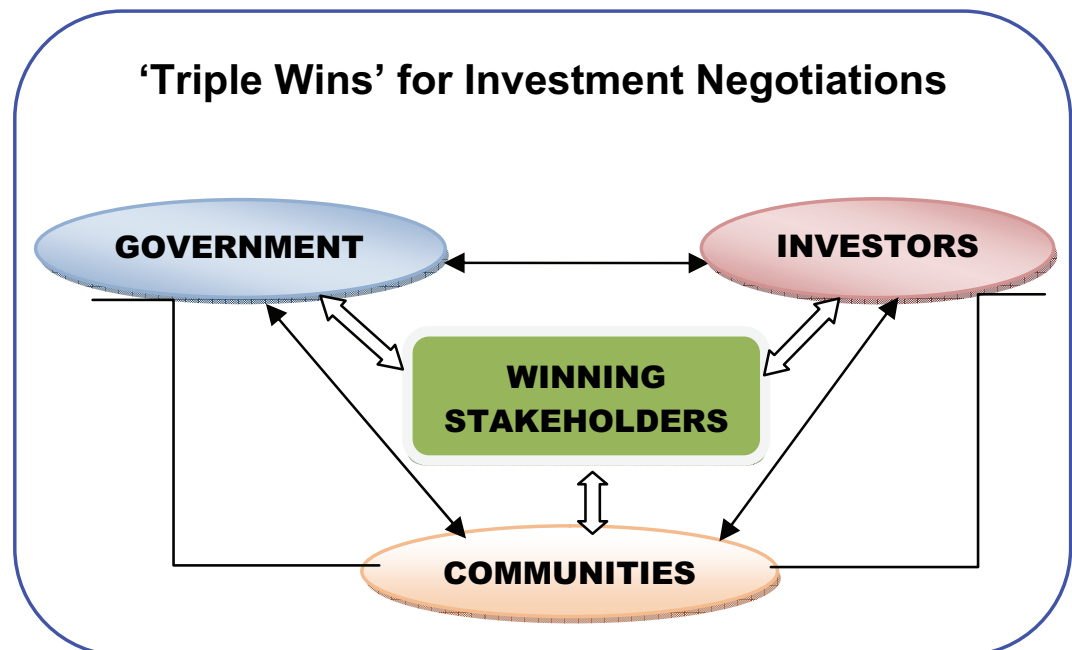


'Triple wins' from Foreign Direct Investment

Potential for Commonwealth countries to maximise economic and community benefits from inward investment negotiations
– case studies of Belize and Botswana

Veronica Broomes



2009



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Triple wins from Foreign Direct Investment

Potential for Commonwealth countries to maximise economic and community benefits from inward investments –case studies of Belize and Botswana

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EXECUTIVE SUMMARY

Introduction

A myriad of social and environmental concerns can be found under the umbrella of Corporate Social Responsibility (CSR) or Inclusive Business (IB) practices of Transnational businesses (TNs). In the main, many studies on CSR address issues such as labour conditions rights, community/stakeholder engagement, accountability, good governance, philanthropy, volunteering by employees and ethical procurement. Not considered directly is the link between CSR/IB and Foreign Direct Investment. There is a need, therefore, to identify opportunities for partnerships among public, business and community interests to flourish and national development quickened as a consequence of inward investments being than compliance with national legislation and job creation, but demonstrating Best Practice reflective of CSR/IB strategies that could triggers additional rewards from national governments for investments.

Belize and Botswana were selected as pilot countries in this study to explore how governments across the Commonwealth could leverage the CSR or Inclusive Business practices of TNs in investment negotiations. In considering how CSR can be mainstreamed in inward investments, government officials negotiating with investors and policy makers formulating investment frameworks need to be innovative in providing additional incentives to enhance the business competitiveness of their respective states. As part of the process, TNs have the opportunity to contribute directly to specific national development goals, in the short-term and achieving various targets under the Millennium Development Goals (MDGs) in the medium to long-term. In such an investment negotiating environment, opportunities will be created to enable governments in developing Commonwealth member states to leverage CSR/Inclusive Business strategies of multi-national companies to create Triple Wins -for investors, governments and communities.

Opportunities to leverage CSR practices of transnational businesses

Where designated or clearly defined CSR, IB or Community Engagement strategies are already in place, there is potential for incentives to be provided by official investment agencies. This will involve matching investment needs with priority sectors such as energy, communications, women, youth and/or geographic areas, including communities with high levels of unemployment.

In the case of Belize, there is potential for the Government of Belize to leverage CSR strategies and policies of TNs through:

- Promoting more investment in rural areas so as to increase opportunities employment and income generation.
- Develop levels of employable skills in the population through the provision of education and training.
- Improving basic health care and access to portable water in rural areas.

- Improving access to land and shelter in Toledo District and Belize South.

Contributions by investors as part of their CSR would free resources for the Government of Belize to address other national and regional needs. However, such as shift should not be viewed as any government using CSR strategies as a way of abdicating responsibility to provide basic facilities for citizens. On the other hand, communities should not be subject to the whims of private investors and their constantly changing CSR strategies and/or action plans. Instead, there should be an approach towards creating Triple Wins for all stakeholders -business, governments, communities. In general, private investors seem reluctant to allocate monies directly to governments, apart from through taxes and duties, as there is no guarantee that such funds will be used for earmarked community needs once placed into the national consolidated funds. Placing such monies into special funds, e.g., in the case of damage to the physical environment as with some mining projects may incur additional administrative costs, therefore, may not be widely favoured. TNs may be wary also of the specific national government being seen as the source of the funding, rather than businesses. In order to make a strong business case for CSR, businesses need to see how they too can benefit from actions beyond mere traditional business practices of creating jobs and complying with legislation.

The findings of the case study on Botswana indicate that mining companies in Botswana have adopted the philosophy of CSR and are prepared to link social and environmental initiatives to their core business. Particularly impressive is the comprehensive approach taken by the diamond mining company Debswana to develop and decentralise its strategy on Corporate Social Investment. In so doing, the company demonstrated preparedness to go beyond 'business as usual' approach of merely creating jobs and provide Foreign Direct Investment (FDI).

Possibly, because of majority government interest, there has been a formal strategy for investing in local communities and national economic investment. This strategy, however, does have a strong philanthropic element, although longer-term capacity building and technology adaptation have been included occasionally, the interventions fall short of national requirement to fill the technology gap. While some of the areas supported by the mining companies can be viewed as traditional from the perspective of focusing on charity/corporate giving, others are innovative and open the door to contributions across a broader range of issues and sectors.

Paradigm shift from PPPs to PPCPs

Governments –and in some instances communities –determining the land and labour available to investors while communities are frequently guardians of the resources required by investors. More often than not, however, it is traditional for governments and businesses to benefit directly and significantly from the harnessing of resources for development and communities to be left at the mercy of both their governments and investors. In the context of Commonwealth states, CSR can be considered as a broader perspective of business, one that leads investors to more complex

assessments of prospective investments and greater consideration of customer views and initiatives to be able to thrive in a highly competitive, and sometimes hostile, business environment.

Companies that have made information on their CSR activities available for this study can be seen as having in place initiatives to mitigate any adverse effects of their operations through the development of appropriate social and economic facilities in the community in which they operate.

Triple Wins for stakeholders in investment negotiations require a paradigm shift in partnerships and investment frameworks. This move shifts the focus from traditional public private sector partnerships to one that includes communities as legitimate stakeholders, i.e., from Public Private Partnerships (PPPs) to Public Private Community Partnerships (PPCPs). Further, there is need to be able to measure contributions made in respective sectors above and beyond that provided by way of incentives and opportunity cost if government was required to provide resources instead. This can be done by calculating the difference between the contributions that TNs would make, e.g., payment of taxes, creation of jobs, households supported economically and actual contributions as a result of additional incentives provided by government and contributions made by TNs. The latter could include aspects such as: investment in renewable energy technology, renewable energy contributed to national grid, women, youth and/or management level staff employed.

Creating awareness and increasing understanding of CSR

Creating awareness and increasing understanding of CSR are essential requirements for negotiating teams and policy makers in ministries such as Finance, Economic Development, Trade and Commerce and dedicated investment agencies. With heightened awareness and understanding of CSR, such teams will be equipped to consider and develop appropriate innovative and strong investment frameworks to attract Foreign Direct Investment. Not only will strong frameworks provide benefits to shareholders, but simultaneously contribute to improving lives and livelihoods of the communities in which investments are based and promote national economic development.

Specific actions that should be taken and issues explored by teams negotiating investments and policy makers in finance and sectoral ministries:

- Foster strategic and innovative approaches when revising investment frameworks and negotiations, especially in the face of recent turmoil in global financial markets. Agreed incentives should be defined clearly in contracts.
- Review lessons learnt from approaches taken by some countries to make social demands of incoming businesses, as in the case of Mauritius, where

there is a Corporate Governance Committee which imposes certain taxes across the board¹.

- Principle-based standards such as United Nations Global Compact, Organisation for Economic Cooperation and Development (OECD) guidelines for multi-national enterprise and Caux Roundtable principles for business could provide a meaningful starting point when considering the CSR credentials of TNs, but should not be viewed as comprehensive for informed decision making. Additional information sources should be reviewed and considered.
- Focus on assessing the robustness of information provided by potential investors, as this will lead to the development of best practice for investment negotiations rather than settling for accepted practice that may not be in the best interest of national goals and communities' interest.
- Apply a sliding scale of rewarding good behaviour –based on cost, its duration, extent of impact and/or geographic location.
- In some sectors, e.g., mining, practices such as use of resource saving technologies go beyond minimum requirements and open the door to providing extra incentives for additional good behaviour by investors.
- Formulate suitable strategies to deal with investors already demonstrating exceptional corporate citizenship in applying CSR to non-core business areas and, under a different guise, e.g., financial institutions partnering with local councils/municipalities to maintain parks and street furnishings in cities and towns –beautification/aesthetics.
- Unified approach to investment incentives across sectors is not necessarily appropriate as sector issues vary and national development needs change, in addition to wide ranging differences in the level of progress made towards achieving the Millennium Development Goals.

Case studies provide lessons learnt and, potentially, to shorten the learning cycle and reduce the risk of failure. Commonwealth governments that leverage the CSR strategies of TNs could contribute to increasing the attractiveness of their countries as investment destinations and increase business competitiveness. In addition, they could formulate investment incentives attractive to TNs to support and/or build capacity in local supply chain, thus promoting enterprise and improving livelihoods.

¹ CPSU. 2008. Commonwealth countries and Corporate Social Responsibility conference. Summary report, 16 July 2008.
[http://www.cpsu.org.uk/files/publications/1222427659CSR_conference_report_website_version%20updated%20-Sept%202008%20\(3\).doc](http://www.cpsu.org.uk/files/publications/1222427659CSR_conference_report_website_version%20updated%20-Sept%202008%20(3).doc)

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Dr Veronica Broomes
Research Associate
June 2009

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Triple Wins from Foreign Direct Investment

Potential for Commonwealth countries to maximise economic and community benefits from inward investment negotiations
–case studies of Belize and Botswana

1 BACKGROUND

Corporate Social Responsibility (CSR) and Inclusive Business (IB) are terms used over the past decade or so in developed countries to explain approaches taken by businesses in going beyond 'business as usual'. Indeed, CSR can have as many interpretations, as there are sectors. For the purpose of this report, however, the term CSR is used to refer to approaches that go beyond traditional business focus of providing maximum return on investment for shareholders, sometimes to the detriment of employees and the wider society. The CSR approaches considered include voluntary actions that take into account social and/or environmental issues over and above those mandated by current legislation. While those actions are implemented after investments have been agreed, innovative and strategic thinking by the negotiators of investment contracts could factor in opportunities to leverage negotiations to provide even greater benefits in the long. In this way, shareholders will get higher returns, governments can offer, through investment frameworks, additional incentives to businesses demonstrating exceptional behavior that contributes to economic development. In the process, communities benefit from improved livelihoods and quality of life.

Advocates of a new approach to business for increased competitiveness include John Elkington (1999)² who coined 'Triple Bottom Line' (TBL) accounting. In his book 'Cannibals without forks', Elkington promoted TBL accounting as an approach through which businesses focus not merely on economics to deliver maximum returns to shareholders, but social (people) and environmental (planet) considerations. Member businesses of the World Council on Sustainable Business (WCSB) subscribe to 'Inclusive Business' approaches as a way of addressing economic, social and environmental issues simultaneously, instead of pursuing 'profits at any cost'. This approach fosters stronger and more transparent partnerships between government and the private sector for the benefit of communities, rather than allowing communities to continue to be mere observers of the process in which businesses declare high returns on investment at the cost of declining benefits to communities.

Not surprisingly, studies abound of single focus CSR issues such as labour conditions, human rights, community/stakeholder engagement including relocation of residents, accountability, good governance, philanthropy, volunteering by employees,

² Elkington, John. 1997. *Cannibals with Forks: The Triple Bottom Line of 21st century business*. Capstone Publishing Ltd. Oxford. ISBN 1-84112 – 084 -7

ethical procurement and investment, including fair trade (Adams *et al*, 2004³; GRI, 2002⁴; Zadek, 2007⁵). While these studies suggest a desire to move CSR from being a voluntary initiative, beyond the traditional role of business, none sought to consider the opportunity for Public Private Partnerships (PPPs) to flourish as a consequence of the implementation of CSR strategies/action plans by TNs. Moreover, it is traditional for PPPs to be used with large infrastructure projects (Smith, 2008⁶), but not across a broad range of sectors nor with direct benefits for communities.

An example of businesses taking the lead in an area traditionally the responsibility of governments is in health care which led to establishment of the Global Fund for HIV AIDS (The Fund) in 2002. The initiative driven by businesses and supported by the United Nations⁷ represents a partnership of governments, civil society, the private sector and affected communities and has expanded to include tuberculosis and malaria. As a new approach to international health financing, the Fund has approved more than 550 projects/programmes in 136 countries and reportedly provides 25% of all international financing for AIDS. Other ways in which companies show they recognise the link with social and economic considerations in sustaining their operations include signing up to the UN Global Compact (UNGC)⁸, Global Reporting Initiative (GRI) and more recently Business Action to reduce poverty supported by Department for International Development (DFID).

Despite a myriad of social and environmental issues under the CSR umbrella and the link with trade, investment and/or profitability implications and political expedience, CSR is not driven by national and economic development implications, by either TNs or by governments. Further, at governmental level, the dearth of information in Commonwealth member states to facilitate informed decision making in Public Private Partnerships was reinforced during discussions with representatives of High Commissions in London. There was expressed interest to understand much more about CSR and how businesses can contribute to national development plans.

In general, reports on CSR from Trans-National businesses (TNs) focus on initiatives in developed countries where TNs are headquartered, not demonstrate how TNs apply and/or embed environmental and social considerations in developing countries.

³ Adams, C, Grost, G and Webber, W. 2004. Triple Bottom Line: A review of the literature. In: *The Triple Bottom Line –does it all add up?* A Hendriques and J Richardson (Editors). Earthscan. London, p. 17 – 25.

⁴ GRI. 2002. Sustainability Reporting Guidelines. Boston and Amsterdam. Global Reporting Initiative.

⁵ Zadek, Simon. 2007. *The Civil Corporation*. Earthscan, London.

⁶ Smith, Ransford. 2008. Government – Private Sector Partnerships as a Catalyst for Economic Growth and Development. CSR and Commonwealth countries conference, CPSU. 16th July 2008. www.cpsu.org.uk.

