Botswana has implemented a combination of demand and supply-side policy options with the Economic Diversification Drive (EDD), which seeks to increase mining local procurement through its Private Sector Development Strategy (Art. 6.5) and contains a mechanism for monitoring the progress of its goals.

**OVERVIEW**

**LEVEL OF OPERATION:**
National, industry

**GOVERNMENT ROLE:**
Regulator, program facilitator, funder

**FOR MORE INFORMATION:**
See Citizen’s Economic Empowerment Policy; the Private Sector Development Programme

**KEY COMMODITIES:**
Diamonds, copper, nickel¹

**TOTAL NATURAL RESOURCE RENTS (AS % OF GDP) [2015]:**
2.7 per cent²

**NATIONAL EXTRACTIVES COMPANY:**
Botswana Oil Limited and Debswana (in a joint venture with the South African diamond company De Beers)

**UNDP HUMAN DEVELOPMENT INDEX VALUE [2016]:**
0.698 (Global Rank 108)³

**DEMAND-SIDE POLICY OPTIONS**
- Provision that local goods and services will be given preferential treatment or purchased to the extent feasible

**SUPPLY-SIDE POLICY OPTIONS**
- Supplier development programs

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DEFINING “LOCAL” PROCUREMENT

For Botswana, “local” procurement in the case of goods focuses on goods and products “made in Botswana”—a value-added criterion. There is, however, little specificity provided on the extent of the product that must be “made in” Botswana, so it’s not clear how much value added is necessary to obtain preference. Additionally, the definition does not include local participation, which can lead to foreign companies manufacturing goods and materials in-country and may limit skills building for Botswana citizens.

In the case of services, the focus is on geography and ownership. Preference is given to service agencies located in and owned by Botswana citizens or those established under the Companies Act. It does not appear that the latter must be owned by Botswana citizens. There is no requirement for service firms related to local employment. The geographical criterion is set at a national level, with no specifics relating, for example, to proximity to a mine site.

DEMAND-SIDE POLICY OPTIONS

PROVISION THAT LOCAL GOODS AND SERVICES WILL BE GIVEN PREFERENTIAL TREATMENT

As detailed in Botswana’s Mines and Minerals Act, part three, section 12.1, the holder of a mineral concession must give preference to materials and products made in Botswana or services provided in Botswana. Regulations state that Botswana goods and services are procured to the “maximum extent possible consistent with safety, efficiency and economy,” (emphasized added). This is an important set of caveats that limit the mandatory nature of the obligation; it could, for example, be argued that purchasing a more expensive local good was inconsistent with economy.

12. PREFERENCE FOR BOTSWANA PRODUCTS, ETC.

1) The holder of a mineral concession issued under this Act, shall, in the conduct of his operations under such concession, and in the purchase, construction and installation of facilities, give preference, to the maximum extent possible consistent with safety, efficiency and economy, to:
   (a) materials and products made in Botswana; and
   (b) service agencies located in Botswana and owned by Botswana citizens or bodies corporate established under the Companies Act.

A citizen of Botswana is defined as:

a. “in relation to an individual, an individual who is a citizen of Botswana;

b. in relation to a partnership or association of individuals, a partnership or association which is composed exclusively of individuals who are citizens of Botswana; and

c. in relation to a corporate body, a corporate body which is incorporated under the Companies Act—
   a. which is certified by the Minister to be controlled by the Government, or


b. whose directors and beneficial shareholders are all citizens of Botswana.6

SUPPLY-SIDE POLICY OPTIONS

SUPPLIER DEVELOPMENT PROGRAMS

To implement the Private Sector Development Strategy (PSDS) which focuses on improving business linkages and developing local supply chains relating in part to the mining industry, the Private Sector Development Programme (PSDP) was launched in 2013.7,8 The PSDP is focused on supporting small, micro and medium enterprises (SMMEs) as well as community-based organizations (CBOs) in four priority sectors: manufacturing (including agro-industries), tourism, construction and public works, and information and communication technology. For these sectors, the program is focused on building the capacity of SMMEs and CBOs, conducting value chain studies, enhancing capacity of Business Botswana9 to lead the private sector voice, and reducing barriers and increasing access to finance for businesses.10, 11 In recent reviews of the program, it was noted that few SMMEs have the capacity to develop a business strategy and the necessary management skills to implement it, leading to cases of near financial collapse.12 This is triggering immediate support for these urgent issues rather than providing proactive mentoring to assist SMMEs in the program.13 Still, some participating businesses noted significant growth, including increased profitability, increased number of employees, and more confidence running their businesses.14

As part of the Economic Diversification Drive, Medium to Long-term Strategy, the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) was tasked with maintaining an up-to-date database of their membership, which highlights key details on the “goods and services they produce; their production technology and capacity; and where they are located.”13 This has the potential to act as a powerful registry that could be used to increase connections among the private sector and the local market; it could also be used as a mechanism that monitors the growth of a business’s capacity over time. Additionally, the Chamber of Mines launched the Business Development Initiative in 2014, which coordinates the purchasing power of mining companies to support enterprise development and targeted investments in local production.16

In addition, the Citizen’s Economic Empowerment Policy (CEEP), drafted in 2012, works to consolidate existing fragmented measures across various existing policies that encourage SMME development and large-scale industrial participation.17 It specifies

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8 Private Sector Development Strategy objectives include: “(i) Developing Sector Charters of strategically important sectors such as the Mining Sector (Mining Sector Business Development Forum (MSBDF)); (ii) Facilitating the attraction of domestic and foreign direct investment for the development of domestic and foreign-owned enterprises as well as Joint Ventures (VCs); (iii) Identifying opportunities within NDP10 Recurrent and Development Budgets where Botswana may create competitive and sustainable businesses; (iv) Harnessing Private Sector purchasing and investment power (business to business procurement opportunities) to develop local supply chains and business linkages between and among SMMEs and large companies; (v) Facilitating the development of local capacity of enterprises in Botswana, … (Government of Botswana, 2011).”
9 A business association of employers representing employers in all sectors of the Botswana economy in an advocacy capacity. (http://www.bb.org.bw/).
10 Review full details of the programme and results here (Program Implementation Status, November 2015): https://www.slideshare.net/ThapeloLippe/psdp-ii-v4
13 Ibid.
14 Ibid.
that more attention is needed to develop SMME capacity and access to funding.\textsuperscript{18} This aligns with the government’s overall approach to local procurement within the mining industry, which focuses on increasing government investment in supply-side policy options, while maintaining loose and non-legally binding guidelines that increase local procurement by mining companies.

**KEY LESSONS**

- In Botswana, while there are important measures in place in terms of supplier development and the Chamber registry, the demand-side requirements clearly lack “teeth.” This leaves the success of local procurement policy options almost entirely dependent on the supply-side actions.

- Despite the emphasis on supply-side actions, the priorities for supplier development efforts appear to be misaligned with the needs, with local businesses in need of more basic support on management skills rather than financing in the immediate term. A deeper understanding of the local business skill sets and needs is required in order to increase linkages between the local economy and mining industry; this should include consideration of how to both create an accurate baseline and monitor progress over time.

- There is a need for complementary demand-side efforts that reinforce supply-side actions, driven by an increased understanding of the gaps and barriers that suppliers face.