



Botswana: National Aid for Trade Strategy

Introduction

The justification for an Aid for Trade (AfT) strategy for Botswana has both external and internal bases. Externally, this arises first at the global level out of the World Trade Organization (WTO) Aid for Trade initiative launched in 2006; and regionally where the Southern African Development Community is drafting a framework strategy for coordinating AfT disbursements and each member state is required to feed into this process. At the global level, an AfT strategy is expected to address trade constraints in each country that are consistent with one or more of the six broad categories set out by the WTO (i.e. trade-related infrastructure; building productive capacity; trade development; trade policy and regulations; trade-related adjustment; and other trade-related needs). At the regional (SADC) level, the AfT strategy is expected to achieve diversification away from trade-related infrastructure and into other areas as are needed and relevant to member states.

Internally, an AfT strategy is justified by the need for Botswana to diversify its current basket of exports; move further up the value chain in the sectors for which it currently exports, and to achieve regional or even global competitiveness for these exports. To do this, there is a need to identify and prioritise the areas where development aid would be most needed to build trade competitiveness to achieve key national development objectives which are; to eradicate poverty and reduce inequality; diversified export-led economic growth and employment creation; and strengthening human development. The strategy is intended to ensure a coherent and systematic approach to the implementation of key reforms aimed at facilitating trade to achieve these objectives.

1. Summary

Aid for Trade (AfT) has become an important vehicle to assist developing countries in improving their trade capacity and increase the benefits they derive from the expansion of global markets. The benefits of a liberalised trade regime can be fully realised only in an economy with efficient infrastructure linking local producers to domestic, regional and global markets, and with a regulatory environment that encourages a vibrant private sector. Developing countries, particularly those that are least developed, require help in building their trade-related capacity to integrate and compete effectively in global markets.

For a number of these countries, national development priorities often include the objective of increased trade and export diversification as a means to achieve economic development.



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However, without a strategic plan to link development assistance from partner countries to national development priorities in trade, these countries are unable to maximise the benefits from development aid or to monitor the impact of such assistance. The Botswana AfT strategy identifies priority areas for assistance (technical and financial) across sectors and provides strategic guidance for the country to position itself to attract and take advantage of AfT resources, in pursuit of efforts to diversify the economy, create employment and reduce poverty.

The AfT strategy also aims to drive the implementation of the National Development Plan (NDP), which identifies priority areas in accordance with relevant key national development objectives. These are to eradicate poverty and reduce inequality; to achieve diversified export-led economic growth and employment creation; and to strengthen human development. Included in the strategy is a results-based management framework to monitor and evaluate its implementation and to calibrate donor assistance received.

2. The challenge

Botswana is a landlocked middle-income country in Southern Africa that continues to contend with the challenges of an undiversified economy. Despite its middle-income status, Botswana struggles with challenges emanating from its narrow economic structure and associated over-dependence on the mining sector, in particular diamond mining. Botswana's contribution to world trade remains quite minimal at around 0.006 per cent, and at regional (SADC) level remains below 10 per cent, having reached a low of 5 per cent in 2008.

Botswana's exports are dominated by minerals, particularly diamonds, which contribute more than 80 per cent, followed by copper and nickel, which together contribute about 7 per cent. This structural dependency has been a great concern to the country, undermining sustainability in view of the volatility of the commodities market and the predicted decline in diamond revenue. It is estimated that the main diamond deposits will be exhausted between 2025 and 2030. In addition, the mining sector's contribution to employment is quite minimal. Economic diversification therefore remains a priority for the government.