⁷ Global Fund to fight AIDS, tuberculosis and malaria. <http://www.theglobalfund.org/en/partnership/?lang=en>

⁸ UN Global Compact see website at <http://www.unglobalcompact.org/>.

Further, most studies focus on social issues in specific TNs or a specific sector. A case in point is the Multi-Fibre Arrangement (MFA) addressing implications of changes in world trade on the textile industry in selected developing countries and consideration of competitiveness and CSR in Lesotho's apparel industry (IFC and WB, 2006⁹).

Studies from the International Institute for Environment and Development (IIED) supported by United Nations Department of Economic and Social Affairs (UNDESA)¹⁰, Business for Social Research (BSR¹¹) and United Nations Industrial Development Programme (UNIDO, undated¹²) examined contributions made by TNs in improving social conditions to comply with guidelines of the International Labour Organisation (ILO) and the role of governments in providing guidelines on CSR. UNIDO advocated the implementation of CSR by small and medium size enterprises (SMEs) in selected countries and the EU has supported similar initiatives in Europe¹³. Further, Principles for Responsible Investment were formulated through the United Nations Finance Initiative (UNFI), as outlined in Box 1.

However, opportunities for triple benefits for investors, governments and communities from inward investment negotiations seem either not to have been recognised or pursued. Therefore, here lies the opportunity for governments in developing Commonwealth member states to leverage the CSR strategies of multi-national companies.

Box 3.1 Principles of Responsible Investment -PRI

PRI aims to help investors integrate consideration of environmental, social and governance (ESG) issues into investment decision-making and ownership practices, and thereby improve long-term returns to beneficiaries.

Influence of principles on investment returns

Implementing PRI will lead to more complete understanding of a range of material issues and result in increased returns and lower risk.

Eligible signatories

Three main categories of signatories. (Commitment expected from top-level leadership of organisation across whole investment business.)

Asset owner: Organizations that represent end-asset owners who hold long-term retirement savings, insurance and other assets, e.g., pension funds, government reserve funds, foundations, endowments.

Investment manager: Investment management companies serving institutional and/or retail market and managing assets as third-party provider.

Professional service partner: Organizations that offer products or services to asset owners and/or investment managers.

Ref: Principles for Responsible Investment. UNEP Finance Initiative. <http://www.unpri.org/files/pri.pdf> (22 Oct. 08).

⁹ IFC and WB. 2006. Competitiveness and Corporate Social Responsibility in Lesotho's Apparel Industry.
¹⁰ UNDESA. 2007. CSR and developing countries. What scope for government action? Sustainable Development –Innovation Briefs. Issue 1. Feb 2007

¹¹ Business for Social Research. <http://www.bsr.org/>

¹² UNIDO. undated. Corporate Social Responsibility -Reaching out to Small and Medium-sized Enterprises. Undated. UNIDO. Clusters and Development Network Programme. <http://www.unido.org/index.php?id=o72054>.

¹³ Forstater, M, MacGillivray, A and Raynard, P. 2004. Towards a Croatian Business Agenda for Corporate Social Responsibility. United Nations Development Programme. 34 pp.

1.1 Case studies of Belize and Botswana

Belize and Botswana, selected as pilot case studies, are two Commonwealth states with very different economies and levels of development. Both are rich in two key natural resources sought by investors from developed countries, biodiversity and minerals, respectively. Belize, a country with low-lying coastal area and small population is reliant on agriculture and increasingly on tourism for economic development. On the other hand, Botswana, rich in mineral resources, primarily diamonds, is widely acclaimed as having had sustained economic growth because successive governments used the country's mineral resources for the benefit of a wide cross section of its citizens. Actions that raised per capita income, improved access to health care and increased adult literacy, among other social indicators.

The current study explores how governments in Commonwealth states can leverage the voluntary actions/practices of TNs during investment negotiations and, as appropriate, reward exceptional behavior by businesses. Such behaviour should go beyond traditional areas of focus in investment negotiations, i.e., number of jobs created and amount of FDI. Instead, there should be a role for the investment arm of government and finance ministries to build on existing investment frameworks. This could include incentives to encourage investment in areas contributing directly to specific national development goals, in the short-term and progress to achieving various targets under the Millennium Development Goals in the medium to long-term.

Principal beneficiaries of the findings of this research include Commonwealth governments and the Commonwealth Secretariat, especially policy makers dealing with inward/Foreign Direct Investment, governance, Public Private Partnerships, economic development, investors and institutions providing funding for investment and those involved in carbon trading, both voluntary and through the Clean Development Mechanism (CDM).

2 METHODOLOGY FOR PREPARATION OF CASE STUDIES

Desk based research using online and offline information sources, face to face meetings, telephone discussions and email exchanges with representatives of relevant government agencies and ministries and private sector businesses formed the main approaches to sourcing data and information used in the preparation of these case studies. This study benefited also from views expressed during CPSU'S conference on CSR and Commonwealth countries held in London in July 2008.

Official websites for the governments of Belize and Botswana were used to provide country background information and key economic indicators. For some indicators, however, more recent data were available from external sources such as websites of the African Development Bank, the World Bank and UNDP in the case of Botswana. In Belize, more recent data were sourced from the National Statistical Institute.

3 CSR AND THE TOURISM SECTOR IN BELIZE

To understand the link, if any, between CSR and the tourism sector in Belize, this chapter provides general information about Belize, key economic indicators and outlines which government ministries and agencies responsible for investment in general and the tourism sector in particular. Attention is then given to initiatives taken by specific foreign owned tourism businesses to demonstrate any aspect of CSR, whether or not so called, level of awareness by representatives of government ministries and agencies of CSR and extent of knowledge by TNs of national economic development targets and the Millennium Development Goals (MDGs).

3.1 General country information -Belize

Belize, an independent Commonwealth member state in Central America¹⁴, shares borders with Mexico in the north, Guatemala in the east and west and the Caribbean Sea to the east along 119 km (74 mile) of coastline. With an area of 22,965km² (8,867 sq. miles) of which 3%, 689 km² (266 sq. miles) are islands, the country has six administrative regions, Belize, Cayo, Corozal, Orange Walk, Stann Creek and Toledo (Figure 3.1).

Belize is a full member of the Caribbean Community (CARICOM), as the country has strong historical and socio-political ties to Commonwealth states in the region.

Since the mid 1990s, however, it has increasingly presented itself politically and economically as part of the Central American region, resulting in full membership of the Central American Integration System in 2000.

At the time of this study, it was estimated that about 40% of the population was below 15 years; 51% resided in rural areas and are twice as likely as the urban population to be living in poverty¹⁵ (Table 3.1).

Figure 3.1 Map of Belize, Central America.



¹⁴ Previously British Honduras (renamed Belize in 1973, located between 15° 52' 9" and 18° 29' 55" north latitude, and 87° 28' and 89° 13' 67" west longitude. Independence gained from Britain in 1981.

¹⁵ United Nations Development Programme. Country Programme Document for Belize (2007-11).

Table 3.1 General country information about Belize¹⁶

Government type	Parliamentary Democracy
Head of Government	Prime Minister Dean Barrow (since 8 February 2008)
Capital	Belmopan
Legal system	English Law
Population	total: 311,500 (July 2007) ¹⁷ male: 154,700 female: 156,800
Population growth rate	2.20% (July 2007)
Life expectancy (at birth)	total population 68.19 years (July 2007) male 66.39 years female 70.08 years
Language	-English (official and widely used) -Spanish is mother tongue of most people in Orange Walk and Corozal. In Stann Creek and Toledo, many residents have Garifuna or Maya as their first language.
Natural resources	arable land potential, timber, fish, hydropower, biodiversity
Natural hazards	frequent, devastating hurricanes (June-November), coastal flooding (particularly in southern regions)
Environment (current issues)	deforestation, pollution of waterways -sewage, industrial effluents, agricultural runoff, solid waste disposal
HIV/AIDS prevalence (adults)	2.4% (2003)
Ethnic groups	Mestizo 48.7%, Creole/African descendants 24.9%, Mayan 10.6%, Garifuna 6.1%, Other 9.7%

3.2 Key economic indicators for Belize

Belize has a small economy and tourism is the number one foreign exchange earner, followed by exports of marine products, citrus, cane sugar, bananas, and garments. Following expansionary monetary and fiscal policies, beginning in 1998, Gross Domestic Product (GDP) in Belize has grown steadily, averaging 4% from 1999-2007.¹⁸ Between 2000 and 2005, GDP per capita grew 18% to US\$3,664; although women's share in the national income remains far below that of men¹⁹. Oil discoveries in 2006 bolstered economic performance in 2006/2007²⁰. However, economic slowdown in 2007 in Belize resulted in real GDP falling to 1.6%, compared to a growth of 5.3% in 2006, as shown in Table 3.2 (Budget speech 2008/2009²¹).

¹⁶ Except where otherwise indicated, information taken from CIA World Factbook 2008 Belize' <<https://www.cia.gov/library/publications/the-world-factbook/geos/bh.html>> (Accessed 20 May, 2008).

¹⁷ Abstract of statistics (2007) –Belize Statistical Institute of Belize.

¹⁸ Central Intelligence Agency

¹⁹ UNDP Report

²⁰ Central Intelligence Agency World Fact Book, Belize 2008

²¹ Realising the possibilities –budget presentation for fiscal year 2008/2009 (http://www.governmentofbelize.gov.bz/download/Budget_Speech_2008_FINAL.pdf)

Table 3.2 Key economic indicators for Belize²².

Currency	Belizean Dollar (BZD)	
Currency conversion	1 BZD = 1.96 USD (20 May 2008) ²³	
GDP (official exchange rate)	1.304 billion USD (2007)	
GDP (real growth rate)	1.6% (2007), 5.3 (2006)	
GDP (composition by sector)	Agriculture	21.3%
	Industry	13.7%
	Services	65%
Labour force (by occupation)	Agriculture	22.5%
	Industry	15.2%
	Services	62.3%
Budget	Revenue	US\$328.5 million (2007)
	Expenditure	US\$365 million (2007)
Current Account Balance	-54 million (2007 est.)	
Debt (external)	US\$1.2 billion (June 2005 est.)	
Unemployment rate	9.4% (2007 est.)	
Population below poverty line	33.5% (2002 est.)	
Agriculture products	banana, cacao, citrus, sugar, fish, cultured shrimp, lumber, garments	
Industries	garment production, food processing, tourism, construction, oil	
Exports	US\$437 million (2007 est.)	
Exports - commodities	sugars, bananas, citrus, clothing, fish products, molasses, wood	
Exports - Partners	US 33.9%, UK 33.6%, Cote d'Ivoire 3.7% (2006 est.)	
Imports	US\$670 million (2007 est.)	
Imports - commodities	machinery and transport equipment, manufactured goods, fuels, chemicals, pharmaceuticals, food, beverages, tobacco	
Imports - Partners	US 35.7%, Mexico 13%, Cuba 7.7%, Guatemala 7.2%, China 4.3% (2006 est.)	
Tourism sector (visitor arrivals)	405,337 (Jan – April, 2007) 344,801 (Jan - April 2008)	
Economic Aid Recipient	US\$12.91 million (2005 est.)	
Foreign Direct Investment (2004), by sector	Tourism	56%
	Services	6%
	Medical education	9%
	Manufacturing	29%

In February 2007, as a consequence of the unsustainable foreign debt, the Government of Belize took action to restructure nearly all of its public external commercial debt, in order to reduce interest payments and relieve liquidity concerns. The country's short-term objective is to reduce poverty with the help of international

²² Except where indicated with footnote, information in table sourced from CIA World Factbook 2008 Belize' <<https://www.cia.gov/library/publications/the-world-factbook/geos/bh.html>> (20 May, 2008).

²³ US\$ and Belize Dollars used as units of currency in this document, as appropriate. Foreign Exchange rate quoted from website. <<http://www.xe.com>> (Accessed 21 May 2008).

donors. Belize is ranked 91 on the global Human Development Index. i.e., in the mid-level range of countries with medium human development.²⁴

3.3 Ministries/agencies responsible for business and investment (Belize)

This section outlines the role of specific agencies in supporting businesses and investors in Belize and attracting Foreign Direct Investment. It explores also the investment packages offered by Government of Belize and incentives specific to the tourism sector.

3.3.1 Ministry of Economic Development, Commerce, Industry & Consumer Protection

The Ministry of Economic Development, Commerce, Industry and Consumer Protection (MEDCICP) is responsible for a wide range of government tasks, including: annual economic reports, economic planning, poverty alleviation, Public Sector Investment Programme, export promotion, Export Processing Zones, investments, development and fiscal incentives and small and medium enterprises²⁵.

Also under MEDCICP is the Belize Trade and Investment Development Service (BELTRAIDE), which has specific responsibility to promote and support local and foreign direct investment.

3.3.2 Belize Trade and Investment Development Service

BELTRAIDE is the most important agency of the government for promoting investments in Belize from local and foreign companies. BELTRAIDE has identified four key factors that make Belize an attractive investment destination, namely: (i) political stability, (ii) tradition of democracy, (iii) profitability of investment and (iv) liveability²⁶.

Based on the reportedly high levels of reinvestment by businesses, BELTRAIDE posits that investing in Belize provides a positive return on investment. The US Embassy in Belize, however, has highlighted the situation where although BELTRAIDE was designed as the primary vehicle for providing incentives for investments, bureaucratic red tape may still be encountered²⁷. Table 3.3 lists a selection of tourism businesses that received incentives/investment support through BELTRAIDE.

²⁴ UNDP Human Development Reports. <http://hdr.undp.org/en/reports/global/hdr2007-2008/chapters/>

²⁵ Ministry of Economic Development, Commerce and Industry, Consumer Protection. Website. < http://www.governmentofbelize.gov.bz/ministry_details.php?ministry_id=3> (Accessed 21 May 2008).

²⁶ Belize Trade and Investment Development Agency. Website. <http://www.belizeinvest.org.bz/>

²⁷ US Embassy. (Accessed 20 May 2008).

As part of meetings held in Belize for preparation of this case study, it emerged that while investment legislation allows for fiscal incentives based on duties and taxes to be offered to potential investors, in practice it was only the option for waiver of duty that is given. In addition, there seemed to be rather limited collaboration among the various government agencies. This makes it possible for investors to accept one set of terms from BELTRAIDE and negotiate an additional set with the Ministry of Tourism. In September 2008, work was in progress in the Ministry of Tourism to set up a new investment framework for the tourism sector. However, while discussions had begun in the sector ministry, related ministries seemed unaware of proposed adjustments to be made to incentives provided to investors in the tourism sector.

Table 3.3 Foreign owned tourism businesses assisted through BELTRAIDE.

Admin District	Name of tourism hotel/resort
Orange Walk	Ruins Lamanai
Belize	Fort Street Tourism Village (cruise tourism – Belize/Lib owned)
	Mayan Ruins (Altun Ha)
Cayo	Blancaneaux (tourism – US owned)
Toledo	Maya Ruins (Nim Li Punit, Labaantun)
Stann Creek	Hamanasi Resort (tourism – US owned)
	Kanatik Reef and Jungle Belize Resort (tourism – US owned)
	Radisson Fort George
	Turtle Inn (tourism – US owned)
	The Inn at Robert’s Grove (tourism – US owned)

3.3.3 Ministry of Finance

The Ministry of Finance is responsible for: (i) advising on the formulation and implementation of financial policy, (ii) preparation, review, and ongoing monitoring of the national budget, (iii) fiscal management, (iv) public debt servicing, (v) insurance and banking²⁸.

