

REPUBLIC OF BOTSWANA

AGOA

THE REVISED AGOA NATIONAL RESPONSE STRATEGY FOR BOTSWANA



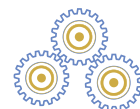
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MINISTRY OF INVESTMENT,
TRADE AND INDUSTRY
BOTSWANA

**AFRICA GROWTH AND OPPORTUNITY ACT (AGOA)
BOTSWANA'S NATIONAL UTILIZATION STRATEGY**

January 2021

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LIST OF ACRONYMS

| | |
|--------|---|
| ANRS | AGOA National Response Strategy |
| AGOA | Africa Growth and Opportunity Act |
| BECI | Botswana Export Credit Insurance |
| BEMA | Botswana Exporters and Manufacturers Association |
| BOBS | Botswana Bureau of Standards |
| BoHoCo | Botswana Horticulture Council |
| BIDPA | Botswana Institution of Development Policy Analysis |
| BITC | Botswana Investment and Trade Centre |
| BURS | Botswana Unified Revenue Service |
| CEDA | Citizen Entrepreneurship Development Agency |
| DIA | Department of Industrial Affairs |
| DIT | Department of International Trade |
| DFQF | Duty-free Quota-free |
| EDTC | Economic Development and Trade Council |
| FDI | Foreign Direct Investment |
| FDA | Food and Drug Administration |
| FABB | Farm Assured Beef for Botswana |
| FMD | Foot and Mouth Disease |
| FSSC | Food Safety System Certification |
| FTA | Free Trade Area |
| GDP | Gross Domestic Product |
| GoB | Government of Botswana |
| GSP | Generalized System of Preferences |
| HAACP | Hazard Analysis Critical Control Point |
| HRDC | Human Resource Development Council |
| IMF | International Monetary Fund |
| INP | Indigenous Natural Products |
| IRD | Inland Revenue Department |
| ISO | International Standards Association |
| ITC | International Trade Centre |

| | |
|-------|--|
| LDCs | Least Developed Countries |
| LEA | Local Enterprise Authority |
| MITI | Ministry of Investment, Trade and Industry |
| M&E | Monitoring and Evaluation |
| MFN | Most Favored Nation |
| NPAB | Natural Products Association of Botswana |
| SEZ | Special Economic Zones |
| SEZA | Special Economic Zones Authority |
| SMMEs | Small Medium Micro Enterprises |
| TCF | Third Country Fabric provision |
| USAID | United States Agency for International Development |
| US | United States |

EXECUTIVE SUMMARY

The African Growth and Opportunity Act (AGOA) is a non-reciprocal unilateral trade preference program that provides duty-free access into the United States (U.S.) for qualifying exports from eligible sub-Saharan African countries. The current 10-year extension of AGOA from 2015 to September 2025 recommends that each AGOA-beneficiary country develops an AGOA utilization (response) strategy. To that end, Botswana developed a National AGOA Utilization Strategy in September 2017 to enable the country to take advantage of its provisions and realize the full potential of the AGOA trade initiative.

The National AGOA Response Strategy provides a key guiding framework on strategic areas of interventions that would allow for Botswana to broaden and deepen its use of the AGOA preference program. This Strategy, therefore, seeks to ensure that the country remains on course to developing Botswana's export and manufacturing sectors. As an update to the initial AGOA National Response Strategy that was launched in September 2017, there are various parts this updated strategy that represent substantive and material changes that are in line with the government's policy focus and challenges faced by private sector.

Incidentally, the update of Botswana's AGOA National Response Strategy takes place at a unique period in time, during the Corona virus (COVID-19) pandemic, which has fundamentally shifted the domestic and global economic landscape. In many instances, the pandemic has deepened the structural faults that already existed in the economy, triggering unprecedented government interventions to mitigate its damage and negative impacts. Both impact and policy responses caused by the pandemic made the update of the AGOA National Response Strategy even more relevant, as the Strategy became the conduit through which government and private sector can collectively develop sectors in a post-COVID-19 era.

To that end, the revision of Botswana's AGOA National Response Strategy drew on extensive consultations with various parts of government – including state departments and implementing agencies –, as well as private sector associations, individual firms, parastatals, women's groups and other stakeholders. The views solicited responded to the key result areas of the Strategy, as well as new areas that warrant focus in line with changes in the economy, and the needs of the private sector. As expected, a great portion of the original content of the Strategy remained relevant and spoke to the existing and on-going challenges facing the private sector in particular, and the economy in general. These included the need to enhance competitiveness and productivity, creating awareness of AGOA, improving logistics and reducing transport costs, among others. There were relative successes in implementing some aspects of the strategy, and less so in others.

As such, the Botswana AGOA National Response Strategy required further revision. For instance, there was growing recognition that the initial strategy placed too much focus on market access instead of efforts which support and equip firms to become export-ready. This fair reflection meant that the Strategy required a delicate balance between market access and capacity building interventions. Another important revision related to the number of priority sectors under the AGOA Utilization Strategy. After two years into the Strategy, it became apparent that some sectors are not in a position to focus on exports, simply because there was neither the productive capacity nor the resources to allow the sectors to grow sufficiently to become export driven. Such sectors included (i) the leather and leather products sector and (ii) horticulture and agro-processing. The leather and leather products sector, as well as horticulture and agro-processing are widely regarded as nascent, and at a stage of development where they would need to focus on supplying the domestic market first, as part of an import-substitution initiative. With respect to textiles and apparel, the focus over the past three years has shifted from AGOA to regional exports, where SMEs and other local firms have found key strategic markets in which they are more competitive. In view of these emerging realities, the three sectors were deprioritized. However, this does not mean that they are completely discarded from the agenda. The sectors will continue to pursue strategic interventions from the 2017 Strategy, with a view that

they will sufficiently develop and be included in the priority list in the next iteration of the AGOA Utilization Strategy. The four recommended priority sectors are (i) handicrafts (Arts and Crafts), (ii) Jewelry and Semi-Precious Stones, (iii) Natural Indigenous Products and (iv) Meat and Meat Products Sector.

In addition to the revision of priority sectors considered for the AGOA National Response Strategy, there are new issues that now require further focus, and these include the need for gender mainstreaming along all the strategic interventions in the strategy. The Strategy makes an effort to illuminate the specific challenges that affect the broader private sector, but also noting that such challenges are particularly severe with respect to female-led enterprises. It is against this background that gender components were given special attention. From an implementation perspective, gender is considered as an additional sub-Committee in the AGOA Reference Group.

The revised Strategy also adopted a new-look AGOA Reference Group that was redesigned in order to sharpen the implementation of the AGOA Strategy. With the gender stream also represented in the new-look structure, the Reference Group adopted sub-committees on trade facilitation, market development and sector-specific issues. These are meant to provide greater level of focus on issues that are affecting sectors on the ground, while allowing for more effective reporting and feedback.

Overall, Botswana's AGOA Utilization Strategy is partitioned into five key sections. The first Section is an introductory background of AGOA and its broader benefits. Section Two is a synthesis of Botswana's economic and business environment, including the country's export trends to the U.S. Section Three discusses cross-cutting issues that are affecting various industry sectors. Section 4 reflects on both the general implementation plan and the sector specific plans of the AGOA National Utilization Strategy. Section Five outlines the revised institutional structure, and Section 6 provides the conclusions.

I. INTRODUCTION

I.1. Background and Objective

I.2. Overview of AGOA

On May 18, 2000 the U.S. Congress enacted the African Growth and Opportunity Act (AGOA) to help spur market-led economic growth and development in sub-Saharan Africa (SSA) and to deepen U.S. trade and investment ties with the region.

AGOA provides eligible sub-Saharan African countries with duty-free access to the U.S. market for over 1,800 products, in addition to the more than 5,000 products that are eligible under the General System of Preferences (GSP) program. The additional products include value-added agricultural and manufactured goods, such as processed food products, apparel, and footwear. As at June 2020, 38 of 2018, forty SSA countries were eligible for AGOA benefits.

I.3. AGOA Eligibility Criteria

Each year, the U.S. President designates sub-Saharan African countries that are eligible for AGOA benefits based on progress in meeting certain criteria. The eligibility requirements set forth in Section 104 of AGOA include requirements that the country establish or be making continual progress toward establishing, inter alia:

- a) A market-based economy;
- b) Rule of law, political pluralism, and the right to due process;
- c) Elimination of barriers to U.S. trade and investment;
- d) Economic policies to reduce poverty;
- e) A system to combat corruption and bribery;
- f) The protection of internationally recognized worker rights.

Furthermore, the country may not engage in activities that undermine U.S. national security or foreign policy interests or engage in gross violations of internationally recognized human rights.

I.4. Rules of Origin

According to the Rules of Origin (RoO) for AGOA, beneficiaries can only export under the preference program if:

- a) The product is directly exported from the beneficiary country;
- b) At least 35 percent of the value of the product is originating from the beneficiary country (local cumulation); and
- c) Up to 15 percent of the required 35 percent may be of U.S. origin and/or the remainder from other AGOA beneficiary countries (regional cumulation).

Furthermore, AGOA eligible least developed countries (LDCs) qualify for the Third Country Fabric (TCF) provision. The TCF provision is a special rule that allows LDC beneficiary countries duty-free quota-free (DFQF) market access into the United States for apparel made from fabric imported from any country, including non-AGOA beneficiary countries. Under the AGOA preference program, an LDC is defined as a country whose per capita income is less than US\$1,500 per person per year. However, there are exceptions to this provision, and specific middle-income countries such as

Botswana, as well as Namibia and Mauritius have been granted the same benefits as LDCs (e.g. TCF provision) under AGOA.

1.5. Highlights of the 2015 AGOA Extension

The AGOA Trade Preferences Extension Act (2015) was signed into law in June 2015 and provided an extension of the preference program by 10 years to September 30, 2025. The extension includes the TCF provision, which are critical to the development of the textiles and apparel industry in sub-Saharan Africa.

The Act promotes compliance of the eligibility criteria by providing greater flexibility to the United States to withdraw, suspend, or limit benefits under AGOA if it is determined that such action will be more effective than termination. The key highlights of the AGOA Trade Preferences Extension Act (2015) include:

An out-of-cycle which allows the U.S. President to review, at any time, whether an AGOA beneficiary is making progress towards meeting eligibility requirements with a 60-day notification period prior to termination from being an AGOA beneficiary.

- a) Emphasis on promoting the role of women and youth in social and economic development in SSA .
- b) The United States Trade Representative (USTR) to consider requesting Regional Economic Communities (RECs) to prepare biennial AGOA Utilization Strategies to encourage greater regional integration. The development of the Botswana Utilization Strategy is consistent with this specific recommendation.
- c) The U.S. trade capacity building (TCB) agencies are expected to provide appropriate resources to assist the development and implementation of the biennial AGOA utilization strategies.

While the U.S. Government (USG) is committed to continued and improved trade with SSA, there is currently no commitment for the extension of AGOA in its current form after September 2025.

1.6. Benefits under AGOA

The AGOA preference program has been lauded as a significant shift in U.S. foreign policy on Africa. AGOA is the cornerstone of trade and investment relations between the United States and SSA countries and has defined economic engagement between the two parties over the past two decades. The decade-long extension of AGOA up to September 2025 presents an opportunity for beneficiary countries to reshape future economic relations by ramping up trade and investment promotion efforts. A critical emphasis of the AGOA Trade Preferences Extension Act (2015) is on boosting trade and investment, as well as promoting regional integration. The critical areas of focus have already been outlined in Section 1.3.

Broadly, and through the eligibility criteria outlined therein, AGOA has helped encourage countries to consider governance and economic reforms needed to support economic growth and investment. More specifically, the benefits of the AGOA preference program have mainly been centered around the duty-free market access for eligible products from SSA countries exporting into the U.S. market. However, there are several benefits that can be drawn from AGOA with respect to Botswana. These include:

- a) **Tariff advantages:** Exports from Botswana have a significant tariff advantage over those from non-AGOA eligible countries, making Botswana products more competitive in the United

States. Tariff exemptions on textiles and apparel products under AGOA are as high as 30 percent.

- b) **Wide range of eligible products:** The AGOA extension offers an increased range of eligible products (over 6,400 products) which allows more diversified exports to the United States from Botswana, as well as an opportunity to develop local value chains.
- c) **Opportunities for regional integration:** AGOA provides an opportunity to deepen regional integration through the development of regional value chains, production sharing and collaboration to meet volumes required by the U.S. market.
- d) **Capacity building of associations and institutions:** AGOA can enable local institutions to be strengthened and to also build capacity through technical assistance and TCBs provided by various USG agencies such as the USAID Southern Africa Trade and Investment Hub (the USAID TradeHub) whose mandate is to provide technical assistance to AGOA beneficiary countries to facilitate the utilization of the program.
- e) **Promotion of women in social and economic development:** The AGOA Trade Preferences Extension Act (2015) encourages the promotion of women in social and economic development. The increased participation of women in labor and management of firms will help increase the quality and quantity of available labor for industries engaged in export trade.
- f) **Job creation:** AGOA has been credited for creating and supporting 300,000 jobs in the SSA region since its inception. More utilization of AGOA will lead to more jobs in export industries in Botswana.
- g) **Long term relationships:** Companies based in Botswana that utilize AGOA will be exposed to the U.S. market and can create strategic alliances and supply chain/trade relationships with their U.S. counterparts. Such strategic alliances and relationships will continue after the expiry of AGOA.
- h) **Providing firms international exposure:** Firms based in Botswana seeking to export under AGOA will gain much needed experience and will be better positioned to explore other alternative markets due to their ability to meet U.S. standards.
- i) **Annual AGOA Forum:** The United States and SSA meet annually for the Trade and Economic Cooperation Forum – otherwise known as the AGOA Forum – to discuss trade and investment issues which helps to resolve any concerns and map a way forward.

I.7. Overview of AGOA exports from Southern Africa to the US

Over the years, the AGOA program has successfully increased exports to the U.S. from and foreign direct investments (FDI) to SSA countries resulting in substantial benefits to the region. At the heart of the AGOA regulations are provisions that allow for DFQF treatment for eligible textile and apparel products. Despite the impressive performance of the export sector for some AGOA eligible SSA countries, it is acknowledged that only a few countries have taken full advantage of the variety of exports under the AGOA trade preference program. In addition, the variety in the non-oil export products to the U.S. under the program remain limited. Over the years, the most exported products under AGOA are from the textile and apparel sector.

As seen in the Table 1, Botswana's exports to the United States decreased from US\$318 million in 2014 to US\$277 million in 2019. Botswana ranked the 6th highest Southern African Development Community (SADC) exporter to the United States in 2019. This saw Botswana dropping two places down from 4th in 2018. Table 1 also shows a sharp decline in Botswana's overall exports to the United States from 2017 onwards, falling by 38 percent from 2017 to 2018, and by a further 43 percent from 2018 to 2019.

Table 1. SADC exports to the U.S., US\$000, 2014-2019

| Country | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Percent Change 2018/19 |
|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------------|
| South Africa | 8 278 624 | 7 437 219 | 7 015 036 | 8 019 713 | 8 547 519 | 7 633 977 | -11% |
| Angola | 5 477 548 | 3 009 896 | 2 916 524 | 2 650 635 | 2 781 142 | 1 037 173 | -63% |
| Madagascar | 217 448 | 322 267 | 441 781 | 743 793 | 892 151 | 848 215 | -5% |
| Mauritius | 401 353 | 394 888 | 334 778 | 285 363 | 318 885 | 343 376 | 8% |
| Lesotho | 361 248 | 329 809 | 310 592 | 30 834 | 429 235 | 334 636 | -22% |
| Botswana | 317 999 | 225 286 | 444 976 | 775 652 | 482 088 | 276 865 | -43% |
| Namibia | 256 220 | 110 529 | 116 954 | 138 497 | 134 878 | 149 101 | 11% |
| Tanzania | 86 236 | 106 686 | 152 732 | 131 442 | 98 092 | 133 372 | 36% |
| Malawi | 80 259 | 60 641 | 75 584 | 64 512 | 56 616 | 92 543 | 63% |
| Zambia | 55 646 | 58 609 | 69 521 | 66 703 | 203 326 | 91 722 | -55% |
| Zimbabwe | 64 645 | 63 810 | 23 537 | 47 294 | 66 875 | 46 998 | -30% |
| Eswatini | 81 527 | 19 915 | 16 996 | 19 578 | 13 319 | 15 882 | 19% |
| Mozambique | 99 848 | 109 897 | 127 477 | 156 544 | 122 773 | 14 586 | -88% |
| Seychelles | 3 891 | 5 839 | 5 596 | 12 639 | 7 311 | 9 294 | 27% |
| Congo-Kinshasa | 154 378 | 153 455 | 149 102 | 86 612 | 4 889 | 2 204 | -55% |
| Comoros | 2 086 | 1 212 | 2 675 | 5 071 | 2 984 | 2 038 | -32% |
| Total | 15 938 956 | 12 409 958 | 12 203 861 | 13 234 882 | 14 162 083 | 11 031 982 | -22% |

Source: <https://dataweb.usitc.gov/scripts/REPORT.asp>

While Botswana's overall exports to the United States declined sharply, the fall in exports under AGOA is even grimmer. Botswana's AGOA exports fell from US\$991,000 in 2017 to nil in 2018 and 2019 (see Table 2). The last AGOA exports were textiles and apparel exports, assumedly from the company Carraparel Botswana, which was the only textiles and apparel exporter under AGOA that was left in the country at the time. Carraparel has since moved to Lesotho, and with its departure, was a fall in Botswana's AGOA exports. Botswana joins only Comoros in not taking advantage of AGOA. However, there are products being exported to the U.S. from Botswana such as handicrafts, honey and marula oil which seem not declared and reported as AGOA exports. This requires U.S. importers to declare such imports and benefit from the duty preference presented by the AGOA facility.

