



## **BOTSWANA'S AUTOMOTIVE COMPONENTS SECTOR**

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# Botswana : at a glance



## Population

2.262 Million

## Borders

South Africa, Zimbabwe, Namibia, Zambia

## Land

582 000 km<sup>2</sup>

## GDP

USD 14.39 Billion (2015)

## GDP per Capita

USD 6,360.6 (2015)

## Inflation

(3.0 % December 2016); 3.1% in 2015

## Interest Rates

Bank rate 5.5%: Prime rate 7%

# **BOTSWANA'S PERTINENT STRENGTHS & ATTRACTIVENESS**

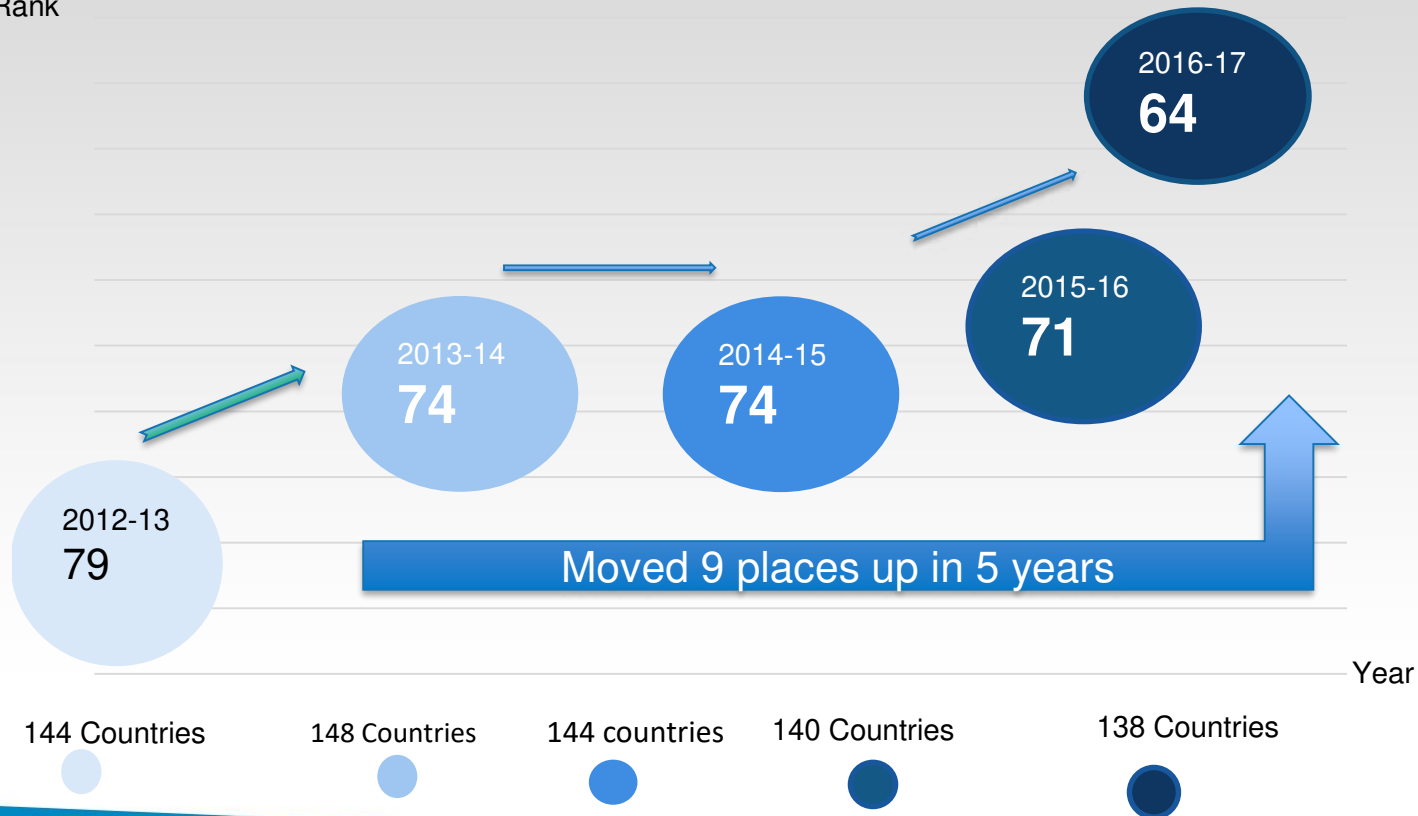


## 10 Reasons To Invest In Botswana

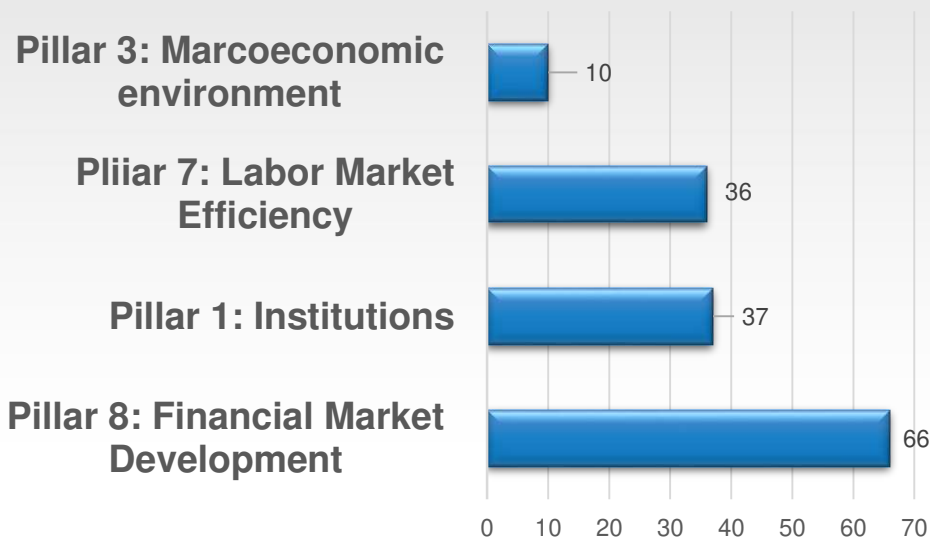
- 1 **Strong skill base with 82% literacy** and fluent in English, while salary costs remain low
- 2 **15%** for Manufacturing; financial services and companies registered in the Innovation Hub; Corporate tax capped at 22%; 200% tax allowance on training costs; possible tax holidays (5 – 10 years) through Development Approval order and 12% VAT
- 3 **Top 28** (out of 163) most peaceful countries in the world (Global Peace Index 2016); 2<sup>nd</sup> in Africa