Policy on investments and agreement on incentives provided to investors are developed and have to be approved by the Ministry of Finance. At present, the Ministry of Finance portfolio is held by the Prime Minister, as Head of Government.

3.3.4 Ministry of Foreign Affairs and International Trade

The Ministry of Foreign Affairs and International Trade is responsible for formulating, coordinating, and implementing foreign policy initiatives, treaties and bilateral and multilateral programmes. Of direct relevance to business and investment is the Directorate for Foreign Trade which is responsible for monitoring international trade at

²⁸ Belize Ministry of Finance. 'About Us' < <http://www.mof.gov.bz/aboutus.asp> > (Accessed 21 May 2008).

the policy level, formulating national strategies on trade, international trade negotiations and external marketing.²⁹

Following the change of government in early 2008, this ministry developed a new thrust in diplomacy. This required the employment of professionals with expertise in legal affairs, trade, investment counselling and promotion of tourism and economic development to strengthen the capacity of the ministry (http://www.mfa.gov.bz/mfa/about_mfa.php). How far this process has advanced is unclear. In late August 2008, this ministry seemed not to be engaging directly with BELTRAIDE, the official investment agency in Belize, neither was there a clear link with the Ministry of Economic Development, Commerce, Industry and Consumer Protection.

Request for information on implications of the Caribbean Single Market and Economy (CSME) on incentives Belize may choose to include in investment packages for increased competitiveness could not be provided during the time-frame for preparation of this case study. Instead, the enquiry was referred to the CARICOM Secretariat, which provided no further guidance despite several requests.

Seemingly, efforts are being made to increase understanding among local businesses trade and investment issues. As part of this process, a private sector trade workshop was planned for the end of September 2009 in Belize to assess the practical impact of current trade policy on commercial activity in Belize. The event represented collaboration between the Belize Chamber of Commerce and the Caribbean Regional Negotiating Machinery (CRNM) and aimed at maximising benefits to businesses in Belize from international trade negotiations.

3.4 Foreign Direct Investment and legislation promoting investment in Belize

Foreign Direct Investment in Belize rose sharply between 1998 and 1999, from USD19 million to USD54.67 million, before more than doubling between 1999 and 2004 (Table 3.4). Data could not be found, however, for beyond 2004.

In Belize, incentive schemes to encourage and promote investment are embedded in five key pieces of legislation:

1. Fiscal Incentives Act No. 6 of 1990
2. Mines and Minerals Act 1988
3. Export Processing Zone Act 1990
4. Commercial Free Zone Act 1994
5. International Business and Public Investment Act 1990

²⁹ Directorate for Foreign Trade. Ministry of Foreign Affairs and International Trade.
< http://www.foreigntrade.gov.bz/index.php?option=com_content&task=view&id=15&Itemid=4 >
(Accessed 21 May 2008).

The key features of two of these Acts that apply directly to investments in the tourism sector and are outlined in sections 3.4.1 and 3.4.2.

Table 3.4 Foreign Direct Investment in Belize (1994 – 2004).

Year	Inflow (BZD million)	Inflow (USD million)
1994	37.60	18.8
1995	41.50	20.75
1996	33.20	16.6
1997	23.90	11.95
1998	38.00	19.0
1999	109.34	54.67
2000	46.70	23.35
2001	119.80	59.90
2002	49.60	24.80
2003	72.60	36.30
2004	229.00	114.50

3.4.1 Fiscal Incentives Act (6 of 1990)

Companies investing US\$125,000 and are successful in their application to BELTRAIDE may receive a tax holiday of up to five years. Approved business may be exempt from the payment of income tax, under the Income and Business Tax Act during the tax holiday period. Companies engaged in agriculture, agro-industry, food processing, mariculture or manufacturing and whose production is strictly for export, can benefit from a tax holiday of up to 25 years. Approved investors may benefit from:

1. Tax exemption on profits
2. Guaranteed repatriation of initial investment, profits and returns from capital gains
3. Option to carry forward net losses incurred during tax holiday.
4. Opportunity for approved enterprises, during duty exemption period, to import free of customs duty and stamp duty: all business materials, plant, machinery, equipment, tools, utility and transport vehicles, fixtures, fittings, office equipment and appliances, spare parts on plant and plant related machinery, raw materials for enterprise.³⁰

In general, however, incentives are the standard ones such as waiver of duties on plant machinery and/or raw materials. Not evident are additional incentives reflecting contribution of the investment to the Belizean economy and appropriateness of the investment in terms of Government of Belize's (GOB) development plan. An approved enterprise enjoying partial relief from income tax is subject in all other respect to the provisions of the Income and Business Tax Act.

³⁰ Belize Trade and Investment Development Service. Financial Incentives Act. <<http://www.belizeinvest.org.bz/pdf/schemes/fiscal-incentives.pdf>> (Accessed 21 May 2008).

During the duty exemption period, a report on the conduct and progress of the approved enterprise, and annual accounts are sent to the Executive Chairman of BELTRAIDE. Duty exemption period for small or medium sized enterprises does not normally exceed two years at a time, but may be extended to a maximum of five years.³¹

3.4.2 International Business Companies (Act of 1990)

In Belize, International Business Companies (IBC), also known as offshore companies, enjoy a number of incentives such as tax exemptions on income, dividends paid by IBC to a resident in Belize or elsewhere, rent, interest, royalties and compensation paid by an IBC to persons not resident in Belize. Tax exemptions include any capital gains realised with respect to shares, debt obligations, or other securities of IBCs by persons who are not resident in Belize.³²

3.5 Profile of Belize's tourism sector

Belize is a destination for experience-based or speciality tourism (eco-tourism, adventure tourism, cultural tourism, archaeological tourism) which has flourished in recent years. To cope with increasing tourist arrivals, hotels increased from 437 in 2002 to 561 in 2006, with associated rise in rooms from 4,705 to 5,789 and beds from 7,902 to 9651, in 2002 and 2006 respectively. Thirty percent of tourists are repeat visitors and in 2007, tourism inflows were BZD290.6 million (USD148.27million). This compares to less than half of the BZD121.5 million (USD61.99 million) in 2002. By 2004, the tourism sector in Belize represented more than half the total FDI received by Belize (Table 3.2).

In 2003, tourist arrivals rose 10.6% and tourist expenditure increased by 17.74%.³³ In the main, tourist arrivals are primarily from the USA (Tables 3.5 and 3.6). There was, however, a 2.1% decline in stay over visitors and 19% reduction in cruise ship arrivals, as a consequence of the economic challenges in the United States, the largest source of tourists for Belize. As a result, the contribution to GDP from hotels and restaurants declined by 5.9% (Belize Statistical Institute, 2008).

In 2006, there were 958,813 arrivals to Belize, of which 672,838 (70.2%) were from the USA and 581,036 of all visits were cruise ship arrivals, i.e., 60.6%. Indeed, cruise ship arrivals more than doubled between 2002 and 2006.

The tourism sector in Belize is at risk following the downturn in the world economy, particularly in the United States, where many tourists to Belize originate. In addition,

³¹ *Ibid.*

³² US Embassy (Belize) 'Commercial Guide.' <http://belize.usembassy.gov/country_commercial_guide.html>. (Accessed 21 May 2008).

³³ Belize Trade and Investment Development Agency (BTIA). 'Tourism'. <<http://www.belizeinvest.org.bz/>> (Accessed 22 May 2008).

challenges are expected from climate change and ensuring environmental sustainability is made possible as the sector experiences rapid growth. To counteract this, the Government of Belize has prioritised infrastructure development to support the growth of tourism and BTB is courting new markets for visitors in neighbouring countries and in highlighting the central role of tourism in Belize's economy.

Table 3.5 Origin of international land-based tourists to Belize.

Country/Group	Market share (%)
USA	52.4%
Europe	14.6%
Guatemala	10.6%
Ex-Pat Belizeans	7.2%
Canada	4.2%
Other	6.8%

Table 3.6 Tourist arrivals in Belize (2003 – 2007).

CATEGORY	2003	2003	2005	2006	2007
Leisure	207,930	218,506	224,772	234,625	238,125
Business	10,063	10,828	10,426	11,281	10,892
Official	2,581	1,498	1,375	1,403	2,639
TOTALS	220,574	230,832	236,573	247,309	251,656
Cruise Visitors (same-day)	575,196	851,436	800,331	655,929	622,753
Cruise calls into port	315	406	370	295	278
Visitors (Overnight + Cruise)	795,770	1,082,268	1,036,904	903,238	874,409

Source: Immigration Department

3.5.1 Ministry of Tourism

The Ministry of Tourism (MoT), with responsibility for civil aviation and border management, and the Belize Tourism Board (BTB) are the two main organisations guiding tourism in Belize. MoT coordinates policy direction for the industry and also facilitates the efforts of the Belize Tourism Board.

The Government of Belize promotes the tourism industry by helping to maintain and conserve natural heritage, ensuring the industry's growth is sustainable.

MoT is working also to restructure taxation of the tourism industry, legislation to formalise specific zoning of tourist areas and standardisation and rating of hotels, tour operations and other service providers.

3.5.2 Strategic objectives and actions for the tourism industry (2008/2009)

The five pillars of the strategic objectives and actions for Belize's tourism sector are:

1. To develop a sustainable market position;
2. To enhance the visitor experience, develop and improved the tourism product;
3. To involve communities in the development of the tourism industry;
4. To build an inclusive industry;
5. To ensure environmental sustainability.

Specific actions identified by the Ministry of Tourism and the Belize Tourism Board under each of the five pillars is summarised below³⁴. This information is useful in assisting both businesses and government to identify areas of potential collaboration and suitability, therefore, for consideration in providing incentives to investors.

1. To develop a sustainable market position, MoT and BTB will:

- i) spearhead the development of a comprehensive National Tourism Master Plan through the funding and support of the Inter-American Bank;
- ii) stimulate new airline service from Canada, Europe, and the United States;
- iii) secure additional financial support to enhance a comprehensive destination marketing plan;
- iv) provide recommendations for specific tourism fiscal and incentive Regime.

2. To enhance visitor experience, develop and improve the tourism product, the MoT and BTB will seek the support of counterparts in the public sector to:

- (i) upgrade road infrastructure to main tourism destinations including Placencia, downtown Belize City, major archaeological parks;
- (ii) adopt a classification system that will provide a user-friendly guide to the standards and quality of local hotels and resorts;
- (iii) commission a study to examine the present taxation structure so that feasible recommendations can be made for revising the tourism tax regime;
- (iv) provide tourism training opportunities for all front line employees such as: immigration and customs officers, border management personnel, police officers, taxi drivers, tour guides and other micro and small entrepreneurs that service the cruise sector;
- (v) establish a BTB sub office in San Pedro as well as permanent tourism information centres at all major ports of entry.

³⁴ (<http://www.statisticsbelize.org.bz/shownews.asp?newsid=52>

Belize Tourism Board. 'Budget and Work Plan (2008/2009)'.

<http://www.governmentofbelize.gov.bz/press_release_details.php?pr_id=4964> (Accessed 21 May 2008).

3. To involve communities in development of the tourism industry, MoT and BTB will:

- (i) promote festivals and event and support community-based programs that will generate local and international visitation to these less developed communities;
- (ii) provide scholarships to students from local communities for training opportunities that are now being provided by the Centres of Employment Training and other tertiary institutions countrywide;
- (iii) enact amendments to the Tour Guide Sustainability Index to provide for training site specific guides and certification for Specialized Guiding Programmes;
- (iv) provide technical assistance and training for alternative livelihoods within the tourism industry.

4. To build an inclusive industry, MoT and BTB will:

- (i) re-constitute the Belize National Tourism Council to ensure stronger inter-sectoral linkages and collaboration;
- (ii) strengthen regional cooperation with the Caribbean Tourism Organisation and El Sistema de la Integración Centroamericana (SICA);
- (iii) establish a Cruise Tourism Steering Committee to oversee the implementation of the Action Plan, which was launched for the shared stewardship of Belize's cruise tourism product;
- (iv) develop a specific tourism incentives program for both local and foreign investors to be facilitated through the BTB Investment Office.

5. To ensure environmental sustainability, MoT and BTB will:

- i) support the implementation of the National Protected Areas Policy and System through active participation on the National Protected Areas Commission;
- ii) work with the relevant government agencies and/or NGOs to establish acceptable levels of usage for sensitive areas;
- iii) coordinate with local/regional planning authorities and special interest groups to raise the awareness of potential environmental problems that can be associated with poor tourism planning and management practices;
- iv) establish a policy to ensure that new investors in the accommodation sector practice effective solid waste management.

3.6 Trans-national tourism businesses in Belize

Just 3% of tourism businesses in Belize are owned and/or operated by transnational businesses, i.e., operating in at least two other destinations outside of Belize. In this study, four such businesses were considered:

- i) Radisson Fort George Hotel and Marina (Radisson Group);
- ii) Belle Maya (SomePlace Else, UK headquartered);

- iii) Princess Hotel and Casino (single owner of multiple hotels in Eastern Europe and Russia, Turkey headquartered), and
- iv) Fort George Tourism Village (Royal Carnival, US/Liberia headquartered).

3.6.1 Radisson Fort George Hotel and Marina

Located in Belize City, Radisson Fort George (RFG) hotel and marina is part of the Radisson hotel chain. RFG does not have its own CSR policy or Community Engagement strategy, instead it operates within the remit of the Radisson Group. The company's contribution is along the lines of philanthropy where contributions are made to various causes, including those involving communities.

At the level of the Chief Executive, there is general awareness that responsible behaviour is expected from businesses in Belize. This, however, is driven primarily by the smallness of the community in which many people know each other, rather than a deliberate and proactive strategy to mainstream social and environmental issues on the business agenda. In addition to the self-assessed verdict of leadership on CSR, Radisson's approach is accompanied by active public relations from the Sales team. Radisson Management team and staff are known to take be involved actively in the community.

RFG has not received any incentives as a trans-national business to encourage implementation of CSR. Efforts are made, however, to encourage customers to participate with RFG in limited matching fund programmes. In the main, contributions are made to foster community development through donations to education, environment, conservation, family groups and community infrastructure, rather than forge national economic development.

The Radisson has a policy of 'ethical eco-cultural tourism' and applies a participatory role in sustainable tourism and community development.

RFG's Chief Executive is of the view that the private sector should collaborate with government to achieve specific national goals or development of the tourism sector as this fits the ecotourism model of sustainable development in Belize. To a greater extent, this takes place already given the economics of doing business in Belize, the small size of the population and readily accessible personal and business networks.

3.6.2 Bella Maya Resort

Bella Maya resort is located on the 28.8 km (18 mile) long isthmus of Placencia Peninsula in southern Belize and 160 km (100 miles) from the main international airport near Belize City. The resort is owned by the UK-based investment and property management group Someplace Else, a company that provides a high returns for its customers' investment by building resorts and selling individual units of accommodation to interested buyers.

Through the Bella Maya resort with its 60 apartments, the company has created 45 fulltime jobs which has been filled by local people, both front desk and management roles. The General Manager is a Belize national and foreign managers are employed also in some roles.

The company recognises that its operations have positive and negative impacts on the environment both socially and environmentally. Since establishment less than five years ago, employees have been trained in customer service, health and hygiene for Food Handlers and First Aid. The company has contributed to fundraising events in support of the local community, e.g., provide cash and inkind sponsorship of the local Police football team, transportation, fuel and telephone for the local constabulary. At the national level, the company donates free rooms (for 1 – 6 nights) for raffles to charities and provided part funding for a group in Belize City to participate in the World Karate Championships held in Canada. In collaboration with the Government of Belize, delegates at an education and parenting conference received subsidised meals and free conference room facilities while delegates to the Belize Travel exhibition were provided with accommodation at no cost. In November 2008, Bella Maya will again provide subsidised accommodation and meals to delegates of the Global Summit on Sustainable Tourism to be hosted by Belize. Many of the concessions from the resort are linked with their core business activities, tourism.