Table 2: SADC's exports under AGOA & GSP, US\$000, 2017-2019

| Country | 2017 | 2018 | 2019 | Percent Change 2018/19 |
|--------------|-----------|-----------|-----------|------------------------|
| South Africa | 2 938 647 | 2 379 033 | 1 973 354 | -17% |
| Angola | 2 270 618 | 2 066 732 | 605 007 | -71% |
| Lesotho | 290 418 | 31 959 | 301 132 | 842% |
| Madagascar | 155 449 | 194 041 | 239 528 | 23% |
| Mauritius | 159 569 | 1 576 | 142 586 | 8947% |
| Malawi | 43 299 | 40 181 | 72 973 | 82% |
| Tanzania | 40 851 | 42 829 | 55 324 | 29% |
| Eswatini | NE | 7 505 | 9 688 | 29% |
| Zambia | 7 176 | 88 885 | 5 584 | -94% |
| Namibia | 2 284 | 1 718 | 4 515 | 163% |
| Mozambique | 1 058 | 7 863 | 852 | -89% |

| Country | 2017 | 2018 | 2019 | Percent Change 2018/19 |
|-----------------|------------------|------------------|------------------|---------------------------|
| Botswana | 991 | - | - | - |
| Comoros | - | - | - | - |
| Congo-Kinshasa | NE | NE | NE | |
| Seychelles | NE | NE | NE | |
| Zimbabwe | NE | NE | NE | |
| Total | 5 910 360 | 4 862 322 | 8 400 194 | -30% |

Source: <https://dataweb.usitc.gov/scripts/REPORT.asp>

Given the fall in Botswana's AGOA exports, it became one of two AGOA eligible countries (the other one being Comoros), to not utilize AGOA benefits in the SADC region. It is against this background that the National AGOA Utilization Strategy finds relevance. Critical questions will be centered around the capacity and potential for priority sectors to establish and grow a market presence in the United States. There is need for increased awareness creation of the existence and opportunities under the AGOA program. Also, some companies are exporting to the United States, but the products aren't declared under AGOA. For instance, Kalahari Honey, exported US\$160,000 to the United States in 2019, but the firm was unaware of the AGOA process and therefore did not claim preference. Other exporters include DLG Naturals, and Botswana Craft.

2. SITUATIONAL ANALYSIS

2.1. Overview of Botswana's Economic Performance

Botswana's economy is highly dependent on the natural resource sector, mainly minerals. The industrial sector (mainly mining) contributes an average of 27.5 percent of the country's Gross Domestic Product (GDP) (CIA Fact book, 2020). The manufacturing and agriculture sector are considerably small contributors to the GDP accounting for 5.2 percent and agriculture at 1.8 percent respectively. The largest sector in the economy is the services sector, which contributes over 70 percent (ibid). This includes "trade, hotel and restaurants" sector and the "banks, insurance and business services" sector which contribute 24.6 percent and 21.2 percent respectively (IMF, 2020). Table 3 outlines Botswana's macro-economic indicators between 2015 and 2019, with projections for 2020 and 2021.

Table 3: Botswana's Economic Outlook

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|-------|--------|--------|--------|--------|
| Gross domestic product (%) | -1.698 | 4.304 | 2.904 | 4.479 | 2.966 | -5.379 | 6.781 |
| Gross domestic product (PPP) (US\$ Billions) | 35.444 | 37.352 | 39.16 | 41.911 | 43.907 | 41.809 | 45.514 |
| Gross domestic product per capita, constant prices (US\$) | -3.505 | 2.4 | 1.026 | 2.572 | 1.087 | -7.106 | 4.832 |
| Inflation (Average consumer prices) | 3.054 | 2.81 | 3.296 | 3.241 | 2.845 | 2.116 | 2.581 |

Source: IMF (2020)

Botswana had a robust growth of 4.5 percent in 2018, from 2.9 percent in 2017. In 2019, the economic growth is estimated to have slowed to 2.9 percent due to weakened global demand for diamond alongside the effects of a severe drought in 2018 and 2019. In 2020, Botswana's GDP is estimated to decline to negative 5.3 percent due to the global slowdown in demand and increased trade restrictions considering COVID-19. Risks to the outlook include sluggish external diamond demand, potential adverse impact on global demand from the coronavirus epidemic, and subdued growth in major destination for the country's non-mineral exports.

2.2. Overview of Business Environment in Botswana

Botswana's National Development Plan (NDP) II seeks to improve the business environment and the implementation of ongoing strategies, to diversify production and exports away from mining and into other growth-enhancing and job-creating sectors will be crucial. Other contributing issues include the introduction of non-traditional exports into the national economic agenda for both local consumption and exports.

Small Medium Micro Enterprises (SMMEs) play a major role in promoting growth and creating employment opportunities. With an appropriate enabling environment, the SMMEs can create sustainable and equitable employment opportunities, expand and diversify the economy and enhance productivity. In the National Development Plan II, government emphasizes the importance of creating a conducive environment for the operation of the private sector. In the effort of creating an enabling environment, government maintained National Doing Business and Global Competitiveness Committee to coordinate necessary reforms to improve the ease of doing business and improve Botswana's global competitiveness. Figure 1 compares Botswana business environment against SADC countries.

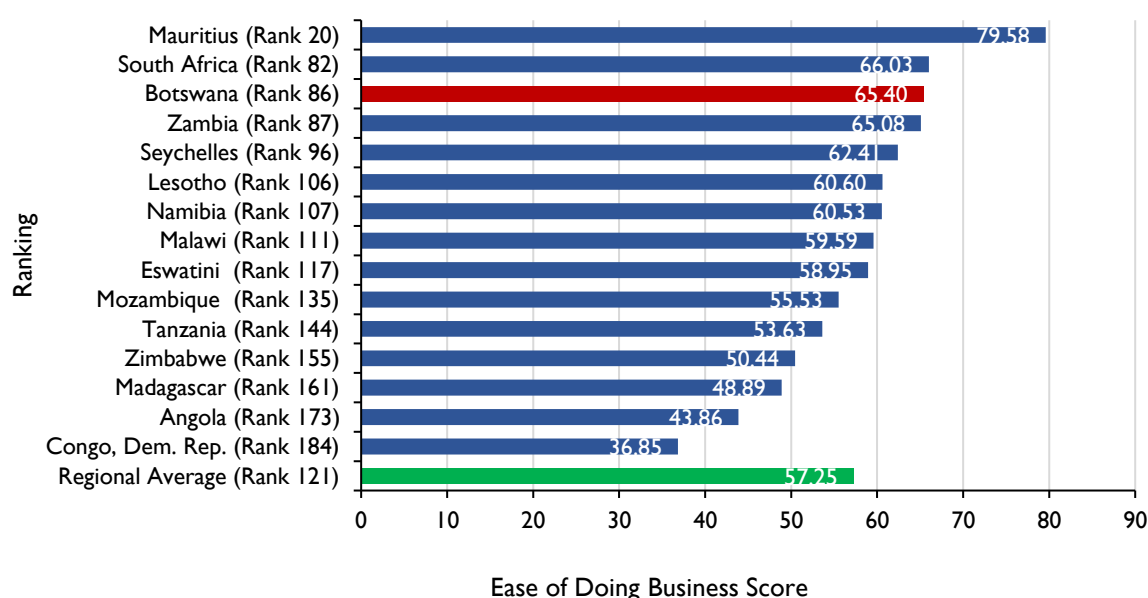


Figure 1: SADC Ease of doing business score

Source: World Bank (2019)

According to the World Bank's Doing Business 2019 report, Botswana ranked third compared to fourteen countries in the Southern Africa Development Community (SADC) region. The performance is based on measures of business regulations and their enforcement in the country. The index captures several important dimensions of the regulatory environment such as starting a business, getting

electricity, registering property, getting credit, trading across borders and enforcing contracts. Figure 2 expands on the Botswana's performance in key indicators of doing business against the region's average performance.

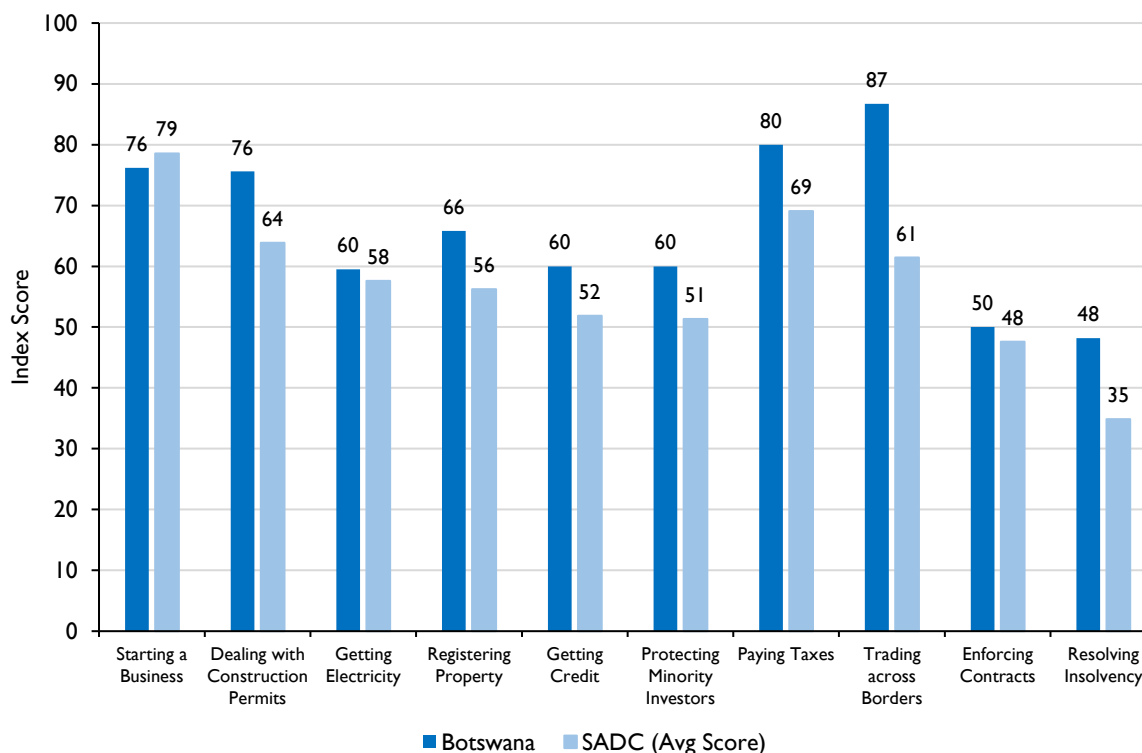


Figure 2: Botswana's performance across 10 Doing Business Indicators
Source: World Bank (2020)

Figure 2 shows that Botswana performed poorly in regulations on Starting a business and getting electricity, ranking 159 and 139 respectively. The indicator also shows that Botswana's regulatory environment performed relatively well compared to the SADC average in areas such as dealing with construction permits (76), getting electricity (60), registering property (66), getting credit (60), paying taxes (80), trading across borders (87), paying taxes (80), enforcing contracts (50) and resolving insolvency (48). In comparison to the region's performance, Botswana's is below the regional average with respect to starting a business. Botswana remains one of the strongest performers and highest ranked countries in the region and in Africa on the Doing Business rankings.

2.3. Comparative Advantage of Botswana

The main sources of comparative advantage for a country include climate and natural resources; relative abundance of labor and capital; technology; institutions and external economies; import controls; and increasing returns and division of labor. The main sources of comparative advantage for Botswana under AGOA are outlined below:

- **A well-established financial sector:** Botswana boasts of a strong and stable financial services sector with several international and regional banks providing investor confidence and access to

credit for business enterprises. Sutton and Jenkins (2007) argue that financial services are fundamental to economic growth and development. Banking, savings and investments, insurance and debt and equity financing help private citizens save money, guard against uncertainty and build credit while enabling businesses to start, expand, increase efficiency and compete in local and international markets. Botswana's stable banking institutions ensure adequate financial resources to cope with exogenous shocks to the economy with a support structure for the private sector as the main engine of growth.

- **Availability of natural resources such as land, minerals and wildlife:** The quantity/quality of natural resources such as abundant supply of land and good climate especially for ranching, and mineral resources give Botswana comparative advantage to create opportunities for manufacturing exports.
- **Central location of the country in SADC:** Botswana's central location in SADC makes it accessible to a market of more than 200 million people in the region providing a ready market for locally produced products and an opportunity for regional value chains. This accords it being land linked to other available resources within the SADC economic region.
- **Access to markets:** While Botswana has a small population of approximately two million people, its membership to both the Southern African Customs Union (SACU) and SADC as well as being in the African Continental Free Trade Area provides access to a huge market with a total of 55 countries with over 2.5 billion people as well as combined economy of US\$2.5 trillion.
- **Good governance structures:** Botswana enjoys good governance that promotes a stable macro-economic environment. The country maintains its status in Africa as one of the few SSA countries to develop a sustainable economic growth based on prudent management over the years.
- **Limited foreign exchange controls:** Relaxed foreign exchange controls allow easy movement of capital and repatriation of profits by possible investors and partnerships.
- **Availability of business development and promotion services:** The country has a functional business support mechanism to attract investment, enable growth and access to markets.
- **Growing mutually beneficial partnerships:** good governance promotes cross sectoral local and external partnerships for Botswana in priority areas. These are based on both socio-economic and sustainability objectives.
- **Commitment to sound fiscal policy and economic freedom:** Botswana's hyper prudent fiscal policy has helped to diversify foreign exchange earnings and prevent the volatility that typifies many resource-based economies.
- **Lowered rate of taxation in SSA:** The country's low taxation regime benefits businesses as it improves profitability and allows reinvestment and expansion.
- **Potential for beneficiation of minerals and other primary products:** Botswana's value addition of natural resources, helps create employment, improved foreign currency earnings, creates opportunities for non-traditional exports and creates both downstream and upstream industries such as the Diamond Technology Park and Leather Park.
- **Expanding manufacturing base:** new opportunities in creating Botswana to be a knowledge-based economy accords exploration on utilization of IP regimes to leverage on opportunities post Covid-19 and other socio-economic issues affecting Botswana.
- **Preferential trade agreements that provide duty free, quota free market access into countries such as the U.S. and the EU:** This provides a competitive edge for local entities in international markets against competition from countries without similar preferential arrangement and helps attract investment in new projects.
- **Relatively educated and adaptable workforce:** Botswana has a high literacy rate. About 83 percent of those over 15 years can read and write. This can be ascribed to the various

education assistance programs offered by the government such as the tertiary education financing for local and foreign placement of students, the Back to School initiative and on-the-job training. The programs help increase the pool of skilled manpower. Opportunities for intertwining grass root and TVET Education are also future prospects that could be critical in the section.

- **Respect for the rule of law and private property rights:** Botswana is among some of the countries well known for observing the rule of law with an independent and effective judiciary system. According to Minchin and Kelly (2015), the importance of adherence to the rule of law in providing an attractive investment climate can never be overemphasized. The Heritage Foundation as cited by the Global Property Guide¹ ranks Botswana joint highest on the Property Rights Index with Cape Verde in Africa, scoring 70 percent. This reflects the degree to which Botswana's law protects private property rights and enforces its property rights laws.

It is important to note that comparative advantage is a dynamic concept meaning that the sources of comparative advantage can change over time. However, comparative advantage is often a self-reinforcing process. For instance, a country can develop a new comparative advantage in a product either because they find ways of producing it more efficiently or they create a genuinely new product that finds a growing demand locally and internationally.

2.4. Export Incentives in Botswana

Botswana has recently launched the Special Economic Zone Authority (SEZA), which has been mandated to provide support to export-oriented companies. Firms invested in the SEZs benefit from a 5 percent corporate tax incentive, compared to the 15 percent manufacturing tax. A SPEDU (Selebi Phikwe Economic Diversification Unit) incentive packet was also approved for the SPEDU region, and some of the incentives offered include zero customs duty on imported raw materials, a minimum of 50-year land leases and duty-free importation of machinery and equipment for manufacturing purposes. Previously, Botswana had no formal export incentives, but instead, provided general incentives that seek to promote value addition and manufacturing for both local and international investors/firms. These include corporate tax changes, in which manufacturing and financial services firms are afforded a lower tax rate of 15 percent, compared to the general company tax of 22 percent. The Government of Botswana's (GoB) COVID-19 pandemic response also led to additional measures² that have been implemented to support private sector. Such measures include employment-related measures and economic stimulus measures that are described below.

