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ASSISTANCE TO LICENSING UNIT

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BOTSWANA

Technical report: Industrial Licensing

**Prepared for the Government of Botswana
by the United Nations Industrial Development Organization**

**Based on the work of J. Mambule, Consultant in Development of
Licensing Systems**

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* This document has not been edited.

PREFACE

This report based on the assistance to the Licensing Unit of the Ministry of Commerce and Industry, contains an overview of the Botswana economy in general (Chapter 1). The manufacturing sector performance during the National Development Plan NDP VI (1985-91) and the Industrial Strategies for NDP VII (1991-97) are dealt with in Chapter 2. Chapter 3 looks at the administrative set up starting with the Ministry of Commerce through the Department of Industrial Affairs down to the Industrial Licensing Unit the main focus of this report. Chapter 4 deals with the Licensing and Protection procedures. Chapter 5 covers the problems and constraints of the licensing system at the time of the mission. Chapter 6 looks at the Government initiatives at streamlining the licensing procedures with emphasis on the new measures passed by the National Assembly in September 1990. The recommendations and conclusions are covered in Chapter 7.

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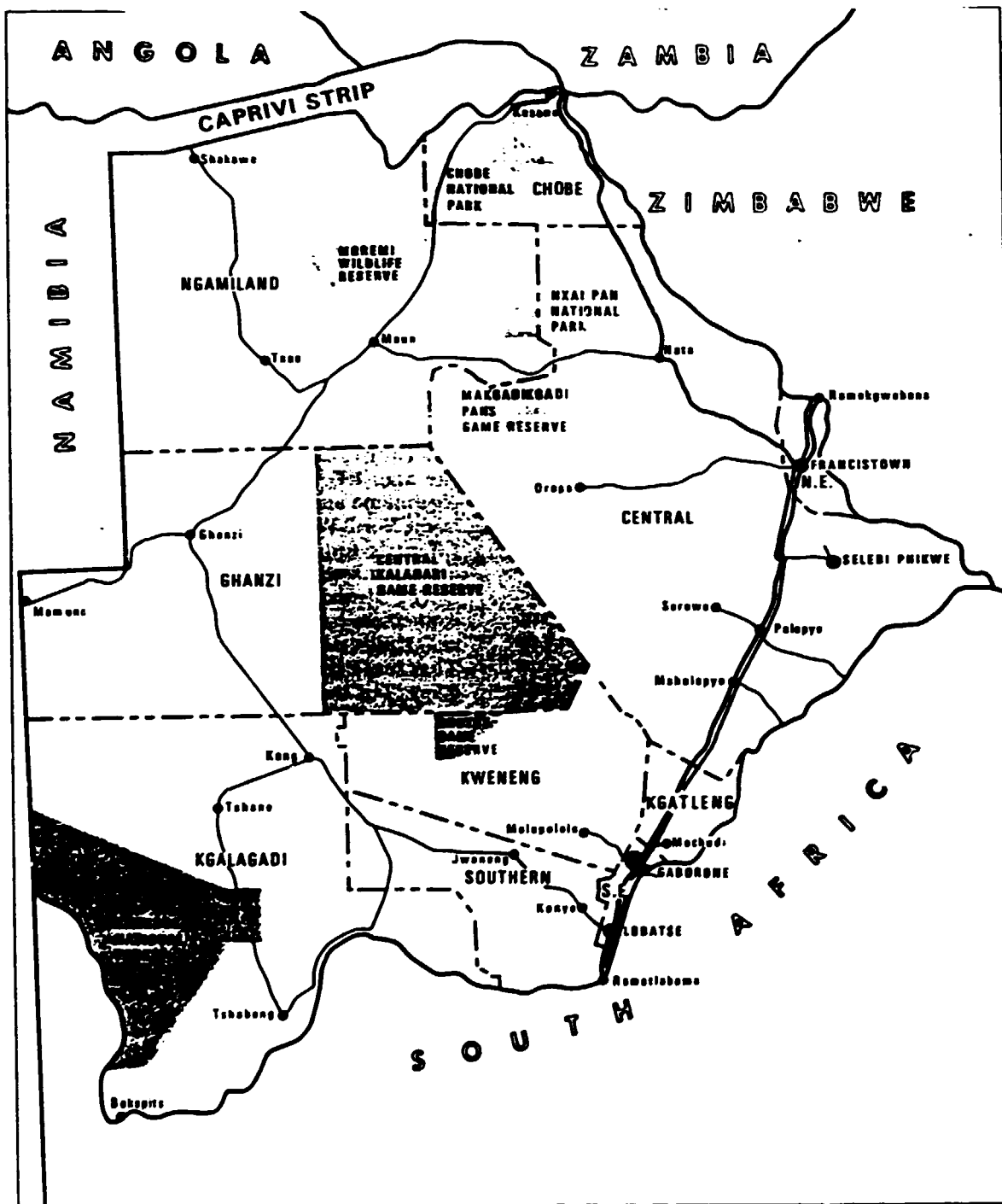
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Map 1.1 Republic of Botswana



LIST OF ABBREVIATIONS

BOCCIM	- Botswana Confederation of Commerce Industry and Manpower
DIA	- Department of Industrial Affairs
GDP	- Gross Domestic Product
FAP	- Financial Assistance Policy
IDA	- Industrial Development Policy
ILA	- Industrial Licensing Authority
ILU	- Industrial Licensing Unit
MCI	- Ministry of Commerce and Industry
NDP	- National Development Plan
PRU	- Project Research Unit
SACU	- Southern Africa Customs Union
SADCC	- Southern Africa Development Coordination Conference
TIPA	- Department of Investment Promotion

INTRODUCTION

The aim of the project was to strengthen the capacity and capability of the Licensing Unit of the Department of the Industrial Affairs. This will enable it to systematically encourage and supervise the promotion and development of industry in the country. This would have to be in line with the National Development Plan VII (1991-97) where high priority is placed on the creation of an enabling environment for private sector development through a less restrictive regime.

The following outputs are envisaged:

- An efficient industrial Licensing Unit capable of advising the investors on investment opportunities and procedures. It should advise the Industrial Licensing Authority (ILA) on whether the industries applied for do conform to the overall industrial development objectives or otherwise.
- A unit that would have the capability to monitor and evaluate the performance of licensed industries particularly with respect to the data obtained from the application forms. This should also be in conformity with the laws and regulations that govern industrial establishments.
- A unit that should be able to serve as an efficient secretariat to the Licensing Authority to facilitate quick implementation of the decisions.
- A unit that should be able to collect and disseminate data on licensed industries.
- A system of recording the performance of those small scale or cottage industries that do not require industrial licences.

To achieve the above, the following activities were required :

- To review the present operational licensing system and the new measures for licensing and make recommendations for their improvement.
- To interview various officials of various organisations who have experienced the effects of the licensing system and those who have been involved in operating the system.
- To study the application forms and redesign them to conform to the requirements of the new system.

- To review records of the meetings of the Licensing Authority and come up with proposals to facilitate faster and efficient method of recording minutes of the meetings.
- To recommend additional forms for improving efficiency of the unit.
- To provide a terminal report showing what progress has been achieved.

The implementation of the various recommendations made by the mission solely lies in the hands of the Government of Botswana. However, UNIDO can assist with the training requirements of the unit.

1. OVERVIEW OF THE BOTSWANA ECONOMY

Botswana, located in Southern Africa, has an area of approximately 582000 km² with a population of approximately 1.3 million (1990). It is landlocked and shares borders with Zimbabwe, the Republic of South Africa, Namibia and Zambia.

Although the population of Botswana is relatively low compared to the size of the country, in relation to the resource base namely productive land, water, forest and capital stock on which the quality of life depends, the population is large. Therefore Botswana has been under strain to provide even minimum subsistence needs to many of the national families. This state of affairs has been greatly improved since the discovery of minerals in 1967.

