to the customs duty. However, goods charged an excise duty are generally exempted from sales taxes.

## Documentation

A shipper's commercial invoice which shows the actual price charged to the importer, in addition to the cost of placing goods on board ship for export, and the goods' commission is required for all shipments to southern Africa. At least three copies of the Certified Standard Invoice should go forward under separate cover to the consignee, preferably by airmail to ensure their receipt prior to arrival of the goods.

For detailed information concerning the proper preparation of an invoice form, including special invoicing requirements applied to a number of goods such as alcoholic beverages, medicines, and textiles, U.S. businesses should consult the Exporters Encyclopedia published by Dun and Bradstreet. Reference copies of this publication are available in all district offices of the U.S. Commerce Department's International Trade Administration (ITA) and in major commercial and public libraries.

Information regarding custom duties applicable to specific products entering the Southern African Customs Union may be obtained from the Office of Africa, International Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230; or from any ITA district office.

Inquiries should give a complete product description, including CCN, SITC, or U.S. Schedule E Export Commodity number, if known.

## Other Special Certificates, Labeling

Importation of lard, bacon, ham, hides and skins, sausage casings, animal hair and bristles, and honey and products containing honey are subject to special regulations. The controlling bodies for the importation of these products are the individual Departments of Agriculture in Botswana, Lesotho, and Swaziland. Regulations are complex, and prospective U.S. exporters should write to these organizations for specific information.

Shipments of living plants, seeds, fresh fruit, and vegetables from the United States to southern Africa must be accompanied by a state or federal phytosanitary export certificate. In addition, an entry permit from the South Africa Division of Plant Pest Control must be acquired by the importer in advance of shipment. Detailed information concerning the documentation and other requirements on specific types of plants, seeds, fruit and vegetables exported to southern Africa can be obtained from the Plant Quarantine Division of the U.S. Department of Agriculture.

The countries require that special permission be obtained from their Ministries of Health to import habit-forming drugs, sera, vaccines and pathogenic drugs for human and veterinary use. Such items can be imported only by locally registered pharmacists, who must include in their import application the brand and generic names and quantity desired.

All goods shipped to Botswana, Lesotho, and Swaziland must show metric measurements, although packages can show both metric and British denominations. While not mandatory, marks of origin are desirable on goods shipped from the United States, because U.S. goods are, in general, held in high esteem by the buying public.

#### Entry, Transit, and Reexport

Goods entering the Customs Union may be declared for consumption, warehousing, removal to another approved port, or transshipment. If entry of the goods is not made within 7 days of their arrival or within such further period as the proper official may allow, the carrier or person having custody of the goods shall then remove them to the state warehouses, where charges are assessed and after 3 months goods are sold at public auctions.

Goods may be stored without payment of customs duties in any bonded warehouse in South Africa licensed by the Commissioner of Customs except in cases of dumping or special duties. If the owner of the goods prefers to send the goods directly to a warehouse in one of the countries, the goods in transit are not subject to duty and the same rules apply. However, U.S. exporters should be aware that warehousing potential in the three countries is extremely limited. Often it is easier and much cheaper to warehouse goods in South Africa until they can be shipped to their final destination in Botswana, Lesotho, or Swaziland.

#### Samples and Advertising Matter

Botswana, Lesotho, and Swaziland have acceded to the Customs Convention of ATA (Admission Temporaire - Temporary Admission) carnets for the temporary importation and exportation of goods. A carnet simplifies customs procedures for certain classes of temporary imports and exports by replacing normal customs documentation and the provision of security (for example, by deposit) in the country of temporary importation. Carnets may be used for:

- o Goods for display or use at exhibitions, fairs, meetings, and similar events;
- o Professional equipment such as equipment for the press, cinematographic equipment, engineering, topographical, surgical, electrical, archeological, and entertainment equipment; and
- o Commercial samples imported for the purpose of being shown or demonstrated in the three countries for soliciting orders for goods to be supplied subsequently from abroad.

To secure a carnet, the U.S. business firm must first obtain an application from the U.S. Council of the International Chamber of Commerce, 1212 Ave. of the Americas, New York, NY 10036, or 100 California St., Suite 100, San Francisco, CA 94111. When a carnet is issued, it is the obligation of the holder to ensure that the proper customs authorities in the three countries will accept the ATA carnet.

Samples of no commercial value are received free of charge. Advertising samples issued gratis or intended for distribution gratis as advertising matter sent from the United States to Botswana, Lesotho, and Swaziland are subject to a duty of 20 percent ad valorem or \$0.13 per kilo, whichever is greater. Catalogs, price lists, and trade publications of firms or persons having no established place of business in the Customs Union are admitted free. Publications and advertising matter relating to fairs, exhibitions, and travel in countries within or outside the Customs Union are also admitted free.

#### DISTRIBUTION CHANNELS AND MARKETING AIDS

Botswana.- Botswana has no television and does not permit advertising on its radio broadcasts. However, potential advertisers may place ads in either the government-owned Botswana Daily News, which is distributed gratis five times weekly, or in three private newspapers which appear weekly, The Guardian, The Gazette, and The Reporter. Advertising rates for the Daily News are pula (P) 7.50 for the first 12 words and P6 for each additional 6 words. For the first inch of column display, the charge is P10. The Guardian charges P4.25 per single column centimeter and 55 thebe per word for classified ads. The Reporter charges P3.40 per single column centimeter. Advertisers should contact the editors at the following addresses:

Botswana Daily News  
Director of Information and Broadcasting  
Private Bag 0060  
Gaborone, Botswana

The Gazette  
P.O. Box 1605  
Gaborone, Botswana

The Guardian  
P.O. box 1641  
Gaborone, Botswana

The Reporter (Mmegi wa Dikgang)  
P.O. Box 20906  
Gaborone, Botswana

Lesotho.-There is one radio station in Lesotho, government-owned Radio Lesotho; there are no television stations. Radio advertising rates for a 30-second spot vary between 30 and 60 maloti, depending on the time of day. Lesotho has one English language weekly newspaper, Lesotho Today. It charges one maloti per column centimeter advertising space. A full-page ad is 216 maloti (approximately US\$108).

Swaziland.-Swaziland's one radio station, the Swaziland Broadcasting Service (SBS) has 15, 30, 45 and 60 second spots for advertising. Rates vary according to spot length, the time of day, and day of the week. For further information, contact the Commercial Manager at SBS, Morris Street, P.O. Box 338, Mbabane.

Advertising rates on Swaziland's one television station, Swazi TV, also vary according to time, to day, and duration of ad. Interested firms should contact the Swaziland Television Broadcasting Corporation directly at P.O. Box A146, Swazi Plaza, Mbabane, or its agent in South Africa at 24 Wellington Road, Parktown, Johannesburg, South Africa. The South African agent adds a surcharge on top of the basic rate.

Swaziland has two basic newspapers, the Times of Swaziland, Post Street, P.O. Box 156, Mbabane; and the Swazi Observer, West Street, P.O. Box A385, Swazi Plaza, Mbabane. The Minimum charge for the Times of Swaziland is E2.00 per single column centimeter, and for the Swazi Observer is E1.50 per single column centimeter or E388.50 for a full page.

## INFRASTRUCTURE

### Ports

Since Botswana, Lesotho, and Swaziland are landlocked, they depend upon their neighbors for port facilities. Botswana and Lesotho rely almost exclusively on South Africa. The nearest ports servicing Botswana and Lesotho are Port Elizabeth, East London, Durban, and Cape Town. The following shipping lines maintain sea connections with these South African ports: Safmarine and Bank Lines from U.S. Atlantic and Gulf ports, and Lykes Lines from U.S. Gulf ports.

Swaziland has a direct port-rail link to Maputo, Mozambique. However, transit problems on the line have forced Swaziland to increasingly utilize the South African ports of Richards Bay and Durban. A limited amount of air cargo is also flown to Swaziland from Johannesburg. Theft and pilferage are fairly well controlled in South African ports; however, handling is frequently rough

and can cause damage to merchandise. Shippers are advised to use wooden boxes or cases instead of fiberboard cartons wherever possible. Protection against water damage is also desirable.

#### Air

Botswana.- Botswana's four principal airports are at Gaborone, Francistown, Maun, and Selebi Phikwe. The new Sir Seretse Khama International Airport in Gaborone, the country's largest airport at 3,200 meters, handles transcontinental flights. However, most international flights fly directly to Johannesburg, Lusaka, Harare, or Nairobi. Passengers can make connections on Air Botswana, South African Airways, Zambia Airways, Lesotho Airways, Air Zimbabwe, or Kenya Airways to Botswana. British Caledonian operates direct service twice a week to Gaborone from London.

Lesotho.-The new Moshoeshoe I International Airport at Thota-ea-Moli, 15 km from Maseru, has a 3,200 meter runway and modern infrastructure. The airport can accommodate aircraft as large as a Boeing 727 trijet and operates day and night under most weather conditions. The new airport's ability to accommodate intercontinental flights will potentially decrease Lesotho's dependence on transportation links with South Africa. Lesotho is preparing to undertake necessary airport and runway extensions at Moshoeshoe International to handle larger wide-bodied aircraft.

U.S. business may be able to provide fire rescue equipment, air traffic control systems, navigation and approach aids, and maintenance equipment.

Swaziland.-Air service in Swaziland operates through Matsapha Airport, which is 40 km from Mbabane. Although the airport is large enough to handle jumbo aircraft, it lacks adequate apron space and service capacity to make regular service feasible. Airport authorities plan to construct an apron to accommodate additional aircraft at some time in the future. International travelers can change in Johannesburg for flights on Royal Swazi Airways, to reach Swaziland. There are also flights to Dar es Salaam, Durban, Nairobi, Maputo, Maseru, Harare, Gaborone, Johannesburg, and Lusaka from Matsapha.

Major improvements are planned which will bring Matsapha Airport up to acceptable international standards for medium-range jet aircraft. U.S. business will have the opportunity to sell lighting equipment, fire and security equipment, meteorological equipment, radio testing equipment and navigational aids.

#### Roads

Botswana.-Botswana's low population density and large size raises the cost of its road transport. Currently, Botswana has over 8,027 km of roads of which only 1,700 km are bituminized. A major road network is the completely paved north-south road from Ramatlabama, in the extreme south, to Kazungula, the site of the ferry link with Zambia. The road is important in lessening Botswana's dependence on South Africa. A road between Francistown and Plumtree on the Zimbabwe border was completed in 1983, and the Botzam Road, linking Nata with Kazungula, was inaugurated in 1984.

Lesotho.-Lesotho's road network extends over 4,000 kilometers. There are approximately 500 km of tarred roads linking Maseru with Butha Buthe in the north and with Mphahle's Hoek in the south. The International Development Association (IDA) and the African Development fund (ADF) are financing a \$30 million rehabilitation project for this road system. Well under way is a \$42 million southern perimeter road project funded by the U.S. Agency for International Development (USAID) and the EC. The project will increase transportation links in southern Lesotho.

Swaziland.-Swaziland's road network extends over 2,776 km of which 16 percent or 405 km is bituminized. With the assistance of foreign donors, Swaziland is endeavoring to construct highways connecting the larger cities with rural areas and also tar at least 33 percent of all existing roads. These roads will go a long way toward reducing the costs of Swaziland's major agricultural exports as well as speed delivery of nonpetroleum imports.

### Rail

The railroads are the lifeline of the economies of Botswana, Lesotho, and Swaziland. The rails carry the bulk of these nations' imports and exports, as well as domestic travelers in Botswana. Development plans which call for exploiting exportable mineral resources are wholly dependent upon railway expansion. The enlargement of the rail systems is therefore vital to sustain continued economic growth.

Botswana.-Botswana's main railway line extends 600 km from Gaborone to Zimbabwe with a second smaller line extending 100 km from Gaborone to Mafeking in South Africa. The line, once owned and operated by Zimbabwe, is now controlled by the Botswana Railways Commission and runs through the populated eastern section of the country. In addition, Botswana owns two rail spurs extending 75 km from the main rail. These spurs ensure prompt delivery of coal and copper/nickel matte from mining operations in Palapye and Selebi Phikwe.

Lesotho.-Lesotho has 2.6 km of railway which links Maseru's industrial area to South Africa's Cape Town rail system. The line is owned and operated by South Africa. Lesotho intends to increase container traffic and will build the necessary terminals at the railhead. At this time, no further expansion of Lesotho's rail system is envisioned.

Swaziland.-Swaziland has 300 km of rail line. The line is managed by South African personnel, with the largest segment running from the old iron ore mine at Mgwanya in the west to the Mozambique border, 74 km from the port of Maputo. In 1978, because of uncertainty surrounding the efficiency and reliability of Mozambican transit operations, a southern link was completed connecting the railway with the South African ports of Richards Bay and Durban. Goods other than iron ore and coal, however, still have to be road hauled to the railheads. A northern rail link was completed in February 1986 and has resulted in a considerable increase in transit traffic through Swaziland from South Africa's Eastern Transvaal, Malawi, and Zimbabwe to

Richards Bay and Durban. The railway currently leases three 34-200 class diesel locomotives from the South African Transport System to transport transit traffic and 19 15AR class steam locomotives for domestic transport. The railway is considering pursuing a dieselization project involving the purchase of 13 diesel locomotives.

### Utilities and Water

Botswana. -The cost of water is high in Botswana, due to low annual rain and periodic droughts. Monthly water costs per kiloliter (kl) in the five principal industrial sites are set forth below in thebe:

	Gaborone	Lobatse	Shashe	Francistown
First 10 kl (or part)	23	23	23	23
Next 20 kl (or part)	42	55	36	63
Next 40 kl (or part)	56	84	42	82
Over 70 kl (or part)	49	70	33	75

The recent inauguration of the Molupule Power Station near Palapye has allowed Botswana to become largely self-sufficient in electricity, albeit at high unit cost due to the distances between populated areas. The Gaborone and Lobatse areas derive electricity from the Gaborone Power Station which has a capacity of 60 MW. Selibi Phikwe and Francistown are supplied from Selibi Phikwe, which currently has a capacity of 80 MW. Outside the country's eastern populated strip, electricity is often supplied by small privately owned businesses. The tariff listed below for industrial and commercial users (except Francistown) is ranked according to three scales:

At Medium or Low Voltage (scales 1 and 2):

Scale 1: Monthly demand less than 35 kw first 400 watts at 12.1 thebe/watt remainder at 9.9 thebe/watt.

Scale 2: Monthly demand over 35 kw: minimum charge P220 per month (P = \$0.60 in 1987), peak demand charges P10.6 per kw per half hour, additional charges 5.7 thebe per watt.

At High Voltage:

Scale 3: Monthly demand over 35 kw: minimum charge P220 per month; peak demand charge P9.4 per kw per half hour; additional charges 5.2 thebe per watt.

Minimum charge can fluctuate if monthly usage rises or falls dramatically. Francistown charges slightly different rates, higher for small users and lower for bigger users.

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To lessen dependence on imported oil, Botswana constructed three 30-MW turbine generators on the large Morupule coal field. Transmission lines send the electricity to the transformers at Gaborone and Selibi Phikwe. The plant became operational in 1986. Another three 30-MW generators are envisaged after 1989, but their installation will depend on the further expansion of the Morupule field.

Lesotho.-Lesotho has an ample supply of water, but it is not always located in the most accessible regions. Firms should contact the Chief Engineer, Water and Sewerage Branch, Ministry of Water, Energy and Mines, P.O. Box MS 426, Maseru, to find out the availability of water for industrial use. Currently the cost of industrial water is 75 maloti per cubic meter.

The Lesotho Electricity Corporation is responsible for the provision of electricity to all consumers. The corporation purchases almost all of its electricity needs from the Electricity Supply Commission (ESCOM) in South Africa. The following two tariff scales apply to industrial users:

- o General Purpose Scale--monthly use under 25 kw: first 100 watts per month, .2633 maloti per watt; additional watts, .147 maloti per watt.
- o Industrial Maximum Demand Scale--monthly use over 24 kw: minimum monthly charge, 148 maloti; peak demand charge, 6 maloti per kw; additional charges, 0325 maloti per watt.

Installation charges will range from 4.46 to 62 maloti. Lesotho's Fourth Development Plan aims at reducing the country's dependence on South African electricity. One project under way is the Lesotho Highland Water Scheme. The project will dam the Orange River and some of its tributaries in the Lesotho highlands and divert the water to South Africa. Hydroelectric power will be a byproduct of the project, and Lesotho will earn substantial revenue from the sale of water to South Africa. The project is financed by the Republic of South Africa, Lesotho, the World Bank, the EC, USAID, and the West German agency, CIM. The total cost of the project is estimated at \$2.4 billion. The project will be constructed in stages over a 30-year time frame. The initial phase, consisting of infrastructure development and the construction of the first major dam and associated waterworks, is now under way with a projected completion date of 1995.

Swaziland.- Although the water supply is sufficient in Swaziland to support small industrial projects in Manzini, Matsapha, and Mbabane, further major projects requiring large amounts of water would necessitate the construction of water reserve facilities. Swaziland experiences periods of dry weather regularly, and river flows are seasonal (the low period is June to September).

The Water Resources Branch of the Swaziland Ministry of Natural Resources, Land Utilizations and Energy has authority for water utilization and control in the Kingdom. Permission must be obtained from the Water Apportionment Board to make use of local rivers as a source of water or waste outlet. The Water and Sewage Board governs water prices and is responsible for supplying water and sewage services to 17 designated areas. The Rural Water Supply Board has responsibility for rural water supply.

Water and sewerage prices vary in different regions and for different end-users. Firms should contact the Water and Sewerage Board for charges: The Water and Sewerage Board, P.O. Box 20, Mbabane, Swaziland.

The Swaziland Electricity Board generates about 40 percent of the power it sells at hydroelectric stations and purchases the remainder from the South African Electricity Supply Commission. Several of the largest agro-industrial consumers of electricity generate most of their own energy requirements from waste products.

Commercial and industrial charges for electricity (rates in effect since January 1, 1987) are:

- o For private residential purposes: E0.095 per Kwk--minimum charge per month or part there of E7.10;
- o For commercial and public premises with a maximum demand of less than 20 kilovoltampere at any time of the year: E0.039 per Kwk--minimum charge per month or part thereof E11.00; and
- o For commercial and public premises with a maximum demand of more than 20 kilovoltampere at any time of the year: E0.1512 for each E 0.1512 for each kilovoltampere of maximum demand plus E0.0575 per kwh. kilowatt-hour.

Nighttime power usage is charged an additional fee. All tariffs are subject to a 10 percent surcharge.

To reduce dependence on South Africa's electric system and also to utilize the country's hydroelectric potential, Swaziland constructed the Liphohlo-Ezulwini hydroelectric plant. The project became operational in 1985. The Government of Swaziland is studying the feasibility of constructing a thermal power station in the lowveld which would utilize Swazi coal resources.

#### BANKING AND CREDIT

In 1974, Lesotho, South Africa, and Swaziland signed the Rand Monetary Agreement (RMA), a formal currency sharing arrangement which declared the South African Rand to be legal tender in the Rand Monetary Area. The RMA also provides for free transfer of funds among members, pooled gold and foreign exchange resources under South African management, and mechanisms to enforce foreign exchange controls similar to those in effect in South Africa vis-a-vis countries outside the area. In 1986, the RMA was renegotiated and renamed the Common Monetary Area (CMA).

Botswana.-The official monetary unit is the pula, made up of 100 thebe. The currency is pegged in equal parts to the South African Rand and Special Drawing Rights of the International Monetary Fund.

The Bank of Botswana fulfills the role of a Central Bank. It maintains both government accounts and the reserve accounts of Botswana's commercial banks. As of 1986, total assets amounted to approximately \$1.2 billion. The commercial banking system is limited to three banks: Barclays Bank of Botswana Ltd., Standard Chartered Bank Botswana Ltd. (both are wholly owned subsidiaries of their British parent banks), and the new Saudi Arabian-founded Bank of Credit and Commerce.

To supplement credit facilities offered by the commercial banks, Botswana established the National Development Bank (NDB) in 1964. This parastatal organization receives financial support from foreign donors as well as from the government. The bank plays a pivotal role in aiding small rural farmers and business people. Individual loans are small, and annual disbursements are under \$1 million. In addition to the NDB, the Financial Service Co. assists the public with hire-purchase financing and industrial leasing. Loans are generally medium term (5-8 years) at favorable rates. The company is flexible as to terms and types of financing. It will also assist in preparation of market surveys, feasibility studies, and business negotiations.

In 1982, the Government of Botswana announced a financial assistance policy designed to encourage projects being developed in rural areas where there are limited employment opportunities. Grants are available for entrepreneurs initiating such projects. Botswana and foreign investors are eligible to apply for this financial assistance.

Workmen's compensation is the only mandatory insurance requirement in Botswana. Several insurance companies operate in Gaborone. There is no stock exchange in Botswana, but companies can make arrangements to market the shares of locally registered companies.

Lesotho.-Lesotho's currency, the maloti, was introduced in 1980 and is valued at par with the South African Rand. Both currencies are legal tender in Lesotho and are used interchangeably. The Lesotho Monetary Authority acts as the Central Bank in Lesotho, but has limited control over monetary and credit policy. The Authority also delegates routine exchange control functions to the commercial banks. There are four commercial banks licensed to operate in Lesotho: Barclays Bank International Ltd., the Standard Bank Ltd., Standard Bank of South Africa Ltd., and the Lesotho Bank. The Lesotho Bank, which is the only 100 percent government-owned commercial bank, provides financing for both commercial activities and development projects.

Swaziland.-The Central Bank of Swaziland issues currency, manages the country's foreign exchange reserves, regulates financial institutions, and administers foreign exchange controls. Under the CMA, the South African Rand is no longer legal tender in Swaziland and the Swazi currency, the Lilangeni, is no longer legally linked in value to the Rand. The Government of Swaziland has announced its intention to continue to informally peg the value of the Swazi Lilangeni to the Rand on a one-to-one basis so long as the value of the rand remains stable. Rands continue to be freely accepted in Swaziland. In practice, the Central Bank has little control over monetary and credit policy because of Swaziland's membership in the Common Monetary Area and close economic and financial links to South Africa. There are four commercial banks in Swaziland: Barclays Bank of Swaziland Ltd., Standard Bank of Swaziland Ltd., Swaziland Development and Savings Bank, and Bank of Commerce and Credit International Ltd. In addition, several investment organizations and one leasing company operate in Swaziland.

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The Swaziland Royal Insurance Corporation handles all insurance in the country and the National Provident Fund, the Swazi Social Security Fund, provides retirement services which are intended to augment existing company plans. Payments into the Fund by local employers and employees are mandatory. Employers are required to pay up to E10 per month for each employee, half of which is recoverable from the employee.

#### INVESTMENT CLIMATE AND TAX INCENTIVES

Botswana, Lesotho, and Swaziland actively seek foreign private investment. To encourage foreign investment, their governments offer financial incentives such as low company income tax rates and generous provisions for capital write-offs. Businesses have wide duty-free access to the southern African region because the countries are members in the Customs Union. In addition, Botswana, Lesotho, and Swaziland are signatories to the Lome III Convention, as well as other trade agreements with African states, giving businesses duty free access to the EEC and several African nations for many manufactured goods and products. Botswana provides an excellent climate for foreign investment. The constitution specifically prohibits nationalization except under extraordinary circumstances. To date, this action has not occurred and remains highly unlikely. Businesses may be either joint ventures or totally foreign owned.

Botswana.-In an effort to encourage new industrial/manufacturing firms to establish themselves in Botswana, the government has adopted several new programs, one of the more attractive being the Financial Assistance Policy which is available to foreign investors. Some of the major terms of the package are as follows:

- o Firms will be reimbursed 50 percent of cost of training Botswana employees.
- o The government will give an outright grant for each unskilled laborer employed.
- o The total amount of assistance is correlated to the number of Botswana employed. In addition, new firms receive a tax holiday according to the schedule below:

first 2 years: tax free

3rd year: tax on 25 percent of profits

4th year: tax on 50 percent of profits

5th year: tax on 75 percent of profits

succeeding years: tax on profits at rate of 35 percent.

Variations of this package are available. Interested parties should contact the Ministry of Commerce and Industry (Private Bag 004, Gaborone).

Access to local credit is readily available through Botswana's two commercial banks and the Botswana Development Corporation (BDC). The BDC is a government-owned company designed to stimulate economic development by identifying viable investment opportunities and developing them on its own or in partnership with local or foreign investors. Its interests include development, air transport and industrial development.

Licensing requirements are minimal for manufacturing and internal trade enterprises. An industrial license is renewed annually. The license is renewed automatically unless there has been some serious offense. Where there is need for a heavy investment or the industry needs to undertake extensive training, an exclusive license may be granted. This license prohibits the establishment of any competing industry in Botswana. Such licenses may be granted for a maximum period of 4 years, but may be extended for 4 more years.

Most U.S. investment in Botswana is in the mining sector. The U.S. firm AMAX has invested about \$125.4 million in the copper/nickel mining complex at Selebi Phikwe. In addition, AMAX has guaranteed obligations for the mine of about \$76 million. South Africa and Britain are the two largest foreign investors in Botswana.

The Overseas Private Investment Corporation (OPIC) has been in Botswana since 1968. It provides inconvertibility, expropriation, and war coverage insurance to U.S. investors.

Lesotho: The Government of Lesotho is firmly committed to industrial development through private enterprise. The government regulates investment by granting tax exemptions or allowances against taxes to particularly desirable investors. Criteria include employment and training opportunities, and diversification of the economy. In addition, since there is a surplus of employable people in Lesotho, labor-intensive industries are more appealing.

Companies operating in Lesotho are taxed at the rate of 37.5 percent of taxable income. The government provides tax incentives for companies which qualify under the Pioneer Industries Encouragement Act. No attempt is made to define the word pioneer, and thus all firms interested in forming manufacturing and industrial complexes may apply. Applications should be sent to: The Secretary Pioneer Industries Board, P.O. Box 747, Maseru, Lesotho

Tax incentives include:

- o Exemption from taxes for 6 years from the commencement of production
- o 145 percent allowance for a time period granted by the Board.
- o 75 percent allowance on buildings in the first year.
- o A utility and transport allowance is granted for up to 5 years on 15 percent of costs.
- o 10 percent allowance on all wages paid to Lesotho citizens for 5 years.

Access to local credit is available through Lesotho's three commercial banks and the Lesotho National Development Corporation (LNDC). Applications to the LNDC for loan capital are considered on an individual basis. Normally the corporation expects a return of 11 to 13 percent on the capital invested. Besides financing, its services include conducting feasibility studies and market research.

