

AFRICAN DEVELOPMENT BANK



PROJECT : MIC GRANT TO SUPPORT PEEPA IN IMPROVING PRIVATE SECTOR PARTICIPATION IN THE DELIVERY OF PUBLIC INFRASTRUCTURE AND SERVICES

COUNTRY : REPUBLIC OF BOTSWANA - Public Enterprises Evaluation and Privatization Agency (PEEPA)

APPRAISAL REPORT

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CURRENCY

Currency Equivalents (June, 2010)

1 UA	=	10.36 BWP
1 UA	=	1.47 USD
1 US\$	=	7.03 BWP

GOVERNMENT FISCAL YEAR

April 1- March 31

LIST OF ABBREVIATIONS AND ACRONYM

AfDB / ADF	African Development Bank / African Development Fund
BIUST	Botswana International University of Science and Technology
BPC	Botswana Power Corporation
BPL	Botswana Pty Limited
BTC	Botswana Telecommunications Corporation
BWP	Botswana Pula
CEO	Chief Executive Officer
CSP	Country Strategy Paper
CTO	Central Transport Organization
EDSL	Economic Diversification Support Loan
GDP	Gross Domestic Product
GECL	Legal Department of the African Development Bank
GEMVAS	Government Employee Motor Vehicle Advance Scheme
GoB	Government of Botswana
GLIF	Residential Property Advance Scheme
ICB	International Competitive Bidding
MEWT	Ministries of Environment, Wildlife and Tourism
MIC	Middle Income Country
NDB	National Development Bank
NCP	National Competitive Bidding
NDP	National Development Plan 10
OSGE	Governance, Economic and Financial Reforms Department of AfDB
PEEPA	Public Enterprises Evaluation and Privatization Agency
PPADA	Public Procurement Assets and Disposal
PPP	Public-Private Partnerships
TOR	Terms of Reference
UA	Unit of Account

RESULTS BASED LOGICAL FRAMEWORK

HIERARCHY OF OBJECTIVES	EXPECTED RESULTS	REACH/ BENEFICIARIES	PERFORMANCE INDICATORS, SOURCE, PERIODICITY	INDICATIVE TARGETS AND TIME FRAME	RISKS, MITIGATION MEASURES
<p>GOAL: Diversify economy through private sector involvement in delivery of public infrastructure and services</p>	<p>IMPACT: Botswana successfully implements its privatization agenda</p>	<p>Government of Botswana</p> <p>Domestic entrepreneurs and investors</p> <p>Users of public services</p>	<p>Timely completion of implementation of projects in the Privatization Master Plan (currently being updated)</p> <p>Source: PEEPA</p>	<p>70% of transactions are completed according to schedule (to be updated with the new Privatization Master Plan)</p>	<p>Risk: Opposition from Line Ministries, public enterprises and services departments</p> <p>Weakness of high level political support to implement transactions.</p> <p>Mitigation: The recent financial crisis has highlighted the need to accelerate privatization to achieve sustainable fiscal position</p> <p>PEEPA undertakes policy dialogue on importance of privatization and awareness raising on benefits of privatization to Botswana's economy primarily to policy makers and relevant stakeholders involved in decision making</p>
<p>OBJECTIVES: Build capacity in PEEPA</p>	<p>OUTCOMES: Two private sector participation transactions strategies completed</p> <p>Privatization skills strengthened</p> <p>Future transactions lead to citizen participation</p>	<p>All Ministries that have privatization projects</p> <p>PEEPA</p> <p>Domestic entrepreneurs and investors</p>	<p>Privatization strategy for BPC approved and maintenance of Government building transaction completed</p> <p>Domestic entrepreneurs take part in the consortium of the winning company</p> <p>Domestic entrepreneurs provide services to the winning company</p> <p>Domestic savings are invested in project implementation</p>	<p>Private sector participation strategy for BPC approved by December 2011</p> <p>Private sector participation in maintenance of Government buildings completed by March 2012</p> <p>Yes or No¹</p> <p>Yes or No</p> <p>Yes or No</p>	<p>Risk: Weakness of high level political support to implement transactions</p> <p>Mitigation: High level of political support has been expressed for these transactions, including in the concerned line Ministries. The recent financial crisis has highlighted the need to accelerate privatization to achieve sustainable fiscal position. Partners, which are heavily investing in the power sector, also support these reforms.</p> <p>Policy dialogue on importance of privatization and awareness raising on benefits to relevant ministries and public enterprises will be conducted with the support of the Consultants.</p>

¹ It is impossible to determine an acceptable level of citizen participation, because it is highly industry and country dependent. This indicator is therefore a Yes/No indicator.

HIERARCHY OF OBJECTIVES	EXPECTED RESULTS	REACH/ BENEFICIARIES	PERFORMANCE INDICATORS, SOURCE, PERIODICITY	INDICATIVE TARGETS AND TIME FRAME	RISKS, MITIGATION MEASURES								
<p>INPUTS</p> <p>UA 450,000 for advisory and training services to prepare two private sector participation transactions</p> <p>UA 60,000 Consulting services to develop a citizen empowerment framework and guidelines for privatization transactions</p> <p>UA 122,000 for the secondment of staff to an experienced sister privatization agency</p> <table border="1" data-bbox="143 959 322 1136"> <thead> <tr> <th colspan="2">UA '000</th> </tr> </thead> <tbody> <tr> <td>AfDB</td> <td>600</td> </tr> <tr> <td>PEEPA</td> <td>32</td> </tr> <tr> <td>Total</td> <td>632</td> </tr> </tbody> </table>	UA '000		AfDB	600	PEEPA	32	Total	632	<p>OUTPUTS</p> <p>A. Strategy document for private sector participation in BPC</p> <p>B. Strategy and tender documents for private sector participation in the maintenance of government buildings including, hospitals, and schools</p> <p>C. On-the-job training on the development and implementation of divestiture and concession transactions, tendering, evaluation and negotiation of offers and the regulation and monitoring of post privatization transactions</p> <p>D. Citizen empowerment policy in privatization</p>	<p>PEEPA</p> <p>Ministry of Minerals, Energy and Water Resources</p> <p>Ministry of Infrastructure, Science and Technology and DBES</p> <p>Ministry of Health</p> <p>Ministry of Education and Skills Development</p>	<p>Completion of the two privatization transaction strategy</p> <p>Completion of tender documents for securing private sector service providers for the maintenance of government buildings</p> <p>Number of man / hours of in-class training</p> <p>Completion of training manuals</p> <p>Completion of citizen empowerment Framework</p> <p>Source: PEEPA</p>	<p>Strategy documentation ready by March 2011</p> <p>Tender documentation ready by March 2011</p> <p>At least 480 man/hours trained by 2012</p> <p>Framework documentation ready by March 2011</p> <p>Citizen empowerment framework completed by 2012</p>	<p>Risk: Transaction Consultants do not dedicate enough resources to training</p> <p>Information available on assets and services for privatization are insufficient</p> <p>Mitigation: The ToRs explicitly describe training as a key deliverable and payment is also based on performance on this dimension</p> <p>Available data is provided to prospective consultants during the selection process and the contract make them responsible for obtaining missing information necessary to complete the assignment, provided that the Government provides reasonable access to existing information</p>
UA '000													
AfDB	600												
PEEPA	32												
Total	632												

EXECUTIVE SUMMARY

1. **The Government of Botswana wishes to further advance the implementation of its privatization program, a key component of its diversification agenda.** Economic diversification has been a central objective of Botswana's development policy, in recognition of the excessive dependence of Botswana's economy on diamonds. In 2009, the African Development Bank supported this objective by providing a US\$ 1.5bn Economic Diversification Support Loan (EDSL). The loan supported reforms designed in particular to promote "the development of a vibrant private sector including privatization" (component one).

2. **The objective of the proposed project is to build capacity in the Public Enterprises Evaluation and Privatization Agency (PEEPA).** PEEPA is mandated to take the leadership in the implementation of the privatization program. The project is an important complement to the privatization-related reforms included in the EDSL.

3. **The project includes the following activities:** (i) Preparing options analyses and tender documents for two privatization transactions; (ii) providing on-the-job training based on these two transactions; (iii) improving practical skills of PEEPA staff through secondment to experienced sister institutions; (iv) producing a policy for Citizen Economic Empowerment in privatization projects. The project focuses on on-the-job training on actual transactions, to complement the overall adequate academic qualifications of PEEPA staff. It will be implemented during the period 2010-2012.

4. **The project will contribute to accelerating the implementation of the privatization program** by building practical privatization skills and through the demonstration effect of delivering two high priority transactions. The Citizen Economic Empowerment Policy will also make a major contribution to improving economic opportunities for domestic businesses and investors.

1. INTRODUCTION

1.1 **The Government of Botswana wishes to accelerate the implementation of its Privatization Program which ranks high on its diversification agenda.** The future success of the economy is linked to Botswana's ability to diversify the economy and develop new engines of growth beyond diamond mining and the public sector, which still represent together about 50% of GDP; public spending represents about 40% of GDP (one of the largest in Africa), and employment by the government and its parastatals reaches 47%. As such, privatization has been identified as one of the reforms necessary to transform the Botswana economy from a public sector-led economy to a private sector-led economy. The Government's privatization policy aims at transferring commercially viable activities to the private sector, thus reducing its financial and administrative burden, improving service delivery, facilitating citizen empowerment and encouraging investment, entrepreneurship and job creation.

1.2 **The Public Enterprises Evaluation and Privatization Agency (PEEPA), as an advisor and in charge of the implementation of privatizations, plays a central role in the execution of the Privatization Program.** PEEPA serves as an advisor and executive agency for all Ministries involved in the privatization program. However, given the short history of privatization in Botswana, most PEEPA staff has limited experience in privatization.

1.3 **The objective of the proposed project is to build capacity in PEEPA through transaction support, training and assistance in preparing a citizen empowerment policy.** The project will provide advisory services to develop a strategy for private sector participation in the incumbent power company and in the maintenance of Government buildings, hospitals and schools. The technical assistance will come with provision of on the job training, and secondment training. It will also include a citizen economic participation policy for future transactions.

Box 1: Defining Privatization, Divestiture and PPP

Privatization is defined in the Privatization Policy for Botswana, Government paper No. 1 of 2000. It is understood in its broadest sense, as it includes, not only the transfer of ownership of public enterprises to private buyers but also "all measures and policies aimed at strengthening the role of the private sector in the economy". In practice and for the purpose of this project, privatization is defined as all the methods for private participation in the provision of public goods and services, including the divestiture of assets and operations of public enterprises, the commercialization and / or contracting out of public services, and private sector provision of infrastructure and services through Public-Private Partnerships (PPP). In order to avoid confusion, in this document, the full transfer of ownership of assets and provision of services from the public to the private sector is referred to by "divestiture" rather than "privatization". Privatization is used in its broad sense only. Similarly, "PPP" is used in a narrow meaning, to describe the provision of green field infrastructure and associated services by a private sponsor.

2. PRIVATIZATION IN THE GOVERNMENT'S AGENDA

2.1 **The Privatization Policy for Botswana, launched in 2000, is a key component of the broader economic diversification policy.** The economic diversification strategy, in line with Vision 2016 and the National Development Plan 10 (2010-2016), aims at achieving sustainable

development, transforming the economy from a public-sector driven to a private-sector led market one, and promoting an environment that supports non-mining private sector development initiatives.

2.2 The Government's key objectives for establishing a privatization program include:

- Achieving much needed efficiencies in delivery of public services;
- Relieving the Government of the financial and administrative burden of undertaking and maintaining a constantly expanding network of services and investments in infrastructure;
- Reduce the size of the public sector, creating space for private sector to be involved in driving the growth of the economy and stimulating entrepreneurship;
- Attracting FDI and technology transfer;
- Broadening and deepening the capital market through providing investment opportunities in privatized companies.

3. PEEPA's KEY FEATURES

3.1. LEGAL AND INSTITUTIONAL FRAMEWORK

3.1.1 The founding framework for the Privatization Program is the Privatization Policy for Botswana of 2000 with the key objective of the Policy being to improve efficiency and productivity in the delivery of public infrastructure and services through increased involvement of the private sector. The Public Enterprises Evaluation and Privatization Agency (PEEPA) was established in 2001 as an autonomous agency of Government, to advise on all aspects of privatization and commercialization.

