



REPUBLIC OF BOTSWANA

# ECONOMIC DIVERSIFICATION DRIVE (EDD)

## REVISED GUIDELINES THROUGH PREFERENCE MARGINS

### BASED ON TURNOVER THRESHOLDS

MARCH 2015

## **DEFINITION OF TERMS**

For the purpose of these guidelines, the following terms and phrases will have the meanings as indicated below:

**“Locally produced goods and services”** refers to goods and services provided by companies registered in Botswana irrespective of whether or not the companies are wholly owned or controlled by citizens of Botswana. **Note** that “local” within the context of the LAPAD Act refers to operations within the jurisdiction of a Local Authority.

**“local manufacturers and service providers”** refers to companies/ enterprises registered and operating in Botswana irrespective of whether or not the companies/ enterprises are wholly owned or controlled by citizens of Botswana.

**“Manufacturing” as defined by Industrial Development Act of 2006,** means to subject physical matter to any process which materially changes it or its packaging in substance, character or appearance.

**“Procuring Entities”** refers to Central Government, Local Authorities and Parastatal Organizations initiating or duly authorized to engage in procurement and is user of the requirements.

## INTRODUCTION

Government has through its endeavor to utilize Botswana's purchasing power to drive economic diversification and growth directed that Central Government, Local Authorities and Parastatal Organizations must purchase locally produced goods and services from locally based manufacturers and service providers. Since the initial implementation of the Economic Diversification Drive (EDD) initiative in 2010, Government realized that though there has been a significant improvement in the growth of purchases from local enterprises, there is need to strengthen the programme. It has been observed that some Procuring Entities (PEs) procure their goods and services from local providers while others continue to import some of the products, and in some cases specify brand names in the tenders, while those products are locally available, competitively priced and meet tender requirements.

Some of the failure to comply with the EDD initiative requirements has been attributed to enterprise constraints such as unreliable supplies, poor quality of products, uncompetitive prices as well as low range of products available in the local market. However Government also realised that some local manufacturers and service providers as well as agricultural producers have adequate capacities to produce quantities and the requisite quality to meet the needs of the local market.

As a result, Government issued another Directive, Presidential Directive Cab 34(b)/ 2014 which requires that all Central Government, Local Authorities and Parastatal Organizations must purchase locally produced products from locally based manufacturers, service providers and agricultural producers as listed under **Annex I**, provided that the goods and services are locally available, competitively priced, meet tender requirements and specifications.

In line with the Directive, Procuring Entities should seek authority from Public Procurement and Asset Disposal Board (PPADB) and its Committees and Local Authorities Procurement and Asset Disposal (LAPAD) Committees accordingly as per the existing tender thresholds to procure products listed under **Annex I** from other sources locally and/or outside the country, where there is need and only in exceptional circumstances upon compelling justification being given. In the case of Parastatals,

authority must be sought from their Tender Committees according to their existing thresholds while ensuring compliance to the Directive.

In order to implement the Directive, MTI constituted a Task Team comprising the Public Procurement and Asset Disposal Board (PPADB) and the high spending Ministries which held a workshop on the 17<sup>th</sup> and 18<sup>th</sup> March 2015 in order to evaluate the tendering process and come up with creative and innovative ways that will strengthen and increase the procurement of local goods and services including agricultural produce from local enterprises. From the discussions, principles which will underpin the revised guidelines were agreed.

#### **A. GUIDING PRINCIPLES**

1. Physical and document proof for non-compliance with sourcing from local manufacturers, service providers and agricultural producers
2. Unbundling tenders to open up business opportunities for local enterprises
3. Continuous education/ support for procurement officers on benefits to local enterprises
4. Appropriate timing of the tendering process to allow for enterprise positioning
5. Procuring Entities to provide debriefing to tendering entities as required
6. Procuring Entities to provide product specifications instead of brand names
7. Non-compliant enterprises/ contractors to be delisted
8. Ensure harmonization of the EDD preferences with the Citizen Economic Empowerment policy requirements

9. Continuous monitoring of enterprises by both the Procuring Entities and Ministry of Trade and Industry

10. Compliance will be reported to high level Government structures

## **B. GENERAL ELIGIBILITY CRITERIA**

All Manufacturing enterprises, Service Providers and Agricultural Producers can apply for registration to participate in the programme provided that they:

- a) Are registered with the Companies and Intellectual Property Authority (CIPA) (formerly Registrar of Companies and Intellectual Property (ROCIP) in Botswana);
- b) Possess a valid relevant licence / Registration Certificate or letter of waiver written by a competent authority; and
- c) Be operating in Botswana.

