



## Presentation On Botswana as a location for FDI

Date: December 2020

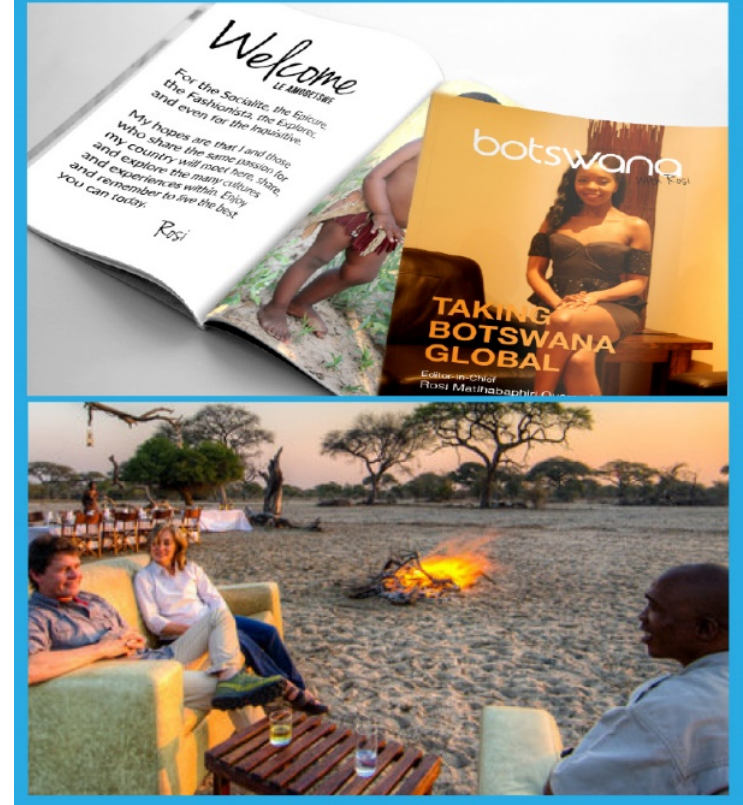
## Land of Stunning Beauty



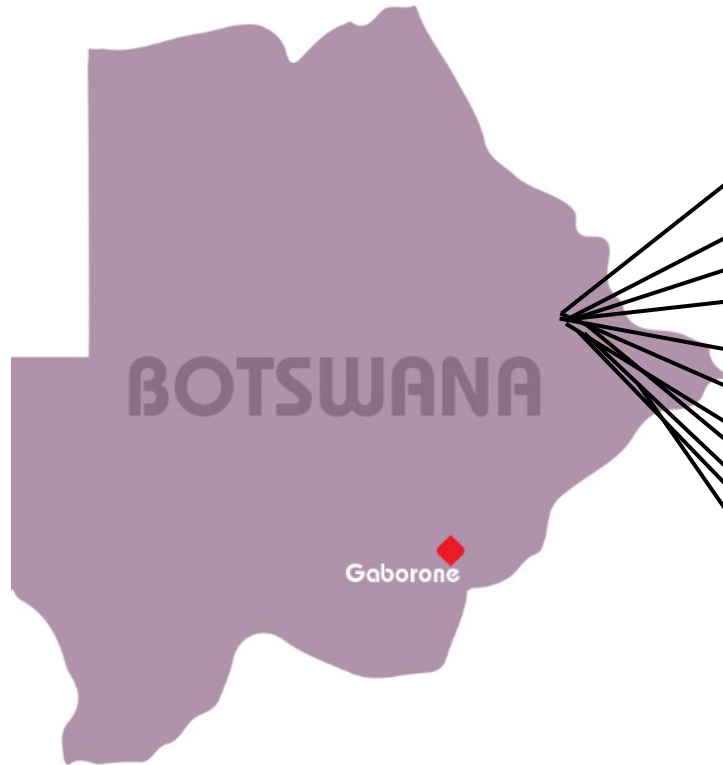
## Rich in Natural Resources



## Open Welcoming People



- Botswana is a country in the Southern part of Africa and shares a border with South Africa, Zimbabwe, Namibia and Zambia.
- Botswana is a land of stunning beauty and is home to the big 5 and the Okavango Delta which is one of the world's largest inland deltas
- Botswana is rich in natural resources; it has large deposits of minerals eg diamonds, coal, etc and vast land
- The people of Botswana are open and welcoming



