

Botswana: Investment Opportunities Through Growth & Diversification

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Overview

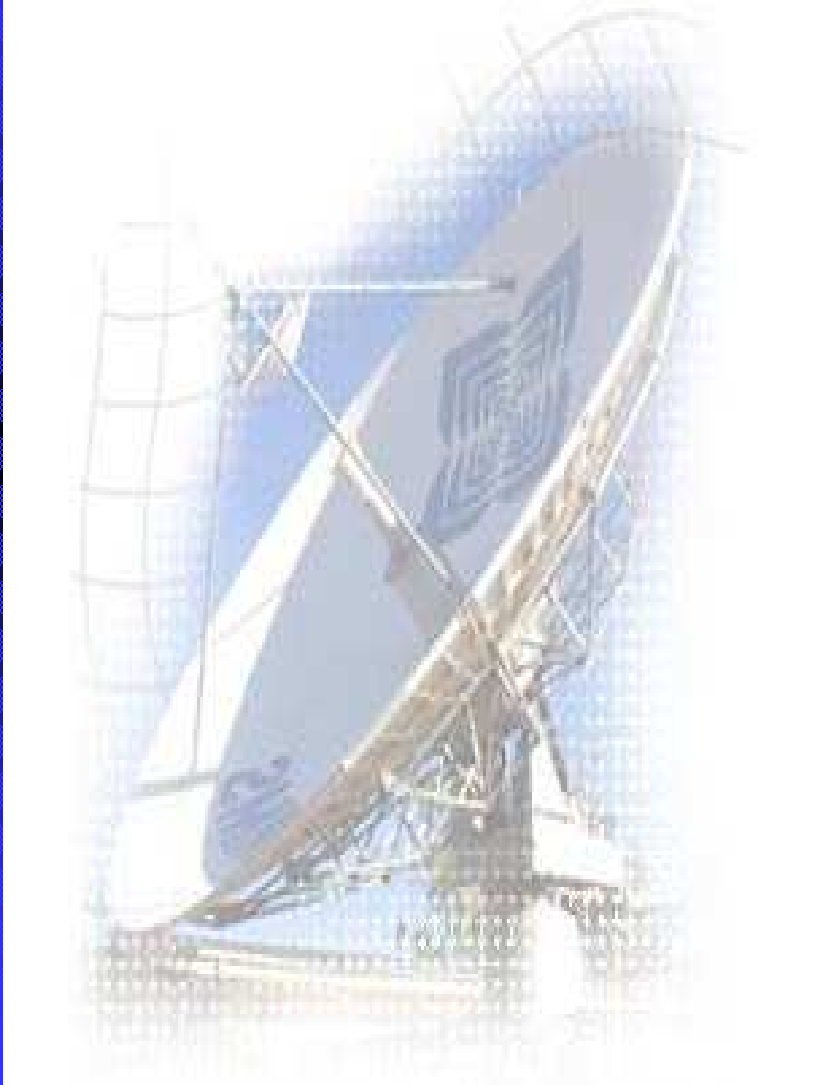
- Geographic Location
- Background to the Economy
- Approach to Economic Growth
- BEDIA's Mandate
- Facts & Figures on FDI Inflows
- Pipeline Projects
- Botswana's Investment Climate
- Challenges

Geographic Location



- ◆ **One of the poorest countries in the world at independence in 1966.**
- ◆ **Diamonds discovered in 1968 (2/3 of GDP)**
- ◆ **Rated as one of the fastest growing economies in the world by the world bank.**
- ◆ **1980/81 GDP per capita US\$346.00 today's GDP per capita is over US\$ 4000.**
- ◆ **Substantial foreign exchange reserves of above US\$5 billion, providing 26 months of import cover.**

Background



- **All weather roads provide easy access to entire southern Africa**
- **Sophisticated telecommunications system: nearly 80% of the country is linked by fiber optic cable - 2 cell-phone operators**
- **Highest per capita expenditure in education in the world - nearly 30% of annual budget**
- **Education and medical facilities are free, private schools and private clinics available**
- **Literacy ratio is 80%**

Accolades & Rankings

- Rated by *Transparency International* as the most transparent and least corrupt country on the African continent for 4 consecutive years to date
- For the past 4 years *Moody's Investors Service (& Standard & Poor's)* and has assigned country ratings for foreign currency debt and bank deposits of *A2/Prime-1* to Botswana. The credit rating puts Botswana at par with Greece and Israel, Hong Kong, Malaysia and Chile
- *Competitiveness and credibility* rated highly by the Institutional Investor and the Harvard Institute for International Development (2004 Competitiveness Report: 1st in Africa)
- Botswana has been rated by the *Washington Post Survey* as the *3rd quality tourism destination in the World* after Athens and the Bahamas, and was the only African country in the Survey's top ten in 2003 – since then we have been receiving more than 1 million tourists per annum

Our Sectoral Approach to Growth

- Championed by MFDP & MTI
 - ◆ Trade Policy Review, Industrial Policy, SMME Policy, Competition Policy
- The Diversification Drive
 - ◆ More focussed Agencies on sectoral approach to ease heavy dependence on the mineral (diamond) sector
- 1997 BEDIA created by an Act of Parliament

