

BOTSWANA'S ECONOMY

Stable, Growing and Market-Led

GDP- "The seeds of good governance and prudent macroeconomic and natural resources management planted by the Botswana authorities paid off with an impressive increase in the GDP per capita during the last three decades" (IMF Staff Report, June 2014). Botswana has reached middle-income status. The Botswana Government's Vision 2016 aims at "prosperity for all", with the goals of poverty eradication, a more equitable distribution of income, and rapid economic growth and diversification.

Botswana is the world's largest producer of gem diamonds. This and other minerals make the mining sector the mainstay of the economy. Tourism, agriculture, and financial services are other major contributors. Tourism is a growing industry, accounting for almost 9.5% of GDP. The Okavango Delta (which has recently been declared a World Heritage Site), located in Botswana, is a major tourism attraction as one of the world's most unique ecosystems that supports diverse forms of life including species of plants, wildlife, bird species as well as species of fish. The Okavango Delta also has become the core habitat for many threatened and endangered species, including wild dog, cheetah, lion and sitatunga antelope. Manufacturing is gaining in importance, ranking high among the country's development priorities (see below, for investment opportunities in manufacturing).

Prudent management of the economy is evidenced by monetary policy keeping inflation within the target range of 3-6 percent, fiscal policy aiming at a balanced budget, and mining revenue being saved in part for future generations (Pula Fund). Government debt stands at less than 25 percent of GDP. The Bank of Botswana manages the exchange rate of the pula in relation to a basket of trading partners' currencies to avoid sharp fluctuations of the pula in narrow markets.

Among risk factors, Botswana is vulnerable to fluctuations in international demand for diamonds, underscoring the importance economic diversification. Public investment in health, education, and infrastructure are therefore priorities of the government's development strategy, helping to lay the ground for private sector expansion.

INVESTMENT CLIMATE

Botswana has a long standing democratic tradition starting with her first democratic elections in 1965. The country has an independent judiciary, subscribes to the rule of law, enjoys freedom of the press, and has maintained transparency, predictability, and good governance in the management of the economy.

A broad selection of governance and doing-business indicators published by various multilateral institutions, think-tanks, and international NGOs brings into evidence Botswana's excellent standing in Africa and very respectable position in the world. Thus, Botswana is the best-ranked African country in Transparency International's Corruption Perception Index (CPI 2013). The World Bank/IFC's latest (2014) *Doing Business* indicator ranks Botswana fourth in Africa for business-friendly environment. Meanwhile, the Ibrahim Index of African Governance assesses four broad categories of governance: safety and rule of law, participation and human rights, sustainable economic opportunity, and human development. Botswana has been ranked consistently highly by the Ibrahim Index, most recently taking second place overall (2013). It even ranks top in the dimension safety and rule of law.

According to the 2013 Annual Report of the Bank of Botswana both Moody's Investor Service and Standard & Poor's retained the country's "A" sovereign credit rating. This rating affirms the country's strong financial position.



Investment Incentives:

Botswana offers several incentives for investors, including:

- No foreign exchange controls; remittance and full repatriation of profits and dividends
- No restrictions on business ownership
- Duty-free import of machinery and equipment for manufacturing purposes
- Customs duty exemption on raw materials for goods going outside of SACU
- Denomination of share capital in any major convertible currency

BOTSWANA CUSTOMS AND EXCISE PROCEDURES

The Botswana Unified Revenue Services (BURS) Customs and Excise Division is mandated in terms of the Customs and Excise Duty Act, CAP 50.01 of the Laws of Botswana and other relevant legislations to implement the various provisions relating to imports and exports.

AS a member of the Southern African Customs Union (SACU) (which also comprises the Kingdom of Lesotho, Republic of Namibia, the Republic of South Africa and the Kingdom of Swaziland) goods imported into Botswana from other SACU

member states are free from Customs duties.

However most goods would attract Value Added Tax (VAT) unless they are either exempted or zero rated from payment of tax. Goods imported from countries outside SACU attract customs duties as rates specified in the Customs and Excise Tariff Book as amended from time to time. Customs duties are paid on the free on Board (FOB) value of the imported good. A tariff book which details tariffs rates applicable on the imports into Botswana is available for sale at all regional Customs and Excise offices for P1000.00.

Customs Duties Rebates

Customs Rebates are conditional exemptions from payment of customs duties which are afforded certain specified industries registered with the BURS-Customs and Excise Division to manufacture goods using imported raw material. The scope and types of rebates are contained in the Customs and Excise tariff book and briefly described below.

a) Industrial Rebates

Industrial rebates are specified under Schedule 3 of the Customs and Excise Tariff, and are normally granted to

manufacturers who import raw material from outside SACU for production of goods for domestic consumption.

The Industrial rebates offer full or partial exemption of customs duty on the imported raw materials and are generally accessible to a wide range of industries ceases as soon as manufacture has been completed. However VAT is charged on any products which are consumed in Botswana.

b) General Rebates

Raw materials that are not exempted under the foregoing provision may, where they are imported for manufacturing and ultimate re-exportation, be exempted from payment of customs duties under General rebate of duty concession provided for under Schedule 4 of the Customs and Excise Tariff. Exemption from payment in this case extends to both customs duties and VAT. It is perhaps worth noting that only companies that are producing exclusively for export can register for this rebate of duty concession.



c) Customs Duty Drawback

In terms of Customs Duty Drawback System manufacturers for the export market are allowed to pay duty on their raw materials which they can claim after their products have been exported. However, it is a condition that the claim for refund of the duties be lodged with the Customs and Excise Division within six months of export of the goods.

