



REPUBLIC OF BOTSWANA

WELCOME REMARKS

BY

**HONOURABLE ASSISTANT MINISTER
OF FINANCE & DEVELOPMENT PLANNING
MBINGANYI C TIBONE**

AT THE

**SOUTHERN AFRICA PRIVATE EQUITY
ROUNDTABLE**

AT THE

GABORONE INTERNATIONAL CONVENTION CENTRE (GICC)

19th October 2010

Director of Ceremonies,
Representatives from the Commonwealth Secretariat
and the African Development Bank,
CEO, International Finance Services Centre,
Acting CEO, Citizen Enterprise Development Agency
and other CEOs here present,
Heads of Delegations,
Captains of the Industry,
Distinguished Guests,
Ladies and Gentlemen,

Good Morning.

1. It gives me great pleasure and honour to have been invited to open this important occasion. For those of you who come from outside the country, I wish to welcome you to Botswana and in particular to Gaborone. For all the delegates, I welcome you all to the Southern Africa Private Equity Roundtable.
2. Director of Ceremonies, I am informed that the Southern Africa Private Equity Roundtable, is a collaborative effort between the Commonwealth Secretariat and the African Development Bank (AfDB). In Botswana the partners include the Botswana International Financial Services Centre (IFSC) and the Citizen

Entrepreneurial Development Agency (CEDA), supported by the African Venture Capital Association (AVCA) and by the Southern African Venture Capital Association (SAVCA).

3. Today's event is attended by representatives of the Southern African Development Community (SADC) based insurance and pension funds, institutional investors and investment advisors from nine (9) SADC countries. I am also informed that this event is not unique to the SADC region only, since East Africa has held a similar meeting in May 2010 and West Africa will follow after this one.
4. Distinguished Guests, private equity and venture capital comprise investing in the equity of unlisted and privately held companies, in pursuit of higher than average returns. This investment, which is growing in Africa, is distinct from investing in listed equities and debt, and is emerging as an alternative source of funding to develop enterprises in Africa.
5. However, this activity continues to be dominated and driven by international investors with little or no participation by capital from African Institutions. Through this roundtable, the sponsors and organisers share a common goal of aiming to mobilise African institutional savings to increase investment in Southern Africa, through appropriate and specialised private equity investment funds. This increased investment will ultimately

result in a more meaningful contribution to the economic development of our region.

6. Mobilising capital in Africa to make more investment in the Continent will be advantageous in attracting further Foreign Direct Investment (FDI). I trust that our domestic capital will be similarly mobilised for investing in ventures within our respective countries including local property, infrastructure projects, as well as other major projects that are of strategic national interest.
7. It is, therefore, crucial that the global competitiveness of the legal, regulatory and institutional frameworks in our region are continually improved and aligned with current international best practices. In Botswana, we have embarked upon several financial sector legislative reforms aimed at aligning the financial services sector with international best practices as well as strengthening the soundness of the sector's regulatory environment.
8. To this end, in 2005 Government established the Non-Bank Financial Institutions Regulatory Authority (NBFIRA), to strengthen the regulatory framework for the non-bank financial services sector in Botswana and the Ministry of Finance and Development Planning is currently drafting a Securities legislation that will replace the existing Botswana Stock

Exchange Act. The purpose of the new legislation is to rationalize the regulatory structures governing capital markets including changing the Botswana Stock Exchange from a statutory body to a company. This change, will pave way for the Botswana Stock Exchange to be demutualized at a future point in time. Our exchange controls have long been liberalized and, therefore, investors are able to repatriate profits and dividends without any hindrances.

