

# APPENDIX I

---



**REPUBLIC OF BOTSWANA**

**GOVERNMENT PAPER NO. 1 OF 2012**

**THE CITIZEN ECONOMIC EMPOWERMENT POLICY (CEE POLICY)**

**(As Approved by the National Assembly on the XXXX)**

**2012**

## TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	1
<b>REVIEW OF THE CITIZEN ECONOMIC EMPOWERMENT PROGRAMMES</b> .....	3
<b>CITIZEN ECONOMIC EMPOWERMENT (CEE) POLICY</b> .....	6
POLICY RATIONALE AND OBJECTIVES .....	6
PSYCHOLOGICAL AND SOCIOLOGICAL BARRIERS .....	7
RESTRUCTURING THE ECONOMY AND EMPOWERMENT .....	7
GLOBAL COMPETITIVENESS AND SUSTAINABILITY .....	8
EMPOWERMENT, SOCIAL UPLIFTMENT AND POVERTY .....	9
THE USE OF THE NATIONAL BUDGET AS AN EMPOWERMENT TOOL .....	9
EQUALITY OF ECONOMIC OPPORTUNITIES.....	10
FUNDING CEEP, AND OUTPUT VS INPUT INTERVENTIONS.....	10
PROCUREMENT, LICENSING, AND FRANCHISING.....	12
HUMAN CAPITAL DEVELOPMENT .....	13
ACCESS TO INFORMATION, TECHNOLOGY AND MARKETS.....	14
THE ROLE OF THE PRIVATE SECTOR .....	14
<b>CITIZEN ECONOMIC EMPOWERMENT STRATEGY (CEES)</b> .....	15
<b>INSTITUTIONAL ARRANGEMENTS</b> .....	16
<b>CONCLUSION</b> .....	16

# **CITIZEN ECONOMIC EMPOWERMENT POLICY**

## **INTRODUCTION**

1. The philosophy of citizen economic empowerment is derived from the need to build capacity of nations to respond to the changing economic and political environment and participate effectively in the decisions that affect their lives. It recognizes the need for economic development to lead to equitable distribution of income and wealth in order to improve the quality of life of citizens. Citizen economic empowerment interventions should equip citizens with the necessary competencies, which would enable them to take better advantage of economic opportunities and thereby have a stake in the process of economic growth and development.
2. Government of Botswana has, over the years, embraced citizen economic empowerment in its development planning process in the absence of a specific citizen empowerment policy. A number of programmes and policies aimed at supporting citizen economic empowerment have been implemented. These include; Localisation Policy; Credit Guarantee Scheme; Reservation Policy; Preferences under Public Procurement; Privatisation Policy; Financial Assistance Policy; Universal Access to Education; Micro Business Finance Scheme; Citizen Entrepreneurial Development Agency (CEDA); and Citizen Entrepreneur Mortgage Assistance Equity Fund (CEMAEF), Local Enterprise Authority (LEA) and recently, Economic Diversification Drive (EDD).
3. The Localisation Policy gives preference to employment of Botswana over non-citizens given similar educational and training qualifications. The Credit Guarantee Scheme provides guarantees to loans extended by commercial banks to citizen-owned SMMEs and pays a certain percentage in case of default. Under the Reservation Policy, some businesses and services are reserved for citizens only while with regard to preferences under Public Procurement, citizen

businesses are given preferential treatment over foreign companies doing business with Government.

