

# EXPORTER'S GUIDE

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## FOREWORD



Economic diversification has been central to Botswana's developmental agenda over the years, however the desired level of diversification has not been achieved thus far. To date, the country has remained highly dependent on the mining sector, in particular diamonds. This has exposed the country to external economic shocks as a result of being a single commodity dependent economy. The need to diversify the country's economy remains a priority for government as reflected in the National Development Plan 11 (NDP 11), and the goal during the plan period is to pursue export – led growth. The Botswana Export's Guide therefore comes at a time when the national plan is geared at promoting export growth.

The need for an export focused economy emanates from a small market with a narrow product and export base that does not support local industries to achieve economies of scale and become competitive globally. The export sector plays an important role in the economy of Botswana, influencing the level of economic growth, socio-economic development, employment creation and balance of payments. Mineral products, especially diamonds, continue to be the

main drivers of export performance. There is no doubt that future economic progression requires a vibrant diversified export sector with an increased role for non-traditional exports. To generate more employment opportunities the country has to build more companies of international scale.

The Exporter's Guide is therefore meant to serve as a reference for all companies that are interested in pursuing the export markets. It provides discussions about the benefits of exporting for both company and the country, how to conduct export market research, various preferential market access instruments that Botswana has signed with other countries, and some guidelines that companies need to follow to become exporters. This guide must be used alongside other information resources as the information provided is not exhaustive. Other useful contacts and links have been provided to enable readers to access additional information.

I hope that you find the Guide a useful tool in your business and future endeavours.

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**Hon. Vincent Seretse**  
 Minister of Investment, Trade and Industry

# 1. INTRODUCTION

1.1 Background

1.2 Botswana's Trade Structure

1.3 Benefits of Exporting

1.4 Challenges of Exporting

# 1. INTRODUCTION

## 1.1 Background

With a population of around 2 million people, exporting is probably more important to Botswana than it is to larger economies like China and USA. Botswana's post-independence macro-economic success is largely attributable to strong performance in mineral exports especially diamonds. Botswana's export portfolio is highly undiversified, with diamonds accounting for over 80% of the country's export earnings. In 2013 export of goods and services accounted for 50.2% of Botswana's Gross Domestic Product (GDP). The dollar value of world merchandise exports in 2014 were estimated at \$19 trillion, 0.6% higher than in 2013. World service exports were estimated at P4.9 trillion dollars, up 4.2% from 2013 level.

Exporting is very important to Botswana as it is a main contributor to economic growth, competitiveness, and overall prosperity. Export success contributes to job creation, globally competitive and highly productive enterprises, and diversifies national income thereby reducing vulnerability to global economic shocks.

The term 'Export' can be defined as the sale of goods or services to foreign consumers or other countries in exchange for foreign exchange. Companies can export their goods or services directly to their clients or indirectly through an intermediary such as commission agents, buying houses and distributors. The export strategy to use in any particular market depends upon several factors such as export expertise within the company, the ease of doing business in the targeted export market, and availability of necessary infrastructure within the company or the ease of accessing the same.



## 1.2 Botswana's Trade Structure

Botswana's international trade structure is characterized by amongst others; a heavy reliance on imports, mineral dominated export products, limited export markets, limited export capacity, lack of proximity to niche markets, under developed logistic network leading to excessive transport costs, limited information about how to export, locate, or analyze international markets and shortage of working capital to finance exports.

**Table 1: Botswana's Major Export Products (P million)**

	Copper Nickel	Diamonds	Gold	Hides & Skins	Iron Steel & Related Products	Machinery & Electrical Equipment	Meat & Meat Products	Plastic & Plastic Products	Salt & Soda Ash	Textiles	Vehicles & Transport Equipment	Other Goods	Total
2012	3 551.0	36 143.0	641.8	63.0	339.2	1 034.0	511.0	246.6	451.6	617.4	992.4	1 224.5	45 815.5
2013	4 746.9	55 367.2	471.1	90.4	467.2	1 188.7	1 040.8	242.0	499.2	365.9	660.0	1 262.3	66 401.7
2014	4 391.7	65 328.2	373.3	85.7	356.6	1 442.7	1 046.6	290.8	595.3	375.4	599.9	1 322.1	76 208.3
2015	3 769.1	52 662.4	267.6	88.6	242.1	2 003.1	1 164.2	292.0	593.7	372.5	700.4	1 187.5	63 343.2

Source: Statistics Botswana

**Table 2: Botswana's Major Export Products (%)**

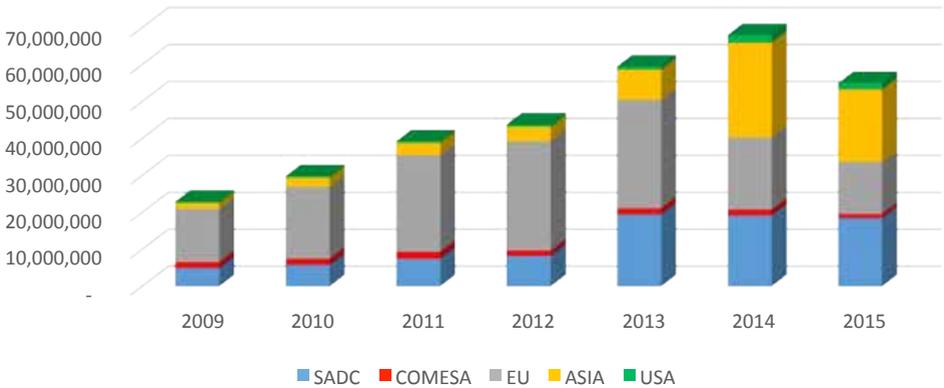
	Copper Nickel	Diamonds	Gold	Hides & Skins	Iron Steel & Related Products	Machinery & Electrical Equipment	Meat & Meat Products	Plastic & Plastic Products	Salt & Soda Ash	Textiles	Vehicles & Transport Equipment	Other Goods	Total
2012	8%	79%	1%	0%	1%	2%	1%	1%	1%	1%	2%	3%	100%
2013	7%	83%	1%	0%	1%	2%	2%	0%	1%	1%	1%	2%	100%
2014	6%	86%	0%	0%	0%	2%	1%	0%	1%	0%	1%	2%	100%
2015	6%	83%	0%	0%	0%	3%	2%	0%	1%	1%	1%	2%	100%

Source: Statistics Botswana

**Figure 1: Botswana's Major Export Markets**

Botswana's current key partners are EU, ASIA, and SADC. EU and ASIA are key markets for diamonds while SADC and COMESA absorb mostly non-diamond products. EU's relative importance as an export market has declined since the relocation of Diamond Trading Company from London to Botswana. ASIA has increased in relative importance in recent years whilst SADC remains an important market for Botswana products.

## Botswana's Exports by Region (BWP million)



Source: Statistics Botswana

### 1.3 Benefits of Exporting

There are many benefits that the companies can derive from exporting. These include the following:

- ***Gaining economies of scale through growth and expansion into new markets.*** Exporting provides companies with an option to accelerate production to levels that help it to achieve economies of scale. Achieving greater economies of scale will allow a business to become more cost competitive.
- ***Increasing profits*** - Exports can contribute to increased profits, although this depends on the export market and the unique attributes of each market. Some products – especially those that are unique or very innovative in nature – may command greater profit margins abroad than in your local market. However, it is also not uncommon that you may receive smaller profit margins from your export sales compared with the local market, due to the highly competitive nature of global markets that force exporters to lower prices and squeeze profits.
- ***Extending the sale of products or services that have lost demand in the domestic market but may still be in demand in foreign markets.***
- ***Exposure to new ideas, technologies and business processes*** - this provides opportunities for companies to improve knowledge and increase competitiveness.
- ***Improved return on investment (ROI) in the longer term*** - As the result of competing in world markets, often companies improve efficiency and performance which translates to their bottom line.