3.1.2 Among other things, PEEPA mandate is to advise on policy formulation, strategies and implementation plans that facilitate private sector involvement in public sector functions. It does so by undertaking sectoral, public services and enterprise studies and assisting sector ministries and Government departments in delivering approved privatization transactions. The other responsibilities of PEEPA include monitoring the performance of parastatals and their Boards as well as assisting with the appointment of their board members.

3.1.3 Legislatively, there is no overarching law for privatization activities in Botswana and any legal requirements are handled on a case by case basis. Transactions involving the sale or disposal of shares or assets, or activities involving the procurement of goods and services to facilitate transactions are implemented in accordance with the Public Procurement of Assets and Disposal (PPADA) of Botswana.

3.1.4 Implementation of the Policy is guided by the Privatization Master Plan of 2005 which indicates those public enterprises and services suitable for privatization and those that require to be restructured prior to consideration for privatization, as well as an action plan, the processes to be followed and the roles and responsibilities of relevant parties that would be involved in the processes. At that time, comprehensive divestiture and outsourcing manuals were

developed. The privatization agenda was reinforced in 2009 through the adoption of the PPP Policy and Implementation Framework (Presidential Directive 18-B, 2009) that created a PPP unit within the MFDP to promote PPP initiatives, in close coordination with PEEPA.

3.1.5 In November 2008, in addition to its original advisory mandate mentioned above, PEEPA was mandated by an executive decision to take leadership in the implementation of the privatization program. Cabinet has recently endorsed this decision. PEEPA becomes the single point of accountability for the overall privatization program and can now drive the privatization process. However, approval of the critical stages of the transaction process, mainly for each transaction the privatization strategy, the bidding documents and the selection of the private partner - still remain with the Cabinet.

3.2. GOVERNANCE AND ORGANIZATION

3.2.1 PEEPA is established as a Company Limited by Guarantee with the Government of the Republic of Botswana as the sole shareholder. The Board is established and governed by the Memorandum and Articles of Association of PEEPA and the Companies Act. The PEEPA Board comprises of 9 members appointed by the Minister of Finance and Development Planning and have a tenure of four years, renewable for another period of four years. The Ministry of Finance and Development Planning, being the parent ministry, is automatically represented on the Board to ensure continuity. Other members are drawn mainly from the private sector.

3.2.2 The Chief Executive Officer (CEO), who is not a member of the Board, is appointed by the Board, subsequent to the approval of the Minister of Finance and Cabinet. Operational, the CEO is supported by a Deputy CEO and the staff members fall under two categories, namely under the core departments and the support services as outlined in Annex 6. Under the core departments, the (i) Restructuring and Privatization Department deals with advising on the transfer of ownership or management of public enterprises to the private sector through various methods such as divestiture, leasing and management contracts, and PPPs, (ii) the Outsourcing Department deals with the transfer of non-core services currently being handled by Government to the private sector and (iii) the Performance Monitoring Department which deals with monitoring the performance of public entities and their boards.

3.2.3 PEEPA is committed to best corporate governance principles and practices and has developed a comprehensive Corporate Governance Framework to enhance organizational performance. The Framework consists of a Performance Contract (Shareholder Compact), a Board Charter and a Board Evaluation/Appraisal System, among other elements, and is being considered by the Ministry of Finance and Development Planning.

3.3. ACHIEVEMENTS AND PEEPA'S BUSINESS PLAN

3.3.1 To date, the achievements under the program surround the outsourcing/contracting out of public services as well as implementation of a few PPP projects. With respect to divestiture, key achievements involve the development of transaction strategies for the airlines company, the incumbent telecommunication company, the National Development Bank and the Government ranch. Implementation is placed with the line Ministries.

3.3.2 Though milder methods of privatization, such as PPPs and outsourcing of services have been achieved, key challenges remain to divestiture, as evidenced by the absence of completed divestiture since the approval of the privatization policy in 2000. These challenges include the following:

- Though political will is significant², economic incentives have so far not been in favor of divestiture, as the Government could still benefit for at least 15 years from substantial diamond revenues which allow it to finance and bail out if necessary the companies targeted for divestiture;
- The institutional framework centralized the advisory support with PEEPA, while decentralizing implementation of transactions to line ministries, which in some cases can weaken the incentive to implement the privatizations;
- There has been a lack of clarity in the initial design of the projects, which led to difficulties in negotiations that could not be overcome;
- More communication is needed at a political level to identify the impacts of the divestitures and reach agreement on acceptable mitigation measures;
- The strategic choice of target companies was not always optimal. For instance, Air Botswana, being a national flag carrier, was in this regard a difficult company to privatize.

3.3.3 Economic incentives have become more favorable since the financial crisis, as the subsequent slump in diamond prices has highlighted the fragility of diamond revenues. This has concretely resulted in a reduction of the funding of Government agencies and public enterprises, and created a renewed momentum for privatization, including divestiture.

3.3.4 As explained above, PEEPA's mandate has been revised to enable it to take leadership in the implementation of the privatization program. Though the decisions at the critical stages of the transaction process still remain with the Cabinet, PEEPA is now empowered to drive the technical preparation of the transactions.

3.3.5 This project will enhance the capacity to identify upfront critical constraints, and manage them including through better communication.

3.3.6 PEEPA is developing a Priority Privatization Program for NDP 10, which will update the current Privatization Master Plan and take into account the past experiences in identifying public enterprises to be divested in priority. This Priority Program should further enhance the delivery of privatization by attaining agreement and commitment of key stakeholders to this Program and will form the basis for measuring PEEPA's performance. PEEPA's 2010/11 Business Plan will therefore be based on this priority privatization program.

² Beyond declarations of intention, this is demonstrated by the fact that the privatization of Air Botswana was approved three times by the Cabinet, after a relatively short preparation time of two years on average. Each time however, the transaction was canceled for various reasons, which included unfavorable market conditions due to the 9/11 attacks, pulling out of the preferred bidder at the last minute because of changes in the strategy of the buyer, disagreement on politically sensitive aspects of the business plan proposed by the buyer, such as the removal of the national flag.

3.4. PRELIMINARY SKILLS AUDIT

3.4.1 PEEPA has 33 staff. This includes 8 persons at management / senior level, 7 analysts and 18 from corporate services, including finance and administration. The preliminary skills audit (Annexes 7 and 8) provides a detailed breakdown.

3.4.2 Privatization experiences are scarce in Botswana, which has prompted PEEPA to largely rely so far on various forms of international expertise. This is the result of privatization being a relatively new public sector reform initiative in Botswana. A number of PEEPA staff are international long term consultants. International Consultants are also recruited on a transaction basis. As a result, PEEPA has been operating under a project management approach with a minimal core staff group that procures and supervises consultants or sector experts that offer advisory support and expertise. The core skills and competencies that have hitherto been required in PEEPA have therefore evolved around project management, financial analysis, procurement, negotiations and communication and advocacy skills.

3.4.3 PEEPA has now taken the strategic option to reduce the number of consultants being used on assignments and carry-out more of the work in-house. This is expected to bring the following benefits: cost reduction, increased flexibility, and improved quality control of consultants, improved contribution of PEEPA in the stakeholder dialogue. The success of this strategy hinges on PEEPA enhancing the technical capacity of its staff, in particular on business case assessments and business valuation.

3.4.4 The preliminary skills audit indicates that PEEPA's skills base would be best enhanced through on-the-job training on real privatization cases and through secondments. Indeed, on the one hand, the educational background of PEEPA staff seems adequate. All managers hold an advanced business degree and all analysts hold Bachelor's degree in a relevant field, mostly economics, business and finance. In addition, the total of prior years of experience working in parastatals is substantial, with 9 years on average at management level and 3 at analyst level. However, on the other hand experience of privatization structuring and analysis prior to joining PEEPA is very limited.

4. PROJECT DESCRIPTION

4.1. PROJECT OBJECTIVE

4.1.1 The overall objective of the project is to build capacity in PEEPA to support the implementation of the Government's agenda for private participation in the delivery of public services. Specific activities include: (i) Preparing two privatization transactions; (ii) providing on-the-job training based on these two transactions; (iii) improving technical skills of PEEPA staff through practical training including a secondment program to advanced sister institutions in other countries; (iv) completing a policy for citizen economic empowerment in privatization projects, to ensure that privatization translates into actual opportunities for domestic businesses and investors.

4.2. STRATEGIC ALIGNMENT

4.2.1 The proposed technical assistance program:

- **Aligns with the objectives of the MIC Trust Fund.** It fits fit into two of the priority activities identified in the Revised Guidelines for the Administration and Utilization of the Technical Assistance Fund for Middle Income Countries (ADB/BD/WP/2005/90), namely: (i) capacity building and institutional building and (ii) promotion of the private sector.
- **Serves to implement pillar I of the Bank’s Country Strategy Paper 2009-2013, which consists in “supporting actions to expand private sector investment”.** In particular, the CSP indicates that the Bank will “influence policy reforms that focus on promoting privatization and private-public partnerships”.
- **Deepens the EDSL reform program,** under the component one “Promoting the private sector as the mainstay of economic growth”. In particular, the reforms in this component aim to promote “the development of a vibrant private sector including privatization”.

4.3. PROJECT JUSTIFICATION

4.3.1 The proposed technical assistance will:

- **Support Botswana’s objective of diversification of the economy through private sector development as stated in the National Development Plan 10 and the Privatization Policy (Government Paper No. 1 of 2000 and Presidential directive 2009).** The two transactions supported have been identified as priorities in the Privatization Master Plan. In addition, one of the key concerns raised about the privatizations completed so far is that they have not resulted in significant opportunities for citizen participation. The Citizen Economic Empowerment Policy will set out clear principles and strategies to achieve so.
- **Provide essential privatization skills to PEEPA through on-the-job learning on real cases.** PEEPA staff will have the opportunity to learn and apply privatization frameworks and methodologies. In particular, PEEPA will be better equipped to address the technical, social and political challenges to privatization.
- **Promote and enhance awareness of privatization and PPPs.** If successfully completed, the two transactions supported by this project, by their demonstration effect, will help catalyze future transactions. In addition, the implementation of the above mentioned projects will create an opportunity for PEEPA to engage more with various stakeholders. It is hoped that the projects will stimulate general policy dialogue as well as awareness raising on the importance and benefits of privatization to Botswana’s economy primarily to policy makers and relevant stakeholders involved in decision making. The dialogue process and the transparent implementation and delivery of the projects would help enhance trust between PEEPA and key stakeholders.
- **Support the implementation of the privatization component of the reform program of the EDSL.**

4.4. INPUT AND ACTIVITIES

4.4.1 Activities are to be completed by three consulting firms and through a secondment plan prepared and implemented by PEEPA.

COMPONENT A: STRATEGY FOR PRIVATE SECTOR PARTICIPATION IN BPC AND TRAINING

4.4.2 **Consulting Firm A will be recruited to prepare a strategy for the involvement of the private sector in the operations and service provision by BPC to improve efficiency and productivity in power provision and to provide training.** Because the transaction is complex and the approval of the strategy involves extensive consultations, it is expected that the actual tender could take place 8 months or more after the proposition of the strategy. The tender documents are therefore not included in this project. The preparation of the strategy will involve a thorough due diligence, a market analysis, a valuation, an assessment of investor interest, as needed recommendations for restructuring and reforms at the company level and at the environment level, an analysis of options for private sector involvement including a recommendation, a roadmap for implementation of the strategy. It will also include consultations with relevant stakeholders. The training component will aim at transferring to PEEPA the non-sector specific skills needed to prepare strategies similar to that for BPC. It will cover all aspects of the project cycle, from due diligence to options analysis and implementation plan development. The method will be based on a mix of in-class training on the broad principles and on-the-job training through direct participation of PEEPA staff in the key steps of the assignment, with a view to apply on the development of the strategy for BPC and future project, the knowledge acquired in class.