Tax regime

A competitive corporate tax incentive framework

- 15 % for manufacturing, financial services companies & companies registered in the Innovation Hub
- 22% tax for other sectors
- 12% Value Added Tax
- Tax holidays for 5 years – 10 years maximum
- 200% Tax Allowance for Training costs
- Exemption from Capital Gains Tax (CGT) and Withholding Tax (WHT)
- Personal income tax, maximum 25%

INVESTMENT OPPORTUNITIES

Strategic Centres of Excellence have been established for the key sectors of the economy to serve as information centres and drive the promotion of investment opportunities. These include,

- Diamond Hub
- Education Hub
- Innovation Hub
- Transport Hub
- Agriculture Hub

Some of the investment opportunities are;

- Minerals Sector: Base metals i.e. gold, uranium, copper, nickel, coal, manganese and Mining services.
- Diamonds: cutting and polishing, jewellery manufacturing and diamond related services.
- Education Sector: provision of speciality training institutions for skills and development.
- Services Sector: ICT, Data Processing, Financial Services, Tourism, Health.
- Energy Sector: Power generation, extraction of coal bed methane and renewable energy projects including solar PV plants and solar power generators as well as bio-fuel projects.
- Agriculture: primary production and agro-processing.
- Resource-Based Industries: Glass manufacturing, Leather and Leather by-products manufacturing, beef and

beef by-products, agro processing, dairy farming, diamond beneficiation.

- Infrastructure: Transportation and logistics

MARKET ACCESS

- Botswana is at the centre of the Southern African Development Community (SADC), with market access to over 270 million people in 15 countries with combined GDP of more than US\$700 billion. SADC's Free Trade Area (FTA) launched in 2008 provides zero tariffs for 85% of goods traded among member states.
- As a member of the Southern African Customs Union (SACU), Botswana's products enjoy duty free access to a market of more than 55 million people in 5 countries with combined GDP of more than US\$60 billion (Botswana, Namibia, Lesotho, Swaziland and South Africa. Botswana enjoys duty free and quota free market access to these countries.
- Botswana is eligible for trade benefits with the US under the African Growth and Opportunity Act (AGOA). Botswana enjoys Duty Free and quota free market access to the USA.
- The Economic Partnership Agreement (EPA) provides duty free and quota free market access for existing export products to the EU.



- The on-going discussions of the COMESA-EAC-SADC Tripartite Free Trade Area when concluded will offer Botswana a market of over 700 million people
- Botswana is a member of the World Trade Organisation and committed to the implementation of WTO agreements.

BUSINESS FACILITATION SERVICES

Botswana Investment and Trade Centre (BITC) is an integrated Investment and Trade Promotion Authority with an encompassing mandate of investment promotion and attraction; export promotion and development including management of the Nation Brand.

BITC provides the following services;

- Company and Business Registration
- Trade and Business license Applications
- Entry visas, work and residence permits
- Work Permit Exemptions
- Connection of utilities e.g. Power, telecommunications and water
- Income tax and VAT registration
- Access to Industrial and Commercial land
- Facilitation of construction permits
- Allocation of BITC factory space (subject to availability)

- Environmental Impact Assessment (EIA) Compliance
- Provision of information on the Botswana business climate, regulatory regime and investment opportunities
- Opening a Bank Account

TESMONIALS

"Botswana is a shining example for good governance and the prudent management of mineral resources on the African continent. Botswana's greatest assets are peace, law & order, disciplined fiscal and monetary policies, capable public institutions and its wonderful people. This sets the country perfectly right for German business wanting to explore opportunities on the African continent. We should engage in partnerships to support Botswana in its ambitious efforts to diversify its economy."

Prof. Juergen E. Schrempp, Chairman of the Southern Africa Initiative of German Business - SAFRI

"Botswana is currently rated fifth among Sub-Saharan African countries in the World Bank's Doing Business Report and therefore a highly attractive business partner. Despite its market potential and easy access to the SADC region, German business is still under represented. We see huge upwards potential for German engagement in infrastructure projects and investments in technology!

Specifically technology transfer and skills development sets German partners apart from other competitors and creates win-win situations for sustainable bilateral partnerships."

Andreas Wenzel, Secretary General of the Southern Africa Initiative of German Business - SAFRI:



Useful Links

Botswana Investment and Trade Centre –
www.bitc.co.bw
Bank of Botswana - www.bankofbotswana.bw
Statistics Botswana - www.cso.gov.bw
Public Procurement and Asset Disposal Board -
www.ppadb.co.bw
Botswana e-laws - www.elaws.gov.bw
Botswana Government Portal - www.gov.bw
Botswana Unified Revenue Services -
www.burs.org.bw
Trade Law Centre of Southern Africa -
www.tralac.org
International Trade Centre - www.intracen.org
Citizen Entrepreneurship Development Agency
- www.ceda.co.bw
Southern African Customs Union -
www.sacu.int
Southern African Development Community -
www.sadc.int
Centre for Development of Enterprises -
www.cde.int
Botswana Export Credit Insurance -
www.beci.co.bw
Local Enterprise Authority - www.lea.co.bw

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