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Investment Opportunities and Business Climate Reforms in Botswana's ICT Sector

Africa RISE

“Reform for Investment and Sustainable Economies”

A programme of technical assistance for Eastern Africa, Southern Africa and the Indian Ocean

EU Botswana Business Forum

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Introduction

Building a vibrant Information and Communication Technology (ICT) sector is a **complex, multifaceted endeavour requiring strategic foresight and tactical implementation**. Key elements:

- Robust ICT infrastructure,
- Innovation
- Attractive business environment
- Successful public-private partnerships
- Leveraging its strengths.



ICT Assessment Overview

ICT Sector Assessment

- ❑ **The ICT sector is relatively advanced** compared to other countries in the SADC region, except South Africa and Mauritius.
- ❑ **The ICT industry needs to be realigned** to maximise the use of sophisticated infrastructure for better corporate communication, increased access for citizens, and high-speed connectivity for national development (eGovernment).
- ❑ **The presence of a few major IT players and a relatively small talent pool hinder the growth** of the sector to attract significant tech-based FDI. It is also often **overshadowed by South Africa** and viewed as an extension of its market, further restricting its growth. Further, **South Africa also serves as a regional hub for many IT companies and FDI**, making it difficult for Botswana to stand out.
- ❑ **Infrastructure gaps exist, notably in last-mile connectivity, costs to end-users, and lack of access to soft infrastructures** such as hubs and training programs outside urban areas.



Benchmarking Botswana selected ICT indicators in SADC



Reform for Investment & Sustainable Economies

| No | Metric | Botswana | Namibia | South Africa | Mauritius | Eswatini | Zimbabwe | Zambia | Tanzania | Mozambique | Angola | DRC | Malawi | Madagascar |
|-----|--|----------|---------|--------------|-----------|----------|----------|--------|----------|------------|--------|--------|--------|------------|
| 1. | Internet Bandwidth Costs (US-Dollars)/Gb (2022) | 13.87 | 4.78 | 4.30 | 2.48 | 13.31 | 201 | 1.36 | 0.71 | 1.33 | 5.29 | 1.94 | 27.41 | 8.81 |
| 2. | Digital Economy Ranking (UNCTAD, 2022) (179 countries) | 61 | 117 | 52 | 54 | 126 | 98 | 95 | 107 | 174 | 80 | 164 | 119 | 132 |
| 3. | Global Innovation Index (ranking 2022) [139 countries] | 86 | 96 | 61 | 45 | 139 | 107 | 118 | 103 | 123 | 127 | - | - | 106 |
| 4. | Global Connectivity Report (Ranking, ITU, 2022) [79 countries] | 70 | 74 | 52 | 72 | 126 | 118 | 113 | 143 | 125 | 144 | 155 | 119 | 120 |
| 5. | eCommerce Index (2022) (118 countries) | 38.7 | 43.9 | 56.5 | 58.4 | 28.4 | 30.5 | 30 | 36.6 | 20.1 | 26.0 | 12.8 | 18 | 19.2 |
| 6. | eGovt Index (2022) (139 countries) | 0.5495 | 0.5322 | 0.735 | 0.7201 | 0.4498 | 0.4717 | 0.5022 | 0.4169 | 0.3130 | 0.3789 | 0.3675 | 0.3435 | 0.3565 |
| 7. | Logistics Performance Index (2023) (57 countries) | 3.10 | 2.90 | 3.70 | 2.50 | - | 2.50 | 2.53 | 2.99 | 2.68 | 2.10 | 2.50 | 2.59 | 2.30 |
| 8. | Digital Gaps Survey (2023) (134 countries) | 86 | 97 | 84 | 55 | - | 118 | 101 | 111 | 133 | 129 | - | 127 | 123 |
| 9. | International Intellectual Property Index, 2023 | 99 | - | 37.28 | 66 | - | 122 | 118 | 65 | 83 | 127 | 119 | 95 | 116 |
| 10. | GSMA Mobile Connectivity Index, 2023 (170 countries) | 56.2 | 46.2 | 66.7 | 66.9 | 48.6 | 37.6 | 43.7 | 45.6 | 34.5 | 43.8 | 22.9 | 34.2 | 32.5 |



ICT Sector Assessment

- ❑ **Botswana's** sizeable geographic land mass with a **highly dispersed population** in certain areas also **requires large ICT, logistics and other forms of investment** to ensure full national coverage, and this can pose a cost challenge for infrastructure development, including ICT.
- ❑ **Botswana's relative small talent pool is also a constraint to e-commerce growth**, and despite attempts to upgrade the national skills base, skilled labour remains in short supply.
- ❑ **The economy is primarily government-driven**, with the government being the country's major employer. There is a relatively small business sector outside of government procurement-generated business.
- ❑ Many potential investors express **concerns about the market size**, which impacts their decision-making process. Further, the presence of numerous suppliers in the market creates **fierce competition** and makes it difficult for new players to enter and establish themselves.



