



**Dr. Thapelo Matsheka**

## The Economist Speaks

Dr. Thapelo Matsheka is the current CEO of AON Botswana. Previous to AON, he was the CEO of the Citizen Entrepreneurial Development Agency (CEDA). He is by profession an economist. Below are some of his thoughts on Business Rescue.....

**BRC: According to your experience as both an economist and corporate leader, which sectors of the economy have been hard hit by the recession?**

**Dr. Matsheka:** The sector that has been hit hard by the recession has to be the Mining sector which in turn affected the government revenues. This in turn affected the ability of the government to roll out its expenditure programmes. The private sector has in turn been affected as government is a key spender in the economy of Botswana. You will notice that the non mining

sector has experienced less growth as the effects of the recession trickle down. The manufacturing sector has come out badly out of the recession.

**BRC: Is all lost, should these companies be written off; if not why?**

**Dr. Matsheka:** I do not think that all is lost. It is important to take a closer look at the manner of effect of the recession and devise effects interventions to assist to maintain jobs. You will find that since the recession was driven from the financial sector, banking, in-

dustry was starved of working capital to keep afloat against falling demand.

**BRC: Which sectors do you think would be easier to turnaround and why?**

**Dr. Matsheka:** You are already seeing improvements in the prices of diamonds and banks are starting to lend to businesses faster than before the recession. Manufacturing has a sluggish recovery period generally due to the build up of plant capacities, some of which may never come up again.

**BRC: How do you see this BNPC/CRS TURNAROUND Programme helping the situation?**

**Dr. Matsheka:** This is going to help shape the mind set of despair that normally sets in when there is an economic crisis of any sort. It may also help to speak to proponents of

free markets to be slightly more realistic about expectations of markets abilities to self adjust in the face of shocks.

**BRC: South Africa has amended the Company Law: through Chapter 6 to include Business Rescue legislation; this requires that before a company can be liquidated, it should first go through a Turnaround Programme – how do you see this development happening in Botswana;**

**Dr. Matsheka:** I am not sure that you can legislate against all eventualities. I think the opportunity exists to let the market develop products that can be accessed in the event of business failure. It may be that certain types of insurance will better serve the market. Moreover, it may be that even with turn around efforts failure may be unavoidable. The key to recovery is the ability to provide the financial support to all the machinery of business.

**BRC: Despite the absence of the legislation, what is in place right now to assist companies in distress?**

**Dr. Matsheka:** I am afraid that there is nothing that I can point to specifically on that front. It maybe that with your efforts something will come out to counter the deleterious effects of company failures.

**BRC: What is your notable Turnaround Experience?**

**Dr. Matsheka:** As I am no longer at CEDA I am not at liberty to mention names of companies. But there are some

that I have seen in distress and we maintained the faith in those projects and some have come forward to appreciate our support at the time.



By Boitshepo Bolele

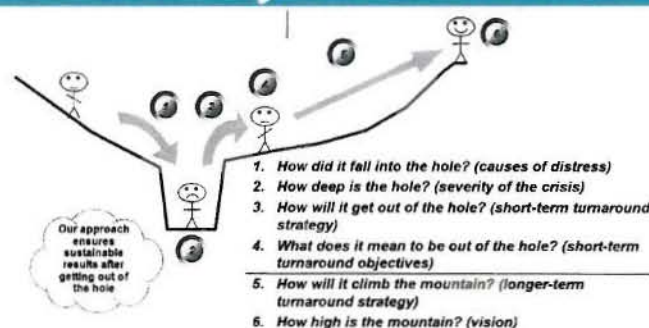
## Second Chances

### The Case For Business Rescue

A tailored, well functioning Turnaround Programme backed by corporate rescue laws, as is now the case in some countries; has proved effective in preservation of corporate value. The benefits to a range of stakeholders include:-

- Investor's investments may be preserved
- Managers and employees may retain their jobs
- Creditors may receive a greater portion of what they are owed than would be the case under liquidation
- Clients may see a satisfactory completion of work in progress
- The public may benefit from the debtors still being in business
- Taxes may be paid to Government
- Balancing the interests of all these different groups in a political, social, cultural and economic environment is what a Turnaround is all about.

## It's Time for a Turnaround



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