- **Enhanced credibility** – selling to export markets can increase company credibility in both domestic and export market. Usually exporting companies are viewed as being sophisticated and often associated with quality products. Having references in foreign markets enhances the company's prospects of entering more export markets.

## 1.4 Challenges of Exporting

As with all business activities, exportation has its own challenges. Challenges may include among others:

- Political instability in international markets which may pose new challenges to your business.
- Legal systems more than likely will vary from that of Botswana. It is important to understand what you need to do to comply with legal requirements in all elements of the export process.
- Communication issues need to be considered carefully as you are likely to be operating remotely from your export markets and customers.
- Different cultures may influence business decisions and processes in different ways.
- Protecting intellectual property in export markets can be difficult and complex.
- Exporting places extra pressure on business resources.
- Additional funding required for export, trading terms and dealing in foreign currencies may place pressure on your cash flow and financial situation.



## 2. EXPORT READINESS

## 2. EXPORT READINESS



An export ready firm is one that has, at a minimum, the drive, experience, financial resources, and capacity to successfully meet demand for its product in a foreign market. The table below outlines the factors to consider to gauge the level of company readiness to enter export markets.

	Area	Issues to Consider
1	Preparatory work/ scoping	Participation in export-related workshops, training programs, or conferences. Participation international trade shows or scoping missions
2	Proven business model	Is the company successfully operating its business in its home market?
3	Export experience	Does the company have, at least, some experience in executing orders outside of its own?
4	Health of company	Number of full time employees, number of part-time/seasonal staff, total number of years in business – may gauge reliability
5	Export budget	Does the company have a separate or line item budget for exporting?
6	Strategic vision/ export strategy	Does the company have a strategic vision for exporting? Are export objectives clearly stated?
7	Human resources	Does the company have a contact person or team dedicated to exporting?

8	Competitive edge	Does the company produce a unique product or service? Does it have capacity to modify the product to meet market requirement or/and demand?
9	Product capacity	Does the company have sufficient production capacity currently? Can it easily expand this capacity?
10	Certifications	Does the company possess relevant certification to meet country regulations/industry requirements? E.g. International Standards Organization, Fair Trade, or applicable certification
11	Product quality	Does the company have quality products – packaging, labelling, etc? Are quality control processes in place to ensure consistency?
12	Communications- IT/Email	Are relevant staff proficient to communicate with buyers/companies in the target markets?



# 3. HOW TO EXPORT

3.1 Registering as an Exporter

3.2 Market Research

3.3.1 Market Analysis – The Process

3.3.2 Research Techniques

## 3. HOW TO EXPORT

An enterprise that is considering to export is confronted with several steps that it needs to follow in order to be successful. These steps help the company amongst others to gather critical information about markets of interest, conduct feasibility analysis of entering those markets, consider the risks, understand foreign business practices, formulate export plans, and formulate market entry strategies. Some of the steps to consider include:

- Exporter registration procedures
- Market research
- Product and market selection
- Export planning
- Logistics planning
- Market entry strategies
- Export financing
- Payment options
- Customer service and retention strategies
- Market access instruments such as trade agreements
- Useful contacts

### 3.1 Registering as an Exporter

Any trader that is considering to export from Botswana is required to first register a company in Botswana. The company then has to register with Botswana Unified Revenue Service (BURS) in order to be issued with a Trade Identification Number (TIN).

Certain goods require export licenses while others can be exported without restrictions. Clarification can be sought from BURS about the list of products that require export licenses.

Any trader wishing to export under trade agreements must register with BURS. The following information should be included in the application letter.

- The trade agreement you wish to export under
- Country of importation
- Name of the exporting company
- Physical address of the exporting company
- Contact details: production manager's telephone number, fax number and email address.
- Names of directors and their nationalities
- List of products intended for export, under the agreement, including tariff codes
- List of raw materials used and their tariff codes
- State the origin criteria of your products

## Attachments to the letter

- Sketch Plan showing the factory layout and machinery used
- Certificate of incorporation
- A detailed step by step manufacturing process of the goods intended for export

## 3.2 Market Research

Market research does not necessarily involve highly technical skills that can only be done by large exporters or corporations. Market research means finding out as much as possible business information about the export market of interest to facilitate decision making and export planning.

The business information gathered helps the company to determine if it can penetrate and compete in the market while at the same time gauging time, requirements, risks and costs involved in doing business ahead of actually operating or sending goods to that market. Other information to gather by market research includes market size and growth, competition pricing, regulations, duties/tariffs and product standards.

### Caution:

1. Do not “jump into a market” without prior research - your competitors will know what you are doing and counter your efforts, plan against you and block you off before you know how their market works.
2. Never ignore the importance of market research

### 3.2.1 Market Analysis – The Process

This interactive process requires you to plan and understand your aims, product, strength and weaknesses. When doing the market analysis, before actually choosing your next export destination, you will uncover niche markets, possible markets and also understand how you stand to compete and benefit in the markets. Based on best practices, the International Trade Centre has developed a table of market analysis process outlined below:

Process	Key elements and tools
Design your plan	<ul style="list-style-type: none"> <li>• Devise a plan upfront according to a process</li> <li>• Outline content for your guidance</li> <li>• Use a range of research techniques</li> <li>• Result: a research plan</li> </ul>

Know your own company	<ul style="list-style-type: none"> <li>• Start by outlining your export plan or strategy</li> <li>• Do a SWOT (strength, weakness, opportunity and threat) analysis</li> <li>• If SWOT analysis indicates threats or limitations of your company in the new market, consider not exporting now, delay until conditions improve</li> <li>• Discuss your unique selling proposition (USP)</li> <li>• Result: a research plan based on company needs</li> </ul>
Conduct initial research from home-desk research	<ul style="list-style-type: none"> <li>• Analyze trade flows to various markets to screen the markets</li> <li>• Collect data on barriers to entry, regulations, competition, distribution, business culture, and key relevant aspects</li> <li>• Cross-check your data with key institutions like BITC</li> <li>• Results: you have data to compare a series of markets</li> </ul>
Select target markets	<ul style="list-style-type: none"> <li>• Do a model to rank markets based on research or criteria that works for you</li> <li>• Align these markets with your export strategy/ plan</li> <li>• Understand implications of your findings and how you plan to enter the market</li> <li>• Result: you have selected markets for your actual field research or buyers' contacts</li> </ul>
Do field research or buyers' contacts	<ul style="list-style-type: none"> <li>• Develop plans to visit the target market</li> <li>• Research and or attend trade exhibitions there.</li> <li>• Implement findings gained from the visits/ buyers' contacts</li> <li>• Combine findings from desk and field research into an export marketing plan</li> </ul>
Connect research to strategy	<ul style="list-style-type: none"> <li>• Revise your SWOT analysis</li> <li>• Develop the export plan</li> <li>• Develop the export pricing</li> </ul>
Find business partners	<ul style="list-style-type: none"> <li>• Outline the visit to establish representation</li> <li>• Meeting potential representatives</li> <li>• Cross-checking and validating opinion and advice</li> </ul>
Sustain exports	<ul style="list-style-type: none"> <li>• Cultivate and export culture in your organization</li> <li>• Continue market research to stay on top of competition</li> </ul>

Source: International Trade Centre (ITC)

Once you have finished your research, establish the market analysis in the following manner:

### **Outline of the market analysis:**

- Product description and unique selling points
- Market volumes and growth prospects
- Market access conditions tariff and para-tariff measures, rules of origin, quantity restrictions, taxes, charges, price control measures etc
- Regulatory environment: target market (technical standards, quality, conformity assessment, pre-shipment inspection, packaging and labelling, procedural and administrative matters
- Market structure: distribution channels, intermediary roles, stocking policies
- Competition: including pricing and mark-ups, distribution restrictions, restrictive import channels or post sales services, domestic subsidies, SWOT
- Transportation: a key factor in accessing potential new markets, the mode, and costs, insurance required to get the product to the market
- Business culture: language, understanding how transactions are negotiated
- Intellectual Property rights: patents, trademarks, industrial designs, copyright, geographical indications and trade secrets
- Geography: ease of travel and time zones (visas, internal travel etc.)
- Financial considerations: banking systems, regulations on foreign exchange, advance payments etc.
- Legal and contract issues: recourse available for dispute settlement

The above are normally governed through the specific conditions specified in the trade agreements between exporting country and that of the potential market. A proper market research will go a long way in helping the exporter to make correct choices of markets and minimize entry risks and improve chances to sustain exports into the market.

