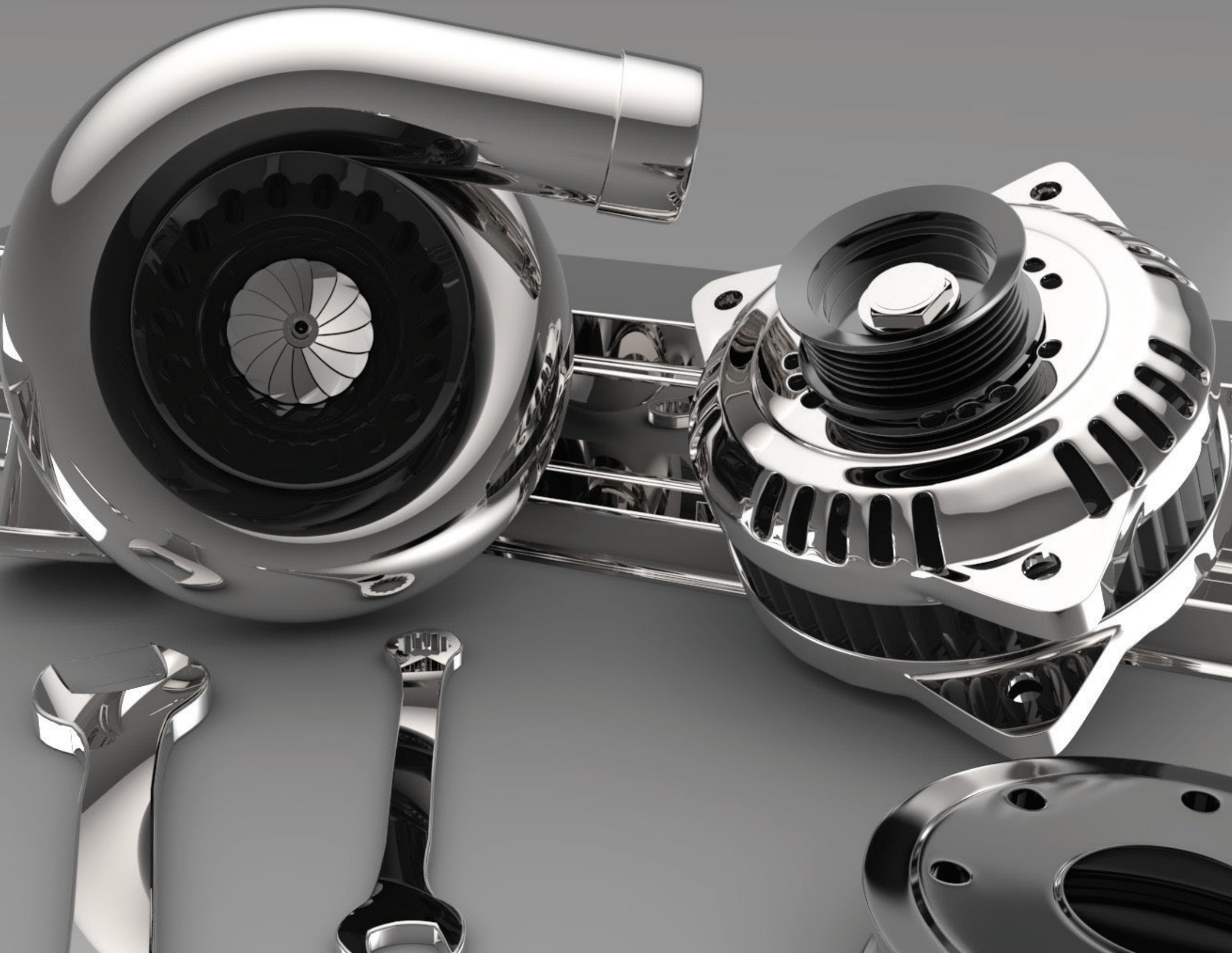




AUTOMOTIVE & COMPONENT MANUFACTURING IN BOTSWANA

INVESTOR FACTSHEET



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 thrive 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