- 4 **Geographic location** makes it a logical central hub for Southern Africa
- 5 **Excellent infrastructure** thanks to its central location and efforts to become a financial services centre
- 6 **Business Facilitation** to support investors with entering the market
- 7 **Market Access** – duty free quota free (SACU; SADC; SADC EU EPAs; SACU MERCOSUR; AGOA: SACU EFTA etc. & DTAs)
- 8 **Foreign firms enjoy equal treatment** to domestic ones thanks to a transparent and straight forward regulatory environment
- 9 **Ranked ahead of regional competitors** 28/175 international's corruption rankings (Corruption perception index 2015).
- 10 **Consistently awarded good credit ratings**, ahead of its regional competitors by credit rating agencies such as Moody (A2) and S&P (A-/A-2), thanks to its strong external and fiscal balance sheet, robust institutions amongst others

## Botswana's Trend- (WEF-GCR) 5 years of improvements

Rank



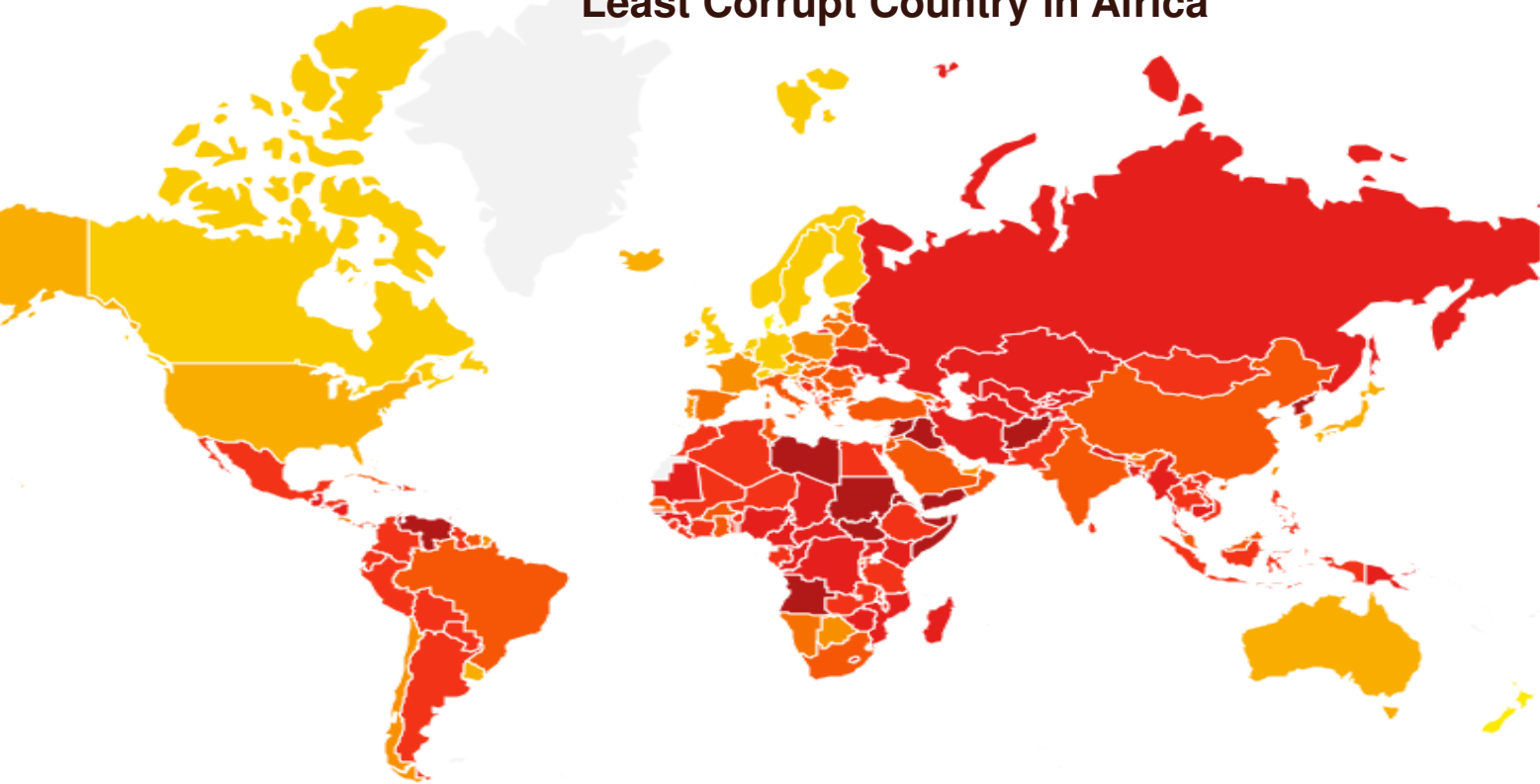
## Botswana's top performing pillars in the GCR rankings (2016)