There are no specific Lesothoan requirements for local equity or directorship participation. In the past, however, companies qualifying as pioneer industries have had to give the LNDC a participation share. The LNDC is now endeavoring to attract foreign companies without mandatory LNDC participation to encourage more foreign investment. At present, almost all foreign investment in Lesotho comes from South Africa. OPIC is currently active in Lesotho.

Swaziland.-The Government of Swaziland believes in a free market economy and therefore actively encourages foreign private investment. There is no overall investment law nor are there any bilateral investment treaties. However, the Swazi policy of encouraging foreign investment is embodied in the current and previous national development plans and is supported by new legislation granting tax concessions.

Tax allowances and investment incentives are detailed in the Income Tax Order of 1975, amended and considerably expanded in the Income Tax Amendment Act of 1985, which provides for the following:

- o A 5-year tax holiday for new firms engaged in manufacturing provided that the investment constitutes a *new* industry in Swaziland and on the condition that cumulative taxable income less cumulative remuneration paid to Swazi employees does not exceed 150 percent of the value of the company's assets in Swaziland;
- o Generous tax deductions for such items as furniture and fittings, industrial buildings, motor vehicles, and plant and machinery;
- o Double deductibility of training expenses as approved by the Commissioner of Taxes;
- o An additional initial deduction of up to 50 percent on plant and equipment, machinery and industrial buildings either in the first year, or, if a tax holiday has been granted, until after the expiration of that holiday;
- o Indefinite carry forwards of accumulated losses to set off against income; and
- o Additional tax concessions may be granted by the Minister of Finance, with the prior consent of the Cabinet, to pioneer industries established in declared development areas.

Access to local credit is available through Swaziland's three commercial banks and the Swaziland Industrial Development Corporation (SIDC). SIDC seeks to assist the foreign investor with the establishment of industrial operations. Besides financing, its services include: feasibility studies, market research, and the construction and leasing of factory shells.

There are no Swaziland requirements for local equity or directorship participation. Many companies, however, are anxious to improve their local identification by enlisting such participation.

Annual licenses are required of any company registered or operating in Swaziland. Fees vary according to the amount of nominal share capital. Special licenses are required to carry out certain activities concerned with agriculture, food, and mining.

Reliable statistics on foreign direct investment in Swaziland are not available. However, the bulk of foreign investment comes from the United Kingdom and is mainly in the sugar, wood, pulp and mining sectors. South African investment is also substantial and is concentrated in the forestry, mining, and manufacturing sectors. The remainder of foreign investment comes from a variety of sources including the United States. Coca Cola investments in a local sugar mill and soft drink concentrate plant are covered by OPIC, which does offer its programs to U.S. investors in Swaziland.

#### TAXATION

Botswana.-The Income Tax Act of 1973 is the principal law on income taxation in Botswana. The income tax year is from July 1 to June 30. Taxable income is gross income less tax exemptions, costs in producing accessible income, and dividends paid by a resident company to resident shareholders (personal allowances for individuals). All companies in Botswana are charged a 35 percent tax rate on taxable income. Dividends, interest payable, commercial royalties, and management and consultant fees to nonresidents are assessed a 15 percent withholding tax. Entertainment fees for foreigners are charged a 10 percent tax. In addition, share capital may only be exported upon disposal of the shareholding or on the liquidation of the company, and its export is subject to Bank of Botswana approval. Basic tax allowances for businesses are listed in the previous section on investment and tax incentives.

Further information on Botswana's corporate and individual tax schedules may be obtained from the Commissioner of Taxes, P.B. 0013, Gaborone.

Lesotho.- The Department of Taxation governs rules on income taxation in Lesotho. The income tax year is from April 1 to March 1. Tax is charged on all amounts accrued from sources in, or deemed to be in, Lesotho.

The graduated tax schedules for individual and self-employed tax payers are different. For further information contact: The Commissioner of Income Tax, P.O. Box MS 801, Maseru 100, Lesotho.

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Company income tax (except for pioneer industries) is 37 1/2 percent of taxable income. The present tax law contains several deductions and exemptions, but they tend to be ambiguous. Companies should contact the Commissioner of Income Tax for specific details. Virtually all foreign private investment in Lesotho originates from South Africa. Efforts started in 1982 to eliminate inconsistencies and uncertainties in the country's tax structure should encourage more diversified foreign investment.

Swaziland.-The Income Tax Consolidation Order of 1975, as amended in 1985, is the principal law on income taxation in Swaziland. The income tax year is from July 1 to June 30. Income tax is charged on all income derived from a source in Swaziland. There is no capital gains tax, nor is there provision for deductions of capital losses. However, in specified instances, receipts of a capital nature are taxable and capital expenditures deductible.

Progressive rates on individual incomes are generally lower than in most African countries. The progressive tax rates for individual incomes increase slightly per each additional E1000. The maximum rate of 50 percent is payable on any income over E15,000 per year for an individual or over E24,000 for a married person.

Specified deductions are allowed for children and dependents as well as for limited amounts of medical expenses, life insurance premiums, and contributions to approved pension funds and medical aid societies. New legislation introduced in 1987 ensures that taxes assessed on the disaggregated income of a working wife does not exceed the amount she would pay if her income were aggregated with that of her husband. Company income is generally taxed at a rate of 37 1/2 percent. There is a variable rate for mining companies in that the first E20,000 is taxed at a rate of 27 percent and the remainder at the regular rate. Nonresident's tax on dividends is 15 percent, but only 12 1/2 percent on dividends paid to local companies registered in the Customs Union area. The amount of nonresident's tax on interest is 10 percent. In addition, share capital may only be exported after the approval of the Central Bank of Swaziland.

#### LABOR WAGE REGULATION AND LABOR RELATIONS

In general, labor in Botswana, Lesotho, and Swaziland has several factors in common:

- o Lack of sufficient local employment opportunities for rapidly expanding labor forces.
- o Shortage of trained manpower and heavy reliance on skilled expatriate technicians.
- o High levels of subsistence farming and domestic underemployment.
- o Dependence upon remittances from migrant workers, primarily employed in South Africa.

To combat these problems, the three countries are endeavoring to expand local labor-intensive industries, increase crop output per hectare, and increase manpower development programs. The progress has been slow, however.

Botswana.-Approximately 15 percent of Botswana's one million people are employed in the formal job sector. During the first half of the 1980s, the government provided about 38 percent of these jobs. That figure was down around 29 percent in 1985. Other important employment sectors are commerce (about 15 percent of the jobs), service (13 percent), manufacturing (12 percent), mining (7 percent), and formal agricultural employment (4 percent). Another 15 percent of the formal sector work force is employed in South African mines.

The employment of noncitizens in Botswana continues to rise in all sectors. Forty-five percent of this group occupies professional, managerial, and technical positions. Expatriates hold important posts in government and education. For employment, noncitizens must first obtain a valid residence permit from the Department of Immigration. The applicant must then receive a visitor work permit from the Labor Commissioner.

Government regulations require the payment of a minimum wage of 55 thebe per hour for watchmen and up to 70 thebe per hour for all other professions. All employees are paid for eight public holidays, given 24 hours rest each week and granted at least a half an hour rest for each continuous 5 hours of work. Vacations, sick leave, and normal working hours vary according to the profession. For further information on these and other work-related regulations, contact The Botswana Employer's Federation, Botsalan House, Gaborone, Botswana.

The Trade Union Act of 1969 requires that all unions be registered. In those industries where no unions exist, the Regulation of Wages and Conditions of Services Acts governs wage disputes. In general, Botswana's unions and employers have a good record in resolving disputes.

Lesotho.-Lesotho's inability to provide jobs for its employable population has resulted in a growing dependence on earnings remitted by migrant workers. The country's total labor force in 1985 was estimated at 689,000 of whom 146,000 were employed as migrant workers in South Africa, and only 51,000 employed in the formal sector. Remittances from Lesotho's migrant workers provide a crucial influx of funding for the country. Net earnings by Basotho in South Africa exceeded \$260 million in 1985, of which 60 percent or \$160 million was directly remitted to the Miner's Deferred Pay Fund administered by the Lesotho Bank. Over a third of Lesotho's national income comes from worker remittances.

Lesotho's major trade unions are involved in the protection of the interests of migrant workers. The government has agreements with South Africa to grant rights to Basotho migrant workers, including the right to strike (except for political purposes). Domestic unions are becoming more active in Lesotho's small industrial sector.

Swaziland.-In 1985, the total number of paid employees in Swaziland was approximately 90,000. In addition, 25,000-30,000 Swazis work in South Africa at any given time, mainly in gold and platinum mines. Agriculture/forestry

and government, the largest employers in Swaziland, each account for about 30 percent of total wage employment. Approximately 38 percent of wage earners are skilled employees.

Between 4,000 and 5,000 noncitizens are employed in Swaziland and hold a high percentage of skilled labor jobs. Foreigners also hold key positions in agriculture, mining, and business. Although Swaziland has fewer migrant workers in South Africa than Botswana and Lesotho, it would be incorrect to say that Swaziland is less dependent than Botswana for jobs since Swaziland is a smaller economy. Remittances from Swaziland's migrant workers totaled an estimated \$15 million in 1985.

In the past, Swaziland's 13 trade unions did not function effectively because of ambiguous government legislation. To resolve this problem, the government passed the Industrial Relations Act of 1980 (IRA). The IRA provides for the regulation of industrial union workers, councils, and employer organizations as well as for a collective bargaining and disputes procedure. It is hoped that grievances and wage disputes will be better resolved under this legislation.

#### GUIDANCE FOR BUSINESS TRAVELERS

U.S. business people do not need visas to enter Botswana and Swaziland; valid U.S. passports will suffice. Lesotho does, however, require visas, which can be obtained either from the Lesotho Embassy in Washington, D.C., or after one's arrival in the country. Since most travelers either visit or transit through South Africa to go to these countries, they should obtain South African visas from the South African Embassy in Washington, D.C. or at any one of the Republic's four consulates in the United States (New York, Chicago, Houston, or Los Angeles). A South African visa is not required if one only transits South Africa (remains within the confines of the international section of the airport). Yellow fever immunization is necessary if the traveler is coming to South Africa from any country other than the United States. It is advisable to have a cholera immunization and to take medication to prevent malaria for travelers going to northern Botswana and the Swazi lowveld.

#### Business Conduct

Botswana-In Botswana, English is the official language. Setswana is spoken by a large segment of the population. Government hours are: 7:30 a.m.-12:30 p.m., 1:45 p.m.-4:30 p.m. Commercial business hours are weekdays, 8:00 a.m. to 1:00 p.m., 2:15 p.m. to 5:30 p.m. Businesses are usually open on Saturday from 8:00 a.m. to 1:00 p.m. Banking hours are weekdays from 8:15 a.m. to 12:45 p.m., and Saturdays from 8:15 a.m. to 10:45 a.m. There are six paid holidays, but stores, banks, and government offices are closed on the following 12 public holidays: New Year's Day (Jan. 1 and 2); Good Friday and the Saturday after Good Friday, Easter Monday, Ascension Day, President's Day and the following day (July), Botswana Day and the day after (Sept. 30, Oct. 1), Christmas Day (Dec. 25), and Boxing Day (Dec. 26).

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Lesotho.-In Lesotho, English and Sesotho are the two official languages. English is used in business. Government and business offices are open from 8:00 a.m. to 5:00 p.m. on weekdays. Businesses are open from 8:00 a.m. to 1:00 p.m. on Saturdays. Banking hours are from 8:30 a.m. to 1:00 p.m. on weekdays and 8:30 a.m. to 11:00 a.m. on Saturdays. There are 12 public holidays in Lesotho: New Year's Day (Jan.1), Moshoeshoe Day (March 12), Tree Planting Day (March 21), Good Friday and Easter Monday, King's Birthday (May 2), Ascension Day, Family Day (First Monday in July), Independence Day (October 4), Sport Day (First Monday in October), Christmas Day (Dec. 25), and Boxing Day (Dec. 26).

Swaziland.-In Swaziland, English and Siswati are the two official languages. English is used in business. Government and business hours are 8:00 a.m. to 5:00 p.m. on weekdays. Businesses are usually open from 8:30 a.m. to 1:00 p.m. on Saturdays. Banking hours are from 8:30 a.m. to 1:00 p.m. on weekdays and 8:30 a.m. to 11:00 a.m. on Saturdays. There are 12 public holidays in Swaziland: New Year's Day (Jan.1), Good Friday and Easter Monday, King Mswati III's Birthday (April 19), National Flag Day (April 25), Ascension Day, King Sobhuza's Birthday (July 22), Reed Dance Day (to be determined), Independence Day (Sept. 6), Christmas Day (Dec. 25), Boxing Day (Dec. 26), and Incwala Day (to be determined).

#### Accommodations and Services

Botswana.-In Botswana, a limited selection of hotels is available in the larger cities of Gaborone, Francistown, Lobatse, Selebi-Phikwe, and Maun. There are also guest houses, safari lodgings, and hotels in or near the several game parks and wildlife preserves. Rental rates are moderate to high. Advance reservations with deposits should be made for the hotels in the larger cities.

Car and truck rentals can be made in Gaborone. Taxi services are available in Francistown, Gaborone, and Lobatse. Gas stations are usually open, but at a minimum on weekdays from 7:00 a.m. to 6:00 p.m., on Saturdays from 7:00 a.m. to noon, and on Sundays from noon to 6 p.m. International telephone and telegraph connections are made without delay. The station-to-station rate from Washington, D.C. to the capitals of Botswana, Lesotho, and Swaziland is approximately \$9 for the first 3 minutes.

Lesotho.-In Lesotho, hotels are available in the larger cities and tourist areas. Car rentals and taxi service are only available in the capital, Maseru. Gas stations are open: from 6:00 a.m. to 6:00 p.m. on Mondays, Tuesdays, Thursdays, and Fridays; from 6:00 a.m. to noon on Wednesdays and Saturdays; and 2:00 p.m. to 6:00 p.m. on Sundays. Direct telex and telephone links are available from the United States.

Swaziland.-In Swaziland, hotels are generally available, prices moderate and reservations are necessary only if one's stay coincides with one of South Africa's 3 or 4-day weekends. Car rentals are available at the Matsapha Airport and in the major hotels in Mbabane. Taxis are obtainable in Mbabane and Manzini. Gas stations are open from 7:00 a.m. to 6:00 p.m. 7 days a week with some local variations. Swaziland has direct telex and telephone connections with over 90 countries.

Official Representatives

Additional inquiries on Botswana, Lesotho, and Swaziland may be directed to either their embassies or their permanent missions to the United Nations:

Botswana

Embassy of the Republic of Botswana  
4301 Connecticut Ave., NW.  
Suite 404  
Washington, D.C. 20008  
Tel: (202) 244-4990

Botswana Mission to the U.N.  
866 second Ave.  
New York, N.Y. 10017  
Tel: (202) 759-6587

Lesotho

Embassy of the Kingdom of Lesotho  
1430 K Street, NW.  
Suite 600  
Washington, D.C. 20015  
Tel: (202) 628-4833

Lesotho Mission to the U.N.  
866 U.N. Plaza  
Suite 580  
New York, N.Y. 10017  
Tel: (212) 421-7543

Swaziland

Embassy of the Kingdom of Swaziland  
4301 Connecticut Ave., NW.  
Suite 441  
Washington, D.C. 20008  
Tel: (202) 362-6683

Swaziland Mission to the U.N.  
866 U.N. Plaza  
Room 420  
New York, N.Y. 10017  
Tel: (212) 371-8910

When in the three countries, U.S. citizens may contact the U.S. Embassy at the following addresses:

Botswana

P.O. Box 90  
Gaborone, Botswana  
Tel: [267] (3) 53982; Telex: 2554 AMAMB BD

**Lesotho**

Kingsway  
P.O. Box 333  
Maseru 100, Lesotho  
Tel: [266] 312666

**Swaziland**

Central Bank Building  
P.O. Box 199  
Warner Street  
Mbabane, Swaziland  
Tel: 46442; Telex: 2016 WD

U.S. TRADE WITH SUB-SAHARAN AFRICA  
 Type: Customs value  
 Flow: General imports  
 Partner: Botswana  
 (Thousands of dollars)

HS commodity	Time period:	1987	1988	1989	1990
Total all commodities.....		6,886	8,716	16,738	14,157
:410790--Leather of animals nesoi, without hair on.....		3,744	5,395	5,756	7,093
:710231--Diam ex ind unwkcd or smpl swi clvd or bruted.....		0	0	7,448	4,162
:050510--Down for stuffing cleaned/disinfect treat for pres:		0	3	209	502
:750210--Nickel, unwrought, not alloyed.....		650	249	0	371
:710310--Prec nesoi & semiprec stones, unwork, sim sawn etc:		0	0	0	367
:750400--Nickel powders and flakes.....		0	29	0	363
:710239--Diamonds, nonindustrial, worked.....		0	0	52	323
:980100--Imports of articles exported & returned, no change:		76	62	354	308
:430219--Furskins nesoi, whole tanned/dressed not assembled:		77	20	42	100
:430230--Furskins, whole and pieces, tanned, assembled.....		0	0	128	99
:960390--Hand-operated mechanical floor sweeper etc, nesoi:		0	39	143	76
:650590--Hats & headgear, knit etc, lace, felt etc in pc...:		20	107	64	72
:430180--Furskins nesoi, raw, whole.....		0	19	87	46
:999995--Estimated imports of low valued transactions.....		35	46	49	42
:490199--Printed books, brochures, etc., nesoi.....		0	0	2	37
:050790--Tortoise-shell, whalebone nails etc, powder, waste:		0	3	8	29
:440320--Coniferous wood in the rough, not treated.....		0	0	0	20
:050590--Skins & other parts of birds with feath; waste etc:		230	190	122	19
:621430--Shawls scarves and the like of synthetic fib, n kt:		11	76	171	19
:440399--Nonconiferous wood in the rough nesoi, not treat...:		0	0	0	18
:970500--Collectors items of botanic. histor etc interest...:		23	58	26	14
:050690--Powder and waste of bones and horn-ceres, nesoi...:		0	0	8	13
:410429--Bovine & equine leather, tanned etc, nesoi.....		10	0	11	11
:010600--Animals, live, nesoi.....		0	30	95	11
:430390--Articles of furskins, nesoi.....		7	0	21	8
:460210--Basketwork/wickerwork & oth articles, vegtbl matls:		10	6	2	7
:430220--Furskin pieces/cuttings tanned/dressed nt assemblc:		91	32	23	6
:430190--Heads/pcs, cuttings etc furskins for furriers' use:		9	0	32	5
:621490--Shawls scarves and the like textile mtrl nesoi,nkt:		52	138	22	5
:621410--Shawls, scarves etc of silk or silk waste not knit:		28	31	11	3
:621142--Oth gar wom grls cotton ex track ski-suits swimmer.:		2	2	11	2
:611010--Sweaters, pullovers etc, knit etc, wool.....		0	0	0	2
:040700--Birds' eggs, in the shell, fresh, preserv or cookd:		0	0	1	2
:420221--Handbags, surface of composition/patent leather...:		0	1	1	1
:731010--Tanks etc, capacity notun50notov300 liter, ir & st:		0	0	0	1
:Total of items shown.....		5,074	6,537	14,896	14,157
:Total other.....		1,811	2,179	1,841	0x

Data before 1989 are estimated.

ce: Compiled from official statistics of the U.S. Department of Commerce.  
 35 commodities sorted by General imports, Customs value in 1990.

U.S. TRADE WITH SUB-SAHARAN AFRICA  
 Type: F.a.s. value  
 Flow: Total exports  
 Partner: Botswana  
 (Thousands of dollars)

HS commodity	Time period:	1987	1988	1989	1990
Total all commodities.....		28,438	41,030	30,091	19,192
:988000--Est. low value shp; canadian low value and nik....		9,069	25,343	13,498	7,193
:850230--Aiplane & a/c unladen wght > 2000, nov 15000 kg..		1,181	61	0	2,350
:841112--Turbojets of a thrust exceeding 25 kn.....		0	3	0	1,620
:870410--Dumpers designed for off-highway use.....		0	0	0	936
:854800--Electrical parts of machinery nesoi.....		1	0*	1,548	843
:852990--Pts,ex antenna,for trnsmssn,rdr,radio,tv,etc nesoi		3,536	4,443	148	417
:870130--Track-laying tractors.....		0	0	89	394
:853010--Electrical signaling or traffic control eqpt rail..		0	0	0	370
:852520--Transmission appr incorporating reception apparats:		593	115	109	357
:071310--Peas, dried shelled, including seed.....		0	0	0	353
:880330--Parts of airplanes or helicopters, nesoi.....		57	247	250	266
:980240--Articles donated for relief etc., nesoi, exports..		263	105	111	256
:870190--Tractors, nesoi.....		61	138	0	217
:843142--Bulldozer or angledozer blades.....		0	0	0	213
:870590--Special purpose vehicles, nesoi.....		0	0	25	213
:842230--Machinery for filling, closing bottles, etc.....		0	0	0	195
:980230--Wearing apparel, donated for relief etc, exports..		167	117	91	127
:854140--Photosns:ive semicndctr dvce inc phtvltc cell etc:		253	330	176	120
:370829--Pts & access of bodies of motor vehicles, nesoi....		35	0	0	89
:293792--Estrogens and pregestins.....		0	0	0	85
:880220--Airplanes & ot a/c, unladen weight nt over 2000 kg:		118	33	130	85
:930510--Pts & accessories,of pistols or revolvers.....		0	0	0	85
:841582--Air conditioning mach etc incorp refrig unit nesoi:		32	2	0	85
:490199--Printed books, brochures, etc., nesoi.....		50	27	139	83
:840999--Spark-ignition reciprocating int com pistn eng pts:		90	46	120	81
:852610--Radar apparatus.....		0	0	0	78
:980110--Value of repair/alter articles previous imported..		2	14	0	77
:852490--Recorded media for sound including master prod rec:		1	13	2	74
:847192--Input or output units for adp machines.....		209	0	18	71
:871000--Tank & ot armored fight veh, motorized; and parts.:		0	0	184	70
:870432--Mtr veh trans gds spk-ig in c p eng, gvw > 5 m tn.:		0	0	49	66
:442190--Articles of wood, nesoi.....		11	26	52	61
:930330--Sport hunt target-shoot rifles ex muzzle-loading..:		0	0	0	60
:490110--Printed books/brochures/leaflets etc,single sheets:		0*	0*	0	59
:392690--Articles of plastics, nesoi.....		1	25	0	56
Total of items shown.....		15,731	31,089	16,739	17,704
Total other.....		12,707	9,941	13,353	1,488

Note: Data before 1989 are estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce.  
 Top 35 commodities sorted by Total exports, F.a.s. value in 1990.

# **COUNTRY INFORMATION**

**FOR**

**BOTSWANA**

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**BOTSWANA - GENERAL PROFILE**  
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Area	231,804 sq mi
Population 1988	1,190,000
Population Growth	3.49 %
Population Density	5 /sq mi
GNP 1988 (millions)	\$1,224
GNP per Capita	\$1,029
Capital City	GABORONE

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**BOTSWANA - DEMOGRAPHICS**  
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Population 1975	691,000
Population 1988	1,190,000
Population 1989	1,232,000
Population 1990	1,275,000
Population 2000	1,797,000
Population Growth	3.49 %
Population Density	5 /sq mi
Pop'n Doubling Time	20 years

**Age Distribution:**

% Male 0-9	18.0 %
% Female 0-9	18.0 %
% Male 10-19	11.2 %
% Female 10-19	11.4 %
% Male 20-29	7.0 %
% Female 20-29	8.5 %
% Male 30-39	4.2 %
% Female 30-39	5.6 %
% Male 40-49	2.9 %
% Female 40-49	3.4 %
% Male 50-59	2.1 %
% Female 50-59	2.5 %
% Male 60-69	1.4 %
% Female 60-69	1.6 %
% Male 70+	0.9 %
% Female 70+	1.3 %

Literacy Rate	35 %
Urbanization	21.6 %

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**BOTSWANA - MAJOR CITIES**  
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	Population	Latitude, Longitude	Internat'l Phone Code
GABORONE	95,000	24.45S, 25.55E	267-31
Francistown	34,000	21.07S, 27.32E	267-21
Selebi-Phikwe	33,000	21.58S, 27.48E	267-
Serowe	25,000	22.25S, 26.44E	267-43
Mahalapye	22,000	23.05S, 26.51E	267-41
Molepolole	21,000	24.25S, 25.30E	267-32
Kanye	20,000	24.59S, 25.19E	267-34
Lobatse	20,000	25.11S, 25.40E	267-33
Mochudi	19,000	24.28S, 26.05E	267-37
Maun	15,000	20.00S, 23.25E	267-
Ramotswa	14,000	24.56S, 25.50E	267-
Telex Access Code(s)	991		
Ham Radio Prefix(es)	A2		

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**BOTSWANA - HEALTH STATISTICS**  
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Life Expectancy (M)	54.0 years
Life Expectancy (F)	60.0 years
Crude Birth Rate	47.8 /1000
Crude Death Rate	13.7 /1000
Infant Mortality	67.0 /1000
No. of Hospitals	21
Population/Hospital	56,667
No. of Hospital Beds	2,137
Population/Hosp. Bed	557
No. of Physicians	111
Population/Physician	10,721
No. of Dentists	20
Population/Dentist	59,500
No. of Pharmacists	10
Population/Pharmacist	119,000
Nursing Personnel	574
Population/Nurse	2,073

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**BOTSWANA - GOVERNMENT**  
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Type of Government	Parliamentary Republic
Government Leaders	PRESIDENT Quett K.J. MASIRE (1980) VICE PRESIDENT Peter MMUSI
Major Parties	Botswana Democratic Party Botswana National Front Botswana People's Party Botswana Independence Party

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**BOTSWANA - LANGUAGES, ETHNIC GROUPS & RELIGIONS**  
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Languages	English Setswana
Ethnic Groups	Batswana 95 % Bushmen 4 % European 1 %
Religions	Indigenous Beliefs 50 % Christian 50 %

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BOTSWANA - GROSS NATIONAL PRODUCT (GNP)

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GNP 1987 (millions)	\$1,155
GNP 1988 (millions)	\$1,224
GNP 1989 (millions)	\$1,298
Annual GNP Growth	6.0 %
GNP per Capita	\$1,029
%GNP for Agriculture	3 %
%GNP for Industry	57 %
%GNP for Services	40 %
%GNP for Defense	3.8 %

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BOTSWANA - IMPORTS & EXPORTS

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Major Imports	Foodstuffs
	Vehicles
	Textiles
	Chemicals
	Transport Equipment

Major Exports	Diamonds
	Cattle
	Animal Products
	Copper
	Nickel

Balance of Trade	\$169,000,000 (1986)
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BOTSWANA - NATURAL RESOURCES, AGRICULTURE, INDUSTRIES

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Natural Resources	Diamonds
	Copper
	Nickel
	Coal
	Salt
	Soda Ash
	Potash
	Iron Ore
	Silver
	Natural Gas
Agriculture	Corn
	Sorghum
	Millet
	Cowpeas
	Livestock
Major Industries	Meat Processing
	Mining
	Tourism

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 BOTSWANA - COMMODITY PRODUCTION  
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Aluminum	0 or N/A
Barley	0 or N/A
Bauxite	0 or N/A
Beer	667 1000s of hectoliters
Butter	1 1000s of metric tons
Cement	0 or N/A
Cheese	0 or N/A
Cigarettes	0 or N/A
Coffee	0 or N/A
Copper	0 or N/A
Corn	1 1000s of metric tons
Cotton	1 1000s of metric tons
Crude Oil	0 or N/A
Diamonds	12,900 1000s of carats
Eggs	0.7 1000s of metric tons
Electricity	0 or N/A
Gold	13 kilograms
Hard Coal	0 or N/A
Iron Ore	0 or N/A
Lead	0 or N/A
Magnesium	0 or N/A
Meat	44 1000s of metric tons
Merchant Ships	0 or N/A
Milk	98 1000s of metric tons
Natural Gas	0 or N/A
Natural Rubber	0 or N/A
Newsprint	0 or N/A
Oats	0 or N/A
Paper	0 or N/A
Passenger Cars	0 or N/A
Phosphates	0 or N/A
Potatoes	0 or N/A
Radios	0 or N/A
Rice	0 or N/A
Silver	0 or N/A
Soybeans	0 or N/A
Sugar	0 or N/A
Tea	0 or N/A
Televisions	0 or N/A
Tin	0 or N/A
Tobacco	0 or N/A
Uranium	0 or N/A
Wheat	0 or N/A
Wine	0 or N/A
Wool	0 or N/A
Zinc	0 or N/A

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BOTSWANA - CULTURE & TOURISM  
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- Official Language: English. Setswana also widely spoken.
- Independence from Britain granted in 1966.
- Major area inhabited by nomadic Bushmen.
- Visa: Required. Citizens of Commonwealth, EEC and US exempt for stays of up to 30 days.
- Health: Yellow fever and cholera vaccinations required if coming from infected area. Malaria suppressants recommended.
- Sights: Chobe National Park, Moremi Wildlife Reserve, Kalahari Desert, Okavango swamps.
- Climate: Mostly subtropical, but varies with altitude.