The Mandate: BEDIA

- Investment Promotion
- Export Development
- Construction of Factory shells
- Policy advocacy to high echelons to enhance the investment climate
- Promote joint ventures
- Provide aftercare & one stop service centre
- Two external offices: South Africa & United Kingdom

FDI by Year in Botswana

| Year | No. of Projects | Capital Invested (USD) |
|-------|-----------------|------------------------|
| 2003 | 5 | 45 million |
| 2004 | 5 | 1 million |
| 2005 | 6 | 40 million |
| 2006* | 4 | 800 million |

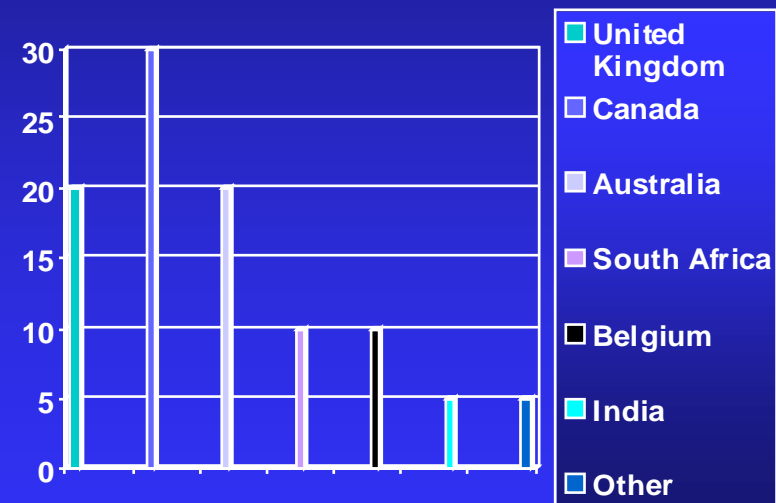
- **Source:** Central Statistics Office, Ministry of Minerals, Energy & Water Affairs, BEDIA
- *Includes Projects at end of November 2006

Companies & Number of Projects since 2003

| Company Name | No. of Projects |
|--------------------------|-----------------|
| Debswana | 2 |
| African Copper | 2 |
| Gallery Gold | 2 |
| Discovery Nickel | 1 |
| Diamonex (IME) | 1 |
| Firestone | 1 |
| Eurostar Diamond Traders | 1 |

Source & Proportion of Investment

| Source | Percentage |
|----------------|------------|
| Canada | 30 |
| Australia | 20 |
| United Kingdom | 20 |
| Belgium | 10 |
| South Africa | 10 |
| India | 5 |
| Other | 5 |



Pipeline Multinational Projects

- CIC Energy Corporation (Coal Project)
- KG Corporation (Methane Gas)
- Diamond Technology Park (Cutting, Polishing, Jewellery)
- Information Technology Park (Hardware, Software, training)
- PPP Privatisation Projects:
 - ◆ Air Botswana
 - ◆ Botswana Telecommunications Corporation (National ICT Master plan on: www.maitlamo.gov.bw)
 - ◆ Botswana Railways
 - ◆ Botswana Vaccine Institute
- Expansions at:
 - ◆ Morupule Colliery
 - ◆ Sau Salt Pans & Glass Manufacturing Prospects
 - ◆ Botswana Meat Commission Tannery & Beef By-products



More Investment Opportunities

- Tourism
- Financial Services
- Textiles/Clothing
- Agriculture & aquaculture
- Pharmaceuticals (Generic Drugs)

What has led to FDI Inflows?

Investment Climate

- ◆ 2 Tier Rate of Company Taxation
 - ◆ Basic Company Rate 15%
 - ◆ Additional Company Tax 10%
25%
- ◆ Manufacturing Enterprises
 - ◆ Basic Company Rate 5%
 - ◆ *Additional Company Tax 10%
15%
 - ◆ * Can be set off against 15% Dividend Tax
- ◆ International Financial
 - ◆ Service Companies - Flat Rate 15%
 - ◆ IFSC - Dividends - Tax Free
- ◆ Personal Taxation - Marginal Tax Rate 25%
 - ◆ Effective on Taxable Income over P100,000

Exemption from Withholding Tax

- Payments to non-residents that will not be subjected to withholding tax:
 - interest
 - commercial royalty
 - management or consultancy fees; and
 - dividends, including dividend to an IFSC company or a Collective Investment Undertaking
- rebate facilities & duty drawbacks
- tax holidays – the Development Approval Order

Wider Market Access

- Membership to regional & multilateral agreements
 - Bilateral agreements
 - Southern Africa Development Community
 - Southern Africa Customs Union
 - Cotonou Partnership Agreement
 - World Trade Organisation
- AGOA
- GSP Schemes with Canada, US & the European Union
- Double Taxation Treaties with various countries
- **Headquarters of:** SADC, CDE, USAID Reg. Centre for Southern Africa, International Law Enforcement Agency, Southern Africa Investment Hub

Challenges

- Defining, presenting and positioning the business opportunity
- Growing competition for FDI
- Economic diversification
- Regional positioning – land locked
- Socio-economic development
- Small is beautiful

Looking forward to
welcoming you to
Botswana: We are Open
for Business. Thank
you!!!!

BEDIA

The Friend of the Investor

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