Bella Maya resort does not have a named CSR policy or Community Engagement strategy, neither is there one in the parent company, Someplace Else. However, because the company focuses its investments in less developed countries and emerging markets, their operations do impact directly on local communities. Initiatives are reflective of the locale in which the company is operating. For example, it has planned a large housing development in another region of Belize where it proposes also to establish a local farming community through the leasing of land for food growing and to purchase the produce from the lease holders. The company plans to invest in the infrastructure to bring the land to the stage where it is ready for cropping. However, planning permission is awaited for that site in the Cayo District, an area of Belize with high unemployment and low household income. The Environmental Impact Assessment (EIA) for the project was in progress at the time this study was conducted. The proposed new development plans to use a mix of energy sources –fossil fuel, solar energy and hydro power.

Towards the end of 2007, at a global level, an online initiative was launched by SomePlace Else for individuals and companies to offset their carbon emissions using the properties owned and/or operated by the TN. This, however, is a passive activity and while in the longer term may represent another revenue stream for the company, it has not been proactively seeking to improve environmental performance in Belize. More than likely, there will be an opportunity to do this is in the proposal to use of renewable energy for some, if not all of the operations, at the planned resort in Belize. In this case, there is potential, therefore, for the company to negotiate with the Government of Belize incentives for investment in technology in support of renewable

energy, rather than increasing carbon emissions from its development through the burning of fossil fuel.

As an overseas investor, Someplace Else did not utilise the incentives available through BELTRAIDE. Although the company did use some local materials in its operations and contracted local suppliers, in the main, much of their furniture requirements were imported from China. Initially, they sought to contract a local supplier to furnish rooms at the hotel, but realised subsequently that the local manufacturer did not have the capacity to supply and was only able to deliver less than 30% of the original order to furnish 60 rooms. This forced the company to import from China and full duties and taxes were imposed on arrival of the furnishings purchased overseas.

The representative of Bella Maya was unaware of incentives given to foreign owned tourism businesses to encourage CSR and was unfamiliar with the United Nations Millennium Development Goals. He acknowledged, however, the potential benefits to businesses if GOB chooses to reward additional good behaviour by investors.

3.6.3 Princess Hotel and Casino

There are two branches of the transnational tourism business operating in Belize, in Belize City and in the Free Zone. Owned by a private investor based in Turkey, this hotel chain operates under its own name Princess or other world renowned hotel brand names in Russia, Turkey and Romania and in the Caribbean and Latin America in St Martin, Panama, Trinidad and Tobago, Dominican Republic and Guatemala.

The company does not have a named CSR or Community Engagement strategy, although it is involved in philanthropy through donations made to local orphanages, churches and related charities.

The representative of Princess Hotel and Casino was unaware of incentives to foreign owned tourism businesses to foster the implementation of CSR in Belize and is unfamiliar with the Millennium Development Goals. He was of the view, however, that more can be done by the Government of Belize to encourage FDI through provision of tax incentives and land for use by investors.

3.6.4 Fort George Tourism Village

Operated by Royal Carnival cruise lines, Fort George Tourism Village is in essence the port for tourists arriving on cruise ships. The company was the subject of several news items earlier in 2008 because of the long-term contract it negotiated with the GOB for use of the terminal and the low fee paid to GOB for cruise ship visitors. There were concerns by local tour operators that this gave the company an unfair competitive advantage as it was in fact not bearing the full market costs associated with tourism businesses.

3.6.5 Other relevant organisations

Belize Tourism Association

Belize Tourism Association (BTA) lobbies government on behalf of member businesses in the tourism sector. BTA suggests that the combination of excellent natural resources and strong cultural and heritage components is well suited for market segments, such as, historic/cultural and geo-tourists.

National Garifuna Council

The National Garifuna Council is the body lobbying on behalf of people who consider them selves belonging to the indigenous group, Garifuna. There are 10 communities in Belize that claim to have high populations of Garifunas. This includes communities based near to tourism businesses operated by foreign investors.

Discussions held with founding President and current representative of Dangriga Town revealed there was localised interests and general awareness of issues around consultations with local communities/stakeholders as part of EIAs.

Two of the main Garifuna communities with TNs in the tourism sector are Hopkins and St Byte. Both projects were initiated in the past 15 years.

3.7 National Strategy on Poverty Reduction and MDGs

3.7.1 National Strategy on Poverty Reduction

Belize's National Strategy on Poverty Reduction (NSPR), 2007 – 2011 and related Action Plan were completed in mid-2007. Since then, there has been a change of government which has led to a planned revision of the Action Plan to reflect essential issues of the present government and consistent with additional priorities for national development. The revised action plan is envisaged to be completed in early 2009.

Three key policy areas of the NSPR relevant to this study are:

- Policy 1: Economic policies for growth -relevant to adopt policies that promote private sector investment and employment.
- Policy 3: Investment in human capital and services -relevant to changing the mechanism for Public Private Partnership in social protection and social dialogue.
- Policy 4: Infrastructure to support poverty reduction -relevant to a) supporting isolated and vulnerable communities to improve access to larger population centres and b) promoting continued improvement of water supply systems, especially in rural areas.

3.7.2 Achieving Millennium Development Goals in Belize

The three MDGs of specific relevance to this study that will create a link with investment negotiations and opportunities to leverage the CSR strategies of TNs are:

1. MDG 1 – Eradicate extreme poverty and hunger
2. MDG 7 – Ensure environmental sustainability
3. MDG 8 – Develop a global partnership for development

Table 3.7 indicates the progress made by Belize up to 2005, when the last report on MDG was prepared by Belize. Discussions with some representatives during the visit to Belize suggest that not much would have changed since then. Indeed in one case, the representative was unaware that there had ever been reports on Belize's progress in realising the MDGs.

3.8 Leveraging CSR of tourism business in Belize for poverty reduction and MDGs

The recent global financial crisis and threat/occurrence of recession in major economies around the world would have direct impact on economies in developing countries. This presents an opportunity for some countries to shift from a strategy of reliance on assistance from international donors to one in which the country is perceived increasingly as an attractive investment destination. This can be done through the creation of innovative and competitive investment frameworks.

In instances where companies do not have designated or clearly defined CSR/Community Engagement strategies, initiatives to increase awareness of the potential for further incentives can be provided by official investment agencies. There is need, however, for policy makers in Ministries of Finance to collaborate directly with officials in investment agencies in developing appropriate incentives according to sectors. In this way, the broad range of investment needs can be matched with priority sectors (e.g., energy, communications), interest groups/women, youth) and/or geographic areas (communities with high levels of unemployment).

Arising from Belize's National Poverty Reduction Strategy, GOB can leverage the CSR strategies and policies of TNs in the areas of:

- Promoting more investment in rural areas so as to improve rural employment and income generation.
- Increasing levels of employable skills in the population through the provision of education and training.
- Improving basic health care and access to portable water in rural areas.
- Improving access to land and shelter in Toledo District and Belize South (city).

Table 3.7 Progress made by Belize towards the Millennium Development Goals.³⁵

MDG	Targets (relevant)	General Status	Main Challenges
Goal 1: Eradicate extreme poverty and hunger³⁶	Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	Far Behind as it relates to eradicating extreme poverty (i.e., those below the indigent line ³⁷ as there are limited cases of hunger)	<ul style="list-style-type: none"> • Increasing poverty in urban areas • Identification of viable economic opportunities for vulnerable groups • Changing weather patterns affecting food production
Goal 7: Ensure environmental sustainability	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.	Behind	<ul style="list-style-type: none"> • Ensure that integration of principles translate into reversal of environmental resource losses • Enforcement • Achieve community buy-in.
Goal 8: Develop a global partnership for development	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	Far Behind	<ul style="list-style-type: none"> • Reduce current level of debt • Restore credit worthiness • Maintain competitiveness of exports and diversify the range of export products.
	Develop/implement strategies for decent and productive work for youth.	Behind	<ul style="list-style-type: none"> • Review legislation and update • Improve quality of vocational education • Cultivate entrepreneurship culture among children and youth

³⁵ MDG Report 2005 (Published by Government of Belize) Available from (http://www.mdgmonitor.org/country_reports.cfm?c=BLZ&cd=84).

³⁶ The indicators chosen to track this goal refer to the halving of the percentage of the population living below the poverty line and the eradication of extreme poverty to ensure relevance of the targets with respect to the goal.

³⁷ The indigent line is defined as the minimum cost of food requirement necessary for healthy existence of an individual. The figure ranges from US \$ 1.51 to US \$ 2.15 per individual per day depending on geographic location. If the expenditure is less than the indigent line then the individual is considered **very poor**.

Interestingly, Belize has instituted a social fee levy on goods imported into the Custom Free Zone (CFZ), where only those goods destined for and directly entering the national customs territory are subject to the national tax regime. Because the CFZ applies to goods only, it has no direct effect on the tourism sector.

A social fee is levied for goods and services imported into the CFZ (1.5% all goods except fuel (fuel 10%). The Social Fee is used exclusively for sports and educational development and for the provision of health and other social services by the Government. Moreover, CFZ businesses receive tax credits depending on how many Belizean workers are employed. Businesses which operate within the national customs territory shall not be permitted to operate within a CFZ.³⁸ This demonstrates that although not directly termed CSR, CFZ provides an opportunity for government to provide incentives to businesses to take action in specific areas, e.g., providing sliding scale of incentives for employing people in local communities for businesses operating in the CFZ.

Contributions by investors as part of their CSR would free resources for the Government of Belize to address other national and regional needs. However, the way in which this is done has to be balanced with the role of governments and private investors, respectively. These opportunities can form part of investment negotiations and should not be viewed as government using CSR strategies as a way of abdicating responsibility to provide basic facilities to citizens. On the other hand, communities should not be subject to the whims of private investors and their fluid CSR strategies and/or action plans.

Governments able to leverage the CSR strategies of TNs can contribute to increasing the business competitiveness of their country as an investment destination. In addition, they could formulate investment incentives that will be attractive to TNs to support and/or build capacity in local supply chain, thus promoting enterprise and improving livelihoods.

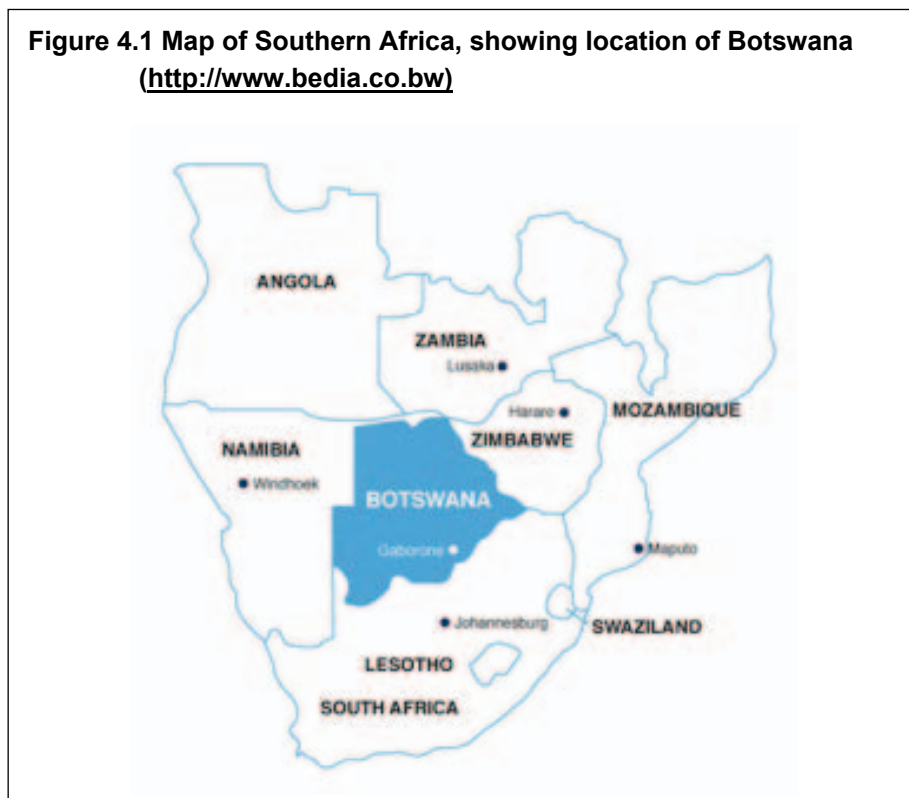
³⁸ Belize Trade and Investment Development Service. 'Commercial Free Zone Act'. <http://www.belizeinvest.org.bz/pdf/schemes/CFZ_cap278.pdf> (Accessed 21 May 2008). See also US Embassy (Belize) 'Commercial Guide'. <http://belize.usembassy.gov/country_commercial.html> (Accessed 20 May 2008).

4 CSR AND THE MINING SECTOR IN BOTSWANA

4.1 General country information -Botswana

The Republic of Botswana, a Commonwealth member since 1966, is landlocked in the centre of southern Africa (latitudes 17 and 27 and longitudes 20 and 30 east). The country shares borders with South Africa in the south and south-east, Zambia in the north, Zimbabwe in the east and Namibia in the west (Figure 4.1). Covering an area of 582,000km², Botswana is divided into nine districts: i) Kweneng, ii) North-west, iii) Ghanzi, iv) Central, v) North-east, vi) Kgatleng, vii) Southern, viii) South-east and ix) Kgalagadi. With a population density of 2.7 per km², over half of the 1.882 million people live in urban areas, representing a more than three-fold increase in urbanisation between the 1970s and 1990s (Table 4.1).

Figure 4.1 Map of Southern Africa, showing location of Botswana
(<http://www.bedia.co.bw>)



4.2 Key economic and social indicators for Botswana

Since the 1980s, Botswana's average growth rate has been 7.8% (te Velde and Cali, 2007) and the country has the highest per capita growth in the world. In 2007, Botswana had a current trade surplus of over US\$2300 million, single-digit inflation of 7.1% and a GDP growth rate of 6.0 (Table 4.1).

Mining, in particular diamonds, has transformed Botswana from an agricultural-based economy to one in which mining accounts for 40.7% of GDP, as outlined in the 2008 budget speech³⁹, and 41.4% of all economic activity (Figure 4.2). Diamonds account for 80% of all exports and 50% of government revenue (BEDIA, 2008). Just under half of Botswana's population is economically active and the mining sector only accounts for about 3% of Botswana's formal employment. In contrast, agriculture, which contributes only about 2% to

³⁹ Botswana Budget Speech, 2008. <http://www.gov.bw/docs/BudgetSpeech2008.zip>

GDP, accounts for approximately 75% of employment (BEDIA, 2008). Botswana abolished foreign exchange controls in 1999, has a low corporate tax rate (15%), no prohibitions on foreign ownership of companies or the repatriation of funds, including dividends and capital.