Botswana stands out on a number of the 12 pillars:

- Ranks 10<sup>th</sup> in the world in terms of soundness of macroeconomic environment (1<sup>st</sup> in SSA; South Africa: 99<sup>th</sup> in the world)
- Ranks 36<sup>th</sup> in the world in terms of labor market efficiency
- Ranks 37<sup>th</sup> in the world in terms of soundness of institutions

## Least Corrupt Country in Africa



- Botswana ranks 35 out of 176 in the world,
- Number 1 in Africa,

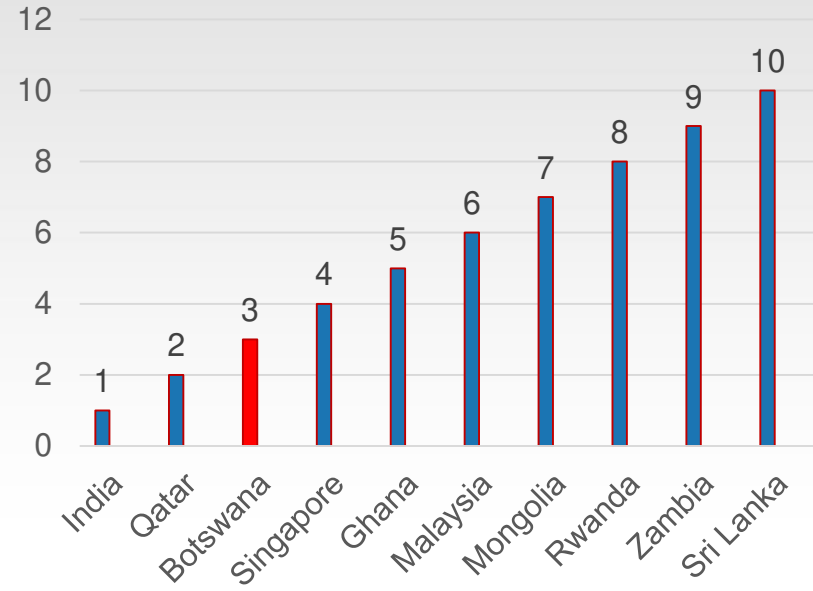




# BASELINE PROFITABILITY INDEX 2015

- Published by the US Foreign Policy Magazine
- Looks at three factors:
  - Growth in the value of an asset,
  - Preservation of that value while the asset is owned,
  - The ease of repatriating proceeds of selling the asset,
- The Index combines measures of each factor into a summary statistic that forms a country's attractiveness for investment.
- Botswana rose from position 2 to position 1 in 2014, but dropped to position 3 out of 102 in 2015,
- Remains highest in Africa.

