

**“Attracting Foreign Direct Investment (FDI) to Botswana: Perspectives
from Management”**

By

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**Dissertation Presented as Partial Fulfillment for the
Degree of Master of Business Administration
in the Graduate School of Business
and Government Leadership
North-West University**

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November 2008

ABSTRACT

This study focused on the avenues of making Botswana a competitive FDI destination. Utilizing a sample of 52 employees drawn from BEDIA, an organization that is charged with the responsibility to promote and facilitate investment as well as to develop and promote locally manufactured goods, it analyzed the level of knowledge of and satisfaction with existing policies, practices, and legal statutes for FDI attraction among those responsible for their administration and implementation. The study also assessed the success of the existing policies for attraction of FDI, the major challenges facing Botswana as a FDI destination, and the strengths and that the country can harness to attract more foreign investment. Data were analyzed utilizing the Statistical Package for the Social Sciences (SPSS).

The results showed that those interviewed were characterized by low levels of acquaintance and satisfaction with existing policies, practices and legal statutes for the attraction of FDI. In addition, the study revealed that the current policies have not been very successful and Botswana is yet to attain the status of a leading FDI destination in the region, Africa and the world. Another major finding of the study was that Botswana is faced with a large number of internal weaknesses and external threats that challenge its ability to become a leading FDI destination. However, there also existed a large compliment of internal strengths and external opportunities that policy makers and implementers can harness to counter the adverse effects of these challenges

Based on the findings of the study, it was concluded that, although FDI has been an immensely important factor in Botswana's unprecedented economic transformation over the past 42 years and must play an important role in achieving the ambitious growth and diversification objectives of Vision 2016, the country is yet to attain the ultimate status of a leading FDI destination. Despite the existence of elaborate policies, practices, and legal statutes, FDI entry is regressing and the future prospects of its attraction are not very encouraging. Furthermore, the lack of acquaintance and low levels of satisfaction with existing policies among those charged with the responsibility to manage FDI attraction remains a major impediment to the successful attraction of FDI to Botswana. To enhance

the status of Botswana in attracting FDI a large compliment of suggestions were offered by this study. For instance it was recommended that Government should harmonize all the policies, practices, and legal statutes that are pursued to promote FDI and institutions implementing the strategy should work together to avoid the current fragmentation of investment promotion activities. Similarly, it was felt that Government should establish an investment policy and promotion coordination committee to support and monitor systematic investment promotion by responsible agencies and ministries.

ACKNOWLEDGEMENTS

My sincere thanks go to the following: My family especially my son Leano who always encouraged me to finish my dissertation so I can complete my MBA of which I worked very hard to finish the course work. Leano always drove me to Mafeking when I was attending consultation workshops for the mini dissertation. I also thank my niece Kesego who was always sitting with me at night when I was doing my typing and offering me a glass of juice and water.

I also want to thank BEDIA staff who contributed a lot by being respondents to the survey questionnaire and by assisting me with whatever information I required. They were very cooperative. They were very quick in completing the questionnaire and bringing it back to me on time. In addition, I wish to thank the staff of the University of North West, especially Dan Setsetse, Tlhalefang Mpete and David for being so patient and offering me this opportunity to finish my mini-dissertation after waiting for too long.

My special thanks go to my supervisor Professor Munyae M. Mulinge for the support, mentoring, patience and motivation. I really finished this because of his encouragement and without him I could not have managed. I noted with appreciation some nights that he would spend waiting for me to deliver the papers. I really wish him best in all his endeavors. I could never have asked for a better supervisor.

DECLARATION

This research project is my original work. Unless otherwise specifically stated, all the references cited have been consulted. The work of which the dissertation is a record has been done by me and has not been previously accepted for a higher degree or professional qualification at any other higher education institution.

Signed:  _____
[Ontiretse Scitta Monagen]

This dissertation has been submitted with my approval as University Supervisor and would certify that the requirements for the applicable MBA Programme rules and regulations have been fulfilled.

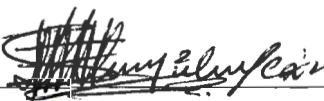
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LIST OF ABBREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
BEAC	Business and Economic Advisory Council
BCL	Bamagwato Concession Limited
BEDIA	Botswana Export Development and Investment Authority
BTB	Botswana Tourism Board
BWP	Botswana Pula
CEDA	Citizens Entrepreneurial Development Agency
CIA	Central Intelligence Agency
CSO	Central Statistics Office
DOT	Department of Tourism
EU	European Union
FAP	Financial Assistance Policy
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
GDP	Gross Domestic Product
GIGO	Government Implementation Governing Organization
ICT	International communication Technology
IFSC	International Financial Services Centre
IPA	Investment Promotion Agency
MNC	Multinational Corporations
NDP	National Development Plan
OLI	Ownership, Locational and Internationalization
OSS	One Stop-Shop
OECD	Organization for Economic Co-operation and Development
PEEPA	Public Enterprises Evaluation and Privatization Agency
RSA	Republic of South Africa
SADC	Southern African Development Community
SDR	Special drawing rights to (US Dollar, British Pounds and Euro)
SMME	Small, Micro and Medium Enterprises

SPSS	Statistical Package for Social Sciences
SWOT	Strengths, Weaknesses, Opportunities, Threats
UNCTAD	United Nations on Trade and Development
USD	United States Dollar
ZAR	South African Rand

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CHAPTER ONE

INTRODUCTION

1.1 Background Information

Foreign direct investment (FDI) can be defined as any form of investment that earns interest in enterprises which function outside of the domestic territory of the investor (<http://www.economywatch.com/foreign-direct-investment/>). It occurs when a company (or a foreign direct investor) from one country makes a long-term investment in an enterprise resident in an economy (or country) distinct from the investor's country of origin (<http://www.economywatch.com/foreign-direct-investment/definition.htm>; Graham and Spaulding, 2005; chinadaily.com.cn, 2006). FDI involves a business relationship between a parent company and its foreign affiliate that gives rise to multinational corporations (MNC) (<http://www.economywatch.com/foreign-direct-investment/>; chinadaily.com.cn, 2006). For an investment to qualify as FDI, it must afford the parent enterprise control over its foreign affiliate. The United Nations defines control in this case as the ownership of 10 percent or more of ordinary shares or access to voting rights in a business enterprise operating in a foreign country (<http://www.economywatch.com/foreign-direct-investment/>; <http://www.economywatch.com/foreign-direct-investment/definition.htm>; chinadaily.com.cn, 2006). FDI is undertaken for two main aims: 1) To strengthen the existing market structure or explore the opportunities of new markets, 2) to target factors of production which have more operational efficiency than those available in the home country of the investor. The former can be termed “market-seeking FDI” while the latter is referred to as “resource-seeking FDI” (<http://www.economywatch.com/foreign-direct-investment/>).



FDI may be classified as inward or outward depending on the types of restrictions imposed and the various prerequisites required (<http://www.economywatch.com/foreign-direct-investment/>; chinadaily.com.cn, 2006; <http://www.economywatch.com/foreign-direct-investment/definition.htm>). Inward FDI is a typical form of what is termed as 'inward investment'; that is, investment of foreign capital occurs in local resources

(<http://www.economywatch.com/foreign-direct-investment/definition.htm>). Its growth is normally propelled by factors such as tax breaks, the relaxation or removal of existent regulations and limitations, loans on low rates of interest, subsidies, and specific grants (<http://www.economywatch.com/foreign-direct-investment/>). The rationale behind this is that, the long run gains from such a funding far outweighs the disadvantage of the income loss incurred in the short run (<http://www.economywatch.com/foreign-direct-investment/definition.htm>). Outward FDI, also referred to as “direct investment abroad”, on the other hand, involves the investment of local capital in some foreign resource (<http://www.economywatch.com/foreign-direct-investment/definition.htm>). This form of FDI may also find use in the import and export dealings with a foreign country. It tends to flourish under government backed insurance against all types of associated risks and is subject to tax incentives as well as disincentives of various forms. FDI has also been classified into vertical and horizontal FDI. Vertical FDI takes place when a multinational corporation owns some shares of a foreign enterprise, which supplies input for it or uses the output produced by the multinational corporation (MNC). Horizontal FDI, on the other hand, occurs when a multinational company carries out a similar business operation in different nations (<http://www.economywatch.com/foreign-direct-investment/>).

Over the years FDI has assumed an extraordinary and growing role in global business (Graham and Spaulding, 2005). Today it plays a major role in the economic growth and development of the host country (<http://www.economywatch.com/business-and-economy/foreign-direct-investment.html>; <http://www.economywatch.com/foreign-direct-investment/economic-development.htm>). In particular, during the last 20 years FDI has helped the economies of the host countries to obtain a launching pad from where they can make further improvements. With respect to the developing nations, FDI acts as the lifeblood of their economic growth (<http://www.economywatch.com/foreign-direct-investment/economic-development.htm>). FDI has a number of advantages that provide a strong impetus to economic development (<http://www.economywatch.com/foreign-direct-investment/benefits.html>; Graham and Spaulding, 2005; Spaulding, 2006). For the country where the investment is being made, for example, it helps in economic development; with the transfer of new technologies and skills; in the creation of new

jobs, increasing the salaries of the workers, and consequently, in enabling workers to get access to a better lifestyle and more facilities in life (Spaulding, 2006; <http://www.economywatch.com/foreign-direct-investment/benefits.html>; Graham and Spaulding, 2005). FDI can also assist recipient countries to develop their human capital resources by getting their employees to receive training on the operations of a particular business. Not to forget that the profits that are generated by the FDIs that are made in a country can be used for the purpose of making contributions to the revenues of corporate taxes of the recipient country (<http://www.economywatch.com/foreign-direct-investment/benefits.html>).

The rising importance of FDI in economic growth and development is symbolized by the significant increase in FDI earnings that has occurred during the past years. In the year 2007, for example, the world witnessed an improvement in the total foreign direct investment by 17.8 percent compared to 2006 (<http://www.economywatch.com/foreign-direct-investment/2007.html>). The figure rose from 1 305.9 billion US dollars in 2006 to 1 537.9 billion US dollars in 2007. Among the developed economies of the world, the Netherlands had the highest percentage increase. It received 104.2 billion US dollars in 2007 compared to 4.4 billion dollars in 2006; an improvement of 2 285.1 percent (<http://www.economywatch.com/foreign-direct-investment/2007.html>). It was followed by France with FDI earning of 123.3 billion US dollars, compared to 81.1 billion dollars in 2006; an improvement of 52.1 percent. In the economically developing countries, FDI earnings rose by 15.7 percent, from 379.1 billion US dollars in 2006 to 438.4 billion US dollars in 2007; (<http://www.economywatch.com/foreign-direct-investment/2007.html>). Similar improvements were also recorded in the Latin America and the Caribbean region, with the figure rising from 83.8 billion US dollars for 2006 to 125.8 billion US dollars in 2007 (<http://www.economywatch.com/foreign-direct-investment/2007.html>). Here Brazil was the leading grosser with a 99.3 percent increase; the amount rose from 18.8 billion US dollars in 2006 to 37.4 billion US dollars in 2007. It was followed by Mexico which earned 36.7 billion US dollars in 2007 compared to 19 billion US dollars in 2006; an increase of 92.9 percent. Asia and Oceania area, on the other hand, experienced an improvement of 6.6 percent in FDI earnings (<http://www.economywatch.com/foreign->

direct-investment/2007.html). In 2006 the FDI was 259.8 billion US dollars rising to 277 billion US dollars in 2007. Malaysia was the leader with FDI worth 9.4 billion US dollars compared to the 6.1 billion US dollars in 2006; an improvement of 54.4 percent.

In Africa FDI has reached new heights (<http://www.economywatch.com/foreign-direct-investment/inflows.html>). A record more than US dollars 38 billion was invested in the recent years in African countries. This has happened mainly due to the increase in the FDI that is being made in countries that have high oil and other natural resources. African countries have also been receiving FDI from the economically developed as well as developing countries. However, from 2006 to 2007 the African continent experienced minimal increment in FDI as the rest of the world recorded significant improvements in FDI earnings. The continent received only 35.6 billion dollars in 2007 compared to 35.5 billion dollars in 2006, representing an improvement of only 0.1 percent (<http://www.economywatch.com/foreign-direct-investment/2007.html>). Morocco was the highest grosser, receiving 5.2 billion US dollars in 2007 compared to 2.9 billion US dollars in 2006, or an increase of 78.6 percent. This was followed by Egypt, which earned 10.2 billion US dollars from FDI in 2007 compared to 10 billion US dollars for 2006.

1.2. Statement of the Problem

FDIs are welcomed and, indeed, actively sought by virtually all countries on the perception that they will contribute to their socio-economic development. Governments of many poor countries not only see foreign capital as a means of economic growth but also believe that the main pillar of the current process of globalization is the liberalization of the foreign direct investment flows (Adam, Ndulu, and Sowa; 1996; McCombie, 2007). Buoyed by the recognition that consistent economic growth, de-regulation, liberal investment rules, and operational flexibility are all factors that help increase the inflow of FDI (<http://www.economywatch.com/foreign-direct-investment/>; Chatterjee, 2004; Mayer. 2004), they have taken steps to attract FDI. In Africa in particular, governments have been working very hard to strengthen their efforts to achieve economic growth as well as economic diversification through FDI. Here FDI is viewed a major avenue for building competitive economies that can productively be integrated into the global economies (Ministry of Finance 2007).

To attain economic growth and diversification through FDI African governments have developed strategies and policies to ensure the smooth flow of FDI. As Adams et al (1996) state, African governments have evolved and implemented active policies with the objective to increase their attractiveness as FDI destinations. For instance, steps have been taken to attain more liberalized economies through de-regulation and the implementation of liberal investment rules, including the relaxation of taxation, labor and health laws as well as allowing for the repatriation of profits. However, in spite of such efforts, the expected surge of FDI into Africa has not been outstanding. As indicated earlier, relative to other regions (or economies) in the world, Africa experienced the least growth in FDI earnings for the period 2006 to 2007. To reiterate, FDI earnings in the continent rose marginally from 35.5 billion US dollars in 2006 to 35.6 billion US dollars in 2007, representing an increase of only 0.1 percent (<http://www.economywatch.com/foreign-direct-investment/2007.html>). The situation is summed up by Jauch (2002), who posits that potential foreign investors have tended to discount the African continent as a destination for investment because of the negative image of the continent's investment climate.

Botswana, whose economy is highly dependent on traditional exports of minerals and beef, is among the African countries that have adopted the FDI route to economic diversification, growth and development. Although for more than a decade, Botswana has not had to depend on external capital inflows, there appears to be an emerging consensus that the country needs FDI especially for its technology, skills and access to export markets components (United Nations 2003). As such, Botswana attempts at economic diversification from mineral exports to productive activities like manufacturing and service industries have included the promotion of FDI. In this regard, Botswana offers a structured economic environment geared towards supporting foreign investors who want to establish in the country. However, despite government initiatives, the country has not attracted significant level of FDI to move it away from dependency on traditional exports of beef and minerals. As a matter of fact, exports are declining except for traditional ones and the economic diversification process is moving slowly (Economic Review 2007). This suggests that there is a need to look at the strategies and policies adopted by the

government and corporations that are charged with the responsibility to promote FDI. This study is a step in that direction. More specifically, it assesses the quality of existing FDI attraction policies and strategies and the challenges facing them.

1.3 Objectives of the Study

The broad purpose of this study is to assess the viability of FDI as an avenue for economic diversification in Botswana. Doing so is important because Botswana's continued economy growth and development is threatened by her over dependence on mineral and beef export. As such, economic diversification is imperative for the country to be guaranteed economic stability. The specific objectives of the study are to:

- Assess the level of knowledge and satisfaction with the existing policies and practices for attracting FDI to Botswana among those responsible for their implementation.
- Evaluate the extent to which the existing FDI promotion policies and practices have been successful in improving Botswana's competitiveness as a FDI destination.
- Identify the major challenges, including internal weaknesses and external threats, undermining Botswana's attractiveness as a FDI destination.
- Isolate factors (i.e., internal strengths and external opportunities) that Botswana can harness to improve its competitiveness as a FDI destination.



By focusing on the above objectives the study hoped to answer the following questions:

- (i) How well acquainted with Botswana's policies and practices for attracting FDI are government and other officials responsible for overseeing the process?
- (ii) How satisfied are government and other officials with the country's policies, strategies and programmes for attracting FDI?
- (iii) To what extent have existing FDI promotion policies and practices in Botswana been able to improve the country's competitiveness as a FDI destination?
- (iv) What are the major challenges – internal weaknesses and external threats - facing the improvement of FDI earnings in Botswana today?
- (v) What internal strengths and external opportunities does Botswana have that policy makers can harness to improve the country's status as a FDI destination?

1.4. Importance of the Study

Conducting this study is important for three reasons: First the study will contribute to the available theoretical knowledge in the subject area of FDI attraction. Although FDI attraction has been the subject of many studies, it appears to be under researched in the African context and Botswana in particular. Even though there are many studies that were carried out by foreign bodies and consultants, most of them focused on incentives, lack of competitiveness and identification of impediments without clearly defining the clear path to be followed which could help implementation. For example in 2001 an investment code was developed which recommended thresholds for foreign direct investors. Many questions such as the main determinants of attracting foreign investors and what government is doing to improve the investment climate were left out. A review of the Investment climate was carried out in April 2002 by United Nations on Trade and Development (UNCTAD) which recommended the abolition of thresholds as they were considered to be discriminatory, and were making unnecessary commercial judgments which might scare away foreign investors. The code was withdrawn before it was implemented and tested. Many questions on what has to be done next were left out. In March 2003, a study was conducted to identify the administrative bottlenecks to investment attraction by Foreign Investment Advisory Service of the World Bank. Recommendations were never implemented and questions on whether government has a strategy for developing sound, broad based business environment and within this strategy, what role is given to investment promotion and facilitation measures still remain to be answered. By assessing the status of managing FDI attraction in Botswana including factors that affect competitiveness of the country including implementation strategies, this study will contribute to closing the knowledge gap on the subject of investment promotion especially FDI attraction.

Second the study will generate information that could form the basis for policy framework in the management of FDI attraction in Botswana and to the private sector in general. Even though the study is formulated for assessment rather than policy formulation, it will contribute significantly to the knowledge and is envisaged to become

quiet useful in the formulation and future implementation strategies for investment attraction management policies in the country and Botswana Export Development and Investment Authority (BEDIA) which is the organization being studied. The efficiency and effectiveness of employees depends on the competitiveness and successful operation of any organization including BEDIA. By understanding the policies and strategies as well as particular factors of operating the business, employees will be motivated and equipped to help management to improve its ability to attract more investment into the country. In addition, as Investment Promotion Agencies (IPA) activities are rated and compared as a tool for selling countries, motivated employees will help to alleviate the competitiveness of the country and make it more attractive for FDI inflows. On top of that, an IPA can serve as a conduit for private sector input into reform process and can also be used as a vehicle for expanding linkages for foreign investor and domestic suppliers. It is therefore very important to conduct this study to be able to attain tools and methods of improving and managing investment promotion and FDI attraction in Botswana. It is hoped that the knowledge developed through this study will formulate the basis for better ways of making the country more attractive by introducing better management policies as important factors identified will have a bearing on improving the performance of all involved including policy makers.

Finally, measures to promote investment can be successful if they take place within the broader context of an overarching investment management strategy for improving the investment environment, which involves mainstreaming investment across a broad range of policy areas that affect the investment climate. According to OECD (2006), developing a broad strategy, strong political support and leadership, both from the highest levels of government as well as from front-line agencies and ministries responsible for implementing policy is required. The study suggests that, without an appropriate business climate for investment, promotional efforts might make foreign investment less likely. Morriset (2003) reviews the performance of investment promotion agencies in 58 countries in terms of the FDI inflows. He finds that investment promotion is more effective in a country with good management policies and can be counterproductive if a country offers poor management policies that will contribute to a poor investment

climate. He argues that the disappointed investor is also likely to be vocal about his disenchantment and, so discourage other investors. Research has therefore pointed out that countries with poor management policies would be better off spending limited resources on improving the way they manage their investment climates than on attraction or promotion. The challenge is therefore, to enhance contributions of FDI with complimentary policies to attract foreign manufacturing companies, to build local capabilities and develop the domestic enterprise sector. In addition, the study will also add to a body of existing literature on foreign direct investment and economic diversification.