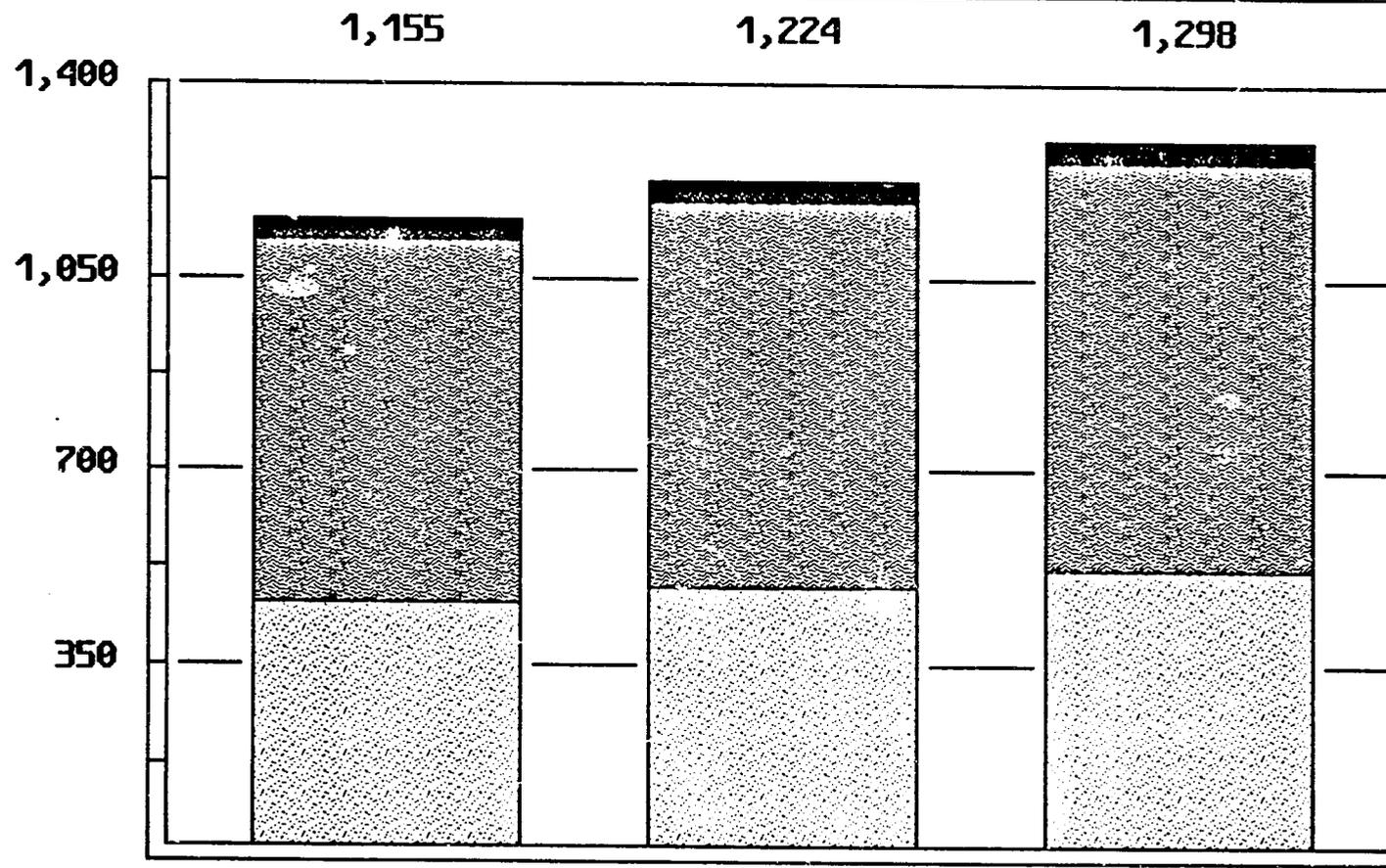
Currency: Pula (Jan. 1990: 1.87 = \$1US).

Tourist Statistics:

Arrivals (1000s)	381
Receipts (million \$)	28

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**BOTSWANA**  
**Gross National Product (in millions of \$US)**

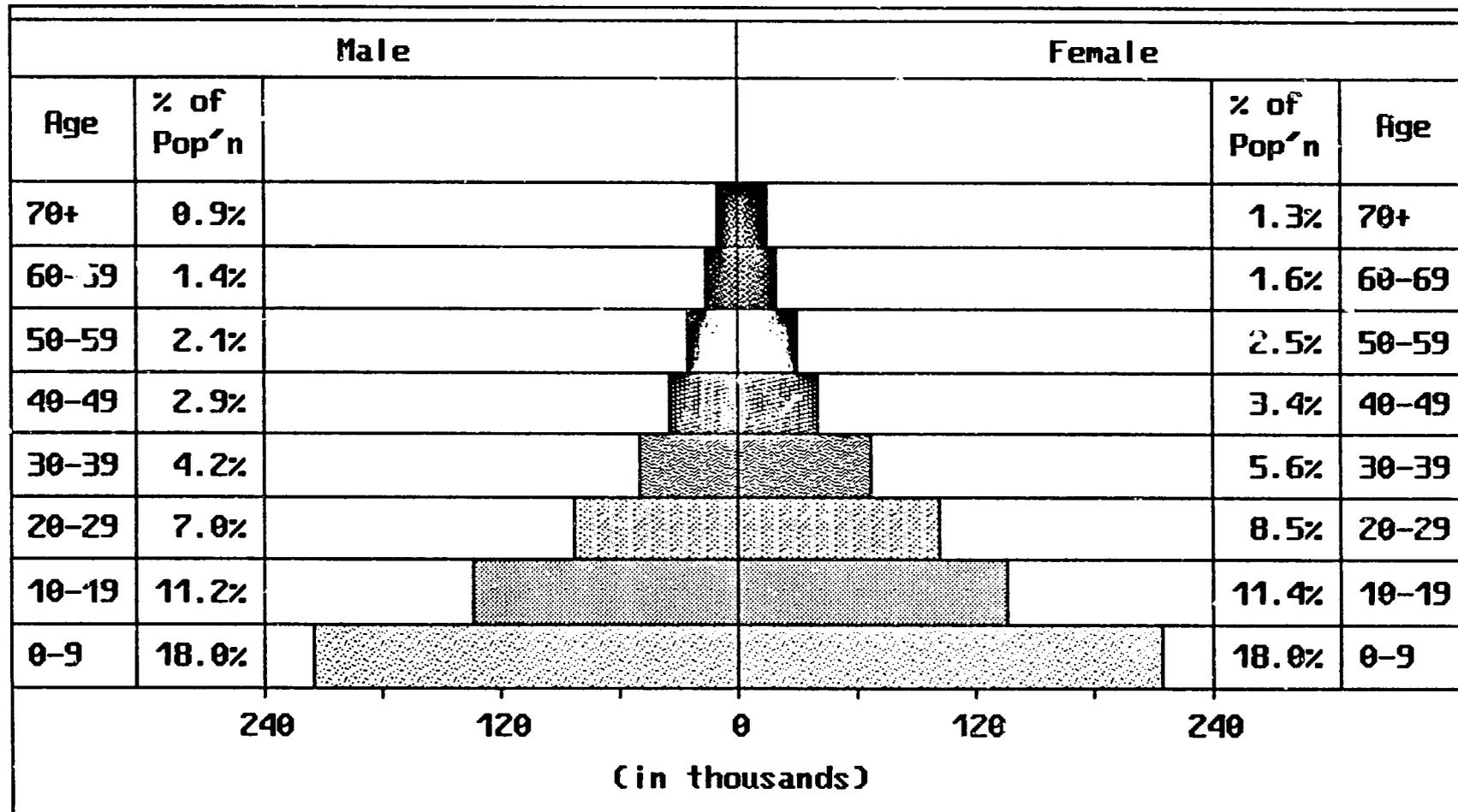


1987  
 ■ Agriculture: 3%  
 ■ Industry: 57%  
 ■ Services: 40%

■ Annual GNP Growth: 6.0%  
 ■ GNP per Capita: \$1,029  
 ■ GNP for Defense: 3.8%

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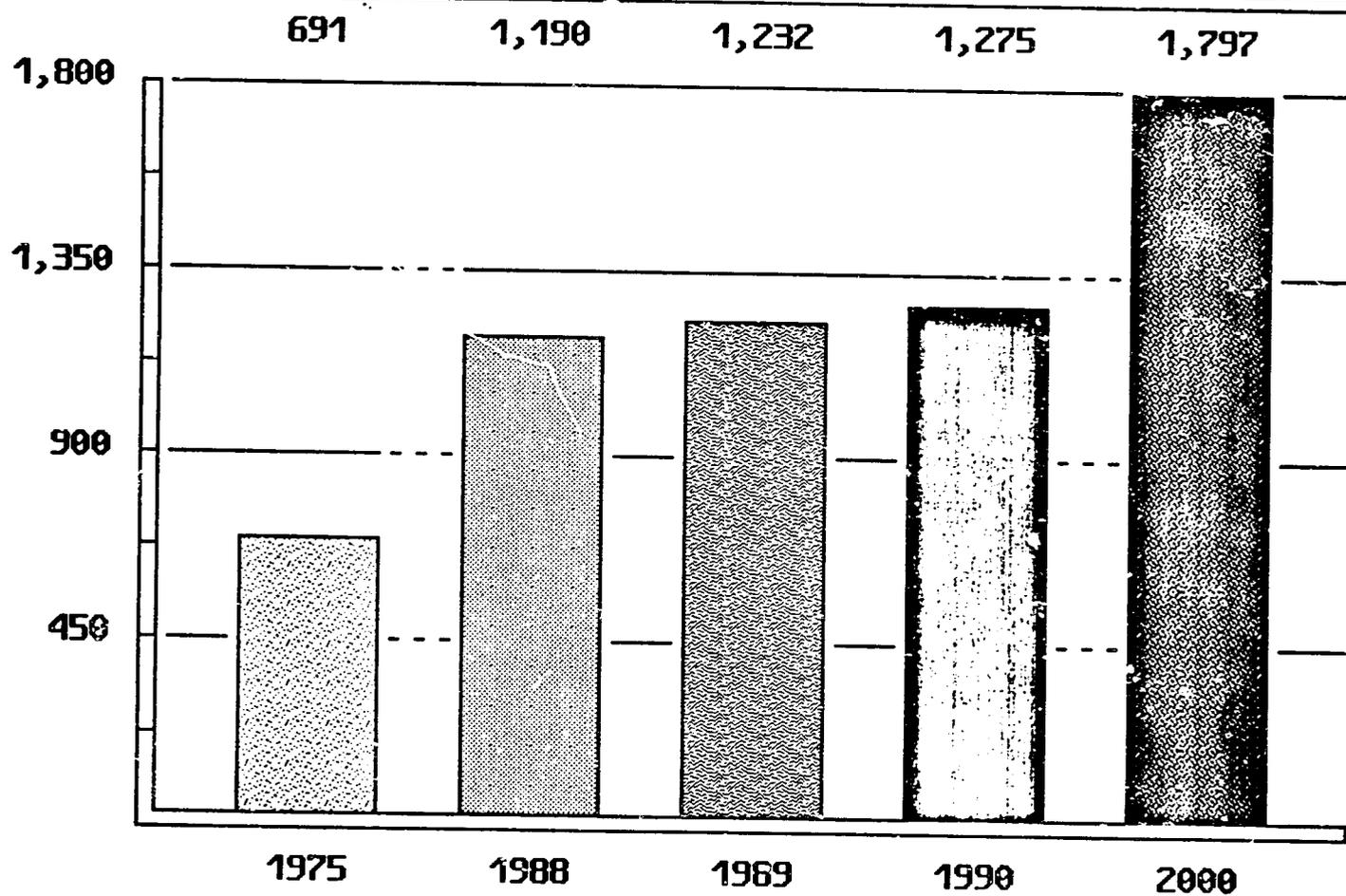
**BOTSWANA**  
**Age Distribution**



- Total Population: 1,190,000
- Total Male Pop'n: 568,000
- Total Female Pop'n: 622,000

- Literacy Rate: 35%
- Urbanization: 21.6%

**BOTSWANA**  
Population (in thousands)



- Annual Pop'n Growth: 3.49%
- Pop'n Doubling Time: 26 years
- Pop'n Density: 5 inhabitants/sq mi

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# BOTSWANA

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## INCOME TAXES ON CORPORATIONS

### 1. Rates

Effective July 1, 1990, the corporate income tax rate is based on a two-tier system, with a basic company tax of 30% and an additional company tax of 10%. A withholding tax of 15% on dividends paid applies, but the withholding can be used to offset the 10% additional company tax due in that year.

If the 10% additional company tax due in any year is greater than the 15% withholding tax on dividends in that year, the excess may be carried forward to offset the 15% withholding tax due on dividends in succeeding years. If the 15% dividend withholding tax in any year exceeds the 10% additional company tax available for offsetting, however, the excess cannot be carried forward.

A judicious dividend distribution would ensure an effective tax rate of 40%.

### 2. Local Income Taxes

None.

### 3. Capital Gains Taxes

A tax on capital gains became effective July 1, 1982. Effective July 1, 1990, chargeable net capital gains are taxed on the same two-tier system as other corporate income.

### 4. Branch Profits Taxes

The branch profits tax was abolished effective July 1, 1990. A branch of a foreign corporation now is subject to tax on the same basis as a resident corporation, and the effective rate of tax is 40%.

A "branch" has been defined as any factorship, agency, receivership, or management of a nonresident company.

### 5. Foreign Tax Reliefs

Income derived by residents from sources outside Botswana generally is not taxable in Botswana barring certain exceptions which are deemed to be from sources situated

in Botswana. Double taxation agreements are in force with the United Kingdom and South Africa. Botswana residents are entitled to a foreign tax credit for the lesser of the foreign tax paid or the Botswana tax payable on taxable income derived from these countries.

## INCOME TAXES ON INDIVIDUALS

### 9. Rates

The rates of individual income tax on taxable income from July 1, 1990, are listed in the following tables.

#### Resident Individuals

Taxable Income		Tax on Lower Amount	Percentage on Excess
Over	Not Over		
P 9,000	P20,000	P 0	5%
20,000	30,000	550	10
30,000	40,000	1,550	20
40,000	50,000	3,550	30
50,000		6,550	40

*Notes:*

- (1) A trust and estate of a deceased person is subject to tax under a separate table, ranging from 2.5% to 40% on the first P6,000 to P40,000 and 40% on the excess thereafter.
- (2) A husband and wife are taxed separately.

### 10. Local Income Taxes

None.

### 11. Capital Gains Taxes

A tax on capital gains became effective July 1, 1982. Chargeable net capital gains arising from the disposal of certain immovable property and 50% of chargeable net capital gains from the sale of shares are taxed in the case of an individual on the basis of the following table.

Taxable Income		Tax on Lower Amount	Percentage on Excess
Over	Not Over		
P 5,000	P15,000	P 0	5%
15,000	25,000	500	10
25,000	35,000	1,500	20

Taxable Income		Tax on Lower Amount	Percentage on Excess
Over	Not Over		
P35,000	P45,000	P3,500	30%
45,000		6,500	40

## 12. Foreign Tax Reliefs

Relief from Botswana tax is given on the same basis as for corporations (see item 5).

## 13. Tax Period

An individual is required to use June 30 as the tax year-end, but an accounting date other than the fiscal year may be used for the computation of business income.

## INCOME TAXES ON NONRESIDENTS

### 15. Liability to Tax

Nonresidents are subject to tax on chargeable income accrued or deemed to accrue from sources in Botswana or deemed to be in Botswana. The tax rates are listed in the following table.

Taxable Income		Tax on Lower Amount	Percentage on Excess
Over	Not Over		
P 0	P30,000	P 0	20%
30,000	42,000	6,000	30
42,000		9,600	40

### 17. Withholding Tax Rates

A 15% withholding tax is deductible from gross amounts of interest, commercial royalties, and management or consulting fees paid by any person to a nonresident. This is not refundable. The withholding tax is a final tax, and the income is not aggregated with other income. A 15% withholding tax also is deductible from dividends paid by a resident company to any shareholder, resident or nonresident, except in the case of dividends paid to a resident public company or a company quoted on the Botswana Stock Exchange.

	Dividends	Interest	Royalties	Management and Consulting Fees
Nontreaty countries	15%	15%	15%	15%
Treaty countries:				
South Africa	15	15	15	•
United Kingdom	15	15	15	•

\* See "Management or Consultancy Fee" below.

**Commercial Royalty.** For withholding purposes, commercial royalties are defined as any amounts payable for the use of (or the right to use) any copyright of a literary, artistic or scientific work (including cinematograph films, and films or tapes for radio or television broadcasting), any patent, trademark design or model, plan, secret formula or process, or for the use of (or the right to use) industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific know-how.

**Management or Consultancy Fee.** For withholding purposes, such fees are defined as any amount payable for administrative, managerial, technical or consultative services, whether such services are of a professional nature or not. When such fees are paid to residents of the United Kingdom or South Africa, whether they are taxable depends on the particular provisions of the double taxation agreements with these countries. It is advisable to seek clarification in such cases.

**Construction.** Payments on contracts with nonresidents relating to construction operations are subject to withholding tax if so directed by the Commissioner of Taxes. The amount to be deducted is usually 25% of the gross payment less the direct material costs or, alternatively, such lesser amount as the Commissioner may direct at his discretion, according to the circumstances. The tax withheld is allowed as a set off against assessed tax.

## 19. Tax Treaties

Tax treaties exist between Botswana and the Republic of South Africa and the United Kingdom.

## OTHER SIGNIFICANT TAXES

### 21. Sales (Value Added)

A one-stage sales tax became effective September 6, 1982 on fuel (gasoline and diesel), beer, and spirits and wine at the point of importation or manufacture. The base has been broadened by the sales tax amendment regulations effective March 1, 1989. The rate on fuel is 10 Thebe per litre (100 Thebe = 1 Pula), and the rates

on beer, wine, and spirits vary from 5 Thebe per litre to P1.20 per litre. Cigarettes, cigars, etc., as well as electro-mechanical domestic appliances, microphones, turntables, video recorders, television receivers and cassettes, and record players, are taxed at 10%.

## **22. Inheritance and Gift Taxes**

Succession and estate duties were levied at graduated rates on the value of the decedent's real and personal property located in Botswana. The Death Duties Act was repealed on May 31, 1985 and replaced by a capital transfer tax. The transfer of property by gift or death is subject to a progressive tax, which is based on the amount transferred and the relationship of the beneficiary to the deceased donor. The tax is imposed on the beneficiary.

## **23. Taxes on Payrolls (Social Security)**

There are no payments for social security.

## **24. Taxes on Natural Resources**

Royalties are charged on the exploitation of mineral resources.

## **25. Other Taxes**

**Land and Property Taxes.** Transfer duty is levied at 5% of the value of immovable freehold and leasehold property. The first P20,000 of such value is exempt from transfer duty on transfers to a Botswana citizen. In the case of agricultural property, transfer duty is levied at the rate of 30% for a non-citizen.

# **COMPUTATION OF TAXABLE INCOME**

## **26. Capital Gains**

Since July 1, 1982, capital gains realized on all moveable and immovable property of a business carried on in Botswana and on investments in shares and debentures of a company have been taxable. Certain gains are exempt. Special rules apply to the valuation of immovable property and to property acquired by gift or inheritance. These rules have now been further modified. For any tax year beginning July 1, 1988, any proportion of tax on capital gains on immovable property used for business purposes may be postponed if the gain is reinvested in similar property within one year.

## **27. Depreciation and Depletion**

Capital allowances on fixed assets other than land and buildings may be claimed at rates varying from 10% to 25% on a straight-line basis for expenditure incurred on or after July 1, 1982. On assets in use before that date, the previous rules apply under which up to 100% may be claimed in any tax year.

From July 1, 1982, an initial allowance of 25% is available on new industrial buildings in the year of first use, and an annual allowance of 2.5% may be claimed on the remaining balance of 75%. For industrial buildings that do not qualify for an initial allowance and for commercial buildings, an annual allowance of 2.5% applies from July 1, 1982 (residential buildings do not qualify).

### **28. Treatment of Dividends**

Dividends are not taxable in the hands of shareholders. The 15% withholding tax on dividends can offset additional company tax (see item 1). There is an exemption to the withholding tax on dividends paid to a resident public company or a company quoted on the Botswana Stock Exchange (see item 17). Group companies must be structured carefully to minimize the effect of dividend tax on dividends passing through the group structure.

### **29. Loss Carryovers**

There is a five year carryforward (no carryback) of assessed losses. However, there is no time limitation on the carryforward of losses incurred in farming, mining, and prospecting activities. Farming losses of a person other than a company, which have been determined according to generally accepted accounting principles, may within three years be elected for set off against income from other sources in that tax year. A net capital loss (after setting off capital gains in that year) may be carried forward for set-off against capital gains in the next tax year only.

### **30. Transactions between Related Parties**

If a transaction has created rights or obligations that would not normally be created between independent persons dealing at arm's length, the Commissioner of Taxes may determine the liability in such manner as he deems appropriate. This has been strengthened by the introduction of special clauses relating to "Close Companies."

### **31. Consolidation of Income**

There are no provisions for group taxation of related corporations, except that special provisions apply to the Botswana Development Corporation and its subsidiaries.

### **32. Tax Periods**

June 30 is the tax year-end, but the basis period for computing the tax liability of businesses is the particular accounting period, provided that this has been approved by the tax authorities.

### **33. Other Matters**

**Income Liable to Tax.** Companies and individuals resident in Botswana generally are not liable to taxation on income other than that accruing in Botswana or on certain income deemed to be from sources situated in Botswana.

## RELATED CONSIDERATIONS

### 34. Incentives and Grants

There are certain incentives for farmers and "pioneer" industries. Special development approval orders offering additional tax reliefs are granted for projects considered necessary for the development of the economy of Botswana. Provisions are also available for the negotiation of special tax agreements with the Government. Such agreements may, in respect of a person taxable in Botswana, vary the provisions of the Income Tax Act relating to that person.

**Financial Assistance.** A system of cash grants for new projects has been announced by the Government. This should be reviewed by potential investors as the assistance provided varies with the size of the project, the number of jobs created and other factors.

**Special Deductions for Approved Training Expenditure.** A company may deduct 200% of the cost of approved training of its citizen employees in arriving at its chargeable income. Approved training is described as:

- Approved education (not being primary or secondary education) or training, at an approved educational, professional, or vocational training establishment, of citizens of Botswana who are employed by or bonded to such person for the purpose of his business.
- The employment in Botswana of an approved training officer wholly engaged in approved vocational training of citizens of Botswana who are employed by or bonded to such person for the purpose of his business.

The required approval is obtainable from the Commissioner of Taxes upon application.

### 35. Exchange Controls

An Exchange Control Act is in force under which approval for foreign exchange transactions is required.

### 36. Investment Restrictions on Nonresidents

Direct foreign investment in Botswana in the form of share and loan capital is welcome, but specific permission for such investment is nevertheless required. Once permission has been obtained, payment of interest and dividends and repayment of current accounts are not normally restricted. Botswana companies wishing to borrow from non-Botswana sources or residents will normally be allowed to do so, provided the loan is for at least two years and the interest payable for the term of the loan is not more than 0.5% above the authorized lending rate for similar borrowing at the time of the loan. Repatriation of loan capital after two years normally is permitted.