The economy of Botswana is dependent on three primary export commodities: diamond, copper/nickel and beef. The mineral deposits, although discovered as late as 1967, currently constitutes the mainstay of the economy. The diamond industry is by far the most important subsector of the mining sector.

The Kimberlite pipe at Orapa covers an area of 112 ha making it the second largest pipe in the world followed by Letlhakane reputed for production of gemstones. The recently discovered mine at Jwaneng is the richest of the three. At present mining of coal at Morupule is relatively small scale but resources of billions of tonnes of commercially exploitable quantities are known to exist. Since the country is not endowed with hydro-electric potential because of its semi arid climate, coal will continue to be the main source of power for Botswana in the future.

Other minerals which exist in commercially viable quantities include, copper/nickel at Selebi-Phikwe, soda ash at Sua Pan, antimony, asbestos, brines, chromite, feldspar, fluorite, glass sand, graphite, gypsum, iron, kaolin, lead, limestone, manganese, platinum, silver, soapstone, uranium and zinc. Aeromagnetic surveys indicate possible presence of oil and natural gas reservoirs in Nossop, Ncojane and Parssarge basins.

Table 1.1 shows the origins of the GDP on sector basis as well as the overall GDP per capita.

Table 1.1 Botswana's GDP in current prices

	1966		1977/78		1982/83		1988/89 ^(a)	
	Pm ^(d)	%	Pm	%	Pm	%	Pm	%
Agriculture	124	39.6	309	19.9	153	5.8	149	3.0
Mining	-	-	241	15.5	815	31.2	2542	51.0
Manufacturing	25	7.9	106	6.8	165	6.3	209	4.2
Water & Electricity	3	0.8	44	2.8	65	2.5	93	1.9
Construction	18	5.7	73	4.7	142	5.4	166	3.3
Trade, hotels	58	18.6	311	20.0	556	21.3	818	16.4
Transport	13	4.1	65	4.2	66	2.5	82	1.6
Finance	21	6.6	129	8.3	174	6.6	263	5.3
Government Social Services ^(b)	52	16.7	253	16.3	451	17.2	638	12.8
Dummy Sector ^(c)	-	-	65	4.2	87	3.3	118	2.4
	-	-	-42	-2.7	-58	-2.2	-91	-1.8
Total GDP	313	100.0	1154	100.0	2613	100.0	4988	100.0
GDP per capita Pula	578		1982		2677		4115	

Source - NDP 7 Ministry of Finance and Development Planning

- (a) 1988/89 figures may be subject to revision
- (b) Included under Government in 1966
- (c) The dummy sector is a correction for imputed bank service charges
- (d) Pula in millions

It is important to note that the economy has experienced rapid growth since the discovery of diamonds in 1967. During the 1980's Botswana registered the highest rate of economic growth in Africa and one of the highest in the world. (It averaged 10% per annum). Consequently Botswana benefits from one of the highest levels of foreign exchange reserves in the world in relation to the

size of its economy. (Amounted to US\$2.5 billion by September 1989). The diamond industry generates over 70% of the total export earnings estimated at \$ 1409m in 1989 followed by copper/ nickel estimated at \$m 216, meat and meat products \$ 73m and others \$ 121m giving a total of \$ 1819m. The official currency is the Pula which means rain. The Pula was originally pegged to the dollar. However, the fluctuations in the exchange rates of the dollar, forced the authorities in Botswana to peg the Pula to a basket of currencies of those countries with which Botswana has trading relations i.e. the Rand, the Zimbabwean dollar, the US dollar, pound sterling etc. Currently the Pula stands at 1.98 to US\$1 as at 06/06/91.

2. THE MANUFACTURING SECTOR

2.1. The Performance of the Manufacturing Sector

At the present stage of Botswana's economic development, Government sees the acceleration of the industrialisation process as a major way to make the pattern of the future growth correspond more closely to the national planning objectives, namely:-

- Rapid economic growth
- Economic independence
- sustained development and social justice

The Industrial Development Policy intends to ensure that the Industrial Sector development should contribute to:-

- Creation of productive jobs for citizens
- Training of citizens into occupations with higher productivity
- Increasing the values added or GDP accruing in Botswana to Botswana
- The diversification of industrial activities in rural areas.

During the Sixth National Development Plan (NDP6) manufacturing value added grew in real terms at an average rate of 6.8% per annum from P126m in 1984/85 to P164m in 1989/90. The share of manufacturing in GDP remained unchanged at around 5% in the 1980's. The share of meat and meat products formerly dominating the manufacturing sector declined from 95% in 1966 to 31% in 1985 while the share of beverages, textiles and clothing rose up considerably. Other sectors which grew rapidly included metal products, tanning and leatherwork and village industries (see table 2.1)

On the whole Botswana experienced growth and high capacity utilisation in the 1980's while many African economies suffered from a decline in manufacturing output.

Table 2.1 Value added in manufacturing 1979/80 and 1985/86

Sector	1979/80		1985/86	
	Pm current Prices	% of Total	Pm current Prices	% of Total
Meat & Meat Products	9.0	30.8	38.8	30.8
Beverages	3.2	11.0	23.1	18.3
Textiles	4.5	15.4	11.2	8.9
Other	12.5	42.8	52.8	42.0
	29.2	100.0	125.9	100.0

Source : 1985/86 National Accounts

2.2 Distributions of the Licenced Industries in Botswana

According to the sources available the distribution of licensed manufacturing companies is as indicated in table 2.2.

Table 2.2 Location of manufacturing licences issued 1985-1990

Subsector	Gaborone	Lobatse	Selebi-Phikwe	Francis-town	Others	Total
Meat & Meat Products	-	1	2	1	1	5
Dairy & Agro based products	19	7	8	7	34	75
Beverages	1	-	4	1	2	8
Textiles	31	9	3	14	19	76
Tanning & Leather Products	2	-	-	3	4	9
Chemical & Rubber Products	20	1	4	7	14	46
Wood & Wooden Products	7	-	3	7	14	31
Paper & Paper Products	9	3	1	4	4	21
Metal Products	22	1	10	11	45	89
Building Materials	15	8	-	5	30	58
Plastic Products	12	2	2	9	7	32
Electrical Products	12	-	1	4	5	22
Handicrafts	-	-	1	2	-	3
Total	150	32	39	75	179	475
Percentage Total	31.6%	6.7%	8.2%	15.8%	37.7%	100%

Source: Ministry of Commerce & Industry

Table 2.2 shows that between 1989-90 the biggest concentration of industries was located in Gaborone with 150 industries out of the total of 475. This was followed by Francistown with 75 industries. Selebi Phikwe and Lobatse accounted for 39 and 32 industries respectively. The remaining 179 are located in other smaller towns.

Table 2.3 Ownership trends in manufacturing Sector 1979/89

During NDP6, Government maintained a liberal market oriented approach towards ownership and investment in the industrial sector but with a preference for citizen owned and managed enterprises. The number of citizen owned manufacturing firms increased almost five fold between 1984-89 while the number of joint ventures more than doubled and the foreign owned firms grew considerably but less rapidly than citizen owned firms.

2.3. Investment Patterns

Gross manufacturing investment in 1984/85 was P21m representing about 24% of manufacturing value added for that year. Intended investments (as indicated by applications for industrial licences) increased from about P250m (in constant 1990 prices) over 1979-84 to approximately P340m over 1985-90.

2.4. Employment

The growth of employment in the manufacturing sector was very rapid during NDP6. Formal employment in manufacturing rose from 9 500 workers in 1984 to just over 22 000 in 1990, an average growth rate of 15% per annum. In 1990 manufacturing accounted for 12% of all formal sector jobs whereas in 1980 it accounted for less than 7%. Over NDP6 formal employment in the manufacturing sector rose faster than value added in manufacturing. This reflects partly a shift towards labour intensive industries and technologies promoted by Government through measures such as the Financial Assistance Policy (FAP). This led to the increase of women employed in manufacturing from 20% of the total manufacturing workforce in August 1984 to 31% in March 1989.