1.5 Organization of the Study

This study is organized into five chapters as follows. Chapter one is the introduction and provides the necessary background to the study, the problem statement, the aim (or purpose) of the study, and the significance (importance) of the study. In chapter two a review of the empirical and theoretical literature around the subject of investment promotion through economic diversification in Botswana will be carried out. The review emphasizes on the meaning of the concepts of attraction of foreign direct investment, globalization and economic diversification, how to create wealth and improve the lives of the citizens through increased foreign direct investment, the major policies and programmes that have been put in place to diversify the country's economy. The chapter will also look at the factors that impede economic diversification, achievement and failures, the country's strengths and weakness and reforms required to create a conducive investment climate for investors to enable the country increase the flow of foreign direct investment. The third chapter presents the methodology utilized by the study including the site description and units of analysis, the study sample and selection procedures, the methods of data collection, the techniques of data analysis, ethical considerations, and the limitations of the study. The fourth and fifth chapters present the findings of the study and the discussion of those findings, respectively.

CHAPTER TWO

LITERATURE REVIEW

As Bell (2005:35) argued, “Any investigation whatever the scale, will involve reading what other people have written about your area of interest.” Consistent with this view, this chapter provides a review of the empirical and theoretical literature around the subject matter of foreign direct investment (FDI). The exercise involves synthesizing the views of prominent authors on the subject of investment promotion as an avenue for economic diversification. The review commences with a presentation of an overview of the concept of economic diversification before delving into foreign direct investment (FDI) as an avenue to this end. Concerning the latter, the emphasis is placed on the management of FDI attraction and its importance as an engine of economic growth and diversification in Botswana. Also discussed are policies and programmes that have been put in place the objective to improve Botswana’s competitiveness as a FDI destination, the benefits derived from FDI and some of the challenges facing the attraction of FDI to Botswana.

2.1 Economic Diversification: An Overview

According to the Geography Dictionary, diversification is a measure taken to spread industrial commitment over a large range of activities so that there is no overdependence on one (United Nations, 2004:3). It can take place within a single firm by taking on new ventures to spread the risk of any one failing. There are three major strategies of diversification namely, concentric diversification, horizontal diversification, and conglomerate diversification (Maipose and Somolekae, 1998:8). Whereas concentric diversification occurs where a new business produces products that are technically similar to the current products but appeal to the new consumer group, horizontal diversification occurs when a business produces products that are totally different from the current products but appeal to the same consumer group. On the other hand, conglomerate diversification involves a new business producing products that are totally unrelated to the company’s current products and that appeal to an entirely new group (United Nations, 2004:12). Economic diversification is not only focused on firms and their strategies alone. It is also pursued by both developing and developed countries to

find new markets and to venture into new expansion activities. What may differ is the approach utilized by different countries.

Most of the developed countries pursue concentric, horizontal, and conglomerate integration as they consider their economies as truly diversified with coherent to the supply of goods and services (Hammouda, 2007). This means that diversification in developed countries is either by acquiring existing businesses or by expanding own businesses into new markets and new areas of production or service. On the contrary, diversification in most developing countries mainly involves the identification of markets in other countries or the promotion of their locations to avoid dependency on one single commodity (Hammouda, Karingi, Njuguna and Sadni-Jallaba, 2006). Developing countries pursue diversification strategies to drive their economies away from dependency in a single commodity. For example, Africa is a minerals rich continent and of its 52 countries, about twenty of these can be considered to be either minerals-based economies, emerging minerals-based economies or economies in which minerals can or could play a significant economic role (Solomon, 2000:1). The diversification of African economies from dependency on minerals is one way through which economic transformation and growth achievement could be sustained. According to Hammouda et al. (2006), African diversification can be achieved by both concentric and horizontal diversification. In addition, diversification will help to build competitive economies that can productively be integrated into the global economy. Hammouda (2007) further argued that the scaling-up of current real growth to the desired levels and in a broad manner can also be sustained if there is deepening in the diversification of African economies. To further support the idea of concentric and horizontal diversification for Africa, Mintzberg and Quinn (1992) confirmed the existence of potential synergy between the new business and the core one, based on common facility, asset, channel, skill, even opportunity.

As suggested above, the crux around economic diversification in most of Africa is one of mineral driven sustainable development. The principal premise is that while minerals are in themselves a depleting non-renewable resource, mineral industries cannot be

considered unattainable. Mining provides for the development of infrastructure and economic activity where other sectors could or would venture. As a result of this, mining has the propensity to spawn or catalyze the development of direct and indirect secondary and tertiary sectors that, if properly planned or managed, could be sustainable (Solomom, 2000:3). The most notable example of this form of diversification is Botswana. The country has, over an extended period since independence and the subsequent establishment of its diamond industry, managed its mineral wealth carefully and used taxes, royalties, and dividend revenues to fund managed structural change within its economy, structure and society. However, the country has yet to succeed in truly diversifying its economy to the extent that it is not critically dependent on its diamond revenues (Solomon, 2000:5).

2.2 FDI As An Avenue for Economic Diversification

Foreign direct investment (FDI) is defined as a company from one country making a physical investment into building a factory, ownership of productive assets such as mines and land in an enterprise resident in an economy other than that in which the foreign investor is based (Westborough, Mass and Brooklyn, 2007). In recent years, due to rapid growth and change in global patterns, the definition has been broadened to include the acquisition of a lasting management interest in a company or enterprise outside the investing company's home country (Westborough et al, 2007). As such, FDI may take forms such as a direct acquisition of a foreign company, construction of a facility or investment in a joint venture or strategic alliance with a local company with attendant input of technology and licensing of intellectual property. FDI can also occur in a form of Greenfield investment which is a direct investment in new facilities or the expansion of existing facilities (World Bank, 2000). Greenfield investments are the primary targets of the host country nation's promotional efforts because they create new production capacity, create jobs, transfer technology and know-how, and can lead to linkages to the global market place. Another type of FDI is Mergers and Acquisitions which is the transfer of existing assets from local firms to foreign firms. Cross border mergers occur when the assets and operation of firms from different countries are combined to create a legal entity. Cross border acquisitions occur when the control of assets and operations is transferred from a local to a foreign company with the local company becoming an

affiliate of the foreign company. (www.infoseek.com). In contrast to other capital flows, FDI can bring additional benefits to a host economy like access to international markets, employment creation and skills development, access to foreign sources of supply, management know-how, transfer of knowledge and competition (UNCTAD, 2007).

As years pass by, the classic definition of FDI as noted above has changed considerably (World Bank, 2004). This notion of a change in the classic definition, however, must be kept in the proper context. Very clearly, over 2/3 of direct foreign investment is still made in the form of fixtures, machinery, equipment and buildings. Moreover, larger multinational corporations and conglomerates still make the overwhelming percentage of FDI. But, with the advent of the Internet, the increasing role of technology, loosening of direct investment restrictions in many markets and decreasing communication costs means that newer, non-traditional forms of investment will play an important role in the future (World Bank Group, 2007). It should also be noted that, reacting to changes in technology, growing liberalization of the national regulatory framework governing investment in enterprises, and changes in capital markets, profound changes have occurred in the size, scope and methods of FDI. New information technology systems, decline in global communication costs have made management of foreign investments far easier than in the past. The sea of change in trade and investment policies and the regulatory environment globally in the past decade, including trade policy and tariff liberalization, easing of restrictions on foreign investment and acquisition in many nations, and the deregulation and privatization of many industries, has probably been the most significant catalyst for FDI's expanded role (World Bank Group, 2007).

Central to a country's capacity to become a favorite destination for FDI is its competitiveness. The achievement of competitiveness has become more imperative in the context of increasing economic integration and globalization that requires a constant growth of national competitive strength (see Bollman and Bryden, 1997; Hettne, 1999; Erwee and Venter, 2003; Neuland and Bothma, 2003). Competitiveness is a comparative concept representing the ability and performance of a firm, sub-sector or country to sell and supply goods and services in a given market. The term can also be applied to

markets, where it is used to refer to the extent to which the market structure may be regarded as perfectly competitive (World Bank, 2006: 6). According to Reijan, Hinrikus and Ivanov (2000), competitiveness is a multi-dimensional feature of an economic entity such as a firm industry, region, or nation operating in a market economy that describes its economic performance in relation to other entities. A country's competitiveness stems from the commonly accepted thinking that a nation's economic growth and standard of living is directly linked to the ability of its industries to compete in the global economy (Bollman and Bryden, 1997). In a narrow approach competitiveness is explored in conditions where entities' interests are conflicting i.e. achievement of the aim by one entity makes it impossible for another entity to achieve the same aim (<http://www.weforum.org>). For example, in the competition for FDI countries compete for the same caliber of investors and they position and differentiate themselves from their comparators to win more FDI into their localities. However, in a broader approach competitiveness is not considered as a zero-sum game, because an entity's gain does not come at the expense of others (Bollman and Bryden, 1997). The broader approach is therefore not relevant to our study as we are looking at a situation where competitiveness helps the country to attract more FDI by differentiating itself from others through its policies and programmes.



According to McArthur and Sachs (2002) there are three levels of competitiveness. The lowest level of competitiveness is the ability of an entity to survive or adapt passively to the competitive environment without significantly changing or developing itself. The medium level of competitiveness is the ability to respond actively to changes in the competitive environment and thereby improve its own qualities and make its activities more efficient. The highest level refers to the ability to influence the competitive environment through more efficient operation, quicker development than competitors. Our study will focus more on the medium level where the country is trying to improve its qualities to win competition for FDI. It will also focus to an extent on the highest level where it develops more measures to respond more quickly and efficiently than other competitors. Michael Porter (1990) argued that whatever the range of competitiveness considered, either local, national or international competition, the capacity of an

economic entity to achieve sustained economic growth and improvement in standard of living is viewed as dependent on the extent to which that entity has in place both requisite, macroeconomic, political, legal and social context for development. According to the Global Competitiveness report (World Bank 2007), Botswana shows a decrease in the area of competitiveness especially of delays in establishing a business where it was rated No. 109 out of 175 economies.

In the past decade, FDI has come to play a major role in the internationalization of business. Reacting to changes in technology, growing liberalization of the national regulatory framework governing investment in enterprises, and changes in capital markets, profound changes have occurred in the size, scope and methods of FDI (UNCTAD, 2004). New information technology systems, decline in global communication costs have made management of foreign investments far easier than in the past. The dramatic change in trade and investment policies and the regulatory environment globally that has occurred in the past decade - including trade policy and tariff liberalization, easing of restrictions on foreign investment and acquisition in many nations, and the deregulation and privatization of many industries - has probably been the most significant catalyst for FDI's expanded role. The most profound effect has been seen in developing countries, where yearly foreign direct investment flows have increased from an average of less than \$10 billion in the 1970s to a yearly average of less than \$20 billion in the 1980s (UNCTAD, 2004). The figure exploded in the 1990s from \$26.7 billion in 1990 to \$179 billion in 1998 and \$208 billion in 1999 and now comprises a large portion of global FDI. Driven by mergers and acquisitions and internationalization of production in a range of industries, FDI into developed countries last year rose to \$636 billion, from \$481 billion in 1998 (UNCTAD, 2004).

FDI also has a number of advantages or benefits (see Graham and Spaulding, 2005; <http://www.economywatch.com/foreign-direct-investment/benefits.html>). First, it helps in the economic growth and development of the particular country where the investment is being made. For instance, during the decade of the 1990s FDI was one of the major external sources of financing for most of the countries that were growing from an

economic perspective. Economic growth means an increase in an economy's capacity to produce goods and services over a long period of time (Hough, Neuland and Bothma, (2003). The increase could be in either the quality or the quantity of the economy's factors of production like labor and capital. Improvements can also occur in the production techniques to achieve a greater output. Capital investment and technological innovation are regarded as factors in economic growth. Existing economics literature identifies three separate channels through which FDI can spur economic growth (Getachew, 1995). Firstly, most developing countries have binding domestic savings constraints that can be eased through foreign capital inflow. In this case, FDI augments domestic savings in the process of capital accumulation. Secondly, FDI is the main conduit through which technology transfers take place. Finally, FDI is believed to lead to increased exports as a result of increased capacity and competitiveness in domestic production (Pfaffermayr, 2004). The nature of FDI effects on growth in an economy will thus depend on, among other things, its effects on the relative proportions between tradable and non-tradable commodities, exchange rate movement domestic policy environment (Borensztein, Gregario and Lee, 1998).

FDI has also been associated with the transfer of technology and skill; this normally occurs in the way of provision of capital inputs. This assists in the promotion of the competition within the local input market of a country. Moreover, the countries that get FDI from another country can also develop the human capital resources by getting their employees to receive training on the operations of a particular business (<http://www.economywatch.com/foreign-direct-investment/benefits.html>). A fourth advantage of FDI is that the profits that are generated by the FDI's that are made in a country can be used for the purpose of making contributions to the revenues of corporate taxes of the recipient country. A further advantage of FDI is that it helps in the creation of new jobs, in increasing the salaries of the workers, and consequently, in enabling workers to get access to a better lifestyle and more facilities in life. Finally, FDI can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing (Graham and Spaulding, 2005). For a

host country or the foreign firm which receives the investment, it can provide a source of new technologies.

2.3 Policies and Factors Affecting the Attraction of FDI

Wells and Wint (2001) showed that FDI promotion is significantly and positively related with FDI inflows though less in developing countries. According to Moran (1998), FDI promotion addresses a market failure related to imperfect information on the investors' as well as on host government side. There are many reasons why foreign investors decide to invest in a particular location. Following Dunning's (1993) OLI paradigm, multinationals invest abroad because they have an ownership (O), locational (L) and internalization (I) advantage. It is believed that foreign investors and multinationals have an ownership advantage (tangible and intangible assets) and they want to internalize the advantage rather than license other firms. Based on Table 1, the major policies and factors affecting inward foreign investment can be grouped into specific industrial policies (see column 1), macro economic policies (column 2) and other policies and factors beyond the control of domestic economic policy makers (column 3). Although these policies and factors affect FDI directly, they could also have an impact on each other. Industrial and macro-economic policies are largely under control of domestic governments while other factors are under indirect control at most. Industrial and macro-economic policies can attract multinationals; they target existing multinationals as well as domestic firms (<http://www.answers.com/topics/diversification>).

In developing countries the determinants of FDI can be divided into economic policies largely within the control of national governments, and other policies and factors (Louk, 1995). The first category can be sub-divided into industrial policies, specifically relating to FDI and more general macro-economic policies. Industrial policies have been important determinants of foreign direct investment. Governments, often in the form of investment agencies, have promoted FDI and targeted multinational companies abroad at a national, sectoral or even firm level by providing general information, advertising, undertaking matchmaking activities and sector promotion, organizing site visits, supporting feasibility studies and project proposal and other activities. Other industrial policies toward FDI include administrative procedures and rules of ownership.

Administrative procedures can form a significant barrier to FDI, especially in developing countries (Emery, Spence, Jr., Wells, Jr. and Buehrer, 2001).

Table 1: Policies and Factors Affecting Inward Foreign Direct Investment

	Economic policies largely under domestic control		Other policies and factors
	<i>Industrial policies</i>	<i>Macro-economic policies</i>	
Affecting potential foreign investors (‘determinants’)	- Financial and fiscal incentives and bargaining - Efficient administrative procedures and rules on ownership - Promotion, targeting and image building - Developing key sectors (agglomeration and clustering) - Developing export platforms (EPZs)	- Availability of infrastructure and a skilled workforce and good labour relations - Sound macro-economic performance and prospects - Privatisation opportunities - Development of financial market and debt position - No impediments to trade of goods and services	- Global economic integration and transportation costs - International, regional and bilateral treaties, including BITs and WTO. - Insurance (ICSID, MIGA, ECGD, OPIC) and political risk ratings - Location near large and wealthy markets - Availability of natural resources - Historical ties and language-use - Absence of corruption - Financial conditions in home countries
Affecting established foreign investors (‘upgrading’)	- Taxation - Performance requirements (TRIMS etc.) - Interaction with research institutions and other firms - Encouragement of R&D - Training of employees	- Labour market policy - Trade policies, export promotion and infrastructure - Competition policy - Development of financial market	- Regional and international investment treaties - Global economic integration - Civil society
Affecting the response of domestic firms (‘linkages’)	- Encouragement of linkages with multinationals - Encouraging technological capabilities (R&D) - Encouraging human resources (training) - Supply side management	- Education and skill generation - Labour mobility - Competition policy - Export promotion	- Global economic integration

Source: Overseas Development Institute, March 2001

Once the decision has been made to invest in a particular destination, the implementation can be tedious. For example, in Ghana and Uganda it can take one (1) or two (2) years to establish a business and become operational, 18 months to three (3) years in Mozambique and Tanzania, and one (1) year in Namibia while it can take only six months to establish a business in Malaysia (Blomstrom and Sjonholm, 1999). The overly complex registration procedures, combined with lack of institutional capacity in host countries, can lead to additional expenses to foreign investors, whose nature and size are difficult to predict and which may lead to corruption on the way. In addition, it sends a wrong signal to other potential investors (Blomstrom and Sjonholm, 1999). There are several questions related to the subjects of who implements these policies and how much effort and resources should be devoted to implement policies. Almost all countries, both developing and developed, have one or more investment promotion agency (IPAs) responsible for dealing with multinationals (Wells and Wint, 2001). However, there are different forms of organization, ownership and funding arrangements. These can be grouped into government organizations, more autonomous, quasi government organizations, and private organizations. These organizations provide four different types of services, namely image building, investment generation, investor services, and policy advocacy (Wells and Wint, 2001).

2.4 FDI Attraction and Economic Diversification in Botswana

African economies are now strengthening their efforts to achieve economic growth through economic diversification. In addition they are coming up with measures to build competitive economies that can productively be integrated into the global economies. Countries are now making economic diversification a precondition to register accelerated development (Ministry of Finance, 2007). In Botswana the need for economic diversification is not a moot issue. Since independence in 1966, the economy has been mainly dependent on the primary sectors of agriculture and mining. At independence the agricultural sector dominated the economy contributing 40 percent to GDP while mining sector's contribution was quite insignificant and the industrial sector only contributed 6 percent (Ministry of Finance 2007). Currently the mining sector contributes approximately 30 percent to the GDP while the industrial sector only contributes 5 percent (UNCTAD, 2000). Being one of the African economies characterized by a

narrow base - in this case a dependence on traditional exports of minerals and beef - Botswana recognized the relevance of diversification to economic growth and development.

In Botswana, the need for diversifying the economy became probably greater than ever before in 1984 due to the impact of the highest 1983/84 record of the mining sectoral contribution to GDP (52.6 percent). As a result Government paper no.2 of 1984 which introduced the Industrial Development Policy was published as one of the means of achieving economic diversification. The main aim was to diversify the economy away from dependence on the primary sectors mining and agriculture into productive activities of manufacturing and service activities (Republic of Botswana, 1997). As a result, the Botswana Government has taken a decisive step towards the diversification of the economic base of the country beyond mining and beef industries by promoting the establishment of export oriented industries. The development strategy of Botswana is guided by six (6) year national Development Plans (NDPs) with the current one running from 2003 to 2009. The theme of NDP 9 of “*Sustainable Economic Diversification*” reflects the Government’s concern with dependence on exhaustible mineral resources. To drive economic diversification, returns from the mining sector has been used to develop physical and social infrastructure such as roads, water supplies, power supplies, telecommunications, health facilities, schools and human capital. A road linking system linking main towns, and dependable water electricity and telecommunications services have been developed in many part of the country (World Bank, 1993).

Given a small market with a population of about 1.8 million (Central Statistics Office, 2003), viable economic diversification in Botswana has to be export oriented (Modise, 2000). It has been realized that (Bank of Botswana, 2000; Kapunda, 2003):

- Diversification away from primary commodities and towards manufactured goods and services would reduce risk and vulnerability to the long-term deteriorating trend in the commodity terms of trade and the associated loss in income.
- Economic diversification will promote industrial investment which will tend to have more forward and backward linkages with other sectors especially the

diamond and agriculture. It is also believed that the richness in inter-linkage explains the highest growth of elasticities of the industrial sector thus increasing contribution to GDP in the long run.

- Economic diversification through industrialization has great possibility of technological transfer and adoption and creation of technology.
- Industrialization leads to additional advantages such as expansion and creation of employment which is part of the objectives.
- Economic diversification through industrialization ensures economic dependence based on own manufactured goods along with goods and services from other sectors. It also increases foreign exchange through export of own produced goods.