4.4.3 **The terms of reference for Consulting Firm A are outlined in Annex IV and the key deliverables are a report on a private sector participation strategy for BPC, and training including training manuals.**

COMPONENT B: PRIVATE SECTOR PARTICIPATION IN THE MAINTENANCE OF GOVERNMENT BUILDINGS AND TRAINING

4.4.4 **Consulting Firm B will be recruited to prepare a strategy and tender documents for the involvement of private sector participation in the maintenance of government buildings, schools and hospitals, and to provide training.** Because this transaction is much less complex than the BPC one (no impact on the core mandate of a line Ministry and fewer models for risk sharing), it is expected that the strategy would be approved rapidly and that tendering would take place a few months after the preparation of the strategy. The tender documents are therefore part of the same assignment. It is anticipated that the privatization will take the form of a concession, with significant upfront investment to rehabilitate the facilities. Other options will also be considered as deemed necessary, such as for instance lease, or sale and lease back. As for BPC, the assignment will involve a thorough due diligence, a market analysis, a valuation, an assessment of investor and operator interest, as needed recommendations for restructuring and reforms at the company level and at the environment level, an analysis of options for private sector participation including a recommendation, and implementation plan. It

will also include consultations with relevant stakeholders. The training component will aim at transferring to PEEPA the non-sector specific skills needed to prepare privatization strategies for assets similar to this assignment. It will cover all aspects of the project cycle, from due diligence to options analysis and to the recommendation of implementation plans. The method will be based on a mix of in-class training on the broad principles and on-the-job training through direct participation of PEEPA staff in the key steps of the assignment, with a view to apply on the assets covered by the project the knowledge acquired in class.

4.4.5 The terms of reference of Consulting Firm B are outlined in Annex V and the key deliverables will be the Strategy Options Report and Tender documents for the private sector participation in the maintenance of government buildings, and training including training manuals.

COMPONENT C: CITIZEN ECONOMIC EMPOWERMENT STRATEGY FRAMEWORK FOR PRIVATIZATION

4.4.6 Consulting firm C will be recruited to develop a Citizen Economic Empowerment strategy framework specific to privatization transaction, to guide the involvement of citizens in such transactions. The CEE policy will lay out principles for providing opportunities for domestic entrepreneurs and business arising from privatization, through amongst others preferential participation in the privatized companies, and access to sourcing from privatized companies. The policy will include targeting methods, conditions and guidelines to ensure that economic benefits outweigh the costs of distortions resulting from market intervention.

4.4.7 The terms of reference for Consulting Firm C are in Annex VI and the key deliverable is a Citizen Economic Empowerment Strategy for implementation.

COMPONENT D: SECONDMENT TO EXPERIENCED SISTER INSTITUTIONS

4.4.8 During two years, three staff will be seconded each year to experienced sister privatization agencies in other countries, to gain first-hand exposure to the final stages of the privatization process – bid evaluation and negotiation and the actual implementation privatization – transfer of assets, monitoring and evaluation, regulation. The secondees will be fully part of the teams in the host institution and directly carry out the tasks to be learnt, with support from a mentor. PEEPA has been requested to propose a secondment program for its staff by selecting fields of expertise to develop as well as a list of sister institutions with solid experience in the privatization domain.

4.5. RISKS AND MITIGATION MEASURES

4.5.1 The key risks to achieving the Outcomes of the project and the mitigation measure are outlined in the Logical Framework. Political support has so far been significant but has mainly achieved the mild forms of privatization, and not divestitures which is the most

challenging type of privatization. However, recently, the budget deficit triggered by the financial crisis has highlighted the unsustainable level of public expenditures and increased the incentive for Government to accelerate privatization. The proposal will assist Government to accelerate privatization, and addresses these risks through providing demonstration projects, and improving transaction design and communication

5. COST AND FINANCIAL PLAN

5.1 The total cost of the plan is estimated at UA 632,000, financed from the MIC Trust Fund and the Government of Botswana (GoB). It is broken down as follows:-

Table 2- Costing and Financing Plan

	Category	UA					US\$				
		Man days	Rate	Cost	AfDB	GoB	Man days	Rate	Cost	AfDB	GoB
Privatization strategy for BPC and training											
Consulting and training	services	371	700	260,000	260,000		371	1,030	382,200	382,200	
Privatization strategy and tendering documents for Government buildings, schools and hospitals and training											
Consulting and training	services	229	700	160,000	160,000		229	1,030	235,200	235,200	
Policy for citizen economic empowerment											
Consulting and training	services	86	700	60,000	60,000		86	1,030	88,200	88,200	
Staff Secondment program											
Perdiems	services	500	200	100,000	76,000	24,000	500	295	147,000	111,720	35,280
Travel	services			8,000	0	8,000			11,760		11,760
Contingency	Miscellaneous		7%	44,000	44,000			7%	64,680	64,680	
Total				632,000	600,000	32,000			929,040	882,000	47,040

5.2. The cost estimate is based on an extrapolation from similar projects, including Botswana Telecom Communication, Air Botswana and NDB.

6. PROCUREMENT

6.1. PROCUREMENT ARRANGEMENTS

6.1.1 The procurement in relation to the Bank's contribution will be undertaken in accordance with the Bank Group's "Rules and Procedures for the Use of Consultants" (May 2008) using the relevant Bank Standard Bidding Documents. Detailed information on the procurement arrangement for the current project is reported in annex 9.

6.1.2 The procurement of consultancy firms will be undertaken on the basis of a short list of 6 firms prepared by the PEEPA in compliance with Bank's rules of procedures and approved by the Bank. The letter of invitation, including the TORs will also be approved by the Bank before communication to the short-listed consultants. The selection method shall be Quality and Cost-Based Selection (QCBS) which takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. Cost as a factor of selection shall be used judiciously. The relative weight to be given to the quality and cost shall be determined for each case depending on the nature of the assignment. The selection process shall include the following steps:

- (a) preparation of the TOR;
- (b) preparation of cost estimate and the budget;
- (c) advertising requests for expression of interest;
- (d) preparation of the short list of consultants;
- (e) preparation and issuance of the RFP;
- (f) receipt of proposals;
- (g) evaluation of technical proposals: consideration of quality;
- (h) public opening of financial proposals;
- (i) evaluation of financial proposal;
- (j) final evaluation of quality and cost; and
- (k) negotiations and award of the contract to the selected firm.

6.1.3 The contribution of the Republic of Botswana covers per diem and flights for its own staff. Audit of the project will be conducted by the firm auditing PEEPA at no additional cost. The Bank Terms of Reference for audit will be used for the audit of the project. The procurement in relation to the contributions of Botswana will be undertaken using the procurement rules in place in PEEPA.

6.2. PROCUREMENT PLAN

6.2.1 As part of the preparation of the project the Recipient shall prepare and, before signature of the Financing Agreement, furnish to the Bank for its approval, a Procurement Plan acceptable to the Bank setting forth: (a) the particular contracts for the goods, works, and/or services required to carry out the project during the initial period of at least 18 months; (b) the proposed methods for procurement of such contracts that are permitted under the Financing Agreement, and (c) the related Bank review procedures. The Recipient shall update the Procurement Plan

annually or as needed throughout the duration of the project. The Borrower shall implement the Procurement Plan in the manner in which it has been granted the approval by the Bank.

7. FINANCIAL MANAGEMENT

7.1. DISBURSEMENTS

7.1.1 The disbursement of the MIC grant can be done using the following methods:

- Special Account method
- Direct Payment method
- Reimbursement method

7.1.2 The Special Account method will be the preferred method when possible. However, administrative and regulatory difficulties have been experienced in previous projects in Botswana with, on the one hand, obtaining comfort letters from commercial banks and, on the other hand, opening a special account with the Central Bank or the Treasury. Other methods of payment will therefore be used as appropriate.

7.1.3 The direct payment method will be used when there is no constraint on the turnaround time for payment. The reimbursement method can also be used for accelerated payment if needed and PEEPA has the necessary liquidity.

7.1.4 All disbursements will subject to the Bank's disbursement rules, in particular the rules on suspension of disbursements.

7.2. FINANCIAL REPORTING ARRANGEMENTS

7.2.1 PEEPA will maintain independent accounts for the activities financed by MIC Trust Fund in accordance with sound international accounting practices. An annual audit will be submitted to the Bank no later than 180 days after the end of the financial year.

7.3. LETTER OF AGREEMENT

7.3.1 Following the approval of the request by the Bank, the Bank's Legal Department (GECL) will prepare a Letter of Agreement using the format provided in Annex 3 of the Guidelines for Administration and utilization of the Technical Assistance Fund for MIC.

8. IMPLEMENTATION

8.1. EXECUTING AGENCY

8.1.1 **The Public Enterprises Evaluation and Privatization Agency (PEEPA) will be the executing agency for the project** and the CEO of PEEPA will be the Project Coordinator and will take overall responsibility for final outcome of the project. He will form a Project Team that

will be responsible for the implementation of project activities. The Project Team will include senior staff from the operational departments. It will also include a staff from Finance and Administration, responsible for administrating the procurement, disbursement and financial management related to the project. The Project Team will be lead by a Project Team Leader from the senior management of PEEPA.

8.2. REPORTING AND SUPERVISION

8.2.1 The Board of Directors of PEEPA will provide strategic guidance to the project, in particular with regards to its links with other Government entities, national developments and the industry. It will follow up the overall implementation of the project.

8.2.2 The project will be supervised for the African Development Bank by a Task Manager appointed by the Governance, Economic and Financial Reforms Department (OSGE). Consulting Firms will report to the Project Team Leader of PEEPA.

8.2.3 The CEO of PEEPA will be responsible for the reporting to the Board of PEEPA and to the African Development Bank regarding progress of the project. The reports delivered by the Consulting Firms and the secondees will be shared with the African Development Bank for Non Objection.

8.2.4 In addition, supervisions will be undertaken by the African Development Bank at an average frequency of 1.5 missions per year during the implementation of the project. They will be concluded by an aide-memoire jointly prepared by the Project Coordinator and the Bank's Task Manager, summarizing progress - measured against the logical framework, highlighting key issues and setting out actions to be taken. An independent audit will be conducted at the end of the project and a completion report will be prepared by PEEPA within 2 months after the closing of the project.

8.3. INDICATIVE WORK PLAN

8.3.1 The project will be carried out within 30 months from the approval of the request for financing to the MIC Trust Fund (see summary in table 2 below and detailed work plan in annex 6).

Table 2 – Work Plan

Activity	2010				2011		2012	
	9	10	11	12	S1	S2	S3	S4
Project preparation (incl. procurement)								
Privatization strategy for BPC and training								
Privatization strategy and tendering documents for Government buildings and training								
Policy for Citizen economic empowerment								
Secondment of staff								

9. CONCLUSION AND RECOMMENDATION

9.1. CONCLUSION

9.1.1 **Accelerating the implementation of Botswana’s Privatization Policy is critical to diversify the economy by involving private sector participation.** The successful implementation of the Policy will boost the operations of the private sector while achieving the objectives of improving efficiency in the delivery of services to the public, promoting both domestic and foreign investment and the transfer of technology, assisting in deepening and broadening the capital market, and enhancing citizen participation in the economy.

9.1.2 **This project is designed to help PEEPA demonstrate results through delivering two high priority privatizations, build core skills needed to accelerate the implementation of the Privatization Policy.** To achieve this, this project focuses on on-the-job training on actual transactions, to complement the overall adequate academic qualifications of PEEPA staff.

9.1.3 **Through the delivery of a Citizen Economic Empowerment Policy, the project will also improve economic opportunities for Batswana in privatization projects.** Future projects will be designed to explicitly include this dimension so as to derive maximum benefits from privatization for the domestic economy.

9.1.4 **Finally, the project is an essential complement to the EDSL program,** in that it deepens one of its key components: “Promoting the private sector as the mainstay of economic growth”. The reforms in this component aim to promote “the development of a vibrant private sector including privatization”.

9.2. RECOMMENDATION

9.2.1 It is recommended that an amount not exceeding UA 600,000 be granted to PEEPA from the resources of the MIC Trust Fund to undertake the project activities described hereto.