ICT Sector Assessment

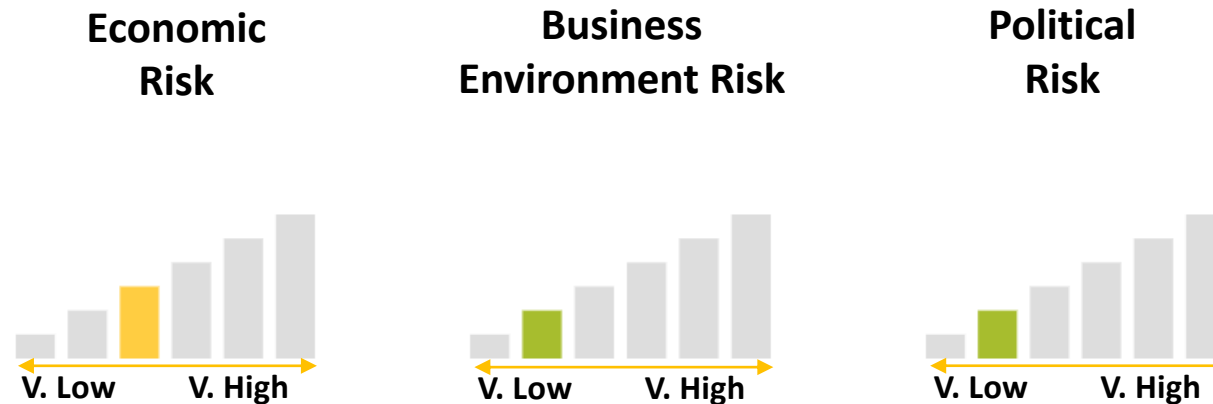
- ❑ **It is hard to obtain start-up finance**, and there are few business incubators and limited numbers of individuals and businesses supported through government financing programmes.
- ❑ **Botswana's ICT-centric innovation ecosystem is currently at an early stage of development**, with significant needs noted in support networks, experienced human capital, and talent.
- ❑ **The market's capacity** to absorb ICT products is **limited by usage, income, and awareness**.
- ❑ Entrepreneurship should be refocused on **domestic needs and issues**, strengthening domestic ICT usage and awareness, and bringing value to more sectors of the economy.



ICT Investment Opportunities

Investment Climate

- **Overall, Botswana has a relatively high level of investment readiness.** The country offers a stable political environment, well-developed infrastructure, proximity to large regional markets, and a relatively well-educated workforce.
- Inbound direct investment to Botswana for 2020 was **\$5.1 billion**. However, FDI inflows have been highly volatile, and in recent years, there has been a decline in investment, primarily due to the global economic slowdown and declining demand for Botswana's key exports.



Sectors Selected



Business Process
Outsourcing



Computer and
Cloud Services



Data Centres



Web Design
Services



E-commerce
Application
Services



BPOs: Market Overview

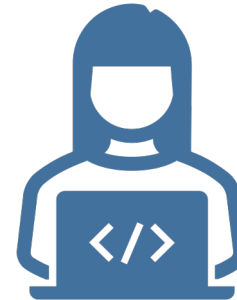
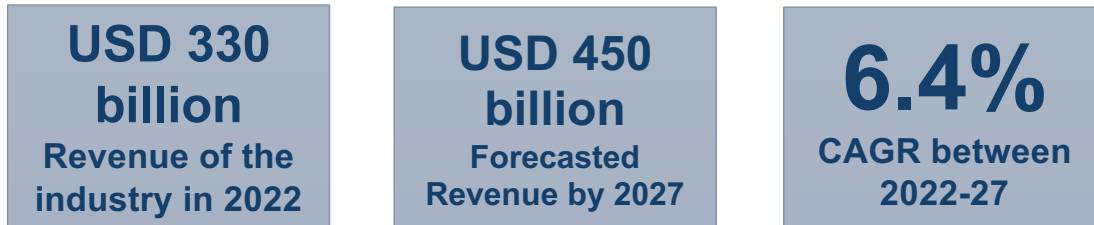
Key Services in Botswana



Customer support

- Call centre operations
- Customer service
- Technical support

Worldwide



IT services

- Software development
- IT consulting
- IT support services

Global market dynamics

| Value | Growth | Forecast |
|-------|-----------|-----------|
| High | Very High | Very High |

SADC Market

| Value | Growth | Openness |
|--------|--------|----------|
| Medium | Low | High |



Back-office operations

- Data entry
- Data processing
- Data analysis services.