Land Area: 581, 730 Km<sup>2</sup>



POPULATION - 2,356,000 (Note: 1)

**Stable**, peaceful and transparent;

Committed to **sound fiscal policy** and economic Freedom with **high credit rating (A2 & BBB+)** (Note:2) ;

**Gateway** to a massive market;

**Young & Educated workforce** (Note:3) with training subsidies available to support specific skills development needs of investors

**Government Support** wants to make your investment work for you;

**Competitive cost base;**

Committed to continued **Growth and Investment.**

Low Labour costs (\$100/month)

Efficient one stop service centre

High Tele & mobile phone penetration rate

Preferential incentives in the Special Economic Zones

## Special Economic Zones (SEZs) are:

- ✓ geographic locations where the **rules of business are different** from those that prevail in the national territory
- ✓ It is in the SEZs government creates exceptions to its own rules, the goal being to:
- ✓ to create a “business environment that is intended to be more **liberal from a policy perspective** and more **effective from an administrative perspective** than that of the national territory.”

## SEZs design (Note:4) :

**1. overcome serviced land and infrastructure constraints** that may hinder investment in the national economy by providing investors to:

- ✓ Long term leases
- ✓ Prebuilt factory shells
- ✓ Reliable utilities (electricity, water, telecommunications, etc)

**2. Improve overall business and administrative environment**, especially with regard to procedures required to register a business, acquired licenses, visa, work permits, access to key service, incentives etc through ones stop service.



Special Economic Zones Authority (SEZA) was established through the act of parliament, SEZ Act of 2015, and operates as an Authority, through a line ministry:

- “responsible for **overall coordination** and implementation of activities related to the establishment and development of SEZs”.
- Create business development opportunities for small, medium & micro-enterprise suppliers that will meet the expanding needs of SEZs enterprises.
- **Function:**
  - Initiate, develop, and manage the operations of SEZs on behalf of the government, acquire land;
  - Develop primary infrastructure and provide roads, utilities, sewage system, drainage, etc ...*within SEZs*
  - Sub-lease land to investors who have been approved an SEZ license
  - Approve detailed development plans of SEZs
  - Market SEZs as an international location for FDI (export focussed businesses)



## **Model for Botswana's SEZs**

## Strategy

- **Economic Zone strategy is strongly linked to national development, investment and industrial strategies.**
- Different Economic Zones in one country are not fragmented development initiatives; they will be complementing each other.

## Design & Management

- Move towards development of SEZs and SZs (industry and services with high value added)
- Independent regulatory bodies backed up by a Law (s.5, SEZ Act of 2015)
- **Private sector development & management of zones**
- PPPs for infrastructure provision/PPP financing
- **Cluster zone modelling and supply chain management**
- Fully integrated zones with on-site residence

## Incentives

- Focus on regulatory and administrative incentives
- Fully inclusive Single window & one stop shop services.
- Innovative development policy incentives linked to R&D, skills development, SMEs & regional development.
- **Putting more emphasis on backward & forward linkages with local economy**
- Existing firms will not shift production to new zones to avoid eroding national fiscus