2.4.1. COVID-19 employment-related measures

Botswana established state compensation schemes and training programs to support employers (and employees) after the sudden closure of the economy. The compensation scheme included the COVID-19 Wage Support Scheme that sought to provide financial support to employees in a vast area of operations including the travel and tourism sector, export-oriented enterprises, ICT/BPO sector and formal and informal SMEs, among others. This aimed towards supporting economic sectors affected in their operations by the COVID-19 preventive measures. The wage subsidies apply to businesses registered for tax, regardless of whether they owe tax or not. Qualifying businesses have been given access to wage subsidies of up to P2, 500 (US\$ 217.12³) per month per each employed citizen for the

¹ www.globalpropertyguide.com/africa/botswana/property-rights-index

² <https://home.kpmg/xx/en/home/insights/2020/04/botswana-government-and-institution-measures-in-response-to-covid.html>

³ <https://www1.oanda.com/currency/converter/>

months of April, May and June 2020⁴. In addition, a tax amnesty will be offered to businesses and individuals who have outstanding tax by allowing them to pay principal amounts without interest or penalty charges.

2.4.2. COVID-19 economic stimulus measures

The stimulus measures from the GoB included loans and moratorium on debt repayments. The Government set up a P2 billion (US\$173.7 million⁵) COVID-19 Pandemic Relief Fund, where private sector was also appealed towards contributing in kind. To encourage stability of businesses, the GoB loans scheme, set up to P25 million (US\$2.15 million) per borrower, was made tax compliant. This was supported by the reduced lending rates, waiver of penalties and introduction of re-payment holidays among others which aimed to assist businesses to balance operations and cash flows during the pandemic. In general, a stimulus Economic Package was set up to support all these national efforts.

2.4.3. Special Economic Zones

Beyond ex-ante and post-COVID-19 interventions are Special Economic Zones (SEZs) that are in the process of being concluded. The Special Economic Zones Authority (SEZA) has been established with the mandate to establish, develop and regulate 100% export orientated SEZs, as a means of positioning Botswana as a premier investment destination. The concept of SEZs is still a new concept in Botswana, and it will target a specific set of players or investors, which include:

- FDI as well as local investment;
- Investors or companies that are either export-oriented or engaged in the production of import-substitutes;
- Firms that have high levels of capital and export (or production) potential, the thresholds of which were, however, yet to be disclosed at the point of finalizing this Strategy;

The establishment of SEZs are a recent initiative in Botswana, and although SEZA had already concluded the concepts for eight SEZs, only two are now at an advanced state of implementation (i.e. investor-ready infrastructure set up and ready for occupation and use). The development of Botswana's SEZs is defined by two key pillars, namely:

- Geographic area – to allow for easier access to markets; and provision of infrastructure, land and a master plan; and
- Institutionalization – setting up of a governance structure and strategy through alignment of legislation and incentives.

The latter has involved the process of working with relevant government departments and agencies to codify SEZs strategy and related key performance indicators. At the time of writing this strategy, the SEZ strategy was in the process of finalization, and awaiting Board approval, following which, the targets and Key Performance Indicators (KPIs) will be released. Broadly, the expectation is that the KPIs for the SEZs will include: (a) value of exports; (b) value of investments; which will target US\$200 million in investments; and (c) the number of companies to invest in SEZA. It is understood that there is already a pipeline of investors that are already set on joining SEZs. The specific targeted sectors include:

⁴ KPMG, 2020

⁵ Ibid[3]

- Internationally traded services;
- Manufacturing export-oriented sectors; (or import replacement sectors)
- Logistics and warehousing and distribution; and
- Agro-processing;

The establishment of SEZ is a significant step for Botswana, as it puts the country in a competitive footing against emerging economies like Lesotho and Ethiopia, who have similar special provisions targeting AGOA exports. Table 4 outlines a comparison of export incentives of Botswana against its regional rivals.

Table 4: Comparison of export incentives between Botswana and other countries

| | Botswana | Lesotho | Ethiopia |
|--|--|---|---|
| Special Export Zones | Eight SEZs have been established, but two are at an advanced stage finalization; with investor-ready infrastructure set up and ready for occupation and use; | Industrial zones and serviced factory shells to avoid cumbersome processes | Special industrial zones and Agri-industrial Parks established to drive export-led growth |
| Subsidies | No specific subsidies, but SEZs are given “Preferred investor status” by providing regulatory flexibility and self-regulation to promote efficiency and lower operating costs; | Offer subsidized rents to apparel investors for at least the first five years of operations | Subsidize land rent in industrial zones |
| Leases | 100 ha of land set aside for investors under SEZs, land tenure changed from 33-year leases to 99-year leases; | Provide long term rental leases to investors with option to sublease | |
| Business Facilitation | Investor Service Centre (ISC), which offers business support services for all SEZs-qualifying firms; | Established a One Stop Business Facilitation Centre that covers most aspects of company operations ⁶ | |
| Work Permits for Expatriate workers | Preferred Investor Status is meant to also allow simpler and faster processing of expatriate permits for foreign skilled workers | | Simplified acquisition of work permits by lowering application costs |
| Tax Incentives | A lower tax (5 percent) for SEZ firms. Zero-rated VAT for raw materials, and reduced company tax; | Import Value Added Tax (VAT) credit facility for local purchase of raw materials and capital goods | Five-year tax holidays on profits; 100 percent exemption from payment of duties on |

⁶ Business registration procedures; permits and manufacturing licenses acquisition; site visits and selection of suitable sites; business services provision; and industrial relations if disputes arise with workers

| | Botswana | Lesotho | Ethiopia |
|--------------------------------------|--|---|--|
| | Zero rated waiver on transfer duty for property; and Tax exemption for 5 years or property; | | imported capital goods and raw materials for the production of exports. |
| Target Industry sectors | Specific targeted sectors include (a) Internationally traded services; (b) Manufacturing export-oriented sectors; (or import replacement sectors), (c) Logistics and warehousing and distribution; and (d) Agro-processing | Concentrated on the promotion of textiles/apparel to develop sector-specific skills | Designated both the textiles/apparel and leather industries as top priority industries ⁷ |
| Credit and Production Finance | | Unimpeded access to foreign exchange; export finance facility; short- and long-term loans | Provide generous credit schemes |
| Other | Bonded warehouse services and customs facilitation and logistical centers to support export efficiency; | | In addition to low electricity rates, the government is constructing separate grids for new industrial zones |

Sources: Shakya, Queen Elizabeth House; Berg, Hedrich and Russo (2015)

3. PROGRESS IN RESOLVING OVERARCHING & CROSS-CUTTING ISSUES

The National AGOA Utilization Strategy identified six broad cross-cutting challenges that required urgent attention. These include:

- Inadequate awareness of the AGOA preference program;
- Insufficient investment from the United States;
- Lack of competitiveness caused, in part, by:
 - High costs of production, and
 - High transportation costs;
 - Limited material to allow for innovation on existing products;
- Difficulty in meeting compliance with U.S. technical regulations;
- Lack of Intellectual Property (IP) regimes on natural products; and
- Limited access to production finance for start-ups and existing SMEs.

The above-mentioned challenges are explained in detail in Table 5 and in Section 3.1 through Section 3.6. In this review, the question regarding these challenges are two-fold. Firstly, the review endeavored to determine the extent to which some of these challenges are still valid, given evolving local economic conditions. Secondly, and related to the latter, is the extent to which these challenges have been

⁷ Creation of strong linkages with agricultural sector through use of inputs from livestock and cotton sectors which are labor intensive and have low barriers to entry

resolved through various efforts. Overall, there is a broad consensus that the challenges outlined in the National AGOA Utilization Strategy are still valid and have not shifted much over time. However, there were specific finer differences around the extent to which some of these challenges have been resolved, and the further interventions required to ensure that some of these challenges are resolved. Section 3.1 through 3.6 provide some context and narratives that were drawn from consultations of stakeholders.

3.1. Inadequate awareness of the AGOA Preference Program

In the aftermath of the launch of the National AGOA Utilization Strategy in September 2017, there was a countrywide series of 13 AGOA Awareness Workshops to ensure that the industry is well informed of the benefits of the preference program. To complement these awareness workshops, information on AGOA was also disseminated through local radio shows (on both public and private radio stations) in a bid to reach more firms. It is important to note, however, that despite these efforts, there are two key problems that have emerged over time.

First, AGOA benefits and processes are still not well understood by some sections of the private sector. For those who managed to attend awareness workshops, there is a general sentiment that extracting or accessing the benefits of the AGOA preference program is a somewhat complicated process that still needs to be further unpacked. Second, it has been argued that even though awareness workshops were useful to some extent, they were, however, not helpful in addressing some specific questions. To address this problem, high potential export firms require more product specific workshops that delve into the particular details, which address questions and process that apply to their respective sectors.

Given this scenario, it appears that additional effort to bring greater awareness is still required, but this has to become more targeted and specific to high potential firms in priority export sectors. Beyond the focus on a product specific approach to awareness workshops, the next stage of the awareness creation should focus on three critical areas, namely:

- Capacity building – to address areas where industries are lacking in meeting the requirements and needs of the U.S. market. Some of the areas that need more capacity are well known to private sector. Therefore, designing such workshops will require an initial engagement with private sector to tailor the capacity building programs around industry needs and requirements.
- Quality certification – relating to accreditation and certification of products.
- Coordination of relevant institutions in supporting business in these aspects outlined above, which would typically require state implementing agencies such as BITC, BOBS and LEA.

3.2. Insufficient investment from the United States

In the initial National AGOA Utilization Strategy, a recommendation was made for BITC to establish an AGOA Desk within the Botswana Embassy in Washington DC as a way of establishing “boots on the ground” for a more effective market linkage function. This issue was discussed in the AGOA Reference Group, and there was a recognition of the need to get a unique identity around Botswana Investment and Trade Centre (BITC’s) Brand Botswana; which would be marketed through physical presence in the United States, with a team permanently stationed in Washington DC. Ideally, this team would be made up of up to 10 individuals (containing a mix of both American and Botswana citizens), who coordinate BITC’s marketing activities in country.

While the current corporate strategy of BITC has recommended expansion into the United States to reflect this approach, an established presence in Washington DC is yet to be implemented due to budgetary constraints. The alternative approach has been to embark on investment and export promotion activities such as participation through international trade shows; carrying out marketing campaigns and media engagement. Indications suggest that some of these activities are typically *ad hoc* and are being implemented on a project-by-project basis. Due to lack of data, it is not clear if this approach has produced positive results, but the anecdotal evidence points to a lack of AGOA exports and U.S. investment.

3.3. Lack of competitiveness

Several interventions were outlined in the National AGOA Utilization Strategy, some of which have already been discussed (i.e. establishing an AGOA Desk in Washington DC). The other related interventions include efforts to revive the “Buy Botswana” program. Related to this recommendation was an effort from BITC to directly engage companies and promote the “Pride Mark” – the “Buy Botswana” certification – for companies that are targeting local market. BITC also engages exporters to put the Pride Mark label, but the uptake has been very low, with resistance due to a negative perception of the quality of local products. Lately, BITC has been hosting workshops, marketing campaigns and directly engaging companies to encourage them to adopt the Pride Mark logo. Workshops are typically held on a quarterly basis and structured in such a way that firms are grouped together into clusters. BITC has done about 30 workshops so far, targeting firms that have expressed interest. BITC are also conducting countrywide workshops as part of an aggressive strategy to persuade firms to brand their products with the Pride Mark logo. In addition to workshops, BITC has endeavored to undertake company visits and other marketing campaigns on an *ad hoc* basis.

Table 5: Cross-cutting and overarching challenges

| Challenge | Description | Progress made in addressing challenge |
|---|---|---|
| 1. Inadequate awareness | <ul style="list-style-type: none"> • A countrywide awareness campaign on AGOA supported by representatives of some of the service providers particularly those that are export development oriented, would be an ideal starting point for the implementation phase of the AGOA strategy. • The AGOA awareness campaign should be anchored by a robust information dissemination structure to continuously provide stakeholders, locally and in the U.S. market, with the required information. | <ul style="list-style-type: none"> • There are 13 workshops that were held countrywide to disseminate the benefits of AGOA. • Public and private radio stations were also used as platforms of disseminating information about AGOA. • While other firms note that they still are not aware of AGOA, others think that it is time to shift attention towards capacity building and making firms export ready. |
| 2. Insufficient investment from the US | <ul style="list-style-type: none"> • Investigate the expected investment package by the targeted potential investors in the U.S. and review the package of available investment to identify gaps with the view to bridge the identified gaps. • Most critically, attract foreign investors by providing industrial zones and serviced factory shells to avoid cumbersome procedures and processes to minimize barriers to entry. • Simplify acquisition of work permits for essential employees required by industry. • Identify and address critical enabling environment constraints, including major trade/transit related non-tariff barriers (NTBs) and infrastructure service policy and regulatory constraints that may be limiting FDI expansion. | <ul style="list-style-type: none"> • There were no readily available statistics to determine the level of U.S. FDI into Botswana since 2017. It was therefore not possible to determine progress made on investment. • However, there are measures that are being taken to improve the investment environment, with the inception of SEZs that will set aside land and infrastructure to support FDI. In addition, SEZ-qualifying firms will be subject to expedited processes that will ensure permits and other requirements are secured quicker than usual. • Through Doing Business Unit (MITI), the Regional Impact Assessment (RIA) program has commenced. |
| 3. High cost of production | <ul style="list-style-type: none"> • Introduce productivity and quality programs to provide training on productivity and quality to improve efficiency and for multi-skilling of the workforce. • Encourage a continuously improving business friendly environment-involving private sector in coordination of labor and skill | <ul style="list-style-type: none"> • The LEA has the mandate of assisting firms – especially SMEs – in producing competitive products; • LEA's support efforts entail taking firms through the production process and ensuring that they |

| Challenge | Description | Progress made in addressing challenge |
|-----------------------------------|---|---|
| | <p>development. Also, work with the business sector in developing immigration regulations that are sensitive to business needs for labor requirements e.g. consider sector specific requirements and guarantee or expedite renewal of existing work permits.</p> <ul style="list-style-type: none"> • Adopt production based and capacity building incentives. However, the incentives should not be in violation of World Trade Organization (WTO) regulations. Some of the incentives to be considered are funding of benchmarking visits and short/medium term attachments to targeted organizations in the United States. Also, provide funding for training especially on train the trainer programs for quicker multiplier effect and engage consultants to help improve productivity and quality related programs. In addition, provide incentives targeted at encouraging factories to upgrade their equipment and to introduce automation, e.g. reducing import duties. • Explore ways to cushion the production sector from the high cost of water and electricity. | <p>rationalize production costs. Although LEA is reported to be implementing these capacity enhancement interventions, it was not clear the extent to which they have been effective.</p> |
| 4. Lack of competitiveness | <ul style="list-style-type: none"> • Develop and introduce local business linkage programs between SMEs and large organizations to promote private sector development, create a local market for SMEs, and get SMEs to develop a business culture through working with already established organizations and to develop appropriate business ethics and skills in producing consistent product quality before entering the export market. • Work with the national standards body and other service providers to implement required quality programs. • Identify and facilitate implementation of export inclined incentives. • Reinvigorate the Buy Botswana program starting with ensuring that government doesn't import anything that can be supplied by local producers at competitive prices and quality, to increase market opportunities for local producers. • Establish an AGOA desk at the Botswana Embassy in the U.S. or capacitate the existing set up to increase demand for imports/exports under AGOA. | <ul style="list-style-type: none"> • Same as above. In addition, there was a Task Team established to develop proposal for a Botswana Trade Attaché in Washington. The Task Team was led by SEZA. • Also, the AGOA Reference Group identified niche products per priority sector, in order to avert the challenges of attaining price competitiveness and supplying high-volume product segments. |

| Challenge | Description | Progress made in addressing challenge |
|----------------------------------|---|--|
| | <ul style="list-style-type: none"> • Hire a consultant/firm or open an office to act as a link between the market and the suppliers by identifying market requirements and providing that information back to producers in Botswana. Having a representative in the U.S. would help expedite the understanding of the market by local organizations thus improving competitiveness. • USG agencies and the GoB to provide support for the organization of an annual AGOA/AWEP Trade Show and Expo in the U.S. to bring AGOA exporters/importers together to market their products and participate in B2B matchmaking starting from 2018. | |
| 5. High cost of transport | <ul style="list-style-type: none"> • Encourage businesses to cooperate on transport through a cross-sectorial industry approach on transportation of raw materials and finished products to cut down on empty return trips thus reducing the cost of transport and increasing the competitiveness of local products. • Implement trade facilitation tools, for instance, expedite the implementation of a National Single Window for Botswana and streamline custom procedures at borders especially with South Africa to minimize delays at the borders to reduce the time and cost of doing business. • Explore Kazungula Bridge as a possible tool for promoting regional integration. The facility includes both customs and operations for trade and movement of persons between Botswana and Zambia. • Explore the possibility of using alternative transport or routes to the market e.g. investigate the pros and cons of using Walvis Bay in Namibia. • Expedite the elimination of NTBs to reduce border delays and increased costs resulting from the delays. • Increase knowledge on e-services for marketing and transportation of goods and services. | <ul style="list-style-type: none"> • Firms in the textiles and apparel industry are depending on their industry association in coordinating inbound and outbound logistics, to ensure that shipments and transport costs are lowered. • The concept of a clearinghouse model is still to be tested in the arts and crafts sector. There have not been additional specific support interventions from government to support such processes, beyond digitalization of customs processes. |

| Challenge | Description | Progress made in addressing challenge |
|--|--|--|
| 6. Compliance with U.S. technical regulations | <ul style="list-style-type: none"> • A representative based in the U.S. can help to identify issues for compliance in targeted sections of the U.S. market and communicate that information back to relevant organizations in Botswana. • Identify relevant standards and regulations which Botswana needs to comply with. Also, help identify possible training and those who can assist with the training. • Identify sector specific U.S. regulations for targeted partnerships and or investment. | <ul style="list-style-type: none"> • Various workshops have been conducted for Specialty Foods and for the Beef industry to raise production standards and promotion of best practices. More effort is still needed to support existing efforts in clarifying these technical regulations and providing support that can enable firms and farmers to meet such standards. |

3.4. High costs of production

As a subset of the general lack of competitiveness, but requiring specific attention was high production costs. The key driver of high production costs were utilities (particularly electricity, and water), labor and the procurement of imported raw materials.

