Overview Of Botswana

Botswana is strategically located in the heart of the Southern African Development Community (SADC) – a region with more than 250 million people. Underpinned by good governance and a zero-tolerance to corruption, it is one of the most stable and investor-friendly economies in Africa. Although its economy has been anchored on resource endowments, particularly diamonds, the country is lauded as a developmental success story on the continent.

Botswana has created an enabling environment for capital and business to strive and support its strategic focus to diversify the economy into value-adding sectors that will serve a fast-emerging regional market. As a result it is the fourth most competitive economy in Africa, and one of the easiest African countries to do business in on the continent.

Botswana: Quick Facts

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>2.1 million</td>
</tr>
<tr>
<td>Area</td>
<td>581,730 km²</td>
</tr>
<tr>
<td>Capital</td>
<td>Gaborone</td>
</tr>
<tr>
<td>Business language</td>
<td>English</td>
</tr>
<tr>
<td>GDP/capita</td>
<td>$15,980 (PPP)</td>
</tr>
<tr>
<td>Nominal GDP growth</td>
<td>5.9% (2013)</td>
</tr>
<tr>
<td></td>
<td>4.9% (2014)</td>
</tr>
<tr>
<td></td>
<td>4.2% (2015e)</td>
</tr>
<tr>
<td>Change in CPI</td>
<td>7.9% (2012)</td>
</tr>
<tr>
<td></td>
<td>5.9% (2013)</td>
</tr>
<tr>
<td></td>
<td>4.4% (2014)</td>
</tr>
<tr>
<td>Corruption Perception Index Rank</td>
<td>31 (out of 175 countries)</td>
</tr>
</tbody>
</table>

Botswana’s Business And Financial Services Industry Overview

Botswana aims to become a world-class hub for cross-border financial and business services into Africa and globally. As one of the most affluent economies in Southern Africa with a robust growth outlook, Botswana’s wealthy population presents a sizeable market for financial services such as banking and insurance, relative to most other regional economies.

Botswana's international financial services centre (IFSC) supporting regulatory framework provides regional and international banks, international business firms, insurance companies and investment funds an advantageous platform to penetrate new markets or consolidate their position in sub-Saharan Africa’s (SSA) fast-growing markets.

In addition, Botswana has the 3rd best Network Readiness Index overall score in Southern Africa. The country thus has the third highest propensity in the region to exploit the opportunities offered by ICT.

GDP per capita (US$), 2005, 2010, 2015f and 2020f

Source: IMF, 2015
Botswana’s well-educated labour force has a high adult literacy rate of 88.5% and the majority of Batswana have a very good command of the English language; being able to read and write fluently. All secondary school pupils receive computer training and are computer literate. Importantly, local accents are easily understood with little neutralisation training required to meet the needs of offshore companies. Low attrition rates reduce the need for re-training. This results in Botswana being the perfect location for business process outsourcing.

Botswana has the second highest skill-set in Southern Africa, with 18% of the workforce employed in knowledge-intensive industries. Although staff in Botswana do require training, the government is implementing policies to lower the extent of training required in the future.
**Percentage of Workforce Employed in Knowledge Intensive Jobs (%), 2014**

<table>
<thead>
<tr>
<th>Country</th>
<th>% of Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>17.9</td>
</tr>
<tr>
<td>Mozambique</td>
<td>n/a</td>
</tr>
<tr>
<td>Namibia</td>
<td>14.6</td>
</tr>
<tr>
<td>South Africa</td>
<td>25.5</td>
</tr>
<tr>
<td>Zambia</td>
<td>7.3</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Source: WEF Network Readiness Index, 2015

**Extent of Staff Training Required (%), 2014**

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>4</td>
</tr>
<tr>
<td>Mozambique</td>
<td>3.4</td>
</tr>
<tr>
<td>Namibia</td>
<td>4.1</td>
</tr>
<tr>
<td>South Africa</td>
<td>4.9</td>
</tr>
<tr>
<td>Zambia</td>
<td>4.1</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: WEF Network Readiness Index, 2015

Score: 1–7 (higher average score means higher degree of competitiveness)
Opportunities In The Business & Financial Services Sector

Despite Botswana's relatively limited market size, its central location and attractive sector-specific investment incentives presents multiple opportunities for investors seeking to tap into the business and financial services industry.

