

Trade in services and development, screening and scoping service sectors

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Botswana's service sectors are very diverse. They range from small sectors with a negligible contribution to employment (e.g. environmental and recreational, cultural and sporting services) to large sectors with high contribution to employment and GDP (e.g. construction) and substantial exports (e.g. tourism).

In order to prioritise service sectors we score the 12 GATS sectors against various criteria. These criteria capture the actual and potential contribution of these sectors to the country's exports, growth, employment and poverty reduction. The sectors are also classified according to the extent to which policy measures may be effective in lifting the constraints that hinder their development. Data on services trade is not always precise and Botswana would need to improve its system of recording in order to effectively track the progress of the different sectors.

Most sectors have a small export capacity, and they appear to be fairly uncompetitive especially relative to South Africa (i.e. the largest exporter of services in the region). Tourism, transport and to some extent financial services are the only sectors with significant capacity to export. Botswana is quite a large net importer of educational services (especially from South Africa) due to its lack of domestic capacity.

In contrast, services do constitute a fundamental part of Botswana's economy, with certain sectors representing a significant share of domestic GDP (i.e. construction,

distribution, financial services and tourism). Other sectors are crucial through their *indirect* contribution to GDP, as they provide backbone services for the rest of the economy (e.g. education, health, transport, communication, business services).

Some sectors are crucial for development. Distributional service is the single most important sector for employment after the government. Construction is as important for employment as the entire manufacturing sector. Financial services and tourism have also a large share. As many of these sectors employ relatively unskilled labour (e.g. construction, tourism, distribution, transport), their contribution to development is enhanced further.

While all sectors have important constraints that could be addressed by policy measures, some appear to be able to particularly benefit from these measures in terms of strengthening their capacity to trade, such as financial services, education, tourism and business services. Also, air services are amenable to strict regulations.

After a detailed analysis and considering the available studies and the presence of possible role models for the sectors, there seem three important services sectors for further analysis: financial services, tourism, and educational services. Tourism is the service sector with the highest current exports (and also important for employment and GDP); finance has a high potential for exports; and education could be the ideal sector for an import substitution strategy.

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