4. The Privatization Policy seeks to divest government interest from state owned enterprises and out-sourcing certain non-core services to the private sector. Under the Financial Assistance Policy, Government provided grants (financial assistance) to businesses to promote productive employment of citizens while the Micro Business Finance Scheme sought to provide small loans to SMMEs. Universal Access to Education provides nine to ten year basic education to all citizens; Citizen Entrepreneurial Development Agency (CEDA) provides subsidized loans, structured finance, training and mentoring to businesses while the Citizen Entrepreneur Mortgage Assistance Equity Fund (CEMAEF) provided equity finance to distressed citizen businesses that faced foreclosure from commercial banks. Local Enterprise Authority (LEA) was established as a one-stop-shop that provides development and support services to the local industry needs of citizen-owned small, medium and micro enterprises (SMMEs).
5. While these initiatives contributed towards business development in Botswana, available evidence suggests that generally citizen participation in major economic activities and opportunities is not significant, which is not a good indicator for sustainable economic development. A more strategic approach is required to ensure that Botswana play a meaningful role in the development of the economy. There have been persistent calls for greater emphasis on citizen economic empowerment as a more intrinsic part of Botswana's development policy and strategy. It is against this background that Government has decided that a more strategic and holistic approach to citizen economic empowerment is needed, hence the development of the **Citizen Economic Empowerment Policy (CEE Policy)**.
6. The rationale for citizen economic empowerment comes from the notion that economic growth and diversification without

empowerment could ultimately lead to a more fragile and vulnerable economy, subject to the vagaries of international markets over which the country has little or no control. In addition, if the economy continues to depend only on foreign investments with less domestic interests, the country could ultimately lose sight of its strategic socio-economic intents. A feeling of economic alienation by citizens could threaten the sustainability of all investments as citizens might adopt negative attitude. It is for this reason that the current focus of Government policy is developing a business culture that entails, among others, concerted efforts to economically empower citizens.

7. This Policy defines Citizen Economic Empowerment as; *a set of inter-related interventions aimed at strengthening the ability of citizens to own, manage and control resources, and the flexibility to exercise options, which will enable Botswana to generate income and wealth through a sustainable, resilient and diversified economy.*

## **REVIEW OF THE CITIZEN ECONOMIC EMPOWERMENT PROGRAMMES**

8. In January 2007, Government undertook a review of citizen economic empowerment programmes in the country, with a view to formulating a comprehensive citizen economic empowerment policy and strategy for Botswana.
9. The review of the citizen empowerment programmes highlighted a number of key issues, which should underpin the proposed CEE Policy. It emphasized the creation of an enabling environment, which will promote the ability of Botswana to exercise greater ownership, management and participation in the economy. It also emphasized the role of human capital development in providing the pre-requisite for economic empowerment, which would equip Botswana with the necessary skills and capabilities to take advantage of

economic opportunities, exercise options and compete successfully on the global stage.

10. A more rapid expansion of the private sector is necessary to strengthen the economic base of Botswana. While private sector growth may be limited by the involvement of the State in the economy through ownership and management of public entities, it is the limited capacity of the private sector that hinders its effective provision and delivery of goods and services. The private sector needs to develop in order to absorb and assume its role in the supply of goods and services. In this context, more rapid divestment by the State from commercial entities through privatization and outsourcing should assist the development of the private sector.
11. There is evidence to support the contention that in large segments of the private sector, Botswana are not clearly visible at senior management levels particularly in the construction, tourism and manufacturing sub-sectors. There is also a continued differential in remuneration between Botswana and non-citizens at various occupational levels in the private sector. A review of the ownership of companies doing business with Government between 2004 and 2006 indicated that while majority of tenders awarded go to citizen owned companies, the value of tenders awarded to Botswana owned businesses is less compared to that of non-citizen owned companies doing business with Government.
12. According to the commercial banks credit approval rates between citizen and non-citizen companies, which were used to measure access to finance in 2007, non-citizens benefited more than citizens. However, a different pattern emerged on the ownership of land, where most of the freehold and leasehold land in urban areas is owned by Botswana or by Botswana owned companies. The output of investment in tertiary education shows that there has been an impressive growth in the number of Botswana who have obtained tertiary education qualifications at all levels.

