

A coherent policy framework to develop trade in services

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Developing trade in services is a complicated process. Botswana currently lacks an explicit trade in services policy or a detailed, holistic plan to develop trade in services. There are important strategy documents, such as the *Vision 2016* which considers individual service sectors, or the recently discussed national trade policy which also selects some service sectors for special treatment. However, developing trade in services, a catalyst to promote economic diversification away from traditional sectors, involves a fundamental shift in mindset throughout the whole economy involving different types of actions.

The constraints to trade in services are complex and go beyond traditional trade constraints. A very policy relevant approach is to distinguish amongst three sets of constraints. They include:

- external constraints (e.g. international trade in services agreements)
- domestic regulatory and institutional framework
- supply-side, or domestic capacity constraints.

This approach is particularly useful for several reasons. First, it provides an analytical lens to developing trade in services – trying to make sense of the myriad of constraints to trade in services. Second, it delineates clear responsibilities for different actors in

different sectors, ministries and other stakeholders. Having said this, lead coordination is required to ensure that the constraints identified are properly tackled. Finally, unlike in the case of trade in goods, domestic regulatory frameworks can be key. Thus, the approach points to what types of interventions are appropriate. In Botswana there are good examples that show this.

The effects of the banking and tourism sectors on Botswana's development is currently below potential. Recent tourism legislation aimed at addressing the effects that competition of foreigners had on domestic tourist enterprises. It used trade-related regulation, reserving certain sectors for nationals, to solve what in effect may have been a capacity problem. A problem often mentioned is that local tour guides lack access to credit in order to set up their own enterprises.

A lack of coherence in addressing capacity constraints is at the heart of the problem of why back-office services essential for tourism and financial services in Botswana tend to be located in countries such as South Africa and Kenya. Developing the appropriate skills and IT infrastructure would be necessary if Botswana wants to boost the back-office services and hence the weight of services on the economy. In other areas, trade constraints need to be addressed. For instance, regional financial regulation and improved access for its nationals abroad would help Botswana's exporters of services.

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