2.4.1 Policies and Programmes for Attracting FDI to Botswana

Botswana, like most other developing countries, has been making efforts to diversify its economy from being mineral led to productive activities like manufacturing and service industries through promotion of foreign direct investment (FDI). The country has been open to FDI since independence. Although Botswana hardly has any locational advantages and its market is very small due to the size and poor population located in rural areas and engaged in pastoral farming as its main activity, the discovery of diamonds, copper nickel and soda ash deposits improved Botswana's attractiveness to foreign investors. It led the government to open up for FDI by going into a joint venture with De Beers, a diamond manufacturing consortium. The country's early opening to FDI was rewarded with large inflows in 1970s; a record annual inflow of US dollars 127 million was registered in 1979 (UNCTAD, 2003). Whereas Botswana received US dollars 70 million in FDI between 1980 and 1984, the receipts amounted to US dollars 50 million for the period 1985 - 2000 (UNCTAD, 2003). Between 1975 and 2000, flows based on five-year annual averages remained quiet stable hovering between US dollars 50 million, except for period when they were negative in 1991-1995 due to losses posed by a copper-nickel mine, BCL Ltd (UNCTAD, 2003). Although for more than a decade now Botswana has not had to depend on external capital inflows, FDI is still needed for the components that it brings; that is, technology, skills and access to export markets (United Nations, 2003).

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Botswana's FDI path to economic development has produced results unmatched by any economy of similar size and level of development. At independence in 1966, it was one of the poorest countries of the world with an annual per capita income of less than US dollars 100 (UNCTAD, 2002). However, after three decades, it had one of the fastest rates of economic growth in the world. Along with Gabon, Equatorial Guinea, Mauritius and South African, Botswana is now one of sub-Saharan Africa's upper-middle income countries. This growth has benefitted from the country's choice of economic system and policies towards FDI. When state control based on central planning took firm hold in many African Countries, Botswana opted for a market-based system. It did not undertake widespread nationalization and it decided to exploit its most precious natural resource - diamonds in going into joint venture with foreign investors (Ministry of Finance, 2006). Banking too remained foreign-owned, even though many countries at that time considered them main pillars of their economies. Since creation of the Pula, the national currency, Botswana continued to maintain more liberal exchange controls than its neighbors including South Africa. The country also continued to improve its FDI framework.

The attraction of FDI for economic diversification, growth, and development is function of the management and implementation of good policies that enhance a country's competitiveness and create a conducive investment climate for FDI attraction. Botswana is no exception. Here the Government has increased its efforts to put up sound macroeconomic policies and maintained its political stability to make the country more attractive to foreign investors (BEDIA 2006: 3). In opening to FDI attraction, the Government has adopted an approach to industrial development which emphasizes free, privately owned enterprise and relies on the market mechanism of influencing the behavior of producers (BEDIA 2006: 9). However, reliance on market mechanism and private ownership did not mean that government preferred to leave the industry alone. The Government also endeavors to encourage FDI through a number of other ways. These have included the establishing of a legal and administrative framework (e.g., Companies Act, exchange regulation, and land tenure system); executing policies in a large number of fields which, although not industrial policies, have had an effect on

industry (e.g., wage policies, and education policies); giving incentives, protective measures and preferences for locally produced goods; producing public goods and services like water, electricity, communication and transport systems; supplying infrastructure like roads; and performing administrative tasks both in the fields of registration and control as well as information and promotion (BEDIA, 2006).

Measures to promote and facilitate investment can be successful if they take place within the broader context of an overarching strategy for improving the investment environment. This involves mainstreaming investment across a broad range of policy areas that affect the investment climate, such as development of coherent and transparent policy framework; accessibility of information on existing regulations; clear legal policies inadequate use of communications channels; lack of transparency in government procurement; lack of transparency in ministerial mandates; too many administration discretion in administering regulations inadequate international standards weak administrative procedures and accountability mechanisms; and lack of clear standards in licensing and concession decisions such telecommunications (OECD, 2003:14). In particular, enabling regulatory frameworks are essential to the competitiveness of any country as a FDI destination. Cognizant of this reality, over the years Botswana has put in place explicit policies and regulations to govern the attraction of FDI to the country. The most notable of these have included the following:

1. Taxation Regulations

Tax influences the user costs, and therefore may have direct environmental impact on the attraction of foreign direct investment. In Botswana, income taxes are levied on income that is actually derived or deemed to be derived from Botswana sources including income accruals and specified capital accruals. Legislation governing taxation is contained in the Income Tax (Amendment) Act of 1995 and the Income Tax (Amendment) of 2006. In its drive to diversify the economy through manufacturing and financial services, government has introduced two streams of taxation with companies in the manufacturing sector paying corporate tax of 15 percent while all companies pay a corporate tax of 25 percent. Botswana's tax structure is unduly complex and compliance is relatively low there are suggestions that tax administration should be improved to reduce evasion (World Bank

Group, 2007). The Minister of Finance and Development Planning may, by an order known as the Development Approval Order, prescribe additional tax relief to a business if that business is known to be promoting the development of the economy of Botswana. The concessions can take the form of zero tax rates on profits for the first five years which can be extended to ten years granted on a case by case basis. Investors have complained of lack of transparency in the issuance of the tax relief (BEDIA, 2007).

2. Financial Assistance Policy

In 1995 the Botswana Government launched the Financial Assistance Policy (FAP), a system of grants designed to assist with the setting up or expansion of private sector businesses (Ministry of Finance and Development Planning, 1995). The objective of the policy was to assist businesses in order to create more employment in Botswana through diversification of the economy away from mining and beef industries. The FAP offered financial grants to encourage investment and employment in non-traditional sectors for the first five years of inception. Initially the scheme focused on manufacturing and non-traditional agriculture, but expanded over the years to include tourism, small-scale mining and related services businesses (Ministry of Finance and Development Planning, 1995). Grants were linked to projected employment of skilled and unskilled Botswana labor (the capital grant) and to wages paid to them (the wage subsidy). For medium and large scale projects, the grants were available to both foreign and national investors. The wage subsidy started at 80 percent of the wages bill for skilled labor in first year, tapering off to 20 percent in the fifth and final year (Ministry of Finance and Development Planning, 1995). The FAP was abolished in 2000, following highly critical evaluation of its rationale, effectiveness and administration. The extent of abuse and some cases of fraud was a major influence on subsequent government thinking (Botswana Institute for Policy Analysis, 2000). Concerning its termination, UNCTAD (2003) retorted that the axe of the FAP has fallen disproportionately on FDI.

The FAP was to be replaced by various financial and technical support programmes to be administered by a new body; the Citizen Entrepreneurial Development Agency (CEDA). Grants were replaced by concessional loans of up to BWP 2 million and credit guarantees, but these were not to be available to foreign investors (Ministry of Finance,

2005). However, foreign investors could seek funding from the Venture Capital Fund which provided funding on market terms. For all its faults in execution the FAP scheme had one strong virtue; it was considered bold. It also attempted to leverage Botswana's key strength which is diamond revenue by committing nearly BWP 300 million of budgetary funds in 1999. This was a great leap forward towards rapid economic transformation. It is now apparent that based on the performance of the FAP, more fundamental issues had to be addressed for development and diversification of the private sector, for example, education, training and on-the-job development of industrial disciplines and skills, experienced management, and inculcation of entrepreneurship.

3. Diversification Policy

The intention of the diversification Policy is to support investment across a range of activities to enhance the overall investment climate and create a conducive investment climate for investors. This policy is meant to improve productivity levels and boost the institutional efficiency which is regarded as a key role for FDI attraction. The policy also meant to strengthen citizen participation and empowerment (Ministry of Finance, 2003). The initial focus of diversification policy was to be on export led manufacturing but has now expanded into financial services and business services, tourism and new mining ventures. In 2005 government appointed a Business and Economic Council (BEAC) to develop a strategy for economic diversification and sustainable growth in Botswana (Office of the President, 2006). The main purpose of the BEAC was to assist government to realize its objective of accelerating economic growth and diversification, and thus reduce dependency on the mining sector.

The council conducted research that identified existing constraints impeding accelerated economic diversification and growth as well as FDI flows and enterprise development and made recommendations on the steps to be taken. The impediments identified by council included regulatory, systematic, and procedural policies; government not being investment driven; low productivity levels; decline in FDI; and companies disinvesting due to slow attitude in processing authorizations (Office of the President, 2006). According to the council's findings annual growth was falling, unemployment had gone up, privatization and the envisaged re-organization of public enterprises was not

progressing and Botswana's mindset has not encouraged economic diversification. It was concluded that there was a need for mindset change, citizen empowerment and the need to move towards economic openness. The recommendations were approved in December 2006 and a Government Implementation Governing Organization (GIGO) was established under the office of the President to implement the recommendations of BEAC and it has started drawing implementation mechanisms (Office of the President, 2006).

4. Macroeconomic Policies

To open FDI Botswana came up with sound macro economic policies coupled with its economic and political stability and good quality of life. The basic philosophy was to make these policies liberal and market based. The policies were to guide the development role of government to make sure that there was consistency and stability. The key development policies were competitive exchange rate, fiscal balance and sustainability and there was a commitment to contain inflation (World Bank, 2003:7). Botswana's macro economic policies helped the country to receive significant FDI inflow of USD 127 million in 1979. The situation remained quite stable throughout the years except in 1995 when losses and subsequent changes occurred in the copper nickel mine forcing the government to part with substantial amount of money to stop the mine from collapsing after it was abandoned by its previous investors (World Bank, 2003: 9).

5. Exchange Rate Policy

The exchange rate policy was to be objective and to provide real exchange rate to support trade, export and import substitution. The Botswana Pula was pegged to a basket of currencies comprising the South African Rand (ZAR) and special drawing rights (SDR) which made a very strong currency until concerns were raised that overvaluation was contributing to lack of competitiveness. This provoked the Bank of Botswana to devalue the Pula and to introduce the crawling peg (Bank of Botswana, 2006). Under the exchange control policy, there are no foreign exchange control restrictions and investors are allowed to repatriate any profits they have made freely. However, the rate of crawl exchange rate, which is based on the differential between the Bank's inflation objective and forecast inflation in trading partner countries, is not expected to result in a substantial nominal exchange rate particularly against the South African rand (Bank of Botswana,

2006). It is therefore anticipated that the rate of the crawl exchange rate will not add significantly to inflationary pressures.

6. Monetary Policy

The objective of the monetary policy in Botswana is to achieve a sustainable low and predictable level of inflation, which contributes towards a broader national objective of sustainable economic development (Bank of Botswana, 2004). The modifications to the monetary policy framework enhanced both policy analysis and response in relation to assessment of the factors that determine future price development, including the respective magnitude of the impact on domestic inflation and the transmission lags. The important factors that are considered in determining the future path of inflation include among others, developments on demand pressures, interest rates, exchange rates, administered prices inflation expectations, and relevant external development (Bank of Botswana, 2008). Despite the projected goal of 3 to 6 percent inflation rate, inflation continued to increase in the first half of 2008 mainly due to the substantial increase in the price of food and oil in the global arena. Annual inflation rate in Botswana was 8.1 percent in December, 2007 and rose to 14.5 percent in June 2008, thus remaining above the upper Bank's medium-term inflation objective of 3 to 6 percent in the first six months of the year (Bank of Botswana, 2008).

7. Industrial Development Policy

The industrial development policy in Botswana has been undertaken within the framework of Government Paper No 2 of 1984 of the Industrial Development Policy, Government Paper No1 of 1990 on Revised National Policy on Income, Employment, Prices and Profits and through the priorities determined by the National Development Plans. The common themes underlying these documents have been the need to diversity the economy away from its dependence on the resource industries of mining and beef; the need to foster the growth of the private sector; and the need to support the growth of employment, particularly in smaller villages (Republic of Botswana, 1990).

8. Privatization Policy

Government acknowledged in the early 1990s that the country's success story had come to the stage where it needed a different development strategy to confront the new set of more complex development challenges if its strong development record was to continue. Consequently, Government embarked on public sector reform process aimed at changing the development strategy from state-led to private sector led through various forms of privatization which led the development of the privatization policy. This policy was established in order to raise revenue and increase efficiency and delivery of services of the state owned sector, to raise the country's growth potential by securing stronger flows of foreign direct investment and technology transfer, and to create further opportunities for the growth of the citizen business sector (Ministry of Finance, 2000). The main aim was to progressively diminish the role of the government in providing marketable goods and services and gradually to hand over to the private sector. Other objectives included increasing direct citizen participation, accelerating the rate of economic growth by stimulating entrepreneurship, reducing the size of the public sector, and relieving the financial and administrative burden of government. An autonomous body called Public Enterprise Evaluation and Privatization Agency (PEEPA) was established in 2001 to spearhead the privatization initiative (Ministry of Finance, 2000).

PEEPA developed a four year Privatization Master Plan whose launch was outlined in Government Paper No 1 of 2005. Its role was to screen all the public enterprises which were selected for early privatization and commercialization (Public Enterprises Evaluation and Privatization Agency, 2006). The plan was also to serve as a strategy document for implementing privatization transactions as well as the regulatory, institutional and legal process required for implementation. It studied all the 37 public enterprises and categorized them into quadrants. The first quadrant was for 11 public enterprises which were to be privatized within the first four years of the plan. The second quadrant was for eight (8) enterprises that were ready for privatization but that would take at least eight (8) years because they were complex and needed thorough feasibility studies. The third quadrant composed of three (3) enterprises that could be privatized but were not an emergency and could be considered within the next twelve years. The last

quadrant was for 15 public enterprises that were not considered for privatization but for rationalization whereby some of their non-core activities could be outsourced to the private sector for them to concentrate on their core activities (Public Enterprises Evaluation and Privatization Agency, 2006). BEDIA, the organization which is the focus of this study, falls within public enterprises that are not ready for privatization.

To date the plan is still to be implemented and none of the candidates have been privatized. In July 2006, PEEPA developed another strategy for the rationalization of selected enterprises which will remain in the public sector but which needed to be set up differently to improve their effectiveness. The key issue was to determine the effectiveness of the degree to which their mandates are complementary and the extent to which the operating strategies and programmes across the entities are related, with the aim of aligning service delivery among the entities with consideration for rationalizing them into clusters (Public Enterprises Evaluation and Privatization Agency, 2006). To date the strategy has not yet been implemented and one wonders why because rationalization is within the control of the government as its processes are not affected by external factors.

9. Land Policy

In Botswana land is owned as tribal land, state land or freehold land. Tribal and state lands can be brought into commercial use through the granting of leases and use-permits or by conversion of freehold (UNCTAD, 2005). Statutory land boards manage the allocation of tribal land. When tribal land is put up to commercial use, it is under short term leases of 10 years which is not a very bankable title. State land for business is for 50 years renewable leases and freehold title can be registered and pledged. The Department of Lands under the Director has been designated by the President to grant private title to State land with no guidelines to direct the process (UNCTAD, 2005). The acquisition of state land by foreign investors is subject to explicit ministerial approval in respect of tribal land and state land. Land Control Act also requires ministerial approval for dealing in agricultural land by non-citizens. Investors are complaining of slow re-zoning of land for alternative uses and of planning permission for development. They also complain of

slow ministerial approval, where needed, and slow registration of title deeds. The Department of land has also conceded that there are some delays (UNCTAD, 2005).

10. Intellectual Property Act

The Intellectual Property Act intends to provide for the protection of innovative firms' inventions, especially with respect to integrated circuits and geographical indications (Republic of Botswana, 2007). It also intends to provide for protection against unfair competition and trade secrets and to make it more relevant and responsive to global intellectual trends. Copyright will now be available to investors, along with protection of patents and designs. There has been a breach of music copyright, but there are no serious breaches of intellectual property that will affect investors (UNCTAD, 2005).

11. Licensing and the Administration of Regulations

In Botswana, the scope of licensing seems appropriate, except for industrial (manufacturing) licensing. There is no public interest reason for licensing this sector, given that there are mechanisms elsewhere to regulate health and safety, consumer and environmental protection (Republic of Botswana, 2006). In fact, different Ministries and organizations tend to attach their own conditions for acquisition of an industrial license which tend to contribute to delay in the process. Although the process is predictable and transparent, delays and duplication of requirements are frustrating to investors. Some areas of licensing are facing some bottlenecks and have seriously damaged the investment climate (World Bank, 2007). Other main problems include slow issuance of work and resident permits which is a pre-requisite for obtaining an industrial license, slow rezoning of land for commercial or industrial use, and slow registration of interest in land title or change of use. Most business investors have reported suffering as a result of this slow in process as they have to meet all the condition before obtaining licenses (World Bank, 2007).

12. Competition Policy

Botswana is preparing a competition policy which is expected to lead to a competition law and the creation of an enforcement agency. The law will regulate anti-competitive behavior and abuse of dominant power in the market place (BEDIA, 2007).

2.4.2 The Management of FDI Attraction Policy in Botswana

It is one thing to have “good fortune” or receive windfall foreign aid resources and it is another thing to put one’s fortune to good use and to build and sustain the confidence of foreign investors (Maipose and Somolekae, 1996). Whereas the flow of FDI is largely determined by a favorable investment climate, which is a precursor to economic growth and sustainable development, it is how well a country manages its policies for FDI attraction that will determine the extent to which FDI bring about economic diversification, growth and development. Consistent with this view, it is widely argued that a country’s economic performance is determined to a greater extent by its measure of its political, institutional, economic and its regulatory framework (Maipose, 2003). These institutions and government policies form the governance infrastructure that determines the attraction of significant FDI. The elements of good management are many and basically different, though inter related, illustrating the significance of policy choices and institutional capacity. They include development planning and integration with the annual budgetary process; institutionalization of the liberal multi-party democracy and economic setting and prudent macro-economic management; and high state extractive and saving capacities (Maipose, 2003). Developing countries have a role to play in the regulation of FDI, which role, among others, must include the enhancement of the rule of law, ensuring accountability and transparency in both private and public management.

Botswana, as one of the developing countries decided to promote FDI as an effort to diversify its economy from being mineral led. The country came up with sound macroeconomic management, continuous political stability and good quality of life policies unmatched by many African countries (Jefferis, 1998). In Botswana, public sector planning and its integration with the annual budgetary process have been the foundation of the management of the development machinery and the basis for managing its windfall gains; mineral rent and foreign aid (Maipose and Somolekae, 1996). The country relies on a six year planning cycle, with mid term reviews and annual budget to update the plans in response to changes in the economic and political context. National Development Plans are essentially plans for public spending and human resource use and



annual budgets are used converting a development plan into a programme of action on the basis of projecting underlying Botswana macro-economic model (Jefferis, 1998).

To oversee the implementation of FDI attraction policies as well as their management, the Government of Botswana has created a number of investment agencies. Topping the list is the Botswana Export Development Authority (BEDIA), which is the subject of this study. BEDIA was established in 1999 as an autonomous investment promotion agency (IPA) with a mandate to promote investment in export oriented activities that will result in economic diversification, rapid economic growth and sustained employment opportunities in accordance with Botswana's social and economic policies and objectives. The authority supports business and investors by identifying investment opportunities in the country and export markets for local products, providing investment advice, identifying joint venture partners, and organizing visits and meetings between economic operators in the country and potential investors (BEDIA, 2007). BEDIA assists private business to obtain factory shells, complete pre-investment clearances (such as work and residence permits), land allocations, industrial licenses and provides economic data like trade statistics and others. It also organizes both inward and outward missions to familiarize potential investors with the investment climate in the country as well as fairs, exhibitions and contact missions to market Botswana products abroad. Furthermore, BEDIA operates a one-stop-shop (OSS), which liaises with both Government and parastatal organizations to help investors to secure necessary clearances to enable them operate a business in Botswana with minimal delay (BEDIA, 2007).

One of the obstacles to new investment and entrepreneurial activity is long delays and costly procedures to establish a new business entity. One common approach to this problem is the establishment of a one-stop-shop which allows the investor to access information on the necessary steps to start or expand a business and provide services to speed up the process of granting necessary permits and authorizations. BEDIA established a One-Stop-Shop in 2001. However, this facility has not performed to its required potential due to the fragmentation of investment promotion activities and due to the fact that some government ministries and other civil servants especially in lower

category are resisting relinquishing their regulatory powers to one single entity. BEDIA is also responsible for policy advocacy and receives feedback from investors through its aftercare programme. However, the absence of an investment law that governs steps government has taken to ensure that the laws and regulations dealing with investments and investors, and their implementation and enforcement are clear, transparent, readily accessible and do not impose unnecessary burdens makes advocacy very difficult. This is because the Act that established BEDIA is more of a sectoral law that is competing with other Acts and does not compel any single entity to oblige. This creates the need for Botswana Government to come up with an overarching law. As a result of this the impact of BEDIA's advocacy programme has been very minimal.