Despite Botswana's upper-middle-income level of development, its continued export concentration and failure to diversify trade, as well as persistent unemployment, poverty and income inequality, suggest that there remains a real need for AfT support to address these shortcomings and to enable the country's full integration into the multilateral trading system. Botswana has continued to benefit from both bilateral and multilateral AfT assistance in past years and here, the base line analysis commissioned by the Commonwealth Secretariat found that in some cases such assistance responded to Botswana's development priorities, but that the results were mixed. In other cases, AfT was provided as part of broader regional assistance programmes, whose priorities were not necessarily perfectly aligned with Botswana's development objectives. Such mixed results point to two requirements: (1) better targeting of AfT assistance by Botswana to ensure that any aid received is adequate to effectively address the constraints identified, and that AfT assistance is directed to the areas where it is needed most; and (2) that Botswana needs to be more effective in its negotiations with its development partners, to ensure that assistance is optimised and aligned with national strategies and development priorities. Finally, the analysis highlighted the need for a more effective institutional framework for co-ordination of AfT implementation efforts at the national level, in order to ensure more effective use of such assistance.

3. Global Aid for Trade landscape

According to a recent WTO/Organisation for Economic Co-operation and Development (OECD) study, *Aid for Trade at a Glance*:

A total of USD 264.5 billion has been disbursed for financing aid-for-trade programmes and projects since the Aid-for-Trade Initiative was launched in 2006, while the share of aid for trade in sector-allocable aid has risen from 31% to 38% in 2013. To date, more than three-quarters of total aid for trade has financed projects in four sectors that are closely related to cutting trade costs; transport and storage (29%), energy generation and supply (21%), agriculture (18%) and banking (10%). Middle Income Countries received, in addition, USD 190 billion in trade-related other official flows mainly for

Table 1 Selected national development priorities for Botswana

Source	Development aim or objective
National Development Plan (NDP) 11	Export-led growth strategy built upon a sustainable, competitive and diversified export base, which will establish Botswana as a developed country by 2036
Keynote policy paper for NDP 11 (select priorities)	<ul style="list-style-type: none"> • Developing diversified sources of economic growth • Human capital development • Sustainable use of national resources
National Trade Policy (NTP)	<ul style="list-style-type: none"> • Industrial development and economic diversification • Improved international competitiveness • Full employment of labour and other resources through trade • Integration into the world economy at the regional and multilateral levels
National Export Strategy (NES)	<ul style="list-style-type: none"> • Make the export sector the engine of growth, by maximising its contribution to economic growth and diversifying exports • Maximise the contribution of exports to employment creation and poverty reduction
Botswana Investment Strategy (BIS)	<ul style="list-style-type: none"> • Creation of a competitive business environment • Local enterprise development • Promotion of investments in priority export sectors
Industrial Development Policy for Botswana (IDPB)	Increased competitiveness through the promotion of services for manufacturing and export-oriented sectors
National Competition Policy (NCP)	Enhance economic efficiency, promote consumer welfare and support economic growth and diversification
Private Sector Development Strategy (PSDS)	<ul style="list-style-type: none"> • Promote and support the participation and visibility of the private sector in international markets • Promote effective participation of the private sector in the domestic market

infrastructure and private sector development. The LDCs [least developed countries] received 10 USD per capita in aid for trade, more than double the average.

The WTO has outlined four components of AfT. These are:

1. trade policy and regulation: building capacity to formulate trade policy, participate in negotiations and implement agreements;
2. economic infrastructure: investing in the infrastructure – roads, ports, telecommunications, energy networks – needed to link products to global markets;
3. productive capacity building: strengthening economic sectors – from improved testing laboratories to better supply chains – to increase competitiveness in export markets;
4. adjustment assistance: helping with any transition costs resulting from liberalisation – preference erosion, loss of fiscal revenue, or declining terms of trade.

New policy developments and the negotiation of bilateral trade agreements such as the Economic Partnership Agreements (EPAs) with the European Union are generating new policy issues and trade adjustment challenges. Depending on the country and product-specific circumstances, responses

Table 2. Comparison of AfT priorities between Botswana and SADC

Botswana	Southern African Development Community
Export diversification	Building productive capacity
Trade facilitation	Trade policy
Trade infrastructure	Trade facilitation (including infrastructure)
Energy	Trade development and promotion (i.e. competitiveness)
Competitiveness	

to these challenges may include moving up the value chain, diversification within or outside the agricultural sector and the development of new export markets.