## **B-58 □ BOTSWANA**

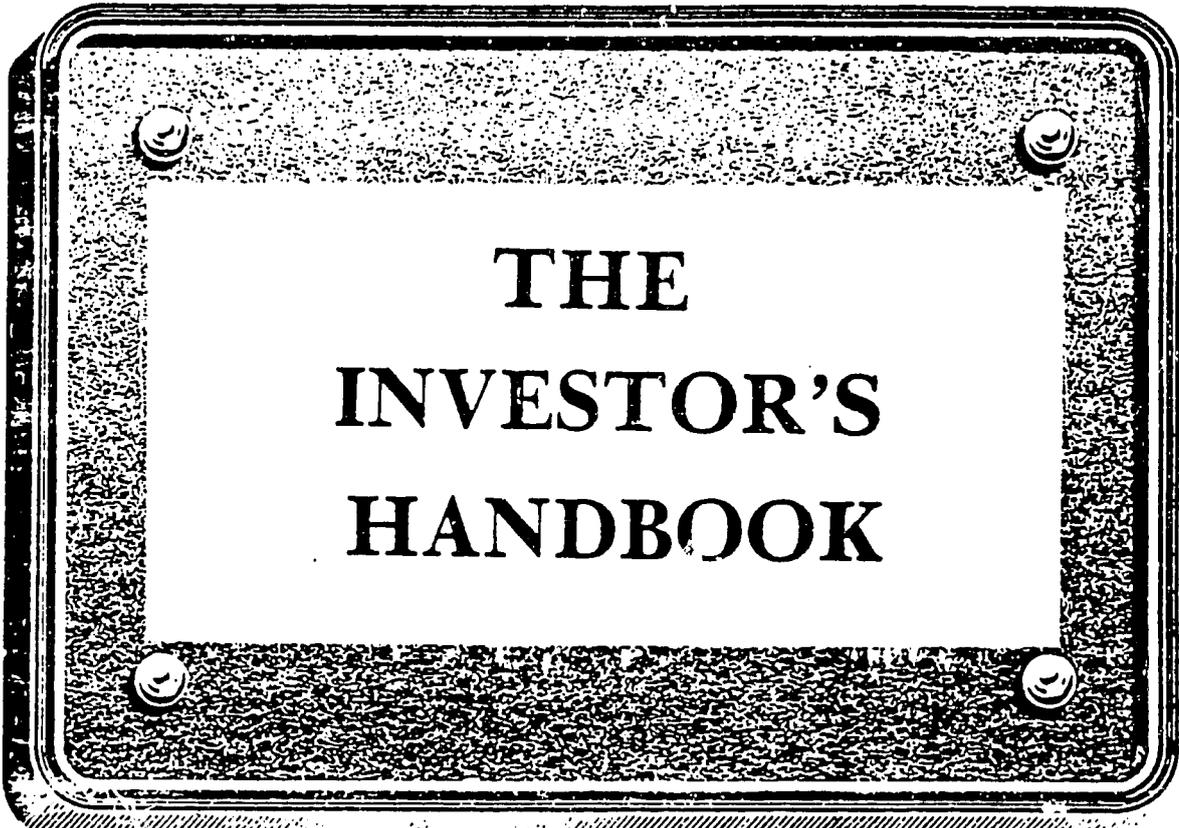
Funds can be raised locally by foreign controlled companies up to P300,000 without reference to the Bank of Botswana. Over this level, specific approval is required. As a general rule, however, it is expected that nonresident shareholders' interest in a Botswana company (i.e., by way of equity, loan finance, and reserves) will be maintained at not less than one-fourth of local borrowings. This rule will be waived if the company's activities are judged to be highly beneficial to the economy of Botswana.

### **SELECTION OF BUSINESS ENTITY BY NONRESIDENTS**

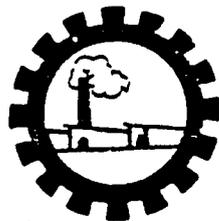
Nonresident investors can operate in Botswana either through a branch or by forming a local subsidiary company. Effective July 1, 1990, the effective tax rate for both entities is 40% (see item 1). The formulation of a group structure of companies in Botswana, however, should be carefully considered (see item 28).



# Botswana



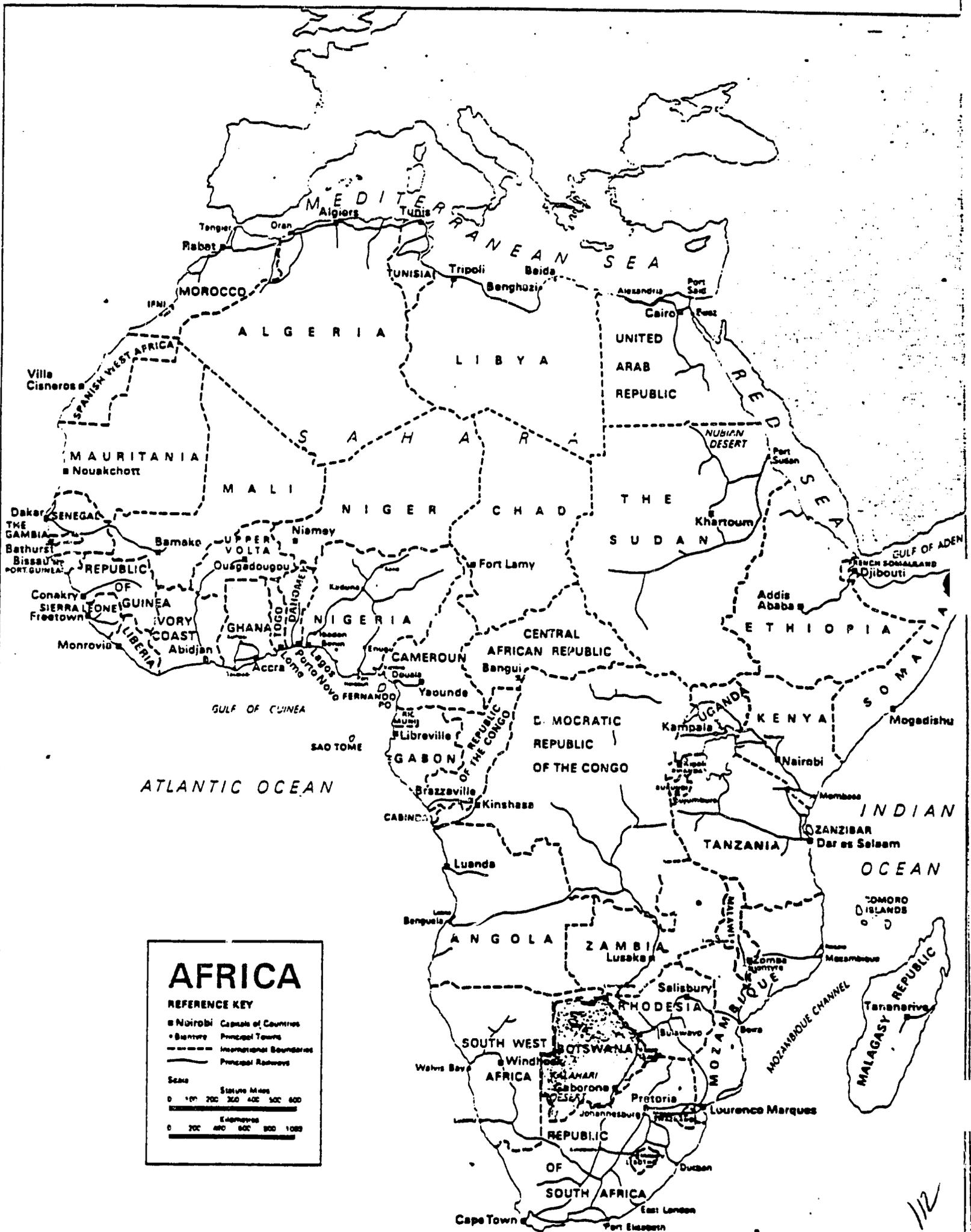
## THE INVESTOR'S HANDBOOK



Ministry of Commerce and Industry  
Industrial Affairs Division  
Private Bag 004  
Gaborone  
Botswana

AUGUST, 1983

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# AFRICA

**REFERENCE KEY**

- Nairobi Capitals of Countries
- Banjore Principal Towns
- - - International Boundaries
- Principal Railways

**Scale**

Statute Miles
0 100 200 300 400 500 600
Kilometers
0 200 400 600 800 1000

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1. INTRODUCTION

This handbook is a guide to businessmen on the procedure for setting up an industry. It gives brief descriptions of the Acts and Regulations, what is required of the businessman and where to go for details on any particular Act or Regulation.

A map of the Gaborone Mall - a portion of the capital town - is attached for ease of reference to the relevant Government offices. The complete Acts and Regulations can be obtained from the Government Printer shop numbered 20 on the map attached.

2. ACTS AND REGULATIONS

2.1 COMPANIES ACT (CAP. 42:01)

Registration of a company is the first step in setting up an industry. It requires that the Articles and Memorandum of Association be drawn up and signed by the subscribers who should not be less than 2 or more than 50 if it is a private company.

The Memorandum states the name of the company, its objects, the liability of the members and the share capital with which the company proposes to be registered.

The Articles state the regulations of the company and the number of members.

The Memorandum and Articles of Association with a duplicate original should be sent to the Registrar of Companies. If the documents meet with all requirements, the company pays the prescribed fees to have it registered and a Certificate of Incorporation is issued.

The minimum prescribed fee is P60 and increases depending on the size of the share capital of the company.

It is important to note that a company should be registered before an industrial licence is applied for. Details can be made available by the

Registrar of Companies  
Private Bag 004  
Gaborone.  
Tel 53881 - 4

2.2 INDUSTRIAL DEVELOPMENT ACT (CAP. 43:01)

Under this Act, only enterprises employing ten or more people and/or using twenty-five horsepower which is equivalent to 18.7kw or more of any form of energy require an industrial licence.

The completed application form should be submitted with the prescribed fees of P10 for application and publication to the Ministry of Commerce and Industry. The application is published in the Government Gazette for two consecutive weeks. Then there is a further two weeks wait for any objections from the public before the Minister makes a decision.

The Minister of Commerce and Industry is the only person with the authority to approve or refuse the issue of an industrial licence. In the case of a refusal by the Minister, an appeal can be made to the President by the applicant within 28 days of receipt of such letter.

An industrial licence is issued on the payment of P100. The licence is renewable every year on payment of P100 renewal fees.

Note that this licence does not cover the holder from complying with other Acts and Regulations like the Public Health Act and the Factories Act.

The Ministry of Commerce and Industry is located in Tsholetsa House numbered 15 on the map attached. All correspondence should be addressed to the

Permanent Secretary  
Ministry of commerce and Industry  
Private Bag 004  
Gaborone.  
Tel. 53881 - 4

2.3 IMMIGRATION ACT (CAP. 25:04)

A visitor's permit is given for a total period of 90 days in any given year.

Completed forms for a residence permit is submitted with a medical report, a birth certificate or passport, two passport-size photographs and the prescribed fees to the Department of Immigration. A letter in support of the industrial project application can be requested from the Ministry of Commerce and Industry and attached to the

residence permit application form.

The residence permit is issued for a maximum period of three years and is renewable thereafter.

Further information is available from the

Chief Immigration Officer

Dept of Immigration & Passport Control

P.O.Box 942

Gaborone.

Tel. 55565

The offices are situated in the Government enclave numbered 14 on the attached map.

#### 2.4 EMPLOYMENT OF VISITORS' ACT (CAP. 47:02)

Any person coming into the country either to work or to invest requires a work permit.

Work permits are issued by the Dept of Labour. The application form is completed and is submitted to the relevant labour office where the person will be stationed.

Note that the application for a work permit is submitted to the labour office at the same time that the application for a residence permit is submitted to the Immigration dept.

The Head Office is in the Ministry of Home Affairs located in the Government enclave numbered 5 on the attached map. The address is

Commissioner

Dept. of Labour

Private Bag 002

Gaborone.

Tel. 55293

#### 2.5 LAND

There are 3 types of land in Botswana, namely, state land, tribal land and freehold. Freehold is seldom granted. State land is administered by the Dept. of Surveys and Lands and tribal land is administered by the various Land Boards in the Districts.

##### 2.5.1 FREEHOLD

Freehold accounts for about 6% of the land area of Botswana and

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is found mainly in the Ghanzi farms, Tuli block and Molopo farms with other patches around the country.

In order to obtain freehold land for industrial activities, the land must be purchased or rented from the owner.

Neither the State nor the Land Boards will grant freehold land.

### 2.5.2 STATE LAND

State land covers about 23% of the land area in Botswana. It is made up of the five towns and other areas. These are Gaborone, Lobatse, Selebi-Phikwe, Francistown, Jwaneng, Orapa, Kasane and Ghanzi as well as the national parks, game reserves and the land on which District Administration offices and houses are located.

Application for land in the towns is made to the Dept. of Surveys and Lands. Subject to the availability of land for the purposes required, the application is recommended to the Minister of Local Government and Lands for approval. Thereafter, the title deed is drawn up by the Attorney General's Chambers for a leasehold period of 50 years or 99 years.

The cost of land depends on the cost of servicing the land with water, electricity, sewerage, roads and rail.

The offices of the Dept. of Surveys and Lands are located near the Railway Station, adjacent to Frasers Supermarket and the address is

Director  
Dept. of Surveys and Lands  
Private Bag 0037  
Gaborone.  
Tel. 53251

### 2.5.3 TRIBAL LAND

Tribal land is all other land and represents about 71% of the land area of Botswana.

Tribal land is allocated by Land Boards. An application for tribal land for industrial purposes is made to the Land Board that has jurisdiction over that area. The Land Board then makes its decision after the sitting where the applicant is present.

Serviced land in tribal areas for industrial purposes are rented out on an annual basis at 10 thebe per square metre except in Pilane

where it is 12.5 thebe per square metre per year.

An investor who sets up an industry in a tribal or rural area can apply for residential land provided he possisses a residence permit. There is no charge on residential land in tribal areas.

Further information can be obtained from the relevant Land Board through the Dept of Surveys and Lands.

## 2.6 BUILDINGS

Industrial warehouses that are suitable for factories can be rented from property agents depending on their availability. Medium to high cost residential houses are also available from the property agents.

The Botswana Housing Corporation, (BHC), is the largest property owner in the country and owns high-, medium- and low-cost residential houses as well as medium cost flats.

Application for a house can be made to BHC and the waiting period depends on the length of the waiting list. The BHC is responsible for housing government officers and hence, the private sector have to wait that much longer.

Apart from the property agents, there are individuals who put up houses for rent and for sale on the open market.

The offices of the BHC are located in the BHC Building near the Railway Station and the address is

General Manager  
Botswana Housing Corpotation  
P.O. Box 412  
Gaborone.  
Tel. 53341

## 2.7 ELECTRICITY

The Botswana Power Corporation (BPC) supply of power in Botswana is concentrated basically along the eastern part of the country and is supplemented by power from Escom in South Africa. Since power is supplied on a regional basis, Mochudi, Gaborone, Lobatse, Jwaneng and Kanye derive their supply from the Southern Division. The Northern Division supplies Mahalapye, Palapye, Selebi-Phikwe, Francistown and

Maun.

Application for electricity is made to the BPC who carry out the installation. The distance of the applicant's plot from the existing power line determines the cost of installation.

The Head Office of BPC is located in the Mall House numbered 37 on the attached map. The address is

General Manager,  
Botswana Power Corporation  
P.O. Box 48  
Gaborone.  
Tel. 52211

## 2.8 WATER

Water connection applications in the town are made to the Water Utilities Corporation (WUC). The cost of connection depends on the length and size of the pipes. The full cost has to be paid before connection is made.

Applications for connection in the rural areas is made to the Dept of Water Affairs which has offices in most major villages.

In the case where the industry is located in an unserved area and the investor has to secure his own water, there are two alternatives, namely:-

- drilling a borehole, in which case a Land Occupation Right Certificate from the relevant Land Board has to be obtained as well as a "Right of Abstraction" permit in order to be legally entitled to the desired water; or
- diverting surface water from a nearby river or lake, in which case only a "Right of Abstraction" permit is required and this permit is obtained from the Water Apportionment Board located in the Dept. of Water Affairs.

The offices of the WUC are located in the Capitol Building numbered 29 on the attached map. The address is

General Manager  
Water Utilities Corporation  
P.O. Box 127  
Gaborone.  
Tel 52521

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The offices of the Dept. of Water Affairs are located in the Gaborone old industrial area adjacent to United Automobiles, off the Lobatse Road. The address is

Director,  
Dept. of Water Affairs  
Private Bag 0029  
Gaborone.  
Tel 52241

## 2.9 TELEPHONES

Completed forms should be submitted to the Botswana Telecommunications Corporation (BTC) which would then carry out a survey on whether there are telephone lines in the area or not. If there are no lines in the area, the applicant will be informed and wait listed until lines are available.

If there are lines available, the applicant will be informed and asked to pay the amount of P144, which consists of P72 installation fees and P72 annual subscription fees, before the telephone is installed.

The BTC offices are located in Standard House numbered 38 on the map. The address is

Chief Executive  
Botswana Telecommunications Corporation  
P.O. Box 700  
Gaborone  
Tel. 53611

## 2.10 FACTORIES ACT (CAP. 44:01)

The Factories Act sets out the minimum physical working conditions required on a work premises. These conditions cover aspects like cleanliness of the premises, adequate ventilation, prevention of overcrowding, enough lighting, adequate sanitation, safety precautions and many others.

The Chief Inspector of Factories receives a copy of the factory plan from the Local Authority for his comments if any, before the plan is approved. In the case where a premises is rented, the Chief Inspector should be invited to inspect the premises before the lease agreement is signed.

Note that one-person enterprises are not regulated by this Act because the legislation is to protect employees.

The office of the Chief Inspector is located in the Ministry of Home Affairs in the Government enclave numbered 5 on the map. The address is

Chief Inspector of Factories  
Private Bag 002  
Gaborone.  
Tel. 55754

#### 2.11 PUBLIC HEALTH ACT (CAP. 63:01)

The Act lays down health regulations to protect the population from unhealthy or medically dangerous situations.

Health regulations regarding industries are concerned with providing minimum standards for those that prepare food for sale.

The Act requires that the Chief Health Inspector should give his approval on the health standards of such a factory plan to the Local Authority responsible for approving the plan.

A Health Inspector visits the premises after construction to ensure that health regulations are adhered to. In the case where the premises are being rented, a Health Inspector should be invited to inspect the place before a lease agreement is signed.

Inspection is carried out on a regular basis. The offices of the Health Inspectors are located in the Ministry of Health which is located in the BHC Building near the Railway Station. There are Health Inspectors in the major towns and villages throughout the country. The Head Office address is

Chief Health Inspector  
Private Bag 0038  
Gaborone.  
Tel. 55350

#### 2.12 ATMOSPHERIC POLLUTION (PREVENTIVE) ACT (CAP. 65:04)

This Act is administered by the Dept. of Mines and is concerned with the prevention of air pollution. It becomes necessary to visit the Air Pollution Control Officer if the process of manufacture of

products emits objectionable matter like smoke, gases, vapour or dust that is capable of being dispersed or suspended in the atmosphere.

A registration certificate is issued after an application containing such information as the type of industrial process, raw materials, finished products, location of plant, and site plan is submitted. The Registration Certificate specifies the level of pollution that can be emitted.

If the industry is located in an uncontrolled area, a notice in the Government Gazette by the Minister of Mineral Resources and Water Affairs will declare the area controlled to protect human beings, animals and plants. The Dept. of Mines is located in Tirelo House numbered 40 on the map. The address is

Commissioner  
Dept. of Mines  
Private Bag 0049  
Gaborone.  
Tel. 52641

2.14 LABOUR LAWS

The labour laws are enforced by the Dept. of Labour for the protection of the rights of employees. These include the minimum wage laws and conditions of employment.

The Regulation of Wages and Conditions of employment Act of 1969 empowers the Minister of Home Affairs to set statutory minimum wage rates that apply to all industries irrespective of size. Casual and part-time employees are also covered by this legislation.

This Act sets a 45 hour working week with 8 paid public holidays annually. A minimum of 15 additional days of paid leave per year of service should be provided for. It also stipulated that overtime (time-and-a-half) be paid for any work done in excess of 9 hours in a single day.

Minimum records in respect of each employee must be kept and should include:

- a) Employee's full name
- b) Home address
- c) Nature of employment
- d) Wages and period of payment
- e) Period of notice of termination
- f) Rate of leave granted per month or year

Below is a list of the most important legislation affecting employment of labour.

<u>ACT</u>	<u>LAWS OF BOTSWANA</u>
Employment Act	Cap 47:01
Regulation of Wages and Conditions of Employment Act	Cap 47:04
Public Holidays Act	Cap 03:07
Employment of Visitors' Act	Cap 47:02
Workmen's Compensation Act	Cap 47:03
Trade Unions Act	Cap 48:01
Mines, Quarries, Works and Machinery Act	Cap 44:02
Factories Act	Cap 44:07
The Penal Code Act	Cap 08:01

There are no provisions for sick leave, paid or unpaid, in the laws of Botswana.

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Further information can be obtained from

Commissioner  
Dept. of Labour  
Private Bag 002  
Gaborone.  
Tel. 55730

## 2.15 EXCHANGE CONTROL REGULATIONS

Authorised dealers are Standard Bank, Barclays Bank and Bank of Credit and Commerce. They should be consulted before transactions subject to exchange control regulations are concluded.

The commercial banks will make foreign exchange payments for imports provided the company produces evidence from the Dept. of Customs and Excise stating the value of the imports.

Authorised dealers may approve repatriation of dividends, profits and interest of up to P25,000 per annum provided income tax and the 15% withholding tax deducted. A non-resident director's fees of P3,000 per annum can be repatriated. Other fees such as patents, copy-rights and trade marks embodied in an agreement should be submitted to the Bank of Botswana for approval of the payments according to the agreement.

Barclays Bank and Standard Bank have their head offices in the Mall with branches in various areas of the town and the country. The Bank of Credit and Commerce presently has only one office in town situated in the industrial area with a branch in Lobatse.

The Bank of Botswana is numbered 8 on the map. The address is

The Governor  
Bank of Botswana  
P.O. Box 712  
Gaborone.  
Tel. 51911

The addresses of the commercial banks are

Barclays Bank  
P.O. Box 478  
Gaborone.  
Tel. 52041

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Standard Bank  
 P.O.Box 496  
 Gaborone.  
 Tel. 53111

Bank of Credit and Commerce  
 P.O. Box 871  
 Gaborone.  
 Tel. 52867

## 2.16 TRAINING INSTITUTIONS

Skilled manpower is a very scarce resource in Botswana in all fields of activity.

The University of Botswana turns out graduates with degrees, diplomas and certificates. Most of these graduates are absorbed into the public sector with only a few ending up in the private sector.

The Botswana Polytechnic trains craft artisans and technicians in all aspects. Craft artisans include trades like carpentry, bricklaying etc. The courses offered to technicians include civil engineering, mechanics and electrical engineering.

The Automotive Trades Training School offers three year courses that follow the City and Guilds of London curricula and certification, with local adaptation as and when necessary.

The Botswana Institute of Administration and Commerce provides courses in commerce, public administration, secretarial services and others.

The Brigades have 20 centres around the country and provide training in inter alia sewing, carpentry, metalwork and bricklaying.

For the purposes of localising positions and training of locals, employees may be sent to any of these institutions for training in addition to the on-the-job training that is provided within the industry.

## 2.17 SOUTHERN AFRICAN CUSTOMS UNION - SACU

Botswana with Lesotho, Swaziland and South Africa form the Southern African Customs Union. The Union allows for free movement of goods and services between the member countries.

The infant industry clause of the SACU Agreement states that an infant industry can be given tariff protection for a period of eight years. Government's criteria for giving such protection to an industry requires that the industry should have the potential to cover the whole market and to be competitive, price-wise and quality-wise.

The application forms for such protection should be completed in quadruplicate and submitted to the Ministry of Commerce and Industry for consideration. Once it goes through all the processes successfully, it becomes operational through an Act of Parliament.

For further information, contact the Ministry of Commerce and Industry.

#### 2.18 TRADE AGREEMENT WITH ZIMBABWE

Botswana's present agreement with Zimbabwe eliminates the need for import duty on goods grown, produced manufactured in either country. In order to export to Zimbabwe, the manufacturer should be able to produce a certificate of origin from the Dept. of Customs and Excise showing that 25% of the production cost of the goods is represented by materials produced and labour performed in Botswana. The final process of production should also take place in Botswana.

Recently, a quota system has become operational in the exportation of locally manufactured garments to Zimbabwe. This system has restricted the amount of garments that can be exported into Zimbabwe at any given time and as a result, the Ministry will not licence any new garment manufacturer whose market is Zimbabwe because it will not be able to secure a quota to export to Zimbabwe.

Preliminary negotiations have taken place on a new mutually acceptable agreement between the two countries.

Forms are available from the Dept. of Customs and Excise located at the Railway Station. The address is

Director,  
Dept. of Customs and Excise  
Private Bag 0041  
Gaborone.  
Tel. 53361

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## 2.19 TRADE AGREEMENT WITH MALAWI

The trade agreement that Botswana has with Malawi allows for free duty on goods grown, produced or manufactured in either country. However, it is important to note that Malawi will only allow importation of essential goods.

Goods exported to Malawi should have a certificate of origin indicating the 25% local content.

Forms are available from the Dept. of Customs and Excise.

## 2.20 LOME II CONVENTION

The Lome II agreement signed by the 57 African, Caribbean and Pacific states (ACP) and the 9 states of the European Economic Community (EEC) came into operation on the 1st of March, 1980 and will last for 5 years.

Under the trade provisions, unrestricted and duty free access to the EEC market is granted for most processed products of the ACP states on a non-reciprocal basis.

A working group has begun discussions on a new agreement of ACP/EEC states to follow Lome II.

For details, contact the Commercial Affairs Division of the Ministry of Commerce and Industry.

## 2.21 LOCAL PREFERENCE SCHEME

This scheme was introduced by the Central Tender Board as a way of enabling local manufacturers to compete with foreign manufacturers for Government Tenders. This scheme operates a 12.5% value preference on tender bids from local companies registered with the Central Tender Board. The scheme is available to resident companies, even the non-citizen owned. The qualification for the local preference scheme is that, at least 25% of the production cost must occur in Botswana. That is, at least 25% of the final cost of the product must be made up of local materials and labour and also, the final process of the final product should occur in Botswana.