With respect to electricity, private sector had noted that the Botswana Power Corporation (BPC) increased tariff rates by as much as 40 percent as the country entered the COVID-19 lockdown, an indication of the continual challenge of high and ever-increasing costs, even under severe economic conditions. The aspect of high utility costs seemed to be an issue that is difficult to address, with no feasible solutions proposed from both private and public sector stakeholders. In essence, this speaks to a deeper structural problem which could otherwise be only alleviated either through interventions in other aspects of production, or by focusing on niche export commodities that are less price-driven or price sensitive.

The evolving skills gap ultimately translates to two key problems namely, (a) higher costs of skilled labor due to scarcity in the market, and (b) higher costs of re-skilling college and university graduates, continue to be a challenge. To a large degree, COVID-19 employment-related interventions (i.e. wage subsidies) may help alleviate these costs in the short term. However, in the long term, firms – particularly SMEs – will continue to struggle without a post-COVID-19 policy reform that specifically addresses labor costs. The private sector noted that the revised National Export Strategy (NES) has identified the Human Resource Development Council (HRDC) to engage with industry on skills gap and its relative matters. However, due to inadequate coordination and collaboration between industry, technical colleges and universities, the skills development initiatives are yet to be achieved to ensure the appropriate skills are generated to meet the needs of the private sector.

Given that there are sectors that are reserved for citizens, and the education sector, it means that Private-Public Partnerships (PPP) engagements and tailored apprenticeship programs between local vocational training centers, college universities and the private sector will be critical going forward. To coordinate this effort, a Board or Committee will be needed to align skills needs, development of various curricula, and institutional support to ensure that a pipeline of appropriately skilled labor is generated.

3.5. High transportation costs

Botswana generally performs relatively well compared to other countries in Africa in terms of time and cost incurred in cross border trade. However, there is a consensus that transportation costs are generally high. The issue of high transport costs was articulated as another structural problem linked to efficiencies at seaports (e.g. alternative options between Walvis Bay versus Durban etc.) and inland border posts. Trade facilitation institutions such as the National Single Window were recommended. The private sector indicated that there has not been an improvement in the cost of transporting goods, and the lived experience of exporters suggests that borders remain congested. However, this perspective is at variance with that of Government agencies and departments – BURS and MITI argue that there has been a steady reduction in the time and cost across borders. While this would translate to lower transport costs, there is no indication or evidence that this is the case.

Similarly, through the newly established Kazungula Bridge, the structure accords Botswana the opportunity to capitalize on improving regional integration efforts, particularly customs and border cooperation between Botswana and Zambia. Cost issues could be remedied through utilization of electronic commerce including digital transportation and delivery services. Its success would further provide for correlation of similar structures both regionally and continentally.

In the aftermath of the COVID-19 pandemic and the implementation of containment measures, the time and cost spent at the border increased dramatically. This scenario was argued to be transient. Delays at the border caused by the COVID-19 pandemic have been argued to be due to a lack of readiness to deal with the new requirements around testing. However, SADC has issued guidelines on how to approach COVID-19 at ports of entry, which will hopefully, partly alleviate the border delays. However, given that Botswana is landlocked, the costs of imported raw materials is particularly high, even for sectors such as textile, who have the benefit of accessing cheaper imported fabric under the Third Country Fabric (TCF) provision under AGOA. As a result, some of the SMEs have resorted to exportation of left-over materials such as raw hides and morula fruit which poses as a disadvantage to Botswana's prospects of value-added manufacturing and exportation of locally made finished goods.

3.6. Difficulty in meeting compliance with U.S. technical regulations

The difficulty of accessing the U.S. market due to high standards and technical regulations was one of the reasons outlined by private sector as a key impediment to developing markets in the United States. It is apparent that SMEs, in most cases, lack the capacity to meet these regulations and quality requirements. To that end, BITC have done a diagnostic assessment for export readiness of 98 companies across the country. Following the diagnostic assessment, BITC's Export Development Program has been supporting selected SMEs and other firms to be able to become export ready or begin to export into key markets. For instance, over the past year, BITC has supported seven firms in facilitating quality management systems, six companies in attaining organic certification, 27 firms in developing export marketing plans, and supporting six companies to participate in Supplier Development Program for regional exporters.

4. MONITORING AND EVALUATION FRAMEWORK

The progress outlined above (and in Annexure 2) was implemented under an M&E framework that was consisted of at least 23 private sector and public sector institutions, including government departments and implementing agencies⁸. In the M&E framework, MITI was specified as the custodian of the National AGOA Utilization Strategy for Botswana, and the chair of the AGOA Reference Group. Under this structure, MITI and BEMA co-chaired the reference group, and worked closely with the BITC to ensure effective management and implementation of the National AGOA Utilization Strategy. The mechanism of interaction was as follows:

- The AGOA Reference Group reported to the Minister of MITI through the Economic Development and Trade Council (EDTC) with the Minister in turn reporting to the Office of the

⁸ These included: MITI (Chair) Botswana Trade Commission (BOTC) Local Enterprise Authority (LEA), Ministry of Agriculture (MoA), Ministry of Youth, Sports and Culture (MYSC), Ministry of Transport and Communications (MTC), Botswana Unified Revenue Service (BURS), Botswana Bureau of Standards (BOBS), Business Botswana, BEMA (Co-chair), BITC, Freight Forwarders Association of Botswana, Botswana Road Transport Society, Botswana Export and Credit Insurance (BECI), Bankers Association Botswana, USAID Trade and Investment Hub (Ad hoc basis), Botswana Textile and Clothing Association (BTCA), Women in Business Association (WIBA), African Women Entrepreneurship Program (AWEP Botswana), Selebi Phikwe Economic Diversification Unit (SPEDU), Citizen Entrepreneurial Development Agency (CEDA), Botswana Development Corporation (BDC) and Botswana Institute for Development Policy Analysis (BIDPA).

President which used the AGOA Response Strategy Implementation Plan matrix to monitor implementation;

- MITI were the AGOA Reference Group Secretariat through the Department of International Trade;
- The Coordination of all AGOA activities was done through BITC which assign experts in export development, investment and information dissemination whose job descriptions clearly highlight implementation of the AGOA Response Strategy as their responsibility with key performance indicators from the AGOA Reference Group.
- The AGOA Coordination and implementation effort was led by BITC, who in turn, work closely with public/private sector and civil society to ensure implementation of each sector's aspect of the strategy;
- The AGOA Reference Group through the AGOA Secretariat were responsible for coordinating the sourcing of funds required for implementing the strategy.

However, there was a prevailing rationale that the limited success to implementing the initial two years of the strategy was largely due to the flaws of this M&E institutional structure. Firstly, there are concerns around the composition and size of the AGOA Reference Group – which was deemed to be too large, and yet unbalanced in terms of representation. Secondly, and related to the latter, the lack of adequate representation was particularly affecting various priority sectors (i.e. private sector). Thirdly, due to the size, and representational imbalance, the reporting and accountability structure was not as effective as initially imagined, mainly due to poor feedback and a lack of detailed reporting regarding the implementation progress. These structural challenges have created a need to adapt and streamline the institutional structure in order to improve reporting efficiency in feedback reporting, effectiveness in follow-up and representation of sectors and other relevant stakeholders. The adopted new institutional structure is outlined and described in Section 4.1.

4.1. The Institutional structure

The AGOA Reference Group, as the actual implementation body of the AGOA Utilization Strategy, will effectively operate as a coalition of sub-committees on:

- **Sector specific issues:** by strategically identifying sector representation to ensure in-depth and adequate sectoral coverage.
- **Market access and trade facilitation:** to sharpen and provide more focus on penetrating the U.S. market. The role of the key players of market access and trade facilitation would assist with research/study, customs, standards and business advisory issues related to private sector participation at both urban and rural areas of Botswana.
- **Gender:** to promote gender mainstreaming and the inclusion of women in trade particularly AGOA benefits. Sector leaders and stakeholders focusing on gender-related aspects will absorb the roles previously undertaken by the BITC and MYSC, to provide a more targeted mechanism/tool for monitoring AGOA in all regions as these have configured footprints in both rural and urban areas.

Figure 3: The AGOA Utilization Strategy institutional structure

5 outlines the generic outline of the proposed institutional structure consisting of four separate sub-committees, as well as the respective entities that would best serve under each of them.

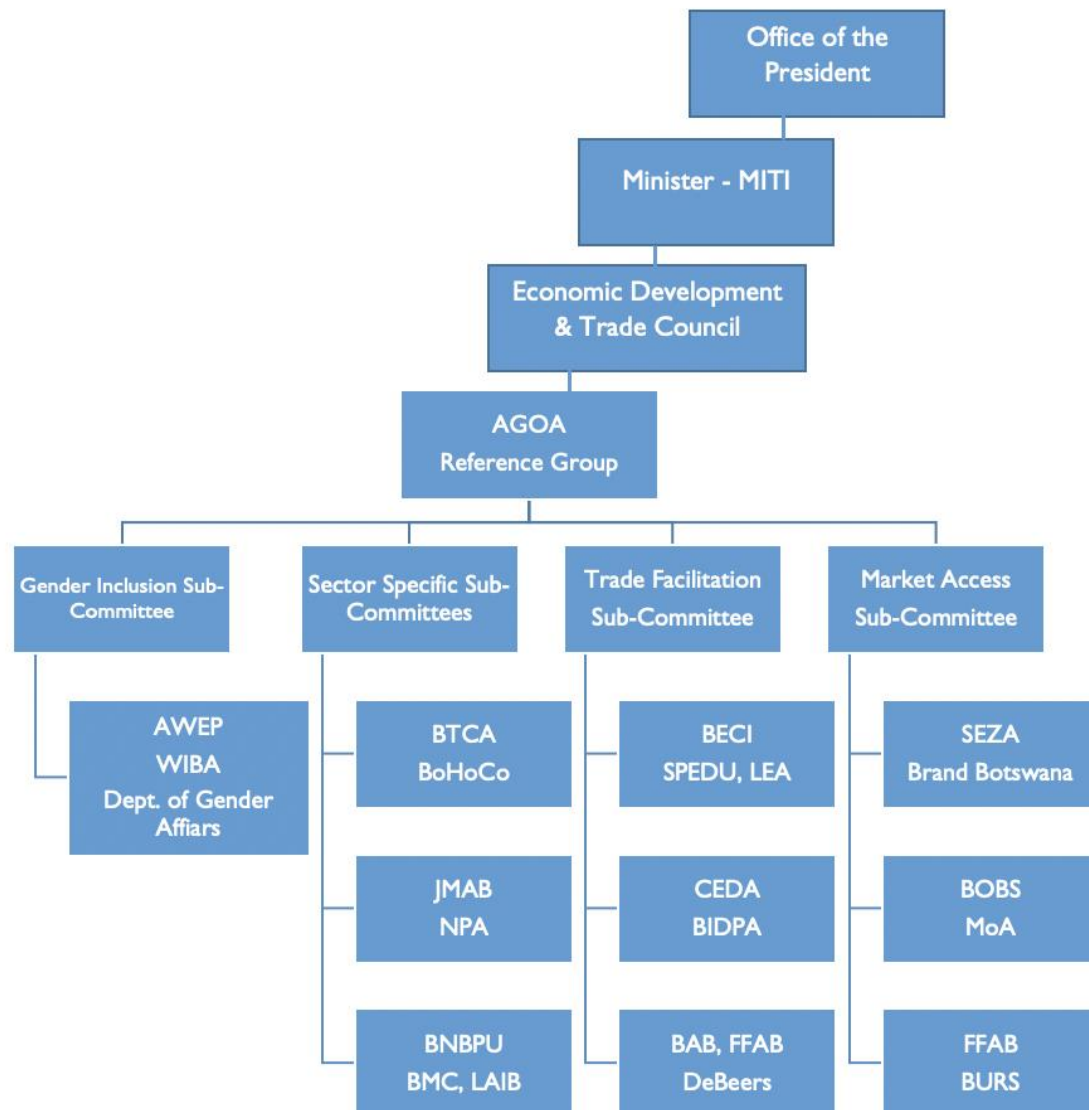


Figure 3: The AGOA Utilization Strategy institutional structure

The benefits of the proposed structure in

Figure 3: The AGOA Utilization Strategy institutional structure

is that each sector and strategic area will be represented within each sub-committee. This not only ensures adequate representation of priority areas and sectors, but also allows for provision of factual and detailed feedback, underpinned by well-resourced and timely information on challenges. This would allow the Reference Group to be more responsive in developing practical interventions, particularly those that relate to specific sectors.

4.2. Strategic Focus Areas

There are a number of strategic areas that the institutional structure is set to focus on, and these include gender, as well as other sectoral and cross-cutting issues that will be addressed under the aforementioned sub-committees. These are discussed further below.

4.2.1. Gender Mainstreaming

The need to integrate gender into the AGOA Utilization Strategy comes as a specific area of focus that requires further attention. Many of the challenges that affect female-led businesses especially at rural areas are synonymous with those that are faced by the broader private sector. These include:

- **No appropriate operating premises:** There are female-dominated sectors (such as agriculture and tourism) in which there is a general recognition that women have no places to operate from, with most female entrepreneurs operating along streets. The lack of access to land and factory shells to do manufacturing operations is a general issue affecting most SMEs, but there is a general sense that this problem disproportionately affects female-led businesses. Moreover, women noted that they lack the working capital to afford rental spaces for business operations.
- **The negative impact of COVID-19 pandemic:** The indirect suspension of informal sector mostly comprised of 80% plus of women. Closure of mining towns due to the COVID-19 restrictive measures has resulted in no market for women-led businesses to service. To add, a concern that has been erred is that financial institutions are not able to assist SMEs while female entrepreneurs are operating from home.
- **Lack of access to finance (working capital):** There have been various grant programs that were designed to support women-led businesses in the past – from the likes of WIBA. However, most, if not all, of these grants are no longer there. It appears that SPEDU has a limited geographical reach and doesn't extend to areas such as Francistown.

The issues outlined above have been highlighted as urgent and priority areas of intervention. In integrating challenges affecting female-led businesses, the AGOA Utilization Strategy should focus on strategic activities that leverage:

- Soft loans and grants – particularly from development institutions and NGOs. It appears that commercial lenders are not providing special conditions to promote access to soft loans. SMEs are noting that funding that has previously been allocated by Government initiatives to support SMEs still comes with prohibitive conditions such as collateral, which prevents women-led businesses from accessing such funds.
- Supporting financial education, to support sound business management skills and proper financial accounting for small businesses.
- Debt rehabilitation – to equip female businesses with skills needed to overcome debt. There are concerns that a lot of women businesses are now in debt and might not be able to survive the effects of the pandemic.
- Mentorship: Supporting female-led businesses with mentorship programs that help to provide technical and operational support for SMEs in key AGOA sectors.
- Capacity building: train female-led businesses on sound business management practices, as well as the marketing and export of products.

- Investment promotion and partnerships, through B2B events that can promote matchmaking and partnering of local women entrepreneurs with other international firms.

All of the above strategic interventions can be done in conjunction with WIBA and AWEF, who can lead the effort in mobilizing export-ready enterprises that can increase production and export under AGOA.

4.2.2. Other Sectoral and Cross-cutting areas

The AGOA Utilization Strategy for Botswana has seven priority sectors, in line with the country's national export strategy. Given the complexities of exporting to the United States. There are several sectors that have been determined to be unlikely to be able to export under AGOA. This includes the textiles and apparel, horticulture and agro-processing, as well as the leather and leather products sector. Textiles and apparel are now focusing on developing regional markets, while horticulture and agro-processing, as well as the leather and leather products are focused on developing productive capacity to supply local demand.