The largest contributor to Botswana's AfT programmes in 2013 was Japan, which contributed a total of 52 per cent of AfT disbursements in the country. Other contributors were Sweden (18 %), the Arab Bank for Economic Development in Africa (14 %), the African Development Bank (5 %) and Canada (4 %). The top three priority sectors identified by the Botswana Government for AfT were, in order of preference, export diversification, competitiveness and transport infrastructure. In 2013, the country received US\$10 million in AfT funding from its donor partners, with most disbursement going into the transport and storage sector. A cursory look at the available data shows that AfT disbursement has not necessarily been in the areas of priority identified by the government.

As a member of the SADC, Botswana has benefited from regional initiatives aimed at building productive capacity and improving infrastructure to promote trade within the region. The SADC is in the process of drafting a regional strategy for AfT that will focus on trade facilitation, customs co-operation, Technical barriers to Trade (TBT) and Sanitary and Phyto-sanitary Standard (SPS), trade development and trade promotion, building productive capacity and trade in services. Botswana is keen to ensure that its interest is captured in the regional process.

4. Priority areas for Aid for Trade

Botswana's priority areas for AfT may be found at the national, regional and international (regional and multilateral) levels. At the national level, all of

the strategies and plans mentioned in the section above, as well as some other assessments and studies (e.g. the Commonwealth background study for development of a national AfT for Botswana and the SADC AfT Strategy Framework), serve to identify the areas of trade where support is necessary for the country to improve its trade performance, achieve export diversification, address its competitiveness issues and ultimately achieve its national development objectives. For instance, the keynote policy paper for NDP 11 identifies economic diversification as one of six national priority areas (this is broken down into information and communication technology (ICT) and transport infrastructure, competitiveness, and economic diversification, and is discussed in more detail in the relevant document). The National Export Strategy (NES) identifies standards and quality assurance, trade facilitation, and financing for trade, among other things, as areas where intervention is required for development of the seven sectors prioritised for export development in Botswana. These areas of priority were reaffirmed by background study,¹ which highlighted export diversification, competitiveness and transport infrastructure as three areas for prioritisation.

At the regional level, Botswana's AfT priorities are consistent with three of the six focus areas recommended for any AfT initiative in the SADC (Table 2.).² This is true in terms of not only the issues prioritised but also the level of priority assigned to those issues. For instance, trade-related infrastructure, trade facilitation and competitiveness are among the top five priorities for Botswana, and these are also reflected in the recommended focus areas for any AfT strategy for the SADC. This is to be expected, as the SADC AfT strategy essentially reflects the national AfT priorities of its members. At the multilateral level Botswana's AfT priorities are also broadly consistent with the six categories recommended by the WTO, in particular regarding trade-related infrastructure, and building productive capacity and trade development (which could result in enhanced trade competitiveness).³

Despite the sustained focus on economic diversification, the WTO *Trade Policy Review* and other assessments have found that 'such diversification efforts have not been successful as Botswana continues to rely heavily on the mining sector'.⁴ The country has also not improved its competitiveness and continues to suffer from

trade facilitation issues, trade-related infrastructure constraints and deficits, and energy issues. Based on these and the findings from the literature review, the consultants reaffirm the recommendations of both the report on the *Mapping Analysis of Botswana's Trade Policies*⁵ and the report of the background study,⁶ as they relate to the areas of focus of AfT for Botswana; that is, that AfT should be targeted at diversifying the economy and at addressing supply-side constraints. Given this, future AfT should address, in order of priority: (1) achieving export diversification; (2) improving trade facilitation services; (3) enhancing trade-related infrastructure; (4) addressing energy issues; and (5) building trade competitiveness.