Annex 1 – GOVERNMENT’S MIC GRANT REQUEST

TELEPHONE (+267) 3950187

TELEX (+267) 2401BD

FAX: (+267) 3900763



REPUBLIC OF BOTSWANA

MINISTRY OF FINANCE AND DEVELOPMENT PLANNING,

PRIVATE BAG 008,

GABORONE

REF: FDP 4/18 Vol. 52

16th November 2009

Mr. Abdurahman Beileh

Director, ORSA
13 Rue du Ghana
BP 323
1002 Tunis Belvédère
Tunisia

Dear Sir,

**REQUEST LETTER – CAPACITY BUILDING FOR BOTSWANA STOCK EXCHANGE ;
NON-BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY and PUBLIC
ENTERPRISES EVALUATION AND PRIVITISATION AGENCY**

Reference is made to the African Development Bank Identification Mission of 5th to 16th October 2009, in which the mission staff held consultations with government and other relevant stakeholders to concretize the lending and non-lending activities to be implemented during the 2009 – 2013 Country Strategy Paper.

The mission amongst other things, identified, for possible financing by the Bank - Capacity Building activities for the Non-Bank Financial Institutions Regulatory Authority; the Botswana Stock Exchange; and the Public Enterprises Evaluation and Privitisation Agency.

We are in receipt of the three (3) Institutions requests letters, which we fully support. We therefore submit this request letter for your kind consideration. We understand that should the Bank grant approval, a Preparation/Appraisal Mission will subsequently follow to develop detailed proposals for further consideration.

Please find enclosed some background to the Institutions capacity building needs as per their letters of request.

Thank you.

Yours faithfully

A handwritten signature in black ink, appearing to read 'T. Nyamadzabo'.

T. Nyamadzabo (Dr)
FOR PERMANENT SECRETARY

Annex 2 – MIC GRANT REQUEST FORM

MIDDLE INCOME COUNTRIES FUND REQUEST FORM

1.	Title of Project/Study or Programme	:	<u>SUPPORT FOR THE PUBLIC ENTERPRISES EVALUATION AND PRIVATISATION AGENCY (PEEPA) IN IMPROVING PRIVATE SECTOR PARTICIPATION IN THE DELIVERY OF PUBLIC INFRASTRUCTURE AND SERVICES</u>
2.	Country	:	BOTSWANA
3.	Executing Agency	:	
	a) Name	:	Public Enterprises Evaluation and Privatisation Agency (PEEPA)
	b) Address	:	Second Floor, East Wing Twin Towers, Fairgrounds Office Park, Private Bag 00510, Gaborone, Botswana
4.	Description of the activities	:	<p>The project provides advisory services for the development of opportunities for private sector participation in public infrastructure projects namely in the incumbent power company and in the maintenance of Government buildings, hospitals and schools, and training. The project includes development of a citizen economic empowerment framework to ensure participation of local private sector entrepreneurship during privatisation.</p>
5.	Rationale for the activities	:	<p>The proposed technical assistance would support PEEPA with the development of strategy for BPC as well as assist with the structuring and implementation of a Government building maintenance project to address capacity constraints that are challenging it to deliver on its mandate. In addition, the services will provide on the job training which will be complemented by secondments and other training activities that are being provided by PEEPA.</p> <p>The proposal will enhance the Government's objectives of accelerating the implementation of its Privatisation Programme which ranks high on its diversification agenda and is a major component of the Private Sector Development Strategy in the National Development Plan 10. In addition, promoting privatisation and PPPs is one of the key actions for implementation under Pillar (i) of the Bank's Country Strategy Paper (CSP) of 2009 which provides for "support actions to</p>

expand private sector investment". A more capacitated PEEPA will be able to roll out more projects that will enhance private sector involvement in the economy. It envisages reducing the size of the public sector, thereby creating space for private sector to be involved in driving growth of the economy, improving efficiency in public service delivery, and attracting FDI amongst others.

The proposal will provide a clear framework for the involvement of citizen entities that will not stifle FDIs, as a further measure to supporting Botswana's objective to strengthen and further enhance citizen participation in the economy.

In addition, the CSP extends Bank's support to efforts aimed at strengthening critical capacities in both the public and private sectors. Under the non lending activities, the CSP emphasizes capacity building activities that will enhance the ability of the public sector to provide effective service delivery.

The proposed program is in line with the objectives of the MIC Trust Fund. It fits into two of the priority activities identified in the Revised Guidelines for the Administration and Utilization of the Technical Assistance Fund for Middle Income Countries (ADB/BD/WP/2005/90), namely: (i) capacity building and institutional building and (ii) promotion of the private sector.

6. Project Cost Estimates:
- a) Foreign Exchange : UA 600,000
 - b) Local Currency : UA 32,000
 - c) Total amount : UA 632,000
7. Financing Plan
- a) ADB : UA 600,000
 - b) Government : UA 32,000
 - c) Total : UA 632,000
9. Proposed Mode of Procurement :
- a) Services : Short list

b) Goods (if applicable) : RFQs

c) Others, including : RFQs
Training of local staff

10. Implementation Plan :

- Schedule of 24 months
implementation to be

Attached

Evidence of Government Commitment to :
Implement the targeted Projects/Study or
Programme (Inclusion in CSP)


a) explain and rate the probability that the targeted project/study or programme is a Government priority: : The project is ranked high as it will enhance the Government's objectives of accelerating the implementation of Privatisation Programme which is a key driver of the Government's diversification agenda.

b) provide name and designation of Government official who will sign the Letter of Agreement : Ms. Badumetse D. Hobona
Secretary for Development and Budget

c) provide name of Project Coordinator who will be in-charge of monitoring the activities and the use of the Trust Fund : Mr. Kgotla M. Ramaphane
Deputy Chief Executive Officer, PEEPA

12. Name of the Acting Permanent Secretary of Ministry of Finance and Development Planning : Dr. Taufila Nyamadzabo

13. Signature/Stamp of the Ministry of Finance of the MIC :


Acting Permanent Secretary, Ministry of Finance and Development Planning (MFDP)

Date: 24/06/10

Annex 3 - TERMS OF REFERENCE (1) FOR
ADVISORY SERVICES FOR DEVELOPMENT OF A STRATEGY FOR
INVOLVING PRIVATE SECTOR PARTICIPATION IN BOTSWANA POWER
CORPORATION
AND PRIVATIZATION TRAINING

1 INTRODUCTION

- 1.1 The Ministry of Minerals Energy and Water Resources (MMEWR) of Botswana to identify the possible options available for private sector involvement in the Botswana Power Corporation (BPC). MMEWR has requested the Public Enterprises, Evaluation and Privatization Agency (PEEPA), the Government's advisor on privatization, to carry out the required diagnostic review.
- 1.2 The review will be undertaken in accordance with the objectives of the Privatization Policy of Botswana (Government Paper No. 1 of 2000), which seeks to improve the efficiency, productivity and competitiveness of the public sector and the economy as a whole through enhancing the role of the private sector in the economy. The other objective through this involvement will be to attract private investment and technology to grow the energy sector and the economy as a whole.
- 1.3 The objectives of this assignment are to produce a private sector participation strategy for BPC and deliver training based on the BPC case. In addition, PEEPA will use this transaction as support for providing on-the-job training to PEEPA staff on core privatization skills illustrated by the BPC case.

2 BACKGROUND

- 2.1 The Botswana Power Corporation (BPC) was established under the Botswana Power Corporation (BPC) Act of 1970 to produce and supply electricity throughout Botswana, in a commercial manner. Until the amendment of the Electricity Supply Act in December 2007, BPC had monopoly over the provision of electricity in Botswana. The Corporation's corporate objective is to facilitate sustainable and diversified development of our country by rendering quality electrical energy services that are affordable, efficient, safe and environmentally prudent.
- 2.2 BPC has a electricity generation capacity of 132MW from the coal fired Morupule Power Station located in Palapye, 280km from Gaborone. Currently, the Power Station contributes about 30% of the country's electricity requirements and it augments the remaining 70% through imports from neighboring countries, mainly Eskom and the Southern African Power Pool (SAPP).

2.3 BPC faces the challenge of ensuring that there will be adequate power supply once its major supplier; Eskom reduces the power that it makes available to Botswana. In addition, BPC faces challenges of attaining its commercial goals, due to low tariff rates, in a bid to make Botswana competitive as an investment destination through the provision of cost effective power supply.

2.4 BPC undertook a restructuring exercise, commencing in 2005, which resulted in the unbundling of the previously vertically integrated organization into a structure of self accounting Strategic Business Units (SBUs), to mitigate against the its challenges as well as a step towards introducing private sector participation into BPC. The exercise was completed in 2007. In addition, a feasibility study advising on the expansion of the Power Station project to 1200MW was carried out in 2005 and the process to secure financing for the project was subsequently pursued with the use of financial advisors. The project has however, been scaled down to 600MW and is planned for completion in 2013. BPC's current strategic agenda is focusing on securing power supply, financial recovery, customer satisfaction and realizing the new SBU business model for the period 2008 to 2013.

2.5 Financially, BPC has consistently made operating losses for 3 consecutive years, culminating with a loss of P86,8 million in 2007/8. It, however, has achieved net profit during these years due to earnings from financial investments, which is not a sustainable situation. Combined transmission and distribution losses are estimated at 12%, and every 1% is estimated at about P7 million loss. In addition, BPC sells electricity below the cost of electricity imported which constitutes the bulk of power supplied to the local markets.

2.6 Other unfavorable factors include:-

- a) The Increase in the cost of imports brought about by the depreciating of the Pula against the Rand given that more than 80 percent of the national power requirements are met through imports mainly from the Republic of South Africa.
- b) Limited tariff increases due to the Government's quest to meet the diverse needs of the economy.
- c) A sharp increase by cost of imports especially of copper being a base metal and fuel costs.

2.7 Under Botswana's Economic Diversification Strategy, the Ministry of Minerals Energy and Water Resources has called for acceleration and expansion of utilities through privatization or PPP of major infrastructure projects and that new power stations be built and expansion of existing ones be carried out. In addition, there is a step towards deregulation with MMEWR progressing the establishment of an Energy and Water Regulator. This is in light of the various opportunities being considered in the energy sector, including the following:-

- a) Introduction of 250 MW Independent Power Producers (IPP) Projects to increase future power supply
- b) Provision of 80 MW Emergency Power Supply.

- c) Establishment of the Westcor Project (Regional).
- d) Implementation of a National Electricity Efficiency Campaign (NEEC)

2.8 Being cognizant that the Privatization Master Plan of 2005 envisaged that the privatization of BPC should be considered after the restructuring of BPC into SBU's has taken place, and given that the amendment the Energy Supply Act in 2007 now allows the introduction of other independent power producers in the sector, MMEWR wishes to consider possible opportunities for private sector participation in BPC, including through various forms of privatization, that will enable it to operate and compete effectively in the energy sector.

3 STRATEGIC OBJECTIVES

3.1 The Government strategic objectives for considering the involvement of the private sector in BPC are:-

- (i) Leveraging efficiency, increasing productivity and promoting competitiveness through the involvement of private sectors service providers in BPC,
- (ii) Enhance the contribution of Electricity Supply Industry to the economy by BPC serving as a catalyst and enabler to doing business in a cost effective way and improve Botswana's competitiveness,
- (iii) Reduce the Government's financial commitments and operational involvement in undertaking and maintaining a constantly expanding energy sector.
- (iv) Enhanced investments in technology, machinery and equipment, including modernization, in the generation, transmission, distribution and customer service operations of BPC through innovation and cost effective solutions
- (v) Expanding the range of services and products as well as strengthening of managerial capabilities.

4 OBJECTIVE OF THE ASSIGNMENT

4.1 The first objective of the assignment is to carry out a diagnostic study that will assess possible opportunities and options and develop an optimal private sector participation strategy through which the private sector can be involved in the operations of and services provided by BPC to deliver on the Government's strategic options. This will be done in line with the Privatization Policy of Botswana.

4.2 The second objective of this assignment is to provide training to PEEPA on core privatization skills, using BPC's case as a support for both in-class and on-the-job training.