# SEZA will operate at the mid-point of the Regulator to Operator spectrum

SEZA will operate in this space and achieve success

SEZA is mainly a SEZ Regulator

SEZA is a SEZ Regulator and

SEZA is a SEZ Regulator and

Developer of some SEZs and Operator of some SEZs

Developer and Operator

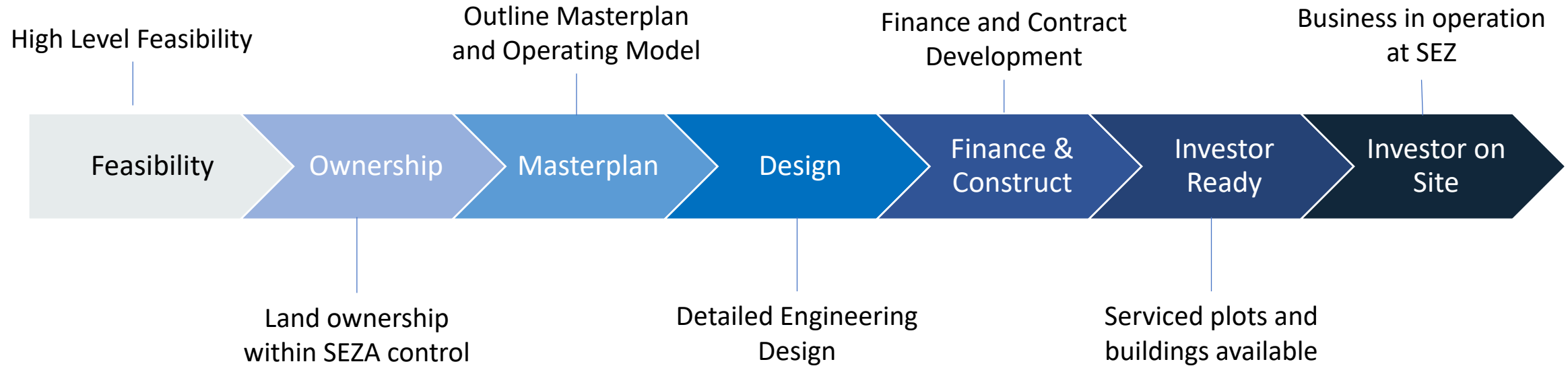
With Other Public & Private Organisations developing & operating SEZS

|  |  |
|--|--|
|  | Some SEZs developed & operated by SEZA to set standards and scale of ambition              |
|  | Some SEZs developed & operated by trusted & capable public partners                        |
|  | Development of private led SEZs likely to come later after potential has been demonstrated |

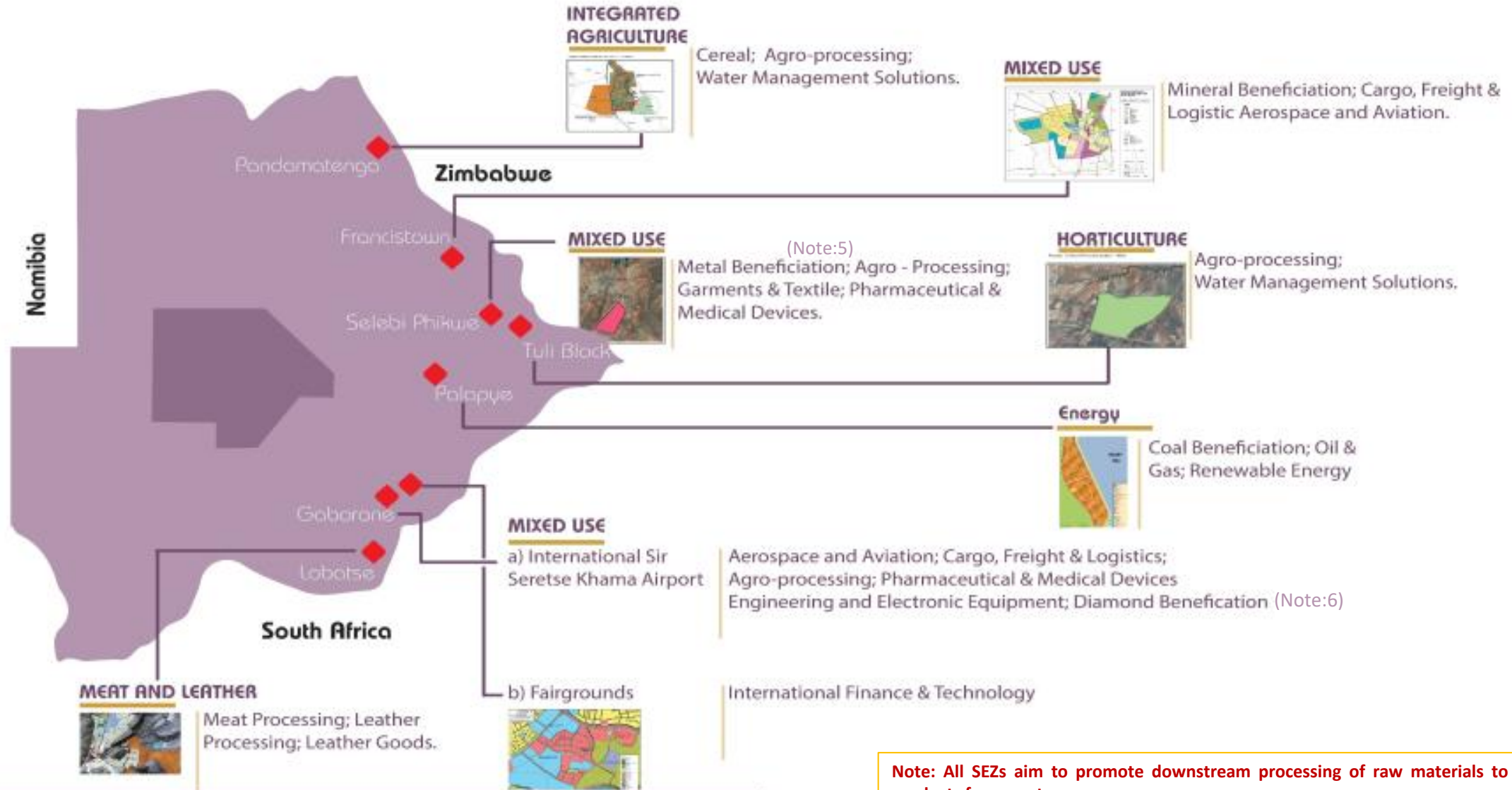
Smart partnership will enable SEZA to demonstrate the required visible and valuable success