Application forms are available from the Industrial Affairs Division of the Ministry of Commerce and Industry.

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## 2.22 BOTSWANA EMPLOYERS' FEDERATION

The Federation was formed in November, 1971 by a small group of employers who recognised the need to have a representative voice on the manpower, labour and social affairs of the country. The primary purpose is to protect and promote the interests of its members and participate in the social and economic development of the country. The Federation is a member of the International Employers' Organisation based in Geneva. The Federation is represented on many government committees and Boards. The Federation has over 420 members. To become a member, an application is submitted to the Secretariat with subscription fees calculated on the number of employees in the company.

The offices of the Federation are on the 3rd Floor of Botsalano House numbered 16 on the map. The address is

Director  
Botswana Employers' Federation  
P.O. Box 432  
Gaborone.  
Tel. 53459

## 2.23 PROSPECTING LICENCE

To be able to prospect for minerals, an application must be submitted to the Minister of Mineral Resources and Water Affairs through the Dept. of Geological Survey. A map is attached to the application showing the area for prospecting. A statement of expenditure for the period of prospecting also has to be attached to the application. On approval, a prospecting fee of 20 thebe per square kilometre has to be paid.

The offices of the Dept. of Geological Survey are in Lobatse, about 70km south of Gaborone. The address is

Director  
Dept. of Geological Survey  
Private Bag 14  
Lobatse.  
Tel. 428

## 2.24 MINING LEASE

To undertake a mining operation, the Mines and Minerals Act

(Cap. 66:01) requires that an application be made to the Minister of Mineral Resources and Water Affairs through the Commissioner of Mines for a mining lease. The application should include the name of the applicant, location of land applied for and a sketch map of the area, financial status of the applicant, minerals for which application is made and all other information that might be required by the Minister. On approval of the application by the Minister, the applicant should have the area demarcated and the Commissioner of Mines furnished with a diagram and a survey plan approved by the Dept. of Surveys and Lands before the lease document is issued.

Further information may be obtained from the  
Commissioner  
Dept. of Mines  
Private Bag 0049  
Gaborone.  
Tel. 52641

## 2.25 FINANCIAL ASSISTANCE POLICY (FAP)

The Financial Assistance Policy (FAP) is a programme aimed at creating productive employment and expanding economic activities in the country by providing financial assistance to productive businesses. In the context of the policy, productive businesses refers to those activities which produce or process goods that can either substitute for imported items or be exported from Botswana. The policy, however, excludes the cattle industry and its direct products: and large scale mining.

Both new ventures and existing productive businesses are eligible for assistance. For the purposes of the policy, all businesses have been grouped into three categories. A small business has an investment magnitude of less than P10,000 and this category is handled by the Town Clerks in the urban areas and the Rural Industrial Officers in the rural areas. This category is restricted to locals only. The second category is the medium scale which has an investment of between P10,000 and P750,000. Medium scale businesses are handled by the technical ministries which are the Ministry of Agriculture for agricultural projects, the Ministry of Mineral Resources and Water Affairs for small scale mining

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projects and the Ministry of Commerce and Industry for industrial projects. Large scale businesses are handled by the Ministry of Finance and Development Planning and have an investment magnitude of over P750,000.

There are two types of assistance available. The Automatic Financial Assistance (AFA) is only given to new ventures. Application is made on the same form as for the industrial licence. This is for industrial projects only.

The second type, Case-by-case Financial Assistance (CFA) is submitted on a more detailed form to the relevant Ministry. The CFA may be applied for by both new ventures and existing businesses. This type is open to agricultural projects as well as small scale mining projects.

Businesses that benefit from FAP will not be considered for local preference by Central Tender Board or exclusive licence or tariff protection.

Further information is available from

Ministry of Agriculture  
Private Bag 003  
Gaborone  
Tel. 51171

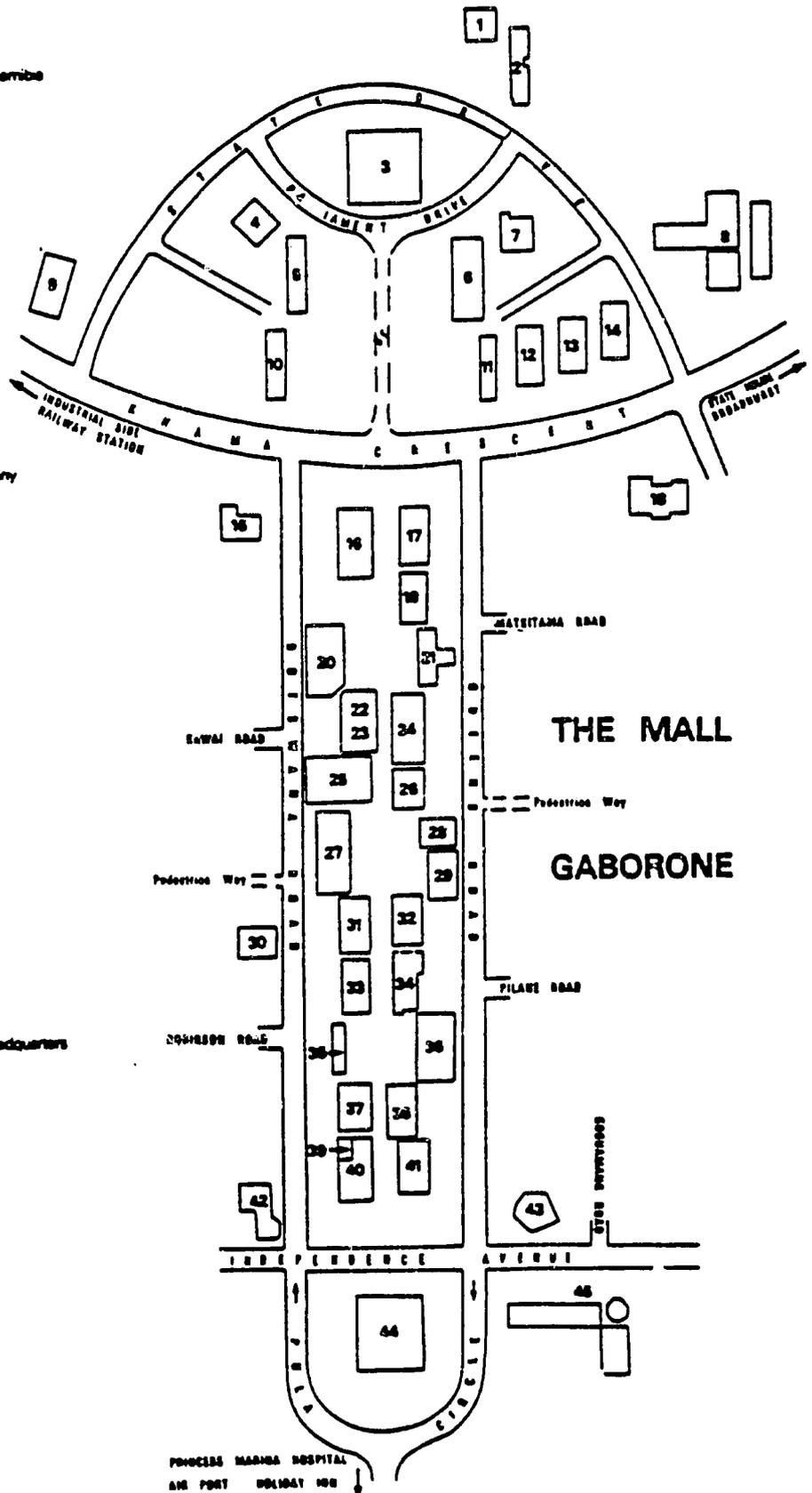
Ministry of Mineral Resources and  
Water Affairs  
Private Bag 0018  
Gaborone.  
Tel. 52454

Ministry of Commerce and Industry  
Private Bag 004  
Gaborone.  
Tel. 53881 - 4

1. Office of the President  
External Affairs  
Community Service Scheme
2. Directorate of Personnel  
Police Headquarters  
Attorney General Chambers  
Special Branch Police
3. National Assembly  
House of Chiefs  
Parliament
4. National Archives
5. Ministry of Home Affairs  
Department of Labour  
Attorney General Chambers  
Police Security
6. Ministry of Finance and Development Planning  
Accountant General  
Revenue Office
7. Government Computer Bureau
8. Bank of Botswana  
United Nations Office  
United Nations Office of Commissioner for Namibia  
European Economic Communities
9. Telephone Exchange  
Telecommunications Post
10. Ministry of Works and Communications  
Roads Transport
11. Ministry of Education Business  
Unified Teaching Services
12. Salaries Audit
13. Central Statistics
14. Immigration Headquarters
15. Tsholeme House  
Department of Wildlife  
Commerce and Industry Headquarters  
Register of Companies  
Democratic Party Headquarters
16. Botswana House  
Bank Botswana Diamond Valuing Company  
Botswana Employing Federation  
Mine Labour Organisation  
Monopus Colliery P.Ly. L.L.D.  
National Railways of Zimbabwe
17. British High Commissioner  
British Council
18. Radio Botswana
19. Nigerian Embassy
20. Government Printer  
Information  
Controller of Post Office Savings
21. Garage  
Shell Coal
22. Book Shop
23. Kallenberg Centre  
Travel Bureau  
Central Air Transport  
Marketing Surveys Botswana
24. Embassy Chambers  
Air Botswana
25. Gaborone Post Office  
Bank Telecommunication
26. Bank  
United Nation Development Program Headquarters
27. President Hotel
28. Cinema
29. Central Building  
Water Utilities Corporation  
Book Shop
30. Central Police Station
31. Tloane House  
Botswana Optical Centre  
German Embassy
32. Co-operative Consumers Society
33. Equity House  
Surgery  
U.S.A.I.D. Annex
34. Zambian House  
Zambian Airways  
Zambian High Commission
35. Garage
36. Development House  
Ministry of Mineral Resources and Water Affairs  
Ministry of Local Government and Lands

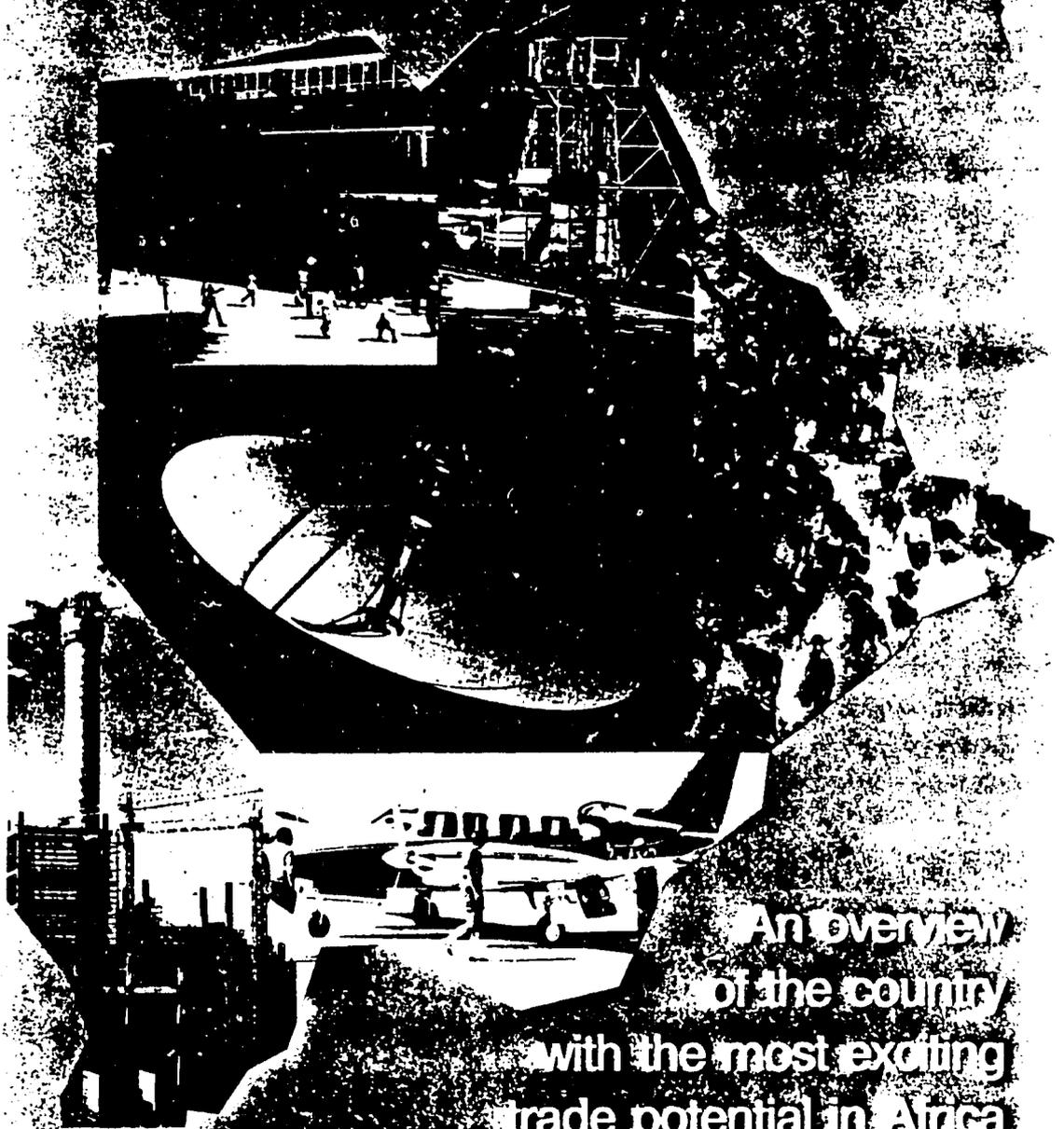
37. Mall House  
Botswana Power Corporation  
Norwegian Agency for International Development  
American Library
38. Standard House  
Bank Head Office  
Ministry of Works and Telecommunication Corporation  
Local Government Audit I.F.P. C.D.C.
39. Kahl-Noor House  
Embassy of United States of America
40. Tirolo House  
United States Peace Corps  
S.P. Botswana (P.Ly.) (L.L.D.)  
Census Office  
Department of Mines

41. I.G.L. House
42. Church
43. Church
44. Botswana National Library Services  
Gaborone Town Council  
Fertile Housing Agency
45. Botswana National Museum and Art Gallery



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# A BUSINESSMAN'S INTRODUCTION TO BOTSWANA



An overview  
of the country  
with the most exciting  
trade potential in Africa

Commissioned by Bitex (Pty) Limited, organisers of industrial and commercial  
exhibitions in Botswana and sponsored by Barclays Bank of Botswana Limited.

## General

As a country in which to invest, Botswana offers one of the most exciting and attractive opportunities in Africa today.

Unaffected by internal dissension or the threat of war, possessed of a stable, democratic government and a sound economy based primarily on diamonds, Botswana proudly boasts some of the most generous foreign exchange regulations on the continent. As part of SADCC (the Southern African Development Co-ordination Committee) it is a country in which the investing entrepreneur can expect to have a base that will act as a springboard to the larger, regional markets of Southern and Central Africa.

## Structure and Climate

The size of France and Belgium combined, Botswana straddles the tropic of Capricorn and is centrally located on the high inland plateau of Southern Africa at an average altitude of some 1 000 metres above sea level.

Botswana's geology can be represented as a saucer-shaped depression in the central and southern part of the continent. The deepest part of the depression is represented by the Makgadikgadi Pans in the north of the country. To the west, the vast and gently undulating expanse of the Kalahari desert is to be found.

Water is a scarce resource in Botswana generally and in the Kalahari in particular. Nowhere in the country is standing water found naturally throughout the year except in the Chobe and Okavango rivers in the extreme north west and, occasionally in its lower reaches, in the Lim-

popo river in the east. Most people outside the urban centres rely upon groundwater, extracted by means of boreholes. The water requirements of Botswana's two major towns are met by large dams at Gaborone and Francistown.

Rain falls in the summer months from November to April. From the north east to the south west it decreases in quantity, from 650 mm to 150 mm, whilst the variability of falls increases in the same direction. Temperatures throughout the year depend to some extent on locality but usually range from near zero in winter to 39°C in the summer.

## People

The country has a population now estimated to be a little in excess of one million persons, the great majority of whom live in the more arable and fertile eastern and north-eastern regions. Population growth rate, near 3.5%, is high and will result in doubling of the population within twenty years.

There is evidence of human occupation in Botswana that dates back some 35 000 years. These were hunter gatherer people of Khoisan stock. Today their descendants are still to be found among the Khoi (Hottentots) and the San (Bushmen). Their occupation of Botswana remained unchallenged until the 17th and 18th Centuries when the Tswana people migrated westward and, over a period of time, gradually displaced or absorbed them.

The turmoil or tribal conflict in the early 19th century affected Botswana as much as any country in Southern Africa and it was not until the latter part of the century that peace and stability returned. In 1885, the British Protectorate Bechuanaland was created.

Evidence of Botswana's settlement history is to be found in the fact that fully half of the population is of original Tswana stock. The remainder is made up of a number of smaller tribal groups. This relative homogeneity within the country's population makes for stability and accounts for the lack of internal dissension. Racial harmony is one of the many attractive features of Botswana.

The young Protectorate survived two attempts at incorporation by others, but on the 30th September 1966 Bechuanaland became the independent Republic of Botswana, under the then leadership of Sir Seretse Khama.

The country is a multi-party democracy practising parliamentary style of government. Executive authority lies with the President who is an ex-officio member of the 34 seat National Assembly. There are fifteen Ministers and Assistant Ministers, responsible to the Cabinet for eleven Ministries.

## Infrastructure

Steady growth in the economy since Independence has been paralleled by the development of the country's infrastructure.

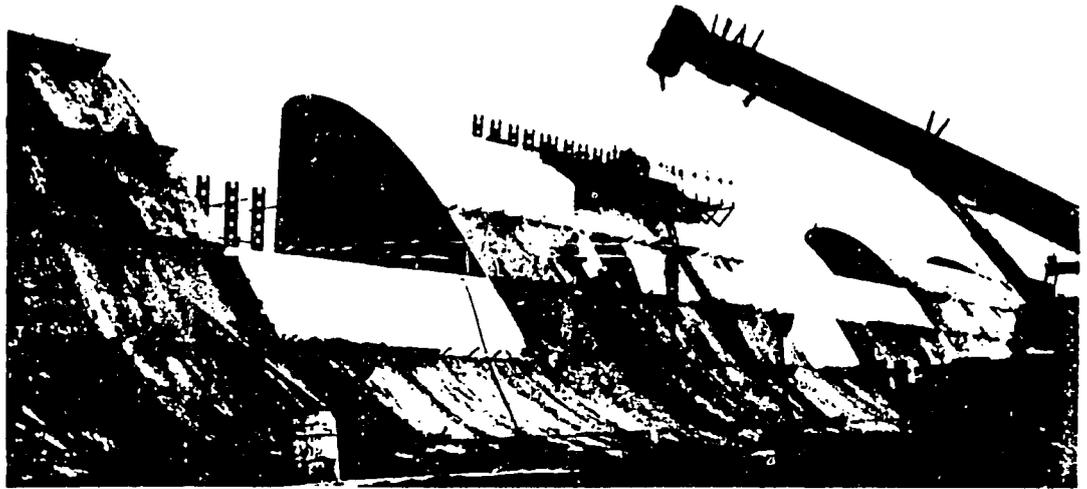
More than 2 000 kilometres of bituminised roads have been built and these link all major centres. The network connects with those in Zambia and South Africa.

In 1897, the railway line from Mafeking to Bulawayo was completed. Some 640 km of that line pass through Botswana and, until 1987, it was administered by the National Railways of Zimbabwe. Botswana now owns its own locomotives and is responsible for railway traffic inside the country. Approximately 50% of the traffic originates from Botswana - the remainder is transit cargo.

In 1985, Botswana joined the international jet set with the opening of the Sir Seretse Khama Airport near Gaborone. This allows for regular links to Europe, East, Central and Southern Africa. The national carrier, Air Botswana, provides a service to main centres within the country and to neighbouring states.

Telecommunication services are now in a process of upgrading to accommodate the growth in traffic in recent years. As a result of modernisation, satellite and microwave connections offer direct dialling to all major





exchanges within the country and to more than eighty other countries. A national and international telex service and telefax facilities are readily available.

### Economy

To appreciate the general direction and overall strategy of government in its development of the economy, it is necessary to understand the basic philosophy upon which its planning is founded.

Since independence Botswana has been committed to freedom of speech and open dialogue. Government has been based on the four principles of democracy, development, self-reliance and unity. These have given rise to four main development objectives – rapid economic growth, social justice, economic independence and sustained development. To these, in his budget speech of 1987, the Vice President and Minister of Finance and Development Planning added employment creation and rural development. These six objectives lie at the root of all government planning.

Preventing the drift to urban areas and finding jobs for more than 10 000 annual school leavers, has become a task of increasing importance. Labour is abundant, and the 1988 budget speech recognised the necessity to restrain wage increases in order to further encourage employment.

Due to the rapid economic growth, professionally qualified and experienced Botswana (as Botswana nationals are called) are not available in sufficient numbers to meet demand and for this reason expatriate skills are allowed into the country. Work and resident permits are required for this category of skills and numbers – currently around 3 500 – are strictly controlled by the government.

Education and health services for the expatriate community are comprehensive, and are currently being expanded. There are a number of private schools, including both

primary and secondary levels. There is considerable competition for places and they all offer an excellent standard of education. A medical aid scheme operates and covers the fees of private doctors and dentists.

Without doubt, the discovery of good quality diamonds (mining of which began in 1971) in Botswana has dramatically altered its prospects for development. After Australia and Zaire, Botswana is the third largest producer in the world. Their contribution far outweighs other products. Indeed, a challenge to the government consists in finding ways to use this wealth to create an economy that will one day be independent of diamonds.

Other major contributors include copper/nickel matte and the cattle industry.

Botswana's immense wildlife resources foster a growing tourist industry. This and the manufacture of textiles are the other main contributors to Botswana's foreign earnings.

As a result of a small industrial base an



extremely high percentage of consumer and capital goods is imported. Estimates vary from 75% to 85% of the country's requirements. For many years, a deficit in the balance of trade existed – an imbalance which has, in recent times, been corrected by larger revenues from diamond sales.

Overall, the performance of Botswana's economy since Independence has been remarkable and must set something of a record for conservative, well-managed achievement on the African continent. The balance of payments has improved year on year and continues to provide a healthy surplus.

Inflation, to some extent imported and therefore largely beyond the control of the government, has been contained to about 10% per annum. Gross Domestic Product shows excellent growth rates of between 10% and 20% per annum. The real growth in GDP for 1986/1987 was 14%.

### Investment Growth

The emphasis by government on policies designed to encourage job creation, industrial expansion and rapid growth in the economy, accompanied by far-sighted and liberal foreign exchange regulations, makes for a stimulating investment climate in Botswana.

The high level of consumer imports, for example, generates exciting substitution opportunities in the manufacturing sector. Other prospects for the investor abound. Many of these relate to as yet unexploited opportunities in the mining and mineral sector.

Both salt and soda ash, as well as a wide range of associated minerals, are soon to be extracted from sites in or close to the Makgadikgadi Pans. Asbestos, copper and gold all offer interesting potential. There are extensive deposits of coal in the east of the country while, in the south west, exploration for oil and natural gas is being carried out. Deposits of brick clay have been located

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within the country but these, along with many others such as glass sand, Kaolin, lead, silver, uranium and zinc, to mention just a few, remain to attract investors.

Agriculture also offers its share of opportunities. The country is not self-sufficient in cereal production and imports some 150 000 tonnes a year. Arable land is being offered for development and tenant farmers from within and outside the country are being encouraged to help in achieving self-sufficiency. Poultry, pig production, dairying and horticulture are all areas of new emphasis.

Access to African and European markets is facilitated through Botswana's membership of the Lome Convention, the Southern African Development Co-Ordination Conference, the Southern African Customs Union and its observer status in the Preferential Trade Area (PTA). In addition, Botswana maintains diplomatic representation at the EEC, the United Nations and in many other countries. Representatives of eighteen countries or international bodies are located in Botswana.

Recognising the need for foreign investment, the government is now actively seeking investors and offering them support and encouragement. In the 1988 budget speech, the government undertook to accelerate the growth of employment opportunities in the private and rural sector.

Botswana's encouragement of investors is not confined to words alone. The Financial Assistance Policy is an example. Depending upon the size of the investment, it variously offers such incentives as tax holidays, enhanced allowances for businesses in nominated areas, unskilled labour grants and grants in respect of training undertaken. For larger projects, over P900,000, capital grants are made of P1000 per job created, up to a limit of between 40% and

85% of the total capital invested, depending upon the geographical area of the new business. In addition to the training and unskilled labour grants, there are also sales augmentation grants, details of which can be supplied by the Ministry of Commerce and Industry.

For tax purposes, taxable expenditure is written off at rates based on the useful life of the asset. In addition, an allowance of 200% for training expenses at approved establishments can also be claimed. Com-

pany tax is 40% and the top marginal rate for individuals is 50%, which would be paid by a single person earning in excess of P40,000. Most recently, bank interest rates have fallen so that the prime lending rate in June 1988 stood at 8%.

Given the commitment from the Botswana government and given the range of opportunities, it is scarcely surprising that Botswana is seen as such an exciting investment area.



For information on BITEC (Botswana Industrial Trade Exhibition) and other trade events in Botswana contact:

**Botswana:** Bitex (Pty) Ltd  
P.O. Box 41187 Gaborone  
Doug Adams Ph: 353578

**Zambia:** Spotlight Industries Limited  
P.O. Box 36972 Lusaka  
Ben Sinyangwe Ph: 211218

**Britain:** Fair Consultants International Ltd  
London House, 100 New King's Road  
London SW6 4LX  
John Victor Ph: 01-731 8199

**Italy:** Business Planning Consultants  
International S.R.L.  
Viale di Porta Ardeatina, 57  
00154 Roma  
Christine Kim Lin Tan  
Ph: 06-5757 808

**ECONOMIC INDICATORS (1987 provisional figures)**

Gross Domestic Product	P2 747m
(25% increase on previous year)	
Balance of Trade Surplus	P 942m
Exports	P2 565m
Diamonds	P2 252m
Nickel/Copper	P 192m
Beef	P 100m
Other	P 174m

Unit of Currency: Pula  
Conversion Rates (31 Dec 1987): US\$ - .5367; £/Sg - .3402; DM - 1.0111

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Coopers  
& Lybrand

**Botswana**

# Tax Information Summary

**Incorporating 1988/89 Tax Amendments  
and 1989/90 Budget Proposals together  
with an outline of Exchange Control  
Regulations**

OUR PEOPLE  
THEIR BREADTH, DEPTH AND EXPERIENCE  
AND OUR CLIENTELE ARE  
OUR GREATEST STRENGTHS

TOGETHER, THEY GIVE US  
THE ABILITY AND THE OPPORTUNITY  
TO PROVIDE, INNOVATIVE  
HIGH QUALITY SERVICE, DELIVERED  
ON A TIMELY AND ECONOMICAL BASIS

Whilst care has been taken to ensure that this tax information summary is factually correct at the date of issue, we must stress that it represents an abridgement of complex legislation. Accordingly, it should be regarded only as a guide to salient features and reference should be made to the underlying legislation, principally the Income Tax Act 1973 (as amended), or to your professional advisers before taking any decisions based on the information contained in this summary.

