

LEATHER AND LEATHER GOODS 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: HERITAGE FOUNDATION, 2014

2ND FREEST ECONOMY IN AFRICA

SOURCE: TRANSPARENCY INTERNATIONAL, 2015

COMPETITIVE CORPORATE TAX RATES, INCENTIVES

SOURCE: TRANSPARENCY INTERNATIONAL, 2015

3RD EASIEST PALCE TO DO BUSINESS IN SADC

SOURCE: ILAG, 2014

3RD BEST GOVERNED COUNTRY IN AFRICA

SOURCE: ILAG 2014

5TH MOST COMPETITIVE ECONOMY IN AFRICA

SOURCE: WEF, 2015

4TH HIGHEST HUMAN DEVELOPMENT IN AFRICA

SOURCE: ILAG, 2014

Botswana's Leather Industry Overview

Botswana has an abundance of raw hides and skins locally. The country has an annual national herd size of 2.5–3.3 million cattle; with an average off-take ratio of 9% estimated only through the Botswana Meat Commission (BMC) annual throughput, yielding 200,000–300,000 hides per year.

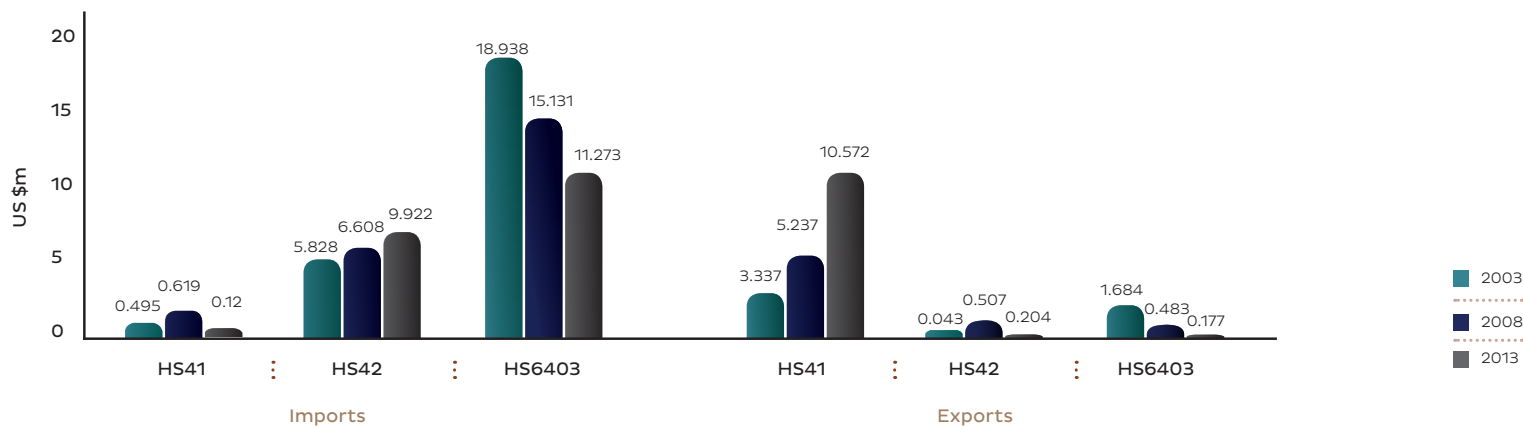
As middle income populations in emerging markets grow, so too does the global demand for leather products. With a small number of micro businesses and artisanal enterprises operating as tanneries, hide collectors and leather product manufacturers, Botswana is in the process of creating a vibrant leather cluster which will kick start with the development of a leather park in Lobatse.

Opportunities In The Botswana Leather Sector

Despite Botswana's relatively limited market size, its central location in SADC and the availability of raw material inputs presents multiple opportunities for investors seeking to tap the leather and leather goods industry. The government's prioritisation of other sectors including automotive and component manufacturing, mining, tourism and logistics will lead to the development of synergies between these sectors and the leather industry. This may be very beneficial as input and transport costs are expected to be lowered in the short to medium term. Botswana exports most of its raw hides whilst importing manufactured products. A noteworthy opportunity exists to manufacture locally, providing value add to Botswana and the regional and global export market