Indicator	
Population	2.1 million
Area	581,730 km ²
Capital	Gaborone
Business language	English
GDP/capita	U\$ 7,136 (PPP)
Nominal GDP Growth	5.9% (2013) 4.9% (2014) 4.2% (2015)
Change in CPI	7.9% (2012) 5.9% (2013) 4.4% (2014)
Corruption Perception Index Rank	31 (out of 175 countries)

Source: IMF, 2015, Transparency International, 2015, Bank of Botswana, 2015 & BITC

LEAST CORRUPT COUNTRY IN AFRICA

SOURCE: TRANSPARENCY INTERNATIONAL, 2015

BEST SAFETY AND RULE OF LAW IN AFRICA

SOURCE: HAG, 2014

2ND FREEST ECONOMY IN AFRICA

SOURCE: HERITAGE FOUNDATION, 2014

COMPETITIVE CORPORATE TAX RATES, INCENTIVES

SOURCE: TRANSPARENCY INTERNATIONAL, 2015

3RD EASIEST PALCE TO DO BUSINESS IN SADC

SOURCE: WORLD BANK, 2014

3RD BEST GOVERNED COUNTRY IN AFRICA

SOURCE: HAG, 2014

5TH MOST COMPETITIVE ECONOMY IN AFRICA

SOURCE: WEF, 2015

4TH HIGHEST HUMAN DEVELOPMENT IN AFRICA

SOURCE: HAG, 2014

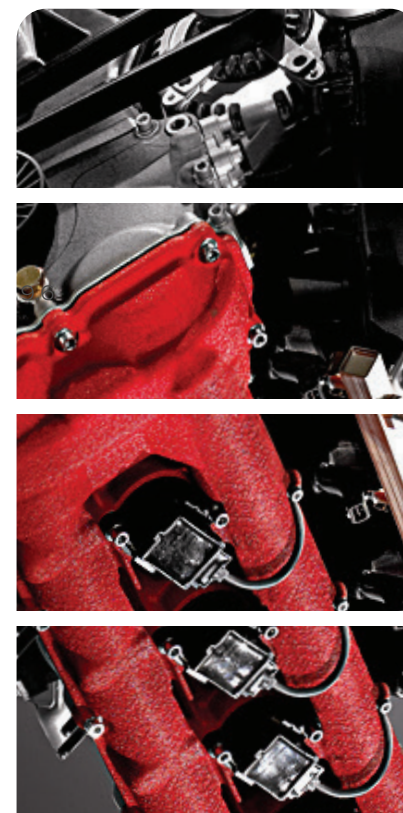
Botswana's Automotive & Component Industry Overview

As one of the most affluent economies in Southern Africa with a robust growth outlook, Botswana is home to a growing automotive market. It has a vehicle ownership rate of 206 vehicles per 1,000 people which is far above the African average

of 43 vehicles per 1,000 people. Botswana's automotive market is expected to receive a boost in terms of sales growth in the short to medium term due to the development of domestic coal deposits and the unlocking of agricultural opportunities.