Also included is an outline of certain provisions of the Exchange Control Regulations. Whilst every attempt has been made to check the accuracy of information given in this booklet, we cannot accept responsibility for any inaccuracies which may exist.

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**COOPERS & LYBRAND SERVICES**

**TAX INFORMATION SUMMARY FOR BOTSWANA**

**THIS SUMMARY IS DIVIDED INTO THE FOLLOWING SECTIONS**

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## I GENERAL PROVISIONS IN THE ACT

### Definition of a company resident in Botswana

1. A company is considered to be resident in Botswana for tax purposes if one of the following conditions apply:
  - (a) Its registered office or place of incorporation is in Botswana.
  - (b) It is managed or controlled in Botswana.

### Definition of a trust resident in Botswana

2. A trust is considered to be resident in Botswana if it is either established or administered in Botswana.

### Tax year

3. Both companies and individuals are assessed on an annual basis at 30 June of each year. However, for the computation of business income, an accounting date other than the fiscal year may be used as a basis.

### Accrual of employment income

4. Income from employment is usually deemed to have accrued at the time it is due and payable even though not actually paid to a person. This includes any employment income which is re-invested, accumulated, capitalised, carried to any reserve or otherwise dealt with on behalf of or as the employee directs.

### Company tax rates

5. The tax rates for both resident and non-resident companies is 40%. Dividends paid by a company are subject to a 15% withholding tax and a non resident company may be subject to a 15% Branch Profits tax as set out in Section VI.

Averaging of farming income

6. As from 1 July 1978, any person carrying on the business of farming may within six months after the end of any tax year elect, by furnishing notice in writing to the Department of Taxes, that his chargeable income from farming for that tax year be substituted by the annual average of the same chargeable income for that year and the preceding two tax years; this facility is not extended in a case where the chargeable income has been determined as a percentage of gross income in the manner prescribed by the Minister, where no accounting records have been maintained in respect of the farming business.

Example:

If Mr Z's chargeable income from farming for the three years up to 30 June 1981 were as follows and ascertained with recourse to accounting records:

	P
Year ended 30 June 1979	4 000
Year ended 30 June 1980	3 000
Year ended 30 June 1981	<u>8 000</u>
	<u>15 000</u>
Three year average	. 5 000

he may, before 31 December 1981 elect that his chargeable income in respect of the year ended 30 June 1981, P8000, be substituted by the average of the three years, that is P5000.

7. As from 1 July 1982:
- It is mandatory that the election becomes effective in respect of each of the three years in question. Hence in the above example the average of P5000 would apply for 1979, 1980 and 1981;
  - Where such an election affects any tax year no further election will be allowed in respect of such tax year;
  - This facility is now restricted to any person carrying on the business of farming, other than a company.

II CAPITAL ALLOWANCES

8. The basis of capital allowances underwent a major change effective from 1 July 1982. The allowances prior to this date and the new allowances are set out in pages 6, 7, and 8.
9. The revised basis should be considered in conjunction with the Financial Assistance Policy. Please refer our separate booklet on the FAP scheme.

Allowances for construction of residential accommodation for employees

10. The erection of a dwelling house for an employee in respect of a business other than a business of mining qualifies for the following allowances:
- In the case of a business of farming P5000
  - In the case of any other business;
 

in respect of tax years prior to 30 June 1979	P1000
and thereafter	P5000
11. The allowances are available in respect of each dwelling house if more than one is constructed during the year.
12. The allowances are subject to recoupment if withdrawn from use as a dwelling house by an employee. Recoupment is at the rate of 10% per annum over 9 years following the tax year in which the allowance was granted. This is subject to the proviso that withdrawal from use during a tax year would result in the recoupment of 10% for that year being proportionately adjusted to the number of months during which the residential unit was not used as such in respect of an employee.

Allowance for development expenditure in respect of farming

13. All expenditure relating generally to works of a capital nature which is incurred in the development of farming land for the purpose of producing income from farming is claimable in the tax year in which such expenditure is incurred.

Mining capital allowance

14. Allowances are also granted in respect of capital expenditure on mining but this subject is not dealt with in detail in this publication.

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Other allied allowances

15. Improvements pursuant to a development covenant on leasehold land:

- (a) An allowance is claimable by a lessee in respect of any expenditure incurred pursuant to an obligation to effect improvements on land or buildings which are leased and where such land and buildings are used by the lessee in the production of his assessable income. A lease includes a fixed period state grant from Government for this purpose.
- (b) The allowance consists of equal annual deductions, amounting in total to the expenditure incurred from the year of completion of the improvements, over the remaining period of the lease, or twenty five years, whichever is the lesser period.
- (c) Disposal of the leasehold at a sale price which recovers the amounts claimed would render the allowance claimed or part thereof subject to a recovery charge.

Relief on purchase of farm land by Botswana citizens

16. A Botswana citizen or a partnership of Botswana citizens formed prior to 1 July 1973 who have incurred or incur expenditure during the period of 20 years commencing 1 July 1973 on the purchase of property for his/their sole occupation and use in a business of farming in Botswana may claim the following allowance as a deduction from assessable income.

- (a) The allowance is the sum equal to 100 per cent of the qualifying expenditure with an upper limit of P75 000. The limit of P75 000 may be utilised by means of one or more acquisitions of farm property.
- (b) The qualifying expenditure is restricted to the market value of the property and includes farming land, buildings, structures or works on the land but does not include expenses on which other allowances are available for farming development expenditure. Also, if the property has been purchased from a vendor who had a similar entitlement to claim, no claim will be allowed to the purchaser, regardless of whether the vendor had claimed or not.

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(c) The relief is subject to a pro rata recovery charge based on the number of years the property is used after acquisition, if the property is disposed of within ten years of acquisition. Disposal of part of the land will be subject to a proportionate adjustment based on market value of the portion disposed to market value of the whole, at the time of disposal.

Example: Say a qualifying person, Mr M, purchased qualifying farm property as follows:

Tax year ended 30 June 1976	
Farm A	P60 000
Tax year ended 30 June 1977	
Farm B	P45 000

He would be entitled to claim the following allowances in respect of years in which the relevant expenditure was incurred:

Tax year ended 30 June 1976	-	P60 000
Tax year ended 30 June 1977	-	<u>P15 000</u>
Up to a limit of		<u>P75 000</u>

Should he dispose of Farm B and part of Farm A in the tax year ended 30 June 1980 where the market value of Farm A is P100 000 and the market value of the portion disposed of is P25 000, the recovery charge will be computed as follows in respect of the year ended 30 June 1980.

$$\begin{aligned} \text{Farm B} &: 15\ 000 \times \frac{10-2}{10} &= 12000 \\ \text{Farm A} &: 60\ 000 \times \frac{25000}{100000} \times \frac{10-3}{10} &= 10500 \end{aligned}$$

\*Represents the number of tax years falling between the year of acquisition and disposal.

**TABLE OF INITIAL ALLOWANCES  
AND ANNUAL ALLOWANCES**

QUALIFYING EXPENDITURE	RATES APPLICABLE ON EXPENDITURE INCURRED BEFORE 1 JULY 1982	RATES APPLICABLE ON EXPENDITURE INCURRED ON OR AFTER 1 JULY 1982														
<p><b>Plant &amp; machinery:</b></p> <p>On any plant and machinery used in any business:</p>	<p><u>Annual allowance:</u></p> <p>The whole or any proportion thereof in any tax year(s) up to an aggregate of 100%</p>	<p><u>Annual allowance:</u></p> <p>At rates varying from 10% to 25% on a straight line basis.</p> <p>The Commissioner of Taxes has recommended the following which are considered to be fair and reasonable rates having regard to the expected lives of the assets:</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 20px;">Heavy civil engineering plant or machinery used directly in construction</td> <td style="text-align: right; vertical-align: bottom;">25%</td> </tr> <tr> <td style="padding-left: 20px;">Aircraft and motorised road vehicles</td> <td style="text-align: right; vertical-align: bottom;">25%</td> </tr> <tr> <td style="padding-left: 20px;">Other self propelled plant or machinery used directly in manufacture or production</td> <td style="text-align: right; vertical-align: bottom;">25%</td> </tr> <tr> <td style="padding-left: 20px;">Other industrial (including farming) plant or machinery used directly in manufacture or production</td> <td style="text-align: right; vertical-align: bottom;">15%</td> </tr> <tr> <td style="padding-left: 20px;">Computers</td> <td style="text-align: right; vertical-align: bottom;">15%</td> </tr> <tr> <td style="padding-left: 20px;">Other office machinery</td> <td style="text-align: right; vertical-align: bottom;">10%</td> </tr> <tr> <td style="padding-left: 20px;">Other plant or machinery (including soft furnishings)</td> <td style="text-align: right; vertical-align: bottom;">10%</td> </tr> </table> <p>The maximum claim in respect of any item over the years would obviously be limited to 100% of cost.</p>	Heavy civil engineering plant or machinery used directly in construction	25%	Aircraft and motorised road vehicles	25%	Other self propelled plant or machinery used directly in manufacture or production	25%	Other industrial (including farming) plant or machinery used directly in manufacture or production	15%	Computers	15%	Other office machinery	10%	Other plant or machinery (including soft furnishings)	10%
Heavy civil engineering plant or machinery used directly in construction	25%															
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Other industrial (including farming) plant or machinery used directly in manufacture or production	15%															
Computers	15%															
Other office machinery	10%															
Other plant or machinery (including soft furnishings)	10%															
<p>Industrial buildings (as defined in Section 2 of the Act) or improvements thereto of any business which lets or uses the industrial building for the purpose of the business (prior to 1 July 1981 allowances were restricted to industrial buildings which were used by or let to approved industrial businesses only.)</p>	<p><u>Annual allowance</u></p> <p>10% per annum over 10 years commencing from the year of first use or completion of improvements.</p>	<p><u>Initial allowance</u></p> <p>(Restricted to new industrial building or improvements thereto.)</p> <p>25% in the year of first use or completion of improvements.</p> <p><u>Annual allowance</u></p> <p>At an annual rate of 2½% per annum. In the case of a new industrial building or improvements thereto the annual allowance is restricted to the remaining 75% (after claim of initial allowance) at 2½% over 30 years commencing from year of first use or completion of improvements.</p> <p>The full 100% is claimable at 2½% over 40 years commencing from the year of first use or completion of improvements where there has been no eligibility for an initial allowance.</p>														
<p>Commercial buildings or any improvements thereto used solely for commercial purposes:</p> <p>A commercial building is defined as any building other than:</p> <p>(a) a building which qualifies for allowance under any other provisions of the Act e.g. industrial building and leasehold improvements pursuant to a development covenant;</p> <p>(b) residential building or dwelling house.</p>	<p><u>Annual allowance</u></p> <p>At an annual rate of 2½% per annum over 40 years commencing from the year of first use or completion of improvements.</p>															

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## NOTE:

- PLANT & MACHINERY**
- In practice plant and machinery includes furniture and equipment where applicable;
  - Implements, utensils and similar articles may be dealt with on a replacement basis;
  - Where plant or machinery used by a non-resident is used in Botswana for a period of less than 12 months in any tax year the annual allowance will be at the discretion of the Commissioner having regard to the period of use in Botswana;
  - It is provided that where expenditure is incurred on an industrial building before 1 July 1982 but the building was not first used in the relevant business before that date then the effective date for the purpose of initial and annual allowance will be the date on which the building was first brought into use.
- INDUSTRIAL BUILDINGS**
- On disposal (or transfer outside of Botswana) of any asset which has been the subject of annual allowances, a balancing charge or allowance arises, this being the difference between the tax written down value of the assets and the proceeds from disposal;
  - Provided that in the case of buildings the balancing charge will be limited to the sum of the annual allowances granted.
- ROLL OVER PROVISION ON DISPOSALS**
- As from 1 July 1982 the facility of electing replacement costs of an asset against the relevant balancing charge on assets replaced is restricted to plant and machinery only. The balancing charge will not be included in chargeable income, and the annual allowance on the replacement asset will be calculated on the net amount.
  - i.e. Cost of replacement asset less the balancing charge.
- On disposal of the replacement asset, the balancing charge rolled over will be added to the annual allowances claimed, in order to calculate the balancing charge/allowance arising on disposal.

111 SPECIAL INCENTIVE TAX RELIEFSpecial deductions for approved training expenditure

17. As from 1 July 1979, any person, whether corporate or not, can claim 200 percent of the cost of approved training of his citizen employees in arriving at his chargeable income.
18. Approved training is described as:
  - (a) Approved education (not being primary or secondary education) or training, at an educational, professional or vocational training establishment, of citizens of Botswana who are employed by or bonded to such person for the purposes of his business; and
  - (b) the employment in Botswana of an approved training officer wholly engaged in approved vocational training of citizens of Botswana who are employed by or bonded to such person for the purpose of his business.

"Approved" in respect of the above means approval from the Minister of Finance upon due application by interested persons.

  - (c) As from 1 July 1988, training approved by the Commissioner of Taxes in accordance with such rules as the Minister may from time to time prescribe. The rules have not as yet been gazetted at the time of publication.

Development approval orders

19. On application in the prescribed form to the Permanent Secretary of the Ministry of Finance by an interested party, the Minister of Finance may issue a development approval order where he is satisfied that the proposed project would be beneficial to the development of the economy of Botswana or to the economic advancement of its citizens.
20. The order would include the types and rates of additional tax relief which may be granted in respect of any such development project.
21. Detailed evaluation of an application will include the following criteria:
  - (a) the number of Botswana citizens who will be employed in relation to the project and the capacities in which they will be employed;

- (b) any facilities proposed for the training and imparting of skills to Botswana citizens;
- (c) any provisions made for the eventual replacement of non-resident employees by Botswana citizens;
- (d) any provisions made for participation by Botswana citizens in the management of the business;
- (e) the degree of investment in the business of capital owned by Botswana citizens;
- (f) the area in which the proposed development will be carried on; and
- (g) any effect which the proposed project might be expected to have:
- on stimulating the development of other economic industrial or commercial activities in Botswana, whether of the business or otherwise; or
  - in reducing the price of consumer goods or services in Botswana.
22. Examples of development approval orders which have been made are:
- (a) Development Approval (Holiday Inns International (Pty) Limited) Order 1972;
- (b) Development Approval (Acquisition of Farmland) Order 1977;
- (c) Development Approval (Lentswe La Oodi Weavers (Pty) Limited) Order 1977.
23. An extract from the Budget Speech 1979 is quoted hereunder:
- "I mentioned Government's intention of using the tax machine to stimulate economic growth. The development approval order scheme is already in the Income Tax Act for that very purpose but has attracted little interest. A special effort will be made to publicise this scheme. Types and locations of business projects likely to qualify for additional tax allowances will be indicated. It will be made clear that the scheme can, in justifiable cases, provide for reliefs known as 'tax holidays'. We are most anxious that those engaged in pioneering ventures for the benefit of the national economy should take full advantage of this scheme."

International agreements for the avoidance of double taxation

24. There is provision in the Act for Government to Government agreements between Botswana and any other country with a view to the prevention, mitigation or discontinuance of the levying of tax under the Botswana Tax Act and the Income Tax laws of that other country or the rendering of reciprocal assistance in the administration of and in the collection of tax under the Botswana Tax Act and such other Income Tax laws.
25. Double tax agreements are in force with:
- (a) The Government of Great Britain and Northern Ireland;
- and
- (b) The Government of the Republic of South Africa;

Tax Agreements

26. The Act also provides for the formulation of special tax agreements with the Government. The scope of an agreement which a person may negotiate with Government is very wide and could extend to complete exemption and may include:
- (a) the exemption or limitation of liability of tax arising on any income or benefits accruing or being deemed to accrue to a non-citizen employee in terms of a contract of employment entered into with a person who obtains a tax agreement;
- (b) the exemption of any dividend, interest, commercial royalty, entertainment fee or management or consultancy fee paid to a non-resident from withholding tax which otherwise would have been payable by the person to whom the exemption is granted.

IV CAPITAL GAINS

Widening of scope of Act

27. As up to 30 June 1982 only the following capital gains were taxable:
- (a) gains arising from disposal of capital assets on which annual allowances have been claimed;

- (b) gains arising from the disposal of mineral rights over land situate in Botswana and disposal of shares or interest in a company holding such mineral rights;
- (c) gains arising from the disposal of mining or prospecting information or any mining or prospecting rights over land situate in Botswana.
- (a) fell to be taxed under the relevant source of business income and (b) and (c) fell to be taxed as part of mining or prospecting income.

28. As from 1 July 1982 a separate source of income came into effect to include -

- (a) all other moveable or immoveable property of a business carried on in Botswana;
- (b) investments in shares or debentures of a company.

#### Exempted assets

29. Gains arising in respect of the following will not be liable to capital gains tax:

- (a) the principal private residence of any person (with the proviso that where a person owns more than one private residence the exemption would only apply to the property designated by that person as his principal private residence);
- (b) any shares or debentures in a company which is recognised as a public company in terms of the Income Tax Act with the exception of a subsidiary company of a public company;
- (c) also any shares or debentures of a company which are specifically exempted by the Minister from capital gains tax.
- (d) Any plant and machinery but not buildings, in respect of which annual allowances have been granted.
- (e) Any gains arising from disposal of mineral rights and mining or prospecting information as described in 27 (b) & (c) above.

#### 30. (a) Valuation of immovable property

- (i) As from 1 July 1987 the following process of valuation will apply for the purpose of computing gains on immovable property. The 'cost' of the property will be increased by applying the percentage difference between the cost of living index at the date of acquisition of the property or 1 July 1982, whichever is later and the cost of living index at the date of disposal, to the cost of the property as determined below.
- (ii) The costs for the purpose of the above valuation are as follows
- where the property was acquired or improvements effected prior to 1 July 1982, the relevant costs are to be increased at the rate of 10% 'compound' for every period of twelve months from the date of acquisition or improvement up to 30 June 1982 (the addition of the capital accretion factor is however limited so as not to allow the creation of an assessed loss)
  - where the property was acquired after 1 July 1982 the cost will be the actual cost of acquisition.
  - where the property was acquired by way of gift or inheritance:
    - before 1 July 1982, the market value as at 1 July 1982:
    - after 1 July 1982, the market value at the date of acquisition.

In the determination of market value account may be taken of any expenses incurred and taxes or duties paid in respect of any gift or inheritance, but excluding in the case of inheritance, succession duty and estate duty if any attributable to the property.

(iii) In the case of improvements after 1 July 1982 the costs will be determined by applying the percentage difference between the cost of living index at the date when any improvements were completed and the cost of living index on date of disposal to the cost of relevant improvements.

(iv) The cost of living index for any day shall be the national cost of living index for the month in which it occurs. The national cost of living index will be prescribed for this purpose by the Minister. This has not been prescribed at the time of publication.

(b) Disposal of business

Where the property disposed of is a business which is sold as a going concern the gains are to be ascertained in respect of each asset. For this purpose the disposal price would need to be broken down by asset and the net aggregate gain or loss determined by ascertaining the gain or loss on each asset.

(c) Valuation of bonus shares, debentures, securities or any other property distributed by a company

Bonus shares, debentures and securities awarded to shareholders which do not represent a return of capital are taxed as a distribution of dividend. Any such shares and securities and any other property considered to have been distributed to shareholders will have a base cost equal to the amount assessed as a distribution of dividend. As from 1 July 1984 Bonus shares included in equity share capital have been excluded from the definition of a dividend. The base cost of bonus shares issued after that date for capital gains purposes will therefore be 'nil'.

Ancillary and incidental costs

(d) In general all costs relating to acquisition, transfer duty improvements, and costs incurred in connection with disposal will be allowed in computing capital gains.

Capital losses

(e) Capital losses are only available for set off against capital gains in the same year and capital gains, if any, in the following year. The losses will not be available for carry forward thereafter.

Farming losses will not be available as a set off against capital gains

(f) Whilst certain persons may elect that their farming loss in a tax year may be set off against other chargeable income in that tax year, this facility is not available in the case of capital gains.

(g) Disposal of farming property

(i) In the case of disposal of a farming property it is provided that unutilised assessed losses from farming incurred in the year of disposal of the farm and the five preceding years would be allowed as a deduction in computing gains in addition to the cost of acquisition, improvements and incidental costs;

(ii) The unutilised assessed losses so allowed for deduction would however exclude capital allowances included therein in respect of development expenditure in improving the farm such as incurred on boreholes, establishment of trees, plantations, orchards, firebreaks etc. It follows that these would be included in the base cost of the property for the purpose of computing capital gains in any event as cost of improvements. The intention of the exclusion is therefore to prevent double deduction of this expenditure;

(iii) It should be noted that farming machinery such as tractors etc. if any, subject to normal wear and tear allowances would on disposal be subject to usual recoupment, the tax profit/loss being determined as a balancing charge/allowance.

(h) Roll-over relief on immovable property

(i) As from 1 July 1988, if a person reinvests the whole of his original investment in and all or part of the gain from the disposal of any immovable property of a business, within a year of disposal of that property, in another immovable property for his business, he may be permitted to treat so much of the gain so reinvested as a gain accruing only upon the disposal of the property reinvested in.

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- (ii) So much of the gain not reinvested would be taxed in the year of disposal of the initial property.
- (iii) A claim for roll-over relief is not valid unless it is made within twelve months of the date of disposal of the first property.

Calculation of tax payable on capital gains arising after 1 July 1987

31. (a) If the property disposed of is immoveable property 100% of the net capital gain will be taxable.
- (b) In the case of any property other than immoveable property only 50% of the net capital gain will be taxed.
- (c) The net aggregate gain of a company will be taxed at the normal company rate of tax which is presently 40%.
- (d) In the case of any other person the following table will be applicable in respect of the net aggregate gain in a year.

Taxable Income		Tax payable	
P	P	P	P
More than	but not exceeding		
0	5000	0	0
5000	10000	5%	of excess over 5000
10000	15000	250 + 10%	of excess over 10000
15000	20000	750 + 15%	of excess over 15000
20000	25000	1500 + 20%	of excess over 20000
25000	30000	2500 + 25%	of excess over 25000
30000	35000	3750 + 30%	of excess over 30000
35000	40000	5250 + 35%	of excess over 35000
40000	45000	7000 + 40%	of excess over 40000
45000	50000	9000 + 45%	of excess over 45000
over	50000	11250 + 50%	of excess over 50000

CARRY FORWARD AND SET OFF OF LOSSES

32. The carry forward of losses is subject to a five year limitation except in the case of assessed losses incurred in carrying on a business of farming, mining or prospecting. Prospecting losses were subject to the five year limitation prior to 1 July 1979. Capital losses can only be set off against capital gains in the same tax year and, are only available for carry forward against capital gains in the following year.

33. In the case of a company, all amounts accrued to that company shall be deemed to have accrued from one business except accruals from farming, mining or prospecting and capital gains which will be considered to be separate sources; i.e. if a company derives income from a construction business, a hotel business and a mine, the first two will be deemed to be one source with a combined profit or loss; such combined profit or loss and the results of mining may not be set off against each other.
34. In the case of a person other than a company, where separate businesses are carried on by that person, all amounts accrued therefrom shall generally be deemed to have accrued from separate sources. Upon application, the Commissioner may rule that it is reasonable that more than one of the businesses engaged in are similar or complimentary as to constitute one source (mining and farming are excluded from such a ruling).
35. As from 1 July 1978, farming losses of a person other than a company may within three years of the tax year in which the loss was incurred, be elected by a notice in writing to the Commissioner for set off against income from other sources in that tax year; this is subject to the proviso that the farming losses have not been ascertained in accordance with the section which allows accounting for farming results with exclusion of the value of livestock or produce held in that year.

Example:

If Mr Y a resident has incurred a loss on farming of P10 000 during the tax year ended 30 June 1979 and such loss was ascertained by means of generally accepted commercial accounting including the value of livestock and produce held in that year, and he has also derived employment income of P9,000, he may elect at any time before 30 June 1982 to set off say P4 000 of such farming loss against his employment income. This would reduce his chargeable income from employment to P5 000 which would result in nil taxable income since the first P5 000 in the tax tables applicable to residents is not taxable.

The balance of P6 000 of farming loss is available for carry forward against farming income in future years.

Also as from 1 July 1987 a farming loss incurred by any person including a company may be set off against farming chargeable income in the two preceding years, in part or completely, commencing with the year immediately preceding the year of loss.

VI BRANCH PROFITS TAX - NON RESIDENT COMPANY

36. A non-resident company is taxed at the rate of 40% of taxable income arising from operations in Botswana.

From 1 July 1984 an additional branch profits tax of 15% is imposed on the profits after company tax (at the rate of 40%), after allowing for the following deductions.

- (a) An amount which has been reinvested in the company (presumably in Botswana) during the tax year;
- (b) Such amount as may be agreed in writing with the Commissioner as expenditure to be incurred in the development of the business of the company in Botswana within a year from the end of the tax year.

37. An example of the above is set out as follows:

Say a non-resident company AB Ltd has a branch operation in Botswana which earns P200 000 taxable income in a particular tax year. Say the company spent P20 000 out of its profits in expanding its premises during the tax year and has commitments to spend a further sum of P30 000 on new plant and machinery for those premises to be installed during the following tax year. The branch profits tax would be computed as follows:

Taxable income	P200 000
Company tax @ 40%	<u>80 000</u>
	120 000

Less:

Expenditure on premises	20 000	
Planned expenditure during following tax year	<u>30 000</u>	
		<u>50 000</u>
		<u>P70 000</u>

The branch profits tax for that year would be 15% of P70 000 P10 500

## NOTES:

- (i) If the planned expenditure was not fully expended within the next tax year, the amount not expended would attract tax at 15%.
- (ii) A 'branch' has been defined as any factorship, agency, receivership or management of a non-resident company.