Another problem affecting BEDIA's operations is the lack of consultation on the part of the Government when introducing any laws or policies that govern the investment climate. To illustrate, BEDIA was not represented in the BEAC committee through which government increased prices of work and resident permits as part of cost recovery. Yet, BEDIA thought that it was a drastic increase and it is eroding investor confidence (Office the President, 2006). Moreover, BEDIA is not involved in the privatization policy and it is not involved in selling opportunities arising out of the policy. When government abolished the FAP policy, an incentive scheme for investors which BEDIA was selling, BEDIA was not consulted to give an input. In sum, there is very little consultation going on between the investment promotion agency and the government.

Although BEDIA is expected to be a lead organization agency charged with the responsibility to promote FDI, there exist other Ministries and organizations responsible for implementing policies related to FDI. This has created fragmentation and lack of focus. These organizations include the Botswana International Financial Services Centre (IFSC) and Botswana Tourism Board (BTB). The IFSC was launched during 2000 in order to position Botswana as a hub for cross-boarder financial services and a regional gateway for capital and investment flows. One of the key objectives of the IFSC was to create sustainable employment opportunities in Botswana through the attraction of international services companies (BEDIA, 2007). Additional objectives included the

development and diversification of the revenue base as well a stimulating economic growth and developing skills in areas such as accounting, financial and ICT sectors. These objectives are not different from BEDIA's objectives except that they are talking about the financial sector (IFSC, 2007).

The BTB, on the other hand, is an organization for promoting, selling and marketing Botswana as a tourism destination, locally, regionally and internationally. It is also involved in the promotion of tourism investment and is a priority port of call for any potential investor in the growing of Botswana tourism industry (Botswana Tourism Board, 2007). The tourism industry tries to protect Botswana's environment and resources through an overall policy of low volume, high value tourism. The sector is well-established, and there are opportunities for expansion and development (Botswana Tourism Board, 2007).

2.4.3 The Competitiveness of Botswana's Investment Climate

There are many reasons why countries are able to attract FDI into their economies, the main one being higher levels of competitiveness. In this section we analyze the competitiveness of Botswana vis-à-vis other countries in the region that compete directly with Botswana for FDI including Namibia, Mauritius, and South Africa. The investment climate in Botswana is characterized by many location-specific factors that shape opportunities and incentives for firms to invest productively, create jobs, and expand. These factors include macroeconomic and regulatory policies; security of property rights and the rule of law; and the quality of supporting institutions such as physical and financial infrastructure (World Bank 2007:5). However, despite the relatively attractive investment climate, firms in Botswana are not as competitive as the middle developing income equivalents of Argentina, Malaysia, Mauritius and South Africa. Both labor productivity and total factor productivity are relatively low. One possibility is that problems in the investment climate constrain firm performance. Although the investment climate is favorable, some areas are less favorable (World Bank, 2007).

In terms of macroeconomic competitiveness indicators, Botswana is relatively competitive as compared to other countries (World Bank, 2007). As evident from Table

2, Botswana has a very competitive tax regime, especially in the manufacturing and International Financial Services (IFS) supported sectors. However, interest rates and inflation rates have been higher than those of the country's main competitor countries such as South Africa, Namibia and Mauritius. HIV AIDS is another major issue that is usually cited by potential investors as problematic in the region. According to the Global Competitiveness Report rankings, Botswana has the highest prevalence rate at 37.3 percent of the population aged between 15 and 49 years, followed by South Africa at 21.5 percent (World Bank, 2007). Furthermore, enrolment in tertiary educational institutions is one of the lowest in the region, meaning that it may be worth looking at investments to boost this so as to improve on the trainable work force.

Table 2: Socio-Economic indicators (%)

Indicator	Botswana			South Africa			Namibia			Mauritius		
	2004	2005	2006	2004	2005	2006	2004	2005	2006	2004	2005	2006
Tax rate	15 (25)	15 (25)	15 (25)	30	30	30	35	35	35	25	25	25
Interest rate	15.75	16	16	11	10.5	11.75	7	11.9	12.25	6.54	9.2	10.32
Inflation	6.97	8.6	11.9*	1.39	3.4	4.5*	3.91	2.4	5.0*	4.7	5.6	8.9
HIV prevalence		37.3			21.5			21.3			< 0.1	
Tertiary enrolment		6			15			6			17	

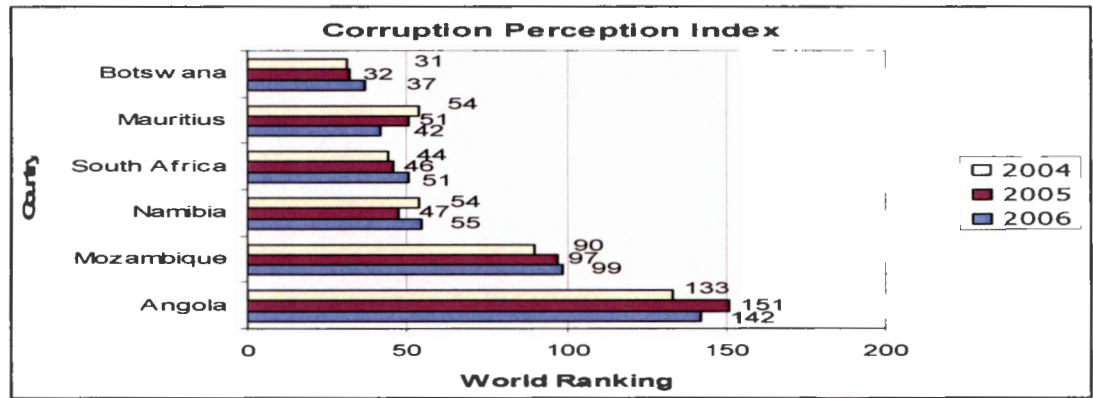
Source: World Development Indicators 2005, Global Competitiveness Report 2006 - 2007, SADC Bankers

The Index of Economic Freedom by the Heritage Foundation (2007) also ranks Botswana ahead of her competitors and is followed by South Africa and Mauritius respectively. Notwithstanding this, Botswana's index of economic freedom has been increasing over the years thus signifying erosion of competitiveness. This index of economic freedom gives comprehensive examination of factors that contribute to economic freedom and prosperity. According to the Heritage Foundation (2007), Botswana's has a set of policies that are most conducive to economic freedom. However, for some factors such as the extent of government intervention and fiscal burden, indications are that these do not contribute much towards economic freedom and prosperity. Another factor that predisposes Botswana to be attractive as a FDI destination is the low level of corruption.

According to Transparency International (2007), Botswana is the least corrupt country in Africa. However, as can be seen from Figure 1, Botswana should be concerned that even though it is the least corrupt in Africa, the overall level of corruption is increasing.

One of the indicators of competitiveness in FDI attraction is the ease of doing business in a particular country. The ease of doing business is a summary indicator of 10 micro indicators, including starting a business, dealing with licenses, trading across borders, protecting investors, getting credit, paying taxes, employing worker, closing business, registering property (World Bank, 2007:10). Like the macroeconomic indicators, Botswana’s competitiveness on these micro issues has been declining. For example, in 2005 Botswana was ranked 44 and went four (4) positions higher to 48 in 2006 (World Bank, 2007: 9). This ranking places Botswana lower than South Africa, Namibia, and Mauritius. However, between 2005 and 2006 Botswana experienced an improvement in competitiveness in the ease of closing a business as compared to other countries. The country is also highly competitive on the ease of getting credit; it ranks number one (1) in the SADC region (World Bank, 2007).

Figure 1: Overall Corruption Indicators



Source: World Bank (2007). *Doing Business 2007*

Existing evidence shows that Botswana competitiveness and that of other countries in the region have been declining. According to the Global Competitiveness Index ranking (see Figure 2), Botswana’s competitiveness declined by nine (9) positions between 2005 and 2006 while that for South Africa and Namibia also declined by five (5) positions each.

Mauritius, on the other hand, retained its position. Although for all countries under review their level of competitiveness went down, the magnitude of the decline for Botswana was greater than the decline experienced by the other countries. This should be of great concern to Botswana as a country because it means that competing countries are improving their competitiveness at a faster rate than Botswana. On the macroeconomic stability indicator Botswana was ranked at position 86 during the same period (2005 - 2006). This was lower than South Africa which was at position 87. The ranking went down to position 53 while South Africa's went down to position 30 (World Bank, 2007). This showed that South Africa's competitiveness increased more than that of Botswana. Both countries, however, remained stable between 2005 and 2006. Nevertheless Botswana was on a much higher level of competitiveness than her competitors with respect to macroeconomic environment indicator. The country started at a lower position of 42 in 2004 while Mauritius and South Africa were at 50 and 48, respectively (World Bank, 2007). However, South Africa experienced an increase in competitiveness in 2005 and 2006 when they surpassed Botswana in terms of this indicator. In terms of global competitiveness indicators such as innovation index and ICT infrastructure, Botswana has been stable or losing her competitiveness compared to her regional competitors (World Bank, 2007).

Figure 2: Overall Competitiveness Indicators

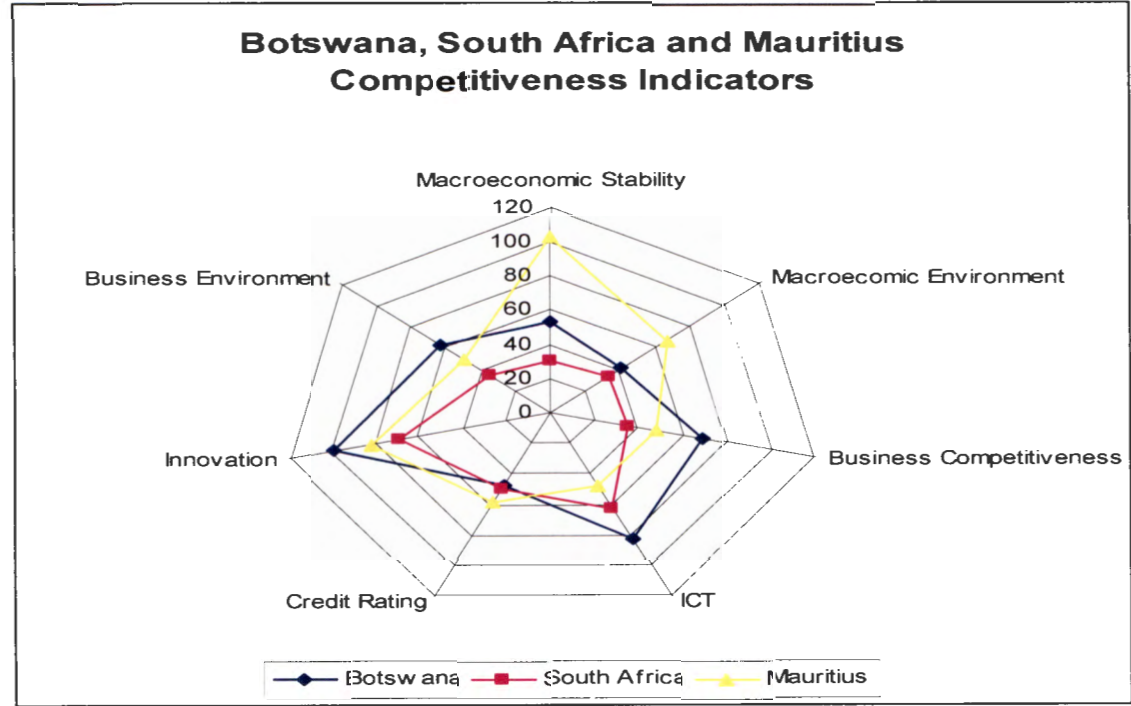


Source: World Bank (2006).*The Global Competitiveness Report, 2005-2006 and 2006-2007*

The erosion of Botswana's competitiveness should be of great concern because it situates competing countries in positions of greater advantage relative to Botswana. Figure 3

depicts the comparative competitiveness of Botswana, South Africa and Mauritius; the higher the level of competitiveness, the closer to the centre of the radar. As evident from the figure, overall South Africa was ahead of Botswana in terms of competitiveness in 2006. Also, Botswana was uncompetitive compared to Mauritius and South Africa on Business Environment, Business Competitiveness, ICT and Level of innovation.

Figure 3: Botswana and Comparative Countries



Source: World Bank (2006). *The Global Competitiveness Report, 2005-2006 and 2006-2007*

CHAPTER THREE

METHODOLOGY

There are several fundamental stages in the research process which are common to all scientifically based investigations. These include identifying the research topic, defining the research problem, determining how to conduct research, how to collect data, analyzing and interpreting the data and the actual writing of the dissertation (Hussey and Hussey, 1997). This chapter describes the procedures that were utilized to collect the data in order to assess the viability of foreign direct investment (FDI) as an engine of economic diversification in Botswana. The case study approach, whereby one organization was used as a unit of analysis, was adopted. This organization is Botswana Export Development and Investment Authority (BEDIA), which is charged with the responsibility to promote investment in Botswana which is mainly focusing on the promotion of FDI as a major tool for economic diversification. This chapter is organized into seven sections as follows. Section one focuses on the research design whereas section two presents the description of the research site. The third, fourth, and fifth sections are devoted to the study sample and selection techniques, the methods of data collection, and the techniques of data analysis, respectively. On the other hand, section six keys ethical considerations. The final section presents the limitations of the study.

3.1 Research Deign

As indicated above this study adopted the case study approach to the subject of FDI attraction in Botswana. It keyed on a single organization - BEDIA - as its unit of analysis. According to Bell (2005) the main aim of case studies is to try to relay the message using events, which occurred or are still taking place. He reiterated that case studies are particularly appropriate for individual researchers because they give an opportunity for one aspect of the problem to be structured in some depth within a limited time scale. The case can be a site, such as an organization, in this case BEDIA, or a department within an organization (Bryman, 1993). Bryman (1993) further stated that activities can also be viewed as units of analysis in case studies and that a case can also be a person. For Bailey, Jons, Burch and Mary (2002) a case study is basically an explanatory piece of research carried in one field setting and utilizing a variety of techniques, so that a case

study research is not bound by one method but capitalizes on any approach that might unravel a new puzzle. As Huysamen (1994) emphasizes, case studies are directed at the understanding of the uniqueness and the idiosyncrasy of a particular case in all its complexity. A quantitative survey design was elected for this study. The epistemological reasoning behind the choice of this type of design was that while the research was descriptive in nature, it required the use of numerical data to compare the different factors and/or variables which are the subject of each thematic area of the study.

3.2 Research Site and Units of Analysis

The study was carried in Gaborone, the capital city of Botswana. Botswana is a land locked country standing in the Tropic of Capricorn at the Centre of the Southern African plateau. It shares borders with Namibia to the west and north, Zambia and Zimbabwe to the north and east respectively and South Africa to the east and South. The country has an area of 582,000 square kilometers and has a dry, semi-arid climate. The country's population is estimated at 1.8 million people (Central Statistics Office, 2003). Botswana is a cosmopolitan and peaceful country which has enjoyed the benefits of social and political stability, a truly non-racial, multiparty, participatory democracy since it gained independence in 1966; elections are held every five years (Botswana Review, 2007). At the time of independence, Botswana has minimal development and was one of the 20 poorest countries in the world. However, the discovery of diamonds in 1967 helped Botswana to emerge from a least developed country status within a short period of time and it is now a middle income developing economy (Kalikawe, 2001; Central Intelligence Agency - CIA, 2008). Foreign direct investment (FDI) in mining is a driving force in this dramatic change. Botswana went into a joint venture with De Beers, a diamond mining consortium. The success is attributed to Botswana's sound macroeconomic composed of prudent management and free enterprise policies (Dicey, 2003). Over the past 30 years real GDP growth has averaged 9 percent per annum and the country is holding substantial foreign reserves (Minister of Finance, 2002).

The specific site of the study was Botswana Export Development and Investment Authority (BEDIA). This is a lead Investment Promotion Agency established by an Act of Parliament in 1997 to promote Botswana as a location for investment and to attract



new investors from abroad. The major objective is to promote, attract, encourage and facilitate local and foreign direct investment in Botswana (BEDIA, 1997). The responsibility is an important one because of the urgent need for Botswana to diversify its economy and reduce its relative dependence on traditional exports of minerals and beef. BEDIA is a public enterprise wholly financed by the government of Botswana. Although there are three investment promotion agencies in Botswana namely BEDIA, Botswana Tourism Board (BTB), International Financial Services (IFSC), the two organizations are sectoral promotion agencies promoting individual sectors like tourism (BTB) and financial services (IFSC). BEDIA is charged with the responsibility to promote the country and all kinds of investment including those which are promoted by sector specialist agencies. As the lead investment promotion agency, BEDIA provided a good site for this particular study. The organization operates three offices located in Gaborone, Republic of South Africa (RSA), and in London. The specific units of analysis for the study were employees, management and professional staff, serving in all the offices of the organization.

3.3 Study Sample and Selection Procedures

As pointed out earlier this study focused exclusively on the Botswana Export Development and Investment Authority (BEDIA). This is a small public enterprise with a total of 60 employees. These include 12 executive managers, six (6) senior executive officers, 32 executive officers and 10 technical and administrative support staff. The employees are spread across the organization's three offices as follows: Gaborone 53 employees, Republic of South Africa (RSA) four (4) employees, and London three (3) employees. The 60 employees constituted the target population of the study. However, given the small size of this population, the decision was reached to interview all BEDIA employees who were not on annual leave by the time of the study, regardless of their location. Those located in offices outside of Botswana were reached through courier services or e-mail. In all, 55 employees were available to serve as respondents for the study distribute as follows: Gaborone 49 employees, RSA three (3) employees and London three (3) employees.

3.4 Data Collection Methods

To collect that data analyzed for this study, the survey method was utilized. Specifically, a self-administered questionnaire was employed. The questionnaire was preferred because it has the advantage of being cheaper (Jankowick, 2000) and the ability of 'yielding a large quantity of information about a given population ready for codification and analysis' (Strati, 2000:147). Although the questions were for the most part pre-coded and therefore closed ended, the researcher utilized the response category 'other (specify)' to introduce an open-ended element to it. This allowed the interviewees the opportunity to specify any other relevant answer which was not included in the list of predetermined responses. Close-ended questions were preferred because they provide greater uniformity of responses and are easier to process (Hussey and Hussey, 1997; Babbie, 2004; Neuman, 2007).

The questionnaire was organized into six (6) sections. Whereas the first section was intended to gather information regarding the respondent's present job, the second section sought to find collect information on the respondents' understanding as well as satisfaction with current policies, practices and legal statutes for attracting FDI into Botswana. Section three, on the other hand, gathered views concerning the extent to which current policies have been able to improve Botswana's attractiveness as an FDI destination. The internal strengths and opportunities that could be harnessed to improve Botswana's attractiveness as a FDI destination were the focus of the fourth section of the questionnaire while section five confined itself to the major challenges undermining the competitiveness of Botswana as a FDI destination. The final section dwelt on the respondents' biographic details. Before the questionnaire was distributed to the respondents it was pre-tested using six (6) individuals selected from another investment promotion organization - the International Financial Services (IFSC) - that was not taking part in this study. The purpose of the pre-testing was to make sure that the vocabulary and instruction were simple and clear, none of the words were ambiguous, none of the statements were inapplicable, and that the attention of the respondents was maintained from the duration. Comments and queries raised during the pre-test were used to guide the adjustments to the questionnaire. The six (6) interviewees were mainly concerned

about the length of the questionnaire. They felt that it was too long and, this could discourage potential respondents from participating in the study.

The actual data collection took place during the month of October 2008. For respondents working in the Gaborone office of BEDIA, the questionnaire was hand delivered to them. The researcher, who is also an employee of BEDIA serving in the Gaborone office, moved from office to office, explained the purpose of the study to the potential respondent and answered any questions about the study before enlisting the support of the occupant(s) of each office. Normally, the respondents were requested to complete the survey immediately as the researcher would return after one hour to collect the completed surveys. However, where this was not necessary a two (2) day period was allowed after which the researcher returned to collect the completed survey. Where the survey had not been completed after the two days, the researcher allowed the respondents a further five days after which any respondents who had not completed the survey was to be ruled unwilling to participate in the study. Only three (3) of the 49 respondents distributed with questionnaires in Gaborone had not returned their completed survey by the expiry of the second dateline.