Botswana's Vehicle Market Outlook, 2012-2019f

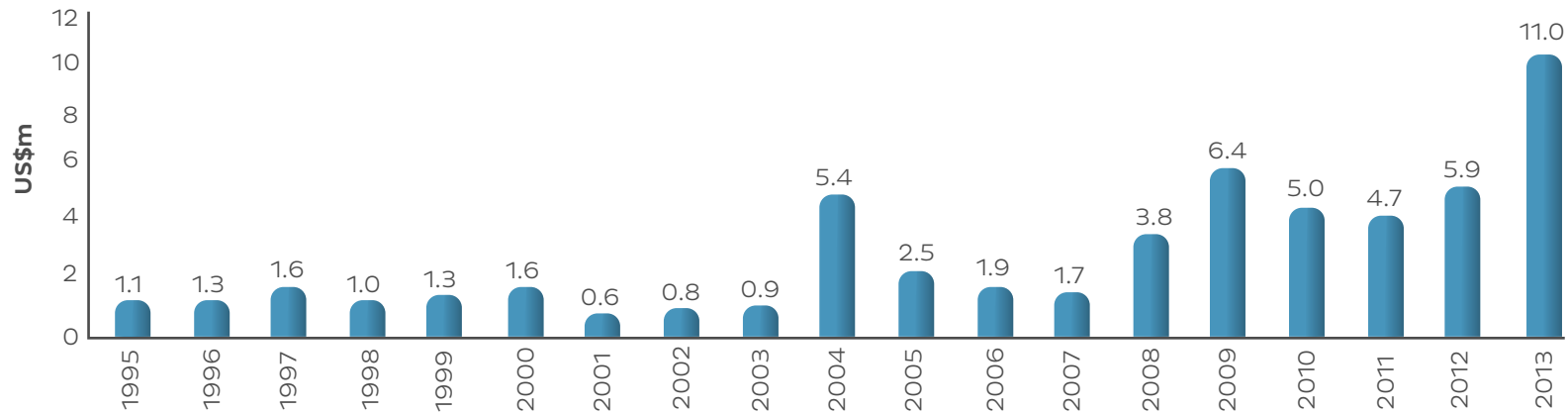
	2012	2013	2014e	2015f	2016f	2017f	2018f	2019f
Vehicle sales, units	40,687	38,456	35,106	36,559	41,121	46,871	51,884	56,859
Vehicle sales growth, %	72.7	-2.5	-8.7		4.1	12.7	14.0	10.7
Vehicle trade balance units	-40,687	-38,456	-35,106	-36,559	-41,121	-46,871	-51,884	-56,859
Vehicle Fleet	358,623	384,666	408,598	431,348	463,140	497,356	539,834	584,830
Vehicles per 1,000 people	179	190.3	200.4	209.8	223.2	237.6	255.6	274.4



Source: BMI, 2014

In recent years, Botswana has positioned itself as a supplier of vehicle parts and components to the region and especially to South Africa's automotive industry, resulting in a strong increase of vehicle part exports from Botswana.

Rapid Expansion of Vehicle Part Exports, 1995-2013



Source: UNCTAD, 2014

Opportunities In The Botswana Automotive Sector

While Botswana acknowledges its relatively limited market size, future demand in the SADC region in particular presents multiple opportunities for investors seeking to tap the automotive and component sector in the region.

Among the key opportunities in the sector are:

- Supply of **parts & components** to South Africa's automotive sector
- Supply of **replacement parts** for vehicles of large-scale projects (e.g. coal, agricultural projects)
- Expansion of **existing component manufacturing industries** (e.g. batteries, ignition wiring sets)
- **R&D services** for the automotive sector (e.g. extreme weather & terrain testing)

- Diversification of **after-sales services** for private & commercial vehicles
- Development of **vehicle maintenance service** offering for cross-border/regional vehicles
- Establishment of **skills development/training facilities** for auto mechanics and technicians

The sector's most promising opportunity is the supply of inputs to the automotive sector in neighbouring South Africa, Africa's largest vehicle market and manufacturer. South Africa's automotive manufacturers produced close to 550,000 vehicles in 2013 and are expected to increase production to 1.2 million units by 2020, providing regional suppliers with ample opportunities to supply components and parts.

South Africa's Top 10 Automotive Component Imports (ZARm), 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
Total	27,318	32,888	35,140	43,147	100.0	16.5

Source: AIEC, 2014

Botswana's Value Proposition In The Automotive & Component Industry

One of Botswana's strongest value propositions is its location. It is both in close proximity of the largest automotive market in Africa, as well as the largest automotive manufacturer and exporter in Africa – both being South Africa. Botswana has a delivery time advantage over major competitors in Asia, Europe and North America. In this regard, Botswana has a proven track record in supply to the South African components market, increasing its component exports tenfold in the past 20 years.