2.5. Industrial Strategies for NDP7 (1991-7)

Although the domestic market is growing rapidly, its small size is a constraint on production where economies of scale are important. The Government development strategies will therefore focus on broadening the industrial and commercial base of the economy and promoting exports.

Seven main strategies have been identified:

- creating a more enabling environment for private sector development through:
 - sound economic management
 - a less restrictive regulatory regime
 - investments and export incentives
- attracting investment and promoting exports
- strengthening intersectoral linkages
- encouraging the informal sector
- improving the application of science and technology innovations
- relaxing construction constraints
- improving industrial relations

In the 1990's with the possible political stabilisation in Angola, Mozambique, Namibia, there are possibilities of widening Botswana's export markets at the same time these developments will challenge the Botswana economy to become more competitive both in productive efficiency and in attracting foreign investors.

3. INSTITUTIONAL FRAMEWORK

3.1. Ministry of Commerce & Industry

The Ministry is one of the key government ministries (see annex 1). It is charged with the responsibility of policy formulation and promotion of trade and industry as well as wild life and tourism. It has three operational departments namely the Department of Commerce and Consumer Affairs, the Department of Trade and Investment Promotion (TIPA) and the Department of Industrial Affairs (DIA).

3.1.1 Department of Commerce and Consumer Affairs has the responsibility of promoting rapid development of trade and commerce through:-

- formulation of trade and commercial strategies
- development of an enabling business environment to allow an increase in trade opportunities, which in turn would generate employment
- monitoring and analysing of trade between Botswana and its major trading partners. The Department is divided into six divisions - policy and programme coordination, trade regulations, trade management, consumer affairs including weights and measures and essential supplies.

3.1.2 TIPa was created to form a one gap stop centre for all investors. It has four divisions:

- Consultancy and Liaison Services - this provides the necessary information to investors as well as provide advisory services. This division liaises with the commercial attaches of resident embassies as well as commercial attaches at Botswana missions abroad. The division is also responsible for the creation of the National Chamber of Commerce.
- Fairs and Missions Division - this division is responsible for trade fairs both local and international. It hosts trade missions as well as undertake missions abroad.
- Information and Public Relations - this division has the responsibility of collecting and disseminating information to the business community through the production of various publications e.g. trade directory, manufacturing directory, monthly magazines, a weekly radio programme, a reference library to provide trade information.
- Export Market Development Division - this division was created through a project of trade diversification and expansion funded by International Trade Center (ITC). The division is responsible for creating a national export strategy.

3.1.3

The Department of Industrial Affairs

This department carries out its duties and responsibilities through its four divisions namely:- (see annex II for details).

The Industrial Support Services, provides industrial incentives to investors through its Financial Assistance Policy (FAP) and Local Preference Scheme. This is headed by a Principal Industrial Officer.

The Integrated Field Services (IFS) provides basic management skills and advisory services to small and medium scale investors, identify rural projects, as well as assist in the processing of FAP forms. It is headed by a Deputy Director.

The Policies and Programme Coordination Division carries out market studies to assist the investors who want to set up industries in the respective fields. It also trains private consultants paid by government to appraise FAP applications quickly and competently, and coordinate activities of technical assistance and subregional, regional and international industrial cooperation. It is headed by an Assistant Director.

The Licensing and Protection Unit (ILU), headed by a Principal Industrial Officer, has 1 Senior Industrial Officer, 1 Industrial Officer and 1 Senior Industrial Assistant. The unit is responsible for the following:

- appraising and processing industrial licence applications and ascertain whether they are in conformity with the Industrial Development Act and other relevant policies;
- presenting the applications before the National Industrial Licensing Authority (ILA);
- interviewing and advising potential investors of licensing procedures;
- conducting periodic factory inspections to ensure that the licencees conform to the conditions of the licence and are in compliance with other laws and regulations;

- discussing infringements with licencees with a view to making them comply with the conditions of the licences and taking appropriate follow up action;
- reporting serious infringements to the relevant authorities for further action;
- collecting revenue from industrial licences and banking it;
- attending to daily enquiries and queries from investors; and
- acting as the secretariat to the Industrial Licensing Authority;

3.2 The Industrial Licensing Authority (ILA)

The ILA was established by the Industrial Development Act (IDA) of 1988. The present ILA consists of a Chairman who is also the Director of Industrial Affairs, four members from the public, a representative of the Ministry of Local Government and Lands, a representative of the Ministry of Labour and Home Affairs, a representative from the Department of Trade and Investments Promotions (TIPA). The authority is appointed for a term of two years.

The authority is responsible for:

- issuing, suspension or cancellation of licences to manufacture any product for sale at any place in Botswana in accordance with the provisions of the IDA.
- reviewing policy on industrial development and licensing with a view to advising the minister.
- inspecting of industrial establishments to ensure they are conducted in accordance with the laws and regulations governing them; and
- Collecting information and data required to monitor the industrial development of the country.

The authority is appointed for a term of two years.

4. LICENSING AND PROTECTION

The Industrial Development Act of 1988 is the statute dealing with the licensing requirements for the manufacturing establishments. Manufacturing is defined by the Act "as a means to subject physical matter to any process which materially changes it or its packaging in substance, character or appearance and includes the assembly of parts". Under the IDA, all manufacturing enterprises employing ten or more people or using equipment of twenty-five horse power or more are required to obtain industrial licences.

Foreigners and joint ventures require industrial licences regardless of the status of their manufacturing enterprise. The bulk of rural manufacturing operations fall below both the employment and the horse-power limits, and therefore they do not require industrial licences. Records available on both distribution and contribution of this manufacturing sector to GDP are difficult to collect and thus not readily available.

4.1. Exclusive Licence

An applicant may apply to the Authority for an exclusive licence to manufacture a particular product to the exclusion, either generally or in respect of any part of Botswana, of other manufacturers of that product. Where the Authority considers the application valid, it forwards the application to the Minister who in turn forwards the application with his recommendations to the President. The President may, if he is satisfied that it is in the public interest and in the interest of the efficient development of the industry concerned, grant an exclusive license. This is done by making an order published in the gazette, excluding all other manufacture of all or some of the products, in respect of which application for an exclusive license was made. This could be either in Botswana generally or in any specified part of Botswana. During the life span of exclusive license the ILA cannot issue a similar licence. The exclusive licence is issued for four years after which it can be renewed if the authorities are convinced that it is necessary.

4 2. The Procedure For obtaining An Industrial Licence

As mentioned above, all manufacturing establishments employing ten or more people, or using equipment of twenty five horse power or more, are required to obtain an industrial licence. Below are the procedures for obtaining an industrial licence.

The application should be accompanied by a registration certificate from the Registrar of companies, a feasibility/market study, proof of availability of premises, two cheques of P20.00 each payable to Botswana Government. The application should be filled in duplicate and in triplicate for Financial Assistance Policy (FAP) applicants then submitted to and received by the Licensing Unit.

As soon as the application is received the Licensing Unit notifies the Government Printer about the application which in turn publishes the application (after receiving the two cheques) in the Gazette twice in two consecutive weeks.

The gazetting is done to give a chance to anyone who may wish to object to the issue of the licence to raise objections. This should be done within fourteen days of the last publication, by giving notice in writing of his intention to oppose the application and the grounds thereof, to the ILA with a copy to the applicant.

During the period of gazetting the Unit is expected to study and appraise the application and prepare it for presentation to the ILA, using a very simple and inadequate format. After that the ILA proceeds to consider the application and make a decision on it. It may grant, reject or defer the application. In many cases the licences are granted on the first consideration.