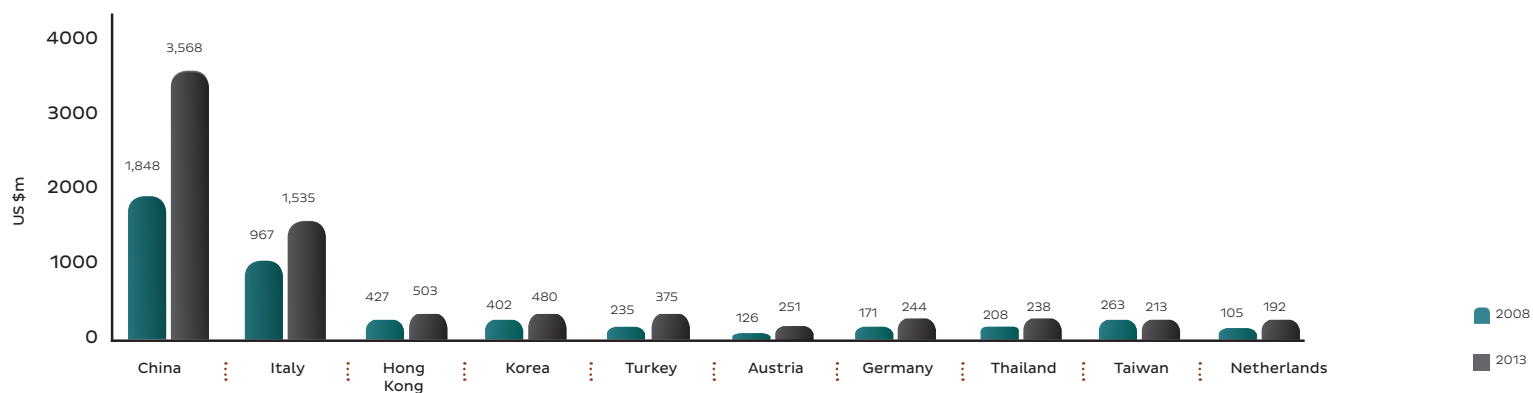


Botswana's Export And Import Of Leather & Leathergoods (US\$m), 2003, 2008 & 2013



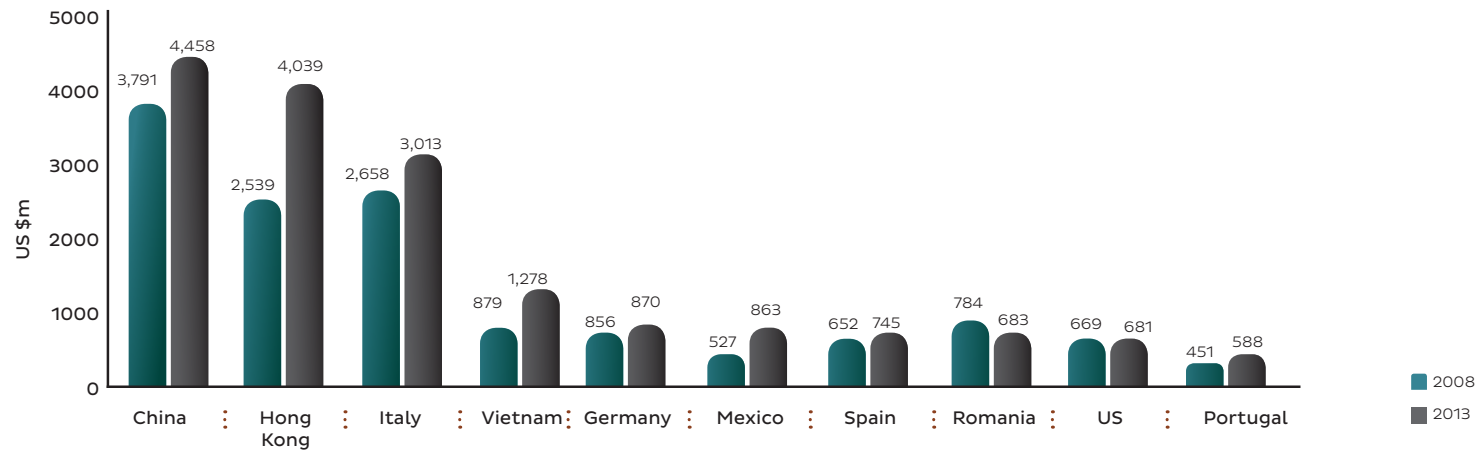
Source: ITC Trade Map, 2014; Frontier Advisory calculations
 HS41: Raw hides, skins & leather; HS42: Articles of leather; HS6403: Footwear, upper of leather

World's Top Ten Importers Of Raw Hides And Skins, Except Fur Skins (US\$m), 2008 & 2013



Source: UNCTAD, 2014; Frontier Advisory calculations

World's Top Ten Importers Of Leather (US\$m), 2008 & 2013



Source: UNCTAD, 2014; Frontier Advisory calculations

World's Top Ten Importers Of Leather Goods (US\$m), 2008 & 2013



Source: UNCTAD, 2014; Frontier Advisory Calculations

Among the key opportunities in the sector are:

- **High premium leather production:** Botswana's animal and raw hide production meets industry and environmental standards creating opportunities for producing eco-friendly leather;
- **High premium leather goods production:** production of high premium & luxury leather products ranging from OEM car seats to consumables;
- **Preferential market access through trade agreements to key growth markets for leather and leather products:** the African Growth and Opportunity Act (AGOA), European Union (EU), Mercado Común del Sur (MERCOSUR), Southern African Development Community (SADC), and the Common Market for Eastern and Southern Africa (COMESA);
- **Exporting leather and leather goods to high growth markets:** growing demand for leather and leather goods in China, the US and EU has been reflected in high compound annual growth rates (CAGR) in the last five years and these countries present significant export opportunities for Botswana's leather and leather goods;
- **R&D for the leather sector:** training rebates and migration laws for innovation are supported by modern facilities and a strong legal framework; and
- **Investment in supporting sectors:** such as waste management, training, marketing, distribution, logistics and supporting infrastructure particularly around the prospective leather cluster, the Lobatse Leather Park.

Among the leather sector's most promising opportunities is

the supply of inputs to the automotive sector in neighbouring South Africa, Africa's largest vehicle market and manufacturer.

Due to its close proximity to South Africa, Botswana has a delivery time advantage over major competitors in Asia, Europe and North America. 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.

Stitched leather seats and parts are among South Africa's top 10 automotive component imports.



South African Imports Of Stitched Leather Seats And Parts (ZARm), 2010-2013

Component	2010	2011	2012	2013	Share %, 2013	CAGR %, 2010-2013
Stitched leather seats & parts	1,139	1,138	1,206	1,543	3.6	10.6

Source: AIEC, 2014

Botswana's Value Proposition In The Leather & Leather Goods Industry

Beyond significant raw material inputs, the proximity to growth markets and the market access of Botswana's leather, the country will also be home to a leather cluster, creating an enabling environment to facilitate the sector and providing linkages between players. The Lobatse Leather Park along with the various associated benefits and enabling infrastructure will be in the form of an industrial park situated 70km from Gaborone.

The leather cluster will provide a common effluent treatment facility, a training centre, factory shells for investors in wet-blue tanneries and re-tanning and finished leather plants. The park is expected to be completed by the beginning of 2018. Thanks to Botswana's central location, the country is well-positioned to produce leather goods for the growing SADC and African consumer base. One of the institutions supporting the leather park development is the Agricultural Hub. Established in May 2008 with the aim to promote commercialisation, diversification,

investment and employment creation in the broader agricultural sector, the Agricultural Hub assists in creating a conducive policy environment that facilitates and supports the development of a sustainable and viable agricultural industry. The leather and leather goods sector receives support from this and a number of other institutions.



Institutional Support Offered To The Leather Industry

Entity	Activity
Ministry of Agriculture, Animal Health & Production	Developing the agricultural sector on a sustainable and competitive basis by improving farm incomes, technology, employment and raw materials for agribusiness.
Ministry of Agriculture, Agricultural Hub	Promoting commercialisation, diversification, investment and employment creation in the agricultural sector by creating a conducive policy environment that supports sustainable, viable and competitive industry.
Ministry of Trade and Industry, Industrial Affairs	Creating an environment conducive for business and protecting consumer rights to meet local and global challenges.
Leather Industry Association of Botswana	Representing hides and skins traders, tanners and leather product manufacturers by collaborating with government in reviewing legislation, policy guidelines and strategies to improve the industry; and improving quality and increasing collection of hides and skins and encouraging the establishment of tanneries and leather products manufacturing plants.
Local Enterprise Authority	Provides support services and the facilitation of access to finance for small, micro and medium enterprises.

Source: ITC LeatherLine Platform, 2014

Unlike some of its peers in the region, labour–employer relations are harmonious. This is a key advantage for an industry that has the opportunity to supply to the automotive & component manufacturing industry, as it allows timely and uninterrupted supply of inputs to 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, the continental hub for automotive manufacturing.

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

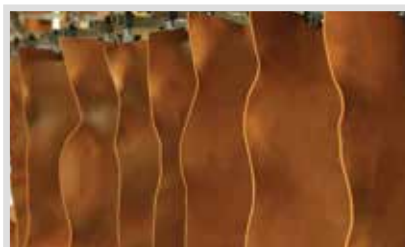
Botswana Investment and Trade Centre (BITC) is an integrated Investment and Trade Promotion Authority with an encompassing mandate of investment promotion and attraction; export promotion and development including management of the Nation Brand.

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 Leather and Leather Goods Sector sector please contact:

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