13. The Financial Assistance Policy (FAP) which was established in 1982 with the aim of financing citizen owned projects was phased out in 2001 due to, among others, failure rate of projects. According to the FAP evaluation of 2000, the failure rate of small scale projects was about 70%, while for medium scale projects, it was about 40% and for large scale projects, about 35%. The FAP evaluation resulted in the establishment of CEDA in 2001. Unlike FAP, CEDA promotes citizen economic empowerment by not only funding projects, but also through training and mentorship. A synoptic review of Citizen Entrepreneurial Development Agency (CEDA) indicated that the programme faces a number of challenges such as, access to information, advice and support networks; lack of commitment and dedication by promoters of projects; and access to markets in promoting empowerment and sustainable business enterprises.
14. In 1998, Government adopted a new Industrial Development Policy (IDP), which recognized that Botswana could not compete globally in labour intensive manufacturing sectors, and called for a greater emphasis on high value niche markets. Despite the adoption of the Policy, Botswana has continued to seek investment in labour intensive manufacturing sectors. However, it has recently realigned its economic diversification efforts towards natural resource beneficiation and service areas, where Botswana could become globally competitive.
15. Some of the schemes implemented through Public Procurement and Asset Disposal Board (PPADB), have also not been very effective in promoting citizen economic empowerment since citizen companies continue to provide low value goods and services. The size of citizen enterprises and the lack of drive to grow tend to restrict them from qualifying for high value and better contracts, to provide goods and services. Past or existing schemes have not adequately addressed the issue of growth and graduation out of the Small Micro and Medium Enterprise (SMME)

sector to larger scale enterprises. The small domestic market for goods and services, the lack of an entrepreneurial tradition and culture and the limited pool of potential entrepreneurs were found to be a potential threat to SMME sector growth.

16. The review of the Citizen Economic Empowerment Programmes also targeted; women, the youth and remote area dwellers, as special groups that need empowerment. The evidence from the economic review suggests that women participate in low income generating economic activities, while the youth suffer high rate of unemployment. While Remote Area Dwellers are economically marginalized, they do have intrinsic competitive advantages over other Batswana in their knowledge and ability to exploit their environment.

## **CITIZEN ECONOMIC EMPOWERMENT (CEE) POLICY**

### ***Policy Rationale and Objectives***

17. The rationale for a policy on Citizen Economic Empowerment in Botswana is to: promote effective participation of Batswana in the economic growth and development of the country and in the benefits of such growth and development; promote social cohesion and harmony; promote nationhood and pride; maximize potential human capital residing in Botswana; and address both absolute and relative poverty.
18. The main objective of the policy emanates from the need to develop capacity to enable full participation of citizens at all levels of economic development in order that they are better able to face the challenges relating to their survival without continuing to expect direct and material support from Government. To this end, the policy aims at development of skills and knowledge in order for citizens to be able to realize their full potential, build capacity for private sector to grow

business through technical and managerial skills and, to infuse entrepreneurial culture in order to build a foundation for global competitiveness at all levels.

### ***Psychological and Sociological Barriers***

19. From a review of countries such as Malaysia and Singapore, which have successfully implemented empowerment strategies, it is clear that they have been able to develop very strong national brands which formed the basis for economic growth in those countries. This has not been the case in Botswana and this has inhibited the development of a culture of citizen empowerment. There is a need to develop a very strong national identity and to promote a sense of pride as well as confidence in the ability of Botswana, if citizen economic interventions are to be successful. In order to develop strong national identity and promote a sense of pride among Botswana, there is need to revitalize social sanctions, shun fronting and dependency syndrome, mould the school curricula and re-orientate society through Vision 2016.
  
20. The Policy, therefore, calls for both Government and Private Sector participation and refocusing of targets and milestones towards the achievement of Vision 2016 goals. The role of Government and the private sector ought to be complementary and reciprocal in order to achieve national goals and objectives. There is a need to inculcate entrepreneurship culture among citizens and encourage business to business support within the private sector entities. This would develop capacity and eventually promote growth of SMMEs and graduation of individuals from the informal sector into the formal sector.