**BPI COUNTRY RANKINGS 2015**

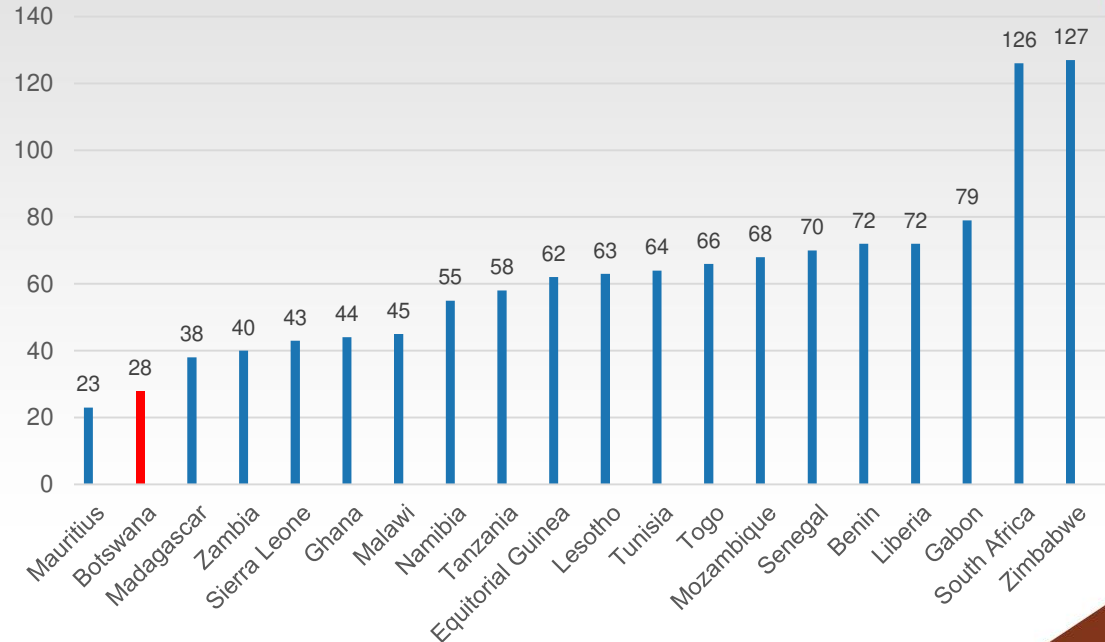




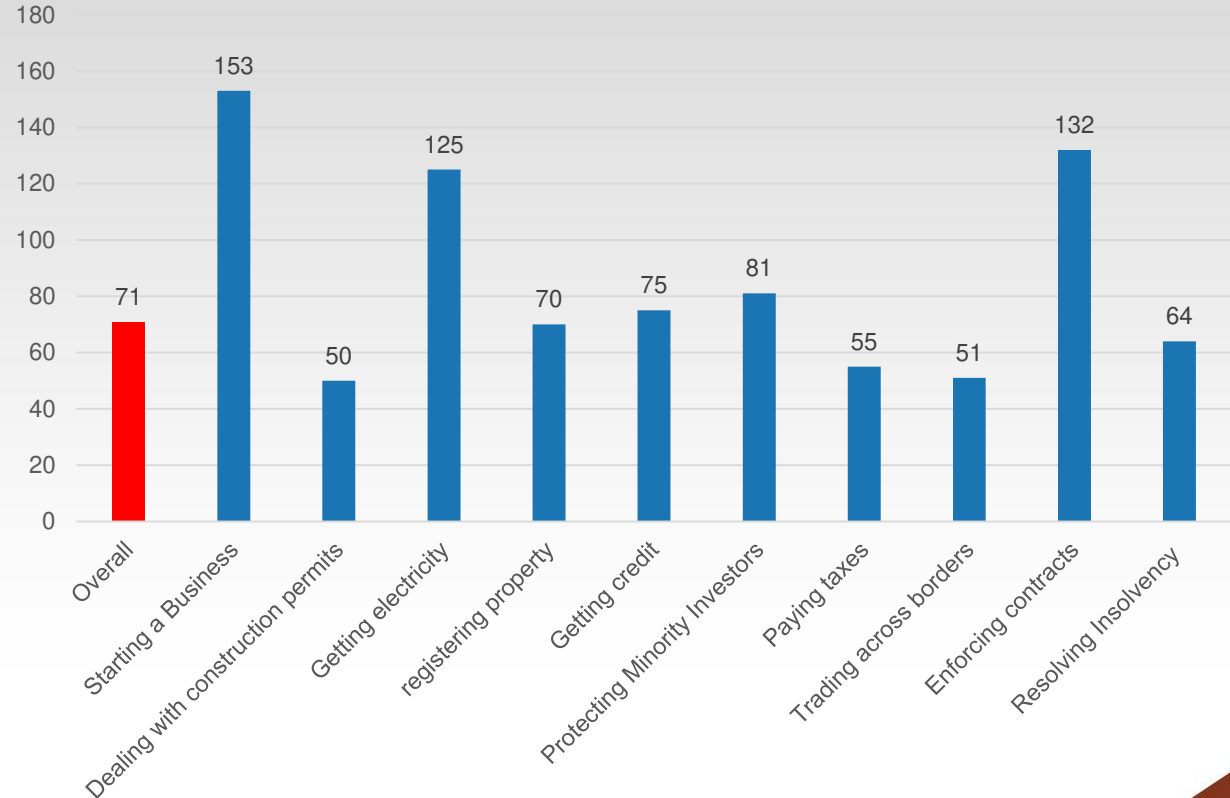
# Global Peace Index 2016

- Run by the Institute for Economics & Peace,
- A global think tank whose studies are utilized by the World Bank, the OECD, and the Commonwealth amongst others,
- Measures trends in Peace & violence, including, intrusive violent crime,
- Ranks Botswana 28 out of 163.
- 2<sup>nd</sup> in Africa after Mauritius at 23,