Procuring entities must ensure that only products listed on the EDD Certificate benefit from the preference margins indicated on the Certificate.

In case of bundled tender/s, only item/s that qualify for preferential margins should be unbundled from the package to benefit while the remaining products shall compete at their own quoted prices.

The programme is intended to ensure that procuring entities support local manufactures, service providers and agricultural producers by promotion of local procurement through preference margins on the basis of turnover thresholds as follows:

<b>Turnover Threshold</b>	<b>Margin (%)</b>
Up to P5 million	15
P5 000 001 to P19 999 999	10
P20 000 000 and above	5

These guidelines stipulate the procedure to be followed in the implementation of programme.

### **C. REGISTRATION / APPLICATION PROCEDURES**

1. To apply for EDD Certification under this programme, enterprises should submit the following documents:
  - a) A completed registration form;
  - b) A certified copy of the certificate of registration and / or incorporation;
  - c) A certified copy of a valid relevant licence/ Registration Certificate or the letter of waiver;
  - d) A certified copy of Tax Clearance Certificate;
  - e) Certified financial statements for the enterprises with an annual turnover of below P500 000, and audited financial statements, for those enterprises with an annual turnover of P500 000 and above. **New enterprises are allowed to submit projected financial statements provided the enterprise has been operating for less than a year;** and
  - f) Registration may also be done online at [www.mti.gov.bw](http://www.mti.gov.bw)
2. Ministry of Trade and Industry upon receipt of application shall verify the particulars of an enterprise. This will include visits to ascertain correctness of information provided and compliance with requirements including the manufacturing activity/ies taking place.
3. Enterprises registered under the programme are required to renew the registration **every two years** using the same application form as stated above in order to validate their EDD certification.

4. The registration of enterprises will be determined in terms of the annual turnover, as defined by this programme in categorising business enterprises as indicated below:

<b>Turnover Threshold</b>	<b>Margin (%)</b>
Up to P5 million	15
P5 000 001 to P19 999 999	10
P20 000 000 and above	5

#### **D. TENDERING REQUIREMENTS**

The following tendering requirements apply under this programme:

1. Central Government, Local Authorities and Parastatal Organizations should purchase all their products from locally based manufacturers, service providers and agricultural producers as listed under **Annex I**, provided that the goods and services are locally available, competitively priced, meet tender requirements and specifications in terms of quality standards as certified or recognized by Botswana Bureau of Standards (BOBS) or other recognised certifying bodies.
  - a. For Turnover thresholds up to P5 million, only implementation of product standards and/or implementation of a Quality Management System are required or parts thereof.
  - b. For Turnover Thresholds of above P5 million, quality certification will be required. Quality certification should be sought from BOBS or other recognized certifying bodies depending on the nature of the product/service.
2. Local Manufacturing enterprises, service providers and agricultural producers must register with the Ministry of Trade and Industry, which list will be used by procuring entities as a source of information on the availability of locally produced

goods and services. A certificate should be issued indicating the turnover threshold and should be renewed every two years.

3. Procuring Entities should, in their tender specifications, require local enterprises to provide their production capabilities, which would be used as part of the tender evaluation process to determine the quantities from local manufacturers and service providers.
4. The Central Government, Local Authorities and Parastatal organizations should provide monthly procurement reports, to the Ministry of Trade and Industry, on their purchases of goods and services.
5. Procuring entities must not use product brand names in listing products, except where a waiver or exemption has been granted.
6. Manufacturers, service providers (excluding traders) and agricultural producers will not be allowed to import similar goods and services to supplement their production. **Manufacturing in this context as defined by Industrial Development Act 2006, Act No. 3 of 2006, means to subject physical matter to any process which materially changes it or its packaging in substance, character or appearance.**
7. For Manufacturers, Service Providers and Agricultural Producers to benefit from the Economic Diversification Drive (EDD) preference margins, they should attach copies of valid certificate of registration for (EDD) to tender documents. **Procuring entities must note that EDD certificate is not a requirement for tendering, but an added advantage.** Bidders that choose not to benefit from EDD preference margins must be considered like any other bidder and should not be excluded for not exercising their right.
8. Procuring Entities must provide annual procurement plans to MTI EDD Office for internal consumption.