### ***Restructuring the Economy and Empowerment***

21. It is evident that at a macro-economic level, the affluence of Botswana and significant economic activities are primarily dependent on, and are in the hands of Government through assets and activities of public entities. To this end, the CEE Policy will be creating an enabling environment that will address various objectives, acceleration of wealth creation and economic growth through releasing the potential of citizens and making assets in the public sector accessible to citizens. It is, therefore, essential that a more rapid growth of the private sector to supply goods and services be promoted by accelerating implementation of the Privatization Policy. In addition, Government will reserve shares from privatized entities to promote wider shareholding participation among citizens. For instance, there was a reservation of 49% shares for citizens from BTC and NDB privatization transactions.
22. Botswana should be empowered to take advantage of opportunities to participate in economic activities outside the country. For Botswana to become a player in the global market place, it will have to adopt policies and strategies aimed at enhancing competitiveness. Citizen economic empowerment initiatives have to be at the centre of such strategies. Botswana, through the private sector, should be developed to assume leadership positions in partnership with foreign investors, especially in investments and industries aimed at exploiting trade comparative advantages of being in Botswana. In this connection, joint venture facilitation through investment promotion institutions and cross border investments ought to be intensified where Botswana would have the opportunity for equity participation and be trained and mentored to assume management positions, thereby enhance citizen empowerment.

### ***Global Competitiveness and Sustainability***

23. For Botswana to achieve significant and sustainable growth, the country must be able to compete successfully in global or international trade. To this end, Botswana needs to aspire

to higher standards and goals including being the global leader in areas where the country has competitive advantage. It must set itself a target of being among the top 20 countries on the World Bank's Competitiveness Index.

24. In addition, in order for Botswana to be competitive globally, the country should be more aggressive in targeting global leaders in selected economic growth areas, which include mining, mineral beneficiation, tourism and financial services, supported by a strong ICT, and research and development service sectors. Botswana as the leading producer of diamonds by value will aim at adopting a leadership position among the diamond producer nations. Since economic globalisation may be accompanied by the globalisation of crime, institutions such as the Financial Intelligence Agency (FIA) will continue to guard against such incidents in the country.

### ***Empowerment, Social Upliftment and Poverty Eradication***

25. In order to reduce poverty in the rural areas, investment in purely social security and subsistence agricultural support schemes will be implemented through programmes such as the use of labour only contractors, promotion of community based contractors, increased out-sourcing of maintenance activities, literacy, business acumen and entrepreneurial skills development so as to infuse entrepreneurship culture among citizens. In addition, to facilitate and accelerate the admission of female students and people with disabilities, tertiary educational institutions should set targets for admission of such, and proactively canvas for applications through career guidance initiatives.

### ***The Use of the National Budget as an Empowerment Tool***

26. The Policy proposes the use of the national budget as an empowerment tool. Since the Public Procurement and Asset

Disposal Board (PPADB) is already decentralizing procurement to Ministries and Local Authorities, there is need to strengthen the capacity of these entities to manage and monitor their budgetary allocations and sourcing of goods and services. More flexibility and discretion in procurement will allow government institutions to do business at all levels with service providers including local communities and, therefore, promoting citizen entrepreneurs. Government will continue to decentralise payment systems to further reduce the time taken to pay creditors.

### ***Avoiding the Entitlement Syndrome***

27. Lessons from the evaluation of previous citizen economic empowerment schemes indicate that future citizen empowerment schemes must be focused. Such schemes must not be allowed to degenerate into entitlement schemes.

### ***Funding CEEP, and Output vs Input Interventions***

28. CEE interventions have been based on the adoption of successive programmes of subsidies, reservation and preference schemes which did not aggressively achieve their intended objectives. There is, therefore, a need for a change in the fundamental design of such programmes away from input subsidies towards incentives, which are based on output driven deliverables. Input subsidies encourage increased utilization of the resources which are being subsidized without necessarily inducing any significant increase in production and output. Government should encourage output based assistance schemes. As the Privatisation Policy indicated, “Handouts do not breed economic empowerment; providing incentives to make better living and opportunities for doing business are more powerful tools”.