Concerning the respondents serving in the RSA and the London offices of BEDIA, the questionnaire was either couriered or e-mailed to them. The surveys were accompanied by a covering letter, detailing the purpose of the survey and its intentions. The letter was written in a friendly but formal manner so as to encourage everyone to consent to participate in the study. According to Bell (2005) a good covering letter is fundamental in stimulating interest and response to a survey. The covering letter informed respondents that their participation in the study was voluntary, guaranteed them anonymity and explained that the information adduced by the study was to be kept completely confidential and that all surveys would be destroyed at the end of the study. The respondents were required to complete the surveys and return them to the researcher via the same mode of delivery utilized by the researcher. Follow up where necessary took the forms of telephone calls, mobile phone short text messages or e-mails. All six (6) surveys

distributed to respondents outside of Gaborone were completed and returned within two weeks of the data collection process.

3.5 Data Analysis Methods

The data realized by the study were analyzed using the SPSS-PC quantitative data analysis software. The analysis was descriptive and involved the computation and utilization of descriptive statistics especially frequency distributions, percentages and means. These were then used to construct a descriptive profile of employees' studied and their views about the subject of the study. Where appropriate, data were summarized using tables.

3.6 Ethical Considerations

Social research should be ethical. In particular social researchers are expected to respect the rights and dignity of the participants by ensuring that their participation is voluntary; that respondents do not come to any harm - physical or otherwise - as a result of the research, and that they operate with honesty and integrity (Denscombe, 2003). According to Collins Concise dictionary, ethical practices is defined as being in accordance with principles of conduct that are considered correct especially those of a given profession or group. Bless and Higgin-Smith (2000) warned that as much as the researcher may want information from respondents, participants have the right to refuse to participate. To guard against respondent harm, all respondents were guaranteed anonymity through the following ways: First no names of any information that could be used to identify particular respondent was employed in reporting the research findings and all questionnaires will be destroyed at the end of the study. Second, answers to all questions were kept completely confidential and no responses from any particular respondent were analysed separately. Responses were used only in combination with the responses from other interviewees. Respondents were informed from the beginning that their participation was voluntary, meaning that they were free to make a choice as to whether to participate or not. They were also informed about the objectives of the study and what the information collected was to be used for.

3.7 Limitations of the Study

According to Jankowicz (2002), research work is never without limitations as one cannot capture all the information that is required within the ambit of the research. Several factors undermine the quality of the findings of this study as well as the conclusions drawn from its findings. First the findings of this research only focused on BEDIA as the lead investment promotion agency leaving out other promotional agencies that are more sector focused like BTB and IFSC. This means that important information could have been overlooked by choosing to exclude these organizations from the study. Second, by focusing exclusively on BEDIA, which is a small organization, the study utilized a small sample of 52 interviewees only. This is too small for the researcher to extrapolate research findings across the investment promotion organizations and activities in Botswana. In addition, the research was based exclusively on survey questionnaires whose responses could not probe further for in-depth understanding of issues. It did not include face-to-face interviews which appear to be straightforward and are a non-problematic way of finding things. Finally, the researcher had limited time and money to conduct the study. She was working on a stipulated deadline and could not extend the coverage to other organizations vested with investment promotion responsibilities in the country. Limited time and money affected the quality of the study in two ways. First, it had a bearing on the sample size covered. Second, it impacted on the depth of the analysis conducted by the study. Jointly, these two have negative implications for the generalisability of the study's findings.

CHAPTER FOUR

FINDINGS

Chapter four presents the findings of the study. The chapter is divided into five (5) major sections as follows. Section one focuses on the respondents' background characteristics with an emphasis on their demographic features (such sex, age, marital status, levels of education and income) and their work life history. Whereas section two deals with the level of knowledge of and satisfaction with existing policies, practices and legal Statutes, the third section focuses on the overall level of success of existing FDI attraction policies. The challenges facing Botswana's competitiveness as a FDI destination are the subject of the fourth section of the chapter. The final section zeros-in-on the factors that can be capitalized on (or harnessed) to improve the competitiveness of Botswana as a FDI destination; herein internal strengths and external opportunities.

4.1 Respondents' Background Characteristics

This section focuses on two main background characteristics of the interviewees. These demographic characteristics, and work life history. Each category is presented separately commencing with demographic characteristics.

4.1.1 Demographic Characteristics

Those interviewed for this study included 55.8 percent (29) males and 44.2 percent (23) females. They ranged in age from 25 to 48 years; the mean age was 38.1 years with a standard deviation of 6.2 years. Table 3 presents the distribution of the respondents by age group. As evident from the Table, the majority (59.6 percent) of the study subjects were you adults aged 40 years or below. Of the 52 interviewees 23.1 percent reported that they were single (never married), 63.5 percent were married, 7.7 percent were in a non-marital relationship, 1.9 percent said they were separated, and the remaining 3.8 percent said that they were divorced. With respect to education, the study found that all those studied had attained some level of college education. Whereas 5.8 percent reported that they held College Certificates, 7.7 percent had attained College Diplomas. The remainder included 30.8 percent who said they held Bachelor's Degrees and 55.7 percent who had

attained Masters Degrees. This means that the overwhelming majority (86.5 percent) of the interviewees held Bachelor’s Degree and above qualifications.

Table 3: Distribution of Respondents by Age Group

Age Group	Number	Percent
30 or Less Years	9	17.3
31-35 Years	7	13.5
36-40 Years	15	28.8
41-45 Years	13	25.0
Above 45 years	8	15.4
Total	52	100.0

The study also sought information about the respondents’ levels of income in Botswana Pula¹. The results showed that gross monthly earning (income before taxation and other deductions) ranged from approximately BWP 3 000 to over 25 000. Table 4 presents the distribution of the respondents by gross monthly income category. Based on the Table,

Table 4: Respondents’ Gross Monthly Incomes

Income Category	Frequency	Percentage
BWP 3 001 to 4 000	1	1.9
BWP 4 001 to 5 000	0	0.0
BWP 5 001 to 7 500	0	0.0
BWP 7 501 to 10 000	3	5.8
BWP 10 001 to 12 500	3	5.8
BWP 12 501 to 15 000	4	7.7
BWP 15 001 to 20 000	23	44.2
BWP 20 001 to 25 000	5	9.6
BWP 25 001 and above	13	25.0
Total	52	100.0

¹ One US dollar is approximately equivalent to 8.2 Botswana Pula

only 13.5 percent of the respondents earned monthly gross incomes of BWP 12 500 or below. Whereas 44.2 percent earned between BWP 15 001 to 20 000, 34.6 percent were earning in excess of BWP 20 000.

4.1.2 Respondents’ Work Life History

Those interviewed for this study had been working for periods ranging from two (2) to 24 years; the mean period working was 9.1 years with a standard deviation of 6.2 years. Table 5 presents the distribution of the respondents by length of time working. As evident from the Table, 27.0 percent of the respondents had total work lives of less than five (5) years while 44.2 percent had been working for periods of between 5 and 10 years. The remaining 28.8 percent included those who had been working for periods exceeding 10 years. Concerning the length of tenure with the current employer, the study found that this ranged from one (1) to nine (9) years; the mean tenure and standard deviation were 3.7 and 2.2 years, respectively. As evident from Table 5, the majority (63.5 percent) of the interviewees had been with their current employer for less than five (5) years, 36.5 percent for between 5 and 10 years.

Table 5: Respondents’ Total Work Life and Tenure with Current Employer

Years	Total Work Life		Current Employer	
	Number	Percentage	Number	Percentage
1 - 2 years	3	5.8	20	38.5
3 - 4 years	11	21.2	13	25.0
5 - 6 years	9	17.3	12	23.1
7 - 8 years	9	17.3	5	9.6
9 - 10 years	5	9.6	2	3.8
11 - 15 years	6	11.5	0	0.0
16 - 20 years	4	7.7	0	0.0
21 + years	5	9.6	0	0.0
Total	52	100.0	52	100.0

The study showed that the overwhelming majority (86.5 percent) of the respondents were working on contract terms; the remaining 13.5 percent were serving on a permanent and pensionable basis. Asked to indicate the activities their work organization was involved in, the respondents listed a wide variety of such activities. These included promotion of the establishment of export oriented enterprises and services, investment promotion and facilitation, identification of markets for locally manufactured products, advocacy to government to guarantee a conducive investment climate in the country, property development, provision of one-stop-service to investors, and after care. The interviewees reported that they served in various positions with their current employer. These included Investor Services, Investment and Export Promotions Officers (32.7 percent), Human Resources Officers (15.4 percent), IT Officers (11.5 percent) and Research Officers (9.6 percent). Other positions held by the respondents included Strategic Coordinator, Property Manager, Office Administrator, Sales Officer, Finance Officer, and risk and internal audit manager.

The 46 interviewees who reported that they had served in another organization prior to accepting their current job were asked to indicate the type of organization they had worked for as well as the reasons for leaving. Of this total, 45.6 percent had worked in the public sector, 28.3 percent in the parastatal sector, and the remaining 26.1 percent had served in the private sector. The respondents offered a variety of reasons as to why they left their previous employer. The results are summarized in Table 6. As evident from the Table, 'job did not allow me to use all my skills and talents' was the most popular reason for leaving; it offered by 52.2 percent of the interviewees. This was followed by 'job was not challenging enough' (47.8 percent), 'poor pay and other rewards' (32.6 percent), 'job did not offer opportunities to improve my skills and knowledge' (23.8 percent), and 'dissatisfaction with the job' (21.7 percent). Other reasons advanced by the interviewees can be viewed from Table 6.

The respondents were also asked to indicate whether they had been promoted since joining the current employer. The results showed that whereas 48.1 percent had never been promoted, 34.6 percent, 7.7 percent, 1.9 percent, and 7.7 percent had been promoted

once, twice, thrice and four times, respectively. Concerning number of employees supervised, the results showed that 57.7 percent did not supervise any employees at all while the remainder supervised less than 10 employees. Finally, the respondents were asked to indicate the number of times their employer had given them the opportunity to enhance job related skills. Only 3.8 percent said they had never received such a chance. Whereas 9.6 had enjoyed a single opportunity, 15.4 percent, 34.6 percent, 28.8 percent and 7.7 percent said they had benefited twice, thrice, four times or five times, respectively.

Table 6: Reasons for Leaving Previous Employer [N= 46]

Reason	Frequency	Percentage
1. Job did not allow me to use all my skills and talents	24	52.2
2. Job was not challenging enough	22	47.8
3. Poor pay and other rewards	15	32.6
4. Job did not offer opportunities to improve my skills and knowledge	13	28.3
5. Dissatisfaction with that job	10	21.7
6. Poor and untrustworthy management	9	19.6
7. Poor working conditions	7	15.2
8. I was rarely recognized and rewarded for my exemplary performance	6	13.0
9. Lack of job security	4	8.7
10. Job was stressful	3	6.5
11. Organization transformed into a parastatal with the same mandate	3	6.5
12. I was temporary	2	4.3
13. Job was routine	2	4.3

Note: Do not total to 100 percent; respondents gave more than one explanation.

4.2 Knowledge of and Satisfaction with Existing Policies, Practices and Legal Statutes

This section focuses on the levels of knowledge of and satisfaction with existing policies, practices and legal statutes for attracting FDI to Botswana among those responsible for

their implementation. The assessment took the form of respondents selecting from a choice of four items to indicate how well acquainted and how satisfied they were with a list of policies practices and legal statutes. For ease of presentation, the results for each of the two areas - knowledge and satisfaction - are discussed separately starting with level of knowledge.

4.2.1 Level of Knowledge of Existing Policies, Practices, and Legal Statutes

To measure the level of knowledge of existing policies practices and legal statutes among those responsible for their implementation, the respondents were asked to indicate how well acquainted they were with these. Their responses were grouped into three (3) categories of ‘not acquainted at all’, ‘somewhat acquainted’, and acquainted/very well acquainted’. For the purpose of this study, it is the third category that was considered to manifest the level of knowledge about the various policies, practices and legal statutes that was satisfactory for the respondents to competently operate within their jurisdiction or oversee their implementation. The results are presented in Table 7. To create a clear visual impression of the situation, all entries under each of the three items are ranked ordered based on the proportion of respondents who said they were acquainted/well acquainted with them.

Policies

In all, the study examined a total of 13 policies that were thought to be relevant to the attraction of FDI to Botswana. The results showed that those interviewed had low levels of acquaintance with existing policies for the promotion of Botswana as FDI destination. As evident from Table 7, of the 13 policies examined only three (3) - Vision 2016, the exchange rate policy, and the monetary policy - were familiar/ very familiar to 50.0 percent or more of the respondents. Of the interviewees 80.8 percent were acquainted/very well acquainted with Vision 2016, 73.1 percent with the Botswana’s exchange rate policy, and 53.8 percent with the country’s monetary policy. These were followed by the incentives policy (48.1 percent), diversification policy (46.2 percent), industrial development policy (46.2percent), privatization policy (44.2 percent), and macroeconomics policies (44.2 percent). For other policies for which less than 40.0 percent of the respondents reported being acquainted/very acquainted with see Table 7.

Table 7: Level of Acquaintance with Existing Policies, Practices and Legal Statutes [N= 52]

Policies/Practices/Legal Statutes	Not Acquainted at All		Somewhat Acquainted		Acquainted/Very Well Acquainted		Total	
	No	%	No	%	No	%	No	%
Policies:								
1. Vision 2016	3	5.8	7	13.5	42	80.8	52	100
2. Exchange rate policy	4	7.7	10	19.2	38	73.1	52	100
3. Monetary Policy	4	7.7	20	38.5	28	53.8	52	100
4. Incentives Policy	8	15.4	19	36.5	25	48.1	52	100
5. Diversification Policy	6	11.5	22	42.3	24	46.2	52	100
6. Industrial Development Policy	5	9.6	23	44.2	24	46.2	52	100
7. Privatization Policy	14	26.9	15	28.8	23	44.2	52	100
8. Macroeconomics Policies	10	19.2	19	36.5	23	44.2	52	100
9. Land tenure Policy	11	21.2	22	42.3	19	36.5	52	100
10. Tax agreements and development approval order	15	28.8	19	36.5	18	34.6	52	100
11. Privatization Master Plan	24	46.2	11	21.2	17	32.7	52	100
12. Technology Policy	12	23.1	27	51.9	13	25.0	52	100
13. Competition Policy	25	48.1	19	36.5	8	15.4	52	100
Practices:								
1. Botswana Investment Promotion	1	1.9	11	21.2	40	76.9	52	100
2. Export Promotion and Development	1	1.9	11	21.2	40	76.9	52	100
3. Business establishment Procedures	4	7.7	11	21.2	37	71.2	52	100
4. Education and Skill Development	1	1.9	14	26.9	37	71.2	52	100
5. Corruption Prevention Efforts and approaches	5	9.6	16	30.8	31	59.6	52	100
6. Productivity enhancement	3	5.8	22	42.3	27	51.9	52	100
7. Customs Procedures	3	5.8	27	51.9	22	42.3	52	100

Table 7 [Continued]

Policies/Practices/Legal Statutes	Not Acquainted at All		Somewhat Acquainted		Acquainted/Very Well Acquainted		Total	
	No	%	No	%	No	%	No	%
<u>Legal Statutes:</u>								
1. BEDIA Act	1	1.9	6	11.5	45	86.5	52	100
2. Taxation and Investment Regulations	9	17.3	14	26.9	29	55.8	52	100
3. Companies Act	3	5.8	23	44.2	26	50.0	52	100
4. Income Tax Act	4	7.7	23	44.2	25	48.1	52	100
5. Regulations for acquisition of Work and Residence Permits for foreign employees	12	23.1	15	28.8	25	48.1	52	100
6. Trade Disputes Act	23	44.2	10	19.2	19	36.6	52	100
7. Licensing and administration of regulations	6	11.5	30	57.7	16	30.8	52	100
8. Corruption and Economic Crime Control Act	8	15.4	27	51.9	17	32.7	52	100
9. Environmental Control and regulations	19	36.5	17	32.7	16	30.8	52	100
10. Customs and Excise Act	7	13.5	30	57.7	15	28.8	52	100
11. Town and Regional Planning and Zoning Act	17	32.7	21	40.4	14	26.9	52	100
12. Drug Control Act and Regulations	24	46.2	15	28.8	13	25.0	52	100
13. Intellectual Property Act	16	30.8	24	46.2	12	23.1	52	100
14. Factory Inspection Act	26	50.0	16	30.8	10	19.2	52	100

Practices

The study showed that relative to the other two areas of policy and legal statutes, the respondents were more knowledgeable of the existing practices for the attraction of FDI to Botswana. Based on Table 7, over 50 percent of the respondents reported being acquainted/very well acquainted with six (6) of the seven (7) practices examined by the study. Topping the list were ‘Botswana investment promotion’ and ‘export promotion and development’; 76.9 percent of the interviewees said they were knowledgeable/ very knowledgeable of each of these practices. These were followed by the ‘business establishment’ practices (71.2 percent), ‘education and skill development’ (71.2 percent), ‘corruption prevention efforts and approaches’ (59.6 percent), and ‘productivity enhancement’ practices (51.9 percent). ‘Customs procedures’ rated lowest with only 42.3 percent of the interviewees reporting that they were knowledgeable/very knowledgeable of it.

Legal Statutes

The results for legal statutes were consistent with those obtained for policies. As evident from Table 7, of the 14 legal statutes focused on by this study, of the 13 policies examined only three (3) – BEDIA Act, Taxation and investment regulation, and the Companies Act - were familiar/ very familiar to 50.0 percent or more of the respondents. Of the interviewees 86.5 percent were acquainted/very well acquainted with the BEDIA Act, 55.8 percent Botswana’s taxation and investment regulations, and 50.0 percent with the country’s Companies Act. These were followed by the Income Tax Act (48.1 percent) and the regulations for the acquisition of work and residence permits for foreign employees (48.1 percent). The majority of the respondents reported that they had no knowledge at all/ had very limited knowledge of the remaining nine (9) legal statutes focused on by the study. The actual proportion of respondents who said they were acquainted/very well acquainted with these can be viewed in Table 7.

4.2.2 Satisfaction with Existing Policies, Practices, and Legal Statutes

To capture the level of satisfaction with existing policies practices and legal statutes among the respondents, they were presented with four response items for each policy,

practice, or legal statute as follows: 'Not satisfied at all', 'somewhat satisfied', 'satisfied', and 'highly satisfied'. However, during the analysis stage these were collapsed into three (3) categories of 'not satisfied at all', 'somewhat satisfied', and 'satisfied/highly satisfied'. It is the third category that was considered to manifest a level of satisfaction that would make the respondents to have faith in, assume ownership of and support the various policies, practices and legal statutes in the push towards a more competitive Botswana as a FDI destination. Consistent with the approach adopted with respect to level of knowledge, all entries under each of the three items were ranked ordered based on the proportion of respondents who said they were satisfied/highly satisfied with them. The results are presented in Table 8.

Policies

As evident from Table 8, the study showed that those interviewed had low levels of satisfaction with of the existing policies for the promotion of FDI attraction in Botswana. Of the 13 policies analyzed, only four (4) received a rating of satisfied/highly satisfied from 50.0 percent or more of the study subjects. These were exchange rate policy (75.0 percent), macroeconomics policies (69.2 percent), vision 2016 (63.5 percent) and diversification policy (59.6 percent). These were followed by monetary policy (40.4 percent), industrial development policy (36.5 percent), land tenure policy (25.0 percent), and tax agreements and development approval order (23.1 percent). Only less than 20.0 percent of the respondents said they were satisfied/highly satisfied with the remaining five (5) policies (see table 8 for details).

Practices

The study showed that the respondents were equally dissatisfied with most of the practices utilized to attract FDI to Botswana. As evident from Table 8, 50 percent or more of the respondents reported being satisfied/highly satisfied with only two (2) of the seven practices analyzed. These were 'corruption prevention efforts and approaches' (51.9 percent) and 'Botswana investment promotion' practices (50.0 percent). These were followed by the 'education and skill development' practices (44.2 percent), and 'export promotion and development' (44.2 percent). Less than 25.0 percent of the interviewees reported being satisfied/highly satisfied with the remaining practices (see Table 8).