Finally, after the ILA has approved the application, the applicant is informed and in the case of those granted, they are requested to pay P100.00 for the licence. Those whose applications are rejected, could appeal to the Minister to reconsider their applications.

5. PROBLEMS AND CONSTRAINTS OF THE PRESENT LICENSING AND MONITORING SYSTEM

The licensing and monitoring system is administered by the ILA which in turn is serviced by the ILU acting as its secretariat. There are problems and constraints within the system that affect its smooth running. Listed below, are some of the outstanding problems and constraints of the present licensing and monitoring system.

- Under the present system the ILA is expected to judge the application according to its viability. It does so through the advise of the secretariat. It should be noted that among the present staff within the ILU, there is only one officer with an economics background who can effectively carry out appraisals. Although he has an

economics background, he has not benefitted from further training in project appraisal to enable him to handle the magnitude of appraisals required, single handed. The ILU also lacks someone with a technological background to assist in assessing the technological aspects of the projects. It therefore, has not been in a position to effectively guide and advise the ILA on the issue of viability or non viability of a project.

- As the ILA is expected to judge the application based on its commercial viability, the information provided to it by the secretariat is not sufficient for the ILA to arrive at a decision quickly and ably.
- A lot of time is wasted in the process of advertising and registration of objections to applications resulting in delays of not less than six weeks.
- The present staff in the ILU has not benefitted from further training whether on job or within Botswana or outside Botswana. Since licensing is a technical job there is need to avail the present staff with training in licensing systems, evaluation and monitoring of projects, industrialisation policies in developing countries, industrial classification to enable them efficiently execute their duties.
- At present there is no system of monitoring industries within the ILU. Monitoring is usually done when there is a crisis in an industrial establishment. Otherwise those industries which appear to be functioning well are not monitored to ensure that they are operating in accordance to the rules and regulations that govern them.
- There is a poor system of keeping records of licensed industries. Each licensed industry is given a file however, the files are not kept in any form of order. It therefore very difficult to get information on any industrial establishment at short notice.

It however should be noted that the present members of staff in the ILU are very hardworking but in many cases have not been well equipped for the kind of work they are expected to carry out.

6. GOVERNMENT INITIATIVES AT STREAMLINING
THE LICENSING PROCEDURES

In recognition of the adverse effects restrictive licensing has on both local and foreign investment, the Government has adopted the following measures to encourage more investment through competition and less restrictive licensing procedures. This was done through recommendations approved by the National Assembly in September 1990. (The Revised National Policy on Incomes, Employment, Prices and Profits).

They are as follows:

- Applications to the National Licensing Authority and the Industrial Licensing Authority will not be subject to objection from commercial and industrial competitors.
- The licensing Authorities will not make commercial judgments about applications.
- Industrial licences to be granted automatically by the Licensing Authority once the planning, zoning, health or other regulations are satisfied.
- Provisional licences will be issued after 90 days where the delay is caused by Government.
- Promotions of Batswana owned activities to reduce competition significantly will not be allowed.

These measures are supported by the Industrial Development Policy which emphasises promotion of industry and not its restriction. Policies of general applicability are preferred to the ad hoc use of Licensing Authority to direct business activity. The policy also clearly states that "Government believes that a free enterprise, market oriented system is both efficient in producing goods and services and economical in the use of scarce administrative capacity. Investors will be left with considerable freedom to choose the fields they enter. Government will influence and assist in industry with general incentives and services rather than detailed directives or controls."

6.1 Implications of the New Measures

The implementation of the new measures will greatly change the present procedures for licensing. Below are some of the likely changes:-

- As already mentioned the applications have been subjected to a four week period or more to facilitate the objection machinery. As the new measures do not allow for objection from competitors, this could mean that the four weeks hitherto spent on facilitating objections will be used for processing the applications. This will reduce on the processing time.
- Until now, the ILA had the right to question the viability of the project, the competence of the promoters, proof of acquisition of premises or any other aspect of the project they felt might affect the success of the project. The ILA will now be confined to verifying whether or not the application conforms to the required regulations on planning, zoning, health and any other regulation that may be decided upon. Once those have been satisfied the licence should be granted.
- Up to now, applicants have been limited to four licences beyond which they were required to make a special appeal to the Minister. With the implementation of the new measures industrialists will be free to apply for as many licences as they may wish for.
- While there are areas within the Industrial Development Act that are reserved for the Batswana only, competition among the Batswana in those reserved areas will be encouraged.
- The Industrial Development Act will have to be redrafted to be in line with the new measures.

6.2. Various Interpretations and Views on the New Measures

While generally the Ministry of Commerce and Industry welcomes the new measures, there are some reservations on part of the Department of Industrial Affairs (DIA) on some aspects of the new measures. While the department agrees with the idea of 'no objection from competitors', it feels that there should be objections on grounds other than competition. DIA feels that the public should be given an opportunity to raise any objection it might have on the establishment of an industry.

Such objections could be on the grounds of health hazards, general disturbance of the area or environmental protection. This therefore implies that the objection machinery would be retained as it is in the present system.

On the issue of 'no commercial judgement' the department feels that the measure is too liberal to the extent that the government might not be able to control the development of the industrial sector in conformity with the Industrial Development Policy. The policy at the time of its formulation in 1984 emphasized that industrial sector development should contribute to:

- creation of productive jobs for citizens
- training of citizens into occupations with higher productivity
- increasing value added or GDP accruing in Botswana to Botswana
- dispersion of industrial activities in rural areas

The department feels that the government should have some control on the development of the industrial sector through the Licensing Authority questioning some aspects of the projects. It should however be noted that the Development Policy made allowances for changes of the strategies and policies aimed at achieving the above objectives over time. In other words, the Development Policy is flexible.

On the issue of areas reserved for Botswana, the department feels that these should be increased to give more protection to Botswana from the foreign investors.

On the other hand, the administration of the Botswana Confederation of Commerce Industry and Manpower (BOCCIM) felt differently. BOCCIM, a non-governmental organisation, with a membership of over 1200 comprising of 100% of the large scale manufacturing business enterprises and most of the medium and small business enterprises plus all government parastatals felt that:

- The new measures were timely and should be immediately implemented to cut down on "the cumbersome bureaucratic system" currently in use. They felt that the ministry had unnecessarily delayed the implementation of the new measures.
- Investors should be free to invest without too much interference from the government.

- A free market system where all investors will compete according to their efficiency should operate in Botswana. It however accepted that there is some need to reserve certain areas for the Botswana especially in those areas where low levels of skills and technology are required.
- The government's role should change from that of policing to that of welcoming the investors.

Although that was the official stand of BOCCIM, some individual members of BOCCIM who own small and medium scale industries, felt that the Government had taken a drastic step to encourage the unchecked growth of industries many of which will not be able to take off because of too much competition. They felt that these industries will create jobs but when they collapse the workers would suffer through loss of jobs. There was fear that the locals will suffer more than the foreigners if the new measures are implemented.

On the other hand, there was a strong feeling among some other industrialists within the same group, that there was need to expose manufacturers to competition to enable them to improve on their productivity both quantitatively and qualitatively. They felt that once Botswana industries are exposed to competition domestically, then it would be easy for them to compete in external markets as well. This school of thought is backed by the Industrial Development Policy which states that "The Botswana Government has in general adopted an approach to industrial development which emphasizes free privately owned enterprises and relies on the market mechanism for influencing the behavior of producers".

7. RECOMMENDATIONS

7.1. Recommendations on the New Measures

As already mentioned the new measures are going to drastically change the licensing procedures. The new system will do away with the restrictive and most often, delaying measures within the system. The investors will be able to obtain the licences within a relatively much shorter time than before. This therefore will act as an inducement to foreign investors to come and invest in Botswana.