### **3.2.2 Research Techniques**

To undertake research you can consider the following:

- i. Consult existing market research:** it is imperative to establish if research about a particular market already exists. For example from BITC, BIDPA, Ministries and other bodies at home and abroad. Websites like [www.marketresearch.com](http://www.marketresearch.com), [www.euromonitor.com](http://www.euromonitor.com) and others offer market survey results for different markets.
- ii. Take advantage of face-to face and phone contacts:** Learn from sources in Botswana such as BITC, the Botswana Trade Portal, MITI, BEMA, BOCCIM and visit buying agents, trade fairs like BITC's Global Expo, competitors and Embassies.
- iii. Plan in-market visits carefully:** before leveraging on BITC's promotional visits to potential markets, be carefully shrewd to ensure the market will yield something positive.

**iv. Make market analysis a norm in your daily business operations:** Successful exporters continuously ask themselves “Is my product competitive?” As markets and conditions evolve at pace with modern international trade landscape, exporters too must be flexible and responsive to changing conditions and update their market analysis by consulting reliable sources and their local trade support organizations like BITC to update competition, relationships with buyers etc.

**v. Criteria to Score and Rank Markets. The Simple Approach to creating an index:**

Market Analysis Variable	Score (1-5, 5 is best)
Market volume	Very large (5), large (4), medium (3), small (2), very small (1). Relative size determined by world rankings
Market growth	Very fast (5), fast (4), medium (3), slow (2), very slow (1), Growth is based on expected world import growth. It can be negative
Market access-tariff	Very favourable (5), favourable (4), neutral (3), unfavourable (3), very unfavourable (1), looks at the tariff prevailing in the market
Market structure-distribution channels etc	Very favourable (5), favourable (4), neutral (3), unfavourable (3), very unfavourable (1)
Competition-including analysis of market pricing and mark-ups	Very favourable (5), favourable (4), same as home market (3), highly competitive (1). This is mostly derived from your SWOT analysis
Language, culture and business culture	Very easy (5), Easy (4), neutral (3), difficult (2), very difficult (1)
Legal and contract issues	Very favourable (5), favourable (4), neutral (3), unfavourable (3), very unfavourable (1), looks especially at enforceability of contracts
Geography-proximity, ease of travel	Very easy (5), Easy (4), neutral (3), difficult (2), very difficult (1). This is a key indicator for success especially for new exporters

Regulatory environment-target market's NTMs, technical standards, packaging and labelling etc.	Very favourable (5), favourable (4), neutral (3), unfavourable (3), very unfavourable (1), based on special aspects of your product
Financial security-banking system, foreign exchange, financial information etc.	Very favourable (5), favourable (4), neutral (3), unfavourable (3), very unfavourable (1)

After assigning scores in the market analysis, an exporter must then assign weights depending on how important the variables are in their decisions. For example, inexperienced exporters may assign more weight to language, culture, proximity and market growth. Similarly other exporters may want to assign more weight to some other factors key to them. It is important that your weight sums up to 100%. For example see the table below:

#### vi. Ranking Sheets: Market A

	Score	Weight (%)	Weighted score	Interpretation
Market volume	3	5	$(5/100)*3 = 0.15$	Medium market, but in top 20
Market growth	5	10	0.5	Market is growing 10 points faster than world market, is also increasing
Market access-tariffs	3	10	0.3	We are on equal footing with competitors, tariffs are reasonable
Market structure	1	10	0.1	Expensive distribution
Competition	2	20	0.4	High competition from domestic and foreign firms
Language, culture and business culture	5	5	0.25	We understand the market well
Legal and contract issues	5	10	0.5	Strong contract enforcements
Geography	5	5	0.25	This market is closer, in the same time zone, ease of transport
Financial security	3	5	0.15	Similar or comparable financial system with an advantage or disadvantage

Regulatory environment	4	20	0.6	Doing business is straight forward for our product, quality meets standards in this market
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Note however, that this is not a scientific model but provides a good guidance to help you have an idea on how you can rank the markets.

It is key to match the outcome of this exercise with your initial export strategy as an exporter. Here are illustrations to guide you to ask important questions in linking your company goals with the research from the markets.

1. If you seek initial sales of BWP1million per annum, as well as a chance to establish without any take overs, but your target market dominated by local companies generates BWP5-10million equivalent with few companies your size, this is NO match for you.
2. To establish a local distribution and the market is dominated by one major retailer and entry is tough, NO.
3. If you aim to establish sales to industrial end-users and you discover potential buyers in the market are keen to deal direct with you or may be local distributors do not service the market well, YES.

Notice however that entry strategies depend on market types. For example if a market is large, readily accessible, less complex, has intense competition with firms having their roots deeply dug, it means that the market has high entry costs and product promotion. If on the other hand you have a medium-market with strong competition from importers not local manufacturers, access to buyers being good with traders looking for new products, brands and offering, then it is an opportunity for small exporters with a thorough market research.

#### vii. Some important links:

- a. Botswana Investment & Trade Centre: [www.gobotswana.com](http://www.gobotswana.com)
- b. ITC Market Analysis Tools: [www.intracen.org/marketanalysis](http://www.intracen.org/marketanalysis)
- c. Australian Government: Market Research and Statistics
- d. Canada's Step-by-Step Guide to Exporting: [www.infoexport.gv.ca/eng/StepENGPDF.pdf](http://www.infoexport.gv.ca/eng/StepENGPDF.pdf)
- e. Enterprise Ireland: [www.enterprise-ireland.com/Export/Export+advice](http://www.enterprise-ireland.com/Export/Export+advice)
- f. US Small Business Administration
- g. The Netherlands Centre for the Promotion of Exports from Developing Countries

# 4. EXPORT PLAN

4.1 Market Selection

4.2 Product / Services Selection

4.3 Pricing Strategy

4.3.1 How to Calculate Export Prices

4.3.2 Export Elements Never to Overlook

4.4 Market Entry Strategies

4.5 Promotional Strategy

## 4. EXPORT PLAN

An export plan is a business plan that focusses on international markets. An export plan:

- Is central to any export strategy,
- Identifies what you want to achieve from exporting,
- Lists activities that need to be undertaken to achieve the set export objectives,
- Helps companies to remain focused on their goals.

A crucial first step in planning is to develop broad consensus among key management on the company's goals, objectives, capabilities and constraints. Thorough planning enhances the chances of success in export markets. Bad planning (or no planning at all) can lead to major failure abroad and could severely damage company's domestic operations as well.

Buy in from personnel involved in the export process is also crucial since they are the ultimate implementers of the plan. Financial institutions, lending institutions, and potential investors will usually not provide funds or export financing in the absence of well-developed export plans. An export plan should not be a static document but rather it must be used as a management tool that evolves. The company should be ready to modify the plan as and when new information becomes available and new learnings are acquired through practical experience.