Data Centres: Market Overview



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- A number of data centres already exist in Botswana, providing services such as colocation, cloud computing, and disaster recovery.
- However, the data centre market in Botswana is still in its **early stages of development**, with room for growth and expansion.
- There is an **opportunity for telecommunications operators to build data centres in Botswana** to serve central Africa, offering a comprehensive portfolio of data centre services such as cloud services and software as a service for enterprise applications such as e-commerce.
- Next steps: **ratify the GDPR-inspired data protection bill**. A data protection bill may incentivise may businesses, such as banks to locate their data locally in Botswana or sign rigorous agreements to secure client data retained in South Africa.

USD 321.4 billion
Revenue of the industry in 2022

USD 410.4 billion
Forecasted Revenue by 2027

Worldwide
5.0%
CAGR between 2022-27

Global market dynamics

| Value | Growth | Forecast |
|----------------------------------|--------|----------|
| High | Medium | High |
| SADC Market (including Botswana) | | |
| Value | Growth | Openness |
| High | Medium | High |



Cloud Computing: Market Overview

Worldwide

USD 414.8 billion
Revenue of the industry in 2022

USD 881.9 billion
Forecasted Revenue by 2027

16.3%
CAGR between 2022-27

Global market dynamics

| Value | Growth | Forecast |
|-----------|--------|-----------|
| Very High | High | Very High |

SADC Market (including Botswana)

| Value | Growth | Openness |
|--------|--------|----------|
| Medium | Medium | High |

- Overall, the cloud computing sector in Botswana is still in its **early stages of development**, but has the potential to play a significant role in the country's digital transformation and economic growth.
- Cloud computing services have been gradually gaining traction in Botswana, with both private and public sectors **increasingly adopting the technology** to improve their operations.
- There are a **number of local and international cloud service providers** that operate in Botswana, offering a range of services including IaaS, PaaS, and SaaS.



Web Design: Market Overview



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- The web design services market in Botswana is still in its **early stages of development**, but **it is growing rapidly**, driven by the increasing demand for a strong online presence among businesses in the country.
- There are **several companies in Botswana offering web design services**, including both local firms and international providers.
- Some firms operating in this area are Virinc Solutions (PTY) Ltd, Keiko Tech, Hubcore, Dreamteam Data Pty Ltd, Cloud Consulting Botswana and App Space Group.



| Global market dynamics | | |
|----------------------------------|--------|-----------|
| Value | Growth | Forecast |
| Medium | High | Very High |
| SADC Market (including Botswana) | | |
| Value | Growth | Openness |
| Medium | Medium | High |



E-Commerce Application: Market Overview



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- In Botswana, **e-commerce application services are mainly provided by software suppliers**, although local IT firms may not have the capacity to offer support for packaged software. IT firms in the country can benefit from learning from experienced service delivery companies.
- There is also a **demand for USSD codes** for services such as bank transactions, local authority payments, video on-demand, and music payments.
- However, e-commerce application services are still in the **developing stage** in Botswana. Although there has been growth in recent years, the e-commerce market is not yet as mature as in other countries.

USD 11.7 billion
Value in 2020

USD 25.7 billion
Forecast Value by 2027

Worldwide
12.3%
CAGR between 2019-27

| Global market dynamics | | |
|----------------------------------|--------|-----------|
| Value | Growth | Forecast |
| Medium | High | Very High |
| SADC Market (including Botswana) | | |
| Value | Growth | Openness |
| Medium | Medium | High |



ICT in Botswana: UVP



- **Presence of multinational firms:** brings in global expertise and investment into the country.
- **Growing domestic demand** for BPO services & Financial Services Centre (BPO).
- Emergence of **new companies in the domestic sector** showcases Botswana's growing capacity to support and nurture local businesses (Cloud Service Industry)
- **Significant uptake of ecommerce within the country**, highlighting a growing digital market and consumer demand for online shopping (Web design & E-commerce applications)
- **SmartBots initiative** aims to establish robust cloud computing infrastructure to support data centre operations and technological advancements in the country.
- **Domestic data centres** underscores Botswana's commitment to building a strong foundation for the Data Centre Industry.
- **Availability of skilled professionals**, well-equipped to manage and maintain these critical data infrastructure facilities.
- Botswana's proactive **uptake of advanced IT applications** reflects its dedication to staying technologically current..
- **Gaborone Mixed Economic Zone**



Concluding Remarks

- **Botswana's economy has been growing steadily**, with a well-educated workforce, good infrastructure, and a stable political environment making it an **attractive destination for foreign investment** in Africa, particularly in the ICT sector.
- **However, challenges remain**, such as a small domestic market, limited financing for SMEs, slow bureaucratic procedures, restricted foreign investment, inconsistent enforcement of IPRs, and a dependence on South Africa. Botswana's small domestic market also makes it vulnerable to changes in global demand and fluctuations in commodity prices.
- **Policymakers need to prioritize the country's digital competitiveness.** The ICT services industry in Botswana faces challenges such as low-priced public services, high data costs, and the need for collaboration with other investment institutions.





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Thank You