For the remaining priority sectors, the AGOA Utilization Strategy will need to broadly balance its focus on helping to create capacity and supporting firms to be export-ready on the one hand, while development market access on the other. Beyond the broad balance in supporting export-readiness and market access initiatives, there are more cross-cutting recommendations for sectors, namely:

- **A more targeted product-specific approach:** Engagement with USG Agencies should shift towards specific products and their associated export requirements for the U.S. market. This product-based approach will target specific commodities in which Botswana has a competitive advantage and seek to establish a market presence in the U.S., and by marketing the Botswana story.
- **Build local capacity for standards testing:** Need to support the creation of local capacity for quality testing conformity and efficacy of locally produced products. The Bureau of Botswana Standards (BOBS) has engaged in capacity building and outreach activities that can be leveraged by private sector, but there is also a need to expand the capacity of private laboratories to test and certify organic products. This is particularly relevant for natural indigenous products (i.e. ancient or specialty foods), as well as beef and beef products.
- **Capitalize on e-commerce:** there is a general sentiment that more can be done to benefit from e-commerce. More specifically, MITI is considering ways of taking advantage of/leveraging e-commerce or digital marketing platforms for the benefit of local exporters. Meanwhile, the textiles and apparel industry has noted that it relies on Camac for information and promoting Botswana exports. Perhaps there is scope for developing specific e-platforms to develop market linkages and promoting Botswana products online.
- **Developing Geographic Indicators for INPs and the country's beef** would be critical for developing niche markets in the United States. These GIs would need to be developed quickly in conjunction with BITC's "Pride Mark" branding to market these products as unique to the country's rich cultural heritage.
- **Identifying the use of renewable energy in manufacturing and possible exports:** economic relevance in national priorities and explore in depth, its contribution towards AGOA in Botswana. Assess its structural opportunities in trade and trade related areas such as education, finance and engineering.

5. IMPLEMENTATION PLAN

Addressing the challenges outlined in Annexure 2 required a complex and integrated effort from various parts of government (i.e. state departments and implementing agencies), in collaboration with private sector. However, there seems to be a broad acknowledgement that various institutions of government tend to work in silos, with limited collaboration, coordination and cooperation. The result has been a general lack of adequate implementation, compounded by a lack of internal state capacity to effectively address the above-mentioned challenges. The problem extends beyond state and government, and plays out to the public versus private sector, where private-public partnerships in addressing common problems are also limited. Coordination challenges are systemic and cannot be solved with relative ease. However, there is potential for more PPP approaches to resolving common challenges, and these can be fostered through more deliberate and structured public-private engagement.

To be fair, there has been some level of public-private engagement that has been fostered, though this could be greatly improved. For instance, the BITC's Botswana Exporter's Development Program has periodically been engaged in capacity building programs to train export-ready firms. In another related example, LEA routinely provides capacity building for SMEs with technical training on how to compile business plans. To complement these efforts, the existing technical committees such as the Market Access and Trade Facilitation committees within MITI should also continue to support national efforts in fostering and promoting adequate implementation of the AGOA Utilization Strategy.

5.1. Short to Medium-term General Implementation Plan

The approach to tackling implementation over the remaining two years of the Strategy is to focus on a specific set of deliverables that could be pursued, with some associated target milestones. Thus, given that some parts of the initial Strategy will not be feasibly implemented within the remainder of the period, it is best to focus on a sub-set of achievable and realistic targets that can be pursued over the next two years. There are 21 strategic interventions that were captured in the general implementation plan of the initial Strategy, and the process of drawing the specific deliverables involved two key issues:

- Maintaining the existing strategic interventions but splitting these into common thematic areas. These thematic areas include:
 - Increasing competitiveness
 - Market development
 - Capacity building and skills development, and
 - Support for SMEs, women and youth-led enterprises.
- Aligning the above-mentioned thematic areas with the revised institutional structure of the AGOA Reference Group. This means each of the thematic areas are handled and driven by the various responsible sub-Committees. These include:
 - Trade Facilitation sub-Committee
 - Market Access sub-Committee
 - Sector-specific sub-Committee
 - Gender (and youth) sub-Committee

Under each of the respective thematic areas, there are two key questions that were critical to determining the milestones and the overall medium implementation strategy. These are as follows:

- What is achievable and attainable over a two-year period?
- Who is responsible for leading and coordinating the work under the various strategic interventions?

5.1.1. Increasing competitiveness

This is a thematic area that will fall under the Trade Facilitation sub-Committee whose responsibility will extend to four broad key areas that include:

- Reducing transport and logistics costs
- Reducing production costs (especially raw material procurement)
- Improving Doing Business Environment
- Export incentives

The role of Government in supporting these interventions cannot be understated. There is a need for greater coordination between Ministry Departments and implementing agencies – particularly the likes of LEA, BITC, NAFTEC and SEZA who play a critical function in supporting businesses to become export-ready and more competitive.

Table 6 outlines the strategic interventions that will fall under the Trade Facilitation sub-Committee's as well as the attainable objectives, and implementation (co-)leads that will carry the mandate to ensure that the activities are carried out effectively.

Table 6: Trade Facilitation sub-Committee's Strategic Interventions

| No | Strategic Intervention | Achievable Objectives | Implementer/Lead |
|----|--|---|---|
| 3 | <ul style="list-style-type: none">• Create awareness on existing government incentive programs | <ul style="list-style-type: none">• Enhancing awareness through sector-specific awareness workshops | <ul style="list-style-type: none">• MITI• BMOs |
| 6 | <ul style="list-style-type: none">• Facilitate an investment friendly environment | <ul style="list-style-type: none">• Local trade portal, linking local producers and investor (2025)• Producer (Association) websites | <ul style="list-style-type: none">• MITI• BMOs |
| 11 | <ul style="list-style-type: none">• Facilitate reduction of cost of production | <ul style="list-style-type: none">• Standards and accreditation (BOBS), testing, IP | <ul style="list-style-type: none">• MITI• BMOs |
| 12 | <ul style="list-style-type: none">• Identify and implement essential industry incentives | <ul style="list-style-type: none">• Organic certification• Specialization (e.g. mangongo) | <ul style="list-style-type: none">• MITI• BMOs |
| 13 | <ul style="list-style-type: none">• Implement trade facilitation tools to reduce time and cost of doing business | <ul style="list-style-type: none">• Standards and accreditation (BOBS), testing, IP | <ul style="list-style-type: none">• BOBS |
| 14 | <ul style="list-style-type: none">• Improve coordination of local suppliers to address challenges with production capacity and cost of transport | <ul style="list-style-type: none">• Tracking exports (database) | <ul style="list-style-type: none">• Private Sector• CIPA and LEA |
| 17 | <ul style="list-style-type: none">• Continue to develop infrastructure and reduce cost of production | <ul style="list-style-type: none">• Standards and accreditation (BOBS), testing, IP | <ul style="list-style-type: none">• MITI• BMOs |
| 19 | <ul style="list-style-type: none">• Increase productivity of priority sectors for exports under AGOA | <ul style="list-style-type: none">• Investment in new equipment and production processes | <ul style="list-style-type: none">• Business Botswana |

5.1.2. Market Development

This thematic area will fall within the purview of the Market Access sub-Committee and will generally focus on three key general areas, namely:

- Awareness creation of AGOA export opportunities
- Data access on key exports to support business and policy decisions

- Facilitation of B2B linkages, and participation of trade shows and/or trade missions

All the above-mentioned functions are critical in developing market presence in the US, and there will be a need for greater collaboration between BITC and private sector in ensuring that there is coordination of efforts. Table 7 outlines the strategic interventions that will fall under the Market Access sub-Committee's as well as the attainable objectives, and the institutions that will lead and co-lead the implementation of activities.

Table 7: Market Access sub-Committee Strategic Interventions

| No | Strategic Interventions | Achievable Goals | Implementer/Lead |
|----|--|--|---|
| 2 | <ul style="list-style-type: none"> • Create adequate awareness of the AGOA preference program and U.S. market requirements | <ul style="list-style-type: none"> • Run a competition linked to AGOA awareness (part of that). • Communications campaign – advertising agency, clear target audiences across sectors, social media, simple language, sell the benefits. • BITC AGOA office/desk providing info on the market and AGOA. | <ul style="list-style-type: none"> • BITC • WIBA |
| 7 | <ul style="list-style-type: none"> • Conduct investment missions to the US and other targeted countries to attract investment | <ul style="list-style-type: none"> • Investor meet & greet (B2B meetings) in Botswana & U.S. | <ul style="list-style-type: none"> • BITC |
| 9 | <ul style="list-style-type: none"> • Facilitate regional integration of identified sectors to address production capacity issues and develop markets for local products | <ul style="list-style-type: none"> • More information on potential distributions in the region and to the U.S. • BITC AGOA office/desk providing info on the market and AGOA. | <ul style="list-style-type: none"> • BITC |
| 16 | <ul style="list-style-type: none"> • Increase access to the U.S. market by selected local products with potential for export under AGOA | <ul style="list-style-type: none"> • Expand marketing services into other regions in Botswana (aggregate and market crafts) | <ul style="list-style-type: none"> • WIBA |
| 18 | <ul style="list-style-type: none"> • Provide exporters with regional and international databases according to products and sectors | <ul style="list-style-type: none"> • Work through entrepreneurial development programs & networks | <ul style="list-style-type: none"> • BEMA • LEA • NAFTEC |

5.1.3. Capacity Building and Skills Development

The thematic area of building capacity and skills is both fundamental and cross-cutting, and given its significance to private sector, it will be handled by the Sector-specific sub-Committee. Apart from the need to build productive capacity of SMEs, the sub-Committee will handle the two key focus areas that require urgent and immediate attention, and these include:

- Alignment of skills from colleges and training institutes to industry needs
- Supporting the development of local lab testing and quality assurance processes and programs
- The facilitation of intellectual property and developing GIs

These three urgent areas will be tackled by PPP approaches that involve close and intimate collaboration between government, private sector and educational/research institutions. The academia is expected to play a more crucial role in developing skills and human resource capacity that can address the industry's skills shortage. Table 8 outlines the strategic interventions that will fall under

the Market Access sub-Committee's as well as the attainable objectives, and the institutions that will lead and co-lead the implementation of activities.

Table 8: Sector-Specific sub-Committee Strategic Interventions

| No | Strategic Interventions | Achievable Goals | Implementer/Lead |
|----|--|---|---|
| 4 | <ul style="list-style-type: none"> Coordinate skills development to develop relevant industry skills that are PPP-driven | <ul style="list-style-type: none"> Placements of graduates into apprenticeships (local & international) Enterprises to take in students, international exposure, exchange program, e.g. JMAP responsible Jewelry Council) Identify or create a system that can determine two categories (i.e. Number of entrepreneurs trained and job placements) Industry associations to support and monitor implementation, Skills Audits etc. | <ul style="list-style-type: none"> HRDC lead BQA implement (qualifications) – Co-Lead MYSC – Co-Lead Private sector |
| 5 | <ul style="list-style-type: none"> Strengthen the capacity of local quality infrastructure (QI) to improve competitiveness | <ul style="list-style-type: none"> Private sector to nominate and send industry experts to support BOBS in creating sector-specific and product-specific standards | <ul style="list-style-type: none"> BOBS Industry associations BITC PrideMark |
| 9 | <ul style="list-style-type: none"> Strengthen the capacity of associations to improve the quality of products; | | |
| 10 | <ul style="list-style-type: none"> Engage local and regional U.S. government agencies for technical assistance and access to TCB programmes | <ul style="list-style-type: none"> Number of TCBs and Workshops to provide entrepreneurs technical assistance on how to produce and market products into the US. | <ul style="list-style-type: none"> BITC Convo Lounge Mentorship Programme |
| 15 | <ul style="list-style-type: none"> Strengthen export development programmes | <ul style="list-style-type: none"> Expand and broaden the export development program to serve more export-ready firms | <ul style="list-style-type: none"> BITC |
| 20 | <ul style="list-style-type: none"> Develop a skills transfer program to ensure skills transfer by expatriates to locals | <ul style="list-style-type: none"> Placements of graduates into apprenticeships (local & international), especially through MNCs | <ul style="list-style-type: none"> Private sector/Industry associations HRDC National Internship Committee |

5.1.4. Support for SMEs, women and youth-led enterprises

In the General Implementation Plan outlined in Annexure 2, Strategic Objective 2I specified the need to “...Provide grants and soft loans for start-ups, SMEs, women entrepreneurs and businesses owned by other disadvantaged groups”. This was the only strategic intervention that addressed this thematic area.

However, in the revised strategy, this cross-cutting thematic will still maintain its focus of supporting of vulnerable groups – more specifically, gender and youth – but now being handled by the Gender

(and youth) sub-Committee. This sub-Committee will focus on addressing key areas that are affecting women and youth, particular with respect to:

- Special provisions for women and youth to access finance and credit
- Leveraging existing initiatives and program to broaden the participation of women in AGOA export trading,
- Specific skills required for women to increase their ability to participate
- Institutional infrastructure needed to support female-led businesses,

Expected to take the lead in this area is WEBA/AWEP and the Botswana National Youth Council (BNYC) who will co-chair the sub-Committee and bring more representation of women and youth-led entrepreneurs.

Table 9: Gender and Youth sub-Committee Strategic Interventions

| No | Strategic Interventions | Achievable Goals | Implementer/Lead |
|----|--|---|--|
| # | <ul style="list-style-type: none"> • Embark on awareness creation activities of the various soft loans and grants opportunities that are available. | <ul style="list-style-type: none"> • Profile and share information on grant opportunities • Work with government and agencies in lobbying for simplified application process, and special provisions for women and youth. • Use WIBA, BEMA, AWEP programs for similar outreach and integrate grant and funding information and material into women's programs. | <ul style="list-style-type: none"> • WIBA • AWEP • BEMA • She-Trade |
| # | <ul style="list-style-type: none"> • Capacity Building and Training to support the production of higher quality goods | <ul style="list-style-type: none"> • Secure selected shared facilities and equipment that can be used for training (i.e. LEA) • Form clusters for related enterprises—textiles, jewellery and semi-precious stones, leather (like Tlokweng) • Convene knowledge sharing meetings and foster networking sessions on a quarterly basis session to share experiences. • Technical training on quality and production management processes. • Ensure close collaboration with the Center of Entrepreneurship Outreach at BIUST and Entrepreneur Program at BUAN, among others. Deploy WIBA/AWEP and youth association members into the programs to receive training on basic entrepreneurial skills. | <ul style="list-style-type: none"> • BIUST • BUAN • LEA |
| # | <ul style="list-style-type: none"> • Coordinated marketing and distribution of products | <ul style="list-style-type: none"> • WIBA/AWEP to coordinate the formation of sector-specific clusters, networks, and associations to bid on and fill orders to larger for one producer. • Clusters to lease LEA or other government facilities, if provided. | <ul style="list-style-type: none"> • BITC • LEA • Private Sector Associations |

| No | Strategic Interventions | Achievable Goals | Implementer/Lead |
|----|---|--|--|
| | | <ul style="list-style-type: none"> • Use Botswana trade showrooms in other countries to periodically feature women's companies and products from Botswana. • Plan shows and invite targeted buyers to these events. Bring to Botswana to meet with women entrepreneurs. | |
| # | <ul style="list-style-type: none"> • Working with USG agencies and US Associations to get technical assistance and support | <ul style="list-style-type: none"> • Reach out to the US Embassy commercial officer and the American Business Council ask for assistance and sponsorships for women's networking events, awards and other honors, for women's companies that are planning to or have succeeded in entering the US market. | <ul style="list-style-type: none"> • AWEP • WIBA |

5.2. Sectoral Implementation Plan

5.2.1. Handicrafts (Arts and Crafts) Sector

Like in most countries in the region, the Botswana Handicrafts Sector mainly consists of women's groups and individuals mostly in rural and semi-rural settings. The main arts and crafts products in Botswana include basketry, pottery, woven, woodcarvings, bone carvings, leatherwork, Bushmen craft, jewelry and fine art. Botswana Tourism Organization states that Botswana baskets are widely regarded as some of the finest in Africa, and certainly the best in southern Africa⁹. There is great potential for developing the rural based handicraft industry of the country and the development of exports from the sector, resulting in improved quality of life for rural Botswana as well as the effective management and utilization of the country's natural resources. The products with the biggest potential from this sector are baskets, Bushman products, Ostrich beaded jewelry and leatherworks.

In Botswana, what lacks is the coordination of production and market access activities. For instance, in South Africa, the marketing houses handle all the marketing aspects, coordinate the production and manage the quality of the products to ensure effective production and marketing for the country. For this sector to grow in Botswana, instead of supporting individual producers, it is important for the country to collaborate with marketing houses for effective marketing and distribution.

In coordinating production and marketing activities, industry suggested a public-private partnership (PPP) in which the government oversees good practices, monitoring and enforcement of standards, policy formulation, marketing intelligence (BITC) etc. which will focus on the following:

- **Establishment of Trade Houses:** Botswana doesn't have a trade house yet, like Kenya and Rwanda. There is a concept similar to the Gumare Project – which is yet to be finished. These will be established by government, or in the mobilization of resources of building maintenance of the trade house. Management should be delegated to the private sector.
- **Market research:** BITC conducts general market surveys in selected export markets. However, there is room for closer cooperation between BITC and companies who might also be in a position are pursuing market research individually, or Business or Sector Associations

⁹ <http://www.botswanatourism.co.bw/arts-and-crafts>

that are looking to undertake a collective effort to support R&D and export market research. Private sector associations and government can coordinate and pool resources, in order to strategically implement market research and R&D initiatives.