VII WITHHOLDING TAXESDividends to non-resident shareholders

38. A once and for all non-refundable tax of 15% is deductible from dividends paid to non-resident shareholders. Such dividends will therefore not form part of the assessable income in Botswana of the non-resident shareholder.

Dividends to resident shareholders

39. As from 1 July 1979, a withholding tax of 15% is deductible from dividends paid to resident shareholders. The gross amount of such dividends before deduction of tax will form part of the chargeable income of the resident shareholder in the relevant tax year and be assessed at the normal rates of tax applicable to that shareholder; credit will be given in the assessment for the 15% withholding tax deduction.
40. In addition, dividends declared by a resident company after 1 July 1979 which are taxable in the hands of resident shareholders and dividends deemed in terms of the close company legislation (see Section XIV) are allowed as a deduction in ascertaining the taxable income of the paying company in the year in which the dividends accrue to the relevant shareholders; i.e. the year in which the deduction is claimed should correspond to the year in which the dividend is taxable in the hands of the shareholders. It follows that this allowance is not granted in respect of dividends which are exempt from tax as described in the following section.

Dividends which are exempt from tax

41. Dividends paid by a subsidiary company to its holding company which is a resident public company are exempt from tax. (A resident company could also be deemed to be a resident public company if it in turn is a subsidiary of a public company).
42. Dividends payable in respect of equity interest held by the Government of Botswana and to any other persons who are listed in the second schedule of the Income Tax Act as persons who are exempt from tax are in effect exempt from tax.
43. Dividends from any ordinary indefinite period shares issued by any building society resident in Botswana are exempt from tax.
44. Dividends of certain companies have been exempted from tax by way of special tax agreements.

10/1/89

45. Dividends received from a source situated outside of Botswana and the Rand Monetary Area are not taxable.

Interest

46. All interest earned by Botswana residents from a source situate or deemed to be situate in Botswana and the Rand Monetary Area is subject to tax. Interest accruing from any other source is not taxable.
47. Any payment of interest to a non-resident is subject to a withholding tax of 15% on payment. This is a once and for all charge and such interest will thereafter not form part of the payee's assessable income in Botswana.

Commercial royalties and management or consultancy fees

48. These have been defined in the Income Tax Act as follows:

(a) 'Commercial royalty

means any amount payable for the use of or the right to use any copyright of literary, artistic or scientific work (including cinematograph films, and films or tapes for radio or television broadcasting) any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for the information concerning industrial, commercial or scientific experience.'

(b) 'Management or consultancy fee

means any amount payable for administrative, managerial, technical or consultative services or any similar services, whether such services are of a professional nature or not.'

49. 15% withholding tax is deductible from such payments made to non-residents; this is a final charge. It is advisable, however, to seek directives from the Commissioner in this regard, especially with regard to payments made to residents of the U.K., South Africa and Sweden in view of the provisions of the double tax agreements with those countries, as depending on the individual circumstances, certain of the charges in respect of the above may not be taxable in Botswana.

Entertainment fee

50. This has been defined as:

'Any amount payable to an entertainer (including any cabaret, motion picture, radio, television or theatre artist and any musician) or a sportsman for his personal activity as such.'

51. 10% withholding tax is deductible from such payments made to a non-resident and this will constitute a final charge.

Contracts relating to construction operations

52. The Commissioner is to be advised of all such contracts with non-residents which are in excess of P5 000. The payments under the contract are subject to withholding tax if so directed by the Commissioner.
53. The amount to be deducted is 25% of the payment after deducting direct cost of material charged to the contract to date. The withholding tax may be varied on application for a special directive by the Commissioner.

Remuneration to employees

54. This is subject to a 'pay as you earn' scheme of collection of taxes.

VIII QUARTERLY TAX (CYTAX)

Designated companies

55. As from 1 July 1982, a company which is so designated by the Commissioner of Taxes by notice in writing will be obliged to:
- (a) submit a declaration of its estimated tax for every tax year within the first quarter of that tax year;
- (b) pay over the estimated tax in four instalments during the tax year.

Method of calculation

56. A designated company shall usually calculate the amount of its estimated tax for any tax year on the following basis:
- (a) The current rate of company tax will apply at the time the calculation is made;

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(b) the estimated taxable income for the tax year will be equal to the chargeable income disclosed in the company's tax return for the previous tax year;

in the case of a resident company the above estimate is reduced by the estimated amount of dividends to be paid during the tax year by the company, which are taxable in the hands of resident shareholders - (this deduction is not allowed in respect of dividends to non-resident shareholders and certain dividends to resident shareholders which are exempt from tax - please see paragraphs 41 - 45 of this summary.

Timing of payments

57. The system of quarterly payments in the case of designated companies is to be introduced on a transitional basis as set out in the example overleaf.

TIMING OF QUARTERLY TAX PAYMENTS - EXAMPLE

<u>QUARTERLY TAX IN RESPECT OF TAX YEAR</u>	<u>TO BE ESTIMATED BY</u>	<u>LAST DATE OF PAYMENTS AND PROPORTIONS OF TAX PAYABLE</u>			
1982/83 ) Transitional period	31 Mar '83	30%	30%	30%	10%
1983/84 ) assuming 1982/83 is the first year*	31 Dec '83			30%	20%
1984/85 )	30 Sep '84			10%	30%
1985/86		30 Sep. 1985	31 Dec. 1985	31 Mar. 1986	30 June 1986
		25%	25%	25%	25%
					30%

It follows that the transitional basis would apply on the same basis commencing from any tax year in which a company is designated by the Commissioner of Taxes.

Flexibility in estimation

58. There is a certain degree of flexibility in the related provisions to enable a reasonable estimate of the tax payable where:-
- no tax was payable by the company in the previous year;
  - the tax in respect of the previous year was computed in respect of periods greater or less than 12 months;
  - where on the application of a designated company the Commissioner is satisfied that the amount of the taxable income of the company is likely to be less than that of the previous tax year, he may accept the lesser amount as the company's estimate of taxable income.

Shortfall in estimate

59. When the final instalment of quarterly tax is due for payment and it appears to the company that the actual tax due for the year is likely to exceed the estimated quarterly tax the company is obliged to submit an amended estimate and pay over the shortfall.

Declarations and notices

60. The legislation contains related provisions concerning the mechanics of:
- submitting an annual declaration to the Commissioner of Taxes on a prescribed form;
  - notices to be issued by the Commissioner in cases of failure to lodge an annual declaration;
  - submission of a revised declaration where this is considered necessary by the designated company;
  - service of notice by the Commissioner where the annual declaration is considered to be incorrect;
  - collection of the revised amounts of tax arising from (c) and (d) in relation to the remaining quarterly dates of payment in that tax year.

Payment of quarterly tax

61. Quarterly tax will be payable on the due dates. Extension of time for payment of quarterly tax cannot be granted by the Commissioner of Taxes as in the case of normal tax arising by assessment. If quarterly tax is not paid by the due dates interest will accrue at 2% per month or part of a month during which it remains unpaid.

Set off against assessment liability

62. The quarterly tax paid in respect of a tax year by a designated company will be set off against the income tax charged by usual assessment in respect of that tax year.

Penalty for under-estimate

63. When the quarterly tax declared and paid by a designated company is found to be less than the tax as shown to be due in this tax return for the relevant year the company will be liable to a penalty computed on the amount of the difference between the tax as shown to be payable on its tax return and the quarterly tax estimated and paid. The penalty will be calculated at 2% per month on the difference in respect of the period commencing from 1 July of the next tax year and ending on the date of submission of the tax return.

IX INDIVIDUAL STATUS OF TAXPAYERS & ALLOWANCES TO RESIDENT INDIVIDUALS

64. a) Since the commencement of the Income Tax Act, the income of a married woman was treated as the income of her husband. Relief was however provided to ensure that the effective taxation was as if they were separate individuals. By an amendment of the Act in 1985 a married couple was allowed to elect the spouse who should be the taxpayer. From 1 July 1987 a married woman is a taxpayer in her own right in respect of her own income.
- b) A single tax free allowance of P5 000 is now built into the tax tables relevant to all resident individuals whether married or not, from 1 July 1987. This is in place of the previous tax free allowance of P2000 for resident single individuals and P4000 for resident married individuals in arriving at their taxable income. The allowances for education and medical expenses and life insurance premia have been withdrawn. The standard allowance given in lieu of these allowances will also cease to apply from 1 July 1987.

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The following allowances are available for expenses borne out of chargeable income from Botswana.

<p>Contributions to an approved pension fund or to an approved retirement annuity fund or scheme. This is effective from 1 July 1987 - A non citizen employee who is eligible to a tax free contractual gratuity will not be entitled to this deduction</p> <p>Contribution by an employer to approved pension fund or approved retirement annuity fund</p>	<p>Deductible from chargeable income excluding investment income, actual contribution up to P6,000 or 15% of such income which ever is less.</p> <p>Actual contribution up to P6,000 or 20% of employment income accrued from employer, whichever is less.</p>
<p>House purchase loan interest:</p> <p>Interest payable by a resident person at normal commercial rates to a building society or any other approved financial institution in respect of a loan to purchase or build a person's principal private residence in Botswana</p>	<p>This has been limited to interest on a loan of P30000 as from 1 July 1979; i.e. if the amount of the loan is say P50000 only interest proportionate to a sum of P30000 would be allowed</p>

X TAX ON HOUSING BENEFIT

65. Tax is levied on free housing provided to an employee.

The basis of computation effective from 1 July 1983 is detailed below:

Benefit on rented accommodation

66. The amount of benefit added to the employees taxable income will be the lower of -

- (a) 6% of the rateable value of the quarters or residence as per the valuation roll in terms of the Townships Act;

- (b) in a case where such quarters or residence is not a rateable property or has not been valued an amount equal to 5% of the 'current capital valuation'; or

- (c) a set percentage of the employee's income excluding the value of quarters or residence provided.

NOTES:

1. The deemed benefit will be reduced by any rent paid.
2. The basis of 'current capital valuation' prescribed by the Minister in a Gazette notification is as follows:

The Gross Floor Area of the quarters or residence (i.e. the total floor area measured over all external and internal walls) in square meters is to be multiplied by a factor of P250. Provided that, where the Commissioner is satisfied that by reason of the standard of the building the factor gives rise to an excessive 'current capital valuation' he shall apply such smaller factor, being not less than P170, as he considers fair and reasonable.

3. Where the employee has been provided with housing for only part of a year, the benefit will be computed on a proportionate basis.

Set percentage

67. The set percentages of employment income may be determined by the Minister of Finance from year to year. The table of set percentages as gazetted is set out overleaf.

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Income P	Relevant Percentum %	Housing Benefit P	Income P	Relevant Percentum %	Housing Benefit P
5 500	1	55,00	10 400	13,25	1 378,00
600	1,25	70,00	500	13,50	1 417,50
700	1,50	85,50	600	13,75	1 457,50
800	1,75	101,50	700	14	1 498,00
900	2	118,00	800	14,25	1 539,00
6 000	2,25	135,00	900	14,50	1 580,50
100	2,50	152,50	11 000	14,75	1 622,50
200	2,75	170,50	100	15	1 665,00
300	3	189,00	200	15,25	1 708,00
400	3,25	208,00	300	15,50	1 751,50
500	3,50	227,50	400	15,75	1 795,50
600	3,75	247,50	500	16	1 840,00
700	4	268,00	600	16,25	1 885,00
800	4,25	289,00	700	16,50	1 930,50
900	4,50	310,50	800	16,75	1 976,50
7 000	4,75	332,50	900	17	2 023,00
100	5	350,00	12 000	17,25	2 070,00
200	5,25	378,00	100	17,50	2 117,50
300	5,50	401,50	200	17,75	2 165,50
400	5,75	425,50	300	18	2 214,00
500	6	450,00	400	18,25	2 263,00
600	6,25	475,00	500	18,50	2 312,50
700	6,50	500,50	600	18,75	2 362,50
800	6,75	526,50	700	19	2 413,00
900	7	553,00	800	19,25	2 464,00
8 000	7,25	580,00	900	19,50	2 515,50
100	7,50	607,50	13 000	19,75	2 567,50
200	7,75	635,50	100	20	2 620,00
300	8	664,00	200	20,25	2 673,00
400	8,25	693,00	300	20,50	2 726,50
500	8,50	722,50	400	20,75	2 780,50
600	8,75	752,50	500	21	2 835,00
700	9	783,00	600	21,25	2 890,00
800	9,25	814,00	700	21,50	2 945,50
900	9,50	845,50	800	21,75	3 001,50
9 000	9,75	877,50	900	22	3 058,00
100	10	910,00	14 000	22,25	3 115,00
200	10,25	943,00	100	22,50	3 172,50
300	10,50	976,50	200	22,75	3 230,50
400	10,75	1 010,50	300	23	3 289,00
500	11	1 045,00	400	23,25	3 348,00
600	11,25	1 080,00	500	23,50	3 407,50
700	11,50	1 115,50	600	23,75	3 467,50
800	11,75	1 151,50	700	24	3 528,00
900	12	1 188,00	800	24,25	3 584,00
10 000	12,25	1 225,00	900	24,50	3 650,50
100	12,50	1 262,50	15 000	24,75	3 712,50
200	12,75	1 300,50	100	25	3 775,00
300	13	1 339,00	+		

Computation of taxable housing benefit

68. An example of the housing benefit where an employee benefits from accommodation provided would be:

	P
(a) Rateable value of residence	<u>60 000</u>
6% thereof	<u>3 600</u>
(b) Assume employee's income is P16 800; therefore applying the tables, the rate applicable would be 25% on income as it exceeds P15 100	<u>4 200</u>
Taxable benefit is the lower of (a) and (b), that is	<u>3 600</u>

NOTE:

If the employee had paid rent of P200 per month to the employer for accommodation, the annual sum of P2400 would be allowed as a deduction in arriving at the benefit, that is

1 200

Notes

- (a)
- (b)

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XI

PROPOSED RATES OF PERSONAL TAX  
1989/90 AND SUBSEQUENT TAX YEARS

This new table was introduced in the 1989 Budget Speech. The intention is to replace Tables I & II with effect from 1 July 1989 with this table.

TAXABLE AMOUNT AT LEVELS OF P6 000	AMOUNT OF TAX	AVERAGE RATE %	MARGINAL RATE UNTIL NEXT TAXABLE AMOUNT %
6 000	-	-	-
9 000	75	0.83	2.5
12 000	225	1.88	5
18 000	825	4.58	10
24 000	1925	7.18	15
30 000	2925	9.75	20
36 000	4425	12.29	25
42 000	6225	14.82	30
48 000	8325	17.34	35
54 000	10725	19.86	40
60 000	13 425	28.38	45

Taxable income in excess of P60 000 is at the rate of 50%.

RATES OF TAX 1987/1988 AND SUBSEQUENT TAX YEARS

Taxation of (a) a resident unmarried individual and  
(b) a resident married individual whose spouse has taxable income

TABLE I

TAXABLE AMOUNT AT LEVELS OF P1 000 P	AMOUNT OF TAX P	AVERAGE RATE %	MARGINAL RATE UNTIL NEXT TAXABLE AMOUNT %
5 000	-	-	-
6 000	50	0.83	5
7 000	150	2.14	10
8 000	250	3.12	10
9 000	400	4.44	15
10 000	550	5.50	15
11 000	700	6.36	15
12 000	900	7.50	20
13 000	1100	8.46	20
14 000	1300	9.29	20
15 000	1500	10.00	20
16 000	1750	10.94	25
17 000	2000	11.76	25
18 000	2250	12.50	25
19 000	2500	13.16	25
20 000	2750	13.75	25
21 000	3050	14.52	30
22 000	3350	15.23	30
23 000	3650	15.87	30
24 000	3950	16.46	30
25 000	4250	17.00	30
26 000	4600	17.69	35
27 000	4950	18.33	35
28 000	5300	18.93	35
29 000	5650	19.48	35
30 000	6000	20.00	35
31 000	6400	20.64	40
32 000	6800	21.25	40
33 000	7200	21.82	40
34 000	7600	22.35	40
35 000	8000	22.86	40
36 000	8450	23.47	45
37 000	8900	24.05	45
38 000	9350	24.60	45
39 000	9800	25.13	45
40 000	10250	25.62	45

Taxable income in excess of P40000 is at the rate of 50%.

Note: In the case of a resident married individual the tax chargeable under Table I may be limited to the tax that would be chargeable if the income of husband and wife are added together and taxed under Table II, if this results in less tax.

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Taxation of a married unit with only one breadwinner

TABLE II

In this case the same common threshold of P5000 will apply, yet Table II levies less tax than Table I.

TAXABLE AMOUNT AT LEVELS OF P1000 P	AMOUNT OF TAX P	AVERAGE RATE %	MARGINAL RATE UNTIL NEXT TAX- ABLE AMOUNT %
5 000	-	-	-
6 000	50.00	0.83	5
7 000	100.00	1.43	5
8 000	150.00	1.87	5
9 000	250.00	2.78	10
10 000	350.00	3.50	10
11 000	450.00	4.09	10
12 000	600.00	5.00	15
13 000	750.00	5.77	15
14 000	900.00	6.43	15
15 000	1050.00	7.00	15
16 000	1250.00	7.81	20
17 000	1450.00	8.53	20
18 000	1650.00	9.17	20
19 000	1850.00	9.74	20
20 000	2100.00	10.50	25
21 000	2350.00	11.19	25
22 000	2600.00	11.82	25
23 000	2850.00	12.39	25
24 000	3100.00	12.92	25
25 000	3400.00	13.60	30
26 000	3700.00	14.23	30
27 000	4000.00	14.81	30
28 000	4300.00	15.36	30
29 000	4600.00	15.86	30
30 000	4950.00	16.50	35
31 000	5300.00	17.10	35
32 000	5650.00	17.66	35
33 000	6000.00	18.18	35
34 000	6350.00	18.68	35
35 000	6750.00	19.29	40
36 000	7150.00	19.86	40
37 000	7550.00	20.41	40
38 000	7950.00	20.92	40
39 000	8350.00	21.41	40
40 000	8800.00	22.00	45
41 000	9250.00	22.56	45
42 000	9700.00	23.10	45
43 000	10150.00	23.60	45
44 000	10600.00	24.09	45

Taxable income in excess of P44000 is at the rate of 50%

Taxation of non resident individuals.

TABLE III

Non residents will be taxed at a flat rate of 20% on the first P15 000 of their taxable income, and progressively as shown in the table.

TAXABLE INCOME AT LEVELS OF P1000 P	AMOUNT OF TAX P	AVERAGE RATE %	MARGINAL RATE UNTIL NEXT TAXABLE AMOUNT %
15 000	3000	20.00	20
16 000	3250	20.31	25
17 000	3500	20.59	25
18 000	3750	20.83	25
19 000	4000	21.05	25
20 000	4250	21.25	25
21 000	4550	21.67	30
22 000	4850	22.05	30
23 000	5150	22.39	30
24 000	5450	22.71	30
25 000	5750	23.00	30
26 000	6100	23.46	35
27 000	6450	23.89	35
28 000	6800	24.29	35
29 000	7150	24.66	35
30 000	7500	25.00	35
31 000	7900	25.48	40
32 000	8300	25.94	40
33 000	8700	26.36	40
34 000	9100	26.76	40
35 000	9500	27.14	40
36 000	9950	27.64	45
37 000	10400	28.11	45
38 000	10850	28.55	45
39 000	11300	28.97	45
40 000	11750	29.38	45

Taxable income in excess of P40000 is at the rate of 50%

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Taxation of a Trust and Estate of a deceased person

TABLE IV

TAXABLE INCOME AT LEVELS OF OF P1000 P	AMOUNT OF TAX P	AVERAGE RATE %	MARGINAL RATE UNTIL NEXT TAX- ABLE AMOUNT %
1000	50	5.00	5
2000	150	7.50	10
3000	250	8.33	10
4000	400	10.00	15
5000	550	11.00	15
6000	700	11.67	15
7000	900	12.86	20
8000	1100	13.75	20
9000	1300	14.44	20
10000	1500	15.00	20
11000	1750	15.91	25
12000	2000	16.67	25
13000	2250	17.31	25
14000	2500	17.86	25
15000	2750	18.33	25
16000	3050	19.06	30
17000	3350	19.71	30
18000	3650	20.28	30
19000	3950	20.79	30
20000	4250	21.25	30
21000	4600	21.90	35
22000	4950	22.50	35
23000	5300	23.04	35
24000	5650	23.50	35
25000	6000	24.00	35
26000	6400	24.62	40
27000	6800	25.19	40
28000	7200	25.71	40
29000	7600	26.21	40
30000	8000	26.67	40
31000	8450	27.26	45
32000	8900	27.81	45
33000	9350	28.33	45
34000	9800	28.82	45
35000	10250	29.29	45

Taxable income in excess of 35000 is at a rate of 50%

XII COMPUTATION OF INDIVIDUAL TAXABLE INCOME

69. The following schedule serves as a guide as to how to calculate the taxable income and net tax liability:

CHARGEABLE INCOME	P
Salary	16 800
Housing benefit (see para. 68)	3 600
Interest	<u>180</u>
	20 580
less:	
ALLOWANCES	
Superannuation fund contribution	1 500
House purchase loan interest	<u>3 500</u>
	5 000
Taxable income	15 580
	=====
Total tax liability: (per table)	
Tax on P15 000 (assume married person whose spouse has a taxable income)	1 500
Tax on P580 (at marginal rate 25%)	<u>145</u>
	1 645
	=====

OTHER BENEFITS FROM EMPLOYMENT

Private use of business vehicle

70. (a) A chargeable benefit is seen as arising to an employee who is authorised to use, for private purposes, a motor vehicle provided for his use for business purposes.
- (b) The value of the benefit is based on the cost price of the vehicle to the employer. The table of motor vehicle benefit effective from 1 July 1983 is set out overleaf.

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<u>VEHICLE COST</u> P	<u>EMPLOYEES BENEFIT</u> P
1- 4000	850
4001- 6000	1100
6001- 8000	1300
8001-10000	1550
10001-12000	1800
12001-14000	2000
14001-16000	2300
16001-18000	2500
18001-20000	2750
20001-25000	3000
25001-30000	3550
30001-35000	4100
35001-40000	4750
40001-45000	5300
45001-50000	5850
50001 - upwards	10% of excess

- (c) The gross value of the benefit falls to be reduced by the amount of any contribution made to the employer by the employee towards private use of the vehicle.

Other Benefits provided to employees

(a) Household furniture provided to employees

As from 1 July 1983 any amount in excess of P5000 will be deemed as a taxable benefit in the hands of the employee at the rate of 10% per annum of the excess over P5000.

e.g. If an employee is provided with household furniture costing say P8000 for use during a particular tax year, the taxable benefit will be computed as follows:

	P
Cost of furniture	8 000
Less basic amount allowed tax free	<u>5 000</u>
	<u>3 000</u>

Taxable benefit  
per annum @ 10%                      P300

- (b) Provision of free water, power and garden upkeep and payment of education expenses by the employer are also considered to be chargeable benefits.
- (c) In cases where business assets including leased assets are transferred to employees at amounts below their market values, a chargeable benefit is seen as arising to the employee and the value of such benefit is taken to be the market value of the asset less any consideration paid by the employee.

NOTE:

Collection of tax on other benefits :

The tax on the other benefits will only be determined on the submission of the employee's annual tax return after the end of the tax year. Therefore, collection will be in one lump sum and advised on the employee's annual assessment. It is therefore important to ensure that adequate provision is made for the payment of this liability after the end of the tax year.

72. Terminal Gratuities - Expatriate Employees

Terminal gratuities paid to an expatriate employee from his employer under a written contract of employment may be considered for exemption in terms of the Income Tax Act. A minimum period of two years service in employment under contract is required and terminal leave taken is viewed as part of the period of service but in a case where the period of leave entitlement is sold this is not included in the period of service.

Amounts considered for exemption are based on salary only. Those parts of any terminal payment based on say bonus, commission, overtime etc. are not considered, leave pay or leave entitlement not sold may be included to the extent that the payments are based on salary alone.

Amounts which will be exempted if all other requirements are met are:

- 25% of contractual salary earned in the period of a first contract.
- 27 1/2% of contractual salary earned in the period of second contiguous contract; and
- 30% of contractual salary earned in the case of any third or subsequent contiguous contract.

73 Service Gratuities to citizens

Where an approved service gratuity accrues to a citizen whether during the course of his employment or on termination thereof only one quarter of such amount shall be liable to tax and this amount too shall be deemed to have accrued in three successive annual instalments, the last instalment of which is deemed to have accrued on the date on which the whole amount become due or payable. The whole of such gratuity will not be taxed if reinvested in an approved pension fund or approved retirement annuity fund.

Provided that the commissioner is satisfied that it is a bona-fide arms - length payment

"An Approved Service Gratuity" means a payment made under the following provisions.

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- a) the conditions must apply to all permanent employees to whom no retirement benefits accrue.
- b) the payment is to be under written contract in recognition for a continuous service period of 5 years and multiples of 5 years.
- c) The payment shall not exceed 5 weeks salary at the rate currently applicable to the year of service in respect of which payment is made and a period of service may be recognized by a payment of gratuity once only.
- d) Any changes in the conditions shall apply upon approval of the Commissioner of Taxes.

XIII CLOSE COMPANY LEGISLATION - Effective from 13 February 1984

Definition of a close company

74. A close company is defined as follows:

A close company is a private company in which a relevant person referred to as a 'participator' is either on his own or with a relative or nominee -

- (a) the beneficial owner of or able to control, directly or indirectly, 5% or more of the equity share capital of the company,
- (b) the beneficial owner, directly or indirectly, of shares in the company carrying 5% or more of the voting powers, or
- (c) a loan creditor

75. Excluded from the definition of a 'close company' are:

- (a) a company in which the Government of Botswana owns shares;
- (b) a company with which the Government of Botswana has a tax agreement (see paragraph 26 of this Summary.)
- (c) a company whose shares have been exempted from capital gains tax provisions by order of the Minister.

76. The definition of a loan creditor is very wide but excludes a person carrying on a business of banking where a loan is made in the ordinary course of that business.