Table 4.1 General country information and key economic indicators -Botswana*⁴⁰

Indicators⁴¹		1980	2007
Population	Total	0.996 (million)	1.882 (million)
	Urban population	16.5%	58.9%
	Female population	51.2%	50.3%
Economically active population	Total	46.0%	44.5% (2005)
	Male	23.8%	24.6% (2005)
	Female	22.2%	19.9% (2005)
GNI (Gross National Income) per capita		960	5900 (2006)
GDP (Gross Domestic Product) Growth rates		7.5 (1985)	6.0
GDP at current market prices		1070.12	10706.21
GDP at basic prices (2000 constant)		1073.51	8352.69
Trade balance (in millions of US \$)		-189.67	2338.33
Government finance as % of GDP		32.3	7.1
Currency	Pula		
Exchange rates (currency of Pula per US dollar) period average		0.7772	6.1388
Inflation, Consumer Price (annual %)		13.5	7.1
Primary school enrolment ⁴² ratio	Total	91.3%	112.2% (2005)
	Female	99.9%	112.0% (2005)
Secondary school enrolment ratio	Total	18.8%	75.0% (2005)
	Female	20.0%	77.0% (2005)
Literacy rate	Total	57.5%	82.8%
	Female	59.1%	85.5%
Infant mortality rate (per 1,000 live births)		68.0	46.5
Life expectancy (years)	Male	58.5	50.5
	Female	62.6	50.7
Access to health services		-	84.0%
Access to safe water	Total	77.0% (1985)	95.0% (2004)
	Urban	98.0% (1985)	100.0% (2004)
	Rural	72.0% (1985)	90.0% (2004)
Language	-Setswana is the national language -English is the official language (use for business and government affairs)		

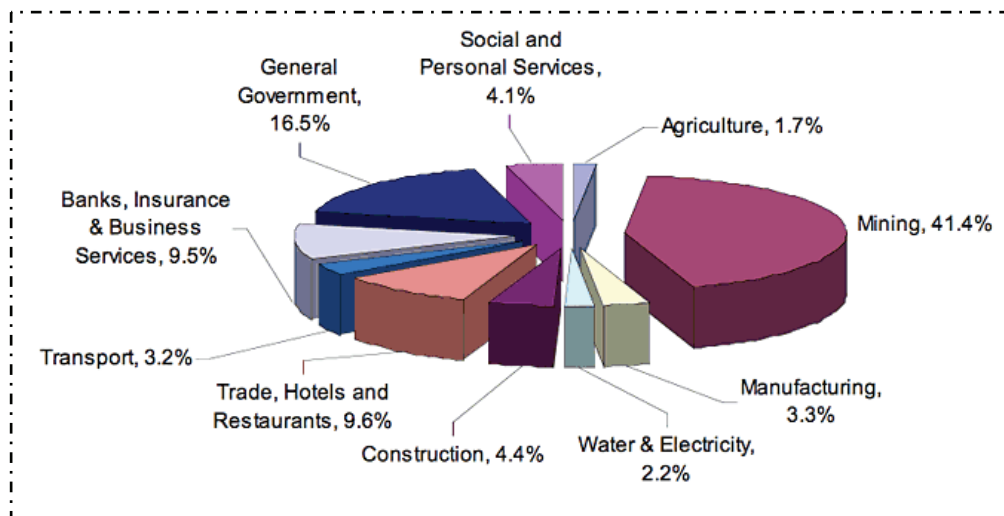
* Ref: African Development Bank (www.afdb.org)

⁴⁰ Selected Statistics on African Countries 2008 prepared by the Economic and Social Statistics Division of the Statistics Department. African Development Bank.

⁴¹ More information on Indicators is available at the African Development Bank's homepage

⁴² Enrolment (primary school) is the number of pupils enrolled at the primary level of education, regardless of age, expressed as a percentage of the population corresponding to the official school age of primary education in a given country. Where figures are more than 100 percent, total enrolments include repeaters and pupils above and below the primary school age.

Figure 4.2 Botswana GDP by economic activity (2005 -2006).
 Ref: <http://www.bedia.co.bw>.



Social indicators are quite good (Table 4.1) and adult literacy is above 80%, with 100% of children enrolled in primary school and 75% enrolled in secondary school. Access to health services is strong, currently estimated at 95% while access to safe water is estimated at 95%. This contrasts sharply with life expectancy averaging just over 50 years as a result of Botswana's high incidence of HIV/AIDS and infant mortality stands at 46.5% for 1,000 per life births. However, income inequality is high with a Gini coefficient⁴³ of 0.54 and about 37% of the population live below the poverty line (African Development Bank, 2004⁴⁴).

At the international level, Botswana is a member of the World Trade Organisation (WTO) and a signatory to the General Agreement on Trade in Services (GATS). Regionally, it is a member of the Southern Africa Development Community (SADC), hosting the secretariat, and since July 2007 has been chair of the Southern Africa Customs Union (SACU). The SADC summit in August 2008 saw the launch of the SADC Free Trade Area allowing free movement of goods and services within the region. Through SACU and SADC respectively, Botswana is negotiating trade agreements with the EU and USA⁴⁵.

4.3 Investing in Botswana

In Botswana, the largest recipient of Foreign Direct Investment is the mining sector. This, however, has been decreasing with the rise of FDI in other sectors.

According to the World Bank⁴⁶, "Botswana's investment climate appears quite favourable. Despite this, however, companies are not very competitive when compared to businesses in other middle income economies. Moreover, there are some problems: worker skills are low; the cost of crime is relatively high; access to credit is low; tax compliance is poor; and

⁴³ The Gini coefficient is the most commonly used measure of inequality. The coefficient varies between 0, which reflects complete equality and 1, which indicates complete inequality (World Bank, www.worldbank.com).

⁴⁴ Country Strategy Paper for Botswana for the period 2004-2008. African Development Bank.

⁴⁵ Private sector body formed on EU-SADC negotiations. 2007. http://www.bilaterals.org/article.php3?id_article=7600.

⁴⁶ World Bank Multilateral Investment Guarantee Agency. http://www.fdi.net/country/sub_index.cfm?countrynum=29.

access to land. In addition to the problems picked up in the investment climate survey,⁴⁷ other issues likely to also affect the investment climate are incidence of HIV/AIDS; the smallness of the Botswana economy and impact of the mining economy on competitiveness⁴⁸.

For foreign enterprise, the autonomous private sector led organisation BEDIA was mandated by Parliament in 1997 to be the first point of contact for potential investors in Botswana. BDC, established in 1970, is the country's main agency for commercial and industrial development, and the agency reports directly to the Ministry of Finance and Development Planning.⁴⁹

Table 4.2 shows the four main institutions responsible for enterprise in Botswana. These are i) Botswana Export Development and Investment Authority (BEDIA), ii) Citizen Entrepreneurial Development Agency (CEDA), iii) Botswana Development Corporation Limited (BDC) and vi) Local Enterprise Agency (LEA).

The process of setting up a business is simplified through the organisations shown in Table 4.2. BEDIA, for example, centralises the issue of licenses and permits and BDC can provide premises and loans to gain better access to local labour. LEA was established to provide for all investors but with specific focus on mentoring local investors. To facilitate the latter, LEA assists with training as the government funds up to 50% of training for local citizens. CEDA operates three windows: Loans, Venture Capital, and Credit Guarantee Scheme and was established to facilitate access of citizen entrepreneurs to capital.

In addition, the government-owned National Development Bank (NDB), established since 1963, operates as a development financial institution⁵⁰.

Table 4.2 Services providing advice on investing in Botswana.

Category	Available investment assistance		
	Training	Finance	Business development
Botswana citizen	LEA	CEDA	LEA
Botswana company	LEA	CEDA or BDC	BEDIA
Foreign individual	LEA	CEDA VCF or BDC	BEDIA

The Department of Industrial Affairs within the Ministry of Trade and Industry is responsible for promoting the development of industry. The Industrial Development Act of 1988 requires that all foreign-owned manufacturing enterprises obtain a license from this ministry.

At present there is no legislation or investment code stipulating the level of investment for a given project, however, financial institutions like BDC and the NDB mandate a minimum of

⁴⁷ World Bank's Investment Climate Survey evaluates the investment climate in Botswana in all its operational dimensions to promote policies which will strengthen the private sector. (World Bank)

⁴⁸ World Bank Group. Undated. Summary of Botswana Investment Climate Assessment. African Region Private Sector Unit. http://siteresources.worldbank.org/EXTAFRISUMAFTPS/Resources/bw_ica.pdf. 4pp.

⁴⁹ Information available at: www.bdc.bw

⁵⁰ More information available at: www.ndb.bw

25% as direct contributions from investors (BEDIA, 2008⁵¹). The Botswana Confederation of Commerce, Industry and Manpower (BOCCIM) is the largest private sector organisation representing individuals and companies investing in Botswana.

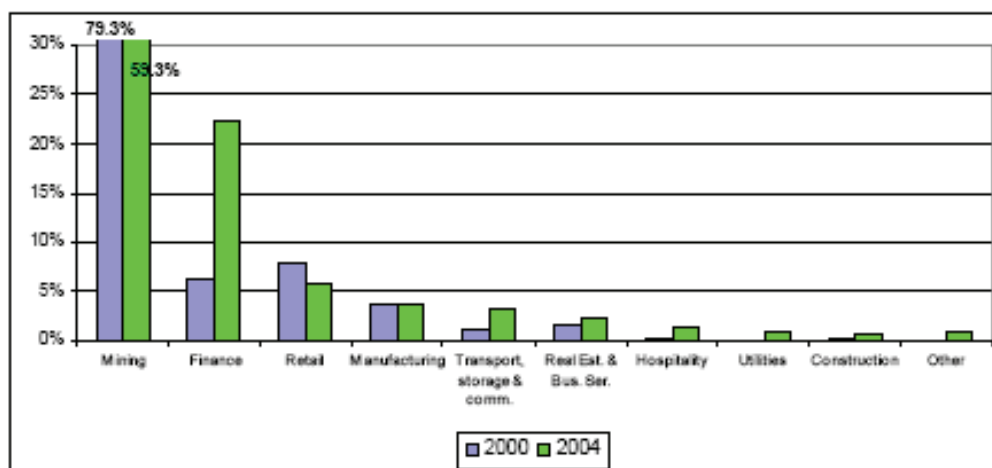
Establishment of the government agency International Financial Services Centre (IFSC) in 2003 is a major mechanism for diversification of the economy. IFSC is one of three in the world and the only one in Africa. It offers foreign investors, among other incentives, a 15% corporate tax rate that is guaranteed until June 2020 (see IFSC website: <http://www.botswanaifsc.com/>).

Other incentives for FDI include:

- Machinery and equipment imported for purposes of manufacturing is duty free;
- Exemption from withholding taxes in Botswana;
- Credits for withholding taxes levied elsewhere, and
- Access to Botswana's Double Taxation Treaty network (<http://www.discover-botswana.com/articles/doingbusiness.php>).

In the 2004 World Investment Report (WIR) Botswana was ranked 11th in Africa and 57th in the world for the period 2001-2003 in terms of Foreign Direct Investment received. Figure 4.3 shows FDI received in Botswana in 2000 and 2004, the majority of which was for mining.

Figure 4.3 Foreign Direct Investment in Botswana, by sector (2000 and 2004) *



* Ref: te Velde and Cali 2007, p.21, based on Bank of Botswana, Annual Reports⁵².

4.3.1 Incentives offered in Botswana for mining sector investments

Botswana's Ministry of Trade and Industry is responsible for the promotion and attraction of investment, both domestic and foreign, in the industrial and commercial sectors (Ministry of Trade and Industry⁵³).

⁵¹ Botswana Export Development and Investment Authority. <http://www.bedia.bw/>

⁵² te Velde, D W and Cali, M. 2007. Assessment of Botswana's Services Sector -A Study for the BTPP/BIDPA. Overseas Development Institute.

⁵³ Ministry of Trade and Tourism -<http://www.mti.gov.bw/>

Applications for mineral rights are made to the Ministry of Minerals, Energy and Water Resources, which receives 2.7% of the Ministerial Budget (Botswana Budget Speech, 2008). Applications for exploration are made through the Geological Surveys Department or through the Department of Mines for mining. There are three types of mineral rights in Botswana: a reconnaissance permit, a prospecting license and a mining lease.

Since the Kimberley process⁵⁴ was established in 2000 and the Kimberley Process Certification Scheme initiated in 2002, Botswana has issued certificates for all diamonds mined. In 2000, Botswana also founded its own 'Diamonds for Development' campaign to create awareness that diamond revenues are used 'transparently' as a source of revenue for legitimate national development programmes.

4.3.2 Government of Botswana's expectations of Foreign Direct Investors

Foreign investors are required to register their company with the Registrar of Companies, Ministry of Commerce and Industry. While trade policy generally falls within the remit of the Ministry of Trade and Industry, the Ministry of Finance and Development Planning is the lead ministry for SACU affairs. For the mining sector, the Ministry of Minerals, Energy and Water Resources (MMEWR) is responsible for developing and implementing the fiscal, legal and policy framework for mineral exploration, mining and mineral processing.

Mineral rights in Botswana are the property of the state, regardless of the ownership of the land where they are found. This guarantees that all Botswana nationals have a common stake and enjoy common the benefits from mineral revenues. The Government keeps an equity stake and board representation in the mining sector, however the industry operates on a privately owned free-market basis.

Mining was governed by legislation introduced in 1977 followed by new legislation in July 1999 by the Mines and Minerals Act No. 17. The Act's aims were to ease the licensing process and promote foreign investment in exploration and mine development (*Ibid* 1999). It is through this that the Government of Botswana adheres to transparent policies and maintains effective laws to foster competition (Business Monitor International, 2008⁵⁵). Key policy changes in the Act, as described by BEDIA, are:

- Abolition of the government's right to a 15% free equity participation in all mining projects and its replacement with the option to acquire up to a 15% shareholding on mutually agreed commercial terms;
- A downward revision from 5 to 3% of royalties payable on the production/export value of all minerals, with the exception of precious stones and precious metals which remain at 10 and 5%, respectively;
- Introduction of new variable rate income tax formulae, applicable to all non-diamond mining operations, the fiscal terms of which will continue to be negotiated between the government and the operator;
- Simplification of the grant, renewal and transfer of mineral licenses to make process more predictable and transparent, thereby improving security of tenure of investor;
- Provision for an immediate 100% capital expenditure write-off in the year an investment is made with an unlimited carry forward of any losses;

⁵⁴ The Kimberley Process (KP) is a joint governments, industry and civil society initiative to stem the flow of conflict diamonds – rough diamonds used by rebel movements to finance wars against legitimate governments. <http://www.kimberleyprocess.com>

⁵⁵ <http://store.businessmonitor.com/app/products/?action=index§ion=countries&uid=BW>

- Liberalisation of the restrictions on the transfer of mineral concessions, and ,
- Introduction of a new type of mineral concessions, the retention license. This allows investors who have completed exploration programme and confirmed the discovery of mineral deposits to retain rights over it for renewable periods, should prevailing market conditions make immediate exploitation of the deposit un-economic.

The Mines and Minerals Act, 1999 sets out the type of licenses for mining as well as the obligations of mining companies to Botswana, as a country. Two of the provisions of the Act are of particular interest to this study. First, Section 12, enjoins holders of mining concessions to give preference “to the maximum extent possible consistent with safety, efficiency and economy to:

- Materials and products made in Botswana;
- Service agencies located in Botswana and owned by Botswana citizens or bodies corporate established under the Companies Act, and
- Citizens in employment.

The Act also enjoins holders of a mining license to conduct training programmes, in conjunction with the Minister, for the benefit of employees so that such employees may qualify for advancement.