5 SCOPE OF WORK

- 5.1 The scope of work for the Advisor regarding the first objective will include carrying out a diagnostic study that will inform the possible strategy for private sector participation in BPC and will include, but not limited to:-
- 5.1.1 Carrying out as due diligence review of the Electricity Supply Industry and business of BPC, including reviews on the:-
- (i) legal and regulatory aspects covering the existing laws, regulations, policies and processes governing the Electricity Supply Industry and BPC,
 - (ii) technical, condition of assets and investment aspects of BPC
 - (iii) operations, production capacities, products and services as well as the institutional structures and employment status, and the environment within which BPC operates,
 - (iv) financial position and performance of BPC
- 5.1.2 Carrying out a full market analysis, which will include demand forecasting and competitor analysis, and an assessment of the level of investor interest in BPC.
- 5.1.3 Carrying out an asset and business valuation of BPC, using whatever techniques are appropriate for the Electricity Supply Industry.
- 5.1.4 From the above, identify and assess available possible options for private sector involvement in BPC and structured value propositions of a possible private sector participation strategy. In addition, advise on and recommend, if necessary:-
- (i) Any restructuring activities for BPC that would be necessary to prepare it for the proposed private sector participation strategy,
 - (ii) reforms (legislative, regulatory, institutional, etc) that will allow for the optimal realization of private sector participation opportunities in BPC, using the recommended strategy,
 - (iii) human resource issues and recommend necessary measures that need to be put in place to minimize negative impact on workers,
 - (iv) other obstacles to the prescribed private sector participation options/strategy.
- 5.1.5 The Advisor will present a draft private sector participation strategy for BPC and facilitate a stakeholder consultation workshop to be organized by the Government of Botswana.
- 5.2 The training component will cover all aspects of the project cycle, from due diligence to options analysis and to the recommendation of implementation plans for

privatization transactions. In order to keep the focus on principles that can be generalized from the BPC case, the training will focus on privatization in the infrastructure sector, in particular divestiture, outsourcing, leasing and concessions.

5.2.1 The target group of the training will be the Management Team and analysts, which comprises 15 persons. A preliminary skills audit is attached to allow the Consultant to prepare a detailed training plan, to be submitted with the offer.

5.2.2 The method, to be detailed by the Advisor, will be based on a mix of in-class training on the principles, processes and project management, and on-the-job training through direct participation of PEEPA staff in the key steps of the transaction, with a view to apply on BPC and future projects, the knowledge acquired in class. It is not expected that the Consultant will produce comprehensive educational material for the training. However, the training could rely on books available, which would be provided as part of the services. In addition, the consultant is expected to produce a training manual comprising the necessary case study material, presentations and exercises.

5.2.3 The training will be concluded by an examination, personal feedback to each participant, and an overall feedback to the CEO of PEEPA. A training report will summarize the outcomes of the training and recommend an action plan to further build the skills base of PEEPA staff.

6 DELIVERABLES AND TIMEFRAME

6.1 The Advisor will commence by submitting an Inception Report which will include, amongst other things, a detailed work plan for the strategy assignment and envisaged training activities, and findings from initial stakeholder consultations.

6.2 The assignment will take a period of 18 weeks. The deliverables and an indicative timetable is as follows:

Deliverables	Time frame From signature
Inception Report	2 weeks
Training manual	2 weeks
Due Diligence Report	10 weeks
Asset and Business Valuation Report	10 weeks
Draft Private Sector Participation Strategy for BPC	12 weeks
Stakeholder Workshop	15 weeks
Final Privatization strategy for BPC	18 weeks
Specific training activities	From week 3 to 15
Training report	18 weeks

6.3 The timetable may be modified subject to the approval of PEEPA and MMEWR to cater for exigencies which might be identified by the PEEPA, the Advisor or MMEWR during the assignment

7 COMPETENCY AND EXPERTISE REQUIREMENTS

7.1 The Advisor should be capable of undertaking the assignment. In assessing the capability of the Advisor, consideration will be given to whether:-

7.1.1 the Advisor has the resources to carry out the assignment on a timely basis.

7.1.2 the Advisor has the relevant professional expertise and experience to carry out the assignment, including the experience of the individual consultants of having carried out similar assignments before and the Advisor's performance in connection with those assignments.

7.2 The Advisor shall propose a sufficient team that is appropriately qualified with relevant experience for the project to ensure quality and completion within schedule. The Diagnostic Review requires multidisciplinary analysis. Therefore, the Advisor must endeavor to provide the range of expertise needs to address these issues. The composition of key disciplines for the team required for the study are summarized below, with more details in the ITT, Clause 10.5:

	NATURE OF EXPERTISE	MINIMUM QUALIFICATION/EXPERIENCE
1	Power Sector Economist – team leader	Bachelor's degree in relevant economics discipline. 15 years of post-qualification experience leading transactions and with particular experience advising on the structuring and implementation of private sector participation strategies in, or privatization or concessioning of electricity companies.
2	Electricity Operations specialist	Bachelor's degree in relevant discipline. 15 years of post-qualification experience in the operations of electricity companies and with particular experience advising on the privatization or private sector participation strategies for electricity companies
3	Financial/costing expert	Master's degree in relevant finance discipline 10 years of post qualification experience in costing and analyzing power sector projects, as well as carrying out financial and business valuations.
4	Electricity Engineering Expert	Bachelor's degree in electrical or relevant engineering discipline . 10 years of post-qualification experience advising on power sector projects
5	Legal expert	Bachelor's degree in Law.

		10 years of post-qualification experience with experience advising on energy sector projects and privatization or private sector participation projects in the energy sector.
6	Human Resources and Organization Development Specialist	Master's degree in Human Resources Management/Organization Development or relevant discipline. 10 years of post-qualification experience in human resources restructuring, development and change management.

7.3 The consultant is free to suggest alternatives for consideration by the Client. In addition, the Advisor is encouraged to associate with local citizen firms and/or Batswana by way of joint venture or sub-contracting arrangements.

8 REPORTING REQUIREMENTS

8.1 The Advisor will report to the Chief Executive Officer of PEEPA as the principal representative on this assignment and will work closely with the staff of PEEPA, the Ministry of Minerals, Energy and Water Resources and BPC. The Chief Executive Officer of PEEPA will serve as the principal contact for the Advisor and through whom the Advisor will receive all necessary approvals. A Reference Committee, comprising of key stakeholders will be established by PEEPA, as a consultative forum, to review and monitor deliverables of the assignment.

8.2 All reports, including any advisory documents submitted to the Client by the Advisor will be in hard copy (5 copies) as well as in soft copy on CD ROMs (5 copies).

9 TENDER SUBMISSION

9.1 A tender submission shall comprise of two separate proposals, a “technical proposal” and a “financial proposal” which shall be submitted in separate envelopes clearly marked as specified in Section 3 Instruction to Tender. The technical proposal shall include only the technical requirements responding to the terms of reference and should not include any financial information relating to the price of the assignment.

9.2 The financial proposal should provide the expected total cost of the assignment being the aggregate of the proposed fixed fee, reimbursable expenses and a proposed success fee.

9.3 The financial proposals may be denominated in the Botswana Pula, South African Rand or United States Dollar, however, the contracted sum will be converted into Botswana Pula at the prevailing Pula exchange rate (mid-rate) at the tender submission closing date for assessment purposes (Source of exchange rate will be the Bank of Botswana).

10 CONFIDENTIALITY

- 10.1 The Advisor, its sub-contractors and personnel or either of them shall not either during the term or after the termination of or expiration of this assignment, disclose any proprietary or confidential information relating to the services, as well as the operations of PEEPA, MMEWR and BPC and the Botswana Government, without PEEPA's prior written consent.

11 PROPRIETARY INTERESTS

- 11.1 Proprietary interests on all materials and documents prepared by the Advisor under this assignment shall become and remain the property of PEEPA and the Government and cannot be used without PEEPA's prior approval.

**Annex 4 - TERMS OF REFERENCE (2) FOR
PRIVATE SECTOR PARTICIPATION IN PROVISION OF MAINTENANCE
SERVICES TO GOVERNMENT BUILDINGS**

1. BACKGROUND

- 1.1 The Department of Building and Engineering Services (DBES), under the Ministry of Transport and Communications is charged on the development and maintenance of all Government buildings. An exercise carried out in 2008 found Government had a total number of 2,299 buildings (Tables 1 and 2).

Table 1: Government building by location

Central Region	430 (18.7%)
Gaborone Region	1,032 (44.9%)
North Region	314 (13.7%)
North West Region	134 (5.8%)
South Central Region	68 (3.0%)
South Region	321 (14.0%)
Total	2,299 (100%)

Source: DBES, 2008

Table 2: Government building by type

Residential	1,520 (66.1%)
Offices	499 (21.7%)
Schools	50 (2.2%)
Hospitals	34 (1.5%)
Police Station	29 (1.3%)
Colleges / Universities	27 (1.2%)
Other Types	140 (5.2%)
Total	2,299 (100%)

Source: DBES, 2008

- 1.2 Although hospitals (1.5%), schools (2.2%) and colleges/universities (1.2%) constituted a small percentage of the overall figure, their maintenance requirements need substantial budgets to support the size of the buildings and sophistication of technology involved which supports business / public services.
- 1.3 The industry norm is that the average life cycle of a building is 25 years. After this a revamp of the building is required to address refurbishment of structure and replacement of hard service infrastructure. Buildings in the Central Region were found to have as average 29 years old and as a result were viewed to be more problematic in terms of condition of hard services. While this indicated a majority of the recorded buildings were

at an “established” stage and fast approaching or already at a stage where major repairs and refurbishments are required to address maintenance and up keep, it was noticed that one fifth of the buildings were 25 years or older. Maintenance regimes and plans are very reactive and did not address future life cycle maintenance management. Also notice was that in some regions that hard service infrastructure within 7 years and younger (“newer”) are in a very poor - very bad state of repair. Also in other limited cases Secondary Schools buildings had been vandalized and in a dilapidated state totally unfit for occupation or use.

- 1.4 Maintenance, of which 89.4% is provided in-house by DBES staff, is budgeted at head office for the annual cycle and is based on escalating the budget from the previous year by an economic indicator and therefore falls short of addressing current maintenance requirements, backlog of maintenance from previous cycles and emergency maintenance contingencies. Maintenance is seen as non-core and therefore is seldom seen as an important aspect when budgeting and forecasting. In addition, infrastructure is not unattended to despite numerous requests from users due logistical and resourcing issues and a lack of urgency to respond to calls or prioritize these maintenance requests.
- 1.5 As a result of limited cyclical maintenance, exacerbated by insufficient budgetary allocations, limited human resources capacity at DBES and in-availability of spares and training to repair sophisticated and specialised infrastructure equipment, a majority of Government buildings have lacked civil maintenance and in some, conditions have deteriorated to critical levels. Vandalism and abuse of structures has rendered many buildings unsuitable for occupation and no measures are in place to curb such abuse. DBES is in urgent need to improve and accelerate maintenance of Government buildings to ensure it offers promptly reliable infrastructure accommodation. It requires to develop and implement a more cost effective and efficient maintenance delivery methods, involving private sector service providers, that will ensure infrastructure sustainability, as a way of improving service delivery..

2. **OBJECTIVE**

- 2.1 The purpose of the assignment is to procure transaction advisory services to advise on how best to structure Government buildings’ maintenance delivery services and on the selection of the private sector service provider to deliver suitable infrastructure accommodation. Specific objectives of the assignment are to:
 - i) develop the most suitable and cost method that will support DBES in delivery of maintenance services.
 - ii) procure a private sector service provider to deliver the maintenance in the most efficient manner.
 - iii) Provide capacity build staff to project manage the structuring, development and monitoring of private sector services delivery projects.

- 2.2 The assignment will be carried out in accordance with the Government of Botswana's Privatization Policy which seeks to improve the efficiency, productivity and competitiveness in delivery public sector infrastructure and services through the involvement of the private sector.