### 4.1 Market Selection

Selection of export markets to sell to provides one of the most challenging decisions that companies have to make. It is advisable for first time exporters to select markets with predictable business environment and less trade barriers. Different markets presents different market entry challenges.

Gathering and analyzing information on the following factors can assist the company in its market selection decision making:

#### **i. Review of economic performance, key indicators and political stability**

Companies must study the demand, production and trade statistics for the product of interest. How much of the product is produced domestically, level of imports and level of exports. It is also important to establish the historical and projected growth rate in the demand for the concerned product.

Are they any envisaged domestic investment projects from competitors that are likely to increase supply and enhance accessibility of the product? Study the exchange rate regime and establish the risks of exchange rate losses that might affect profitability. Assess if there are any political risks that might results in business disruptions or permanent loss of market.

#### **ii. Competition, trade barriers and cultural differences**

Review the level of competition that your product is likely to face in the market. Does your product and your company have unique selling propositions that can help you penetrate the market? If chances of success are limited by intense competition, then considerations must be made to target other less competitive markets.

Trade barriers can either make it difficult for your product to access export markets or they might make your products to be more expensive. Study the barriers that your products face. These might be import tariffs, SPS requirements, labelling requirements, taxes, quotas and bureaucratic red tape. Be sensitive to cultural differences and adapt your products or business practices accordingly.

### **iii. Trade support infrastructure**

Establish if the supporting infrastructure is available in the targeted market. For example if you are selling cold chain products, are there cold storages supported by reliable electricity suppliers? Is the port or border infrastructure supportive of quick turnaround times that reduce demurrage costs and facilitate just in time deliveries?

### **iv. Respect for rule of law, enforceability of contracts and protection of intellectual property rights**

It is important to understand both legal and commercial practices in the markets of interest. In certain markets if the company gets embroiled in legal disputes, it could take forever to resolve them and even so the associated costs might be insurmountable. Investigate the market to establish the extent of protection for investors and property rights. Avoid markets where piracy is rampant and protection seem to be less of a priority.

## **4.2 Product/ Service Selection**

Can your product or service find a worthwhile market outside Botswana? Selection of the right product or service is essential for success in external markets. There are several ways to evaluate the export potential for your products or services in export markets. Some of the factors to consider are as follows:

### **i. Product performance in the domestic market**

If the product or service is performing well in the domestic market, chances are that it will succeed in the export markets, especially to consumers or customers with similar tastes and preferences.

### **ii. Unique selling propositions (USPs)**

If the product has unique features that are difficult to replicate in export markets, chances are that it will do well. Usually this type of products or services face less competition and command high prices in the market due to limited supply.

### **iii. Trends in export markets**

An analysis of performance trends in global markets will assist companies to pick products that are likely to do well. The analysis should be done both by product and country. How has the demand for a particular product or service been performing over the past five years? What is the forecast growth or decline? Which countries are the leading importers/ exporters of a particular product or service?

#### **iv. Production capacity**

- Will you be able to serve both your existing domestic customers and your new foreign clients?
- If your domestic demand increases, will you still be able to look after your export customers and vice versa?

#### **v. Product adaptability**

Sometimes the product or service might have to be modified to suit the tastes and preferences of a foreign consumer. For the product to be successful in foreign markets it must be capable of the suitable changes in its design, colour, size, taste, packaging etc.

### **4.3 Pricing Strategy**

An export market will always have additional things to consider when setting the price compared to the domestic market. Your knowledge of these is key and applies to various markets and mostly will be developed through practical experience. You must anticipate these factors and account for them always such as freight and logistics, market research, travel, logistics, communication, packaging and labelling, compliance to standards, insurance, credit, export financing and charges among others.

Proper product pricing is one of the critical drivers of financial success in export ventures. The key question facing the company is: at what price should I sell my products or services in order to sell targeted volumes and achieve the targeted profit margins? The price considerations listed below can guide the company to establish the right price for its products or services:

- What type of market positioning (customer perception) does the company want to convey from its pricing structure?
- Does the export price reflect the product's quality?
- Is the price competitive?
- Should the firm pursue market penetration or market-skimming pricing objectives abroad?
- What type of discount (trade, cash, quantity) and allowances (advertising, swell, and rebates) should the firm offer its foreign customers?
- Should prices differ by market segment?
- What pricing options are available if the firm's costs increase or decrease?
- Is the demand in the foreign market elastic or inelastic?

- Are the prices going to be viewed by the foreign government as reasonable or exploitative?
- Do the foreign country's anti-dumping laws pose a problem?

It is imperative that as an exporter you check multiple sources for price information. You will need a true picture about the real price level prevailing in the market of interest. In addition to 'top down analysis' you need to consider the following information sources:

- Check supermarkets and convenience stores in the target market to know retail consumer goods prices.
- Check online market places
- Check government funded and private agricultural market information or related
- Similarly ITC market news service can be reached at [www.intracen.org/mns](http://www.intracen.org/mns)

### 4.3.1 How to Calculate Export Prices

Armed with prevailing prices in the target market, your next move is to calculate your international price to see if you can operate in the market. The traditional approach has been calculations using the "cost plus" method while the new method called "marginal or differential costing" is common among today's exporters and is known to achieve competitive prices necessary to foster entry into target markets. Another approach will be to set an export price that is below the cost of production so you gain access to the market or dump into the market at your own risk though this might result in strong competitor response or even anti-dumping investigations.

Cost-plus pricing involves a series of scenarios starting with ex-works or wholesale prices taking into account transport, clearance, marine insurance and others. This approach includes the domestic price component but additional things making up the export price may drive it rather high making your goods uncompetitive, hence most exporters use it as a reference price only.

Marginal costing takes into account variable costs like direct labour, direct material, and variable overheads for manufacturing. It is important in instances where the firm seeks export competitiveness by setting low prices to take advantage of its excess production. Using direct costs of production and sales ahead of your fixed costs, here you set the base price of your product/service such that these more than pay for your direct costs. Through the marginal cost you can determine the least absolute price you can charge in your target market.

#### **Caution:**

Entry prices will have to be sustainable in the target market. If you use the marginal cost, ensure you can recover your fixed costs in your local market. Also be aware that your entry price is your indicative base level and the market expects future discounting on it.

### 4.3.2 Export elements never to overlook

Do not underestimate costs and contingencies. This is why market research is important. A proper research underlies your prices and returns as well as the understanding between you and your buyer. Never underestimate freight and handling charges, avoid last minute product modifications and ensure proper packaging and labelling as required, the right documentation and delays at ports of clearance and discharge.

## 4.4 Market Entry Strategies

Market entry strategies outline the options available for the company to deliver and distribute products or services in the export markets. The four common market entry methods available to companies include:

- Direct Exports
- Indirect Exports
- Partnerships and,
- Acquisitions/ Investments.

### i. Direct Exports

This involves marketing and selling the products directly to clients. The advantages and disadvantages of direct exporting are captured in the following table:

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• The company has complete control over exporting process</li> </ul>	<ul style="list-style-type: none"> <li>• Costs of running export office may be higher than the benefits of exporting</li> </ul>
<ul style="list-style-type: none"> <li>• Enhance profit margins due to savings made on sales commissions</li> </ul>	<ul style="list-style-type: none"> <li>• Exposure to direct risk</li> </ul>
<ul style="list-style-type: none"> <li>• Closer relationships with the foreign customers</li> </ul>	

### ii. Indirect Exports

This involves selling products or services to export markets through an intermediary such as an agent or distributor. The advantages and disadvantages of indirect exporting are captured in the following table:

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>No strain on the firm as it doesn't have to set up export function</li> </ul>	<ul style="list-style-type: none"> <li>Agent can sometimes misrepresent firms</li> </ul>
<ul style="list-style-type: none"> <li>The firm can choose the best expertise available to represent its export interests</li> </ul>	<ul style="list-style-type: none"> <li>The exporter and the intermediary may not share common objectives</li> </ul>

### iii. Partnerships

It might be advantageous for the exporting firm to partner with a local company for strategic reasons. For example, a partnership can complement the exporter's capabilities and provide local expertise, insights, and contacts. The following are some of the partnership options available to companies:

- Licensing**

A licence is the grant of rights to another business so that it can legally use your proprietary technology and/or intellectual property. This usually does not involve granting all the rights to the property.