The second provision of interest relates to environmental and pollution issues, which are dealt with in Section 65. The section specifies that the holder of a mineral concession shall in accordance with the law in force from time to time in Botswana and in accordance with good mining industry practice:

- conduct operations in such manner as to preserve in as far as is possible the natural environment, minimize and control waste or undue loss of or damage to natural and biological resources, to prevent and where unavoidable, promptly treat pollution and contamination of the environment and shall take no steps which may unnecessarily or unreasonably restrict or limit further development of the natural resources of the concession area or adjacent areas;
- prepare and submit a comprehensive Environmental Impact Assessment as part of the Project Feasibility Study Report or an application for obtaining or renewal of a mining licence;
- ensure that concession area is rehabilitated from time to time and ultimately reclaimed in so far as is practicable in a manner acceptable to the Director of Mines;
- shall take such measures as are required from time to time to maintain and restore the top soil of affected areas and otherwise to restore the land substantially to the condition in which it was prior to the commencement of operations.

These provisions are pre-emptive of the problems that usually lead to disputes and conflicts in mining areas. They also attempt to ensure that the country shares fully in the benefits of mining industry operations.

4.4 Profile of mining companies in Botswana

Botswana is the world’s leading diamond producer in terms of quality and grade of its diamonds. The country also has significant deposits of copper, nickel, cobalt, gold, soda ash and coal deposits which are currently being exploited and developed (Mbendi online site⁵⁶).

⁵⁶ Mbendi business website. <http://www.mbendi.co.za/index.htm>. Accessed Oct 2008.

The mining sector has been the most important contributor to the transformation of Botswana from one of the poorest countries in the world in the early 1960s to a middle income country in the late 90s. The sector contributes an average of 38% of the GDP, 70% of export earnings, over 55% of government revenue, but only 3% of employment, a result of its capital-intensive nature.

Since diamonds were first discovered in 1967, one year after independence from British rule, a number of leading mining companies have been involved in Botswana. These include Falconbridge, Rio Tinto, BHP Billiton and Anglo American. According to the Government of Botswana website (June 20th, 2008), about 1400 new prospecting licenses have been issued since 1975 (excluding renewals). Out of this number, only a very small percentage has resulted in the discovery of actual mineral deposits. Of these, only a smaller proportion is commercially viable in scale. At the time of collecting information for this study, there were 13 mines operating in Botswana (Table 4.3). These include five mining for diamond, two for copper/nickel, two gold and one gold/silver mines, one coal mine, one copper mine and one soda ash salt mine.

Table 4.3 Registered mining companies in Botswana*.

Company Name	Location	Mineral
1. BCL Limited	Selebi Phikwe	Copper/Nickel
2. Botash Ash	Sua Pan	Soda Ash/Salt
3. Debswana Diamond Company	Jwaneng	Diamond
4. Debswana Diamond Company	Lethakane	Diamond
5. Debswana Diamond Company	Orapa	Diamond
6. Debswana Diamond Company	Damtshaa	Diamond
7. I AM GOLD (Shashe Mine)	Francistown	Gold/Silver
8. Mupane Gold Mining (Pty)	Farm 75, NQ (NE District)	Gold
9. Joren (Pty) Ltd (Somerset Mine)	Sechele	Gold
10. Morupule Colliery (Pty) Ltd	Morupule	Coal
11. Tati Nickel Mining Co (pty) Ltd (Selkirk Mine, Phoenix Mine)	Phoenix/Selkirk	Copper/Nickel
12. DimonEx Botswana Ltd	Lerala, nr Martin's Drift	Diamonds
13. Mowana –previously Messina Copper (Botswana) Ltd	Dukwi	Copper

*Ref: Department of Mines, 2007 Annual Report

Botswana mineral outputs have increased over the years since 1990. Diamond output has virtually doubled during the period while gold, with insignificant output between 1996 and 2003, has surged in output in the last four years. Table 4.4 shows mineral output since 1990.

Actual extraction of minerals is limited to the following companies: Debswana is the only company extracting diamonds through its four mines: Lethlhakane, Orapa, Jwaneng and Damtshaa. Coal is mined at the Morupule colliery also owned by Debswana. The two

copper-nickel mines operational in Botswana are the Selebi-Phikwe and Phoenix mines owned by BCL Ltd and TNMC, respectively. There are three gold mines although only one, Shashe Mines in Francistown, is currently producing while prospecting is going on in Somerset Mine in Sechele and Mupane. The one soda-ash company, Botswana Ash Ltd, operates the Sua Pan mine.

Diamond constitutes about 90% of production value, while the other minerals, metals and coal constitute the remaining 10% (AFDP. 2008). 'The diamond sector's physical output has grown steadily since the late 1990s, rising from 17 million carats in 1990, to 31.1 million carats in 2004 and 34.4 million carats in 2006. However, a slight decline of 654 carats was recorded in 2007. Similar declines were recorded for nickel, copper, coal and gold. In general, however, higher output was underpinned by new investments in the diamond mining sector. New mines under consideration for licensing or recently licensed are the Mowana Mines for Copper, DimonEx Botswana Ltd (diamond), and Somerset Mines (gold).

On average, the mining industry in Botswana provides jobs for about 900 expatriates and over 13,000 Batswana. While the number of expatriate employees is declining, that of Batswana is increasing, rising to 15,524 in 2007.

4.5 National strategy for poverty reduction and MDGs

4.5.1 National Strategy for Poverty Reduction and Vision 2016

In Botswana, the government's approach to poverty reduction has always encompassed three complementary elements, viz.:

a) Aggressive investment in human capital formation: This entails public investment in building essential capabilities such as knowledge, skills and health to enhance human agency and empower people to earn a living. The main interventions are universal access to education, training and health, universal provisioning for basic needs through public and private means and extension services for small, medium and micro entrepreneurs, including farmers.

b) Infrastructure development: Infrastructure development may be seen as part of the broader strategy to expand local productive capacity by linking producers to markets and sources of inputs and creating locational incentives for investors in order to create jobs.

c) Employment creation: Interventions in this area seek to address the underlying structural causes of poverty: a narrow economic base, lack of access to formal sector employment and the low economic potential of agriculture given local technological and environmental constraints. These measures seek to diversify the economy towards sectors with high labour absorption capacities in order to create opportunities for people to generate employment for themselves and others.

Table 4.4 Mineral Production in Botswana (1990 – 2007).

Year	Diamond (000's carats)	Gold (kg)	Ni/Cu MATTE			Coal (T)	Soda Ash (T)	Salt (MT)	
			Matte (T)	Contained metal (T)					
				Nickel	Copper				Cobalt
1990	17,351	46	47,959	19,022	22,000	205	794,041	-	-
1991	16,506	20	48,319	19,294	20,576	208	783,873	62,000	2,600
1992	15,946	165	48,071	18,873	20,413	208	901,452	123,600	53,708
1993	14,730	192	50,783	21,621	20,132	205	890,000	126,000	98,000
1994	15,550	234	51,488	19,041	22,780	225	900,298	174,000	186,000
1995	16,802	86	48,456	18,088	20,461	271	898,383	201,657	208,126
1996	17,707	5	57,948	22,095	23,299	406	763,240	119,137	93,886
1997	20,111	2828	40,312	20,157	19,820	334	776,917	199,990	184,533
1998	19,639	1	45,310	22,851	22,124	335	928,100	195,500	199,300
1999	21,263	8	59,877	22,898	20,960	332	945,316	233,643	233,069
2000	24,635	4	48,420	21,446	18,722	308	946,900	191,000	184,800
2001	26,190	2	50,999	22,454	19,209	325	930,374	251,231	178,646
2002	28,368	8	56,626	23,896	21,590	269	953,081	283,197	315,259
2003	30,412	9	51,983	27,400	24,289	294	822,780	234,520	229,432
2004	31,125	162.15	54,448	22,292	21,195	223	913,087	263,358	208,319
2005	31,890	2,708.8	68,637	28,212	26,704	326	984,876	279,085	143,945
2006	34,293	3,020	64,368	26,762	24,255	303.3	962,427	255,677	151,595
2007	33,639	2,722	54,947	22,844	19,996	241,962	828,164	279,625	165,710

Source: Dept of Mines, 2007 Annual Report

Poverty and unemployment have been subjects of considerable policy attention and resource commitment in Botswana since the early 1980s. The country prepared its first national strategy on Poverty Reduction in 2003, which coincided with the 9th five-year national development plan (from 2003/4). Consistent with earlier attention on poverty and unemployment, Vision 2016 sets ambitious targets for poverty reduction and employment creation - halving the proportion of Botswana living below the poverty line by the year 2006, reducing it to zero by the year 2016, and securing full employment. At the time of this study, data was not readily available to confirm that the proportion of people living below the poverty line had in fact decreased to less than 23%.

Vision 2016 policy (<http://www.vision2016.co.bw>) identifies key areas that need to be improved to take the country forward towards prosperity. The year 2016 is significant as it marks the 50th anniversary of independence. Implementation of Vision 2016 is the responsibility of Botswana Vision Council, which replaced the Rural Development Council (RDC)⁵⁷ and is tasked with implementing the National Strategy for Poverty Reduction.

Box 4.1 Extract from an Address to the Steering Committee on Botswana's Millennium Development Goals report.

It is not an exaggeration to say that the MDGs and the Vision are basically the same thing. Both are concerned about virtually the same issues.

(a) to eradicate extreme poverty and hunger
 Vision: By year 2016, Botswana will have eradicated absolute poverty so that no part of the country will have people living with incomes below the appropriate poverty datum line. Within the next ten years, the percentage of people in poverty will have been reduced to at most 23% which is half the level in 1994.

(g) To ensure environmental stability
 Vision: The challenge of preserving the environment and making prudent use of the natural resource base of Botswana is crucial to its survival and prosperity.

(h) To develop global partnership for development
 Vision: "...Botswana will continue to cooperate with other nations for mutual benefit. In particular, it will work with its neighbours to increase the degree of regional integration in trade and other policies with a view to improving the competitiveness of the region as a whole."

***Address given by Dr Gloria Somolekae, Chairperson, Botswana Vision Council**

In addition to poverty and unemployment, critical weaknesses in Botswana's development cited in UNDP's Human Development Report 2005⁵⁸ are:

- excessive dependence on the state;
- slow pace of citizen economic empowerment;
- technology gap;
- slow pace of diversification, outside of diamond mining, and
- inequalities in the population and between geographic locations.

⁵⁷ RDC. <http://www.mmegi.bw/index.php?sid=4&aid=266&dir=2007/October/Friday19>.
http://www.sundaystandard.info/search/search_item.php?NewsID=2190

⁵⁸ UNDP. 2005. http://hdr.undp.org/docs/reports/national/BOT_Botswana/Botswana_2005_en.pdf

In partnership with the Government of Botswana, UNDP is working on a programme of Economic Management, Job Creation and Poverty Reduction⁵⁹. Key aspects of UNDP's work in Botswana aimed at fulfilling the objectives of Botswana's Vision 2016 include:

- Halving poverty from 47% (1994) to 23% by 2007;
- Maintaining 8% per annum GDP growth until 2016, and
- Increasing per capita income from US\$3300 in 1997 to US\$8500 in 2016.

Poverty reduction, therefore, is a high priority under both Vision 2016 and the 9th NDP and the government has promised to implement the Strategy, a multi-sectoral Committee on Poverty Reduction, with representation from both within and outside the government. Vision 2016 runs parallel with the MDGs and the goals are targeted at 2016, while the MDGs goals are for certain criteria to be met by 2015. Because these initiatives are complementary, one can be promoted without being detrimental to the other. Overlaps in Vision 2016 and specific MDGs are outlined in Box 4.1 and Table 4.5⁶⁰.

Table 4.5 highlights what the Botswana Government needs to and hopes to do and thus how businesses can help Botswana achieve the goals of Vision 2016 and the MDGs. The government can use this to encourage companies to use their CSR programmes to assist in achieving these goals.

4.5.2 Progress on achieving MDGs in Botswana

Unless decisive measures are taken to significantly strengthen its Science and Technology capability, Botswana will struggle to meet its Vision 2016 goals (Botswana Human Development Report 2005⁶¹). This is so as key requirements for the realisation of the vision – quality education, an information society, productivity growth, export competitiveness and industrialisation all require strong technological input.' In reiterating that the MDGs are primarily about eradicating poverty, the report cautioned that without renewed focus on science and technology solutions to address the priority needs of poor people and poor countries, poverty shall not be overcome.

Already, Botswana has already achieved the MDG targets of Universal access to basic education (MDG 2) and access to safe drinking water (part of MDG 7) and is managing to reverse the spread of HIV/AIDS (Government of Botswana, Budget speech 2008). As summarised in Table 4.6, MDG 1 is unlikely to be met, MDG 6 is likely to be secured and MDG 7 has the potential to be achieved.

4.6 Mining companies in Botswana –national and trans-national

This study was designed to explore the potential for governments to leverage the CSR strategies of TNs, in the case of Botswana the diamond mining company Debswana is included also, despite the role for government in operation of the company, as it makes a significant contribution to GDP (Figure 4.2).

⁵⁹ UNDP programme in Botswana. <http://www.unbotswana.org/bw/undp/poverty.html>.

⁶⁰ UNDP report. http://hdr.undp.org/docs/reports/national/BOT_Botswana/Botswana_2005_en.pdf).

⁶¹ UNDP. 2005 HD report. http://hdr.undp.org/docs/reports/national/BOT_Botswana/Botswana_2005_en.pdf, p 24.

The evolution of CSR has been classified by Harrison into three levels, basic, organisational, and societal. The basic level of CSR is both legal and ethical, involving payment of taxes, observance of the law, and dealing fairly with stakeholders. Level 2 involves the organisation acting to minimise the negative impact of its operations and acting in the spirit (rather than letter) of the law. The third level focuses on the society, requiring the organisation to remove or alleviate societal ills and to contribute to a healthier and better society.

For this case study, information on the CSR activities was obtained from four mining companies in Botswana: i) Mowanana Mines, ii) Tati, iii) BCL and iv) Debswana.

Table 4.5 Botswana’s Vision 2016 and MDGs –the linkages.

VISION 2016 PILLARS	MILLENNIUM DEVELOPMENT GOALS
A prosperous, productive and innovative nation	MDG 1: Eradicate Extreme Poverty and Hunger MDG 7: Ensure Environmental Sustainability The key elements of this Vision pillar are sustainable growth and diversification.
A compassionate, just and caring nation	MDG 1: Eradicate Extreme Poverty and Hunger This vision pillar’s main priorities are poverty, inequality and social safety nets.
An open, democratic and accountable nation	MDG 8: Develop a Global Partnership for Development The fifth pillar focuses on leadership, which is the main prerequisite for international development cooperation, especially FDI, and to a lesser extent aid and trade.
A proud and United Nation	MDG 8: Develop a Global Partnership for Development Promotes nationhood based on shared values and shared aspirations. An important element of this Vision pillar, which is also essential to MDG 8, is good governance and participation.

Source: <http://www.unbotswana.org/bw/undp/mdg.html>

4.6.1 Mowana Mines

Mowana Mines started operations in early 2008 and although not engaged in any CSR activities, its parent company, Mining and Metallurgical Company Norlisk Nickel of Russia (MMC), has a well articulated policy on CSR that governs all its subsidiaries, operations and projects. MMC categorises its CSR principles as linked with three specific groups of stakeholders, i) society as a whole, ii) local communities and iii) employees.

MMC’s CSR Principles relating to society

- Production of goods in the most efficient manner possible in the volumes, quality and mix demanded by the market to meet society’s needs, taking into account the interests of both the business and society;
- Strict compliance with the law wherever MMC operates, including tax compliance;
- Compliance with the provisions of international treaties, including international business standards;
- Use of resource saving technologies and measures to ensure environmental and industrial safety;
- Organisation of socially significant charity projects in the social and environmental spheres both in Russia and overseas.