- **Participation in Shows:** Some firms participated the Santa Fe Show with funding and support from the likes of AVEP. The shows assist in understanding markets better, in terms of the specifications and quality requirements, as well as the unique tastes and preferences of the market;

Important to note is the fact that the Arts and Crafts industry is keen to move into a model similar to that of Eswatini, which involves the pooling of products into a clearing house that can be used to fulfil export orders destined for various parts of the world. The BITC has participated in the Eswatini Trade Fair to draw lessons of how their Swaziland (now Eswatini) Trade Fair (SWIFT)¹⁰ model works, as it involves some quality assurance programs and the promotion of sustainable business practices. Also, important to note that BITC has assisted six companies with Fairtrade certification through eSWIFT

5.2.2. Jewelry and Semi-Precious Stones Sector

While diamonds are not AGOA eligible, Botswana has potential to export granite under AGOA. Botswana granite has fascinating colors and textural patterns. One Botswana Company, Teco is already exporting granite to the United Kingdom (UK) and has appointed a UK distributor. Masa Semi-Precious Stones in Bobonong tumbles, cuts and polishes semi-precious stones consisting of Agate Nodules, Aquamarine, Amethyst, Azurite and Botswana Pink. At the same time, Botswana also has potential to resume and increase Jewelry exports to the United States. In 2019, the U.S. imported jewelry articles of precious or semi-precious stones, valued over US\$40 per piece (HS code 71162015), worth US\$25.2 million. This indicates existence of a market in the United States for this product.

Table 10: Implementation Progress in the Jewelry and Semi-precious Stones Sector

| Challenges | Strategic Activities | Progress to date |
|--|--|--|
| 1. Inadequate information on both the local industry and U.S. market needs | <ul style="list-style-type: none"> • Encourage the industry to form a representative body (association) to encourage dialogue and facilitate provision of required assistance • Engage stakeholders in the sector to establish available types of semi-precious stones and to ascertain production potential • Create awareness of existing market potential in the United States • Work with local or regional U.S. government agencies to understand available Trade Capacity Building (TCB) programs and how to access them | <ul style="list-style-type: none"> • Through the coordination and assistance of BITC, the industry has been able to form a representative body which represents the interests of the sector called the Jewelry Manufacturers Association of Botswana (JMAB). • AGOA is yet to be used by the majority of JMAB members, who noted the need for export readiness training. |
| 2. Inadequate investment in the sector | <ul style="list-style-type: none"> • Facilitate trade and investment reverse missions to identify business opportunities • Provide funding in the form of grants or soft loans for women entrepreneurs | <ul style="list-style-type: none"> • The industry noted that there are trade and investment missions are critical but there is still a need for grants support for women entrepreneurs. |

¹⁰ <https://www.swazifairtrade.org/>

| Challenges | Strategic Activities | Progress to date |
|---|--|---|
| 3. Lack of knowledge of market requirements | <ul style="list-style-type: none"> Organize/include sector players on government missions to the United States Organize B2B matchmaking for sessions during exhibitions Get support from BITC or commission a U.S. based firm to provide required market intelligence | <ul style="list-style-type: none"> There have not been such exhibitions and B2B matchmaking sessions lately. One firm participated in the DeBeers Diamond Conference of 2019 by exhibiting the jewelry Collection entitled “An Ode to the Originals”. A firm also participated in the BITC Global Expo in 2017. |
| 4. Lack of exposure to international markets | <ul style="list-style-type: none"> Facilitate sector players to participate in regional and international exhibitions particularly in the United States Profile the sector and sector players for the export market | <ul style="list-style-type: none"> There have not been such exhibitions since 2015. The last time an effort was taken, in 2015, the Association of Women Entrepreneurs (AWEF) Botswana Chapter, selected female business owners to partake in a three week program that took African female entrepreneurs to different states, with the aim of understanding the American market in light of AGOA. |

The industry referred to BITC’s efforts in spearheading the formulation of an industry strategy for the jewelry and semi-precious stone sector, which contained four pillars, namely: intelligence and information on strategic international markets, market access requirements, exposure to international markets (participation in exhibitions and trade shows) and investment promotion. The National AGOA Utilization Strategy integrated these pillars and built strategic interventions around them, with a key emphasis on market access. However, the industry noted that the key weakness of the Strategy lies in its lack of focus on making firms export ready. Therefore, the appropriate intervention at this juncture is to support industry needs through capacity building in technical skills, and related support measures which translate production capacity into export volumes.

To add, the critical question which SMEs are keen to understand relate to how they can export individually. For instance, firms need to get a step-by-step guide of the export process, including costs of shipping (i.e. administrative, border and customs, insurance, freight, tariffs etc.), understanding how courier companies operate (i.e. costs and commissions charged). When exporting as an individual company, these costs can become prohibitively expensive. However, supply chain costs and processes can become much more efficient and cost-effective if SMEs develop relationships over time, which can make them more competitive in the long run. To this end, the local industry needs more strategic and structured interaction with the USAID TradeHub for technical assistance and support.

Firms are reportedly receiving queries from people in the U.S. wanting to purchase Botswana products, but firms typically lack clarity on how to export as individual entities. With the rise of online trading, clarity is required on how to utilize AGOA to meet the online demands. Digital technology is seen as a means and opportunity to upscale production in the industry. Despite such scaling opportunities, Botswana will still be a relatively small producer, which therefore means that local firms will find it difficult to compete on the basis of cost. The only viable strategy is for firms to thus, compete on uniqueness of design.

5.2.3. Natural Indigenous Products Sector

This Natural Indigenous Products (INP) sector is considered an emerging sector in Botswana, and includes specialty foods (marula snacks, baobab pulp-based products) and marula oil, unique to Botswana and Southern Africa. Wild Fruits of Africa (Gabane) produces marula-based snacks and has invested in meeting U.S. Food and Drug Administration (FDA) requirements while Kgetsi ya Tsie (Pty) Ltd produces 800 litres of marula oil, soap and jam. Botswana boasts of morula, African medlar (mmilo), indigenous melon (lerotse), baobab (mowana) among others, which are used to produce foods (snacks, health bars, jam and jellies, dressings, dried nuts and bake mixes), beverages (teas, juices and alcohol) and oils (cosmetic oils and essential oils).

The USAID TradeHub has been assisting regional specialty foods companies through (a) bringing experts from the U.S. to address them on the U.S. market requirements, and (b) taking export-ready firms to the Summer Fancy Food Show in the U.S. Several beneficiaries from this assistance reported having received orders and potential business with U.S. firms. The challenges of inadequate volumes, inconsistent quality and generally low market access persist. These challenges are outlined in Table II below.

Table II: Implementation Progress in the Indigenous Natural Products Sector

| Challenges | Strategic Activities | Progress to date |
|---|---|---|
| 1. Geological National Resource Survey | <ul style="list-style-type: none"> There is currently no up-to-date Geological Survey indicating quantities of Natural and Indigenous resource currently in Botswana. This survey is key to the sustainable exploitation of Natural and Indigenous Resources in the country. | <ul style="list-style-type: none"> The NPAB has approached the Department of Forestry in 2020 on the issue. The NPAB further is exploring avenues of conducting the Survey |
| 2. Inadequate volumes | <ul style="list-style-type: none"> Use existing government facilities to build capacity and to increase investment in the sector Encourage regional integration and collaborative efforts in the natural foods area; Participate in trade and investment missions to identify opportunities Provide grants and soft loans for start-ups, SMEs and women entrepreneurs, and other disadvantaged groups and minority-owned businesses | <ul style="list-style-type: none"> Low volumes remain a great challenge and firms lack the capacity to fulfil bulk orders and the required quality by prospective international buyers; Lack of finance to ramp up production. CEDA requires 100 percent collateral, yet firms don't have collateral. There is need for access to short term credit to firms in the industry. To that end, industry emphasized the need for grants and soft loans to assist firms with access to cheaper finance; There is little exposure to regional and international |

| Challenges | Strategic Activities | Progress to date |
|---|--|---|
| | | markets. BITC organized B2B Meetings in 2018, but these were not successful. There were three companies that invested in trade shows; |
| 3. Lack of efficacy testing | <ul style="list-style-type: none"> Indigenous and Natural Products need to be tested for quality and efficacy. Unfortunately, there is no such testing facility in the Country with samples of Morula Oil for example needing to be sent at times as far as the United States for testing. Access or the Creation of a National or Regional Testing Facility to conduct such tests is necessary. | <ul style="list-style-type: none"> On 18th March 2020, the NPAB met with MITI and raised the issue of the need for effective testing. Avenues to explore solutions are still being developed. |
| 4. Regulatory Burdens | <ul style="list-style-type: none"> Removing any regulatory burdens that are impediments to the Exploitation of AGOA. For example, Regulations that may exist with BURS that impose an Export threshold on producers for producers to be able to export under AGOA need to be assessed. | <ul style="list-style-type: none"> The NPAB is currently engaged with Government to identify and address such issues. |
| 5. Lack of Research | <ul style="list-style-type: none"> Research is key to product innovation and development. Research Institutions need to be capacitated. Specifically, but not limited to BITRI, BUAN, UB and other research institutions that can drive forward research in partnership with Natural and Indigenous Producers. | <ul style="list-style-type: none"> On 18th March 2020, the NPAB met with MITI and raised the issue. Avenues to explore solutions are still being developed. |
| 6. Lack of Certification processes and Standards | <ul style="list-style-type: none"> NAFTEC/ BOBS/ BITRI needs to become ISO Certified in order to assist local companies with Certificates of Analysis. BOBS does not have regulatory standards. There is now a cosmetics technical group that needs to be empowered and developed. | <ul style="list-style-type: none"> On 18th March 2020, the NPAB met with MITI and raised the issue. Avenues to explore solutions are still being developed. |
| 7. Trade Attaches | <ul style="list-style-type: none"> Trade Attaches need to be employed and Stationed in the | <ul style="list-style-type: none"> On 18th March 2020, the NPAB met with MITI and raised the |

| Challenges | Strategic Activities | Progress to date |
|--------------------------------------|---|--|
| | <p>UK, EU and USA. This role would address: actively marketing and identifying trade opportunities and networking.</p> <ul style="list-style-type: none"> • Trade Attachés need to Act as the registered party who is listed to handle Intellectual Property in the EU and USA of members of the Natural and Indigenous Sector (NPAB). • Trade Attachés employed by Government need to join the NPAB to be subject to rules of IP licensing as outlined in NPAB IP Proposal | <p>issue. Avenues to explore solutions are still being developed.</p> |
| 8. Excessive Customs Duties | <ul style="list-style-type: none"> • Producers need to be able Import machinery without having to pay Customs or import duty. MITI committed to take up issue with BURS. | <ul style="list-style-type: none"> • On 18th March 2020, the NPAB met with MITI and raised the issue. Avenues to explore solutions are still being developed. |
| 9. Inconsistent Quality | <ul style="list-style-type: none"> • Capacitate producers on standards and quality issues, include benchmarking on other success stories such as Shea Butter Sector in West Africa; • Conduct Benchmarking visits to selected countries to learn from their experiences; | <ul style="list-style-type: none"> • BITC's enterprise development program, is helping to formulate standard operating procedures, plan for quality management, marketing and sales¹¹. • Inconsistent quality in the sector remains a key problem. • Benchmarking can be done by BITC were sectors can advise on sectors interested in and countries to benchmark, different countries for different products. This was to expose small companies are struggling with consistency, capacity and efficacy to the international standards in the sector. |
| 10. Low market access and acceptance | <ul style="list-style-type: none"> • Create awareness in the United States • Profile the sector • Securing regulatory approval in the United States • BITC to provide necessary market intelligence or commission a U.S. based firm to assist | <ul style="list-style-type: none"> • Some Sensitization Workshops on AGOA have been held focusing on the Food industry (more specifically, specialty food) and these were done in partnership with the USAID TradeHub; |

¹¹ Industry noted that the problem, however, is that the enterprise development program doesn't have a process engineering consultant.

In addition to the problems outlined in Table II above, the industry has noted the following to be key challenges that continue to face firms:

- The lack of local capacity to certify products. The need for organic and health certification – as key attributes of competitive advantage, is critical. The problem relates to the establishment of testing and verification of the products by independent accredited bodies. BOBs not International Organization for Standardization¹² (ISO) certified, small companies have to go to South Africa to get certification.
- A general lack of communication from government and CEDA regarding processes and requirements for application of credit and other ring-fenced funding support.

The industry has proposed several specific solutions, which are meant to partly address the problems.

- With regards to volumes, Community Processing Centres (CPCs) are a possible approach that can be pursued to coordinate the harvesting, quality management and aggregation products that can be sold to bulk-buying clients;
- Another complementary solution would be to have a Fulfilment Centre in the United States. The industry can coordinate and supply a monthly or bi-monthly scheduled container that is leaving for the United States – and this can be coordinated through an e-platform to help ensure that firms match their supply with demand;
- The NIP sector submitted a plan to MITI on the interventions that the industry would want in order to support exporters;
- The formalization and registration of Geographic Indicators (GIs) to link Botswana's products to its cultural and regional intellectual property is critical. These GIs can be modelled within key messages that sell the cultural heritage at Trade Shows, the different sectors and firms should market their products as a country or a bloc (i.e. BITC's Brand Botswana);
 - Experience from participating in other Trade Shows revealed that countries such as Morocco, Italy and India showcase their products as a country under a brand that identifies with a country strategy;
 - To align with this approach, firms need more assistance from the Trade Desk in the MITI (and perhaps coordination with BITC) – arranging a booth where different sectors are marketing their products under one booth or desk.
 - Another critical issue is product testing (or efficacy testing) and enhancing our brand value through an intellectual property or GI. This also entails international ISO accreditation for BOCRA and NAFTEC.
 - Firms need a regime that gives credence to patents for regional and local GIs, allowing for benefit sharing with traditional knowledge holders,
 - Industry (and Government, through the Botswana Mission in the United States) needs a proactive approach whereby Botswana's products are marketed in the United States.

The Natural Products Association of Botswana (NPAB) has already initiated efforts of getting the GIs and intellectual property codified in the country's legislation. Moreover, the industry is seeking to have a baseline survey done to take stock of the country's existing natural resources, and lobbying government to have "Access and Benefit Sharing" legislation to ensure sustainable resource use.

¹² <https://www.iso.org/about-us.html>

5.2.4. Meat and Meat Products Sector

The beef sector is one of the sectors where Botswana has great comparative advantage in terms of natural resources such as such as land, cattle and the natural skill and interest in rearing cattle. More specifically:

- Botswana's cattle are conditioned through more exposed to natural pasture, and they only do minimal finishing with grain.
- The country has a sound traceability system, supported by infrastructure that protects beef from wildlife; which help in disease control and management;
- Years of export knowledge and experience, with the Botswana Meat Commission (BMC) having been in the export business for 70 years.

According to Food and Agricultural Organization (FAO), the country had a herd size of 1 448 000 cattle by 2018, with 80 percent of the herd residing in non-commercial and communal production systems. The national herd declined by 45 percent, from 2.6 million in 2010 to 1.4 million in 2018 (see **Error! Reference source not found.**). The industry expects that the national herd will continue to decline to 1.2 million by 2021/22, due to the continuing negative effects of droughts and climate change – which have reduced pastures and increased the pace of destocking and slaughtering.

The declining national herd presents a key challenge. The BMC's existing infrastructure has a capacity of slaughtering 300,000 cattle per year and needs at least 25 percent off take rate for the entity to be run viably. However, this offtake rate would leave very little for other industry players, given the size of the national herd. The national off take rate is between 12 percent to 13 percent, which means that there is excess slaughter capacity that is currently not utilized¹³. The benchmarks set by industry point to a minimum off-take of no less than 10 percent to break-even for a typical farm, and at least 20 percent at national level. The slaughtering rate for large scale processors such as BMC is currently 250 cattle per day.

¹³ The industry benchmark shows that an inefficient production system is 10 percent (national off-take rate), to allow the entity to survive.