## Global Peace Rankings



## Botswana Ease of Doing Business 2017

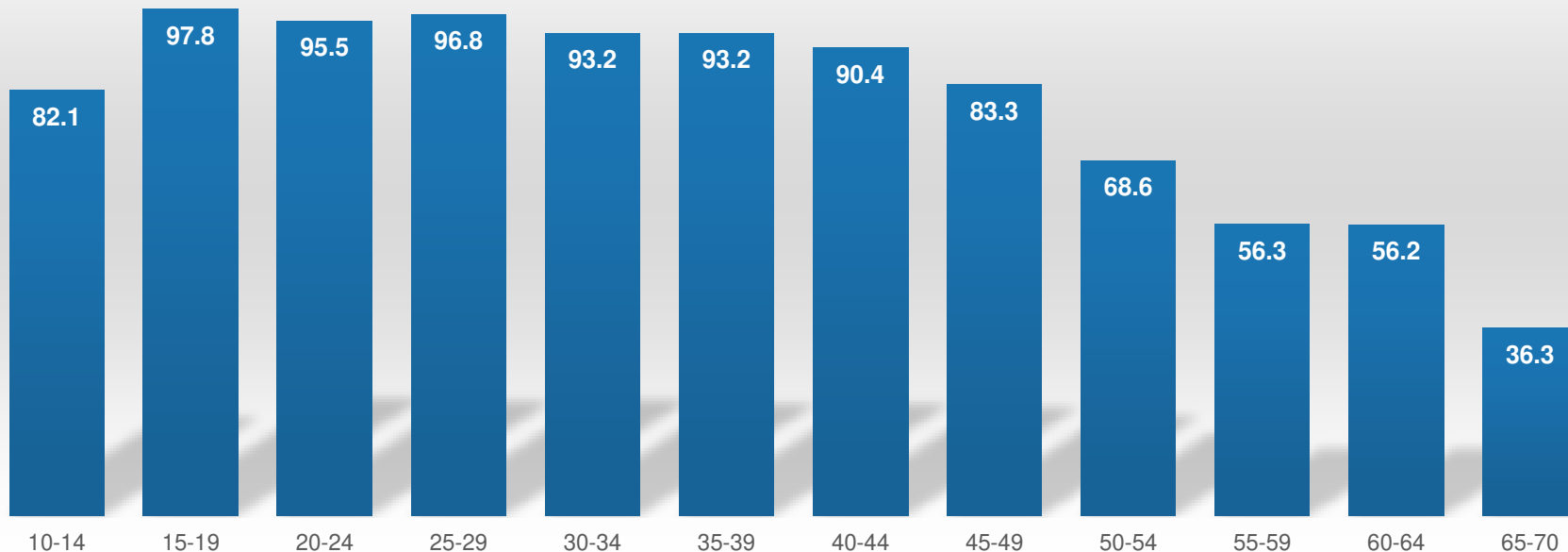


Source: BITC from World Bank 2016/17 data

- Compiled annually by the World Bank,
- Botswana ranked 71 out of 190,
- Number 4 in Africa after Mauritius at 49, Rwanda at 56 and Morocco at 68.

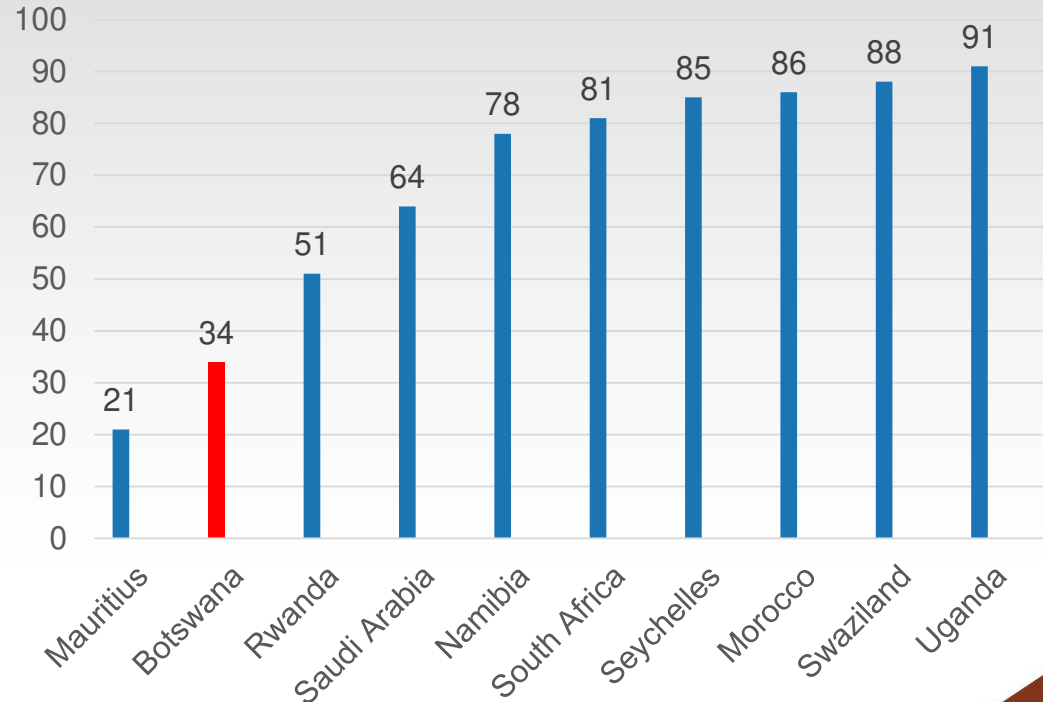
## A Highly Skilled Workforce

Literacy rate across Age Groups (As at 2014)