9. The Ministry of Trade and Industry shall engage BOCCIM to solicit the Private Sector buy-in in the procurement of locally manufactured goods, services and agricultural produce.

## **E. ADMINISTRATION OF THE PROGRAMME**

The Ministry of Trade and Industry administers the programme and is responsible for the following:

- a) Registration of enterprises
- b) Developing and maintaining a database on EDD certified enterprises
- c) Publicizing the programme (Advocacy and sensitizing)
- d) Liaising with Procuring Entities to collect information on tenders awarded under the programme to determine utilization and
- e) Monitoring the implementation of the programme.
- f) Procuring entities should lodge complaints against contractors as stipulated in the PPAD Regulations.

## **F. REPORTING**

1. The Central Government, Parastatal Organizations and Local Authorities will be expected to provide monthly reports to the Ministry of Trade and Industry on their total purchases from local manufacturers, service providers and traders as well as foreign suppliers. These monthly procurement reports will be consolidated and presented to Cabinet quarterly.
2. For each procurement undertaken, an End of Activity Reports (EOAR) must be submitted to the relevant authority according to the adjudication threshold, to show the completion of the procurement and also to give feedback on the performance of the contracted enterprise.

3. All procuring entities must submit quarterly reports indicating the percentage of their procurement budget that went to locally manufactured goods, services and agricultural produce.

**NOTE:**

1. All information on companies will be kept confidential.
2. Procuring Entities must ensure that all Government empowerment schemes such as reservations under the Citizen Economic Empowerment Policy (CEEP), Local Procurement Scheme (LPS), etc. are taken into consideration during tender processes.

**G. WHERE TO APPLY**

Application forms can be obtained from the following address given below:

\*The Permanent Secretary  
Ministry of Trade and Industry  
Private Bag 004  
Gaborone  
Botswana  
Email: [edduser@gov.bw](mailto:edduser@gov.bw)  
Telephone: (267) 3601200  
Fascimile: (267) 3971539  
Toll Free: 0800 600 760

Application forms can also be obtained from the Ministry of Trade and Industry website:

\*Website: [www.mti.gov.bw](http://www.mti.gov.bw)

## ANNEX I

	<b>Category</b>	<b>Products</b>
1	Textile and Wearing Apparel	Protective Clothing, Corporate Wear, School Uniforms, Bedding, Towels, Curtains, Traditional Dress, Graduation Gown, Mops, Brooms and Mutton Cloth, Military Caps and Berets, Security Uniforms, Nurses Uniform
2	Stationery	Note and Exercise Books, Envelopes, Invoice Books, Diaries, Calendars, Letter Heads, Cards, Banners, Receipt Books, Files, Examination Pads, Single Line Sheets, Scribblers
3	Chemicals	Domestic and Industrial Chemicals (Detergents, Powdered Soap, Liquid Soap, Disinfectants, Car Wash Soap, Wax, Polish, Engine Cleaner, Floor Stripper, Pine Gel, Hand Cleaner, General Purpose Detergent, Window Cleaner, Scouring Powder and Bleach, Furniture Cleaner, Greasers, Hand Cream, Carpet Cleaner, Air Freshener, Drain Cleaner, Acid Slurry, Hand and Body Lotion, Dye, Hair Products, Cigarette Flavours, Solid Bar Soap, Fabric Softeners, Grease Removers, Shoe Polish, Polyethene Foam, Tyre Shine, Construction Chemicals, Mining Consumables and Lubricants, Engine Oil, Oxygen, Nitrogen), Perfume, Ink, Chalk, Chemical and Organic Fertiliser, Candles, Paint
4	Food	Bread and Confectionary (Loaves, Cakes, Scones, Pies, Sandwiches, Biscuits, Phaphata, Bakery Premixes, Sweets), Packaging of Salt, Sugar and Rice, Maize Meal, Somp, Maize Rice, Grits, Sorghum Meal, Millet Meal, Malt, Packaging of Agricultural Products (Grains, Beans and Pulses), Beverages (Beers & Spirits, Soft Drinks, Juices, Dairy Blends, Bottled Water, Leaf Tea in Packets, Ice Pops) Fortified Foods (Tsabana, Tsa Botlhe, Malutu, Bonutrix), Poultry and Poultry Products, Dairy Products, Horticultural Products (Vegetables and Fruits), Peanut Butter and Snacks, Morula and Melon Snacks, Jam, Juice and Chutney, Powdered Milk, Soup and Drinks, Artcher, Yoghurt, Processed Soya Products,