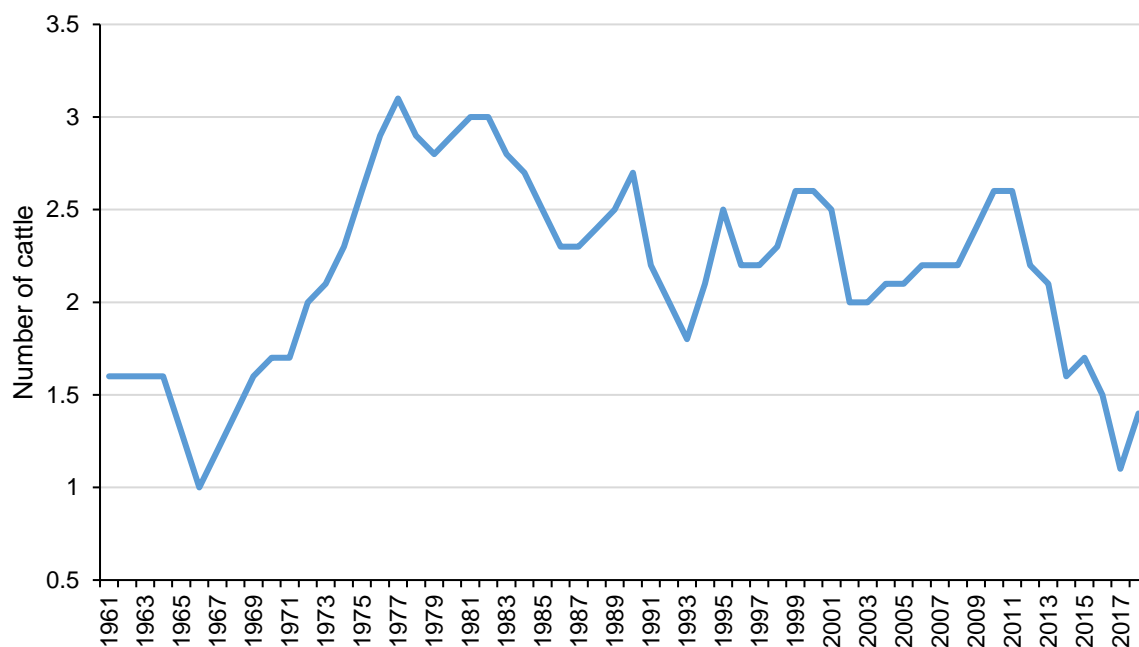


Figure 4: Trends in the national beef herd (1961-2018)

Source: FAO (2020)

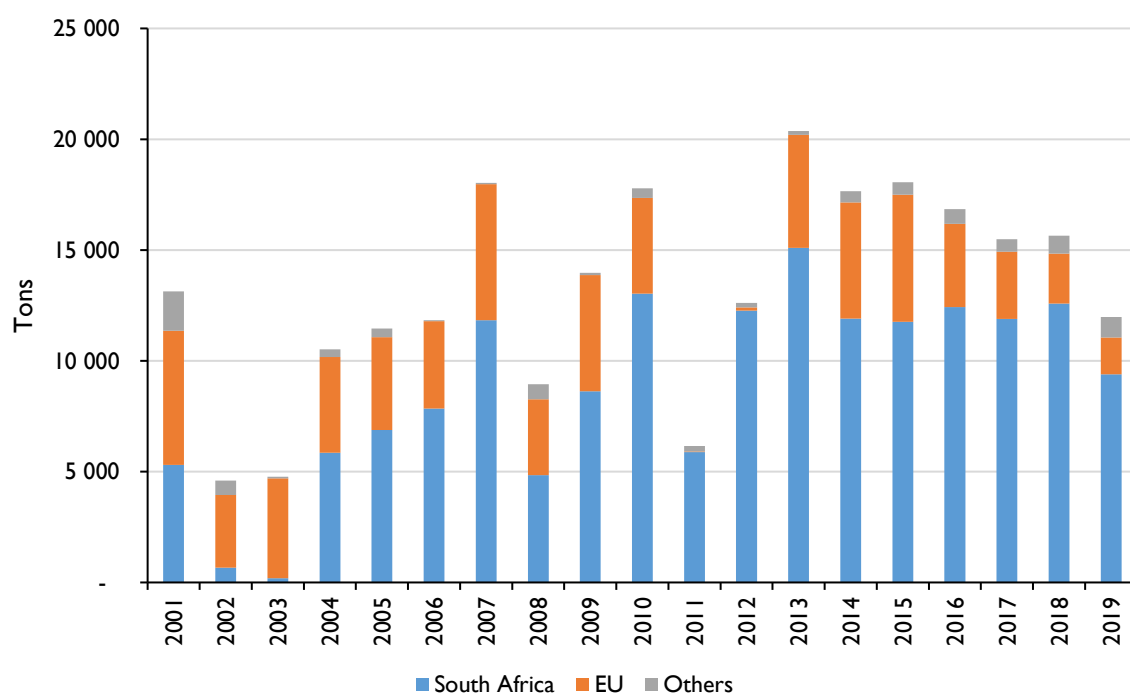


Figure 5: Trends in Botswana's beef exports (2001-2019)

Source: ITC (2020)

The beef industry is in the middle of transitioning from a state monopoly to a liberalized market. The BMC Act (1965) ascribes the institution as a state monopoly that facilitates beef and live cattle exports, while sustaining and retaining the broader interests of the entire livestock industry in Botswana.

Important to note that the Minister of Agriculture can impose further commitments to the BMC, in addition to those already contained in the Act. However, the BMC Transition Act (2019) would repeal the BMC Act (1965) and initiate a new dispensation in which the market will be liberalized, and thus opening up exports to other private sector players¹⁴. This is expected to bring more efficiency and competition in the export value chain.

The BMC noted that to be able to efficiently compete with other private sector entities, it would be important to have the Commission corporatized and remove quasi-government functions. The Transition Act (2019) will make BMC a public limited company with a diversified shareholding, but legislation doesn't provide clarity on the sequencing and timelines of liberalization and corporatization. If the latter occurs before the former, then BMC will be in a good position to compete.

Table 12: Implementation progress for the meat and meat products sector

| Challenges | Possible Strategic Activity | Comments on Progress |
|--|---|--|
| 1. Quality of beef from communal farmers | <ul style="list-style-type: none"> • Create awareness to communal farmers to understand the value of good health and when to get best value • Encourage a shift from subsistence to commercial ranching • Provide capacity building on how to manage animals in communal areas | <p>The Beef Cluster Strategy has been signed off by Cabinet in December 2018 – which shifts production systems towards grass-fed (organic) beef.</p> <p>The Farm Assured Botswana Beef Manual has been initiated through a workshop done in February 2020.</p> <p>More needs to be done to support farmers to comply with the FABB and Farm Management Protocol.</p> |
| 2. Stringent export market quality requirements | <ul style="list-style-type: none"> • Engage the market to better understand exports market requirements • Create adequate awareness on export market requirements • Provide required capacity building and training, including engaging volunteer experts program | <p>The industry is taking lessons from the Namibia Model and emulating some processes that allowed them to export to the United States.</p> <p>The MoA and BMC have already started engaging the USDA and APHIS to do assessments and determine regulatory equivalence.</p> |

The industry, under the leadership of the BMC, has been implementing some programs that are being done to improve production and processing of beef. These include both strategic and operational strategies that are described further below:

¹⁴ The Transition Act (2019) has not come into effect yet, as it is awaiting Minister's signature.

(a) Strategic interventions

Botswana has been implementing the “Beef Cluster Strategy/Initiative”, which was designed under the guidance of Professor Michael Porter, and a U.S.-based consulting firm called “Competitiveness”. The Beef Cluster Strategy was approved by Cabinet in December 2018, and the BMC has engaged communal farmers for nine months, focusing on disseminating the message that Botswana beef be based on grass-fed instead of grain-fed production systems. This approach makes 80 percent of Botswana beef immediately become eligible. The drive for organic beef production is complemented by accreditation, traceability, labelling, and marketing. The implementation of these processes has proved to be a challenge, given that it required extensive multi-agency coordination.

In line with the Beef Cluster Strategy, the Botswana beef industry conducted some benchmarking of the sector against those of the U.S. and South African production systems, to draw lessons on sustainability. The focus of the Beef Cluster Strategy will focus on shifting from farming the animals, to farming the environment”. This initiative is equivalent with the U.S.’ “Back-to-basics” program which also focus on sustainable organic production systems, moving away from the intensive grain and feed concentrates. This approach aligns to the general trends in global markets, which are switching to “good beef” which is grown under humane conditions, with yellow-fat cover, and reared under natural conditions.

(b) Operational interventions

Botswana finalized the FABB and initiated the manual in a workshop held in February 2020. The FABB is a production manual that improves on traceability and places responsibility on the farmer. The FAAB manual empowers the farmers to create and provide records that allow for traceability, and sustainable beef farming practices. The FABB guarantees quality and traceability of the product, regardless of whether the beef is produced under grass-fed or grain-fed beef conditions. The FABB has not been implemented yet, as there are no regulatory and policy support measures yet to operationalize the manual.

The beef industry implements Farm Management Protocols (FMPs), with a view of supporting smallholder farmers to follow appropriate management practices. These include animal welfare, ethical production over and above the safety and quality aspects of the production systems. The challenge has been that smallholder farmers still need more support and resources in order to have the capacity to implement farm management protocols comprehensively.

An important operational parameter is the certification of beef. Botswana beef has been certified for several standards in key markets. For instance, Botswana beef is certified by the British Retail Consortium’s Brand Reputation through Compliance (BRCs). Botswana beef has also been certified to access other markets such as Norway, which have stricter market access requirements than EU. Given that Botswana has attained high levels of compliance in key markets, it will make it relatively easier for the industry to align and meet the requirements of the U.S. market. The industry noted that in order to access the U.S. market, Botswana’s beef sector would need to add a module to the Food Safety Modernization Act (FSMA). In preparing the industry to access the U.S. market, the industry had already engaged a U.S. consultant to do a gap-analysis to check what needs to be done to align with FDA standards. There are several gaps that have been identified at farm level – the industry noted that smallholder farmers still need to adopt some key farm production practices and processes in order to get certification. Getting specific requirements for other markets should not be difficult, it takes tweaking some provisions to align.

Table 13: Challenges facing the Botswana Meat Commission

| Challenges | Description |
|--|---|
| 1. The uncertainty around corporatization | <ul style="list-style-type: none"> If liberalization happens before corporatization, then BMC will be negatively affected. The legislation doesn't provide clarity on this. |
| 2. Excess capacity, against insufficient stock | <ul style="list-style-type: none"> This means BMC should be putting at least 150,000 cattle for slaughter. However, the herd size does not allow for BMC to fully utilize capacity. BMC is only using 50-60 percent of available capacity in the two abattoirs. However, installed capacity is much higher, given that they are no longer using the third abattoir, which means effective capacity utilization is below 40 percent |
| 3. Liquidity constraints | <ul style="list-style-type: none"> Given we cannot slaughter enough, there is not enough liquidity to cover the costs of trading. BMC is currently only using two abattoirs. BMC, by law, are compelled to buy all cattle sold to it, regardless of quality. Given that BMC is compelled to buy unproductive animals (underweight, and poorly conditioned animals), they struggle to compete given that markets (both local and international) are priced based on quality. |
| 4. Other challenges | <ul style="list-style-type: none"> Distribution of cattle ownership is skewed – 80 percent of cattle are owned by non-commercial and inefficient systems; Poor calving rate and poor bull-cow ratio (required is 1 bull: 22 females). Lack of grazing and water. Commercial and social objectives are not aligned. Lack of policy direction – there is no agricultural policy or national strategy. The market is not waiting for the formulation of national strategies. |

6. CONCLUSION

This updated AGOA Utilization Strategy comes at a critical juncture in Botswana's economy. Firstly, the strategy update comes at a time when the country is grappling with the COVID-19 global pandemic, which negatively affected economic activity, both globally and locally. Thus, the AGOA Utilization Strategy was updated at a time when the GoB initiated a raft of measures to support business in order to mitigate the negative impact of the pandemic. The COVID-19 pandemic seemed to deepen and further entrench the structural problems that were already present in the economy, and the policy responses represented a key opportunity for radical policy reforms and incentives that would create and enhance productive capacity in various sectors of the economy. Worth noting, however, is the fact that travel restrictions and other containment measures implemented by the government have severely affected multiple sectors of the economy in ways that may have

fundamentally altered the economy. The pandemic is an existential risk that could cause irreparable damage to and threaten the very survival of small businesses, particularly in the informal sector. Not forgetting that, in certain instances, the pandemic is bringing new ways and practices to facilitate business activity. For instance, travel restrictions and social distancing regulations have led to shift towards non-contact and virtual interactions in doing business.

Secondly, the AGOA Utilization Strategy was done against the backdrop of a number of policy reforms and other incentives were already in the processing of being initiative. For instance, the country has already amended the Trade Act (2014), The Business Development Act (2017) and the Companies Registration Act (2018), which have led to fewer regulations relating to business licensing requirements. The Special Economic Zones (SEZs) present a new set of incentives that can bring more FDI into the country and help support higher levels of exports. These broad reforms add to various existing efforts that are being implemented at sectoral level, but there is an obvious room for improvement. SMEs still require greater levels of support, particularly access to finance, to help increase production. Skills training and alignment, as well as specific support measures targeting smaller firms' quality.

This National AGOA Utilization Strategy provides a key guiding framework on strategic areas of interventions that would allow for Botswana to broaden and deepen its use of the AGOA preference program. The hope is that strategic challenges and activities contained herein, as well as partners that will lead, co-lead and support the implementation of the Strategy will lead to a sustained increase in bilateral trade and investment between the United States and Botswana. This updated Strategy is meant to re-align efforts to ensure that the country remains on course to developing its export sectors along the dedicated strategic interventions. Following insights shared during the consultation phase of the process, and recommendations drawn from the Validation Workshop, updated National AGOA Utilization Strategy will stand as inclusive and suitably reflecting the on-going needs of the private sector and the government's policy priorities.

ANNEXURE I: STAKEHOLDER CONSULATION LIST

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ANNEXURE 2: GENERAL IMPLEMENTATION PLAN