# Roadmap for delivering the SEZs







Note: All SEZs aim to promote downstream processing of raw materials to create value-added products for export.

# **Special Economic Zones Incentives**

## The SEZ Incentives approved by Cabinet on 22<sup>nd</sup> July 2019

**5% Corporate Tax for  
the first 10 years**

**10% Corporate Tax  
thereafter**

- **Fast tracked land  
allocation**
- **Long term  
renewable land  
leases**

**Zero-rated VAT on Raw  
Materials for  
Manufacturing for  
Export**

**Duty-free Imports of  
Specialist Plant and  
Machinery for  
Manufacturing  
Purposes**

**Waiver on Transfer  
Duty on Land and  
Property**

**Property Tax  
Exemption for 5 years**

**No Exchange Controls**

**Full Repatriation of  
Profits and Capital**

In cooperation with BOSSC, SEZA will provide a single window through the SEZ Investor Service Center (SISC) to facilitate business start-ups/expansions in the SEZs. Some of the services anticipated are outlined below:

- Support in fast tracking the issuance of visas, work and residence permits;
- Identify and introduce investors to service suppliers.

- Develop cluster networks aimed at improving productivity and competitiveness;
- Link Investors to national policy and influencing networks.

- Environmental Application facilitation;
- Online business registration;
- 24-hour business support services.

- Efficient customs facilitation;
- Facilitation of building permits.

## SEZ Investor Licensing Requirements

### 1. Mega Projects addressing the following:

- ❖ Increasing Government revenue (large investment)
- ❖ 100% export orientation, aimed at increasing foreign exchange earnings;
- ❖ Diversify economic and export base;
- ❖ Employment creation;
- ❖ Technology transfer and skills upgrade;
- ❖ Creating business opportunities for local companies (e.g. SMMES).

### 2. Types of business activities permitted in the SEZ:

- ❖ **Incentivised activities (100% Export Oriented):**
  - (i) Agrobusiness;
  - (ii) Manufacturing;
  - (iii) warehousing, distribution or logistics services;
  - (iv) Internationally Traded Service;
- ❖ **Non-Incentivised activities:**
  - (v) Locally Traded Services (SEZ supporting activities (SMMES)).