Botswana's Proximity to Africa's Largest Automotive Manufacturing Hubs



Source: Frontier Advisory Research, 2015

Gaborone - Rosslyn: 350km	
Gaborone - Durban: 350km	
Gaborone - Eastern Cape: 350km	

Furthermore, unlike some of its peers in the region, labour-employer relations are harmonious. This is a key advantage for the component manufacturing industry, as it allows timely and uninterrupted supply of parts to major automotive manufacturing plants in South Africa.

An additional advantage that Botswana offers is that due to its membership in the South African Customs Union (SACU), its exporters enjoy duty-free access to the South African market. Investors in the manufacturing sector also enjoy one of the most competitive manufacturing tax regimes in the region.

The government's prioritisation of other sectors including leather, mining, tourism and logistics will lead to the development of synergies between these sectors and the automotive and components industry. This may be very beneficial as input and transport costs are expected to be lowered in the short to medium term.





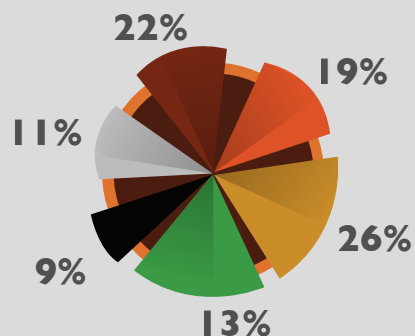
Recent Success Story

The recent expansion of Botswana's ignition wiring set output and exports is testimony to the country's increasing competitiveness and success in the component manufacturing sector. In 2008, South Africa's ignition wiring set imports were dominated by

Thailand, the US, Romania, the Philippines and Germany. In 2009 Botswana started to supply the South African market with ignition wiring sets and now controls half of South Africa's ignition wiring set import market

South Africa's Ignition Wiring Set Imports

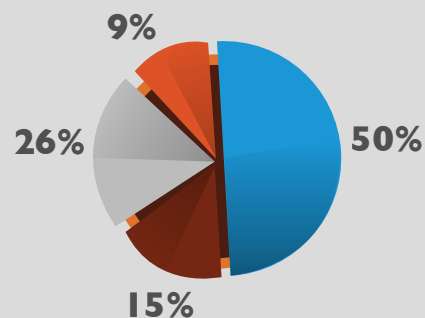
2008



Thailand
Philippines
US

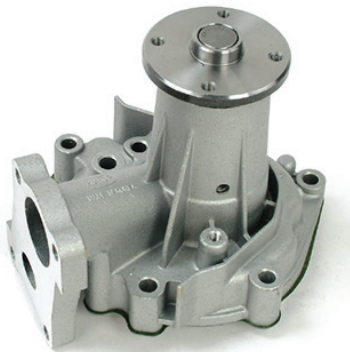
Germany
Romania
Rest of World

2013



● Botswana
● Thailand
● US
● Rest of World

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%

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.

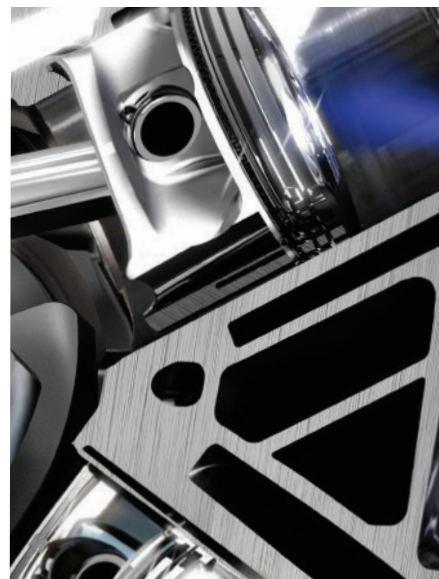
How The BITC Can Assist You Go Further With Your Investment

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 Botswana 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 through a one-stop-shop 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 manufacturing Sector please contact:

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