3. TASKS

- 3.1. The Transaction Advisor will be required to:-

- 3.1.1. Undertake a comprehensive feasibility study or business case assessment and recommend the most efficient and cost effective solution for delivery of the maintenance services. This will include a project due diligence, a solutions options analysis that takes into consideration technical, legal and financial issues associated with project, an assessment of the availability and capabilities of the private sector to deliver, relevant business valuations and NPVs including development of a public sector comparator, and development of optimal private sector delivery solution/option.
- 3.1.2. Undertake a risk assessment of all risk associated with the project, their quantification and how the risks should be allocated to the parties that will best manage/mitigate them.
- 3.1.3. Based on the above, develop a suitable delivery structure for the recommended maintenance delivery option including innovative operational efficiencies that may realistically be expected of the private sector party, the risk allocation, project cost, payment and penalty mechanism. All assumptions must be clearly stated.
- 3.1.4. Prepare a Project Implementation Plan
- 3.1.5. Prepare bidding documents including, amongst others, the scope of requisite output specifications and expected service delivery standards, compliance requirement, payment mechanism and a penalty deduction system and PPP or any other contract to be signed for delivery of the project and relevant service level agreements. The will be developed in accordance the Public Procurement and Asset Disposal Board regulations.
- 3.1.6. Administer bidding process including preparation of a data room, arrange necessary structured pre-bidding conferences and meetings, manage bidder clarification and feedback, and manage evaluation process
- 3.1.7. Facilitate contract negotiations (commercial and legal), award and signing, and financial closure
- 3.1.8. Develop Contract Management, Communication and Stakeholder Relationship Plans and facilitate monitoring of project.

- 3.2. The Transaction Advisor will be required to develop and implement a training plan that covers all technical and management aspects of the assignment, to ensure capacity building of staff within PEEPA and DBES, to enable these entities acquire skills that can adequately structure, monitor and manage similar future assignments

4. DELIVERABLES AND DURATION OF THE ASSIGNMENT

- 4.1. The Advisor will commence by submitting an Inception Report which will include, amongst other things, a detailed work plan for the strategy assignment and envisaged training activities, and findings from initial stakeholder consultations. The deliverables will include the following:-

- (i) An Inception Report,
- (ii) Training Manual
- (iii) A Feasibility Study and Risk Assessment Report on Government Building Maintenance
- (iv) Maintenance Delivery Options Report and Implementation Plan
- (v) An Tender Documents and Relevant contracts,
- (vi) Reports on of Pre-qualification, Bidding and Negotiation processes
- (vii) Contract Management, Communication and Stakeholder Relationship Plans
- (viii) Contract Completion Report

- 4.2. The assignment will take a period of 6 months. The indicative timetable for submission of the deliverables by the Advisor is as follows:-

Deliverables	Time frame From signature
Inception Report	2 weeks
Training manual	2 weeks
Feasibility Study and Risk Assessment Reports	10 weeks
Options Report and Implementation Plan	12 weeks
Stakeholder Workshop	14 weeks
Tender documents and Contracts	20 weeks
Prequalification Report	26 weeks
Bidding Process Report	38 weeks
Negotiations Report	44 weeks
Contract Management, Communication and Stakeholder Relationship Plans	48 weeks
Specific training activities	From week 3 to48
Contract Completion and Training reports	52 weeks

- 4.3. The timetable may be modified subject to the approval of PEEPA and DBES to cater for exigencies which might be identified by the PEEPA, the Advisor or the Ministry during the assignment

5. COMPETENCY AND EXPERTISE

- 5.1. The Transaction Advisor should comprise a team, managed by a single Lead Advisor who should have relevant experiences of leading a similar assignment.

5.1.1. The skills and experience required in the transaction advisory team are as follows:-

- Engineering with project management qualification as well as relevant project structuring and contract management expertise,
- Financial analysis, with relevant corporate or project finance structuring experience;
- Engineering with specific in infrastructure management, maintenance and monitoring,
- Legal, with relevant experience in risk allocation, contract drafting and negotiations.

5.1.2. The Lead Advisor will be held accountable, in terms of the Contract, for ensuring project deliverables and the professional conduct and integrity of the team.

5.1.3. The Transaction Advisor is free to suggest alternatives for consideration by the Client. In addition, the Advisor is encouraged to associate with local citizen firms and/or Batswana by way of joint venture or sub-contracting arrangements.

6. REPORTING REQUIREMENTS

6.1. The Advisor will report to the Chief Executive Officer of PEEPA as the principal representative on this assignment and will work closely with the staff of PEEPA, the DBES and the Ministry of Transport and Communications. The Chief Executive Officer of PEEPA will serve as the principal contact for the Advisor and through whom the Advisor will receive all necessary approvals. A Reference Committee, comprising of key stakeholders will be established by PEEPA, as a consultative forum, to review and monitor deliverables of the assignment.

6.2. All reports, including any advisory documents submitted to the Client by the Advisor will be in hard copy (5 copies) as well as in soft copy on CD ROMs (5 copies).

7. TENDER SUBMISSION

7.1. A tender submission shall comprise of two separate proposals, a “technical proposal” and a “financial proposal” which shall be submitted in separate envelopes clearly marked as specified in Section 3 Instruction to Tender. The technical proposal shall include only

the technical requirements responding to the terms of reference and should not include any financial information relating to the price of the assignment.

- 7.2. The financial proposal should provide the expected total cost of the assignment being the aggregate of the proposed fixed fee, reimbursable expenses and a proposed success fee.
- 7.3. The financial proposals may be denominated in the Botswana Pula, South African Rand or United States Dollar, however, the contracted sum will be converted into Botswana Pula at the prevailing Pula exchange rate (mid-rate) at the tender submission closing date for assessment purposes (Source of exchange rate will be the Bank of Botswana).

8. CONFIDENTIALITY

- 8.1. The Advisor, its sub-contractors and personnel or either of them shall not either during the term or after the termination of or expiration of this assignment, disclose any proprietary or confidential information relating to the services, as well as the operations of PEEPA, DBES, the Ministry of Transport and Communications and the Botswana Government, without PEEPA's prior written consent.

9. PROPRIETARY INTERESTS

- 9.1. Proprietary interests on all materials and documents prepared by the Advisor under this assignment shall become and remain the property of PEEPA and the Government and cannot be used without PEEPA's prior approval.

**Annex 5 - TERMS OF REFERENCE (3) FOR
CONSULTANCY SERVICE FOR THE FORMULATION OF A STRATEGY AND
POLICY TO ENHANCE CITIZEN ECONOMIC EMPOWERMENT THROUGH
PRIVATIZATION**

1. BACKGROUND

- 1.1. One of the key objectives the Privatization Policy for Botswana (Government Paper no. 1 of 2000) is to promote the participation of citizens in the economy by increasing the opportunities for Botswana to own productive assets arising from the privatization program. This is in line with the Government's high level long term vision strategy (Vision 2016) through which it has committed itself to finding "concrete strategies to ensure citizen empowerment and to maximize the participation of citizen owned companies in the economy".
- 1.2. The Privatization Policy for Botswana highlights the main measures that will be used to empower citizens during the process of privatization. These include:
 - (i) Promoting share-holding by citizens in share offerings of public enterprises
 - (ii) Using pension and other funds (e.g. unit trusts) to buy shares for the benefit of members, special access to shares by management and employees of privatised entities
 - (iii) Provide special advice and assistance in organising employee and management buy-outs.
 - (iv) Educating Botswana on how to empower themselves through training and development of managerial and entrepreneurial skills.
- 1.3. To encourage citizen participation in share ownership, Government has already committed itself to several policy initiatives which are set out in the Privatization Policy, for Botswana, including:
 - (i) The size of the share purchases required to participate in IPOs will be low enough to attract as many citizen buyers as commercially feasible
 - (ii) The Government will set up an Investment Trust Fund to purchase a certain percentage of shares of privatised enterprises on behalf of citizens
 - (iii) The Government will extend the Small, Medium and Micro Enterprises (SMME) or its successor CEDA "credit scheme" to small citizen investors to facilitate citizen ownership of privatised enterprises
 - (iv) The management buy-outs as means of transferring ownership to management and employees will be encouraged
 - (v) Appropriate technical assistance and training arrangements will be provided to management and employees for implementing buy-out transactions
 - (vi) Existing empowerment schemes will be reviewed and used to enable citizen participation in ownership of shares of privatised entities
- 1.4. To ensure accelerated deal flow as well as for PEEPA effectively deliver on its mandate of advising and leading implementation of transactions, there is need to, amongst other things, develop a Citizen Economic Empowerment Strategy Framework that will identify new measures and initiatives to guide empowerment within the ambit of the Privatization Policy, as well as

provide guidelines to guide the approach and manner of facilitating meaningful participation of citizens in privatization transactions.

2. OVERALL OBJECTIVE

- 2.1. Develop a comprehensive citizen economic empowerment strategy and guidelines to be used and applied during the privatization transaction process, which be carried out through the divestiture of public entities and assets, public service contracting out initiatives as well as in the provision of infrastructure and services by means of public private partnership methods.

3. SCOPE OF WORK

- 3.1. To ensure citizen participation of in privatization transactions on a sustainable basis, the Expert is required, but not limited to:
 - (i) Review the existing policy environment for citizen economic empowerment through privatization, identify and recommend changes to the current support policies and measures as well as recommend new measures to achieve the objectives of citizen empowerment as it relates to privatization.
 - (ii) Develop entrepreneurial development principals, methods and guidelines that will result in successful citizen businesses and broaden the ownership base through privatization. These should include empowerment mechanism for employees of public enterprises that are to be privatised and staff of Government departments whose services will be contracted out, such management and employee buy-outs, ESOPs and participation of employees in public services which have/are to be contracted out. The guidelines should include any prerequisites including capacity initiatives that will be require that would be required to give effect to the recommended methods.
 - (iii) Design investment vehicles that are attractive and affordable to the general public to encourage wider participation by the public and broaden ownership of companies by citizens. This will include review of the initiatives which are highlighted in the Privatization Policy to encourage citizen participation and empowerment.
 - (iv) Structure and recommend financing strategies for supporting empowerment transactions following a review of the existing procurement requirements as well as financing institutions and Government empowerment schemes and programs.
 - (v) Make recommendations on training, skills development and transfer programs for the private sector, which may be deemed necessary to support privatization, as well as a mentorship program that will be required to ensure the success of citizen businesses after privatization. Identify opportunities for technical assistance to finance training and workshop costs for capacity building of citizen investors.
 - (vi) Recommend necessary employee support programs and a social safety net to be implemented during privatization.
 - (vii) Develop an advocacy for citizen economic empowerment that will strengthen and/or integrate business associations and organisations as well as to build capacity amongst communities and civil society structures

- 3.2. Based on the above the Expert will develop and present a draft strategy framework report laying out the principals for providing opportunities for citizens and citizen entrepreneurs and businesses participation during privatization as well as conditions and guidelines to ensure that the economic benefits outweigh the cost of distortion resulting from this market intervention.

4. DELIVERABLES AND TIMEFRAME

- 4.1. The Expert will commence by submitting an Inception Report which will include findings from initial stakeholder consultations and detailed work plan for the strategy assignment. The deliverables will include the following:-

- (ix) An Inception Report,
- (x) A Draft Citizen Economic Empowerment Report
- (xi) A final Citizen Economic Empowerment Report

- 4.2. The assignment will take a period of 12 weeks. The indicative timetable for submission of the deliverables by the Advisor is as follows:-

Deliverables	Time frame From signature
Inception Report	2 weeks
Draft Citizen Economic Empowerment Report	8 weeks
Stakeholder Workshop	10 weeks
Final Citizen Economic Empowerment Report	12 weeks

- 4.3. The timetable may be modified subject to the approval of PEEPA to cater for exigencies which might be identified by the PEEPA and the Expert during the assignment

5. COMPETENCY AND EXPERTISE REQUIREMENTS

- 5.1. Masters degree is required, preferably in business administration or private sector development with a minimum of ten years of relevant experience in formulating similar citizen empowerment policies or strategies and guidelines, private sector review and analysis and private sector capacity building. Experience in privatization and project management in the Africa region is an added advantage.

6. REPORTING REQUIREMENTS

- 6.1. The Expert will report to the Chief Executive Officer of PEEPA as the principal representative on this assignment and will work closely with the staff of PEEPA. The Chief Executive Officer of PEEPA will serve as the principal contact for the Advisor and through whom the Advisor will receive all necessary approvals. A Reference Committee, comprising of key stakeholders will be established by PEEPA, as a consultative forum, to review and monitor deliverables of the assignment.

