

Molaletsa



Botswana Development Corporation Limited
"Your Investment Partner"

"Molaletsa" means calling friends and family to come and assist you to do a particular project on time.

newsletter

Botswana Development Corporation Limited

Highlights

Property overview

There has been no significant change in the property market in the first quarter of 2006 compared to the last quarter of 2005. The effects of the Pula devaluation and high oil prices are still adversely affecting the property market, particularly prospects for new projects. Despite difficult economic conditions, vacancy rates in our portfolio have begun to improve, especially in industrial premises.

The economy grew significantly in the year 2004/05 (8.3%) compared to a moderate growth (3.2%) in the last financial year. Reports have indicated that this growth was largely driven by the mining sector, with non-mining sectors showing a decline. This should explain the general lack of economic activity experience in the property market during this period.

There is however, a lot of optimism in business circles on the economic outlook for 2006 and beyond, following the 2006/2007 budget speech delivered by the Minister of Finance and Development Planning. Experts believe that the major public and private sector projects planned for the next five years should result in an acceleration in the rate of economic growth.

Property highlights

The redevelopment of Red Square is complete and will be available for occupation in July.

The Property has a 10 single bedroom, 20 three bedroom and 12 two bedroom townhouses. Rentals range from P2,500 to P6,000.

Satellite Shopping Centre-Francistown. The centre leases out units to mainly small and medium scale operators and the property division would like to review the option of either selling the centre to a consortium of the existing tenants or when the sectional title law comes into effect, to sell the units to tenants on a sectional title basis.

Property disinvestments

BDC's property division is looking at disposing the following commercial properties:

Maun Hangars

The property located inside the Maun airport has been not been operating to maximum capacity because of a lack of tenants. Discussions are on going with a number of possible buyers including a private air charter company and the department of Civil Aviation.



Mr Letsweletse Ramokate, Manager, Property Division

Editor's Note

Welcome to Molaletsa, BDC's external newsletter that will keep you informed on developments and projects the corporation is undertaking.

In this issue we introduce you to Can Manufacturing Botswana and Bone China Botswana two projects currently under Implementation. We also cover current pipeline projects and give an overview of Opportunities that exist in Industry, particularly manufacturing. Please enjoy and we welcome your feedback.

Project updates

BDC is at an advanced stage in the establishment of a can manufacturing company, Can Manufacturing Botswana (Pty) Ltd.

The objectives of Cans Manufacturing Botswana (Pty) Ltd is to take advantage of the huge economic opportunity that food can manufacturing in Botswana can offer and stimulate related industry linkages.

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Bone China Botswana (Pty) Ltd is to manufacture bone china tableware, acrylics, refectories and sanitary ware in Lobatse for the outsourcing requirements of a renowned UK bone china manufacturer based in Stoke on Trent, the UK's ceramic village.

Can Manufacturing Botswana

In 2002 BDC undertook a full-scale feasibility study on can manufacturing to service the meat, fruit, vegetable and fish canning market in the Southern African Development Community (SADC). The study concluded that food can manufacturing could be a commercially viable project.

The study indicated that the current demand for food cans in the five SADC countries is over 1.75 billion food cans per annum, valued to be P623.34 million. Research indicates that the market will continue to grow over the next five years.

Although the market is dominated by a single group of South African company, it was apparent that technology used in the SADC region especially South Africa, which is the main player, needed to be complimented with additional advanced technology. The study shows that Botswana imports all her can requirements especially the Botswana Meat Commission (BMC), which is the major bringer of food cans in the country. The feasibility study indicated that consumers need an alternative supplier other than the existing monopoly.

Can Manufacturers Botswana (Pty) Ltd plans to concentrate in the production of cans, which are most popular in the market. The Botswana Meat Commission, the meat industry as a whole, the SADC fishing industry, the fruits and vegetables industry and the food processing industry in general use these sizes.

The initial target markets will be Botswana, South Africa, Swaziland and Namibia. The estimated market for cans in the region is 3 billion cans and the initial estimated quantities of cans to be produced by Can Manufacturers will be adequate to sustain operations. In the end, Can Manufacturers Botswana (Pty) Ltd will aim to capture a larger share of the region's market and hope to increase its output in the latter phases of the project.