5. Aid for Trade needs assessment: key constraints to trade

The AfT strategy identifies key AfT needs based on the constraints to trade that were identified by stakeholders during the project. These are:

- i. Human capacity needs: Botswana's productive capacity is constrained by a number of factors including low levels of human capacity, in particular in the non-traditional sectors which are being considered for export development. In addition, the country continues to suffer from high levels of unemployment.
- ii. Trade-related infrastructure needs: Botswana has relatively good transport and communications infrastructure. However, there are a few areas that require upgrading
- iii. Trade and related policy needs: Although Botswana is a member of the Southern African Customs Union (SACU), the SADC and the WTO, it has not fully taken advantage of the market access opportunities that membership of these organisations can provide. In addition, there is a need to build negotiating capacity for relevant policy-makers within the Ministry of Trade.
- iv. Trade facilitation needs: According to data collected by Doing Business – Trading across Borders 2015, exporting a standard container of goods requires 6 documents, takes 27 days and costs US\$3,145. Importing the same container of goods requires 6 documents, takes 35 days and costs US\$3,710. Globally, Botswana stands at 157th of 189 economies

when ranked for ease of trading across borders. Key trade facilitation issues of concern include both at-the-border and behind-the-border processes.

- v. Legal and regulatory needs: Botswana scored well among its peers (72nd) in the World Bank Ease of Doing Business Report for 2015. When one explores in detail the ranking report on Botswana, however, it is evident that the legal and regulatory environment is not conducive to doing business. For instance, Botswana was ranked 143rd with regard to the time required to start a new business; it took 48 days on average, which was 8 days more in 2016 than in 2015. The country also scored very poorly on enforcing contracts.
- vi. Trade-related financing: Botswana's current currency exchange rate is low, i.e. overvalued, relative to its trading partners, and this is having an adverse effect on the development of trade. For example, the pula-rand exchange rate is unfavourable to businesses in Botswana and to its exporters. In addition, there are very few opportunities for trade financing programmes to help businesses meet their trade-financing needs.

6. Aid for Trade strategy

Having identified the challenges to Botswana's trade, the development priorities of the government and the types of assistance that are required for greater levels of economic development through trade, 10 major AfT priority recommendations were made:

- improve trade performance and terms of trade;
- increase employment opportunities for women, young people and people with disabilities;
- increase entrepreneurial opportunities for women, young people and people with disabilities;
- promote diversification of export sectors;
- improve international competitiveness;
- modernise trade-related infrastructure;
- enhance capacity for trade facilitation;

- strengthen the legal and regulatory frameworks to support trade;
- increase the skills stock within the country; and
- strengthen trade-related capacity of public-sector officials and staff.

The AfT strategy for Botswana was thus developed by identifying specific activities or interventions that would need to be implemented by various relevant agencies under a specific AfT objective, consistent with the three major development objectives of the NDP. The strategy is envisaged to be implemented over a period of six years, i.e. from 2016/17 to 2022/23, in line with NDP 11.

7. Conclusion

If adequately implemented by Botswana, the AfT strategy should result in increased overall trade performance for Botswana; and reflect increased trade in non-mining exports; increased trade within SACU, the SADC and the global economy generally; expansion into new export markets; and increased benefits from trade for poor people, particularly women and young people.

Endnotes

1. WTO/OECD (2015) Aid for trade at a glance- Reducing Trade Costs For Inclusive, Sustainable Growth available at https://www.wto.org/english/res_e/booksp_e/aid4trade15_e.pdf
2. Ndung'u, I (2015). Development of a National Strategy on Aid for Trade for Botswana Background Study: Draft Report, Chapter 2.
3. Southern African Development Community (SADC) (2014), Aid for Trade: Developing a Strategy Framework for SADC, SADC, Gaborone, available at: <https://www.saiia.org.za/speeches-presentations-other-events-materials/654-2014-10-03-aid-for-trade-pres-by-mthethwa-sadc/file> (accessed 2 May 2017).
4. See www.wto.org
5. World Trade Organization (WTO) (2015), Trade Policy Review – Southern African Customs Union (WT/TPR/S/324), WTO, Geneva, 54
6. Ndung'u (2015); Ogundeji, A (2015), Mapping Analysis of the Trade Policies of Botswana.
7. Ndung'u (2015).
8. SADC (2014).
9. See www.wto.org
10. WTO (2015), 54.
11. Ogundeji (2015).
12. Ndung'u (2015).