It should be noted that Botswana is a landlocked country surrounded by countries with very liberal outlook on investment and at the same time have the advantage of existing skills and infrastructure which Botswana is currently trying to build up. It therefore, needs a very liberal licensing system to effectively compete for investors as well as

external markets especially the South African Customs Union (SACU) and Southern Africa Development Coordination Conference (SADCC) which provide valuable stepping stones to international competitiveness while at the same time developing self reliance. The new measures provide Botswana with a tool with which to compete with her neighbours in attracting investors especially foreigners through a quick and efficient system of licensing.

On the issue of government having less or no influence on the development of the industrial sector through the new measures, it should be noted that the government does not necessarily influence the establishment of industries through the Authority using restrictive measures. As stated in the Industrial Development Policy, 'the government intends, using minimal administrative effort, to give incentives to correct market prices so that private enterprise following a private profit motive will be attracted to other projects and use other production methods than they would otherwise'.

The government can easily influence the development of the industrial sector by using incentives, improving infrastructure and social services to those areas it would like industrialisation to take root. Investors are business minded and their aim is usually to maximise profits. They therefore would be willing to invest in those areas or fields where they would incur least cost. If the least cost area means an area where there is water, electricity, roads, schools and hospitals then that is where they would invest. The new measures provide Botswana within a tool with which to compete with her neighbors in attracting investors especially foreigners through a quick and efficient system of licensing.

7.2 Recommendations on the Composition and Role of the ILA

The composition of the ILA should include some members of the public who are in private business especially industry. It should also include officials from those institutions or ministries which deal with those issues that must be cleared before qualifying for a licence. These are planning, zoning, health and any other that may be decided upon. This would enable the ILA to clear those issues at its meeting to avoid investors having to trot around ministries trying to obtain the various clearances. In order to achieve that, these officers should receive the details of the applications to be

discussed at least one week before the meeting to enable them to consult within their organisations. This should ensure that by the time the ILA meets, all the necessary consultations will have been done and the necessary clearances given by the concerned organisations through their representatives on the ILA. Those applicants who do not meet the requirements may either be requested for further information, or rejected .

In the new regulations, there is a provision for giving a provisional licence to an applicant 90 days after applying and there is delay caused by the government. The use of this provisional licence should be kept to a minimum since most of the applicants will be granted licences on the first consideration. It should be noted that once a provisional licence is given to any applicant for a period of time, it would be difficult for the officials to withdraw that licence if his application is rejected. This is because the applicant will have incurred a lot of expenses while holding he provisional licence. It is therefore advisable that the provisional licence should be given to those applicants whose chances of success are high.

7.3 Recommendations for the Composition and Role of Industrial Licensing Unit

The Role

With the reduced Government control on the establishment of industries, the ILU will play a big role in influencing the establishment of industries by providing competent and adequate advisory services to the investors. This would require the Unit to step up its monitoring activities so that it is fully informed of what is happening in the industrial establishments. It should equip itself with information on marketing problems of various products, other problems the existing industries are faced with and the incentives that are offered for various types of industry e.g. FAP, Local Preference Schemes. This would enable them to discuss ably and competently with investors and give them advice regarding their proposed projects.

The above activity will require the Unit to be very active in monitoring and evaluation of industries. The information gathered could be used to arm the advisory aspect of the unit with the necessary information. Monitoring and evaluating

requires the unit to be capable of collecting and disseminating information. The Unit should also cross check the consistency of the information supplied each time with that given earlier. In monitoring, the unit should ensure that the operations carried out are within the laws and regulations that govern them. The Unit should in a position to make judgement on infringements of law and be able to advise the Authority on what course of action take if necessary. Also in monitoring the Unit should pay particular attention to disposal of the effluent as this might have considerable adverse effects on environment.

The unit will be required to be efficient in the receiving and registration of application. With the removal of many licensing restrictions there is bound to be an influx of applications. The unit should be able to quickly and systematically process the applications. The receiving officer should study the application to ensure that all the required information is there in the application form before the applicant is dismissed. This will enable the applications to move fast without having to resort to the applicant every now and then for more information.

The ILU in its role as secretariat, should be able to guide and advise the ILA in its execution of its duties as a licensing organ.

The ILU should be very certain on the definition of the word "manufacturing", so that it would be in a position to advise applicants on whether or not they are eligible for an Industrial Licence.

The ILU should have an up-to-date list of industries in their categories and locations, and should be able to compute the performance of investment in the industrial sector using the information in the application forms. It should be able to compute figures for employment, investment and production in various manufacturing sub-sectors.

There are several units within the Ministry which are involved in visiting industries for either collecting data or for monitoring purposes. They are:

- The Project Research Unit (PRU) which carries out market studies for investors and is therefore required to collect some data from the industrial establishments.

- The Industrial Support Services (ISS) which handles the incentives e.g. the FAP the Local Preference Scheme, is required to monitor the establishments that benefit from any of the incentives to ensure that they operate within the agreed terms and conditions of the assistance given.
- The Policies and Programme Division of the Department of Consumer Affairs carries out surveys in order to assess the performance of the industrial sector in the overall economy.
- TIPAs as a one stop gap center for investors has to be fully informed on the activities of the units above in order to be able to assist the investors.

There is therefore, need to co-ordinate the activities of those units/divisions so that there is no unnecessary duplication of work. Where necessary, the units could team up to carry out jointly the same activity and in the final analysis, there would be uniformity of the information collected. At the same time it will save the industrialists from receiving Government officials every now and then looking for the same information. A Ministerial Committee composed of representatives of these various units should be set up for the purpose of coordinating activities of collection and processing of data.

This committee will need to liaise closely with Central Statistics Department in the Ministry of Finance and Development Planning which is also responsible for collecting data from all sectors.

COMPOSITION OF THE UNIT

The introduction of the use of the computer in the ILU for data processing requires the head of the ILU to have knowledge on collection, processing and use of the data in the ILU. It is therefore recommended that for the ILU to get maximum benefit from the computer system to be introduced, the ILU should be headed by an Assistant Director. The Assistant Director should have some economics or engineering background and some experience in industrial licensing in particular as well as industrial policies in general. However, it should be realised that implication of such a project may not be possible in the short run. The present head of the ILU therefore should continue to run the Unit. The rest of the staff should continue with their duties but there should be effort in improving on their performances.

The Ministry of Commerce and Industry should provide the ILU staff with more transport facilities to enable them to carry out regular

monitoring of industries. More effort should be put into providing them with basic training in industrial policies in general and licensing in particular with some emphasis on industrial classification. Those officers with possibilities of higher training that is usually offered by international organisations, should be availed the opportunity to do so. All the members within the Unit should take up the opportunity of training in computer as there is already an expert to provide such service.

By the end of the mission, two (2) new graduates had joined the ILU.

The ILU therefore, would be composed of the Assistant Director, the Principle Industrial Officer, Senior Industrial Officer, 3 Industrial Officers and 1 Senior Industrial Assistant.

RECOMMENDATIONS ON THE PROCEDURES FOR LICENSING

With the introduction of the new measures, the procedures for licensing may have to change to conform to the new measures. It should be noted however, that the issue of implementing the new measures has not yet been finalised. The MCI officials together with officials from other Ministries are still working on how to implement the new measures. There are two possible outcomes, either the new measures will be fully implemented as passed by National Assembly or the views of the DIA as already expressed would be taken into consideration.

If the new measures are to be implemented as passed by the National Assembly, the following are the recommended procedures for licensing (see flow chart attached as annex III)

- The application which should be completed in duplicate and in the case of applicants for FAP in triplicate, should be submitted to the ILU. A new proposed application form has been attached as annex IV. This form which is supposed to serve both as an application for a license as well as FAP contains less information than the one currently in use but could serve both purposes sufficiently. Although applicants for licenses under the new system will be required to give less information than before, it has been necessary to retain a much detailed application than is necessary, to accommodate FAP purposes.
- On receipt of the application, ILU should complete the registration form (attached as annex V) in respect of each application. The information on the registration card should be used as a format for the ILU to present information on the application to the ILA. Before the ILA meets, the ILU should circulate that information on all applicants to all the members of ILA, This should enable those officials in those

departments which have to give clearance on an application before the ILA can give its consent, to study the application. Those are the departments concerned with planning, zoning health and any other that might be included.