## INDEX OF ECONOMIC FREEDOM 2016

- Compiled by the Heritage Foundation in Partnership with the Wall Street Journal.
- The 10 aspects of economic freedom measured in the Index can be grouped into four broad categories:
  - Rule of law (property rights, freedom from corruption);
  - Government size (fiscal freedom, government spending);
  - Regulatory efficiency (business freedom, labor freedom, monetary freedom); and
  - Market openness (trade freedom, investment freedom, financial freedom).
- Botswana ranks 34 out of 180, and 2<sup>nd</sup> in Africa.



## Competitive tax framework

**22% Corporate Tax**

**Non incentivised rate**

**15% Corporate Tax**

**Manufacturing, IFSC, BIH**

**25% Max Income Tax**

**Personal Income**

**12% VAT**

**National Rate**

**Tax Holiday**

**5 – 10 year tax break**

**200% Tax Rebate**

**Training Costs**

**No Foreign Exchange Controls**

**Duty exemption: importation plant & machinery**

**No Foreign Ownership Restrictions**

**Expanding Double Taxation Treaty Network**

**Facilitation of Access to Land**

# Botswana's Automotive Components and Parts Sector

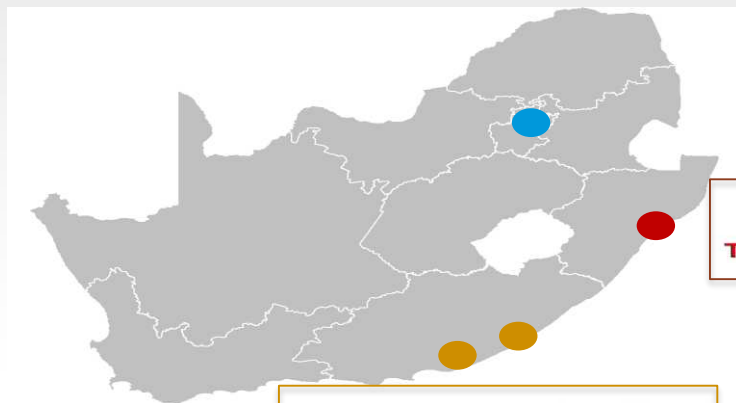


## Botswana's automotive components sector value proposition

Value Proposition	Description
<b>Proximity to Largest Automotive Manufacturer and Exporter in Africa</b>	South Africa's automotive manufacturers produced close to 550,000 vehicles in 2013 and are expected to increase production to 1.2m units by 2020. In 2014, South Africa exported 376,400 vehicles and is expected to increase its exports by 15% to 320,000 units in 2015. Being close to South Africa, Botswana has a delivery time advantage over major competitors in Asia, Europe and North America
<b>Proximity to Largest Automotive Market in Africa</b>	South Africa's automotive sales stood at approximately 644,500 units in 2014 and are expected to increase in the short to medium term increasing the demand for replacement parts
<b>Harmonious Employer-Labour Relations</b>	Harmonious labour-employer relations and the very low degree of industrial action positions Botswana as a favourable chain in the automotive supply chain as uninterrupted supply of components has become one of the most crucial parts of the global automotive industry
<b>Duty-free Access to South Africa</b>	As member of SACU, Botswana enjoys duty-free access to the South African market, providing Botswana-based component manufacturers a competitive advantage over exporters from Asia, Europe and North America
<b>Proven Track Record of Component Manufacturing</b>	Botswana has managed to increase its component exports tenfold in the past 20 years and controls half of South Africa's ignition wiring set import market
<b>Strong Linkages to other Priority Sectors</b>	Government support to other sectors (logistics/power/water) provides strong linkages for the automotive sector and are expected to lower input as well as transport costs