Table 4.6 Progress made to achieving MDGs 1, 7 and 8 in Botswana.**

Goals	Targets	Will goal be met by 2015?	Supportive environment for achieving goal
Eradicate Poverty and Hunger	No person living below the Income Poverty Datum Line by 2016.	Unlikely	Strong
	Reduce by 50% the proportion of people who suffer from hunger and malnutrition by 2016.	Likely	Strong
The Environment	To reduce by 50% the proportion of people without sustainable access to safe drinking water by 2016.	Likely	Strong
	Reduce conflict between population growth, land usage and environmental and natural resources degradation.	Potentially	Good
	Promote environmental education and awareness necessary to reduce contamination and achieve sustainable development.	Potentially	Good
Global Partnerships	Develop further, an environment conducive for beneficial trade and foreign direct investment	Likely	Strong
	In cooperation with the private sector, make available the benefits of new technologies.	Likely	Strong

** Source: <http://www.unbotswana.org.bw/undp/mdg.html>

MMC's CSR principles in relation to local communities

- Employment of the local population;
- Payment of taxes to local and regional governments;
- Socially responsible restructuring using methods acceptable to local communities;
- Implementation of projects to facilitate local socio-economic development and social improvement;
- Participation in environmental protection projects;
- Charity activities for socially vulnerable groups.

MMC's CSR principles in relation to employees

- Provision of productive jobs with competitive remuneration and social benefits;
- Strict compliance with labour legislation and collective bargaining agreements;
- High occupational health and safety standards and high-quality social facilities in the workplace, with protection of employees' health and safety as a top priority;
- Opportunities for all-round professional and cultural development.

There is no track record to assess how MMC's subsidiary Mowana Mines has applied its three-prong approach to CSR in Botswana. It is expected, however, that when Mowana Mines is fully operational, it would apply the CSR principles adopted by its parent company.

Opportunities abound for the company to contribute to national development even as it pursues profits and implements CSR policies. Specific areas of overlap/interest are:

relating to the wider society

- Use of resource saving technologies and measures to ensure environmental and industrial safety.

relating to communities

- Socially responsible restructuring using methods acceptable to local communities;
- Implementation of projects to facilitate local socio-economic development and social improvement, and
- Participation in environmental protection projects.

relating to employees

- High occupational health and safety standards and high-quality social facilities in the workplace, with protection of employees' health and safety as a top priority;
- Opportunities for all-round professional and cultural development.

4.6.2 TATI Nickel Mines

Available information about CSR activities at Tati Nickel Mines (TNM) suggests that the underpinning philosophy of its involvement is **societal**, making the society better or helping the underprivileged. The company contributed P300,000 (US\$48,869) towards refurbishment of a Day Care Centre in Matshelagabedi and Matsiloje, P110,000 (US\$16,290) to equip the centre with a television, computers, toilets/washrooms, a fully furnished kitchen and a mini –park. Additional help is promised to train the teachers, so as to increase their effectiveness.

TNM also donated P20, 000 (US\$3,258) to buy computers for the Matshelagabedi Primary School and is working with farmers to set up gardens for residents of Matshelagabedi. In accordance with the requirement of the Mining Act that preference should be given to citizens in employment, all the refurbishment work in Matshelagabedi were carried out with local professionals and service providers. A local young artist did the murals on the walls of the Day Care Centre while a local welder installed security bars.

4.6.3 BPL Limited

Established in the 1960s as a joint venture between the Government of Botswana and Norilsk International, BCL started operations in 1973 and in 2008 had 4200 employees. BCL's CSR is motivated by **ethical considerations**, believing it has to give back to the community in which it operates. The CSR objectives include responsiveness to the needs of the community in which it operates and the nation as a whole, and engaging in cost-effective, sustainable, need-based community activities through new and long-term partnerships.

BCL's business case for CSR is based on expectations that implementation of CSR activities would benefit BCL in ways such as:

- Developing loyalty to the company among employees and communities in which they operate;
- Perception and acceptance of the company by the communities as a good corporate citizen contributing to the common good
- Enhanced image of the company that helps it to attract, recruit, and retain highly skilled employees, and,
- Mitigation of any adverse impact of the company's operations on the environment.

Among the ways in which BCL implements its CSR policies are: i) donations to NGOs and other groups in line with BCL Code of Conduct, ii) sponsorship of research and development in the mining industry (e.g., environmental pollution), and iii) maintaining close cooperation with educational institutions. Specifically, BCL has:

- Donated computers to educational institutions, and sports equipment to several communities
- Built roads linking different parts of Selibe Phikwe
- Built and donated houses to the needy and underprivileged

Less measurable is the claim that BCL has empowered the local community, in particular, and the nation as a whole through patronage for supply of raw materials.

4.6.4 Debswana

At Debswana, CSR is regarded as an **investment**; hence it is titled 'Corporate Social Investment' (CSI). This notion of investment implies the recognition of the mutual benefit deriving from CSR activities, benefiting both the benefactor and the beneficiary. Debswana CSR activities are reported widely in the media as well as highlighted in each "Annual Review" of the company. The annual review reports form the basis of the summary of Debswana's CSR activities contained in this report. The main aim of Debswana's CSI programme is "to create, build and maintain sustainable partnerships so that communities benefit from the legacy of diamonds" A CSI committee, established by the Board executes

Debswana's CSR activities. The role of the Committee is to approve projects and recommend large projects for the approval of the Board.

The framework of Debswana's CSI is Botswana's Vision 2016⁶². Its CSI activities are therefore aligned to the pillars of Vision 2016, which set out a long term vision that by 2016 Botswana will become a nation that is:

- Educated and informed
- Prosperous, productive, and innovative
- Compassionate, just, and caring
- Safe and secure
- Open, democratic and accountable
- Moral and tolerant, and
- United and proud.

Specific objectives of Debswana's CSI are:

- To create a legacy of prosperity, sustainability and empower the communities and the lives of the people in Botswana;
- To ultimately ensure that Debswana does not leave the mining communities worse off than when the company began operating in those areas, and
- To maintain profitable business environment and enhance Debswana's reputation and well-being of communities in which it operates, as well as the country in general.

A framework for engagement and funding for the company's CSI is developed which allows for community involvement as well as for local company officials to be able to respond to local needs and issues. This demonstrates commitment well beyond paying lip service to CSR. In pursuance of the latter, responsibility for CSI initiatives are divided between the Head Office and the Operational Offices. Debswana's Head Office is responsible for:

- Reviewing CSI policy
- Selecting, monitoring and evaluating national projects
- Establishing criteria for investment and evaluation
- Site visiting of projects
- Maintenance of adequate records of declines
- Communication to staff on a quarterly basis
- Preparing of auditable public information and reports and external communication regarding Debswana national CSI activities

The operational offices at the mines are responsible for:

- Selection, monitoring and evaluation of local projects;
- Authorising funding within their allocated CSI budgets;
- Sites visiting of projects;
- Maintenance of adequate records of declines;
- Communication to staff on a quarterly basis;
- Quarterly reporting to the Head office CSI Committee, and
- Preparing of auditable public information and reports and external communication CSI activities on local level.

⁶² Vision 2020 website: <http://www.vision2016.co.bw/>

To discharge these responsibilities, the Head Office is allocated 70% of the CSI budget while Jwaneng and Orapa & Letlhakane mines are allocated 15% each.

CSI activities are focused on six key areas of:

- Education-primary and secondary schools education;
- Environment, particularly environmental education;
- Small business development/Business Skills training;
- Arts and culture development;
- Health, including HIV/AIDS support to communities, and
- Sports development

Before Debswana commits itself to a project or partner, it carries out a Risk Assessment in accordance with its Risk Assessment Methodology criteria that include feasibility, capacity, governance and sustainability. An analysis or summary of Debswana's CSI activities will be structured under these six areas of focus to which Debswana committed P 6.7 million (1.09 million) in 2006 and P8.02 million (US\$131 million) in 2007.

Environment

One consequence mining usually has on the environment is degradation and pollution. In keeping with its objective of not leaving a community worse off than before the start of mining, Debswana has devoted considerable resources to maintaining a wholesome environment in areas where it operates. For example, Debswana decided to rehabilitate the Mopipi Dam infrastructure, which had become unsafe for the community as Debswana no longer uses the facilities constructed in the mid-1970s by its predecessor company. The rehabilitation, costing P 3.9 million, was done in consultation with and involvement of the villagers in Mopipi and Mokobaxane. It is hoped that the rehabilitation would encourage farming as well as bring back the wild animal species that roamed the area pre-mining".

Debswana also contributed:

- P1 million (US\$162,898) towards replacement of the Mokolodi Nature Reserve electric fence and committed P250,000 (US\$40,725) to the Jwaneng-based Cheetah Conservation programme;
- Funding for debushing of the 40 km Orapa – Letlhakane road at a cost of P 110,000 (US\$16,290); and,
- P464,800 (US\$75,715) to a study on 'the behaviour of lions in cattle populated areas as well as long term viability of the leopard population in Botswana' at Khutse Game Reserve.

Education

Education featured prominently in the CSI activities of Debswana. Projects include:

- Refurbishment of the Mpule Kwelagobe Children's Centre, Jwaneng, at a cost of P300,000 (US\$48,869);
- Equipping the electronics-training laboratory at Kanye Brigades Development Trust, a youth empowerment centre, training youths in survival skills to reduce unemployment, stimulate economic growth and provide skilled labour to industry;
- Built and donated to the Department of Non-formal Education the Jwaneng Adult Education Learners and facilities. Debswana has spent a total of P1.8 million (US\$293,217) in 16 years on adult education programme, and

- Sponsorship of four University of Botswana students to Vancouver to participate in the World Debating Championship competition.

Sports

Debswana also takes interest in encouraging sports and has sponsored several sports activities, refurbished the stadium at Itsekeng and supported participation in regional and international events. These include, Ladies Softball World Championship in Beijing, China; the All-Africa U-19 Squash championships.

Debswana's contributing to skills development in small businesses

For its own performance improvement and for developing business management skills in the country, Debswana runs or sponsors organisations providing training in management and other business skills. One such series was run in Gaborone, Jwaneng, and Orapa for the company's potential suppliers with a view to "...sensitise, encourage and assist local companies to embrace and implement best practices that will enable them to successfully comply with the requirements of the Safety, Health, Environment and Quality Management standards".

Debswana also assists organisations that are engaged in the development of business skills, e.g., the Junior Achievement Botswana (JAB), which provides business and entrepreneurship education to young people country wide and is active in 204 junior secondary schools and 24 senior secondary schools. In 2007, Debswana donated P20,000 (US\$3,258) to JAB's Regional Schools competition. The company has also decided to fund JAB's Group Adoption Programme (GAP) for three years with a total of P212, 000 (US\$34,534) per annum. GAP provides economic and entrepreneurial skills to students in Junior Secondary Schools in Jwaneng and Orapa and surrounding areas. It empowers students with practical methodologies of operating a business through a 12-month hands-on exposure to the risks involved in business.

Health

Debswana was awarded a Pan-African Health Finalist Award for providing Masa (the government's antiretroviral therapy) through mines hospitals in Jwaneng, Orapa, and Letlhakane, to the communities around its areas of operations. The company spent over P 3 million (US\$488,695) on the building and extension of Boitekanelo Clinic which provides such services as the expanded immunisation programme, mother and child welfare clinics, prevention of mother to child transmission, and the antenatal tuberculosis (TB).

Another community-oriented health project was the P15 million (US\$2.44 million) desalination project in Orapa, through which unsalted water is made available to residents of the Boteti region for the first time in 40 years. Orapa Mine will provide technical expertise to ensure sustainability of the project.

Arts and Culture

This category covers areas that deal with the general community needs and encouragement of the arts. For example, over P600,000 (US\$97,739) was spent on the construction of community halls in Lentswelet and Maunatlala villages. Projects to the value of more than P500,000 (US\$81,449) include construction of a kitchen shelter at Xhere, extension of Kgotla offices at Rakops, and construction of a tuck shop in Maun.

4.7 Lessons learnt from CSR in Botswana's mining sector and opportunities to leverage for business to contribute to poverty reduction and MDGs

In compiling this case study, it was evident that mining companies in Botswana have adopted the philosophy of CSR, which recognises the need for social and environmental activities to be linked to their core business and focus on economic interests. Mutual benefits to both the company and the communities in which they operate were recognised. In the process, government is assisted in realising goals for national economic development, improving livelihoods and reducing poverty. Particularly impressive in Botswana is the comprehensive approach taken by the diamond mining company Debswana developing and decentralising its strategy on Corporate Social Investment. Investors in Botswana's mining sector, especially the diamond industry, have demonstrated preparedness to go beyond 'business as usual', i.e., mere job creation and provision of inward foreign direct investment. They consider related areas which if not addressed could threaten their investment.

Possibly, because of majority government interest, there has been a formal strategy for investing in local communities and national economic investment. This strategy, however, does have a strong philanthropic element. Although longer-term capacity building and technology adaptation have been included occasionally, the interventions fall short of national requirement to fill the technology gap. Since 2004, the authorities in Botswana have indicated that they are keen to broaden FDI in areas beyond the diamond industry to include other areas of mining and the energy-based investments (Business Monitor International, 2004⁶³). Whether or not this shift in allocation of FDI has taken place could not be confirmed.

While some of the areas supported by the mining companies can be viewed as traditional from the perspective of focusing on charity/corporate giving, others are innovative and open the door to contributions across a broader range of interests/sectors.

In Botswana, there has been an ongoing debate on the place of CSR in business activities. There are those who hold the view that the business of business is business, to make profit for its investors, and to treat its employees and others with whom it deals in the course of business justly and fairly. They argue that businesses are not responsible for the society in general, but only for their stakeholders, i.e., groups or individuals who can directly, or indirectly, affect, or be affected by corporate activities. Even among those who accept the responsibility of business to the society in general, two categories may be distinguished. First are those who perceive CSR as charity, an add-on, non-core activity. CSR activities deriving from such are likely to be at the discretion of the Chief Executive, sporadic and unsustainable. On the other side are advocates of the Triple Bottom Line approach (Elkington, 1997, Hendriques and Richardson, 2004) and Inclusive Business (WCSB, 2008).