- During the meeting of the ILA, the most important issue is its decision on any application. It is therefore recommended that the ILU should record the minutes of the ILA meeting using the format attached as annex VI. This format is proposed in order to ease the work load of the ILU.
- After the ILA has made its decision, the ILU using the above mentioned format, should pass on to the Permanent Secretary the decisions of the ILA. The Permanent Secretary in turn would pass on the information to the Minister for approval. As soon as the approval is obtained, the applicant, should be informed of the fate of his application.

Every month the ILU should record the licensed industries using the format attached as annex VII. This should enable them to be in position to know how many licences have been granted in a particular sub-sector and area during a particular month.

In the present system the application form is also used as application for renewal of licences. There is a lot of information that need not be given every year. A renewal application form has been proposed and attached as annex VIII. The form is to used more as a source of information for the ILU rather than as a criteria for granting renewals (as in the new measures the renewal of licences is proposed to be automatic). Such information will include the performance of the industrial establishments and the various problems they are faced with.

In the event that the views of the DIA are incorporated in the licensing system, the following are the proposed procedures: On receipt of the application, the ILU should immediately inform the Government Printer for gazetting the application. This should be done once and not twice as is the present practice. The grace period given in the present system could be reduced from two to one week so that the whole objection procedure takes two weeks rather than four. While gazetting, the ILU should process the application and could call upon the assistance of PRU in the appraisal of the application. The PRU is well equipped with manpower for appraisals. In the long run the ILU will need to have trained officers in project appraisal to enable to be self-sufficient. At the moment the two Units will need to work in close collaboration as well with the ISS which administers the FAP.

The rest of the procedures are the same as already mentioned. After the licence has been granted, each application should be given a file based on its industrial classification. A proposed industrial classification is attached as annex IX. This is a combination of the National Standard Classification as the main headings and the International Standard Industrial Classification adapted as sub-headings.

SMALL SCALE INDUSTRY DATA RECOMMENDATIONS

The small scale industries fall under the jurisdiction of the IFS, however, there is very scanty data within the MCI concerning these establishments. A simple form has been proposed attached as annex X. The forms should be distributed to the field officers who should ensure that they are completed before returning them to the MCI for recording. The ILU could, using the computer to be provided, record the data obtained. The MCI should decide which unit should be responsible for collection and processing of data for small scale industries.

As already mentioned there is need for the MCI to co-ordinate the activities of the various divisions and departments that need to collect data so that it comes up with a definite system of collection of data.

ORGANISATION OF OVERALL GOVERNMENT
(August, 1990.)

CHART NO: 029/20/01 (CT)

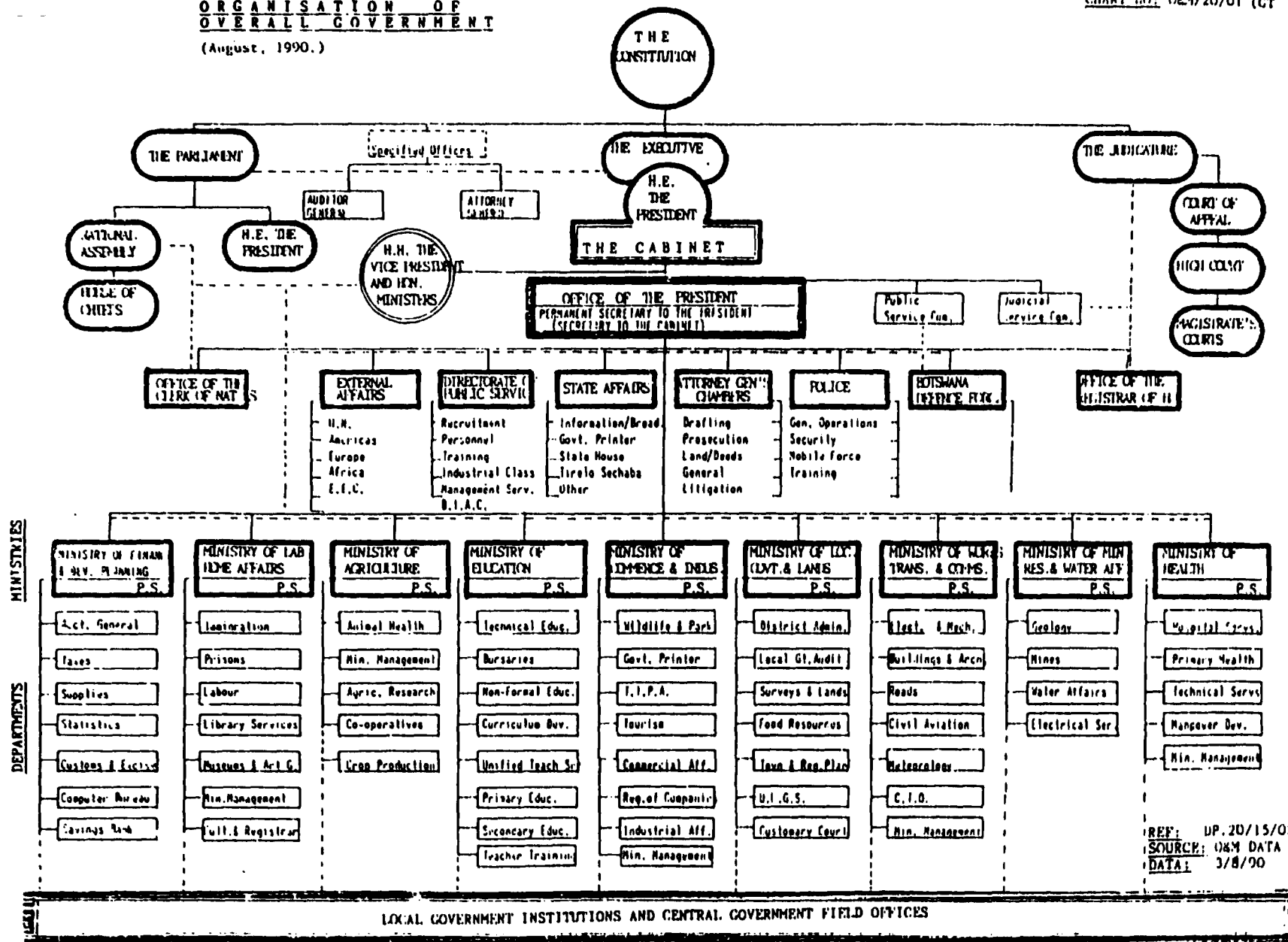
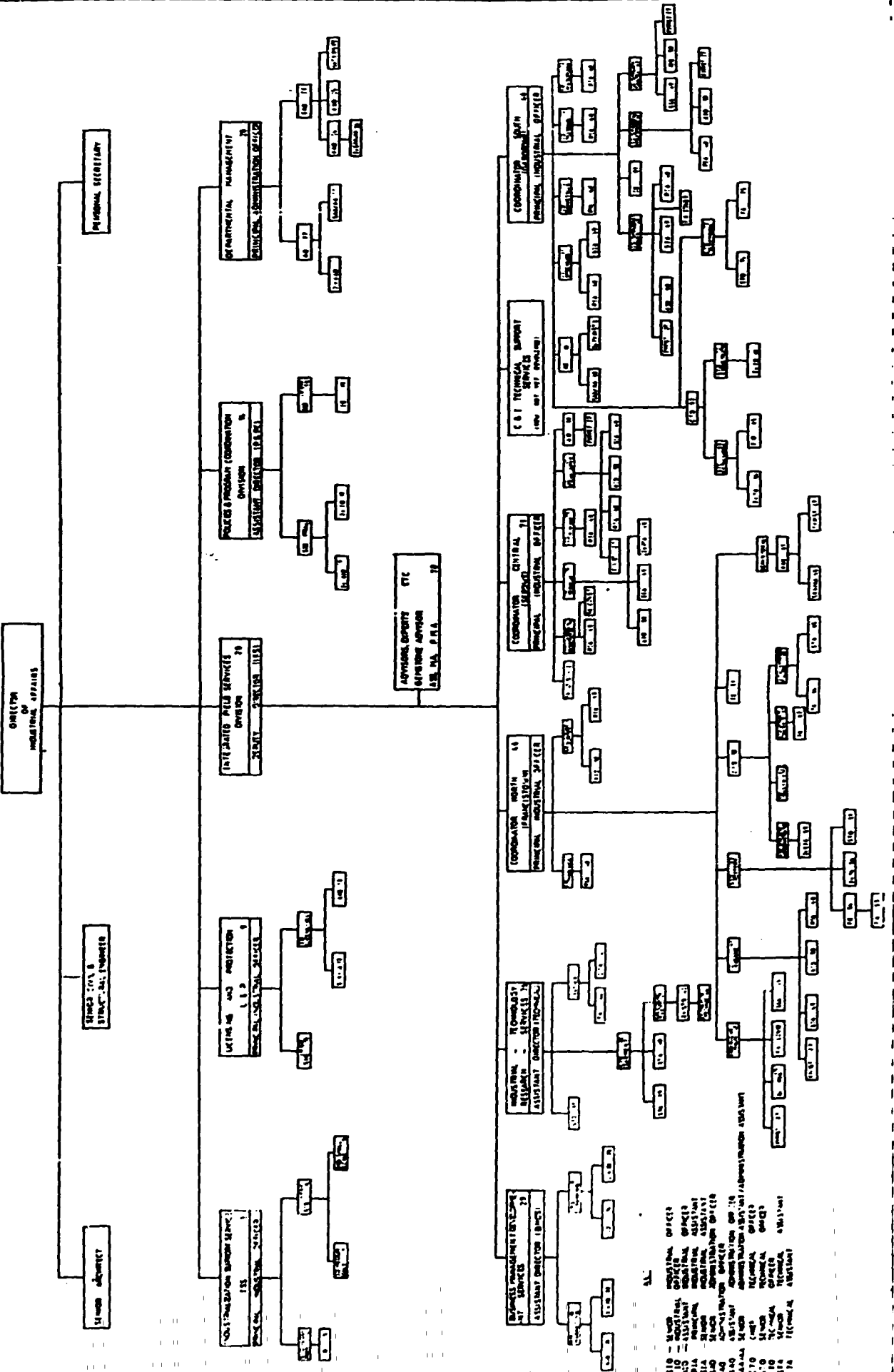