- Franchising**

Arrangement where the exporter (the franchiser) grants the local business partner (the franchisee) the right to use its trademark or trade-name as well as certain business systems and processes, to produce and market a good or service according to certain specifications.

- Joint Venture (JV)**

New firm formed to achieve specific objectives of a partnership like temporary arrangement between two or more firms. JVs are advantageous as a risk reducing mechanism in new-market penetration, and in pooling of resources. They, however, present unique problems in equity ownership, operational control, and distribution of profits (or losses).

### iv. Acquisitions/ Investments

A company can choose to purchase part or all shares of a foreign firm in order to expand its business interests in export markets. On the other hand the firm can choose to set up an entirely new subsidiary company to handle all its business interests in the export market. Usually the dynamics and legal requirements will guide the company in taking these decisions.

## 4.5 Promotional Strategy

Promotional Strategy outlines how the exporter intends to support his/her foreign customers, partners, agents or distributors. It includes schedules for market visits, advertising plans, design and production of relevant marketing collateral and product training for partners.

## 4.6 Action Plan

The Action Plan outlines tasks to be achieved in the Export Plan, with timing and human resources responsible for those tasks. Below is a sample of the Action Plan:

Task	By Whom	By When

## 4.7 Management Review and Follow-up

The company should continuously review export performance against the targets outlined in the Export Plan. Management commitment and oversight is a critical component of ensuring success of the Export Plan. Constant review of export performance enables the firm to adjust export plans as new information and experiences become available.

# 5. BOTSWANA'S MARKET ACCESS TRADE ARRANGEMENTS

## 5.1 Botswana's Trade Arrangements

## 5. BOTSWANA'S MARKETS ACCESS TRADE ARRANGEMENTS

### 5.1 Botswana's Trade Arrangements

Botswana has a number of trade agreements/arrangements which could be used by the industry to source raw materials as well as to export the processed goods. All the agreements are based on the World Trade Organization (WTO) principles, which is aim at promoting economic growth and development through raising living standards, ensuring full employment, ensuring an increase in real income and effective demand. This may be achieved among others through the following;

#### **Trade Facilitation**

This is an agreement that looks at how procedures and controls governing the movement of goods across national borders can be improved to reduce associated cost burdens and maximize efficiency while safeguarding legitimate regulatory objectives.

#### **Customs Cooperation**

Customs cooperation is an aspect of Trade Facilitation where Member States' customs authorities cooperate to develop ways of easing import or export market border challenges such as customs compliance issues and valuation related data.

#### **Reduction of Tariffs**

This is where tariffs or customs duties are significantly reduced to ease product entry into the export market. Tariff reductions may mean the complete elimination of tariffs, or elimination in part. Other Agreements negotiated may be fully liberalised offering duty free – quota free market access.

#### **Elimination of Non-Tariff Barriers**

Other impediments to trade may not be tariff based, and are known as Non-Tariff Barriers. These are often encountered within the borders of the export market. Regional Economic Communities such as SADC are working towards improving ways of reporting and addressing Non-Tariff Barriers.

The Agreements that Botswana has entered into have sought to achieve the best environment for doing business through achieving the aforementioned aspects of easing cross border trade. The Agreements are summarized in Table 4.

The exporter may be required to fulfil certain requirements to export into a foreign market. They may be required to possess relevant certification to meet the export market's demand and the country's legislation. These may be;

## Product quality

This may be in the form of the required product standards in line with the International standards Organization or the exporting country's standards. It may include packaging, labelling and many others.

## Origin Certificate

This is a certificate that explains the origin of a product. It is important for traders to have knowledge of the rules of origin that are applicable under each of these trade arrangements for one to be able to export or manufacture for export. Rules of Origin (RoO) are the fine print of Trade Agreements, and they set the conditions for preferential exports. They are the requirements which set out the working and processing that must be undertaken locally in order for a product to be considered the "economic origin" of the exporting country. This distinction becomes necessary and important where some of the materials used in the production or manufacture of a good are imported from other countries.

The purpose of RoO is to prevent trade deflection and transshipment, whereby goods made elsewhere are merely routed through a beneficiary country (of trade preferences) with no or insufficient local value-adding activities having taken place. Without RoO, trade preferences would be exploited and severely undermined by non-beneficiary countries. The stringency of the relevant RoO impacts on the ability of producers and exporters to meet their requirements and can have a significant impact on trade. Rules can therefore, make or break exports, depending on the requirements, hence the importance of understanding what is required. The trade arrangements and the rules applicable are all discussed below. More focus is given to the rules of origin that apply under the different agreements.

**Table 4**

	SADC	SACU	SACU - EFTA	SACU - MERCOSUR	AGOA	BOTSWANA - ZIMBABWE	EU-SADC EPA
<b>A</b>	GENERAL INFORMATION						
<b>1.</b>	WHERE TO ACCESS THE TRADE AGREEMENTS.						
	<a href="http://www.sadc.int">www.sadc.int</a>	<a href="http://www.sacu.int">www.sacu.int</a>	<a href="http://www.sacu.int">www.sacu.int</a>	<a href="http://www.miti.gov.bw">www.miti.gov.bw</a>	<a href="http://www.agoa.info">www.agoa.info</a>	<a href="http://www.miti.gov.bw">www.miti.gov.bw</a>	<a href="http://www.miti.gov.bw">www.miti.gov.bw</a>
<b>2.</b>	YEAR OF SIGNATURE						
	The SADC Protocol on Trade, which is the basis for SADC Free Trade Area (FTA) was signed in 1996 and came into effect in 2000.	The SACU Agreement was signed in 1910 and last review was in 2002.	The SACU-EFTA Agreement was signed in July 2006.	The SACU-MERCOSUR was signed in December 2004 but negotiations were concluded in April 2008.	AGOA was enacted on 18 May 2000 and will expire on 30 September 2025.	Botswana/ Zimbabwe Trade Agreement was signed in 1988 as an amendment of the 1956 Agreement which had other Members than the two countries.	The Agreement initialled in July 2014. To be signed in June 2016.
	SADC	SACU	SACU - EFTA	SACU - MERCOSUR	AGOA	BOTSWANA - ZIMBABWE	EU-SADC EPA