# Thank You

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## Remarks by UNIDO ITPO Tokyo

This document has been translated by the UNIDO ITPO Tokyo at the request of SEZA Botswana. The following is the views of UNIDO ITPO Tokyo to supplement the document.

**Note 1:** Botswana is not a large country in terms of population. However, the secretariat of the Southern African Development Community (SADC) is located in the country's capital, Gaborone, and the SADC has set a timetable for economic integration through the creation of an internal free trade zone, customs union, common market, currency union and common currency. (In 2008, based on the SADC Trade Protocol, a free trade zone was created and tariffs within the SADC region were lifted, except for some exempted goods and in some countries where the protocol has not yet entered into force.)

Source on SADC: <https://www.mofa.go.jp/mofaj/area/africa/sadc/gaiyo.htm>

In view of this, the Ambassador of Botswana to Japan explained at this seminar that "Botswana can be seen as a gateway for trade and investment in Southern African countries and has the potential to become a major market.

**Note 2:** The so-called "credit ratings" are assessed by private financial institutions such as Moody's, Standards & Poor's, etc., based on their own financial analysis, and UNIDO has a neutral view on these ratings. For detailed information on the ratings, please refer to the websites of each rating agency.

**Note 3:** Government of Botswana has been putting efforts to improve higher education. When Mr. Yasunaga, the Head of UNIDO ITPO Tokyo, visited Botswana around 2012, the local government official informed that the University of Botswana established a library with the largest collection of books in Sab-Saharan Africa to meet research needs of students (information as of February 2021).

**Note 4:** UNIDO published [International Guidelines for Industrial Parks](#) in 2019, which present the establishment of industrial parks in SEZs as an effective means of supporting industrial development, along with success stories from different countries.

**Note 5:** Botswana has been attracting attention for its metallic mineral resources such as nickel, copper, and platinum group elements. Although this is not limited to Botswana, the consistent view of developing countries with mineral resources is that "mining mineral resources alone will generate a certain amount of employment, but it will not lead to long-term economic development unless the resources are exported with as much added value as possible". Therefore, if we consider the value chain of the mineral resource business, we can see the following flow: ore mining → ore dressing (to increase the metal content in the ore and remove as much of the worthless pebbles as possible) → smelting (to produce metal ingots) → metal processing (to process the ingots into plates, foils, powders, pipes, electric wires, etc.) → user industry (automobile parts, electronic parts, etc.). In this process, we want to locate and develop downstream industries as much as possible.



**Note 6:** Botswana has significant diamond deposits, the mining of which has strongly supported the country's economic development to date. For Japanese companies, investment to diamonds sector, especially to the downstream sector (polishing and processing) with higher added values, is not easy as it is dominated by large European capitals. Embassy of Botswana in Japan explained to Mr. Yasunaga, the Head of UNIDO ITPO Tokyo, that the government of Botswana is looking forward for Japanese investors in the downstream diamond sector in the future. SEZA also confirmed that there is one SEZ that is dedicated to investors that are interested in Diamond Beneficiation and other sectors.

### Related Websites:

SEZA Botswana - <https://seza.co.bw/>

Supporting legislation document - <https://seza.co.bw/download/1699/>

SEZA regulations - <https://seza.co.bw/download/1696/>

Embassy of Japan in Botswana - [https://www.botswana.emb-japan.go.jp/itprtop\\_ia/index.html](https://www.botswana.emb-japan.go.jp/itprtop_ia/index.html)

Embassy of Botswana in Japan - <https://www.botswanaembassy.or.jp/>

World Bank Data, Botswana - <https://data.worldbank.org/country/BW>

Japan International Cooperation Agency (JICA) - <https://www.jica.go.jp/botswana/index.html>

Japan External Trade Organization (JETRO), Institute of Developing Economies (IDE) - [https://www.ide.go.jp/Japanese/Data/Africa\\_file/Country/botswana.html](https://www.ide.go.jp/Japanese/Data/Africa_file/Country/botswana.html)

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