		Processed Meat and Poultry Products, Milk (Fresh and UHT), Milk Products, Sunflower Cooking Oil, Sunflower Seed Cake
5	Wooden/Steel Furniture and Upholstry	School, Office, Domestic and Industrial Furniture (Desks, Chairs, Cupboards, Coffins, Caskets, Cabinets, Steel Furniture, TV Stands, Sofas, Coffee Tables, Wardrobes, Wall Units, Chest of Drawers, Stools, Work Stations, Car Seat Covers, Car Roof Lining, Ottoman and Bean Bags, Kitchen Units, Built in Cupboards, Shop Fittings, Steel Gates
6	Animal Feeds	Poultry Feeds, Fowl Feed, Cattle Feed, Dairy Feed, Calf and Goat Meal, Complete Beef Feed, Beef Finisher, Pig Feed, Sheep Feed, Ostrich Feed, Bull Ration, Game Feed, Rabbit Feed, Lucerne Production
7	Arts & Craft	Handcrafted Leather Art, Leather Bags, Craftwork, Leather Works, Corporate Gifts, Artworks, Paintings, Drawings, Sculptures, Interior Design, Lamps Paraffin and Electric, Candle Stands, Pen and Pencil Holders, Horn Trophies, Ash Trays, Picture Frames, Flower Pots, Tea Sets, Vases, Basketry, Hand Woven Tapestry, Tumble Polished Agate, Slabs, Marbles, Beads, Jewellery
8	Construction Materials	Cement Products (Ready Mix Concrete, Bricks, Tiles, Asphalt Concrete, Stock Bricks, Cement Brick, Lintels, Kerbstones, Windowsills, Pavers, Face Bricks, Pre-Cast Concrete Products for Storm Water Drainage, Sewerage Reticulation, Irrigation, Culverts and Bridges, Tombstones, Poles, Concrete Beams and Slabs, Concrete Pipes, Quick Lime, Air Bricks, Interlocking Bricks, Concrete Stone Dolomite, Road Stone Dolarite, Graded Dust, Bus Stop Shades, Crushed Stones, Clay Bricks) Bitumen, Emulsions and Coldmix, Manhole Rings, Tile Grout and Adhesive, Aluminium Windows, Security Doors, Burglar Bars, Steel Trusses, Road Maintenance Products, Ceramics Bath Tubs, Toilet Seats, Dust Bins, Galvanised Wire, Steel Fence, Coils, Diamond Mesh, Kitchen Tops, Fire Places, Gum Poles, Insulated Panels, Cold Rooms, Porta Cabins, Carports,

		Cooler Boxes, Aluminium Doors and Windows, Pallets, Portable Toilets, Vinyl Floor Tiles and Flooring Accessories, Kitchen Units
9	Pharmaceuticals	Medical Devices, Pills and Tablets (Nevirapine, Efaverece Tablets, Lamivudine, Zidovudai, Lamivudine Nevirapine Tablets, Stavudine, Tenofovir Disoproxil Fumerate and other Medical Drugs <sup>1</sup> ), Gauze Swabs and Rolls, Medical/Laboratory Plastics, Linen Savers, Face Masks, Syringes, Needles, IV Cannula, Fluid Giving Set, Medical Disposables, Medical/Surgical Trays, Blood Giving Set, Foot and Mouth, Black Quarter, CBPP, Rinderpest, Carbo Vacs and PPR Vaccines, Spectacles, Disposable Nappies and Napkins
10	Leather Products	Shoes, Belts, Bags, Traditional Attire, Wallets, Safety Shoes, Hats
11	Wood Products	Roof Trusses, Wooden Panels, Wooden doors and Windows
12	Plastic Products	Plastic Bags, Plastic Ware, GRP Tanks, Bath Tubs, PVC Pipes, Canvas and Tarpaulin Product, Sanitary Ware, Plastic Chairs, Tables, Traffic Equipment and Buckets, Mosquito Nets, Condoms, Re-treading Tyres, Canvas Trucks and Bakkie Covers, polypropylene bags
13	Printing and Publishing	Bill Boards, Signage, Road Signs/Markings, Promotional Banners, Document Printing, Number Plates, Vehicle Branding and Safety Signs, Printed T-Shirts, Caps and Gifts, Newsprint, Screen-print, Bookbinding
14	Paper Products	Toilet Paper, Packaging Boxes, Printing Paper
15	Electrical Products	Electric Cables, Electrical Boards, Solar Heater Systems, Lead and Automotive Batteries, Electric Cables, Earth Wires, Conduits and Accessories, Meter Boxes, Electrical Boards, Feeder Pillar, Air Conditioners, Electric Motor Control Panels, Electric Metering Kiosk, Household Electric Cables, Armoured Cables, Aerial Bundle Conductors, Flexible Cable, Enamel Wire, Telecom Data and Coaxial Wire, Electrical Transformers, Mounting

<sup>1</sup> The list of pills and tablets contains 62 different types.