3. MEMBERSHIP							
	Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, and Zimbabwe	Botswana, Lesotho, Namibia, South Africa, and Swaziland.	All SACU Member States plus EFTA States which include the Republic of Iceland, the Principality of Liechtenstein, the Kingdom of Norway and the Swiss Confederation	All SACU Member States plus MERCOSUR States comprising of Argentina, Brazil, Paraguay, and Uruguay	United States and eligible Sub-Saharan African countries.	Zimbabwe and Botswana,	All members of the EU plus 6 SADC members have in referred to as SADC EPA Group being EPA group which includes Botswana, Lesotho, Mozambique, Swaziland, Namibia and South Africa.
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>
4. PRODUCT COVERAGE							
	The agreement covers all goods except for a few that have been excluded due to their sensitivity such as Autos for SACU. It also covers services which are still currently under negotiations by the SADC Member States.	The SACU Agreement covers all goods but does not include services.	The agreement covers products of Chapter 25 to 98.	MERCOSUR has offered SACU full duty and quota free access for industrial products, as well as with limited but enhanced access to their agricultural markets	AGOA preferences apply to more than 4600 products currently covered by the United States' Generalised System of Preferences (GSP) plus a further 1,800 tariff lines, which are AGOA eligible textile and apparel products added by the AGOA legislation which include footwear, luggage, handbags, watches, certain automotive components etc.	The agreement covers all the products.	The agreement covers all the products except for EU products that do not enter South Africa (RSA) duty free due to the pre-existing Trade, Development and Cooperation Agreement (TDCA) between SA and EU, that currently governs its trade relation with the EU.
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>
B RULES OF ORIGIN							
1 WHERE TO FIND THE RULES OF ORIGIN ON THE AGREEMENTS							
	Article 12, Annex 1, Rule 2 of the main Agreement	Not provided No rules for SACU	Article 6, Article 7 of the Agreement, Annex VI, Article 14, Para (1) a - b of the Agreement	Article 10 of the Agreement Annex III of the Agreement	www.agoa.info Amendments on Title I, Section 104, Para (b) (3) of the new AGOA Legislation	Article 3&4, Para (4) of the Agreement	Protocol 1 of the Main Text
2 BASIC PRINCIPLE: WHOLLY PRODUCED							
	Provided for in Rule 2 & 4 of Annex 1 of the SADC Agreement	Not provided (No rules for SACU)	Defined in Article 4 of Annex V, of the SACU EFTA Agreement	Defined in Article 4 of the Agreement	As further defined in Article 7 of the Agreement	As further defined in Para 4 of Art 3 of the Agreement	Article 7 of Protocol 1 of the Main Text
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>

3 CRITERIA FOR DETERMINING 'SUBSTANTIAL TRANSFORMATION'							
	CTH, Percentage test or Specific Process (or dual requirement)	Not provided	CTH, percentage test or specific process (or dual requirement)	CTH, percentage test or specific process (or dual requirement)	Percentage test (value added) and textile rules	Percentage test (! local content rule)	CTH, percentage test or specific process
4 Cost basis for percentage test							
	Ex-works price (EWP)	Not provided	Ex-works price (EWC) or total material cost (local plus imported)	Ex-works price (EWP)	Likely: ex-works price (EWP)	Ex-works price (EWP)	Ex-works price (EWP)
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>
5 PERCENTAGE THRESHOLDS USED							
	maximum value of non-originating IS 60% EX-WORKS PRICE	Not provided	maximum value of non-originating 50% EX-WORKS PRICE	maximum value of non-originating 50 % non-originating material / EWP)	ATLEAST 35 % VALUE ADDED	ATLEAST 25% LOCAL CONTENT	maximum value of non-originating 50% EX-WORKS PRICE
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>
6 CUMULATION							
	Full	Full	Full	Full; Should have undergone working or processing in MERCOSUR or in SACU.	Full, Materials must be imported directly from the AGOA-beneficiary country.	Full	Bilateral or diagonal cumulation, with other ACP third countries that EU has FTA with (subject to conditions) and with products that have DFQF access to EU (subject to conditions). Only where the value added is greater than the value of the materials used originating in any one of the other countries or territories
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>
7 DE MINIMIS (VALUE TOLERANCE)							
	15% by value; excludes Chapter 50-63, 87, 98	Not provided	Not provided	15% weight (agriculture), 15% value (others) except Chapter 50-63	A total of up to 15% of the 35% local content value	Value tolerance is not provided for in the agreement.	15% weight (agriculture), 15% value (others) except Chapter 50-63
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>
8 PROOF OF ORIGIN							
<i>All Certificates on Proof of Origin are obtained at BURS</i>							

	SADC Certificate of origin.	Not provided	Movement certificate of Origin (EUR 1) or invoice declaration.	Certificate of Origin (paper or electronic) by BURS; Declaration (no certification required for low-value goods and by registered exporters.	For non-textile goods to gain preferential treatment, they must be accompanied by a certificate of origin (Form A) authorised by a designated Customs official. For textile and apparels, a Visa stamp must be endorsed.	Form 61 is for export of goods originating in Botswana. CE 59 is for export of goods originating from Zimbabwe.	Movement certificate of Origin (EUR 1).
	<b>SADC</b>	<b>SACU</b>	<b>SACU - EFTA</b>	<b>SACU - MERCOSUR</b>	<b>AGOA</b>	<b>BOTSWANA - ZIMBABWE</b>	<b>EU-SADC EPA</b>
<b>9</b>	<b>VALIDITY OF THE CERTIFICATE</b>						
	No Provision	No Rules Of Origin	4 Months	6 Months	No Provision	No Provision	10 Months

# 6. PAYMENT METHODS

6.1 Cash in Advance

6.2 Document Letter of Credit

6.3 Documentary Site Collections

6.4 Documentary Term Collection

6.5 Shipment on Open Account

6.6 Summary

## 6. PAYMENT METHODS



The terms of trade and payment methods offered to the importer can give the exporting firm competitive advantage over foreign competition. The payment methods chosen depends on the exporter's knowledge about the buyer, the size and frequency of the transactions. Because getting paid in full and on time is the ultimate goal for each export sale, an appropriate payment method must be chosen carefully to minimize the payment risk while also accommodating the needs of the buyer. The exporter must decide in advance or during the contract negotiations which payment methods will work out best for both the buyer and the seller. Different payment options are discussed below:

### 6.1 Cash in Advance

The importer pays the exporter using telegraphic transfer or international cheque before the exporter ships the goods.

Risk level:

- **For importers** — this is the highest level of risk as you pay for your goods before your exporter ships them.
- **For exporters** — this is the lowest level of risk as you get paid before you ship the goods.

### 6.2 Documentary Letter of Credit

The importer pays the exporter using a letter of credit after the exporter ships the goods. A letter of credit is an undertaking given by a bank to pay the exporter provided they fulfil its terms and conditions. Payment can be due immediately (“at sight”) or at a later date (“term”) that both the importer and exporter agree to.

Risk level:

- **For importers** – this is a medium level of risk as there's some assurance that the exporter has shipped the goods before you have to pay. You need to organize a letter of credit facility before a letter of credit can be issued.
- **For exporters** – this is a low to medium level of risk as the issuing bank will pay for the goods you ship as long as you fulfil all the terms and conditions of the letter of credit.

It's important to understand the credit risks of the issuing bank and their country before you agree to this arrangement.

### 6.3 Documentary Site Collections

The importer pays the exporter after the exporter ships the goods. The importer needs the shipping documents to clear goods on arrival. The bank holds the documents until the importer pays for the goods. This is called a "sight" payment, sometimes known as "Documents against Payment" or "D/P".

Risk level:

- **For importers** – this is a medium level of risk as there's some assurance that the exporter has shipped the goods before you have to pay.
- **For exporters** – this is a medium level of risk as the goods you've shipped usually get released to the importer after they pay.

Shipping goods by air is a higher risk. Air freight companies usually release goods to the importer immediately, even though they may not have paid.

### 6.4 Documentary Term Collection

The importer pays the exporter after the exporter ships the goods. The importer needs the shipping documents to clear goods on arrival. The bank holds the documents until the importer undertakes to pay for the goods at a later date.

This is called a "term" payment, sometimes known as "Documents against Acceptance" or "D/A".

Risk level:

- **For importers** – this is a medium to low level of risk as you will be able to receive and inspect the goods before you have to pay.
- **For exporters** – this is a medium to high level of risk as the goods you have shipped will be released to the importer when they undertake to pay at a later date. The importer may not honour this undertaking if there is a dispute or if they are experiencing payment difficulties.