# Proximity to Africa's largest automotive producer

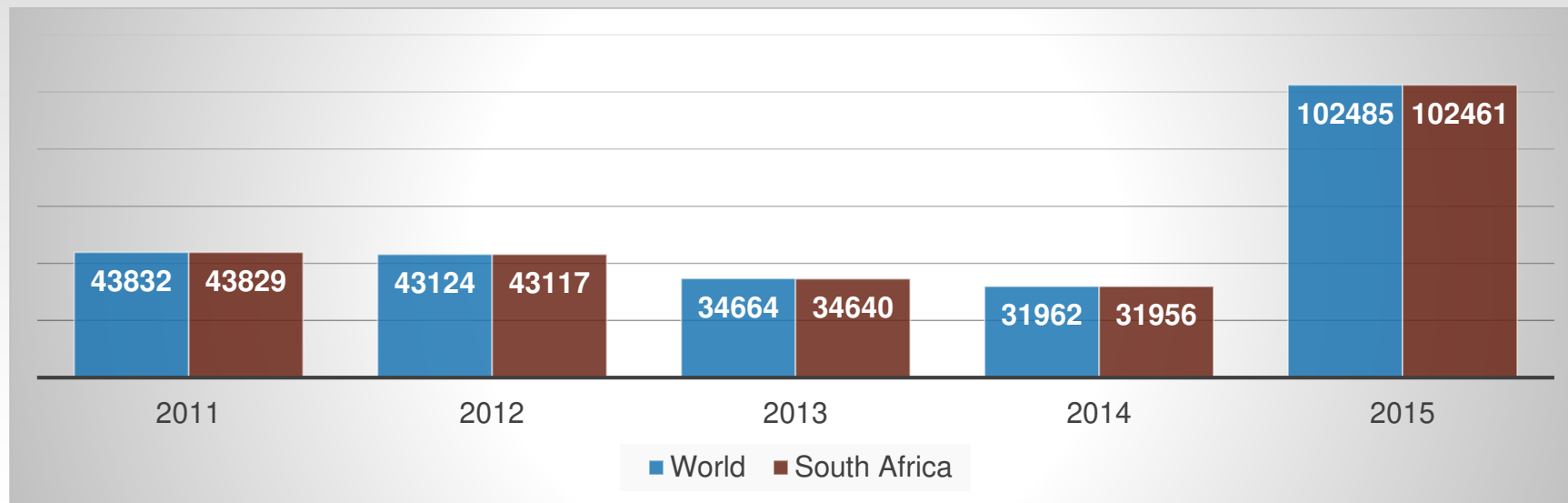


Location	Product
Rosslyn (Gauteng)	BMW – 3 Series
Rosslyn (Gauteng)	Nissan – Livina
Rosslyn (Gauteng)	Nissan – Tiida
Rosslyn (Gauteng)	Nissan – NP 300
Rosslyn (Gauteng)	Nissan – NP 200
Silverton (Gauteng)	Ford – Ranger
Silverton (Gauteng)	Mazda – BT50

Location	Product
Durban (KwaZulu-Natal)	Toyota – Corolla
Durban (KwaZulu-Natal)	Toyota – Hilux
Durban (KwaZulu-Natal)	Toyota – Fortuner

Location	Product
East London (Eastern Cape)	Mercedes – C-Class
Port Elizabeth (Eastern Cape)	Chevrolet – Spark
Port Elizabeth (Eastern Cape)	Chevrolet – Utility
Port Elizabeth (Eastern Cape)	Isuzu – KB
Uitenhage (Eastern Cape)	Volkswagen - Polo

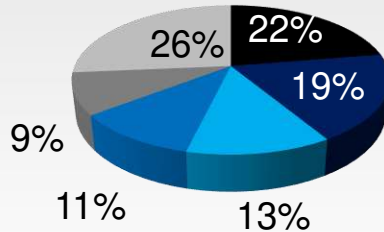
## Botswana's Exports: HS 854430 Ignition wiring sets and other wiring sets for vehicles, aircraft or ships (US\$ 000)



Botswana supplies Nissan, Mercedes Benz RSA and Toyota RSA with ignition wiring sets. The industry has created more than 3000 jobs and is poised to grow

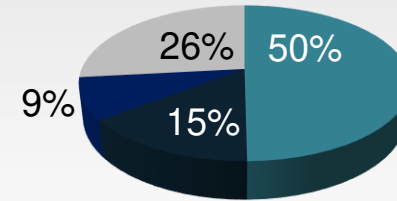
## Botswana dominates South Africa's ignition wiring set imports (2008 vs 2013)