At the beginning of 2015, Botswana’s total banking assets represented approximately 50% of the country’s GDP. Botswana’s banking sector is more developed and has a higher degree of penetration than most other African countries.

Comparison of per capita deposits (2015)

<table>
<thead>
<tr>
<th>Country</th>
<th>Client deposits per capita (US$)</th>
<th>Rich 20% client deposits per capita (US$)</th>
<th>Poor 80% client deposits per capita (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>2,804</td>
<td>11,216</td>
<td>701</td>
</tr>
<tr>
<td>Mozambique</td>
<td>303</td>
<td>1,214</td>
<td>76</td>
</tr>
<tr>
<td>Namibia</td>
<td>3,348</td>
<td>13,393</td>
<td>837</td>
</tr>
<tr>
<td>South Africa</td>
<td>4,944</td>
<td>19,777</td>
<td>1,236</td>
</tr>
<tr>
<td>Zambia</td>
<td>270</td>
<td>1,078</td>
<td>67</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>258</td>
<td>1,031</td>
<td>64</td>
</tr>
</tbody>
</table>

Source: BMI, 2015

Botswana’s life insurance sector is significantly larger than the non-life sector. The life insurance sector is also expected to grow faster than the non-life sector over the next five years. Botswana’s life insurance sector is one of the largest and best developed life insurance markets in SSA.
Among the key opportunities in the sector are:

- **Financial services**: Botswana's relatively wealthy population requires a number of financial services, including investment services, accounting services, tax advisory and banking.

- **Life insurance**: Botswana's life insurance sector is larger and growing more rapidly than the non-life sector.

- **Business Process Outsourcing**: Botswana's complementary time zone, global connectivity and skilled workforce provide an attractive location for BPO and shared services centres.

- Botswana has **Double Taxation Avoidance (DTA)** treaties with key African states, major investor nations and international financial centres. 13 active treaties and another 12 that are either awaiting ratification or are under negotiation provide investors with access to an expanding network.

- **Holding Company**: IFSC-accredited intermediary holding companies receive a number of incentives, making it more cost-effective and efficient to invest in neighbouring countries such as South Africa, Mozambique and Zimbabwe.
**Botswana’s Value Proposition In The Business & Financial Services Industry**

One of Botswana’s strongest value propositions is its location, being ideally located to provide cross-border business and financial services to holding companies, institutions and corporate clients. With a time zone of GMT+2, Botswana is an attractive location for business and financial services, especially those geared towards European, African and Middle Eastern markets. The time difference with the US allows for the timely completion and processing of data mining and cleaning as well as salary processing. Botswana is therefore strategically positioned as a BPO centre, for Africa and globally.
With direct air links to Nairobi and Johannesburg, Botswana is globally connected. Johannesburg is Africa’s largest air hub with daily flights to 81 different cities whilst Nairobi offers daily flights to 57 cities, ensuring global connectivity for Botswana.

The Botswana Innovation Hub (BIH) is in the process of developing the Science and Technology Park in Gaborone. The Park will be a cluster for local and global business and financial services firms, R&D activity, research institutions, universities and advanced training institutes.

The Science and Technology Park will provide state-of-the-art facilities, international connectivity and a government-owned data centre. Technological innovation and entrepreneurship will be encouraged by providing access to a range of technology transfer and commercialisation services through the Technology Entrepreneurship Programme and the Innovation Fund run by BIH. The Park will be completed in 2016.

