Expert Gives Advice On Joint Ventures – *Mmegi Business Week, Botswana* – *www.mmegi.bw – 4th May 2005*

A financial expert has advised Batswana businessperson who want to enter into joint ventures with foreigners to evaluate their partners before they make decisions, in order to have a safe investment. Justin Chinyanta, who is the chief executive of Loita Capital Partners, said yesterday during the Botswana Export Development and Investment Authority (BEDIA) sponsored seminar on joint ventures that understanding one's partner would make a good joint venture. Loita Capital Partners is a South African-based investment banking firm focused on Africa and operating in about 15 African countries.

"Know Your Partner is critical for a successful joint venture partnership. This will make a safe investment if people wish to invest," Chinyanta advised. Chinyanta said that knowing one's partner can be achieved through due diligence, which is followed by a memorandum of understanding that covers the responsibilities of both parties. "The memorandum of understanding should be negotiated, discussed and reviewed by the parties," he said. "There should be obligations on all parties involved and if the other partner is one sided, you should be suspicious. At the same time, the transaction must have a clear structure and have a time frame with a standard confidentiality," he added. He further explained to the attendants that the second part of knowing another's partner would be to conduct a full market analysis. The market analysis will cover the understanding of the market like competition, business plan and the financial model. "It is after the market analysis that you can decide on the route of financing, whether the banks or venture capitalists. Then there will be a partnership agreement on who will manage the finances". Chinyanta's advice comes after several Batswana fell into the trap of unsuspecting foreign investors, who later abandoned the ventures.

His advice was supported by Kabo Mbaakanyi, a local businessman in the automotive industry who was once a victim of lack of understanding one's partner. Mbaakanyi, of Auto Ancillaries told the seminar that he thought he 'knew his partner with whom he had partnered on a venture company to form a spring making investment, until his Indian partner disappointed him. The joint venture was a 60/40 venture. "He had a business that had an attractive return on investment and everything went according to plan. In 2003 things started going wrong when my Indian partner spent more time in South than Botswana," Mbaakanyi explained. He explains that his partner then decided to set-up another shop in South Africa, which affected the sales of the local shop. "I then realised that he had changed our name to his," he added to the surprise of the seminar attendants. He however said that he is in talks with some of his former competitors from South Africa to come and set up a shop in Botswana.

However, Tally Tshekiso, a shareholder at Caratex Botswana said that it is important to form a joint venture with someone who is supportive in the venture. "You need somebody who can jointly promote the venture. In joint ventures you must promote each other and it is important to participate with someone who knows what they are doing," Tshekiso said. Caratex Botswana is a joint venture local textile group that came to being in 1998 and is one of the most successful venture companies, which has created employment to thousands of local people. Caratex Botswana is 30/70 percent knitwear joint venture between Tshekiso and Caratex of Taiwan Nortex. "Any joint venture should be built on a foundation of trust. It has worked for me and I think it can work for any Motswana," he added.

Potential joint venture partners and venture capitalists attended the seminar. Other attendants who shared their misgivings were Samuel Mphuchane of World Group and Monty Chiepe of Geoflux.

By Kabo Mokgoabone