2008



■ Thailand ■ US ■ Romania  
■ Philippines ■ Germany ■ Rest of World

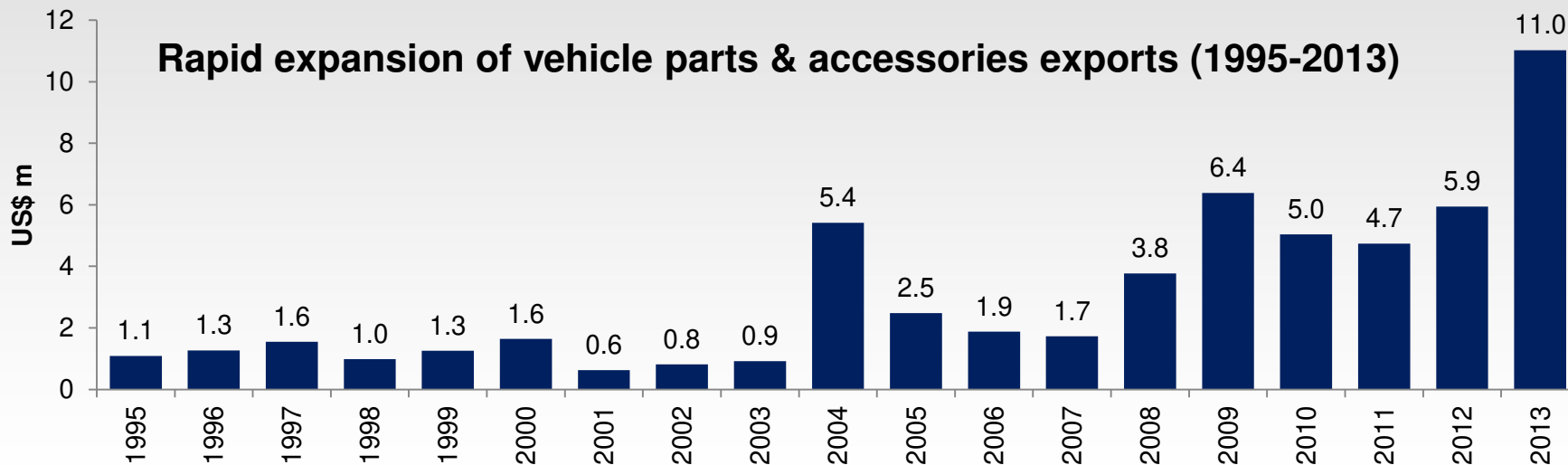
2013



■ Botswana ■ Thailand  
■ US ■ Rest of World

Botswana started to supply the South African market with ignition wiring sets in 2009 and now controls half of South Africa's ignition wiring set import market.

# Proven record in component manufacturing & exports



# Opportunities & product lines

- Focus on component manufacturers supplying SA-based automotive manufacturers: **R43.15bn** in 2013 imports
- Focus on components and parts with synergies to other priority sectors
- Focus on basic components including headlamps, dashboard lamp fittings, flashing warning light fittings, interior lamps, windscreen wipers

## South Africa's Top 10 Automotive Part Imports (R million), 2010-2013

Component	2010	2011	2012	2013	Share %, 2013	CAGR %, 2010-2013
Automotive tooling	1,596	2,369	2,798	4,090	9.5	36.8
Tyres	2,900	3,206	3,610	3,990	9.2	11.2
Engine parts	2,549	2,960	3,074	3,546	8.2	11.6
Transmission shafts/cranks	1,076	1,302	1,414	1,774	4.1	18.1
Gauges/instrument parts	984	1,244	1,303	1,607	3.7	17.8
Stitched leather seats & parts	1,139	1,138	1,206	1,543	3.6	10.6
Engines	705	1,181	1,243	1,361	3.2	24.5
Brake parts	774	918	887	1,116	2.6	13.0
Lighting equipment/parts	746	805	746	933	2.2	7.7
Catalytic converters	903	823	627	892	2.1	-0.4
Other	13,946	16,942	18,232	22,295	51.7	16.9
<b>Total</b>	<b>27,318</b>	<b>32,888</b>	<b>35,140</b>	<b>43,147</b>	<b>100.0</b>	<b>16.5</b>

Given Botswana's planned developments of leather manufacturing, it is likely to gain a competitive advantage in supplying stitched leather seats and parts to South Africa's automotive industry

## INCENTIVES – SPEDU REGION

- SPEDU Region has a population of 203 000
- SPEDU hub, Selebi Phikwe Town est. in the 70s following discovery and mining and smelting of copper
- Government adopted initiatives to spur econ activity in commercial irrigation and Manufacturing



## Fiscal Incentives

5% for first 5 years; 10% after

**Fiscal Incentives** (provided in line with SACU provisions)

- Zero customs duty on imported raw material
- Provide rebate of Customs duties and Value Added Tax under Schedule 4 - Rebate Item 470.03, and VAT Act Third Schedule - Item 470.03 for manufacturing done exclusively for export outside Common Customs Area (CCA)
- Provide rebate of Customs duties and Value Added Tax for importation of raw materials under Schedule 3 of the customs tariff and VAT act.

## Government off-take

- Direct Government off-take on procurement of at least 30% (First preference in Government procurement provided the quantity, quality and price requirements are met), in line with Economic Diversification Drive (EDD)



# SPEDU tax framework

## Provision of Land

- Minimum 50 year Lease

## Input Costs

- SPEDU Region will provide internet connectivity with bandwidth that promotes business competitiveness;
- Preferential ICT rates (telecommunications, data and voice rates) as already provided for IFSC companies

## SPEDU Region Labour Laws

- SPEDU Region Employer - Employee Relations  
(To provide work environment which promotes productivity and harmonious employer/ employee relations)

# About BITC



- Investment Promotion, Export Development & Nation Branding Agency of Botswana.
- Head office in Gaborone, Botswana,
- London Office at 6 Stratford Place, London W1C 1AY, United Kingdom
- Johannesburg Office located in 88 Stella Street, Sandton Mews, 3<sup>rd</sup> floor, Westwing, Sandton,
- Mumbai Office located No. 43, Marker Chamber VI, Nariman Point, Mumbai India
- Network of Botswana Embassies around the world,
- Professional advisory firms, National and Regional Chambers of Commerce,
- Other collaborating partners (IPAs, TPOs) around the world,

## **Investor Value Added Services**

- **Business Linkages / Facilitate engagements / Company Visits**
- **Investor facilitation services (One-Stop-Shop);-**
  - Partnerships and Joint Ventures
  - Premises; Land,
  - Work & Residence Permits, Visas
  - Company registration, Licensing
  - Incentives; IFSC, Manufacturing, Tax Holidays (DAO)
  - Professional Advisory firms; registrations (company, tax etc.)
- **Aftercare Services – renewals, expansions etc.**

# Thank You



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