- 6.2. All reports, including any advisory documents submitted to the Client by the Advisor will be in hard copy (5 copies) as well as in soft copy on CD ROMs (5 copies).

7. TENDER SUBMISSION

- 7.1. A tender submission shall comprise of two separate proposals, a “technical proposal” and a “financial proposal” which shall be submitted in separate envelopes clearly marked as specified in Section 3 Instruction to Tender. The technical proposal shall include only the technical requirements responding to the terms of reference and should not include any financial information relating to the price of the assignment.
- 7.2. The financial proposal should provide the expected total cost of the assignment being the aggregate of the proposed fixed fee, reimbursable expenses and a proposed success fee.
- 7.3. The financial proposals may be denominated in the Botswana Pula, South African Rand or United States Dollar, however, the contracted sum will be converted into Botswana Pula at the prevailing Pula exchange rate (mid-rate) at the tender submission closing date for assessment purposes (Source of exchange rate will be the Bank of Botswana).

8. CONFIDENTIALITY

- 8.1. The Advisor, its sub-contractors and personnel or either of them shall not either during the term or after the termination of or expiration of this assignment, disclose any proprietary or confidential information relating to the services, as well as the operations of PEEPA and the Botswana Government, without PEEPA’s prior written consent.

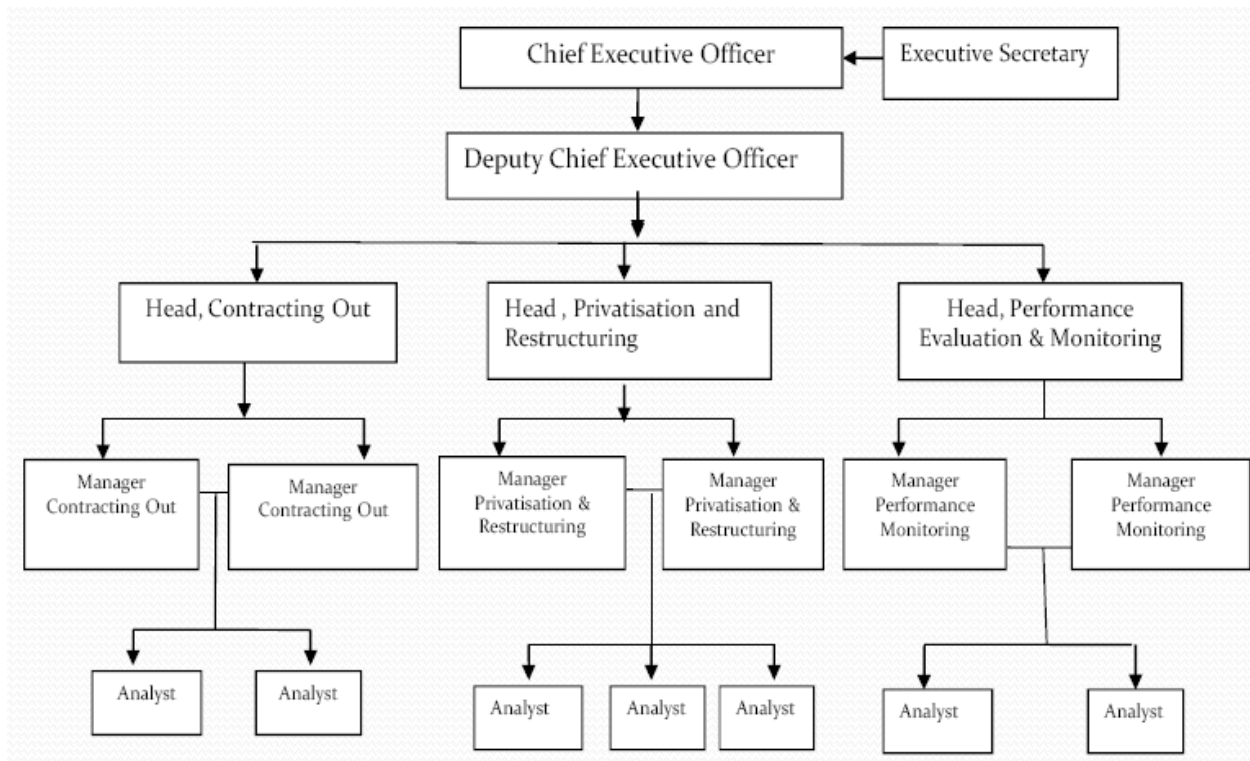
9. PROPRIETARY INTERESTS

- 9.1. Proprietary interests on all materials and documents prepared by the Advisor under this assignment shall become and remain the property of PEEPA and the Government and cannot be used without PEEPA’s prior approval.

Annex 6 – DETAILED WORK PLAN (INDICATIVE)

Activity	Who	2010				2011												2012																						
		9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12											
Project preparation (incl. procurement)																																								
Submission to AfDB Board and Approval	PEEPA / AfDB	■																																						
Tendering for consulting firms A, B and C	PEEPA		■	■																																				
Final selection of consulting firms A, B and C	PEEPA / AfDB				■																																			
Privatization strategy for BPC and training																																								
Inception report	Consulting firm A					■																																		
Due diligence and training	Consulting firm A						■	■	■																															
Asset and Business Valuation and training	Consulting firm A						■	■	■																															
Options analysis	Consulting firm A							■	■	■																														
Stakeholder Workshop	Consulting firm A										■	■																												
Final privatization strategy	Consulting firm A											■	■																											
Training on due diligence and options analysis for infrastructure companies	Consulting firm A												■	■																										
Privatization strategy and tendering documents for Government buildings, schools and hospitals and training																																								
Inception report	Consulting firm B					■																																		
Due diligence and training	Consulting firm B						■	■	■																															
Asset and Business Valuation and training	Consulting firm B						■	■	■																															
Options analysis	Consulting firm B							■	■	■																														
Stakeholder Workshop	Consulting firm B										■	■																												
Final privatization strategy	Consulting firm B											■	■																											
Evaluation of the strategy by Cabinet	Govt Botswana												■	■	■																									
Preparation of tender documents	Consulting firm B															■	■																							
Request for proposal	Consulting firm B																■	■																						
Evaluation of offers	Consulting firm B																	■	■																					
Training on due diligence, options analysis, tendering for public buildings	Consulting firm B																																							
Policy for Citizen economic empowerment																																								
Inception report	Consulting firm C					■																																		
Diagnostic	Consulting firm C						■	■																																
Interim report	Consulting firm C								■	■																														
Preparation of draft report and first draft law for citizen economic empowerment	Consulting firm C										■	■																												
Consultative workshop	Consulting firm C											■	■																											
Preparation of final report and final draft law for citizen economic empowerment	Consulting firm C												■	■																										
Secondment of staff																																								
Implementation of the secondment program	PEEPA																																							

Annex 7 – PEEPA ORGANIZATIONAL STRUCTURE



Annex 8 - Preliminary skills audit (Summary)

Preliminary skills audit - Summary

	Years of experience with PEEPA	Total years of experience in the private sector	Total years of experience in the public sector (excluding PEEPA and parastatal)	Total years of experience in a parastatal (excluding PEEPA)	Years of experience in Privatisation outside PEEPA[1]	Total years of experience All inclusive
Management						
Total years of experience	20	19	36	70	19	
Average years of experience	3	2	5	9	2	18
Operations staff (excluding corporate services)						
Total years of experience	11	24	0	19	1	
Average years of experience	2	3	0	3	0	8

Annex 9 - Preliminary skills audit (Detailed Table)

Department	Highest degrees	First Degree, diploma or certificate	Years of experience with PEEPA	Total years of experience in the private sector	Total years of experience in the public sector (excluding PEEPA and parastatal)	Total years of experience in a parastatal (excluding PEEPA)	Years of experience in Privatisation outside PEEPA[1]
1 Deputy CEO	MBA	B.Com (Accounting, Finance & Mgt)	2.5	0	0	20	0
Core Departments							
Privatisation and Restructuring							
2 Manager	MBA	BCom (Finance)	8		6	13	6
3 Manager	MBA Financial Mgt Doctorate: Fin Dev, Fin Structure & Economic Growth	BA Economics & Stats	1.5	0	1	14	0
Performance Monitoring							
4 Head,	MSc Economics & Finance	BA Economics; PGD Economics	7	0	0	6	1
5 Manager		BA Economics & Industrial Psychology	1	1	0	15	2
Public Services Outsourcing							
6 Head	MBA	BSc Physics	0.5	13	24		10
7 Manager	MBA Business Finance & Administrative Studies	BCom Accounting & Mgt	1	4.5	5	10	
8 Manager	MBA Supply Chain Mgt)	BCom; Graduate PGD Purchasing & Supply	1		0	12	
Analyst							
9 Analyst 1	MCom Economics	BCom (Honours) Economics; BA Social Sciences (Econ & Stats)	3		0	13	0
10 Analyst 2		BA Business Science (Finance & Economics)	2.5	2	0		0
11 Analyst 3	)	BSc Finance (Economics & Risk Mgt)	0.5	3	0		1
12 Analyst 4		BBA Marketing ,PGD Purchasing & Supply	1.5	4	0	1	0
13 Analyst 5	Masters Electronic & Computer Engineering	BEng (Hons) Computer Engineering; Prince2 Practitioner	1.5	5	0		0
14 Analyst 6	CIMA	BCom Business Systems Implementation & Electronic Commerce Mgt	1	5	0	3	
15 Analyst 7		Advanced Diploma in Computers, Certificate in Project Mgt & Business Mgt	1	5	0	1.5	0
Corporate Services Departments							
16 Manager, IT	MBA	BSc Computer Science	1.5	8	2		0
17 Database & Network Administrator		Advanced Diploma Computer Studies	1	6	0		0
18 Manager, Information Resource Centre	Master s Library & Info Studies	BA Humanities; PGD in Library & Info Studies	6	1		11	0
19 Library & Records Officer		Diploma in Library & Info Studies	4	0		10	0
20 Manager, HR	Masters Organizational & Clinical Psychology	Bsc Psychology	2.5	2	2	5	0
21 HR Practitioner	BA Humanities		1	2	0		0
22 Manager, Finance & Administration	ACCA	BCom Accounting	2	3	5	11	0
23 Assistant Manager, Finance & Administration	CIMA	AAT	2	1.5		1.5	0
24 Accounts Officer		AAT	2	5	0		0
25 Principal Communications Manager	Masters Mass Communications	BA Social Work	0.5	2	5	11	
26 Manager, Communications & Public Education		BA in Visual Comms(Fine Arts)	2	9	1		
27 General Corporate Counsel	Masters Law	LLB	0	0.5	15	0.5	0
28 Administration Officer	0	0	7	0	1	4	0
29 Divisional Secretary1		Diploma in Secretarial	5	6		7	0
30 Divisional Secretary2		Diploma in Secretarial	4	9	0		0
31 Divisional Secretary3		Adv. Certificate Secretarial	1.5	0		17	0
32 Receptionist	0	0	2	8	0		0
33 Office Assistant/Driver/Messenger	0	0	1.5	3	0		0

[1] Years experience in privatization, outsourcing or PPP outside of PEEPA (either on the private sector side, in projects and operations involving a privatized company, outsource

Annex 10 - Project Procurement Arrangements

Project Categories	<i>[in UA]</i>					
	ICB	NCB	Other*	Short List	Non-Bank-Funded	Total
1. Goods	N/A	N/A	N/A	N/A	N/A	N/A
2. Service Contracts	N/A	N/A	N/A	N/A	N/A	N/A
2.1 publications						
3. Consulting Services	N/A	N/A	N/A	N/A	N/A	N/A
3.1 Studies and Engineering	N/A	N/A	N/A	N/A	N/A	N/A
3.2 Technical Assistance						
Privatization strategy for BPC and training				<i>260,000</i>		<i>260,000</i>
Privatization strategy and tendering documents for Government buildings, schools and hospitals and training				<i>160,000</i>		<i>160,000</i>
Policy for Citizen economic empowerment				<i>60,000</i>		<i>60,000</i>
Secondment of staff to an experienced sister privatization agency			<i>76,000</i>		<i>32,000</i>	<i>108,000</i>
4. Training						
5. Miscellaneous			<i>44,000</i>			<i>44,000</i>
TOTAL	0	0	<i>120,000</i>	<i>480,000</i>	<i>32,000</i>	<i>632,000</i>

* Other may be National Shopping, Direct Purchase.