The project will require raw material in sheet form and pre lacquered, to reduce the high cost of this process which will require high costly standards of quality assurance and in order to further reduce the costs of production, the lids will be imported complete from Europe and Asia. A Mofswana with relevant technical expertise has been identified to manage

the company. The project's employment objective is to strike a balance between value creation and employment to ensure project sustainability and a good return on investment.

Can Manufacturing Botswana (Pty) Ltd will be sourcing state of the art machinery from some of the leading and most reputable food can machinery manufacturers in the world. They will also assist in training and technical support during the life of the project.

The manufacturing plant is to be located in Lobatse where raw materials will be sourced nearer from the sea ports and finished goods will be closer to the targeted market. Production is expected to commence in September.

BDC is the promoter and financier of the P38 million project. This project is considered to be of strategic importance to Botswana and the economy of SADC as a whole as it has the capacity to stimulate linkages in the economy especially in the food industry.

Bone China

Bone China Botswana (Pty) Ltd is partnership between BDC and Sovereign Skills, a wholly owned citizen company. The proposed manufacturing company will manufacture a wide range of bone-china tableware, sanitary ware and acrylic products such as tea cups, dinner sets, lamp shades, bathtubs, washbasins and figurines for 100% export to the SADC regions as well as UK and other overseas markets under a buyback guarantee from NiBek Ltd.

The estimated project cost is P180 million. It is estimated that the project will be able

to process about 30,000 pieces of tableware and 667 pieces of acrylics per day. Future expansion includes production of 3,000 pieces of refectories sanitary and 667 pieces of sanitary per day. It is envisaged to turnover about P150 million in sales per annum for the first five years.

As part of the buy back guarantee, Bone China Botswana will enjoy technical assistance from suppliers of material inputs and technology. The technical assistance will ensure that the product quality meets the design and quality standards required by NiBek Ltd.

The bone china project will operate from serviced industrial land within Lobatse. The land is strategically located along the road leading to Pioneer Border Gate and commercial business district of Lobatse. Lobatse is linked to the Trans-Kalahari Highway and the Platinum Corridor connecting Botswana, South Africa, Mozambique and Namibia.

The manufacturing company will initially create up to 409 jobs indirectly, mostly semi-skilled labour especially women.

Opportunities in industry

While opportunities abound in all sectors of the Manufacturing sector in Botswana, the Industry Division concentrates on those sectors which it has identified as having the highest growth potential. These sectors include but are not limited to manufacturing of pharmaceuticals, automotive components, electronic components, glassware, textiles ceramics, tableware and food processing.

Manufacturing of pharmaceuticals or medicinal still remains unexploited. However opportunities exist to establish a manufacturing plant in Botswana to serve the local and export market.

Due to its location, Botswana is an ideal location for companies manufacturing automotive and electronic components. Such companies would be better placed to take advantage of trade agreements with the EU and the SADC free trade area.

In line with our mandate we encourage companies setting up in Botswana to utilize locally available raw materials. Botswana is rich with Soda ash and Silica sands. These two materials are major ingredients in glass manufacturing. Significant opportunities therefore exist for manufacturing of float glass and other glass related products.

The international ceramics industry has changed dramatically over the years. Well established and brand names in the industry outsource manufacturing to less developed countries to take advantage of the low manufacturing costs and stable labour environment. This sector offers lucrative opportunities for companies to establish manufacturing plants in Botswana.

Though the local market is very small,

opportunities exist for textile manufacturers to export. Exports to the USA are on the increase. These are primarily driven by benefits offered by the Africa growth and Opportunity Act (AGOA) which provides for duty free imports of apparel manufactured in Botswana.

Other sectors include mineral prospecting, assembly of mining equipment as well as manufacturing of ornamental stone and jewelry.



Industry Division Officers at a recent workshop held in Francistown

Industry overview



Mrs Jane Monyake, Principal Officer Industry Division

The business environment for industrial projects in Botswana has taken a completely new picture, with few new projects coming, and some existing ones relocating to other countries, especially South Africa. Attracting foreign Direct Investment is slow in Botswana. The landlocked nature of the country and the small market for finished products, are seen as major impediments, such that, companies require more extended subsidies to set up in Botswana, particularly the subsidies that were previously given by government.

BDC Projects in the pipe line

Agri Services Division:

The Agri- services is currently evaluating projects in these fields:

Reinsurance
Hotels

Property Division

Tlhabanelo (Pty) Ltd is a 100% citizen owned company that intends to develop a hotel to trade under the Protea Hotel brand name. The Hotel is to be located in Gaborone and the total project cost is estimated at P24 million

BDC is to finance the construction of the hotel premises. The project is currently under evaluation.