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
|---|--|--|--|---------------------------|---|
| 1. Establish an effective National institutional structure to implement the AGOA National Response Strategy | <p>Formal confirmation of the structure</p> <p>Drafting of job specifications (Scope of Work) for the proposed AGOA office personnel</p> <p>Appointment of required staff for the AGOA office</p> <p>Confirmation of the agreed arrangement for the U.S. presence for the AGOA representation</p> <p>Hold periodic sector specific awareness workshops on AGOA</p> <p>Circulate trade information to exporters</p> | <p>Progress with implementation of the AGOA Response Strategy</p> <p>Number of activities/ initiatives implemented from the AGOA Response Strategy</p> | <p>Effective implementation of the AGOA Response Strategy</p> <p>Increased volume of exports under AGOA</p> <p>Increased volume of FDI in the priority sectors for the AGOA Strategy</p> | MITI/AGOA Reference Group | <p>An AGOA Reference Group was established, which was inclusive and representing various stakeholders – from private and public sectors.</p> <p>However, there were concerns around the composition and size of the AGOA Reference Group.</p> <p>The institutional structure could not address specific issues, and there was a lack of follow-up. The suggestion was to streamline the size of the Reference Group, and establishment of Technical Committees that will address specific technical issues.</p> |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| 2. Create adequate awareness of the AGOA preference program and U.S. market requirements | <p>Hold periodic sector specific awareness workshops on AGOA</p> <p>Circulate trade information to exporters through electronic and print media</p> <p>Organize reverse missions and attendance at relevant trade shows by export ready firms</p> <p>Develop a website on “Exporting under AGOA for Botswana” with information on AGOA activities in the country including, doing business in the US, available export development programs, market leads and success stories including links to other useful websites. Also, include a section on FAQ and Answers</p> <p>Participate in USAID TradeHub organized AGOA related events and collaborate with USAID TradeHub</p> | <p>Number of workshops organized per year, number participants at each workshop and feedback received from workshop participants</p> <p>Size of mailing list and feedback from recipients</p> <p>Number of missions organized, trade shows attended, and participants from Botswana per year</p> <p>Number of hits on the website and queries received and attended to through the site</p> | <p>Number of entities participating in trade missions and workshops per year</p> <p>Number of investors per priority sector</p> <p>Number of queries and those resolved per quarter</p> | MITI Botswana AGOA Office | <p>Thirteen awareness workshops were done throughout the country to inform industry about the benefits of AGOA.</p> <p>Information on AGOA was also disseminated through local radio shows (on both public and private radio stations) in a bid to reach more people and firms;</p> <p>Through the UNDP's Economic Diversification and Inclusive Growth program, various MITI is developing a booklet on AGOA provisions aimed towards promoting trade through trade related activities with the United States. The booklet is targeted at private sector in both rural and urban areas.</p> |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| 3. Create awareness on existing government incentive programs | <p>Participation by service providers at awareness workshops on AGOA</p> <p>Joint awareness creation roadshows by related service providers</p> <p>Media campaigns on available incentives</p> | <p>Number of media releases by service providers</p> <p>Number of participating service providers per road show/workshop and number of roadshows or workshops held</p> | <p>Number of participating firms at workshops/roadshows</p> <p>Number of incentives utilized by firms</p> <p>The frequency of media coverage on AGOA</p> | MITI | <p>Special Economic Zones (SEZ) were established in 2019 and these come with a set of incentives targeting export-oriented companies and investors;</p> <p>SEZs do not include the general export incentives, but have specific additional incentives that are unique to that class of firms and investors;</p> <p>Botswana Exporters and Manufacturing Association (BEMA) have proposed a set of manufacturing incentives.</p> |
| 4. Coordinate skills development to develop relevant industry skills that are PPP-driven | <p>Conduct sector skills audit to identify gaps</p> <p>Capacitate sector specific vocational and tertiary education</p> <p>Review education curriculum to include requisite skills per sector</p> <p>Improve on-job training programs</p> | <p>Number of graduates with relevant industry skills per sector</p> <p>Industry satisfaction with available skills</p> | <p>Number of adequately skilled graduates</p> <p>Productivity level of hired graduates</p> | <p>Ministry of Youth Empowerment, Sports and Culture Development (MYSC)</p> <p>Botswana Qualifications Authority (BQA)</p> <p>Human Resource Development Council (HRDC)</p> | <p>There is still a skills gap, and the Qualifications Authority has been engaged with industry on this issue;</p> <p>There is not enough coordination between industry and technical colleges and universities; There are sectors that are reserved for citizens, and the education sector;</p> <p>Due to the lack of synergy between private sector and the education sector, university and college graduates do not meet the</p> |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| | | | | | <p>skills needs required by industry;</p> <p>BEMA and AWEPP have collaborated to undertake a B2B trade mission.</p> |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| 5. Capacitate local quality infrastructure (QI) to improve competitiveness | Conduct needs assessment for QI organizations and develop a program to address the needs for QI in the country, and capacitate standards development organizations and accreditation facilities | Number of QI programs developed | Enhanced QI and better competitiveness of local firms | BOBS SADC Accreditation Services (SADCAS) | Finding local experts to participate in the development of standards. It's a voluntary process, and therefore are not compelled to participate. BOBS typically get experts from government ministries, academia and consumer affairs. But there are not enough people from private sector. |
| | Develop mechanisms for enhancing quality as well as strengthening the legal and regulatory framework for developing technical regulations | The mechanisms for enhancing quality developed and the number of activities on improving the legal and regulatory framework for technical regulations; | Improvement in the participation of local firms in standards or quality related issues | | |
| | Improve value adding mechanisms for local firms | The number of meetings between AGOA priority sector firms and support institutions to discuss standards/quality issues | Increase in level of support in programs on quality improvement and accredited facilities | | BOBS is testing, industrial and mass laboratories are accredited by SADCAS. BOBS has submitted to SADCAS application for accreditation of its Management System Certification Scheme |
| | Facilitate interaction between AGOA priority sector firms and institutions providing required support on quality issues | The number of standards or technical regulations developed, and products certified to product standards | | | To date there are more than 50 different products certified based on Botswana Standards. |
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| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| 6. Facilitate an investment friendly environment | Develop a legal framework that clarifies the protection of investments and incentives available to investors Improve all rankings of above 60 on the Ease of Doing Business Indicators | Reduction in the number of days Botswana takes to starting a business, registering property, and getting credit and approving permits Improved international competitiveness ranking of Botswana on the ease of doing business, global competitiveness index etc. | Volume of investments per year Number of companies investing in Botswana per year | SEZA MITI Doing Business Unit | The country has promulgated some amendments to The Trade Act (2014) and The Business Development Act (2017) have led to fewer regulations relating to business licensing requirements; It now takes 30 days to get a business license; Issues in different sectors have also been addressed by the amendments to these Acts; Commencement of a Regional Impact Analysis (RIA) in Botswana |
| 7. Conduct investment missions to the US and other targeted countries to attract investment | Profile priority sectors and develop database thereof Identify potential investment missions to the United States and other countries, profile the sectors and stakeholders for each mission Identify missions and sources of funding to | Number of investment missions Number of firms participating in investment missions | Investment enquiries and actual investments achieved through company mergers, and individual companies investing in Botswana; Total value of US and other FDI in AGOA priority sectors | BITC | The BITC has a dedicated budget for trade promotion activities, such as Trade Missions. Sensitization workshops on AGOA (i.e. for Food industry as well as arts and crafts sectors) – targeting US market were also done in partnership with the USAID TradeHub; and The USAID TradeHub has been facilitating the participation of US Trade Shows. |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| | support targeted participants | | | | |
| 8. Capacitate priority sectors and support associations to increase productivity and to improve the quality of products | <p>Facilitate stakeholders to form associations (e.g. natural cosmetics sector association)</p> <p>Identify capacity needs for each association and provide necessary interventions</p> | <p>Number of sector associations formed or assisted</p> <p>Sector specific capacity needs identified</p> <p>Number of workshops and the number of trained participants per sector per year</p> | <p>Increase in the number of associations</p> <p>Increase in production capacity per AGOA Sector</p> <p>Increase in products certified to local standards</p> | <p>BITC</p> <p>Botswana National Productivity Centre (BNPC)</p> <p>LEA</p> <p>CEDA</p> <p>BOBS</p> <p>BQA</p> | <p>Strategic alliances between BITC and the Senior Experten Service (SES) (Germany) – provide technical human resource to work with local companies in support of creating export capacity;’</p> <p>Strategic alliance developing export courses – e.g. CDE and BITC; and</p> <p>Firms in the Botswana Textile and Clothing Association have been coming together in order to fulfil orders for the regional market.</p> <p>MITI’s Department of Industrial Affairs has commenced a National Uniforms project to ensure recognition of local SMEs for production and supply of domestically manufactured goods.</p> |
| 9. Facilitate regional integration of identified sectors to address production | Develop a database of sector related associations and players in the region | <p>Identified production capacity and needs per sector in the region</p> <p>Volume of possible production output for</p> | Statistics on available production quantities in the region and potential regional market for local products | <p>BITC</p> <p>LEA</p> <p>BNPC</p> | LEA has the mandate of assisting firms – especially SMEs – in producing competitive products; LEA’s support efforts entail taking firms through the |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| capacity issues and develop markets for local products | Identify production capacity and needs for each sector in the region Study the regional value chains where necessary | each sector locally and in the region Potential regional market requirements per sector Regional value chain studies contracted | Regional value chain linkages facilitated | | production process and ensuring that they rationalize production costs; and They support firms from sectors such as chemicals and detergents, as well as agro-processing. |
| 10. Engage local and regional U.S. government agencies for technical assistance and TCB programs and how to access them | Identify technical assistance required to facilitate export development and to increase investment in Botswana Identify local and regional US agencies offering required technical assistance and TCB Conditions for accessing the available support from the U.S. agencies | Identified local and regional U.S. agencies offering relevant technical assistance and TCB support Support required per AGOA priority sector from US agencies | Number of technical assistance programs provided per sector Several participants and/or firms assisted, and amount of technical assistance provided | MITI, AGOA Office | MITI and BITC has routinely engaged US agencies (The USAID TradeHub and the US Embassy in Botswana) in AGOA strategy design and implementation. In Sept 2018, MITI collaborated with USAID to host two to three-day workshops for the NIP sector and discuss export requirements for the U.S. market In May 2019, CIPA, MITI/BITC and U.S. Embassy collaborated to host workshops on entry requirements into the US market and IP awareness The Ministry of Agriculture, BMC have engaged USDA APHIS in the beef industry market access discussions. The USAID TradeHub has also been involved in |

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| | | | | | supporting Ministry of Agriculture and BMC in the drafting of the Farm Assured Botswana Beef (FABB) Manual. |
| 11. Facilitate reduction of cost of production | Identify major contributions to cost of production per sector Identify tools to reduce costs of production for each sector | Percentage reduction in production costs | Increased volumes of production Improved competitiveness due to reduced costs of production | MITI-DIA | Review of the Textile and Clothing Strategy Engaging with Companies Intellectual Property Authority (CIPA) to develop an IP regime for natural products. |
| 12. Identify and implement essential industry incentives to improve export competitiveness | Identify available and possible incentives for each priority sector Identify required sector specific incentives Assess the feasibility of providing required incentives | Number of required incentives per priority sector Available incentives per AGOA priority sector Conditions and approved budget for the incentives | Number of incentives provided per sector Number of beneficiaries per sector Improved production capacity and competitiveness | BITC AGOA Office SEZA and MITI | There are no export incentives yet. But there will be export incentives tied to SEZs, once these are operationalized. |
| 13. Implement trade facilitation tools to reduce time and cost of doing business | Implement relevant trade facilitation tools Identify customs administration procedures that require improvement Implement the relevant mechanisms to reduce | Number and effectiveness of trade facilitation tools implemented Number of administration procedures targeted for improvement | Reduced time and cost of doing business Improved efficiency at ports and borders Improved competitiveness | MITI (Doing Business Unit) | Botswana has performed relatively well in this area compared to other countries, although there is still significant scope to improve; COVID-19 pandemic has led to delays at the border due to a lack of readiness to deal |

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| | time and cost of doing business | | | | with the new requirements around testing; SADC has issued agreed guidelines on how to approach COVID-19 at ports of entry; The implementation of RIA in Botswana is still on-going; |
| 14. Improve coordination of local suppliers to address challenges with production capacity and cost of transport | <p>Investigate available suppliers to evaluate supply constraints for each AGOA priority sectors</p> <p>Access production capacity constraints for each AGOA priority sector</p> <p>Provide relevant instruments to address identified supply and production capacity constraints</p> <p>Investigate alternative transport options</p> | <p>Number of local suppliers available in the country and constraints faced</p> <p>Production capacity for quality products in the country</p> <p>Available capacity building tools to improve production capacity</p> <p>Possible alternative transport options and reduce cost of transport</p> | <p>Improvement in supplier value chains to increase production</p> <p>Reduced cost of transport for local products</p> <p>Improved accessibility of products to relevant markets both locally and regionally</p> | MITI | Inter-ministerial and inter-agency coordination has remained a significant challenge. However, efforts to promote coordination are on-going. For instance, there are BITC contact persons deployed in relevant departments such as the Doing Business Unit and the Industrial Affairs Department to ensure that there is alignment and coordination in the implementation of AGOA Utilization initiatives, and related interventions. |
| 15. Strengthen export development programs | Identify sources of external and internal funding for each AGOA priority sector | Sources of funding for each AGOA priority sector | <p>Increased markets for exports</p> <p>Enhanced capacity and competitiveness for exporting to other countries</p> | BITC | Diagnostic for export readiness – 98 companies surveyed across the country |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
|---------------------|---|---|---|------|---|
| | <p>Improve access to sources of funding for targeted sectors with potential increase in production and exports</p> <p>Establish twinning and market access whereby a selected market agency uses its extensive contacts to help create alliances between an export and parties with proven technical and managerial competencies, as well as market access capabilities;</p> <p>Develop linkage programs between SMEs and large organizations to allow SMEs to develop good work ethics, a culture of producing quality goods and have access to markets</p> <p>Facilitate linkage between local organizations wishing to cooperate to meet export quantities required by the U.S. market</p> | <p>Identified channels for accessing funds for each priority sector</p> <p>Number of strategic alliances formed to strengthen market competencies and capabilities</p> <p>Number of local SMEs engaged in linkage programs with local large organizations</p> <p>Number of exporters trained on AGOA</p> <p>Value of exports under AGOA</p> | <p>Improved market and competitiveness of SMEs due to synergies between SMEs and large organizations</p> <p>Increased number of exporting companies utilizing the AGOA programs</p> | | <p>Facilitating quality management systems: Supporting seven firms</p> <p>Organic certification: assisting six companies</p> <p>Export marketing plants – assisting 27 companies</p> <p>Supplier development program for regional exporters - six companies assisted.</p> <p>Meanwhile, the Botswana Exporter Development Program (BEDP) has been revised and extended to cover period of 2020-2024</p> |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| | Develop an AGOA export development initiative focusing on training and capacity building of exporters to ensure their success and sustainability on the market | | | | |
| 16. Increase access to the U.S. market by selected local products with potential for export under AGOA | <p>Identify and provide necessary training and capacity building on targeted U.S. technical regulations and standards</p> <p>Organize benchmarking visits to the United States and attachments of relevant personal targeted organizations in the United States</p> <p>Partner with U.S. institutions such as American National Standards Institute (ANSI), National Institute of Standards and Technology (NIST) and ASTM international to improve capacity on standards and quality</p> | <p>Number of identified local products to develop for export to U.S. market</p> <p>Number of identified training and capacity building on U.S. technical regulations and standards</p> <p>Required benchmarking visits to the United States</p> <p>Several staff attached to targeted organizations in the US to understudy standards, quality and market requirements</p> <p>Number of partnerships of local companies and U.S. institutions</p> | <p>Increased knowledge of US standards quality and market requirements</p> <p>Enhanced quality of local products resulting in increased access of local products into the U.S. market</p> <p>More exporters equipped with substantial requisite knowledge of the U.S. market</p> | MITI BITC BOBS | <p>Three AGOA awareness workshops on Food Safety requirements as well as Arts and Crafts – There were 36, 34 and 39 participants in the respective workshops;</p> <p>Farmer Assurance Scheme in support of the Beef Sector – two sets of workshops (four in total); Training of Trainers, and then Training of Farmers; Held in Gaborone and Francistown; This led to the production of the Farmer's Manual;</p> <p>In collaboration with the U.S. Embassy, three workshops were held in Francistown, Palapye and Gaborone on IP relevance for export to U.S. – May 2019.</p> |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| | Identify customs constraints on access to U.S. market | | | | More funding is needed for product development, export incentive programs and product certifications; |
| 17. Continue to develop infrastructure and reduce cost of production | <p>Review essential infrastructure to identify areas that need attention and prioritize the requirements based on importance and availability of required funds</p> <p>Encourage collaboration between exporters to reduce transport costs</p> | <p>Number of identified essential infrastructure development projects to facilitate export development and increased investment</p> <p>Number of collaborative efforts taken by exporters to reduce transportation costs</p> <p>Number of exporters with reduced cost of production</p> | Reduced cost of production increased competitiveness and improved investment in AGOA priority sectors | Ministry of Transport and Communications | Kazungula Border Post (Botswana and Zambia) developed in 2020 to enhance customs and border cooperation. |
| 18. Provide exporters with regional and international databases according to products and sectors | <p>Conduct needs assessment for trade database</p> <p>Facilitate the establishment and maintenance of a database for potential export products per sector</p> <p>Facilitate training on accessing and utilizing the database</p> | <p>Volume of trade database developed on products and sectors</p> <p>Number of workshops on accessing and utilizing the database as well as number of participants trained</p> | <p>Improved access to data on available products per sector</p> <p>Enhanced marketing and competitiveness of local products regionally and to the US market</p> | BITC | <p>Private sector has noted the use of own databases for policy engagement and planning. Botswana Statistics are mandated to provide data on other macro-variables.</p> <p>BITC has an online portal, which does not provide statistics. However, BITC is currently developing an export database and catalogue</p> |

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| | | | | | The Secretariat (DIT) has developed needs assessments through sector engagements. |
| 19. Increase productivity of priority sectors for exports under AGOA | <p>Investigate existing productivity constraints of priority sectors of exports under AGOA</p> <p>Suggest methods of enhancing productivity for priority sectors</p> | Number of mechanisms identified for enhancing productivity for each sector | <p>Increased productivity per AGOA priority sector</p> <p>Increased exports and profits per sector</p> | MITI's Department of Industrial Affairs (DIA) Department of International Trade (DIT) | <p>There has been attempts to support businesses to increase productivity, and these include:</p> <p>The Enterprise Development Program (2016-2019): A collaboration between the EU, Government of Botswana, Business for Botswana, and the Centre for Enterprise Development. Tokafala Program – Objective was to target local enterprises and support them to improve competitiveness; and also help SMEs through capacity building, marketing and branding; and</p> <p>Botswana Exporter Development Program by BITC – identifies export-ready companies and assists them with technical support to meet standards, quality requirements in export markets and in marketing their products.</p> |

| Strategic Objective | Activities Initiatives | Performance Indicators | Targets/ Outputs | Lead | Progress |
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| 20. Develop a skills transfer program to ensure skills transfer by expatriates to locals | <p>Conduct a skills audit to identify skills gap for each sector</p> <p>Engage stakeholders to agree on a mechanism to transfer essential skills from expatriates to locals during their attachment to the firm</p> | <p>Relevant skills identified for the skills transfer program</p> <p>The skills transfer mechanism or program to be used and the duration</p> | <p>Number of locals with relevant skills achieved through the skills transfer program</p> <p>Number of local workers with skills required by priority sector firms</p> | Ministry of Employment, Labour and Home Affairs HRDC | <p>There is need for a Board or Committee to coordinate and align skills needs;</p> <p>To engage HRDC to align as per the revised NES and HRDC priorities.</p> |
| 21. Provide grants and soft loans for start-ups, SMEs, women entrepreneurs and businesses owned by other disadvantaged groups | <p>Review the AGOA priority sectors to identify opportunities for projects requiring assistance</p> <p>Develop a mechanism for providing and managing the grants and loans</p> | <p>Number of possible opportunities for SMEs and women owned businesses per sector</p> <p>Demand for support and the available budget for grants or loans for such projects</p> <p>Number of assisted start-ups, SMEs and women</p> | Increased participation in AGOA priority sectors by start-ups, SMEs, women entrepreneurs and businesses owned by other disadvantaged groups | MITI, Ministry of Gender Affairs | <p>Lack of access to short term credit is still a problem. Private sector needs more communication from government and CEDA regarding availability of funds lying in various Ministries. Meanwhile, CEDA still requires 100 percent collateral, yet most SMEs in the various industry sectors don't have collateral;</p> <p>With respect to gender, there is a She-Trade initiative being led by the First Lady of Botswana, to promote women's participation in international trade. Its coordination is done through DIA.</p> |



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