Table 8: Level of Satisfaction with Existing Policies, Practices, and Legal Statutes [N= 52]

Policies/Practices/Legal Statutes	Not Satisfied at All		Somewhat Satisfied		Satisfied/Highly Satisfied		Total	
	No	%	No	%	No	%	No	%
<u>Policies:</u>								
1. Exchange rate policy	1	1.9	12	23.1	39	75.0	52	100
2. Macroeconomics Policies	8	15.4	8	15.4	36	69.2	52	100
3. Vision 2016	3	5.8	16	30.8	33	63.5	52	100
4. Diversification Policy	4	7.7	17	32.7	31	59.6	52	100
5. Monetary Policy	12	23.1	19	36.5	21	40.4	52	100
6. Industrial Development Policy	8	15.4	25	48.1	19	36.5	52	100
7. Land tenure Policy	15	28.8	24	46.2	13	25.0	52	100
8. Tax agreements and development approval order	14	26.9	26	50.0	12	23.1	52	100
9. Technology Policy	14	26.9	28	53.8	10	19.2	52	100
10. Incentives Policy	21	40.4	23	44.2	8	15.4	52	100
11. Privatization Policy	23	44.2	22	42.3	7	13.5	52	100
12. Privatization Master Plan	25	48.1	20	38.5	7	13.5	52	100
13. Competition Policy	27	51.9	18	34.6	7	13.5	52	100
<u>Practices</u>								
1. Corruption Prevention Efforts and approaches	1	1.9	24	46.2	27	51.9	52	100
2. Botswana Investment Promotion	8	15.4	18	34.6	26	50.0	52	100
3. Education and Skill Development	4	7.7	25	48.1	23	44.2	52	100
4. Export Promotion and Development	3	5.8	26	50.0	23	44.2	52	100
5. Business establishment Procedures	9	17.3	31	59.6	12	23.1	52	100
6. Productivity enhancement	11	21.2	29	55.8	12	23.1	52	100
7. Customs Procedures	8	15.4	33	63.5	14	21.1	52	100

Table 8 [Continued]

Legal Statutes	Not Satisfied at All		Somewhat Satisfied		Satisfied/Highly Satisfied		Total	
	No	%	No	%	No	%	No	%
<u>Legal Statutes:</u>								
1. Corruption and Economic Crime Control Act	3	5.8	19	36.5	30	57.7	52	100
2. Taxation and Investment Regulations	6	11.5	19	36.5	27	51.9	52	100
3. BEDIA Act	8	15.4	21	40.4	23	44.2	52	100
4. Drug Control Act and Regulations	11	21.2	24	46.2	17	32.6	52	100
5. Income Tax Act	3	5.8	35	67.3	14	26.9	52	100
6. Regulations for acquisition of Work and Residence Permits for foreign employees	1	1.9	38	73.1	13	25.0	52	100
7. Factory Inspection Act	19	36.5	21	40.4	11	23.1	51	100
8. Intellectual Property Act	12	23.1	28	53.8	12	23.1	52	100
9. Licensing and administration of regulations	15	28.8	28	53.8	9	17.3	52	100
10. Trade Disputes Act	21	40.4	22	42.3	9	17.3	52	100
11. Customs and Excise Act	3	5.8	40	76.9	9	17.3	52	100
12. Environmental Control and regulations	18	34.6	26	50.0	8	15.4	52	100
13. Town and Regional Planning and Zoning Act	9	17.3	37	71.2	6	11.5	52	100
14. Companies Act	17	32.7	33	63.5	2	3.8	52	100

Legal Statutes

The results for legal statutes were not that much different from those for policies and practices. The study showed that the majority of the respondents were either dissatisfied or only somewhat satisfied with all legal statutes focused on, save two of them. As evident from Table 8, 57.7 percent those interviewed opined that they were satisfied/highly satisfied with the Corruption and Economic Crime Control Act. This was followed by 'taxation and investment regulations (51.9 percent), BEDIA Act (44.2 percent), the Drug Control Act and regulations (32.6 percent), Income Tax Act (26.9 percent) and Regulations for the Acquisition of Work and Residence Permits for foreign employees (25.0 percent). Only less than 25.0 percent of the respondents reported being satisfied/highly satisfied with the remaining eight (8) legal statutes (see Table 8 for details).

4.3 Level of Success of Existing FDI Attraction Policies

To evaluate the extent to which the existing FDI promotion policies and practices have been successful in improving Botswana's competitiveness as a FDI destination, respondents were asked to select from 'strongly agree', 'agree', 'disagree', and 'strongly disagree' to express their agreement or disagreement with the 18 statements. Of the 18 factors, four (4) targeted Botswana's overall success in attracting FDI while the remainder focused on specific policies designed to make the country competitive. For the purpose of analysis the four response categories were collapsed into two as follows: Agree/strongly agree and disagree/strongly disagree. The results are presents in Table 9. As evident from the Table, overall, Botswana has not been very successful in attracting FDI. Of the interviewees, 26.9 percent agreed/strongly agreed that Botswana is one of the leading FDI destinations in Southern Africa and in Africa in general today. Similarly, only 23.1 percent, 44.2 percent, and 30.8 percent agreed/strongly agreed that FDI attraction policies and practices have been very successful, that the FDI attraction regime is one of the strongest in Southern Africa and in Africa as a whole, and that through its FDI attraction policies, practices and legal statutes, Botswana has succeeded in creating a more diversified economy, respectively.

Table 9: Perceived Level of Success of Botswana's FDI Attraction Policies and Practices

Policies/Practices	Agree/Strongly Agree		Disagree/Strongly Disagree		Total	
	No.	%	No.	%	No.	%
<u>Overall Rating:</u>						
1. It is correct to conclude that today Botswana is one of the leading FDI destinations in Southern Africa and in Africa as a whole.	14	26.9	38	73.1	52	100
2. Botswana's FDI attraction regime is one of the strongest in the Southern Africa as well as in Africa as a whole.	23	44.2	29	55.8	52	100
3. Botswana's FDI attraction policies and practices have been very successful	12	23.1	40	76.9	52	100
4. Through its FDI attraction policies, practices and legal statutes Botswana has succeeded in creating a more diversified economy	16	30.8	36	69.2	52	100
<u>Policies/Practices:</u>						
1. Botswana's foreign exchange regime has tremendously boosted its capacity to attract and retain FDI during the last 5 years.	44	84.6	8	15.4	52	100
2. One of the major factors responsible for Botswana's superior status as a FDI destination has been its tax regime and taxation policies	43	82.7	9	17.3	52	100
3. The contents of Botswana's vision 2016 strongly support economic diversification through FDI	42	80.8	10	19.2	52	100
4. Botswana boasts very explicit investor rights which continue to play a major role in attracting FDI to the country.	37	71.2	15	28.8	52	100
5. Botswana's macroeconomic policies have played a major role in making the country a leading destination for FDI	21	40.4	31	59.6	52	100
6. Botswana's environmental regulation policies have played a major role in making the country very attractive for FDI	21	40.4	31	59.6	52	100
7. Botswana business competition policy has played a major role in the country's success in attracting FDI	21	40.4	31	59.6	52	100
8. The land tenure policy in Botswana has significantly boosted the country's competitiveness as a FDI destination	18	34.6	34	65.4	52	100

Table 9 [Continued]

Policies/Practices	Agree/Strongly Agree		Disagree/Strongly Disagree		Total	
	No.	%	No.	%	No.	%
9. It is correct to state that the ease of obtaining work and residence permits by foreign employees has turned Botswana into a favorable destination for FDI	18	34.6	34	65.4	52	100
10. Buoyed by its FDI attraction policies and practices Botswana has become a favorite investment destination for many foreign businesses.	15	28.8	37	71.2	52	100
11. Botswana's technology policy has elevated the country to a major destination for FDI	15	28.8	37	71.2	52	100
12. The quality of education and training in Botswana has enabled the country to be a leading destination for FDI in Southern Africa	12	23.1	40	76.9	52	100
13. Today Botswana offers some of the very best investment incentives and these have been very successful in attracting FDI to the country	9	17.3	43	82.7	52	100
14. It is correct to state that Botswana's privatization policy has played a leading role in the country's efforts to attract FDI	8	15.4	44	84.6	52	100

Consistent with the views expressed above, the study showed that the majority of policies for attraction of FDI to Botswana had not met much success. Specifically, of the 14 policies analyzed, only four (4) were judged by over 50.0 percent of the respondents to have been successful. Leading the pack was Botswana's foreign exchange regime which 84.6 percent of the respondents agreed/strongly agreed that it had boosted the country's capacity to attract FDI during the last five (5) years tremendously. This was followed by the country's tax regime and taxation policies; 82.7 percent of the study subjects agreed/strongly agreed that these had played a major role in Botswana's current standing as a FDI destination. The third successful policy in the attraction of FDI was Vision 2016, which 80.8 percent of the respondents agreed/strongly agreed supports economic diversification through FDI. The final factor which was considered to have been successful by 71.2 percent of the respondents was Botswana's explicit investor rights. This was thought to have continued to play a major role in attracting FDI to the country. Three (3) other policies could be judged to have been moderately successful in enhancing Botswana's position as a FDI destination. Of those interviewed 40.4 percent agreed/strongly agreed that Botswana's microeconomic policies, and Botswana's environmental protection policies, and that Botswana's business competition policy had all played a major role in making the country a leading FDI destination. You can see Table 9 for other less successful policies; those receiving the support of less than 40.0 percent of the respondents.

4.4 Challenges Facing Botswana's Competitiveness



This study had as one of its objectives to identify the major challenges undermining Botswana's attractiveness as a FDI destination. These were construed in terms of internal weaknesses and external threats that those responsible for attracting FDI must take into consideration when developing their strategies. Briefly, internal weaknesses represent the perceived limitations, faults, or defects in the country that will keep it from achieving its objectives (Dealtry, 1992:3) of being a leading FDI destination. They reflect what the country is not good at; that is, where it falls short in terms of the ways it does things. On the other hand, threats are the unfavorable conditions in the country's external environment that are potentially damaging to its strategy; that is they are harmful to achieving the objective (Dealtry, 1992) of becoming a competitive destination for FDI.

They reflect what is happening outside the country that could threaten it. To identify the major internal weaknesses and external threats that may stand in the way of Botswana becoming a competitive FDI destination, the respondents were asked to select from four response options to express their agreement or disagreement with a number of statements. The results are presented in Table 10. For ease of presentation the response categories have been collapsed into two (2) major categories, namely agree/strongly agree and disagree/strongly disagree.

4.4.1 Internal Weaknesses

A total of 18 factors were analyzed as internal weaknesses that could hamper Botswana from attaining the status of a major FDI destination in Southern Africa and in Africa as a whole. Based on Table 10, it may be concluded a wide variety of internal weaknesses stood in the way of Botswana becoming a competitive destination for FDI. More specifically, all 18 factors analyzed by the study emerged to be major internal weaknesses by receiving support from 50 or more percent of the respondents. Topping the list were Botswana's small economic base, small (limited) internal market due to small population, reliance on external sources of energy especially electricity, and high utility costs; 92.3 percent of the respondents agreed/strongly agreed that each one of the four was a major internal weakness that needed to be handled carefully if the country was to improve its competitiveness as a FDI destination. These were followed by high transport costs (88.5 percent), Botswana's status of a landlocked country (84.6 percent), lower productivity of the labor force (84.6 percent), and by high interest rates (84.6 percent). Other internal weaknesses rated very highly among the respondents included unavailability of raw materials (76.9 percent), lack of competitive investment incentives (76.9 percent), rising inflation and cost of living (76.9 percent), an over burdening bureaucracy (76.9 percent), and Lack of a core work ethic among the population (71.2 percent). Similarly, 67.3 percent, 63.5 percent and 61.5 percent of the interviewees agreed/strongly agreed that complicated and long business establishment procedures, cumbersome migration and residence policies and procedures, and A poorly educated trained workforce/low skill base were major internal weaknesses facing Botswana as a FDI destination. The last two weaknesses supported by 50.0 percent or more of the

Table 10: Major Challenges Undermining FDI Attraction in Botswana

Internal Weaknesses/External Threats	Agree/Strongly Agree		Disagree/Strongly Disagree		Total	
	No	%	No	%	No	%
<u>Internal Weaknesses:</u>						
1. Botswana' small economic base	48	92.3	4	7.7	52	100
2. Small (limited) internal market due to small population	48	92.3	4	7.7	52	100
3. Reliance on external sources of energy especially electricity	48	92.3	4	7.7	52	100
4. High utility costs	48	92.3	4	7.7	52	100
5. High transport costs	46	88.5	6	11.5	52	100
6. Botswana's status of a landlocked country	44	84.6	8	15.4	52	100
7. Lower productivity of the labor force	44	84.6	8	15.4	52	100
8. High interest rates	44	84.6	8	15.4	52	100
9. Unavailability of raw materials	40	76.9	12	23.1	52	100
10. Lack of competitive investment incentives	40	76.9	12	23.1	52	100
11. Rising inflation and cost of living	40	76.9	12	23.1	52	100
12. An over burdening bureaucracy	40	76.9	12	23.1	52	100
13. Lack of a core work ethic among the population	37	71.2	15	28.8	52	100
14. Complicated and long business establishment procedures	35	67.3	17	32.7	52	100
15. Cumbersome migration and residence policies and procedures	33	63.5	19	36.5	52	100
16. A poorly educated trained workforce/low skill base	32	61.5	20	38.5	52	100

Table 10 [Continued]

Internal Weaknesses/External Threats	Agree/Strongly Agree		Disagree/Strongly Disagree		Total	
	No	%	No	%	No	%
17. Recurring fluctuations in the exchange rate of the Botswana Pula	31	59.6	21	40.4	52	100
18. Rising crime and insecurity	26	50.0	26	50.0	52	100
<u>External Threats:</u>						
1. Regional, continental as well as global competition	51	98.1	1	1.9	52	100
2. Economic overreliance on South Africa	49	94.2	3	5.8	52	100
3. The globalization of business	47	90.4	5	9.6	52	100
4. Political and economic instabilities in neighboring countries especially Zimbabwe	45	86.5	7	13.5	52	100
5. Democratization of countries in the region	41	78.8	11	21.2	52	100
6. Improvement economic performance in most other African countries	41	78.8	11	21.2	52	100
7. Bad perception of Africa as a whole among major Western economic power houses	39	75.0	13	25.0	52	100
8. Discovery of natural resources in the region	32	61.5	20	38.5	52	100
9. Overreliance on foreign skills and expertise	31	59.6	21	40.4	52	100

respondents were recurring fluctuations in the exchange rate of the Botswana Pula (59.6 percent) and rising crime and insecurity (50.0 percent).

4.4.1 External Threats

With respect to external threats, the respondents expressed their agreement or disagreement with nine (9) factors. As evident from Table 10, all nine (9) were considered by the interviewees to be factors outside of Botswana that could impede the country's attainment of the status of a favorite destination for FDI in Southern Africa and in Africa in general. The highest rated factor was 'regional, continental as well as global competition'; it was supported by 98.1 percent of the respondents. This was followed by 'economic overreliance on South Africa' (94.2 percent), 'the globalization of business' (90.4 percent), 'political and economic instabilities in neighboring countries, especially Zimbabwe' (86.5 percent); 'democratization of countries in the region, (78.8 percent), 'improved economic performance in most other African countries' (78.8 percent), and 'bad image of Africa as a whole among major Western economic power houses' (75.0 percent). In addition, 61.5 percent and 59.6 percent of those interviewed agreed/strongly agreed that the discovery of natural resources in other countries in the region and the overreliance on foreign skills and expertise, respectively, were major external threats to Botswana's competitiveness as a FDI destination.

4.5 Factors for Enhancing Competitiveness as a FDI Destination

The study also sought to identify the factors that Botswana can harness to improve its competitiveness as a FDI destination. These took the forms of internal strengths and external opportunities. Whereas internal strengths are the resources or capacities the country can use effectively to achieve its objectives (Dealtry, 1992), external opportunities are the favorable conditions outside of the country that are helpful to attaining the status as a major destination for FDI. Consistent with internal weaknesses and external threats, to capture the major internal strengths and external opportunities that can boost Botswana's standing as a FDI destination, the respondents were asked to select from four response options to express their agreement or disagreement with a number of statements. The results are presented in Table 11. To simplify the presentation

the response categories have been collapsed into two (2) major categories, namely agree/strongly agree and disagree/strongly disagree.

4.5.1 Internal Strengths

In all 22 factors were analyzed as internal strengths characterizing Botswana that can be harnessed to improve its attractiveness to FDI. As evident from Table 11, 16 of the 21 factors emerged as major internal strengths by receiving the support of a majority (over 50.0 percent) of the respondents. All (100 percent) of those interviewed for the study agreed/strongly agreed that reputation for good economic management policies and practices, an independent and efficiently functioning judicial system, a solid reputation for good governance and stable democracy, and low corporate tax and/or manufacturing taxes were leading internal strengths that those responsible for attracting FDI to Botswana should infuse into their strategies. These were followed very closely by very low corruption levels (98.1 percent); transferability of funds (98.1 percent); unburdening business establishment procedures (96.2 percent), a liberal tax regime (94.2 percent); quality telecommunications, transportation, and infrastructure services (90.4 percent); large pool of foreign reserves (86.5 percent); and liberal labor laws and practices (84.6 percent). Moreover, 67.3 percent, 67.3 percent, 65.4 percent, 61.5 percent, and 55.8 percent of the respondents agreed/strongly agreed that low inflation rates, promotion of joint ventures, low tariffs on imported raw materials and machinery, access to land and titling procedures, and good investment incentives, respectively, were major internal strengths that could enhance Botswana's competitiveness as a FDI destination.

4.5.2 External Opportunities

Consistent with the results for internal strengths, the study showed that there existed certain factors in Botswana's external environment that those responsible for promoting FDI attraction can harness to attain greater success. Based on Table 11, all eight (8) factors analyzed as external opportunities received very strong support from the respondents. Specifically, all (100 percent) agreed/strongly agreed that an excellent economic rating globally, cordial relations with other countries in the region and with most other African countries, and cordial relations with most Western economic giants such as the United States, the European Union and Japan were key external opportunities

Table 11: Factors that Can Enhance Botswana's Competitiveness as a FDI Destination

Internal Strengths/External Opportunities	Agree/Strongly Agree		Disagree/Strongly Disagree		Total	
	No.	%	No.	%	No.	%
<u>Internal Strengths:</u>						
1. Reputation for good economic management policies and practices	52	100.0	0	0.0	52	100
2. An independent and efficiently functioning Judicial System	52	100.0	0	0.0	52	100
3. A solid reputation for good governance and stable democracy	52	100.0	0	0.0	52	100
4. Low corporate tax and/or manufacturing taxes	52	100.0	0	0.0	52	100
5. Very low corruption levels	51	98.1	1	1.9	52	100
6. Transferability of funds	51	98.1	1	1.9	52	100
7. Unburdening business establishment procedures	50	96.2	2	3.8	52	100
8. A liberal tax regime	48	92.3	4	7.7	52	100
9. Quality telecommunications, transportation, and infrastructure services	47	90.4	5	9.6	52	100
10. Large pool of foreign reserves	45	86.5	7	13.5	52	100
11. Liberal labor laws and practices	44	84.6	8	15.4	52	100
12. Low inflation rates	35	67.3	17	32.7	52	100
13. Promotion of joint ventures	35	67.3	17	32.7	52	100
14. Low tariffs on imported raw materials and machinery	34	65.4	18	34.6	52	100
15. Access to land and titling procedures	32	61.5	20	38.5	52	100
16. Good investment incentives	29	55.8	23	44.2	52	100

Table 11 [Continued]

Internal Strengths/External Opportunities	Agree/Strongly Agree		Disagree/Strongly Disagree		Total	
	No.	%	No.	%	No.	%
17. Qualified and skilled human resources	25	48.1	27	51.9	52	100
18. Adequate electricity supply	25	48.1	27	51.9	52	100
19. Excellent distribution channels	22	42.3	30	57.7	52	100
20. Clear and unburdening customs procedures	20	38.5	32	61.5	52	100
21. Liberal environmental and pollution policies	20	38.5	32	61.5	52	100
<u>External Opportunities:</u>						
1. An excellent economic rating globally	52	100.0	0	0.0	52	100
2. Cordial relations with other countries in the region and with most other African countries	52	100.0	0	0.0	52	100
3. Cordial relations with most Western economic giants such as the United States, the European Union and Japan.	52	100.0	0	0.0	52	100
4. A good international reputation (standing)	50	96.2	2	3.8	52	100
5. Botswana access to foreign markets	49	94.3	3	5.7	52	100
6. Political stability (good governance) in neighboring countries	47	90.4	5	9.6	52	100
7. Economic stability in neighboring countries	39	75.0	13	25.0	52	100
8. Botswana is a prime destination for skilled and well trained migrant labor	35	67.3	17	32.7	52	100

available to policy makers and strategy implementers. These were followed very closely by a good international reputation (96.2 percent), Botswana access to foreign markets (94.3 percent), and political stability (good governance) in neighboring countries (90.4 percent). In addition, 75.0 percent and 67.3 percent of those interviewed agreed/strongly agreed with the views that economic stability in neighboring countries and Botswana's status as a prime destination for skilled and well trained migrant labor, respectively presented the country with other major external opportunities that, if harnessed carefully, could enhance its capacity to attract FDI.