29. A more robust consideration is needed for funding and growing SMMEs so that Botswana SMME enterprises can be assisted to compete more effectively with more established local and international entities. Focus should be on those market opportunities where Botswana has competitive advantages and where value chain linkages to larger businesses can be forged in sectors such as mining, ICT, financial services, tourism, agriculture and manufacturing.
30. In order to address the concerns of access to credit, particularly for small and medium local investors, funding will be through Citizen Entrepreneurial Development Agency (CEDA), and such funding should be on the basis of sustainability. The review of CEDA in 2006 broadened its scope by bringing the various windows of CEDA under one body (syndication). The syndication was to ensure that CEDA continues to support SMME development, growth and consolidation of the SMME sector as well as realize its objective of fostering citizen entrepreneurship and the development of Botswana brands and franchises.
31. Government established Local Enterprise Authority (LEA) as a one-stop-shop that provides development and support services to the local industry needs of small, medium and micro enterprises (SMMEs). In 2007, CEDA and LEA entered into a Memorandum of Understanding (MOU) for mutual cooperation between the two organizations. Through this MOU, the two organizations undertook to jointly work together to standardize the delivery of services to entrepreneurs assisted by CEDA and LEA; to design standardized processes and procedures for referral of clients and to conduct follow-ups on services provided by both parties.
32. Botswana Development Corporation (BDC) will continue to promote citizen empowerment in major and strategic industries, as well as external investment opportunities. The Corporation will be used as a vehicle for leveraging finance to enable Botswana and Batswana to take strategic stakes in

major projects. The Corporation, as an investment arm for Government, will also play a major role in leveraging institutional funds to support strategies such as Public Private Partnership (PPP). It will continue packaging some of its investments which can then be floated in the Stock Exchange to enable ordinary Batswana to share in the benefits of domestic and global investments.

### ***Procurement, Licensing, and Franchising***

33. The reservation and price preference scheme for citizen companies was introduced by Government in 2001 as an endeavour to empower Batswana. Government has reviewed the reservation and price preference scheme for citizen and joint venture consultancy companies, construction companies, medical supplies and equipment not only to address changes in the economic environment but also as a deliberate effort to intensify and accelerate citizen participation in government procurement services (**Annex I** to the CEE Policy).
34. Mechanisms will be developed for accreditation of companies wishing to do business with the State and Organs of the State. The Policy will encourage suppliers of items such as medical equipment, educational products, etc, to work in partnership with local businesses to impart skills, most particularly, to assist citizens to achieve quality standards.
35. The CEE Policy will ensure that resources that would potentially benefit future generations of Batswana are utilized in a sustainable manner. It will guard against excessive utilization of natural resources, including; tourism, traditional knowledge and intellectual property protection which exploit Botswana's wildlife and natural habitat as well as mineral extraction (mining). Any licenses or concessions relating to the exploitation of natural resources should be subjected to scorecard evaluation to encourage citizen participation through joint ventures. Such joint ventures can be financed through a variety of structures, including BDC, CEDA and other investment funds. Furthermore, LEA

should take a special interest in community groups to leverage from their knowledge of the environment and ability to seize arising opportunities.

36. The CEE Policy recognizes that franchising is a successful business model and given the right promoter, it can result in transfer of skills, knowledge and quality assurance. This is one of the areas that CEDA should continue to support in terms of acquisition of franchises by Batswana and the dissemination of information about opportunities that exist for franchise arrangements.

### ***Human Capital Development***

37. Vital to the implementation of the CEE Policy is Human Capital Development (HCD). This is needed to equip Batswana with appropriate skills, competencies and abilities to take advantage of economic opportunities, to manage, own business entities and be competitive in the economy. The provision of quality, globally competitive tertiary education with an emphasis on science, technology and finance is necessary. Management training and development is an important contributing factor to Botswana's global competitiveness. Guidance and Counseling will be intensified so that Batswana can make better informed choices about their future careers. Furthermore, the Policy seeks to promote continuation of the Internship Schemes at graduate and technical level with greater participation of the private sector in terms of cost sharing. There should be continuous review of the scheme to ensure that it is value adding.
38. The CEE Policy recognizes that the key to empowerment lies in providing Batswana with appropriate skills in areas where the country has a potential competitive edge, such as mineral exploitation and beneficiation, tourism and financial services. To this end, Botswana will adopt global standards in providing for the necessary human resources needs of

domestic enterprises and ensure that Botswana skills are marketable in the global labour market.