Industry Division

In 2001, Botswana Export Development and Investment Authority (BEDIA) financed and undertook a feasibility study on the establishment of a leather tanning plant in Botswana. This study confirmed the need for a full scale tannery in Botswana, provided there was a partner knowledgeable in the business and with access to the necessary technical skills required for the operation of the tannery.

Following from that study, Botswana Development Corporation (BDC) and CEDA Venture Partners individually sought appropriate partners to co-operate in this industry.

In 2004 Tannery Industries Botswana (Pty) Ltd was formed through the collaboration of two Botswana and a Bulgarian tanning company, with CEDA Venture Partners being the account manager.

Tannery Industries Botswana (Pty) Ltd intends to establish, manage and operate a leather processing and finishing factory in Lobatse. The tannery will focus on producing finished leather for upholstery, footwear and other leather goods manufacturers.

The tannery will use raw skins and hides from Botswana. During the feasibility study it was found that cattle breeding is the largest industry in Botswana and it is mostly rural based. There are more than 2.6 million cattle in Botswana and 10 to 12 percent are slaughtered annually which produces about 300,000 hides per year.

The main beef producer in Botswana is the Botswana Meat Commission and it has the capacity to produce 180,000 hides per year. All the hides produced from BMC have been tanned to wet blue stage and exported to Italy and other European countries, for further tanning.

The other major sources of hides are the small rural butcheries, slabs and council slaughterhouses. These total 150,000 hides per year. Some of these non BMC hides are currently being exported to South Africa in raw form and the rest go to waste.

A lot of the small stock skins and game hides from the hunting industry do not find their way into commercial markets. These therefore represent an opportunity for Tannery Industries Botswana (Pty) Ltd. Overall there are more than enough hides country wide to sustain the new tannery.

The new P26 million tannery is expected to process at least 22,000 hides a month or 364,000 hides annually. The semi-processed hides will be obtained initially from the BMC tannery as wet blue under contract tanning arrangements. Non-BMC hides will be obtained from council and private abattoirs as well as individuals through a countrywide network of collection agents who would be paid for the service.

This network of collectors already exists in the country, but they export the hides to South Africa under export permits issued by the Government.

Like other countries in the region, the Botswana hides and skins sector faces significant challenges of collection, infrastructure and quality deficiencies. The statistics show that Botswana has a comparatively lower rate of collection of cattle hides. The new tannery will stimulate the collection of these hides by competitive pricing for raw hides and skins.

Education programmes and incentives will be introduced in collaboration with Botswana College of Agriculture to encourage farmers to improve their flaying, curing and processing methods to produce better quality hides

Some of the downstream activities that will emerge from the tannery include linkages with the chemical production industries to supply the necessary chemicals involved in tanning treatment. The agricultural industry will benefit from having a ready market for their cattle and small stock hides and skins. The leather products industry which will produce leather shoes, belts, wallets, bags, furniture and upholstery for the Botswana

market will also benefit.

Botswana will save a lot of foreign exchange as leather related industries will no longer have to import finished leather for downstream processing. The majority of the wet blue hides that have been exported to Europe will be processed locally with value addition. Exports of finished leather will also increase.

Skills transfer will occur with the employment of more urban and especially rural Botswana for processing and collection of raw hides.

Workers will be recruited and trained locally, with the emphasis on in-house training under the supervision of technical experts. If necessary, skilled manpower can be seconded to the sister tannery in South Africa until the factory's own staff gains a sufficient level of technical competence. The emphasis will be on using the right production technologies and strict quality control systems in order to produce finished products of the right quality. The initial staff compliment of the tannery will be 17 employees to be employed as hides and skins sorters, liming and tanning drums operators, fleshing operators and sorting of wet blue hides after tanning operators.

The tannery will also require the services of other industries for packaging (pallets, plastic, box and paper), transportation of products, construction of factory and effluent treatment plants. The tannery will therefore assist in the diversification of the economy through the engagement of these various sectors.

The main export market for products of the new tannery is identified as SADC and Europe. Contacts have already been established and product samples have already been tested and acknowledged by several leading manufacturing companies.

Most of the production machinery has arrived and is being installed and commissioned for trial runs. The project is scheduled to commence production in September 2006.