4.5.3 Ways for Improving Competitiveness as a FDI Destination

Finally, the respondents were requested to identify specific ways through which Botswana's competitiveness as a FDI destination could be boosted. The results are presented in Table 12.

Based on the proportion of the respondents volunteering each approach, the number one measure, recommended by 84.6 percent of the interviewees, required the Government to provide more incentives to both local and foreign investment companies that would really lead to economic diversification. Ranking second was followed by the development of skills relevant to the growing industries in the country (73.1 percent), revising/lowering the cost of utilities (61.5 percent), and revising/lowering the cost of borrowing (59.6 percent). Other steps proposed by the respondents included improving the workforce ethics and productivity and changing the mind-set of the people (48.1 percent), adopting investor first approaches to all Acts and Policies and rationalizing all conflicting policies to create an investor friendly environment (44.2 percent), expediting the process of setting up a company in Botswana (42.3 percent), improving the quality of infrastructure in the country (42.3 percent), and creating export processing zones (40.4 percent). A host of other proposals received the support at least 30.0 percent of the respondents. These included expanding the SMMEs sector and exporting its goods and services (38.5 percent), forcing partnerships and joint ventures in priority projects (36.5 percent), declaring BEDIA the lead investment authority in the country (30.8 percent), drafting an investment law that will clearly define governing policy in support of FDI (30.8 percent, and weeding out all bureaucratic tendencies within the public sector and the parastatal sector (30.8 percent). Proposals supported by less than 30.0 percent of the interviewees

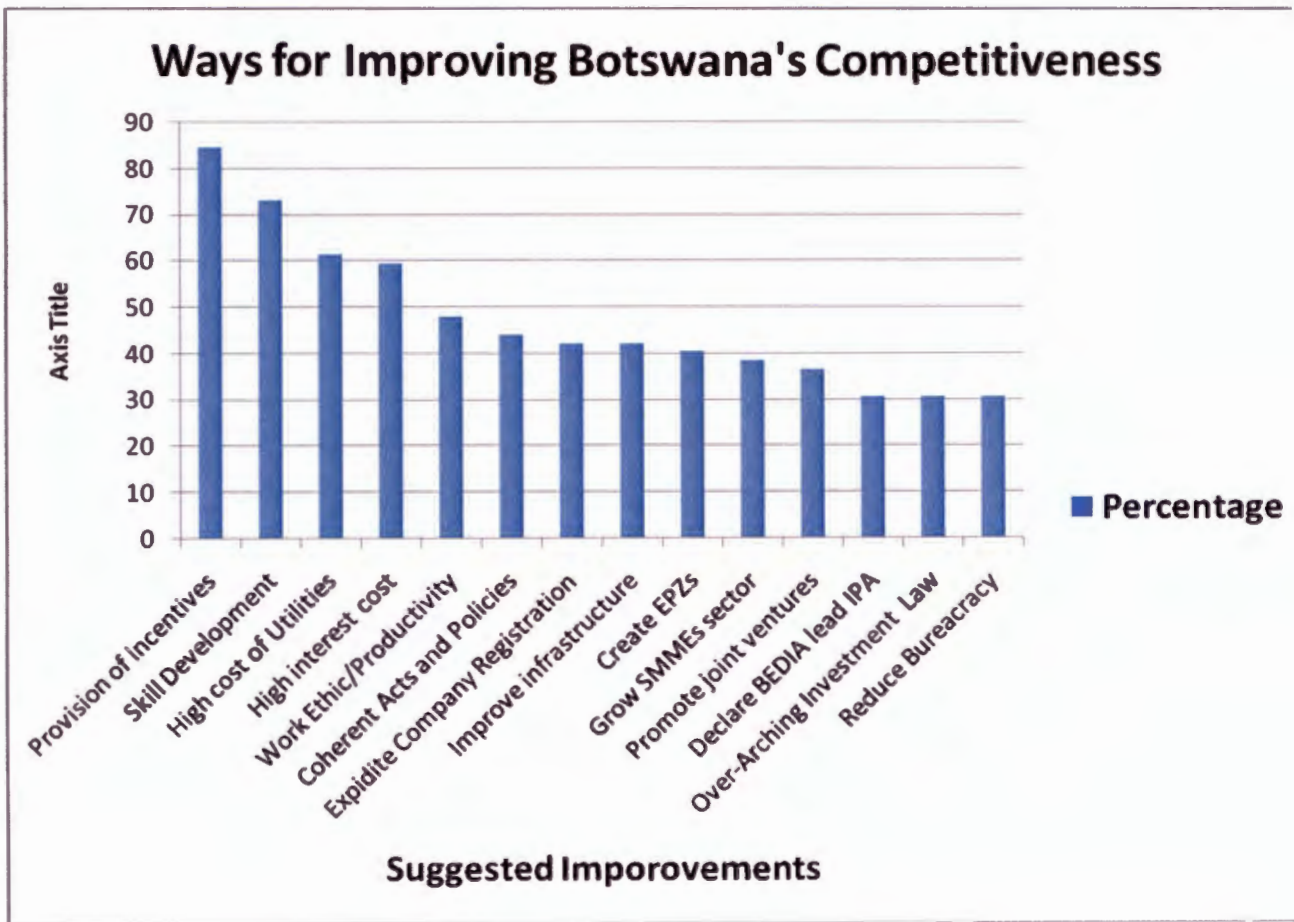
can be viewed from Table 12. Figure 4 presents a graphic illustration of the importance attached to each suggestion by the 52 respondents interviewed for this study.

Table 12: Ways for Improving Botswana's Competitiveness as a FDI Destination [N = 52]

Method	Frequency	Percentage
1. Government to provide more incentives to both local and foreign investment companies that would really lead to economic diversification	44	84.6
2. Development of skills relevant to the growing industries in the country	38	73.1
3. The cost of utilities should be revised/lowered	32	61.5
4. The cost of borrowing should be revised/lowered	31	59.6
5. Improve workforce ethics and productivity and change the mind set of the people	25	48.1
6. Adopt investor first approaches to all Acts and Policies and rationalize all conflicting policies to create an investor friendly environment	23	44.2
7. Expedite the process of setting up a company in Botswana	22	42.3
8. Improve the quality of infrastructure in the country	22	42.3
9. Creation of export processing zones (EPZs)	21	40.4
10. The country should grow its SMMEs sector and export its goods and services	20	38.5
11. Forcing partnerships and joint ventures in priority projects	19	36.5
12. Declaring BEDIA the lead investment authority in the country	16	30.8
13. Draft an investment law that will clearly define governing policy in support of foreign direct investment (FDI)	16	30.8
14. Weed out all bureaucratic tendencies within the public sector and the parastatal sector	16	30.8
15. Commercialize the agricultural sector	15	28.8
16. Introduce piece rate work and improve minimum wage to improve productivity	12	23.1
17. Harmonization of government investment laws	10	19.2
18. Incorporate issuance of work and resident permits in a one-stop shop	8	15.4

Note: Do not total to 100 percent; respondents volunteered more than one way.

Figure 4: Depiction of Ways for Improving Competitiveness as a FDI Destination



CHAPTER FIVE

SUMMARY, DISCUSSION AND CONCLUSIONS

This chapter summarizes the study's findings, discusses them, and presents the conclusions drawn by the study. It is organized into five major sections. Section one presents a synopsis of the key findings of the study whereas section two discusses (interprets) the results. The third section focuses on the conclusions drawn from the findings of the study while section four offers some recommendations for addressing the challenges faced by Botswana and the factors that can be harnessed to improve the country's competitiveness as a FDI destination. Areas for future research are identified in section five.

5.1 Summary of the Findings

A sample of 52 employees drawn from the Botswana Export Development and Investment Authority (BEDIA) was interviewed for this study. These comprised 55.8 percent (29) males and 44.2 percent (23) females spread across all the levels of the organization. Their ages ranged 25 to 48 years; the mean age was 38.1 years with a standard deviation of 6.2 years. The results showed that all those studied had attained some level of college education; the overwhelming majority (86.5 percent) held Bachelors Degree and above qualifications. Those interviewed indicated that they had been working for periods ranging from (2) to 24 years; the length of tenure with current employer ranged from 1 to 9 years. Of the interviewees, 86.5 percent were working on contract terms while the remaining 13.5 percent were serving on a permanent and pensionable basis.

To assess Botswana's attractiveness as a FDI destination the study first sought the respondents' acquaintance and satisfaction with existing policies, practices and legal statutes. The results showed that those interviewed had low levels of acquaintance with the existing policies for the promotion of Botswana as a FDI destination. Of the 13 policies examined, only three (3) - Vision 2016, exchange rate policy, and monetary policy - were familiar/very familiar to 50 percent or more of the respondents. Concerning practices, the study showed that the respondents were more knowledgeable of the

existing practices for attraction of FDI. Over 50 percent of the respondents reported being acquainted/ well acquainted with six (6) of the seven (7) practices examined by the study. The results for the legal statutes were consistent with those obtained for policies, with only three (3) of the 14 statutes analyzed being familiar to very familiar to 50 percent or more of the study subjects. Turning to satisfaction with policies, practices, and legal statutes, the results showed the interviewees had low levels of satisfaction with of the existing policies for the promotion of FDI attraction in Botswana. Only four (4) - exchange rate policy, macroeconomics policies, vision 2016, and diversification policy - received a rating of satisfied/highly satisfied from 50.0 percent or more of the study subjects. The respondents were equally dissatisfied with most of the practices utilized to attract FDI to Botswana; 50 percent or more of them said they were satisfied/highly satisfied with only two (2) of the seven practices analyzed namely, corruption prevention efforts and approaches and Botswana investment promotion practices. Similar results were obtained for satisfaction with legal statutes. Again, 50 percent or more of the respondents reported that they were satisfied/highly satisfied with only two (2) of 14 legal statutes focused on by the study. These were the Corruption and Economic Crime Control Act and taxation and investment regulations.

Concerning the extent to which existing FDI promotion policies, practices and legal statute have been successful in improving Botswana's competitiveness as a FDI destination, the study found that Botswana has not been successful in attracting the required level of FDI to be able to diversify its economy from traditional exports of minerals and beef. Similarly, the majority of policies for attraction of FDI to Botswana had not met much success. Of the 14 policies analyzed, only four (4) - foreign exchange regime, tax regime and taxation policies, Vision 2016, and Botswana's explicit investor rights - were judged by over 50.0 percent of the respondents to have been successful. The study identified a large number of challenges (internal weaknesses and external threats) that stood in the way of Botswana becoming a competitive destination for FDI. In all 18 internal weaknesses and nine (9) external threats emerged. Conversely, the results showed that the country also enjoys a wide variety of internal strengths and external opportunities that it can harness to improve its competitiveness as a FDI destination. In all, 16 of 21 factors

analyzed emerged as internal strengths by receiving the backing of 50 percent or more of the interviewees. Similarly, all 8 factors analyzed as external opportunities received the support of 50 percent or more of the respondents.

5.2 Discussion of Findings

As pointed out earlier in this study, the government of Botswana has been open to foreign direct investment (FDI) since independence in 1966 (UNCTAD 2003). However, most recently, the push for FDI has acquired greater urgency as the government struggles to diversify the economy away from mining and beef production. FDI is considered not only to be the engine of economic diversification but also a critical factor in the country's economic growth and development. Guided by this conviction, the government of Botswana has engineered policies, practices, and legal statutes that are expected to elevate the country's competitiveness as a FDI destination to greater heights. In light of this, our study had as one of its specific objectives to assess the level of knowledge and satisfaction with existing policies, practices, and legal statutes for attracting FDI among those responsible for their implementation. The results showed that those interviewed had low levels of knowledge of especially existing policies and legal statutes. Similarly, the interviewees reported low levels of satisfaction with existing policies, practices, and legal statutes. Overall, these results suggest that a lot still needs to be done to improve the strategies and management of policies, practices, and legal statutes aimed at promoting economic diversification through FDI attraction.

As underlined above, the majority of BEDIA staff are neither acquainted nor satisfied with the policies that promote foreign direct investment despite being highly educated. Logically, if the drivers of policies, practices, and legal statutes are neither conversant nor satisfied with the instruments for the attraction of FDI, the propensity for success will diminishes considerably. No doubt, promotional efforts where people are not conversant with policies, practices and laws and have no faith in them will hinder the improvement of the investment climate. This renders it difficult, if not impossible, for Botswana to be an attractive location as an FDI destination. As Morriset's (2003) indicated, investment promotion is more effective in a country with good management of policies and can be counterproductive if a country offers poor management of policies that will contribute to

a poor investment climate. He argued that the disappointed investor is also likely to be vocal about his disenchantment and thus discourage other investors. Similar views were expressed by Emery et al (2000) who indicated that administrative procedures can form a significant barrier to FDI especially in developing countries. Similarly, Moran (1998) stressed that FDI promotion addresses a market failure related to imperfection on the investors' as well as host government side. According to him, administrative procedures can form a significant barrier to FDI attraction especially in developing countries. As such, if people who promote investment do not understand or appreciate the policies, there is already a barrier that requires emergency remedial measures. The OECD (2006) offers another voice echoing the significance of administration in the attraction of FDI. It emphasized the development of a broad strategy, strong political support and leadership, both from the highest levels of government as well as from front-line agencies and ministries responsible for the policy. Maipose and Somolekae (1996) also added their voice to the above views by underlining the importance using good fortune and of building and sustaining the confidence of foreign investors. According to them, Planning should be the foundation of the management machinery.

The adverse effects of the low levels of acquaintance and of satisfaction with FDI attraction policies, practices, and legal statutes among the managers and administrators charged with the responsibility to grow the country's competitiveness as a FDI destination are likely to be compounded by the host of challenges (internal weaknesses and external threats) that were identified by this study. Internal weaknesses represent the perceived limitations, faults or defects in the country that are likely to impede the attainment of its objective of being a leading FDI destination. This basically reflects what the country is not good at. To reiterate, the study identified 18 internal weaknesses that if not management carefully could prevent Botswana from improving its competitiveness as a FDI destination. The leading ones included Botswana's small economic base, small (limited) internal market due to small population, reliance on external sources of energy especially electricity, high utility costs, high transport costs, status as a landlocked country, lower productivity of the labor force, and by high interest rates. The dangers posed by the strong compliment of internal weaknesses are corroborated by the ratings in

the Global Competitiveness Report Rankings (World Bank 2007) which revealed that Botswana's competitiveness declined by 9 points while its comparator countries of South Africa and Namibia declined by only 5 points each.

On the contrary, threats are the unfavorable conditions in the country's external environment that are potentially damaging to its goal of becoming a FDI destination of choice in the region and in Africa as a whole. This study also recorded nine (9) external threats that endangered Botswana's status as a favorable FDI destination. Among others, they included regional and global competition, economic overreliance on South Africa, the globalization of business, political and economic instabilities in neighboring countries, democratization of countries in the region, and improved economic performance in most other African countries. Overall, these tend to suggest that as the political, economic and social climates in countries bordering Botswana continue to improve, the country's ability to attract investment is likely to be affected adversely. As such, there is a strong need for Botswana to up her competitiveness by introducing policies that will augment its status.

The study also recorded a strong compliment of internal strengths and external opportunities that managers and administrators can capitalize on to accelerate the diversification of the economy by increasing the number of foreign companies willing to invest in the country. As pointed out earlier (see Literature Review), internal strengths are resources within the country while external threats are favorable conditions outside the country (Dealtry, 1992) that if used effectively can help the country to attain the status of a major destination for FDI. In all, the study identified 16 internal strengths and eight (8) external opportunities. The top five internal strengths included good management of economic policies and practices, an independent and functioning judiciary system, good governance and stable democracy, low corporate/manufacturing tax, and very low corruption levels. On the other hand, the five (5) leading external opportunities included an excellent economic rating globally; cordial relations with other countries in the region; cordial relations with Western economic giants including United States, European Union and Japan; a good international reputation, and Botswana's access to foreign markets.

Given such a strong compliment of internal strengths and external opportunities that are at the disposal of Botswana, the onus is on the country to offer improved locational advantages by capitalizing on its strengths and opportunities to offer a highly competitive business climate. In any case, the country is yet to make significant progress in attracting the required level of FDI to make it a leading destination as well as to guarantee a more diversified economy, despite the wide scope of strengths and opportunities.

Based on the results of this study, those interviewed appeared to acknowledge that Botswana already has enough policies and legal statutes to guide and govern the process of FDI attraction and it is the practice (the how) that is wanting. This is the view shared by this study. We strongly believe that the country has the policy and legal frameworks for guiding the attraction of FDI. While some of these may require re-examination to harmonize them with changing economic, social and political climate in the region, Africa and the world, the buck rests with the interpretation and implementation of these. For the process to be effective, it is imperative that those responsible for overseeing the policies and legal statutes acquaint themselves with and take ownership of the same. In addition, they should act quickly to restore confidence in the two frameworks by suggesting changes that would up their satisfaction with them. One major suggestion implicit from the results of this study is that Botswana's FDI attraction strategy should be consistent with other policies pursued by government. The strategy should be well-developed and in line with its national development objectives as set out in Vision 2016. Sustained FDI into all sectors will be needed to help achieve this ambitious growth and diversification goals. Furthermore, the institutions implementing the country's FDI attraction strategy should act in concert.



Consistent with the sentiments expressed above, those interviewed, buoyed by the recognition that much still needed to be done to attract FDI to Botswana, offered measures that they thought the Government could take to improve the country's competitiveness. Most measures concentrated on the area of practice and included the following: More Government incentives to investors, both foreign and local; the development of skills relevant to the growing industries in the country; lowering the cost

of utilities; cutting the cost of borrowing; and improving work force ethics, productivity, and attitudes towards work. Concerning, the cost of utilities it should be noted that these are important factors in increasing business competitiveness. It may not be misleading to argue that, in Botswana the potential to attract FDI has been underutilized because of the high cost of utilities. This is one of the major factors that have prevented the country from taking advantage of the multiple internal strengths and external opportunities enumerated in this study to grow its competitiveness as a FDI destination.

5.3 Conclusions

There are a number of conclusions that can be reached from the results of this study. First the results showed that, FDI has been an immensely important factor in Botswana's unprecedented economic transformation over the past 42 years and must play an important role in achieving the ambitious growth and diversification objectives of Vision 2016. FDI has always been welcomed and fairly treated, and has benefited from an excellent business environment. A second conclusion that emerges from the results of this study is that, despite the existence of elaborate policies, practices, and legal statutes, FDI entry is regressing and the future prospects of FDI attraction in Botswana are not very encouraging. Part of the problem lies with the lack of acquaintance and low levels of satisfaction with existing policies among those charged with the responsibility to manage FDI attraction. In addition, there is no over-arching strategy to attract FDI and promotion activities are not being pursued systematically across the board. Although there is no evidence in the study that suggests that FDI crowd out national investors, these have not seized the linkage opportunities offered by FDI.

Closely related to the second conclusion above is the conclusion that, to enhance the status of Botswana in attracting FDI, the Government should provide incentives to both foreign and local investors as part policy reforms. These should span both tax and non-tax incentives. This is consistent with the OECD's (2006) argument that incentives may complement an already attractive enabling environment or serve as a rectification for market imperfections that are not addressed by direct policy reforms. Finally, it is concluded that, although Botswana faces a large compliment of challenges (internal weaknesses and external threats as a FDI destination, there exists many positive factors

(internal strengths and external opportunities) that those responsible for the management and attraction of FDI can capitalize on to improve the country's rating and also to move closer to the attainment of the goal of economic diversification. To harness this potential, existing strategies must be re-engineered such as to take full advantage of internal strengths and external opportunities while at the same time minimizing the adverse effects of internal weaknesses and external threats.

5.4 Policy Recommendations

Guided by the findings of this study and the conclusions drawn from them, the following suggestions are offered with the aim to strengthen the position of Botswana as a competitive destination for attraction of FDI.

- Government should harmonize all the policies, practices, and legal statutes that are pursued to promote FDI and institutions implementing the strategy should work together to avoid the current fragmentation of investment promotion activities. This will alleviate a situation where Government Ministries and representatives are making policy statements which are inconsistent with its policy objectives as expressed in Vision 2016 to welcome FDI and to rely on the private sector as a source of employment creation.
- Government should establish an investment policy and promotion coordination committee characterized by high ranking officials, business executives and professionals to support and monitor systematic investment promotion by responsible agencies and ministries. Investment promotion and facilitation is organized in Botswana on a decentralized basis which is quiet appropriate. Nevertheless, it should be organized to common standards with adequate resources and effort and each promotional agency or departmental unit held to common performance measures. The lack of drive, consistency and accountability and knowledge suggest the need for coordination and monitoring to avoid the current scenario where Botswana appears to be under-promoted with promotion efforts lacking sufficient drive. The Committee should also provide full assessment of the whole process.