⁶³ Business Monitor International. 2004. FDI: New ideas sought. <http://www/fod/met/bmi/bmidisplay.cfm>

5 LESSONS LEARNT FROM BELIZE AND BOTSWANA CASE STUDIES

–Linking CSR with investment negotiations

5.1 Paradigm shift from PPP to PPCP

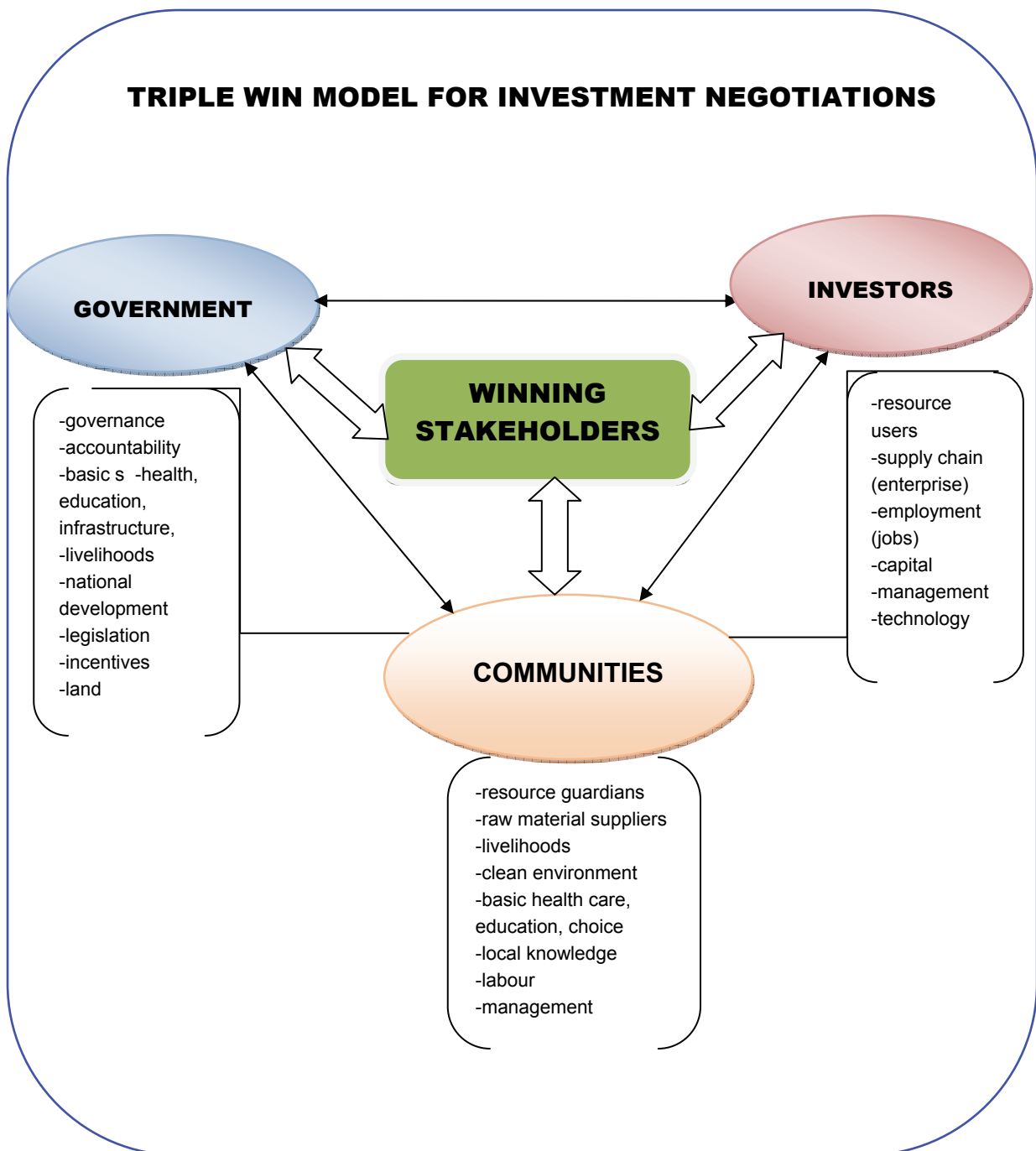
Companies that provided information to this study on their CSR initiatives can be seen as taking action to mitigate any adverse impacts from their operations, fostering the development of social and economic infrastructure for communities in which they operated, improving the well-being of underprivileged members of communities, and, in general, alleviating individual or communal poverty. In return, such businesses expected these social contributions to enhance their image as Good Corporate Citizens, make them more attractive to potential employees (especially highly skilled ones) and motivate existing employees. These corporate citizens/TNs are in the position of contributing to higher profitability and sustainability, ultimately for the benefit of all stakeholders. Surveys from the United Kingdom suggest that jobseekers consider the values and ethics of potential employers when considering roles. UK employers, therefore, are concerned about their brand and like to be viewed as employers that attract highly skilled and motivated employees, not driven only by profits. More likely than not, however, similar considerations do not feature or are not key determinants for job seekers in developing Commonwealth states. Of utmost importance to this group of job seekers is having a job, especially one perceived as secure and/or permanent.

One widely reported example of how the private sector has led in an area traditionally the responsibility of government is in health care in sub-Saharan Africa. As a result of actions by investors, especially in sub-Saharan Africa, the Global Fund for Aid was established. As an earlier part of this process, businesses provided health care for employees and, in some cases, extended the service to include families of employees and the wider community. Underpinning the action of businesses was a strong business case. Businesses wanted to increase the likelihood of having a capable workforce to service their business. In the mining sector in Botswana, this led to the provision of anti-retroviral treatments long before the Government of Botswana began providing such care for HIV infected persons.

Triple wins for stakeholders in investment negotiations require a paradigm shift in partnerships and investment frameworks. In the case of traditional public private sector partnerships, the shift will be from PPP to PPCP, i.e., Public Private Partnerships to Public Private Community Partnerships. In this instance, community is not necessarily based on geography, as it can include groupings with common interests that may or may not be organised and formally constituted.

Figure 5.1 shows interrelationship among the three key groups of stakeholders and their specific interests and/or roles.

Figure 5.1 Interrelationships and opportunities for stakeholders from government, business and communities to benefit from investment negotiations.



Suggested criteria for development of investment packages/incentives for investors include:

- ✓ Job creation (reducing unemployment in communities/towns)
- ✓ Development of new areas/upgrading of existing ones/geographic regions
- ✓ Promote innovation and use of new and appropriate technologies
- ✓ Increase employment of women and/or youth
- ✓ Performance based –agreed benchmarks, e.g., 20% renewable energy, 40% local suppliers, 50% local management
- ✓ Increasing household income, sustaining livelihoods, reducing poverty
- ✓ Increasing renewable energy options in country
- ✓ Contribute to increasing development of enterprise/industry

5.2 Disaggregating CSR

CSR, however defined, is a voluntary initiative and this report strongly recommends that it should continue being so. Within that milieu, however, there are opportunities to drive a common agenda for the benefit and shareholders/investors, governments and communities. In spite of the growth of ‘social entrepreneurs’ aimed at community-driven, interests, it is investors who take greatest risks and, therefore, decide, subject to appropriate government policies/investment climate/incentives, where they will place their capital and source the management with land, labour, capital and management.

Governments –and in some instances communities –determine the land and labour available to investors while communities are frequently custodians of the resources required by investors. More often than not, however, tradition has it that governments and businesses are the principal direct and significant beneficiaries from the harnessing of resources for development. Communities in this scenario are left at the mercy of both their governments and investors. A well-documented example of wider stakeholder consultation is the Multi-Fibre Agreement funded by the International Finance Corporation (IFC) which focused on implications for livelihoods with the end of the trade in textiles in Lesotho. This prompted the forging of collaboration among businesses, government and relevant local NGOs. The main driver was concern for impending job losses among vulnerable sections of the national workforce, as a consequence of the end of the preferential textile agreement (IFC and WB 2006⁶⁴).

Where employment and entrepreneurial opportunities are limited, or almost non-existent, jobs at any cost/price is an attractive option for governments and communities. But, does it have to be so?

⁶⁴ IFC and World Bank. 2006. Competitiveness and Corporate Social Responsibility in Lesotho’s Apparel Industry. 29pp.

In the context of Commonwealth states, CSR can be considered as a broader perspective of business, one that leads investors to more complex assessments of prospective investments and greater consideration of customer views and initiatives to be able to thrive in a highly competitive, and sometimes hostile, business environment. One driven not only by profits but by an increasing awareness that traditional business models of profits at any cost are not longer widely acceptable. While this may be true for multi-nationals in developed countries, it is not always the same for developing countries.

There is the need also to measure contributions made in respective sectors over and above that provided by way of incentives and to assess/evaluate opportunity cost, if governments would have provided the resources instead.

5.3 Creating awareness and increasing understanding of CSR

Creating awareness and increasing understanding of CSR are essential pre-requisites to the development of appropriate innovative and strong investment frameworks to attract FDI. FDI that can be used to provide benefits to shareholders, while simultaneously contributing to improving lives and livelihoods of the communities in which investments are based and promote national economic development. Essential, however, is for such awareness and knowledge to reside in negotiating teams and policy makers in ministries such as Finance, Economic Development, Trade and Commerce and dedicated investment agencies.

Commonwealth states need to find ways of engaging in negotiations to help their countries maximise benefits from Foreign Direct Investments. While intense advocacy in developed countries have led to the establishment of several ethical and social investment funds, it is unlikely that such ethical funds would be re-directed in larger volumes to developing Commonwealth states. More than likely the ethical funds will remain in developed countries and emerging economies. Therefore, this is not likely to be a source of significant funding for FDI in developing countries.

As standard practice, investment officials/negotiating teams representing governments in developing countries need to have information on potential investors, as part of due diligence. Additional information from independent sources would be invaluable in providing information on CSR and initiatives in the social and/or environmental reports. The UK Association of British Insurers (ABI) has published guidelines on social and environmental information institutional investors expect to see in annual reports of companies in which they invest. This could be a useful starting point for specific information on TNs.

Additional strategies recommended as worthy of consideration by negotiating investments teams and policy makers in finance and sectoral ministries include:

- Foster strategic and innovative approaches when revising investment frameworks and negotiations, especially in the face of recent turmoil in global financial markets. Agreed incentives should be defined clearly in contracts.
- Review lessons learn from approaches taken by some countries to make social demands of incoming businesses, as in the case of Mauritius.

- Principle based standards such as UN Global Compact, OECD guidelines for multinational enterprise and Caux Roundtable principles for business could provide a meaningful starting point when considering the CSR credentials of TNs, but should not be viewed as comprehensive for informed decision making. Additional information sources should be reviewed and considered.
- Focus on assessing the robustness of information provided by potential investors, as this will lead to the development of best practice for investment negotiations rather than settling for accepted practice that may not be in the best interest of national goals and communities' interest.
- Apply a sliding scale of rewarding good behaviour –based on cost, its duration, extent of impact and/or geographic location.
- In some sectors, e.g., mining, practices such as use of resource saving technologies go beyond minimum requirements and open the door to provision of extra incentives for additional good behaviour by investors.
- Formulate suitable strategies to deal with investors already demonstrating exceptional corporate citizenship in applying CSR to non-core business areas and, under a different guise, e.g., financial institutions partnering with local councils/municipalities to maintain parks and street furnishings in cities and towns – beautification/aesthetics.
- Unified approach to investment incentives across sectors is not necessarily appropriate as sectors issues vary and national development needs change, in addition to wide ranging degrees of progress made towards achieving MDGs.

Case studies provide lessons learnt and, potentially, to shorten the learning cycle and reduce the risk of failure. Commonwealth governments that leverage the CSR strategies of TNs could contribute to increasing the attractiveness of their countries as investment destinations and increase business competitiveness. In addition, they could formulate investment incentives attractive to TNs to support and/or build capacity in local supply chain, thus promoting enterprise and improving livelihoods.

ACRONYMS

ABI	Association of British Insurers
ADB	African Development Bank
BDC	Botswana Development Corporation
BEDIA	Botswana Export Development and Investment Authority
BELTRAIDE	Belize Trade and Investment Development Service
BOBS	Botswana Bureau of Standards
BOCCIM	Botswana Confederation of Commerce, Industry and Manpower
BSER	Business Social and Environmental Responsibility
BSR	Business for Social Research
BTA	Belize Tourism Association
BTB	Belize Tourism Board
BZD	Belize dollars
CARICOM	Caribbean Community
CASE	Community Agency for Social Enquiry
CDM	Clean Development Mechanism
CEDA	Citizen Entrepreneurial Development Agency
CFZ	Custom Free Zone
CRNM	Caribbean Regional Negotiating Machinery
CSI	Corporate Social Investment
CSME	Caribbean Single Market and Economy
CSR	Corporate Social Responsibility
DFID	Department for International Development
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EU	European Union
FDI	Foreign Direct Investment
GAP	Group Adoption Programme
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GIDD	Government and Institutional Development Division
GRI	Global Reporting Initiative
HIV AIDS	Human Immunodeficiency Virus Acquired Immune Deficiency Syndrome
IB	Inclusive Business
IBC	International Business Companies
IFC	International Finance Corporation
IFSC	International Financial Services Centre
IIED	International Institute for Environment and Development
ILO	International Labour Organisation
IMF	International Monetary Fund
ISO	International Organization for Standardization
JAB	Junior Assessment Botswana
LEA	Local Enterprise Agency
MA	Multi-fibre Arrangement

ACRONYMS (continued)

MDGs	Millennium Development Goals
MEDCICP	Ministry of Economic Development, Commerce, Industry and Consumer Protection
MFA	Multi-Fibre Arrangement
MMC	Mining and Metallurgical Company Norlisk Nickel of Russia
MMEWR	Ministry of Minerals, Energy and Water Resources
MoF	Ministry of Foreign Affairs
MoT	Ministry of Tourism
NDB	National Development Bank
NSPR	National Strategy on Poverty Reduction
OECD	Organisation for Economic Cooperation and Development
OPIC	Overseas Private Investment Corporation
PPCP	Public Private Community Partnerships
PPP	Public Private Partnerships
PRI	Principles for Responsible Investment
RDC	Rural Development Council
RFG	Radisson Fort George
SACU	Southern Africa Customs Union
SADC	South African Development Community
SISCA	El Sistema de la Integración Centroamericana
SMEs	Small and Medium-size Enterprises
TBL	Triple Bottom Line
TIPA	Trade and investment Promotion Agency
TNM	Tati Nickel Mines
TNs	Trans-National businesses
UN	United Nations
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNFI	United Nations Finance Initiative
UNGC	United Nations Global Compact
UNIDO	United Nations Industrial and Development Programme
USA	United States of America
USAID	United States Agency for International Development
VFD	Venture Capital Fund
WB	World Bank
WCSB	World Council on Sustainable Business
WIR	World Investment Report
WTO	World Trade Organisation

Triple wins from Foreign Direct Investment

Potential for Commonwealth countries to maximise economic and community benefits from inward investments –case studies of Belize and Botswana

This report built on the findings of case studies on Foreign Direct Investment by transnational businesses in the tourism sector in Belize and mining sector in Botswana demonstrates that where designated or clearly defined strategies and/or policies on Corporate Social Responsibility (CSR), Inclusive Business (IB) or Community Engagement are already in place, there is potential for governments to leverage strategies and policies of investors to support development, create investment frameworks to reward Best Practice by investors and create opportunities for Triple Wins – for investors, governments and communities. This may require policy makers and officials in investment agencies to match investment opportunities with priority sectors for national, e.g. energy, communications, women, youth and/or geographic areas, including communities with high levels of unemployment. Capacity building for policy makers and officials negotiating Foreign Direct Investment could lead to more opportunities for Businesses to demonstrate Business Action for Development.

The report's author, Dr Veronica Broomes, leads CPSU's policy research on Corporate Social Responsibility. Her career spans agricultural research, lecturing on climate change and biodiversity and consultancies on Sustainable Development and Environmental and Social Impact assessments for international and national organisations. The case studies on Belize and Botswana were conducted in 2008 in collaboration with Prof. Olukunle Iyanda, University of Botswana and CPSU Research Assistants Phillip Rundell and Brendan McGloin.

About Commonwealth Policy Studies Unit (CPSU)

The CPSU was created in 1999 to serve the needs of policy makers throughout the Commonwealth. CPSU's mission is to act as an independent institution for research, analysis and the promotion of ideas, undertaking high quality work on policy issues affecting significant numbers of states and citizens in the 53-nation Commonwealth.



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The Commonwealth Policy Studies Unit is the think tank for the modern Commonwealth. We work to inform and influence policy decisions affecting Commonwealth countries on issues such as democracy, legal reform economic development and civil society.