## 6.5 Shipment on Open Account

The importer pays the exporter by telegraphic transfer or international cheque after the delivery of goods.

Risk level:

- **For importers** – this is the lowest level of risk as you pay after you have received the goods.
- **For exporters** – this is the highest level of risk as you have released control of the goods to the importer before they have paid.

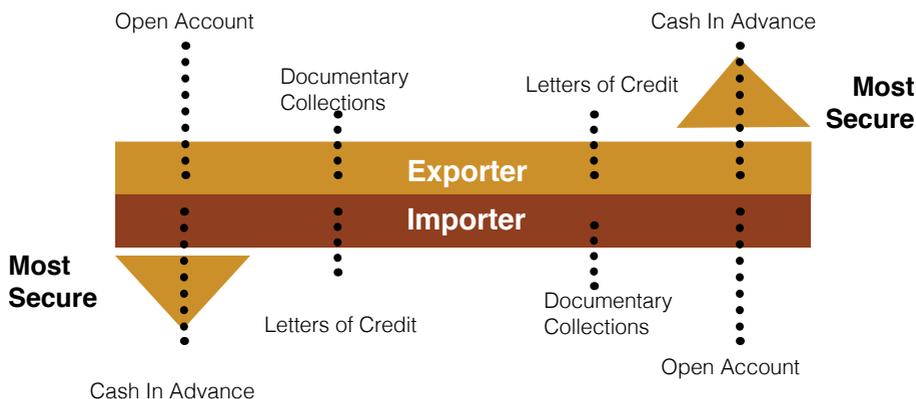
## 6.6 Summary

To succeed in today’s global marketplace and win sales against foreign competitors, trade presents a spectrum of risk, which causes uncertainty over the timing of payments between the exporter (seller) and importer (foreign buyer):

- For exporters, any sale is a gift until payment is received. Therefore, exporters want to receive payment as soon as possible, preferably as soon as an order is placed or before the goods are sent to the importer.
- For importers, any payment is a donation until the goods are received. Therefore, importers want to receive the goods as soon as possible but to delay payment as long as possible, preferably until after the goods are resold to generate enough income to pay the exporter.

The payment risk diagram illustrates differing perspectives between importers and exporters with regards to different payment arrangements at their disposal. Whilst some payment methods are the most secure in the views of exporters they may be the least preferred by importers.

### Payment Risk Diagram:





# 7. EXPORT FINANCE

7.1 Factors to Consider in Choosing Export Finance

7.2 Export Financial Plan

7.3 Export Insurance

## 7. EXPORT FINANCE

Availability of export financing is one of the critical factors necessary for firms to complete export transactions. Finance is commonly sourced from commercial banks and lending institutions that may offer export financing advice and solutions to qualifying clients. Many banks have specialist international business departments that can advise on all aspects of raising capital to fund overseas business activities. Local Commercial Banks and Botswana Export Credit Insurance (BECI) offer trade finance and insurance.

### 7.1 Factors to Consider in Choosing Export Finance

- **Terms of Sale**

Meeting your buyer's expectations regarding terms of sale may help to make your product or service more competitive, but the terms of sale should not be detrimental to your business. Do not place undue financial pressure on yourself to secure an order. Consider the negotiated length of delivery and sale time when choosing your finance.

- **Working Capital**

Most businesses require access to finance for day-to-day operations such as labour costs, equipment maintenance and overheads. Inadequate working capital will inevitably restrict your capacity to expand and fulfil your export potential. You will need additional funds to cover export-related costs such as market research, visits, communication and promotional activities

- **Pre-shipment Finance**

Funds may be required to purchase raw materials, components and parts if an unusually large export order or orders are received. Pre-shipment finance helps to alleviate unexpected strains on working capital.

- **Post-shipment Finance**

Additional finance may be required to fund your ongoing operations during the period between the production and dispatch of your goods and receipt of payment.

- **Cost of Finance**

Interest rates and fees may vary widely and you will be expected to assume some or all of the financing costs. Take early advice from your bank or financier and understand how the costs of finance will affect your pricing and profit projections. Factors such as the political and economic stability of the buyer's country need to be considered. Risky transactions are harder, and more costly, to finance. Lenders may require secure methods of payment such as letters of credit, export credit insurance or credit guarantees.

- **Exchange Rate Risk**

If your goods and services are to be priced in another currency, you may be exposed to exchange rate risk if there is an unfavourable movement against the Pula. Your bank, can advise on ways of minimising or offsetting exchange rate risks.

## 7.2 Export Financial Plan

An export financial plan is similar to any other financial plan. It is a document that describes your current financial status, your financial goals and when you want to achieve them, as well as strategies to meet those goals. Your export financial plan should form an integral part of your export strategy document and should represent a realistic assessment of your funding sources and requirements. It should include elements such as:

- Market development costs (visits, communication, publicity)
- Costs of modifying your products and services for export
- Cost of investment to increase productive capacity
- Freight and logistics costs
- Requirements for pre and post-shipment costs
- Anticipated costs of credit insurance, currency hedging or performance bonds (a form of insurance used to guarantee project completion in the service industries).

Your financial model should cover best and worst-case scenarios and above all, be realistic. You should initially adopt a conservative approach and not over-estimate export revenues.

Take detailed financial advice from a wide range of reputable sources and act on that advice. Above all, do not over-extend yourself financially in chasing export orders, as this may put your domestic operations in jeopardy. Proceed with financial caution.

## 7.3 Export Insurance

There are some inherent risks associated with the business of exporting:

- Goods can get lost or damaged before reaching the importer
- The importer may default or refuse to pay for goods
- The exporter may fail to supply the goods to the importer.

The export insurance cover depends on the nature of contract negotiated between the exporter and the importer. The terms of trade outlines both the seller and the buyer's responsibility and provides the basis of the export cover that the seller will purchase.

Export credit insurance protects the buyer against failure to receive payment from an insured debt. This is very critical for transactions where payment has not been received in advance. The credit insurance will usually cover for insolvency of importer, political risks,

and protracted default by the importer who fails to pay the undisputed debt within the agreed time frame.

Cargo insurance is usually taken as a protection for loss, delay or damage of the goods in transit. The seller is often required to obtain a performance bond to cover for certain cases where the seller is unable to fulfill the export contract. Failure by the business to take adequate export cover can have negative far reaching consequences on the business.

# 8. FREIGHT AND LOGISTICS

## 8. FREIGHT AND LOGISTICS

One of the key issues to address when considering exporting is how your products will be transported to the export markets. The company has a choice to either select road, rail, air, sea or a combination of these transport modes in the case of Botswana. The transport mode chosen usually depends on availability, cost, value of the goods, delivery method (e.g. Just in Time), perishability, and product size. It is also important to understand how transport and freight forwarding companies operate and their global coverage or associated partners. Sea and rail freight are usually cheaper than road and air freight, however the former are often slower than the latter. Products with high value to density ratio are usually cheaper to transport by air while those with low value to density ratio are cheaper to transport by sea.

# 9. INTERNATIONAL COMMERCIAL TERMS (INCOTERMS)

9.1 Departure Group (E)

9.2 Main Carriage Not Paid By Seller (Group F)

9.3 Main Carriage Paid By Seller (Group C)

9.4 Arrival (Group D)

## 9. INTERNATIONAL COMMERCIAL TERMS (INCOTERMS)

International Commercial Terms or INCOTERMS are a series of sales terms that are used by businesses throughout the world. INCOTERMS are used to make international trade easier. They are used to divide transaction costs and responsibilities between buyer and seller.

### 9.1 Departure Group (E)

- **EXW – Ex Works**

EXW means Ex Works and is followed by a named place, for example EXW Gaborone. EXW means the seller's responsibility is to make the goods available at the seller's premises. The seller is not responsible for loading the goods on the vehicle provided by the buyer, who then bears the full cost involved in bringing the goods from there to the desired destination.