### ***Access to Information, Technology and Markets***

39. A pre-requisite for successful implementation of CEE programmes is access to information in terms of both opportunities and technical knowledge. The CEE initiatives will only be successful if there is equality of access to appropriate information and Botswana participate in the networks which build business relations. Associated with access to information is access to markets and technology. One of the limiting characteristics of the Botswana economy is the small domestic market which limits the capacity of companies which are solely dependent on the Botswana market to expand. Access to international markets is a key component of successful business growth, as well as being a necessary component of macro-economic policy. To this end, institutions such as the Botswana Investment and Trade Centre and CEDA will be encouraged to emphasize access to information, technology and markets for Botswana-owned enterprises in their operations.

### ***The Role of the Private Sector***

40. Citizen economic empowerment is not a product of government interventions alone but requires active involvement of the private sector. The Policy seeks full participation of the Private Sector in contributing towards the socio-economic development of the nation. Private sector companies should engender citizen economic empowerment in their missions and partake in activities that build capacity of individuals and companies as well inculcate entrepreneurial culture among citizens. Furthermore, the Policy encourages procurement of goods and services within the private sector including from small and medium enterprises. Citizen and foreign companies should foster business relationships and enter into constructive

procurement partnerships. Citizen economic empowerment should contribute to the growth of the private sector.

## **CITIZEN ECONOMIC EMPOWERMENT STRATEGY (CEES)**

41. Underlying the implementation of the CEE Policy is the CEES, which rests on eight pillars, namely: entrenchment of citizen empowerment in social and economic policy; enhancing global competitiveness through empowerment and partnerships; transforming the economy to be private sector led; procurement and licensing to promote empowerment; investment in quality human capital development; using the budgeting process in support of empowerment; encouraging Non-State Actors to play a role in the delivery of public sector programmes; and social upliftment to ensure that nobody gets left behind.
42. The Policy acknowledges that empowerment cannot be isolated and compartmentalized, but rather, should be mainstreamed into activities for all agencies. To this end, the CEES identifies the activities for empowerment that are in a matrix form with specific activities defined for lead institutions. This is mainly to ensure that implementation and periodic monitoring and evaluation of the Policy occurs in order to reach specific targets for empowerment.
43. The indicators of empowerment are as follows:
  - a) Ownership of land and property by citizenship.
  - b) Ownership of businesses by citizenship.
  - c) Employment at managerial and professional levels by citizenship.
  - d) Reduction in unemployment rates by citizenship.
  - e) Tertiary education output by citizenship linked to requirements of the economy.
  - f) Procurement and share of Government business going to citizen entities.

- g) Citizen shareholding on the Botswana Stock Exchange.
- h) Share of Gross Domestic Product (GDP) attributable to private sector.
- i) Reduction in Government contribution to GDP (percentage share of GDP).

## **INSTITUTIONAL ARRANGEMENTS**

44. The CEE Policy implementation, being an empowerment drive, will be coordinated from the Ministry of Trade and Industry where implementing sectors would report progress on empowerment indicators. The process of implementation of the Policy will be expected to change the attitudes of citizens towards productive and innovative business environment and conduct. This Policy will be reviewed after a period of ten (10) years and the Price Preference Scheme for citizen consultancy and construction companies, and suppliers of medical supplies and equipment will be reviewed every five (5) years.

## **CONCLUSION**

45. It is clear that a more strategic and holistic approach to citizen economic empowerment is critical if the future growth of the economy of Botswana is to be sustained through private sector expansion or growth. Economic growth and development, and empowerment are interdependent and intertwined. Empowerment is a powerful catalyst for economic growth and development. On the other hand, rapid economic growth and diversification without meaningful citizen participation could ultimately lead to a more fragile and vulnerable economy. The underlying principle or basis, therefore, for citizen economic empowerment in Botswana, which goes hand-in-hand with economic growth and development, is to promote social cohesion and harmony, promote a notion of nationhood and

pride, maximize potential human capital residing in Botswana, and reduce both absolute and relative poverty.