		Brackets, Wire Harness, Solar Tanks, Valves, Frames Panels and Heating Elements, Cold and Freezer Rooms, Ventilation and Air Conditioning Ducts, Fish and Chips Fryers, Gas Fixed Grills, Kitchen Canopies
16	Steel Fabrication and Metal Product	Underground Utility Vehicles and Fabrication of Frames, Trailers, Balustrades, Steel Structures, Loan Bins, Railway Spares, Conveyor Belts Framing and Mining Components, Gates, Garbage and Trash Bins, Assembly and Reconditioning of New and Used Railway Rolling Stock Locomotives and Wagons, Assembly of Body and All Railway Components and IBR Sheeting, Bolts, Nuts and Corrugated Iron, Canopies, Aluminium Shop Fronts and Joinery, Partitioning, Bullet Proof Windows and Doors, Fire Place, Bull Bars, Truck and Bus Body Building, Trailers, Fibreglass and Steel Canopies, Fibreglass Cooler Boxes, Road Signs, Posters Banners and Outdoor General Signage, Road Ancillary Works, Fencing Materials, Borehole Pumps, Tow and Rolls Bars, Steel Tanks and Tank Stands, Steel Pipes, Water Bowser, Pump Houses, Post Office Boxes, Aluminium Boats, Food and Beverage Cans, Goat and Cattle Troughs, Pipes, Poultry Feeders, Pots, Railway Brake Shoes, Gas Stoves, Grave Covers
17.	Catering Services	Food Catering Services, General Hire Services (Tents, Chairs, Tables, Carpets, Cutlery, Crockery, Plates)
18.	Cleaning Services	Waste Disposal/Management, Garden/Landscaping, General Office Cleaning, Dry Cleaning and Laundry, Upholstery Cleaning, Clinical Waste Disposal
19.	Consultancy	Management and Business Consultancy, Human Resources Management Consultancy, Strategy Development and Implementation, Supply Chain Management, Accounting, Risk Advisory, Internal Audit, Forensics. Consultancy in Civil, Structural, Electrical and Environmental Engineering, Geographic Information Systems Consultancy, Water Resources and Geological Services Consultancy, Project Management Consultancy, Safety Health and Environment Consultancy.

20.	Engineering Services	Civil Engineering, Architecture and Interior Design, Motor/Auto Repairs, Workshop and Garages, Service and Repair of ICT Equipment, Calibration, Repair and Servicing Air Conditioners, Sewing Machine Mechanic, Engineering Consulting, Repair and Maintenance of Heavy Plant Machinery. Borehole and Water Cleaning, Electrical and Mechanical Rigging
21.	Funeral Parlour	Funeral Undertaking
22.	Hospitality and Tourism Services	Accommodation and Conferencing, Restaurants, Travel and Tour
23.	ICT Services	General ICT Maintenance, Repairs and Management, System and Graphic Designing, Networking, Database Management, Installation and Maintenance of Telecom Products including PABX, Video Conferencing, Teleconferencing, Data Networks and Cabling.
24.	Media and Public Relations	Advertising and Public Relations Services, Multimedia Services, Photography, Graphic Design, Video Productions, Web Design and Developing, Print Media, Television and Radio Programs (Documentaries, Music Production, Movies and Short Films)
25.	Professional Services	Training and Human Resource Development, Secretarial Services, Counselling and Mentoring Services, Events Management, Customs Clearing Agency, Insurance Brokerage, Language Translation Services, General Hire, Medical Services, First Aid and Ambulance Attendance, Home Based Care Service.
26.	Security Guard Services	Security Guard Services, Alarm Monitoring, CCTV Surveillance, Cash In Transit Services
27.	Transport and Logistics Services	Transport Hire, Plant and Machinery Hire, Courier Services, Freight and Logistics Services