- There is also a need to improve operating conditions for business including those funded through FDI. Specifically:
 - i) Action should be taken to improve the work and residence permit system.
 - ii) Land allocation should be streamlined. Based on this study, land tenure policy is not in tandem with broader objectives for FDI attraction and investors who wish to construct their own factories or venture into agricultural projects wait for too long to be allocated a piece of land. Yet, access to land on attractive terms to investors is essential. Land should be made available to all who can make effective use of it. Land leases must under all circumstances be bankable.
 - iii) Export Processing zone should be established to overcome investors problems resulting from serious land shortage and land administration.
 - iv) Industrial licensing needs to be simplified and speeded up. If this is not addressed, potential investors will leave Botswana for more competitive locations.
 - v) Government should consider subsidizing the cost of utilities or urging utility companies to lower the costs. The cost of utilities (and transportation) increase production costs and limit the capacity for Botswana's exports to compete in the international markets.
 - vi) There is also a need to lower interest rates since these affect the promotion of joint ventures because local partners find it difficult to access capital and to compete with people borrowing from outside Botswana.
 - vii) There is a need for BEDA to operate an efficient one stop-shop (OSS) where investors can get all government authorisations including work and residence permits, company registration, industrial licenses, industrial plots and land for agricultural projects in one location. This could eliminate bureaucratic delays and accord investors a direct contact point instead of investors moving from one place to another receiving assistance from people who have nothing to do with the investment promotion process. Although BEDA is operating a OSS, investors are still moving from one place to another because current policies are still operated by line Ministries and Departments and BEDA has totally no control over most of the statutes.
- Steps must be taken to improve workforce skills, ethics and productivity. With respect to productivity, it demands a mind set change programme targeted at both public and private sector workers at national and local levels. As underlined in the BEAC report of 2006, mind set is of absolute importance to the attraction of FDI to

Botswana. According to the report, mind set change should be characterised by economic openness and the more successful empowerment policy based on citizen excellence through more relevant and accelerated training and skill development.

- To maximize on the benefits accruing from training, Government should ensure that skill development is more focused and better targeted to meet the needs of business development and that the private sector plays a proactive role in the area of education and training. One of the best training grounds for future entrepreneurs is to work for an existing foreign investor that offers training in skills not otherwise available in Botswana. It is extremely rare for young people to start up new business immediately upon finishing their education, generally most gain experiences and expertise by working in another firm first. This is more important in the context of Botswana, where there is only a small population of local private sector businesses to impart knowledge and skill. The current system where government is registering unemployed graduates and giving them employment in the public services and paying them allowances should also be extended to the private sector.
- To improve the attractiveness of Botswana as a FDI destination it imperative that policy implementers understand as well as have confidence in the policies that govern the investment process. Given the finding that the majority of BEDIA staff are neither acquainted nor satisfied with the policies that promote FDI despite being highly educated. As such:
 - i) The BEDIA management machinery should develop an intensive training programme that will enable staff to be appraised on all the relevant policies, practices and statutes to ensure that they are conversant enough to pass information that will make investors appreciate Botswana as competitive location for FDI. It is important for staff to be more knowledgeable to avoid market failures due to information or perception gaps about investment opportunities or state of the investment climate.
 - ii) There should be a monitoring mechanism to measure progress being made by policy implementers to ensure that investors are given proper and informative information.

- The management of BEDIA, through its advocacy programme, should ensure that government develops an across the board pro-active strategy to attract new investments. The national growth and diversification objectives require pro-active strategy for FDI which is promotion-led and not investment climate-led. A good strategy must ensure that standards and operating conditions for investors are an asymmetrical force in FDI attraction. While a bad investment climate will drive investors away, a good investment climate will not by itself attract investors without a concrete across the board investment strategy and support by people responsible for assisting investors. BEDIA should also strengthen its advocacy programme to ensure that laws and policies that are affecting the competitiveness of Botswana as an FDI destination are amended.

5.5 Suggestions for further Research

The study only focused on BEDIA as a lead investment promotion agency and left out other sectoral investment promotion agencies like the Botswana Tourism Board (BTB) which is responsible for promotion of tourism and its attractions as well as tourism investment. It also did not include the Botswana International Financial Services Corporation (IFSC) which is responsible for promoting Botswana as a financial hub. This means that the study could have overlooked information which could be pivotal to our understanding of FDI promotion in Botswana. Furthermore, the study did not cover people responsible for policy development and political leaders to adduce their views on the attractiveness of Botswana as a location for foreign investment. In light of the foregoing facts, future research is imperative to provide a more comprehensive outlook of the subject focused on by this study. Such research should incorporate all the organizations that have a hand in the investment process. In particular, studies that will attempt a cross sector comparison of all the investment promotion agencies as well as of the private sector could provide a more complete analysis of the factors that contribute to enhance Botswana's position as a competitive FDI destination. As much as a lot of information was gathered from BEDIA employees, it is a small organization and this affected the sample size analyzed and rendered the results of the study not to be generalizable.

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APPENDIX: RESEARCH QUESTIONNAIRE

“SURVEY ON THE EXPERIENCES OF MANAGING FDI ATTRACTION IN BOTSWANA”

Dear Respondent,

This questionnaire is part of a research that it designed to assist the researcher to complete her Master of Business Administration (MBA) degree dissertation with the University of North West in Mafeking, South Africa. The study seeks to gain a better understanding of the experiences of managing FDI attraction in Botswana and its contribution to economic growth and diversification. It investigates whether foreign direct investment has contributed significantly to economic growth, economic diversification, employment creation and whether it is associated with the rising incomes and improvements of the socio-economic well being of Botswana citizens.

Your participation in this survey is highly appreciated. The information obtained will be kept completely confidential and all survey questionnaires will be destroyed at the end of the study. In addition, you are not required to provide any information that could be used to identify you. Furthermore, no responses from a particular respondent will be analyzed and used separately. Responses will be used only in combination with responses from other participants.

I would appreciate if you could take some time to respond to the questions on the following pages of the questionnaire. Most questions require that you simply check the appropriate box for the response that most accurately represents the status. There is no right or wrong answer to any of the questions, I am going to ask you and only you can provide a suitable response. The questionnaire will take 15 to 20 minutes to complete.

There is no “right” or “wrong” answer to any of the questions. However, you should be as candid as possible and also ensure that responses to closely related questions are not contradictory.

I thank you in advance for your time and cooperation.

Yours Sincerely

Ontiretse Scitta Monagen

SECTION I: BACKGROUND INFORMATION

QUESTIONS 1.1 THROUGH 1.12: The following questions are intended to gather information regarding your present job. Please respond by filling in the gaps or selecting the appropriate response item(s)

1.1 What is your job title? _____

1.2 List the principal activities your organization involved in?

1.3 Who do report to?

1. Chief Executive Officer
2. Manager
3. Senior Executive
4. Executive
5. Other [**specify**] _____

1.4 How many years have you been working? _____ years

1.5 How many of the above years have you been working for your current employer? _____

1.6 What is your employment status?

1. Permanent and Pensionable
2. Contract
3. Temporary
4. Other [**Specify**] _____

1.7 Prior to accepting your current job what kind of organization did you work for?

1. None [this is my first employer]
2. Public Sector organization
3. Parastatal organization
4. Private Sector organization

1.8. If you worked for another organization prior to joining your current employers, why did you decide to leave? **[Can select more than one item]**

- 14. Dissatisfaction with that job
- 15. Poor working conditions
- 16. Poor pay and other rewards
- 17. Job was not challenging enough
- 18. Job did not allow me to use all my skills and talents
- 19. Job did not offer me opportunities for career advancement and growth
- 20. Job did not offer me opportunities to improve my skills and knowledge
- 21. Poor and untrustworthy management
- 22. Lack of job security
- 23. I was rarely recognized and rewarded for my exemplary performance
- 24. The job was not compatible with my career aspirations
- 25. Job was stressful
- 26. Others **[specify]**: _____

1.9 Since joining your current employer, how many times have you been promoted?

- 1. None
- 2. Once
- 3. Two times
- 5. Four times
- 4. Three times
- 6. Other (specify) _____

1.10. How many employees fall directly under your supervision? _____

1.11. How many times has your employer provided you with the opportunity to attend refresher or any other course that enhances your job-related skills since you accepted this job?

- 1. None
- 2. Once
- 3. Two times
- 5. Four times
- 4. Three times
- 6. Other (specify) _____

1.12. How many times has your employer provided you with the opportunity to attend refresher or any other course that enhances your job-related skills since you accepted the job?

- 1. None
- 2. Once
- 3. Two times
- 5. Four times
- 4. Three times
- 6. Other (specify) _____

**SECTION II: ACQUAINTANCE AND SATISFACTION WITH FDI POLICIES,
PRACTICES, AND LEGAL STATUTES**

QUESTIONS 2.0 THROUGH 3.0: The following questions are intended to gather information on your understanding of as well as your satisfaction with the current policies, practices and legal statutes put in place to attract Foreign Direct Investment (FDI) into Botswana.

2.0 Level of acquaintance with existing policies, practices and legal statutes:

Select from the following scale to indicate your level of acquaintance with the various policies and practices used in Botswana to attract FDI. [Only one answer should be selected for each statement].

A Not acquainted at all	B Somewhat acquainted	C Acquainted	D Very well acquainted			
			A	B	C	D
Policies						
2.1	Tax agreements and development approval order					
2.2	Incentives Policy					
2.3	Diversification Policy					
2.4	Macroeconomic Policies					
2.5	Exchange rate policy					
2.6	Monetary Policy					
2.7	Industrial Development Policy					
2.8	Privatization Policy					
2.9	Privatization Master Plan					
2.10	Land tenure Policy					
2.11	Technology Policy					
2.12	Competition Policy					
2.13	Vision 2016					
Practices:						
2.14	Business establishment Procedures					
2.15	Botswana Investment Promotion					
2.16	Corruption Prevention Efforts and approaches					
2.17	Customs Procedures					
2.18	Education and Skill Development					
2.19	Productivity enhancement					
2.20	Export Promotion and Development					

A Not acquainted at all	B Somewhat acquainted	C Acquainted	D Very well acquainted			
			A	B	C	D
Legal Statutes						
2.21	Intellectual Property Act					
2.22	Licensing and administration of regulations					
2.23	Taxation and Investment					
2.24	BEDIA Act					
2.25	Companies Act					
2.26	Income Tax Act					
2.27	Settlement of disputes					
2.28	Work and Residence Permits for foreign employees					
2.29	Drug Control Act and Regulations					
2.30	Factory Inspection Act					
2.31	Environmental Control and regulations					
2.32	Town and Regional Planning and Zoning Act					
2.33	Customs and Excise Act					
2.34	Corruption and Economic Crime Control Act					

3.0 Level of Satisfaction with Existing Policies Practices and legal statutes:

Select from the following scale to indicate your level of satisfaction with the various policies, practices and legal statues used in Botswana to attract FDI. [Only one answer should be selected for each statement].

A Not satisfied at all	B Somewhat satisfied	C Satisfied	D Highly satisfied			
			A	B	C	D
Policies:						
3.1	Tax agreements and development approval order					
3.2	Incentive Policy					
3.3	Diversification Policy					
3.4	Macroeconomic Policies					
3.5	Exchange rate policy					
3.6	Monetary Policy					
3.7	Industrial Development Policy					
3.8	Privatization Policy					
3.9	Privatization Master Plan					

A Not satisfied at all		B Somewhat satisfied	C Satisfied	D Highly satisfied			
				A	B	C	D
3.10	Land tenure Policy						
3.11	Technology Policy						
3.12	Competition Policy						
3.13	Vision 2016						
Practices:							
3.14	Business establishment Procedures						
3.15	Botswana Investment Promotion						
3.15	Corruption Prevention Efforts and approaches						
3.17	Customs Procedures						
3.18	Education and Skill Development						
3.19	Productivity enhancement						
3.20	Export Promotion and Development						
3.21	Intellectual Property Act						
3.22	Licensing and administration of regulations						
Legal Statutes:							
3.23	Income Tax Act						
3.24	BEDIA Act						
3.25	Companies Act						
3.26	Customs and Excise Act						
3.27	Trade disputes Act						
3.28	Regulations for acquisition of Work and Residence Permits for foreign employees						
3.29	Drug Control Act and Regulations						
3.30	Factory Inspection Act						
3.31	Environmental Control and regulations						
3.32	Town and Regional Planning and Zoning Act						
3.33	Customs and Excise Act						
3.34	Corruption and Economic Crime Control Act						

SECTION III: LEVEL OF SUCCESS OF CURRENT FDI ATTRACTION POLICIES

QUESTIONS 4.1 THROUGH 4.18: The following questions are intended to gather your views concerning the extent to which the current policies and practices put in place to attract Foreign Direct Investment (FDI) into Botswana have been able to improve the country's attractiveness as a FDI destination. Please select from the following scale to indicate your agreement or disagreement with the following statements.

	A Strongly Agree	B Agree	C Disagree	D Strongly Disagree			
				A	B	C	D
4.1 It is correct to conclude that today Botswana is one of the leading FDI destinations in Southern Africa and in Africa as a whole.							
4.2 Botswana's FDI attraction policies and practices have been very successful							
4.3 Buoyed by its FDI attraction policies and practices Botswana has become a favorite investment destination for many foreign businesses.							
4.4. Through its FDI attraction policies, practices and legal statutes Botswana has succeeded in creating a more diversified economy							
4.5 Botswana's FDI attraction regime is one of the strongest in the Southern Africa as well as in Africa as a whole.							
4.6 The quality of education and training in Botswana has enabled the country to be a leading destination for FDI in Southern Africa							
4.7 Botswana's foreign exchange regime has tremendously boosted its capacity to attract and retain FDI during the last 5 years.							
4.8 Today Botswana offers some of the very best investment incentives and these have been very successful in attracting FDI to the country							
4.9 Botswana boasts very explicit investor rights which continue to play a major role in attracting FDI to the country.							
4.10 The land tenure policy in Botswana has significantly boosted the country's competitiveness as a FDI destination							
4.11 Botswana's macroeconomic policies have played a major role in making the country a leading destination for FDI							
4.12 It is correct to state that Botswana's privatization policy has played a leading role in the country's efforts to attract FDI							
4.13 One of the major factors responsible for Botswana's superior status as a FDI destination has been its tax regime and taxation policies							

A Strongly Agree	B Agree	C Disagree	D Strongly Disagree			
			A	B	C	D
4.14	Botswana's technology policy has elevated the country to a major destination for FDI					
4.15	It is correct to state that the ease of obtaining work and residence permits by foreign employees has turned Botswana into a favorable destination for FDI					
4.16	Botswana's environmental regulation policies have played a major role in making the country very attractive for FDI					
4.17	The contents of Botswana's vision 2016 strongly support economic diversification through FDI					
4.18	Botswana business competition policy has played a major role in the country's success in attracting FDI					

SECTION IV: INTERNAL STRENGTHS AND EXTERNAL OPPORTUNITIES

QUESTIONS 5 THROUGH 6: The following questions are intended to identify the internal strengths and external opportunities that policy makers and administrators can take advantage of to improve Botswana competitiveness as a FDI destination. Please select from the following scale to indicate your agreement or disagreement with the following statements.

A Strongly Agree	B Agree	C Disagree	D Strongly Disagree			
			A	B	C	D
5.0	<u>Internal Strengths</u>					
5.1	Reputation for good economic management policies and practices					
5.2	Large pool of foreign reserves					
5.3	Access to land and titling procedures					
5.4	Very low corruption levels					
5.5	Liberal environmental and pollution policies					
5.6	Excellent distribution channels					
5.7	An independent and efficiently functioning Judicial System					
5.8	Low inflation rates					
5.9	Good investment incentives					
5.10	Unburdening business establishment procedures					
5.11	Liberal labor laws and practices					

A Strongly Agree	B Agree	C Disagree	D Strongly Disagree			
			A	B	C	D
5.12 Qualified and skilled human resources						
5.13 Quality telecommunications, transportation, and infrastructure services						
5.14 Promotion of joint ventures						
5.15 A liberal tax regime						
5.16 Clear and unburdening customs procedures						
5.17 Transferability of funds						
5.18 Adequate electricity supply						
5.19 A solid reputation for good governance and stable democracy						
5.20 Low tariffs on imported raw materials and machinery						
5.21 Low corporate tax and/or manufacturing taxes						
6.0 External Opportunities						
6.1 Botswana access to foreign markets						
6.2 An excellent economic rating globally						
6.3 A good international reputation (standing)						
6.4 Botswana is a prime destination for skilled and well trained migrant labor						
6.5 Cordial relations with other countries in the region and with most other African countries						
6.6 Cordial relations with most Western economic giants such as the United States, the European Union and Japan.						
6.7 Political stability (good governance) in neighboring countries						
6.8 Economic stability in neighboring countries						

SECTION V: MAJOR CHALLENGES UNDERMINING FDI ATTRACTION

QUESTIONS 7 THROUGH 9: The following questions are intended to identify the major challenges - internal weaknesses and external threats - that infringe on Botswana's competitiveness as a FDI destination. Please select from the following scale to indicate your agreement or disagreement with the following statements.

A Strongly Agree	B Agree	C Disagree	D Strongly Disagree			
			A	B	C	D
7.0 Internal Weaknesses:						
7.1 Recurring fluctuations in the exchange rate of the Botswana Pula						
7.2 Botswana's status of a landlocked country						

7.3 Lack of a core work ethic among the population						
A Strongly Agree	B Agree	C Disagree	D Strongly Disagree			
			A	B	C	D
7.4 Botswana' small economic base						
7.5 Small (limited) internal market due to small population						
7.6 Unavailability of raw materials						
7.7 Reliance on external sources of energy especially electricity						
7.8 A poorly educated trained workforce/low skill base						
7.9 Rising crime and insecurity						
7.10 Lower productivity of the labor force						
7.11 High interest rates						
7.12 Lack of competitive investment incentives						
7.13 High transport costs						
7.14 High utility costs						
7.15 Complicated and long business establishment procedures						
7.16 An over burdening bureaucracy						
7.17 Cumbersome migration and residence policies and procedures						
7.18 Rising inflation and cost of living						
8.0 External Threats:						
8.1 Regional, continental as well as global competition						
8.2 The globalization of business						
8.3 Overreliance on foreign skills and expertise						
8.4 Democratization of countries in the region						
8.5 Discovery of natural resources in the region						
8.6 Bad perception of Africa as a whole among major Western economic power houses						
8.7 Improvement economic performance in most other African countries						
8.8 Economic overreliance on South Africa						
8.9 Political and economic instabilities in neighboring countries especially Zimbabwe						

9. List the major ways through which Botswana's competitiveness as a FDI destination can be enhanced.

1.

2.

3.

4.

5.

SECTION VI: BIOGRAPHICAL DETAILS

This final set of questions is intended to collect information on your personal background. Please fill in the blank or circle the response that best describes you.

10.1 Gender: 1. Male ☐ 2. Female ☐

10.2 What is your year of birth? _____

10.3 What is your marital status?

- | | |
|------------------------------|--------------|
| 1. Single (never married) | 4. Married |
| 2. Non-Marital relationships | 5. Separated |
| 3. Divorced | 6. Widowed |

10.4. What is the highest level of formal schooling you have completed?

1. Primary School Graduate
2. Junior Secondary School Graduate
3. Senior Secondary School Graduate
4. College Certificate
5. College Diploma
6. Bachelor's Degree
7. Masters Degree
8. Other **[specify]** _____

10.5. What is your monthly income in Pula before taxation and other deductions?

- | | |
|----------------------------|------------------------------|
| 1. Less than P3 000.00 | 6. P10 001.00 – P12 500.00 |
| 2. P3 001.00 - P4 000.00 | 7. P 12 501.00 – P 15 000.00 |
| 3. P4 001.00 - P5 000.00 | 8. P15 001.00 - P 20 000.00 |
| 4. P5 001.00 - P7 500.00 | 9. P 20 001.00 – 25 000.00 |
| 5. P7 501.00 – P 10 000.00 | 10. P 25 001 and above |

11. Is there anything else that you would like us to know? **[Use space provided below to document it]**

Once more thank very much for your time and cooperation.