9. Botswana is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) whose main purpose is, to fight money laundering and the financing of terrorism, both in the region and internationally. Botswana also passed the Financial Intelligence Act, the Anti-Money Laundering legislation in 2009. The Financial Intelligence Act establishes a Financial Intelligence Agency, which shall be responsible for receiving, analysing and disseminating suspicious financial transactions to relevant Law Enforcement Agencies.
10. Government has responded to the challenge of diversifying the economy by embarking on an integrated economic diversification strategy. This strategy targets services sectors that have the potential to contribute significantly to economic activity in the country. These sectors include manufacturing, tourism, Information Communication Technology (ICT), mining and mineral beneficiation as well as financial services.

11. The IFSC was established in 2003 with a view to making Botswana a financial and business services centre, leveraging on Botswana's macro-economic strengths and political stability. It is worth mentioning that our macro-economic advancements have been recognised by both Moody's Investment Services and Standard and Poor's, which have been assigning Botswana a high investment and credit rating consistently for some years now.
12. The IFSC incentive framework for financial business companies comprises 15% corporate tax rate, exemptions from withholding tax, capital gains tax, as well as being zero rated for Value Added Tax (VAT) purposes. In addition, IFSC companies can access the country's growing double taxation treaty networks.
13. Ladies and Gentlemen, We in Botswana share the common noble vision of mobilising African institutional savings to increase investments into Africa and indeed into Botswana. In this regard, the Botswana Government continues to make progress in creating a competitive policy framework, to support growth of the international investment funds in Botswana, as well as to improve the IFSC framework offering.

14. Early this year, Government decided to merge the Botswana IFSC Company with the Botswana Export Development and Investment Authority (BEDIA), our national investment promotion agency, with a view to further improving Botswana's competitiveness to support our overall FDI attraction efforts in an integrated and holistic manner. A new legislation is currently being drafted. The new law is intended to create an even more conducive environment to attract and retain both financial and other forms of investments.

15. The Citizen Entrepreneurial Development Agency (CEDA), on the other hand, was established in 2001 and targets citizen economic empowerment through the provision of subsidised loans. It is one of the pioneers in the introduction of risk capital in Botswana through the allocation of funds for investment into private companies through the CEDA Venture Capital Fund (CVCF).

16. Following an extensive review of the operations of CEDA, the provision of equity finance was introduced as a product within CEDA's offering, and any new applicants seeking risk capital would be provided with funding through the Agency's Captive Fund internally. The broad objectives of the Agency's Captive Fund are:

- To assist businesses, enterprises and citizens to contribute towards economic diversification, employment creation, citizen economic empowerment, and poverty alleviation through the development of sustainable citizen enterprises; and
 - To promote the consolidation of citizen business, amalgamations and joint ventures as a means of growing the size of citizen business enterprises to enable them to compete more effectively in a globalised economy.
17. Distinguished participants, CEDA also encourages the provision of funding packages from sources other than government, which is currently the major financier. These sources include the International Development Funding Institutions, venture capital funds and other international providers of capital. The Agency therefore would utilize these packages to syndicate transactions to reduce the risk exposure and share it with other potential co-financiers on individual transactions.
18. As at July 2010, the pension fund industry in Botswana reported total assets of P33.4 billion, which is an increase of twenty-four percent (24%) over the amount in 2009. The Botswana Public Officers Pension Fund (BPOPF), which is the largest pension fund in Botswana, has earmarked 14% of its assets for allocation to alternative assets, including private equity. This move by the Botswana Public Officers Pension

Fund (BPOPF), is expected to further stimulate the development of the private equity industry in Botswana.

19. It is therefore, my sincere hope that this Southern Africa Private Equity Roundtable will expose Botswana, and indeed the SADC region, to international investors. It should highlight us as important players in attracting international investors, seeking investment opportunities in Africa.
20. In conclusion, Ladies and Gentlemen, I wish you successful deliberations and trust that solutions will be identified to address the challenges and opportunities that can lead to increased investment in Africa and particularly in the Southern Africa Region.
21. On that note, Director of Ceremonies, it is now my pleasure to declare this Southern Africa Private Equity Roundtable officially opened.

I thank you all.

Pula! Pula!