Trade Competitiveness Section

The Commonwealth Secretariat's Trade Competitiveness Section (TCS) of the Trade Division provides technical assistance (TA) to member countries for improving their trade competitiveness in global markets. Recognising the limited size of the domestic market in many member countries, TCS has a strong focus on export development, with interventions targeted at the national level and where requested, escalated to the regional and international level. The Section has been recently given added responsibility for implementing the Commonwealth Secretariat's Trade Finance Facility in their work program.

TC's specific areas of expertise include:

1. **Market Access** – Interventions in this area of work aim to secure sustainable market access for priority exports. The Section is helping member states in identifying 'New Products and New Markets' and developing schemes around them to diversify their exports. TA is being provided to many countries on targeted action plans for linking into regional and global value chains. The Section is also helping the member states in their multilateral, regional as well bilateral trade negotiations.
2. **Export Development Strategies** – This initiative supports member countries to design and implement strategic plans for trade competitiveness and export development, underpinned by mechanisms for effective dialogue with governments and non-state actors. National Trade Policies as well as National Export Strategies have been designed for many member states.
3. **Enhancing the development and exports of services** – Exports of services can provide opportunities to create employment, diversify exports, enhance productivity and empower low skill workers. This area of work allows member governments to benefit from the new opportunities created by globalisation and trade liberalisation.
4. **Trade Facilitation** – Trade facilitation encompasses the process of identifying and addressing bottlenecks imposed by the weakness in trade related logistics and regulatory regimes that prevent the timely cost effective movement of goods. To deliver this short term outcome, interventions focus on assisting member countries to reduce the costs of doing business and, as signatories to the WTO, to meet their international obligations in this area. Interventions are made through the development of strategic action plans, benchmark studies and reports, and capacity building in trade facilitation.

The Trade Competitiveness Section works in response to the requests received from the Governments or apex institutions and provides technical assistance to address the above competitiveness issues. Areas of expertise include export diversification strategies; gender sensitisation of trade policies; implications of trade agreements and related policy advocacy; implications and compliance to WTO agreements; GATS and Trade in Services Agreements; Mega FTAs like Trade in Services Agreement (TiSA), Economic Partnership Agreements (EPAs), etc; trade facilitation measures and Trade Facilitation Agreement (TFA) along with cost of compliance to the TFA. For 2015/16, the Section is providing TA to 14 countries with 19 projects.

Trade Express will share information and lessons learned from recent Commonwealth Secretariat interventions. Articles will discuss design and implementation processes; in particular, practical solutions for the perennial problems surrounding appropriate trade policy design, advocacy and strategic trade interventions.

Forthcoming issue

Issue 9: Commonwealth Trade Finance Facility Helping Small States get access to Trade Finance

This innovative new scheme allows Commonwealth small states to access the finance they need to develop trade and sustain economic and social development, by encouraging international banks to make more trade finance available to them. The banks participating in the scheme will receive credit enhancement support through an innovative blended finance program developed by the Commonwealth Secretariat and supported by India, Sri Lanka, Mauritius and Malta.

Previous issues

Issue 7: Sierra Leone's Packaging Industry

Sierra Leone has long recognised that the poor packaging of its manufactured export goods is undermining the competitiveness of its products in global markets. In 2015 the Commonwealth Secretariat's Trade Division defined a project in partnership with the Ministry of Trade and Industry (MTI) and the Sierra Leone Import and Export Promotion Agency (SLIEPA) to increase the country's export competitiveness through improved product packaging of agri-processed goods and light manufactured goods.

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