Figure 1.1 Structure of Central Government

REF: DP.20/15/02
SOURCE: O&M DATA
DATE: 3/8/90

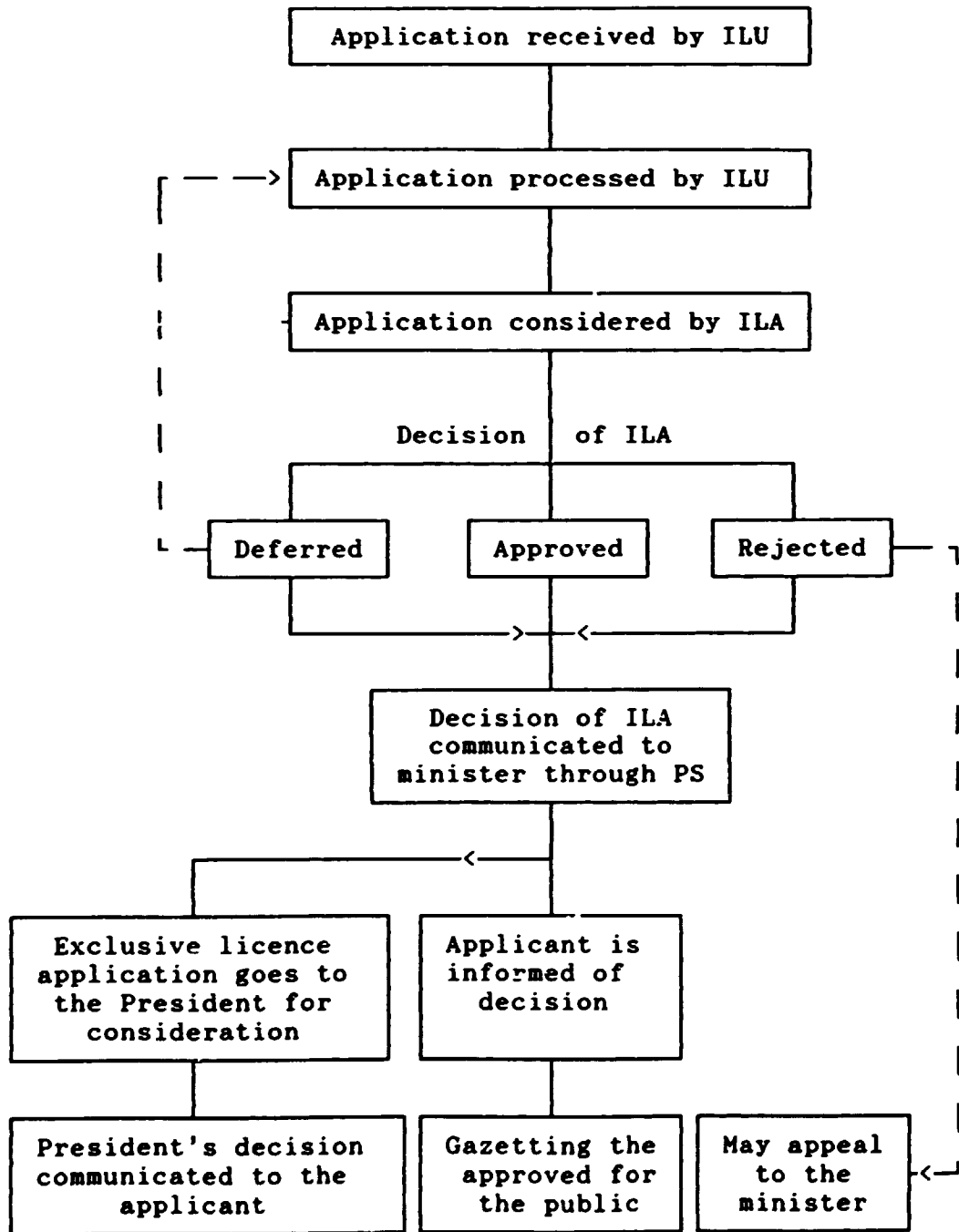
DEPARTMENT OF INDUSTRIAL AFFAIRS



- 110 - Chief, Industrial Affairs
- 111 - Assistant Chief, Industrial Affairs
- 112 - Chief, General Investigation Division
- 113 - Chief, Records and Production
- 114 - Chief, Integrated File Service Division
- 115 - Chief, Departmental Management
- 116 - Chief, Advisory Service Division
- 117 - Chief, Combination North Industrial Office
- 118 - Chief, Combination Central Industrial Office
- 119 - Chief, Combination South Industrial Office
- 120 - Chief, General Counsel
- 121 - Chief, Assistant Director (General)
- 122 - Chief, Assistant Director (General)
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- 198 - Chief, Assistant Director (General)
- 199 - Chief, Assistant Director (General)
- 200 - Chief, Assistant Director (General)

ANNEX III

Flow Chart on the proposed Licensing Procedures



c) Association
Particulars of other associated companies (if any)

Name and address of parent/holding company if any

.....
.....