Payment to participators

77. The Commissioner is empowered to consider the following payments to a 'participator' to be a dividend paid by the company:

- (a) a gratuity in respect of employment;
- (b) the cost of any other passage or benefit or advantage granted to the participator in respect of his employment, which are not taxable in the hands of the 'participator' according to existing legislation;
- (c) the cost of any other passage, travel or entertainment which in the opinion of the Commissioner, has not been incurred by the company wholly, exclusively and necessarily in the production of its assessable income; or
- (d) a loan made to the participator either free of interest or on conditions which, in the opinion of the Commissioner, are not characteristic of an arms length transaction

78. Provided that the amount shall not be treated as dividend in the hands of the participators if the Commissioner of Taxes is satisfied that:-

- (i) payment of a gratuity to a participator arises from a contract as carried out between independent persons dealing at arms length;
- (ii) cost of contract passages paid to a participator is no more than once in every two years during residence in Botswana which do not exceed the reasonable cost of direct travel between Botswana and the participators country of permanent residence.

79. (i) The primary effect is thus to disallow the expenditure in 77 (a), (b) & (c) in the case of the close company and tax the participator as if these payments including (d) are dividends received from the close company;

- (ii) Then in the case of a resident company dividends deemed in the manner detailed above paid to a resident shareholder are allowed as a deduction in ascertaining the taxable income of the company.

Loans given to a 'participator'

80. (a) In the case of loans disbursed to a participator it is provided that any amounts repaid against the loan will be deducted ensuring that only the net loan paid out will be deemed to be a dividend. This is subject to the proviso that no further loan has been made to the participator within nine months of the repayment.
- (b) If it is found that by arrangement between two companies, a 'participator' in one company obtains a loan from the other company then that loan will fall to be taxed.

Dividends to non-resident companies

81. There is also a section which deals with a situation where a person resident in Botswana has a 'participator' relationship with a non-resident company, in accordance with the rules discussed earlier. If dividends are paid or credited for the account of the non-resident company it is provided that the dividend may be included in the gross income of the participator resident in Botswana.
- (a) It would appear that the subject dividends would first suffer the 15% non-resident withholding tax;
- (b) Then it seems that the Commissioner may tax the whole of the dividend at personal rates of tax in the hands of the resident 'participator'. It is anticipated that in practice only the dividend attributable to the relevant participator will be taxed in the hands of that participator.
- (c) The subject dividend would not be allowed as a deduction in the hands of the resident company.

Interest payable to 'participator'

82. (a) Where interest is payable to a participator or to a relative or nominee by a close company on a loan owing by the company the Commissioner may apply a commercial rate deemed to be reasonable in the circumstances. It is understood that the Department of Taxes considers a rate of 10% to reasonable whilst the prime rate is between 10% and 12%.

- (b) In the case of a non-resident 'participator' the interest so computed in (a) above is to be considered as having been 'paid'. Interest paid to a non-resident attracts withholding tax of 15%.
- (c) Any amount of interest as deemed above will not be allowed as a deduction in the hands of the company.
- (d) If a loan as discussed above is converted into share capital during the tax year the above provisions will not apply to that tax year.

Transactions between related parties

83. If a transaction has created rights or obligations that would not normally be created between independent persons dealing at arms length, the Commissioner of Taxes may determine the liability in such manner as he deems appropriate. The existing anti-avoidance provisions have been amplified by the introduction of special clauses relating to 'close companies'.

XIV TRANSFER AND COMPANY DUTIESTransfer duties on immovable property

84. (a) Transfer duty is levied at 5% of the value of immovable freehold and leasehold property. The first P20 000 of such value is exempt from transfer duty in case of transfer to a Botswana citizen.
- (b) In the case of agricultural property transfer duty is levied at the rate of 30% for a non-citizen. This duty is not applicable in the case of a Botswana citizen.

Company duties

85. Annual duty amounts to P50,00. This amount is fixed and invariable.
- Share capital duty is calculated on the following scale:

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	P
Where nominal capital does not exceed	
P3 000	50
(thereafter an additional P2 for every P1 000 or part thereof	
i.e. P 4 000	52
5 000	54
6 000	56
(then an additional P1 for every P1 000 or part thereof)	
i.e. P 7 000	57
8 000	58
9 000	59
10 000	60
20 000	70
30 000	80
50 000	100
100 000	150
(then an additional 50T for each P1 000 or part thereof)	
i.e. P101 000	150,50
200 000	200
500 000	350
525 000	362,50
i.e. P1 000 000	600
	(max fee)

86. Share transfers

No transfer duty arises on share transfers except in the case of companies owning agricultural property which is subject to transfer duty on the same basis as that on immovable property.

XV SALES TAX

87. A "one stage" selective sales tax was introduced on 6 September 1982. The base was broadened by the sales tax amendment regulations effective from 1 March 1989.

88. At present, sales tax is imposed on the following;

ITEMS	RATES OF SALES TAX There per litre
a) Distillate fuels - e.g gas and diesel	10.0
b) Petrol and mixed alylenes	13.0
c) Traditional beer manufactured or imported on a commercial scale	5.0
d) Beer, Stout, wine of fresh grape, including fortified wines, grape must	15.0
e) Sparkline wine, grape must with fermentation arrested by the addition of alchohol	75.0
f) Natural still wine	40.0
g) Fortified still wine	50.0
h) Other grape must	40.0
i) Vermouth & other wine of grapes flavoured with plants or aromatic substances	50.0
j) Other fermented beverages (cider, perry, mead)	30.0
k) Brandy	150.0
l) Whiskeys	185.0
m) Rum & Tafia, Gin & Geneva	120.0
n) Liqueurs & similar containing added sugar	200.0
o) Other spirits	120.0
p) Cigars, charoots, cigarillors, cigarettes, tobacco, tobacco extracts and essences	10%

## q) Electrical appliances, apparatus and devices.

- Electro-mechanical domestic appliances, with self contained electric motor.  
(Vacuum cleaners, floor polishers, kitchen waste disposers, food grinders, juice extractors, parts) 10%
- Microphones, stands therefor, loudspeakers headphones, earphones, amplifiers, parts 10%
- Turntables, record players, cassette players 10%
- Dictating machines (powered by an external source) telephone answering machines, other magnetic tape recorders 10%
- Video recorders and reproducers 10%
- Television receivers 10%

89. Collection of the sales tax is to be the responsibility of every seller ~~or~~ importer (usually the latter) of the above goods. In the case of goods manufactured in Botswana the seller is defined to be the manufacturer.
90. The administration of the provisions of the Act and the collection of Sales Tax is the responsibility of the Director of Customs and Excise.
91. It was announced in the 1989 Budget Speech that the sales tax would be extended to a short list of specific luxury goods which will be taxed at a rate of 10 per cent ad valorem.

EXCHANGE CONTROLI INTRODUCTION

1. Botswana's unit of currency is the Pula. The value of the Pula in the foreign exchange market is determined by the Central Bank in conjunction with the Ministry of Finance by reference to a basket of foreign currencies weighted approximately in accordance with their trading significance to Botswana.
2. In common with most developing countries, Botswana has controls over the movement of funds in and out of the country in order to prevent the currency from speculative fluctuations as well as safe-guarding against excessive outflow of foreign exchange reserves. Exchange Control in Botswana is governed by the Exchange Control Act (CAP 55:03) and the Exchange Control Regulations 1976, as amended from time to time.
3. Exchange Control policy and administrative practice are not restrictive so far as trade and foreign inward investments are concerned. Approval is normally given for the repatriation of after tax profits of foreign-owned enterprises and approval for other current account payments such as imports, interest, royalty and service charges normally present no difficulty provided the supporting documentation is available and provided further that the requirements of the Department of Taxes have been satisfied.

II COMPANIES4. Shares

Companies incorporated in Botswana under the Companies Act (CAP 42:01) cannot issue shares to non-residents without prior approval from the Exchange Control Authorities. However, Botswana branches of foreign corporations can be registered without going through these Exchange Control formalities since the share capital of such corporations is issued in their country of incorporation. Resident companies can issue their shares to non-residents once approval has been given by the Exchange Controller, who must be satisfied that the funds for these shares have originated from a foreign source, and are freely exchangeable in the currency of Botswana. A non-resident wishing to purchase shares of an existing company in Botswana must satisfy the Exchange Controller that a fair market price is being paid with funds from an external source.

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## 5. Dividends

There are no restrictions as to the quantum of dividends payable to non-resident shareholders provided that such dividends are declared out of profits after tax and that a withholding tax of 15% is paid at the time of remittance of the dividend. Applications for the remittance of dividends require Exchange Control approval and must be supported by a copy of the Board Resolution and a copy of the company's latest audited financial statements together with other relevant information. Branches of external companies may remit their branch profits on a similar basis. Permission is however given to the authorised agents to approve such remittances not exceeding P50 000 per annum

## 6. Local borrowing

There are no Exchange Control restrictions on local borrowings for resident controlled companies.

Non-resident controlled companies and branches of external companies may borrow up to P250 000 without prior Exchange Control approval. Local borrowing includes bill discounting facilities, acceptance credits, letters of credit, leasing, hire purchase, loan, bank overdraft, and inter-company borrowings within Botswana. In the case of local borrowing in excess of P250 000, the ratio of local borrowing to total effective capital is three for one. Effective capital consists of share capital, retained earnings, reserves, shareholders' loans and any other external loans. Foreign controlled subsidiaries and associate companies can borrow on an individual or on a group basis.

## 7. Foreign borrowing

Foreign borrowing is approved by the Exchange Control Authorities provided that the loan funds are obtained from an external source, that the repayment does not commence until two years after the date when the foreign loan was drawn down, that the rate of interest does not exceed half a percent per annum over the bank prime rate in the case of a loan expressed in Pula or 1 per cent per annum above the appropriate foreign rate where the loan is expressed in a foreign currency and that the applicant is able to justify the borrowing of foreign funds e.g, low interest rate, technical assistance, easier terms, non availability of funds from local source etc. It is important that the currency in which the loan is to be expressed is clearly stated in the initial application. Repatriation terms are normally agreed at the inception. Interest payable to non-residents can be remitted on an on-going basis provided that the withholding tax of 15% is paid over to the Department of Taxes.

Other forms of foreign borrowing, such as the conversion of a current account debt into a loan account liability, also require prior exchange control permission. This is normally forthcoming provided that evidence can be produced that the funds in question are properly due to a non-resident and would otherwise have been permitted to be remitted.

The Bank of Botswana has currently become restrictive in granting exchange control approvals for introduction of foreign funds as loans and prefers that these be introduced in the form of share capital.

## 8. Directors' fees

Applications for exchange control approval for remittance of director's fees to non-residents in respect of the immediately preceding financial year should be supported by an appropriate board resolution together with evidence of tax clearance. Permission is however given to authorised agents to approve such remittances not exceeding P15 000 per annum per director and P30 000 per annum per remitting company.

## III PARTNERSHIPS

### 9. Profits

Exchange Control approval is required for the remittance of after tax profits of non-resident partners. Applications should be supported by the relevant audited accounts of the partnership and documentary evidence that the tax requirements have been satisfied. The position with regard to interest on non-resident partners' loan accounts is similar to that of companies, and in this respect, it is important to obtain permission to create the loan accounts in the first place and to add to them thereafter.

## IV INDIVIDUALS

### 10. Definitions

A "resident" means a person whose permanent place of residence is Botswana and who has not been granted a "temporary residence status". A "contract temporary resident" means a person who is not a citizen of Botswana and who is directly employed on a contract or pensionable terms of employment or seconded to or attached to any organisation operating in Botswana. A "self-employed temporary resident" means a person who is not a citizen of Botswana, though ordinarily resident, and is either:-

- (a) A sole trader
- (b) A self employed person

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- (c) A majority shareholder of a company in Botswana
- (d) A partner in partnership in Botswana
- (e) An employee not on contract, secondment or pensionable terms of employment.

A "non-resident" means either a person who is not living or working in Botswana and whose place of residence is outside Botswana, or certain diplomatic and United Nations staff who live in Botswana but have been granted non-resident status.

11. Contract temporary residents

Contract temporary residents are entitled to remit P20 000 per annum or 50% of their gross Pula salary, whichever is greater, during each calendar year. Temporary residents may remit gratuities in full to a maximum of 30% of the total eligible emoluments on completion of the contract provided that the entitlement to gratuities forms part of a written contract at the inception. A terminal allowance of P20 000 is also remittable upon the contract temporary resident's final departure from Botswana. Amounts in excess of this amount require the approval of the Bank of Botswana.

12. Self employed temporary residents

Self employed temporary residents may remit up to P20 000 per annum or any such higher figure as may be approved by the Bank of Botswana. A person applying to remit more than P20 000 per annum will normally be allowed to remit 50 percent of his total income in the preceding year provided that the requirements of the Commissioner of Taxes have been met and the commercial bank is satisfied that the funds in question are beneficially owned by the applicant. Self employed temporary residents are also entitled to the terminal allowance of P20 000 on their final departure from Botswana.

13. Foreign borrowing

In general terms, the Exchange Control Authorities prefer Botswana permanent residents to borrow locally if at all possible, but are prepared to consider applications on their individual merits. Where permission is given, it is normally on condition that no repayment takes place within two years of receipt of the loan funds and that the rate of interest is reasonable.

Temporary residents are normally expected to service any foreign borrowing that they might have out of their annual remittable allowance. Any external funds which they transfer into Botswana may normally be repatriated at any time thereafter upon application.

14. Emigration

Persons regarded as permanent residents of Botswana for Exchange Control purposes are entitled to an allowance of P150 000 per family unit on leaving Botswana to take up permanent residence abroad, provided that the requirements of the Commissioner of Taxes have been satisfied. A further allowance of P75 000 per family unit is allowed to cover export of emigrant's personal and household effects.

15. Private travel

Permanent residents are entitled up to P10 000 per adult per calendar year and P5 000 per child under the age of 18 years per calendar year in respect of private travel. Temporary residents are expected to meet their private travel expenses from their remittable allowance.

16. Medical expenses

The cost of all medical expenses incurred outside Botswana is permitted on submission of supporting documents. This facility is available for both residents and temporary residents. Permission is given to authorised agents to approve such remittances.

17. Study allowance

Permanent residents are entitled to P3 000 per month per unmarried student and P5 000 per month per accompanied married student. In addition an allowance of P2 000 per annum is available to cover travelling expenses during vacations. Reference to the Bank of Botswana is required for expenses in excess of the above amounts.

18. Maintenance, Gifts and Personal loans

Permanent residents are entitled to the following allowances:-

Maintenance allowance	-	P500 per month per remitting family unit.
Monetary gifts or loans	-	P750 per annum per donor aged 18 years or over.

## V GENERAL

### 19. Imports

The commercial banks act as agents of the Bank of Botswana in dealing with applications for the payment of imports. Generally the applications are processed at the counter on production of satisfactory documentary evidence i.e. suppliers' invoices together with the supporting customs documentation. Alternatively, a customer in good standing with his bank may arrange to pre-pay imports under certain conditions.

### 20. Royalties, Management and Consultancy fees

Payment for royalties, management and consultancy fees payable to non-residents require the prior approval of the Bank of Botswana. Applications should be accompanied by the relevant agreement or evidence that the amount is due and that the requirements of the Commissioner of Taxes have been satisfied. Normally approval is given where the fees are reasonable and the services provided are necessary. Permission is given to the authorised dealers to approve professional fees not exceeding P5 000 per service.

### 21. Operation of Foreign Bank Accounts and Inter-company Accounts

Specific authority from the Bank of Botswana is required for resident companies to operate a foreign bank account or an inter-company account maintained with a company outside Botswana. The Bank of Botswana would assess the particular requirement of the applicant and approval is normally given subject to the production of supporting documentation at periodic intervals. The maximum balance on a foreign bank account may be limited by the Bank of Botswana.

### 22. Forward contracts

Commercial banks may enter into forward contracts for up to 6 months with customers for the purchase and sale of foreign currency in respect of firm import/export transactions which should be supported by documentary evidence.

### 23. Investments

In general, the Bank of Botswana would not permit investment outside Botswana by companies and residents unless the applicant can satisfy the bank that the return on investment is satisfactory and beneficial to Botswana.

### 24. Business travel

The authorised dealers may approve business travel allowances for all residents up to P500 per day with a maximum of P30 000 per calendar year.

### 25. Credit cards

Expatriates working in Botswana are allowed to use credit cards provided that the payment for credit card accounts is made either through a foreign currency bank account or out of their remittable allowance in Botswana. Authorised dealers may approve permanent residents to obtain two credit cards issued by non-residents credit companies for use whilst travelling abroad.

## VI CONCLUSION

- 26 Users of this booklet are reminded that the foregoing information is an outline of certain provisions of the Exchange Control Regulations. Whilst every attempt has been made to check the accuracy of information given in this booklet, we cannot accept responsibility for any inaccuracies which may exist. We suggest that you use this booklet as a guide but that you consult us or your professional advisors before taking any decisions based on the information herein contained.

I. MINING

Bamangwato Concession Limited (BCL)  
PO Box 376  
Gaborone, Botswana  
Telephone: 351477 (Gaborone)  
810211 (Selebi-Phikwe)  
Fax: 810441  
Business: Copper/nickel mining  
U.S. Contact:  
AMAX  
Amax Center  
Greenwich, CT 06830  
Telephone: (203) 629-6000  
Relationship: Equity Ownership

Shashe Mines  
PO Box 490  
Francistown, Botswana  
Telephone: 212734  
Fax: 214267  
Business: Gold mining  
U.S. Contact:  
PHELPS DODGE  
300 Park Ave  
New York, NY 10022  
Telephone: (212) 750-4521  
Relationship: Equity Ownership

II. MANUFACTURING

Colgate Palmolive (Pty) Ltd  
Private Bag 00237  
Gaborone, Botswana  
Telephone: 373315  
Fax: 356198  
Business: Manufacture of toothpaste and toiletries  
U.S. Contact:  
COLGATE PALMOLIVE COMPANY  
300 Park Ave  
New York, NY 10222  
Telephone: (212) 310-2000  
Relationship: Equity Ownership

**Kgalagadi Breweries**

PO Box 631

Gaborone, Botswana

Telephone: 315211

Fax: 313165

Business: Beer brewery and bottler

U.S. Contact:

HEILEMAN BREWING CO. INC

100 Harborview Plaza

Lacrosse, WI 54601

Telephone: (608) 785-1000

Relationship: Brews Carling Black Label under license

COCA COLA CORPORATION

PO Drawer 1734

Atlanta, GA 30301

Telephone: (404) 852-7000

Relationship: Bottles Coca-Cola under license

**Kgalagadi Soap Industries (Pty) Ltd**

P/Bag BR 33

Gaborone, Botswana

Telephone: 312791

Fax: 312793

Business: Manufacture of soap, detergent, and oils.

U.S. Contact:

H.J. HEINZ COMPANY

PO Box 57

Pittsburgh, PA 15230

Telephone: (412) 456-5701

Relationship: Equity Ownership

**Lobatse Clay Works**

P/Bag 5

Lobatse, Botswana

Telephone: 330633

Business: Manufacture of bricks and tiles

U.S. Contact:

INTERKILN CORPORATION OF AMERICA

Transco Tower

Suite 5320

2800 Post Oak Blvd

Houston, TX 77056

Telephone: (713) 961-4044

Relationship: Equity Ownership

Northern Textile Mills  
Francistown, Botswana  
Business: Manufacture of towels and bedlinens  
U.S. Contact:

VENUS TEXTILES  
18460 Gothard Street  
Huntington Beach, CA 92648  
Telephone: (714) 842-1252  
Relationship: Equity Ownership/Importer

### III. MARKETING/RETAIL

Avis Rent-A-Car  
PO Box 790  
Gaborone, Botswana  
Telephone: 313093  
Business: Car rental  
U.S. Contact:

AVIS CAR RENTALS, INC  
1730 S. Washington  
Piscataway, NJ 08854  
Telephone: (201) 752-6800  
Relationship: Licensee

Apal Computers (Pty) Ltd  
1236 Haile Sellassie Road  
Industrial Sites Bag 00279  
Gaborone, Botswana  
Telephone: 312096  
Fax: 374409  
Business: Computer Retail  
U.S. Contact:

APPLE COMPUTERS  
20525 Mariani Avenue  
Cupertino, CA 95014  
Telephone: (408) 996-1010  
Relationship: Distributorship

Bemco Distributing Company (Pty) Ltd  
PO Box 1616  
Gaborone, Botswana  
Telephone: 351781  
Fax: 372293  
Business: Distribution of earth moving machinery  
U.S. Contact:

CATERPILLAR INC  
Peoria, Illinois 61629  
Telephone: (309) 675-1000  
Relationship: Distributor

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Cal-Tex Oil (Pty) Ltd  
PO Box 47  
Gaborone, Botswana  
Telephone: 352170  
Business: Oil distribution  
U.S. Contact:  
CALTEX PETROLEUM CORPORATION  
PO Box 619500  
Dallas, TX 75261-9500  
Telephone: (214) 830-1000  
Relationship: Equity Ownership

Data Processing (Pty) Ltd  
1236 Haile Salassie Road  
Industrial Sites Box 1383  
Gaborone, Botswana  
Telephone: 351908  
Fax: 374409  
Business: Computer Retail  
U.S. Contact:  
WANG LABORATORIES  
One Industrial Avenue  
Lowell, MA 01851  
Telephone: (508) 459-5000  
Relationship: Distributorship

Extas Electronic and Computer Technology (Pty) Ltd  
Unix Mini Computers  
Suite 9, First Floor, Rizka House  
African Mall Bag 142  
Gaborone, Botswana  
Telephone: 314888  
Fax: 374669  
Business: Computer Retail  
U.S. Contact:  
UNISYS  
Township Line and Union Meeting Roads  
Bluebell, PA 19424  
Telephone: (215) 986-4011  
Relationship: Distributorship

Kalahari Ford  
Haile Selassie Road  
Industrial Sites Box 262  
Gaborone, Botswana  
Telephone: 352165  
Business: Retail motor sales  
Fax: 313916  
FORD MOTOR COMPANY  
The American Road  
Dearborn, MI 48121  
Telephone: (313) 322-3000  
Relationship: Distributorship

Kentucky Fried Chicken  
PO Box 20692  
Gaborone, Botswana  
Telephone: 314165  
Business: Restaurant  
U.S. Contact:

KENTUCKY FRIED CHICKEN  
PO Box 32070  
Louisville, KY 40232  
Telephone: (502) 456-8300  
Relationship: Franchise

#### IV. SERVICES

Botswana Insurance Company (Pty) Ltd  
PO Box 336  
Gaborone, Botswana  
Telephone: 351791  
Fax: 313290  
Business: Insurance, Real Estate, and Hotel Mangement  
U.S. Contact:

ST. PAUL COMPANIES  
385 Washington Street  
St. Paul, MN 55102  
Telephone: (612) 221-7911  
Relationship: Equity Ownership

Coopers and Lybrand Services (Pty) Ltd  
PO Box 294  
Gaborone, Botswana  
Telephone: 352011  
Fax: 352570  
Business: Accountancy and business services  
U.S. Contact:

COOPERS AND LYBRAND  
1251 Avenue of the Americas  
New York, NY 10020  
Telephone: (212) 536-2000  
Relationship: Representative office

Deloitte Pim Goldby  
PO Box 778  
Gaborone, Botswana  
Telephone: 351619  
Fax: 373137  
Business: Accountancy and business services  
U.S. Contact:

DELOITTE AND TOUCHE  
1114 Avenue of the Americas  
New York, NY 10036  
Telephone: (212) 790-0500  
Relationship: Representative office

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DHL International (Botswana) (Pty) Ltd  
PO Box 1077  
Gaborone, Botswana  
Telephone: 312000  
Fax: - 371468  
Business: Shipping  
U.S. Contact:  
DHL INTERNATIONAL  
333 Twin Dolphin Drive  
Redwood City, CA 94065  
Telephone: (415) 593-7474  
Relationship: Representative office

Ernst and Young  
PO Box 41015  
Gaborone, Botswana  
Telephone: 374078  
Fax: 374079  
Business: Accountancy and business services  
U.S. Contact:  
ERNST AND YOUNG  
787 Seventh Avenue  
New York, NY 10019  
Telephone: (212) 830-6000  
Relationship: Representative office

Gaborone Sheraton Hotel  
P/Bag BR 105  
Gaborone West  
Gaborone, Botswana  
Telephone: 312359  
Fax: 374613  
Business: Hotel  
U.S. Contact:  
ITT/SHERATON  
60 State Street  
Boston, MA 02109  
(617) 367-3600  
Relationship: Equity Ownership/Management Contract

Gametrackers Botswana  
Maun, Botswana  
Business: Safari Camps  
U.S. Contact:  
GAMETRACKERS INTERNATIONAL  
1000 E. Broadway  
Glendale, CA 91205  
Telephone: (818) 507-8401  
Fax: (818) 507-5802  
Relationship: Equity ownership

Ker and Downey Safaris Botswana (Ker Downey and Selby)  
and Safari South  
PO Box 40  
Maun, Botswana  
Telephone: 260211  
Business: Ker and Downey -- Photo safaris; Safari South --  
Hunting safaris.

U.S. Contact:  
SPORTING INTERNATIONAL  
13201 NW Freeway, Suite 800  
Houston, TX 77040  
Telephone: (713) 744-5260, (800) 231-6352  
Fax: (713) 895-8753  
Relationship: Equity ownership

Manica Freight Services (Botswana) Pty Ltd  
Botsalano House, The Mall  
Gaborone, Botswana  
Business: American Express representative

U.S. contact:  
AMERICAN EXPRESS  
American Express World Financial Center  
Tower C  
New York, NY 10285  
Phone: (212) 640-2000  
Relationship: Representative office

Price Waterhouse and Company  
PO Box 1453  
Gaborone, Botswana  
Telephone: 351081  
Fax: 351668  
Business: Accountancy and business services

U.S. Contact:  
PRICE WATERHOUSE  
1251 Avenue of the Americas  
New York, NY 10020  
Telephone: (212) 489-8900  
Relationship: Representative office

Sir Alexander Gibb and Partners (Botswana)  
Plot 14391  
New Lobatse Road  
Gaborone West Box 416  
Gaborone, Botswana  
Telephone: 351301  
Fax: 373130  
Business: Consultanting Engineers and Architects

U.S. Contact:  
LAW INTERNATIONAL  
396 Plasters Avenue, NE  
Atlanta, GA 30324  
Telephone: (404) 873-4761  
Relationship: Equity ownership

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