### 9.2 Main Carriage Not Paid By Seller (Group F)

- **FCA – Free Carrier**

FCA means Free Carrier and is followed by a named place, for example FCA Gaborone. FCA means the seller fulfills its obligation to deliver when it has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into its charge.

- **FAS – Free Alongside Ship**

FAS means Free Alongside Ship and is followed by a named port of shipment, for example FAS Durban. FAS means the seller is responsible for the cost of transporting and delivering goods alongside a vessel in a port in his country. As the buyer has responsibility for export clearance, it is not a practical incoterm for Botswana exports. FAS should be used only for ocean shipments since risk and responsibility shift from seller to buyer when the goods are placed within the reach of the ship's crane.

- **FOB – Free On Board**

FOB means Free On Board and is followed by the named port of shipment, for example FOB Cape Town. With FOB the goods are placed on board the ship by the seller at a port of shipment named in the sales agreement. The risk of loss of or damage to the goods is transferred to the buyer when the goods pass the ship's rail, i.e. off the dock and placed on the ship. The seller pays the cost of loading the goods.

## 9.3 Main Carriage Paid By Seller (Group C)

- **CFR - Cost and Freight**

CFR means Cost and Freight and is followed by a named port of destination, for example CFR Luanda. CFR requires the seller to pay the costs and freight necessary to bring the goods to the named destination, but the risk of loss or damage to the goods, as well as any cost increases, are transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment. Insurance is the buyer's responsibility.

- **CIF - Cost, Insurance and Freight**

CIF means Cost, Insurance and Freight and is followed by a named port of destination, for example CIF Mombasa. CIF is similar to CFR with the additional requirement that the seller purchases insurance against the risk of loss or damage to goods. The seller must pay the premium.

- **CPT – Carriage Paid To**

CPT means Carriage Paid To and is followed by a named place of destination, for example CPT Maputo. CPT means that the seller must pay the freight for the carriage of the goods to the named destination. The risk of loss or damage to the goods and any cost increases transfers from the seller to the buyer when the goods have been delivered to the custody of the first carrier and not at the ship's rail.

- **CIP - Carriage And Insurance Paid To**

CIP means Carriage And Insurance Paid To and is followed by a named place of destination, for example CIP Cape Town. CIP has the same incoterm meaning as CPT, but in addition the seller pays for the insurance against loss or damage.



## 9.4 Arrival (Group D)

- **DAF – Delivered At Frontier**

DAF means Delivered At Frontier and is followed by a named place, for example DAF Luanda. DAF means that the seller's responsibility is complete when the goods have arrived at the frontier but before the customs border of the country named in the sales contract. This buyer is responsible for the cost of the goods to clear customs.

- **DES - Delivered Ex Ship**

DES means Delivered Ex Ship and is followed by a named port of destination, for example DES Cape Town. DES means the seller shall make the goods available to the buyer on board the ship at the place named in the sales contract. The cost of unloading the goods and associated customs duties are paid by the buyer.

- **DEQ - Delivered Ex Quay**

DEQ means Delivered Ex Quay and is followed by a named port of destination, for example DEQ Los Durban. DEQ means the seller has agreed to make the goods available to the buyer on the quay at the place named in the sales contract.

- **DDU – Delivered Duty Unpaid**

DDU means Delivered Duty Unpaid and is followed by a named place of destination, for example DDU Kinshasa. The seller has to bear the costs involved in shipping the goods as well as the costs and risks of carrying out customs formalities. The buyer pays the duty and has to pay any additional costs caused by its failure to clear the goods for import in time.

- **DDP - Delivered Duty Paid**

DDP means Delivered Duty Paid and is followed by a named place of destination, for example DDP Dar es Salam. The seller has to pay the costs involved in shipping the goods as well as the costs and risks of carrying out customs formalities. The seller pays the duty and the buyer has to pay any additional costs caused by its failure to clear the goods for import in time. DDP should not be used if the seller is unable to obtain an import license.

# 10. EXPORT SUPPORT SERVICES

10.1 Botswana Exporter Development Programme (BEDP)

10.2 Export Promotion

10.2.1 BITC Export Promotion Services

10.2.2 BITC Incentives to Exporters

## 10. EXPORT SUPPORT SERVICES

The Botswana Investment and Trade Centre (BITC) is an integrated Investment and Trade Promotion Agency with an encompassing mandate of investment promotion and attraction, export development and promotion including management of the Nation Brand.

The organization plays a critical role of driving Botswana's economic growth through attraction of Foreign Direct Investment (FDI), domestic investment, facilitation of expansions, and further spearheads the growth of exports by promoting locally manufactured goods and services to regional and international markets.

BITC drives wealth creation for Botswana by creating platforms that will instigate and ensure increased citizen participation in the economy and create sustainable job opportunities.

The BITC's Export Development and Promotion sections have the mandate to make the export sector a major engine of growth by maximizing the growth of the sectors and contribute to overall economic growth as well as diversifying the export base.



### 10.1 Botswana Exporter Development Programme (BEDP)

Botswana Exporter Development Programme (BEDP) aims to increase exports in general, but mostly the non-traditional ones. The target group is the Small, Micro and Medium Enterprises (SMMEs) as well as the larger potential and established exporters. BEDP further seeks to develop a pool of export ready companies, develop new products and new markets, ensure that there are effective resources available for exporter development, and provide leadership to the various stakeholders involved in exporting.

BEDP carries out diagnostic assessments to ascertain level of export readiness of Botswana based manufacturers and service providers. The diagnostic exercise provides complete company evaluation against industry best practice. It assists to identify company strengths and weaknesses and focuses on improvement opportunities. On the basis of the diagnostic results BITC recommends interventions that companies can adopt in order to improve business performance with special emphasis on export readiness. The qualifying companies then receive specific interventions aimed at helping them to attain export readiness.

## 10.2 Export Promotion

BITC assists exporters to develop and implement their export marketing plans. This is achieved through identification of potential export market outlets for products and services produced in Botswana, market surveys, and organization of export trade missions.

### 10.2.1 BITC Export Promotion Services:

BITC identifies and conducts market research on new export markets to facilitate targeted export promotion. The priority markets are usually those that have trade agreements with Botswana as they offer preferential access to Botswana products and services.

#### The functions of Export Promotion are:

- Promoting Botswana products in international markets by participating in outward and reverse trade missions. The outward trade missions include general trade fairs, sector specific trade fairs and contact promotion missions, reverse trade missions refer to inward buyer missions.
- Timely and efficient services to overseas buyers in supplier identification, match-making of buyers and sellers, and other support services.
- Assisting Botswana companies in product development and adaptation to meet buyer's requirements.
- Organizing seminars/ conferences/ workshops on trade related subjects.
- Conducting market reviews on regional and international markets in collaboration with Research Department.
- Dissemination of export market information to potential exporters.

### 10.2.2 BITC Incentives to Exporters

- Free exhibition booths at international trade fairs
- Free transportation of samples to be used in trade fairs
- Free export market surveys
- Free interpretation services in non-English speaking countries during trade missions
- Free arrangement and facilitation of meetings with potential buyers









## USEFUL LINKS AND CONTACTS

### **Botswana Investment & Trade Centre (BITC) Head Office**

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Botswana Investment and Trade Centre



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[www.gobotswana.com](http://www.gobotswana.com)

### **Botswana Trade Portal**

[www.botswanatradeportal.org.bw](http://www.botswanatradeportal.org.bw)

### **Global Expo Botswana**

[www.globalexpo.co.bw](http://www.globalexpo.co.bw)

### **Ministry of Investment, Trade and Industry**

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