Names of sister companies with Registration No. particulars

Name	Location	Licence Held
1.....
2.....
3.....
4.....

d) Trade Name (if other than company's name)

.....

2. Products to be manufactured (please give detail)

Name

1.....
2.....
3.....
4.....

3. Production capacity (specify-per shift/per month/per year)

Products	Unit	Installed Capacity	Projected rate of capacity utilisation		
			Year 1	Year 2	Year 3
1.....
2.....
3.....
4.....

4. Raw material

Details of
raw material

Country

Quantity

Value

.....
.....
.....

5. Machinery

Details of Machinery

	<u>Source of Supply</u>		Value in Pula
	(state)	(country)	
.....
.....
.....
.....

6. Employment - Projected

	Citizen			Non Citizen			Total		
	Yr 1	Yr 2	Yr 3	Yr 1	Yr 2	Yr 3	Yr 1	Yr 2	Yr 3
Managers/ supervisors
Skilled Staff
Unskilled Workers
Others

Actual employment for the current year (if applicable)

	Citizen	Non Citizen	Total
Cadre Managerial
Skilled Workers
Unskilled Workers
Others

7) Projected Salaries/Wages

Year	Citizen	Non Citizen	Total
1st
2nd
3rd

Actual for previous year (if available)

8) Training Plans

a) What are the training schemes proposed
 For the 1st two years

Thereafter

ANNEX VREGISTRATION CARD

1. TYPE OF INDUSTRY

-2. FILE No.....3. LICENCE No.....
4. NAME AND ADDRESS OF COMPANY

5. LOCATION
 Street.....
 District.....
- Tel..... Fax.....
6. DATE OF ISSUE OF LICENCE MONTH.....YEAR.....
7. DATE OF COMMENCEMENT OF PRODUCTION MONTH.....YEAR.....
8. PRODUCTS CAPACITY
 Unit Value

9. OWNERSHIP - CITIZEN/FOREIGN/JOINT VENTURE (delete)
10. TOTAL CAPITAL INVESTMENT
 LOCAL..... FOREIGN.....TOTAL.....
- | | LOCAL | FOREIGN | TOTAL |
|------------------------|-------|---------|-------|
| 11. No. OF EMPLOYEES - | | | |
| MANAGERIAL..... | | | |
| SKILLED..... | | | |
| UNSKILLED..... | | | |
| OTHER (SPECIFY)..... | | | |
| TOTAL | | | ===== |
12. RAW MATERIALS..... SOURCE LOCAL/FOREIGN/BOTH

13. MARKET..... FOREIGN/LOCAL/BOTH

ANNEX Vj (a)

New applications considered by the Authority

Name & location of applicant	Product(s)	Recommendation/Decision of the Authority

ANNEX V (b)

Deferred applications considered by the Authority

Name & Address of applicant	Product(s)	Reason for deferment	Recommendation/ decision by Authority
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ANNEX VIII

APPLICATION FOR RENEWAL OF INDUSTRIAL LICENCE
INDUSTRIAL DEVELOPMENT ACT 1988

The Secretary
Industrial Licensing Committee
Ministry of Commerce & Industry
Private Bag 0014, Gaborone.

Application is hereby made for renewal of Industrial Licence

1. Particulars of applicant(s)

Name & address of company.....
(in Block Letters)

Industrial licence numberDate of issue.....

2. Give current ownership (if different from original)

Name	Nationality	No. of Shares
.....
.....
.....

Share capital status (value)

	<u>Local</u>	<u>Foreign</u>
Paid
Unpaid

3. Products licenced for manufacture

- 1) (4).....
- 2) (5).....
- 3) (6).....

4. Production capacity (specify-per shift/per month/per year)

Products	Installed capacity	Unit	Actual Production	Value
1)
2)

Raw Materials

Details	Country	Quantity	Value
.....
.....
.....

What problems (if any) are encountered in the procurement of the above raw materials

.....
.....
.....

Current Employment

	Local	Foreign
Managerial
Skilled
Unskilled
Others (specify)

Training

What steps have been taken towards implementing the training programme

Market

Item	Country	Quantity	Value
.....
.....

Briefly outline the marketing strategy of the company

.....
.....
.....

What are the problems encountered in marketing

.....
.....

1. MEAT AND MEAT PRODUCTS
 - 1.1 Meat and Meat Products - all meats and animal fats.
 - 1.2 Fish and Fish Products.

2. DIARY AND OTHER AGRO BASED PRODUCTS
 - 2.1 Dairy Products - Milk, ice cream etc.
 - 2.2 Grain Milling - Sorghum, wheat maize e.t.c.
 - 2.3 Dry Food Packaging
 - 2.4 Other food Products.

3. BEVERAGES
 - 3.1 Soft Drinks
 - 3.2 Beers wines and spirits.

4. BAKERY PRODUCTS

5. TEXTILES
 - 5.1 Spinning weaving and finishing
 - 5.2 Knitted and crocheted fabrics and articles
 - 5.3 Wearing apparel and other articles

6. TANNING AND LEATHER PRODUCTS
 - 6.1 Tanning and dressing of leather, manufacture of luggage, belts etc.
 - 6.2 Footwear.

7. CHEMICAL AND RUBBER PRODUCTS
 - 7.1 Chemical Products
 - 7.2 Rubber Products

8. WOOD AND WOOD PRODUCTS
 - 8.1 Sawmilling and Planning of wood
 - 8.2 Manufacture of wood products

9. PAPER AND PAPER PRODUCTS
 - 9.1 Paper and paper products
 - 9.2 Printing and Publishing.
10. METAL PRODUCTS
 - 10.1 Assembly of motor vehicles, trailers, bicycles, conveyors and any other transport machines.
 - 10.2 Other metal products
11. BUILDING MATERIAL.
 - 11.1 Building Materials
 - 11.2 Ceramic Products
12. PLASTIC PRODUCTS
13. ELECTRICAL PRODUCTS
14. HANDICRAFT

ANNEX X

COTTAGE INDUSTRY REGISTRATION FORM

Name of Company/owners(s) Location.....
.....

Address.....
.....

Product	Quantity	Value
.....
.....

Employment Nos

Managerial

Skilled

Unskilled

Source

Raw Material	Local	Foreign
.....
.....
.....

Source

Machinery	Local	Foreign
.....
.....
.....

Market	Local	Foreign
.....
.....
.....

ANNEX XILIST OF PEOPLE/ORGANISATIONS INTERVIEWED

Mr Gilbert Motsemme	-	Director of Industrial Affairs (DIA)
Mr P. Mokone	-	Assistant Registrar of Companies
Mr E.M. Dewah	-	Deputy Director BOCCIM
Mr Welly M. Seboni	-	Kwena Concrete Products & Member of ILA
Mr G. Kayira	-	Ass. Director Commerce and Consumer Affairs MCI
Mr V.K. Selato	-	Deputy Director - Integrated Field Services
Mr D. Tsheko	-	Ass Director - Policies Programme Division DIA - MCI
Dr Mukram Sheikh	-	Chief Information & Public relations - TIPA
Mr C.Dambe	-	Labour representative BOCCIM
Mr M. Dintwe	-	Managing Director Mosupatsela Engineering & Brick Works (Pty) Ltd - Member of BOCCIM
Mr P. Sichilongo	-	General Manager " " "
Mrs F.R. Liphuko	-	Marketing Director - Intercontinental Products - member of BOC
Mr. G. Kombani	-	Principal Industrial Officer - Industrial Support Services DIA (FAP)
Mr M.I. Mustak	-	Finance Director, The Algo Group of Companies
Mrs Gaboutloeloe	-	Principal Industrial Officer (ILU)
Ms E. Ditshego	-	Senior Industrial Officer (ILU)
Mr P. Lekau	-	Industrial Officer
Mr D. Mbayi	-	Senior Industrial Assistant