In addition to the BIH, Botswana’s business and financial services sector receives support from a number of institutions, ensuring an environment that is conducive to business.
## Institutional Support Offered to the Business and Financial Services Industry

<table>
<thead>
<tr>
<th>Institution</th>
<th>Description</th>
</tr>
</thead>
</table>
| Botswana Investment and Trade Centre | - Aims to develop Botswana as a world-class hub for cross-border financial and business services within Africa and the region  
- Botswana IFSC supports knowledge-intensive business services, working with government to develop policy conducive to the success of the BPO and IFSC sector  
- Fosters innovation and sophistication in business and financial services  
- Facilitates a competitive business and investment climate to promote and attract investment into Botswana  
- Assists potential investors with setting up and doing business in the country  
- Makes recommendations for competitive changes to legislation and the national investment framework  
- Provides updated, timely information on Botswana’s business climate and regulatory regime |
| Outsource Botswana | - Association of the call centre and business process outsourcing industry in Botswana  
- Advocates for the creation of a conducive business environment  
- Protects the interests of the industry  
- Ensures that the correct conditions are in place for the industry to grow |
| Botswana Unified Revenue Service | - Mandated to perform tax collection duties and also to improve the efficiency of its taxpayer service  
- Administers and promotes compliance with Botswana’s revenue legislation  
- Facilitates trade and manages the country’s borders to ensure both security and economic development |
| Non-Bank Financial Institutions Regulatory Authority | - Independent Non-Bank Financial Institutions (NBFI) regulator  
- Regulates and enforces compliance within the NBFI sector (including insurance, pension funds, capital markets, non-bank lenders, CIUs, asset managers, investment advisors and custodians)  
- Strives to improve the legislator framework for the NBFI sector  
- Ensures the protection of investors |
| Banking Trade Association | - Office of the Banking Adjudicator (OBA)  
- Independent body to resolve legitimate complaints between clients and banks  
- Investigates complaints about banking services in Botswana |
| Botswana Innovation Hub | - Assists Botswana in transitioning into a knowledge-based country with a productive and innovation-driven economy  
- Developing Botswana’s first science and technology park  
- Positions Botswana as an attractive location for knowledge-intensive, technology-driven firms  
- Promotes interaction between local and international innovation-driven companies |
| Bank of Botswana | - Contributes to the sound economic and financial well-being of the country  
- Ensures monetary stability and a safe and stable financial system  
- Fosters financial conditions conducive to the sustained economic development of the country |

Source: BITC, 2015; Frontier Advisory research, 2015
Robust Investment Incentives

Botswana offers many incentives for investors. These include:

- 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
- A liberal tax regime: 22% corporate and 25% personal tax, with 15% corporate tax for manufacturing and IFSC-registered companies (lowest taxes in the SADC region)
- Negotiable tax holiday (up to 10 years maximum)
- Deductible training rebate of 200%
- Bilateral Investment Treaty (BIT) provides for non-discriminatory treatment of foreign investors

IFSC-specific investment incentives include:

- Accredited companies pay tax rate of 15% on profits from approved operations
- No withholding tax on dividends, interest, royalties and management fees
- Specified Collective Investment Undertakings (CIUs) managed by IFSC companies are tax exempt
- VAT and Capital Gains Tax exemptions

IFSC accredited companies may denominate capital in any of the internationally recognised currencies, such as the Euro, Pound Sterling or Dollar, mitigating against exchange rate risk. Commercial banks are also subject to a low reserve requirement of only 5% of customer deposits.

Beyond incentives and as one of the most business-friendly and stable countries in the region, Botswana provides investors with a conducive and welcoming operating environment. A high degree of safety and security as well as a strong focus on the rule of law gives Botswana an edge over its regional peers.

How The Bitc Can Assist You Go Further With Your Investment

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.

The organisation plays a critical role of driving Botswana’s economic growth through attraction of FDI, domestic investment, facilitation of expansions and further spearheads the growth of exports by promoting locally manufactured goods to regional and international markets. BITC drives wealth creation for Batswana by creating platforms that will ensure increased citizen participation in the economy and create sustainable job opportunities.

Of great importance within the role of the BITC is building and maintaining a positive and impressive image of Botswana locally and internationally.

Through this encompassing mandate, BITC is committed to assist you with the following services to ensure your ease of setting up and doing business in Botswana:

- 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
CONTACT DETAILS

BITC is ready to facilitate your investment. For further information and inquiries related to Botswana and opportunities in the automotive & component sector please contact:

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