



Botswana Development Corporation Limited

*"Your Investment Partner"*

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**Communication Collateral:** Press Release

**Subject:** **Invoice Discounting**

The three year Strategy Action Plan for BDC running from July 2004 to June 2007 identified the need for the corporation to assess the market opportunity for new products, focusing in particular on short-term working capital facilities, being invoice discounting and factoring.

This was motivated by the fact that there was no or very little invoice discounting and factoring business in Botswana and there was a strong feeling that an opportunity existed for BDC to become a market leader in this area. Pursuant to this, the corporation in January 2005 commissioned ICC consulting, the consultancy arm of the Bank of Scotland (Ireland) to undertake a feasibility study on invoice discounting and factoring in Botswana. The consultants presented the final report to BDC management.

The study established that the current market for invoice discounting (ID) and factoring was about P2.7 billion with pre-tax profit of between Pula 200 million and Pula 230 million. The invoice discounting and factoring business will initially target a market share of 3.5 percent of the suitable business. A total of 2,500 businesses were identified as suitable for invoice discounting and factoring in Botswana. The invoice discounting business will initially target established businesses that are at least one year old with a turnover of P3 million or more.

The project will be implemented in two phases. The initial stage, Phase 1 will establish recourse-based invoice discounting focused on established domestic businesses, with confidential and disclosed options. Once phase I has been successfully completed, and when the corporation has gained sufficient experience to run an invoice discounting service then phase II of the project will be launched to establish the factoring business. The business on factoring will focus on companies with annual turnover of P750, 000 and P3 million. This will

include smaller businesses and shall also be extended to newly established companies.

A division within BDC is to be established to handle the invoice discounting and factoring business. A separate division is necessary as the invoice discounting factoring business is a specialised operation which requires a different set of skills. The business offers a specialised product that requires close focus and individualized attention. The volumes and frequency of transactions within the discounting business are very high and require a dedicated division. It will be difficult for existing divisions to handle this business as they are already operating at full capacity.

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