Figures in italic are amounts financed by the Bank Group.

Annex 11 - Privatization transactions' status

TRANSACTIONS COMPLETED AT PEEPA LEVEL	
Transactions	Update
1. Privatization of Air Botswana	Structuring of transaction and negotiations with a potential equity partner were completed in June 2007, however, Government decided to recapitalize and restructure the company first before further consideration of its privatization.
2. Botswana Vaccine Institute	Process, which was intended to raise funding for the expansion of the vaccine making facility, involved issuing of redeemable preference shares worth P50m; bond issue of P70m; term debt of P15m, all of which was completed end of 2008
3. GEMVAS and GLIF	Structuring and completion of transaction that offered the administration of GEMVAS, an insurance scheme to the private sector was completed in December 2009.
4. Strategy For National Development Bank (NDB)	Development of privatization strategy that includes a transaction structure and implementation plan to guide in the privatization of the National Development Bank (NDB) was completed and submitted to Government for consideration in October 2009
5. Office Accommodation for Office of the Ombudsman and Land Tribunal	The PPP Project was completed by the private sector partner and handed over, for Government use, in February 2008
TRANSACTIONS ON-GOING	
Transactions	Update
6. Privatization of Botswana Telecom Corporation (BTC)	A transaction structure has been approved in May 2010. Implementation timelines envisage completion of transaction during 2011/12.
7. Privatization Of Banyana Pty Limited (BPL)	Government approved, in April 2009, the restructuring of BPL, which involves the privatization, via leasing, of 97,000hectares of the Ranch to commercial farmers to obtain value from the Ranch and BPL retaining 52,000hectares to operate its ranching mandate. A feasibility assessment and development of leasing structures were completed in March 2010, for Government consideration. Implementation is envisaged to be completed during 2010/2011
8. Privatization of Seed Production	Development of a strategy for the privatization of the seed production function in the Department of Agricultural Research was completed in April 2010. Implementation is envisaged to be completed during 2011/2012.
9. Serviced Office Accommodation for: Environment, Wildlife & Tourism and Lands & Housing (MLH)	Transaction structuring and negotiations for the award of a concession to a private sector service provider, was completed in December 2008. However, due to costs concerns by Government, the project scope is being reviewed, for possible re-negotiation or re-tendering.
10. Botswana International University Of Science & Technology	The project comprises of the design, financing and implementation of the best option involving the private sector in the delivery of the BIUST campus infrastructure. The tender process for securing a private sector service provider(s) is on-going and financial closure is envisaged in the fourth quarter of 2010/11.
11. Outsourcing of the Management of Government Fleet by Central Transport Organisation (CTO)	A diagnostic review to advise on the most cost effective and efficient option for the provision of vehicle fleet management services to Government Ministries and its departments, currently being provided by the Central Transport Organisation (CTO) was completed in April 2008. Recommendations are being processed for consideration by Government.
12. Outsourcing of Fuel Operations for CTO Vehicles	An assessment that will recommend an optimal solution for provision of fuel to Government vehicles more efficiently is to be completed during 2010/11.
13. BMC Pre-Feasibility Review.	A pre-feasibility review to advise on the readiness of BMC's privatization, is at an advanced stage.

Source: PEEPA

Annex 12 - Botswana – African Development Bank active portfolio

March 2010			
Project Title	Window	Year approved	Approved Amount (MillionUA)
Pandamatenga Agriculture Infrastructure Project	ADB	2008	38.6
MIC capacity Building for the Ministry of Agriculture	MIC	2007	0.29
AWF-Watercontrol and Management system	AWF	2007	1.08
Economic Diversification Support Loan	ADB	2009	949.19
MIC-Corporate Governance Code	MIC	2007	0.15
Institutional strengthening of local authorities	MIC	2008	0.28
Vision 2016	MIC	2008	0.25
Support for Education Quality	MIC	2010	0.6
Kanzangula Bridge (Multinational)	MIC	2007	0.6
Kanzangula Bridge (Multinational)	IPPF	2006	1.45
Morupule "B" Power Transmission Project	ADB	2009	139.9
Solar Energy Project	MIC	2009	0.6
Total			1,132.99

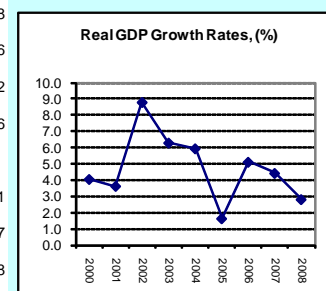
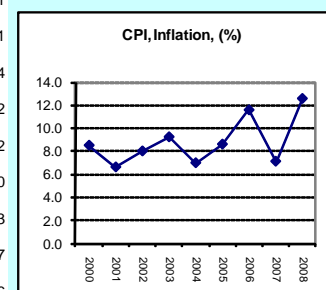
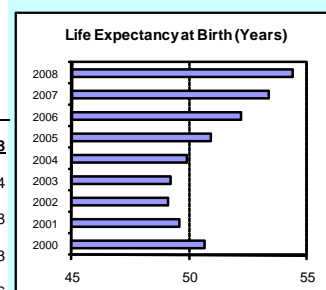
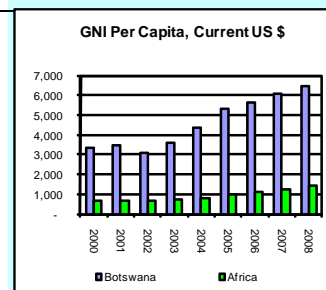
Annex 13 - Botswana - Country Profile



Botswana - Country Profile



	Botswana		Africa		Developing countries
	Year	Value	Most Recent Year		
Social					
Population, mid-year (millions)	2008	1.9	986	5523	
Population growth (annual) (%)	2008	1.5	2.3	1.4	
GNI per capita (Atlas method, US\$)	2008	6,470	1,428	2,405	
Urban population (% of total population)	2008	60.0	39.1	44.2	
Life expectancy at birth (years)	2008	54.4	54.5	65.7	
Infant mortality (per 1,000 live births)	2008	36.5	83.9	53.1	
Child malnutrition (% of children under 5)	2004	5.9	130.2	80.8	
Access to an improved water source (% of population)	2006	96.0	68.0	62.0	
Illiteracy (% of population age 15+)	2007	82.9	38.0	21.0	
Gross primary enrollment (% of school-age population)					
Male	2005	107.5	101.7	112.0	
Female	2005	106.0	92.1	103.0	
Human Development Index	2007	0.694	0.514	0.679	
Macroeconomic indicators					
	1990	2000	2006	2007	2008
GDP (US\$ billions)	3.4	5.6	11.3	12.3	13.4
Real GDP Growth Rate (%)	5.5	4.1	5.1	4.4	2.8
Real Per Capita GDP Growth Rate (%)	2.5	2.3	3.7	2.9	1.3
Gross capital formation (% of GDP)	38.8	31.8	24.0	25.9	32.6
Gross national savings (% of GDP)	48.6	38.9	48.2	49.1	51.4
Inflation (%)	11.0	8.5	11.6	7.1	12.6
Growth of Money Supply, M2 (%)	-14.0	1.4	67.4	31.2	21.1
Export Growth of Goods, volume (%)	11.4	2.3	2.5	5.0	-15.1
Import Growth of Goods, volume (%)	-13.1	-8.1	-4.7	24.6	11.4
Terms of Trade (%)	-29.8	-4.4	-2.9	0.2	-1.2
Debt Service (% of Exports of G&S)	11.6	18.5	16.8	16.6	7.2
Current Account (% of GDP)	-0.5	9.7	17.2	14.3	7.0
Total external debt (% of GDP)	18.6	42.2	12.5	10.2	9.3
Average exchange rate (National Currency Per US \$)	1.860	5.102	5.837	6.139	6.827
Reserves including gold (US\$ millions)	3,331.5	6,318.2	7,992.4	9,789.7	9,118.6
Reserves (months of imports of goods & services)	20.1	32.6	27.7	26.3	19.4
STRUCTURE of the ECONOMY					
By sector (% of GDP)					
Agriculture	4.9	2.4	1.8	1.7	1.8
Industry	61.2	52.8	48.8	49.1	49.6
Manufacturing	5.2	4.4	3.3	3.2	3.2
Services	33.9	44.8	49.4	49.2	48.6
By sector (Annual growth rate)					
Agriculture	3.6	-11.5	-1.2	1.1	1.1
Industry	0.3	10.8	-1.5	4.7	4.7
Manufacturing	4.8	3.5	-0.9	-0.9	-0.8
Services	15.9	4.5	7.5	5.9	4.2



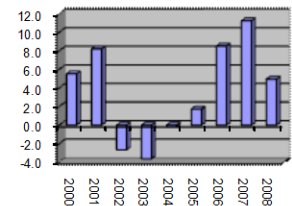


Botswana - Country Profile

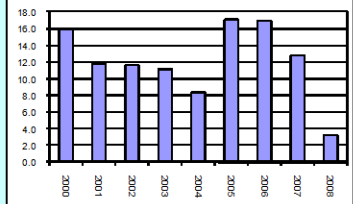


	1990	2000	2006	2007	2008
Private sector development					
Time to start a Business (days)	...	...	108	108	78
Registering Property (days)	...	...	11	11	11
Paying Taxes - Payments (number)	...	...	19	19	19
Enforcing Contracts - Time (days)	...	...	987	987	987
Protecting Investors - Investor Protection Index (0-10)	...	...	4.3	4.3	6
Government finance (%GDP)					
Total revenue and grants	49.5	43.1	40.9	40.2	37.2
Total expenditure and net lending	39.2	37.5	32.4	28.9	32.3
Overall surplus/deficit (including grants)	11.6	5.5	8.5	11.2	5.0
BALANCE of PAYMENTS					
(US\$ millions)					
Trade balance	185.0	902.2	1,904.3	1,580.4	440.8
Exports of goods (fob)	1,801.0	2,675.4	4,520.8	5,024.8	4,903.8
Imports of goods (fob)	1,616.0	1,773.2	2,616.5	3,444.4	4,462.9
Services balance	-166.9	-222.7	-63.8	-179.8	-238.9
Net income	-106.2	-351.3	-772.6	-740.2	-275.7
Current account balance	-19.3	545.3	1,939.4	1,765.5	938.4
BALANCE of PAYMENTS					
(% of GDP)					
Trade balance	5.5	16.0	16.9	12.8	3.3
Exports of goods (fob)	53.3	47.5	40.2	40.7	36.7
Imports of goods (fob)	47.8	31.5	23.2	27.9	33.4
Services balance	-4.9	-4.0	-0.6	-1.5	-1.8
Net income	-3.1	-6.2	-6.9	-6.0	-2.1
Current account balance	-0.6	9.7	17.2	14.3	7.0
Financial Flows and External Debt					
(US\$ millions)					
Net Total Flows from All Donors	151.6	83.3	92.7	34.1	...
Net Total ODA (Official Dev. Assistance) from All Donors	145.2	30.6	65.6	101.8	...
Foreign Direct Investment Inflows from All Donors	95.9	57.3	488.8	494.9	...
Total debt outstanding at year-end	706.9	2,378.6	1,410.7	1,262.6	1,248.3
Total debt service	11.6	185	16.8	16.6	7.2

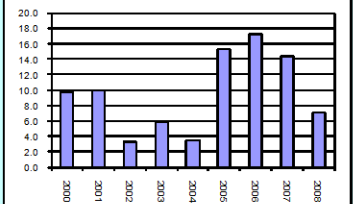
Fiscal Balance (% of GDP)



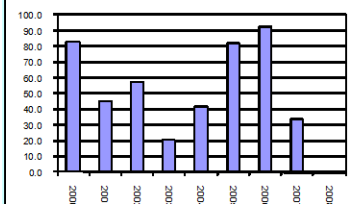
Trade Balance (% of GDP)



Current Account Balance (% of GDP)



Net Total Flows from All Donors (US \$ Millions)



Source: ADB Statistics Department, IMF, World Bank and Regional Member Countries

Last Update: October 2009

