



BOTSWANA
INVESTMENT
& TRADE CENTRE

AUTOMOTIVE & COMPONENT MANUFACTURING SECTOR IN BOTSWANA



OVERVIEW OF BOTSWANA

Botswana holds a strategic land-linked position within the Southern African Development Community (SADC), a region with a population of over 293 million individuals. Additionally Botswana has a strong foundation of good governance and an unwavering commitment to combating corruption, making it one of Africa's most stable and attractive economies for investors. While its economy has historically relied heavily on abundant natural resources, particularly diamonds, the country has earned widespread acclaim as Africa's success story in terms of its developmental progress on the continent.

Botswana has fostered a conducive environment for capital and business growth, aligning with its strategic objective of diversifying the economy into value-adding sectors that cater to the rapidly emerging regional market. Consequently, the country ranks as the fourth most competitive economy in Africa and is recognized as one of the continent's easiest destinations for conducting business.

Botswana: Quick Facts

Indicator	
Population	2.3 million
Area	581,730 km ²
Capital	Gaborone
Business language	English
GDP/capita	US\$ 6,581 (2022)
Nominal GDP	US\$28.42 (2022)
GDP growth	5.8% (2022) 4.0% (2023) 5.1% (2024)
Change in Inflation Rate	12.2% (2022)

Source: Statistics Botswana, 2023, Transparency International, 2023 & BITC



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.

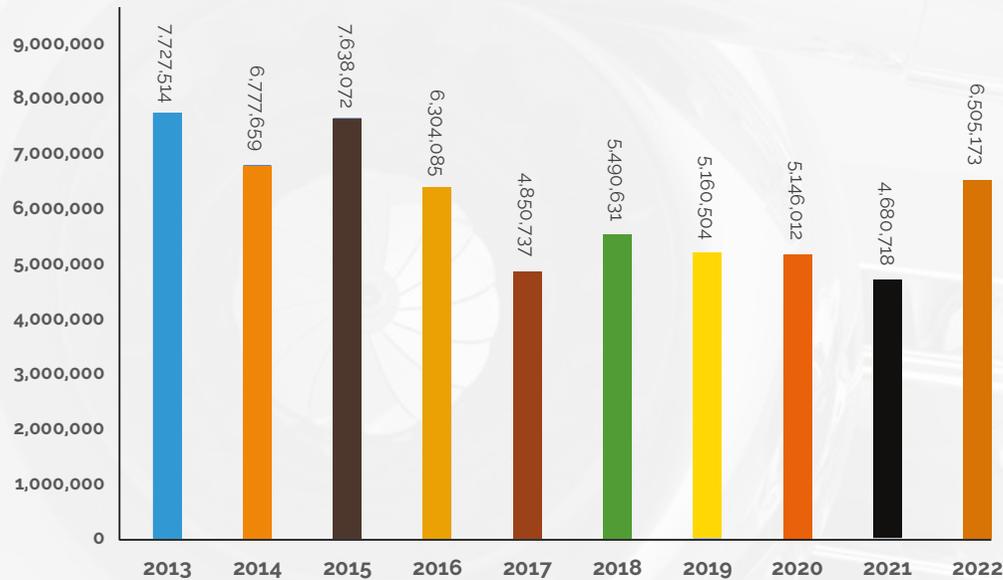
Botswana's Vehicle Market Outlook, 2021-2028

	2021	2022	2023f	2024f	2025f	2026f	2027f	2028f
Vehicle sales, units	39,082	28,491	29,116	30,904	32,822	34,882	37,101	39,495
Vehicle sales growth, %	2.3	-27.1	2.2	6.1	6.2	6.3	6.4	6.5
Passenger Car Sales	31,743	22,690	23,234	24,698	26,303	28,066	30,002	32,131
Passenger car sales, % y-o-y	6.3	-28.5	2.4	6.3	6.5	6.7	6.9	7.1

Source: BMI, 2023

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, 2013-2022



Source: UNCTAD, 2022

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 529 562 vehicles in 2022, providing regional suppliers with ample opportunities to supply components and parts.

South Africa's Top 10 Automotive Component Imports (Zarm), 2018-2022

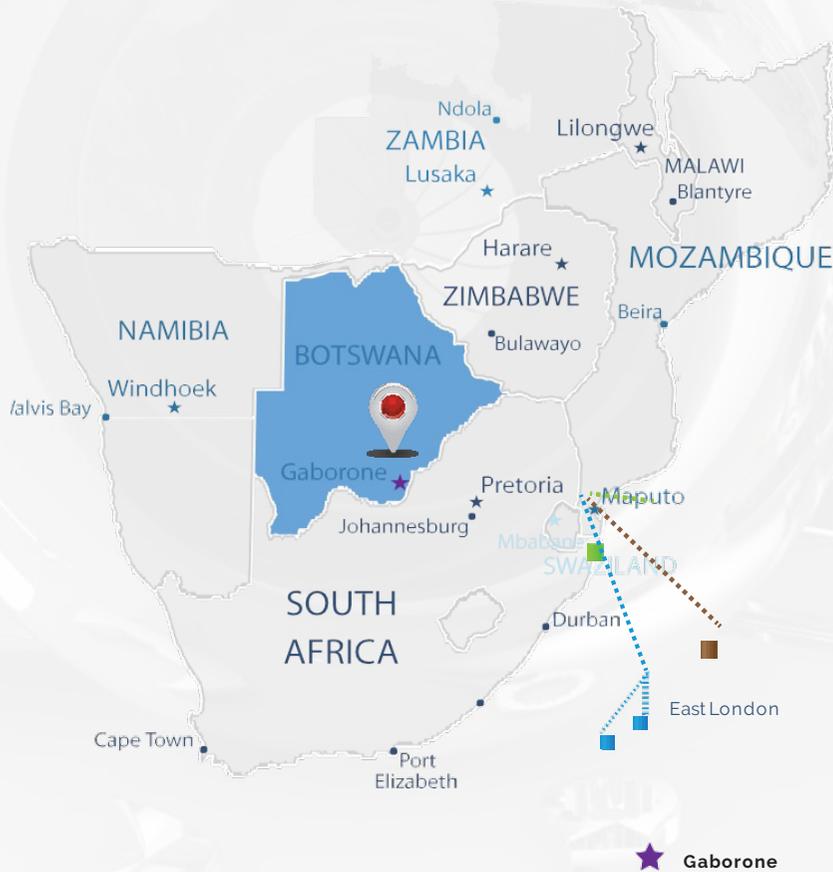
Parts Category	2018	2019	2020	2021	2022
Tyres	402.33	386.55	299.56	421.00	423.26
Automotive tooling	2,900	235.20	381.78	310.75	375.11
Engine parts	266.94	274.29	266.44	306.92	364.80
Engines	106.35	133.63	120.74	146.01	206.10
Transmission shafts/Cranks	133.44	135.95	131.43	154.68	193.46
Stitched leather seats/parts	146.07	152.48	112.38	154.18	185.55
Wiring harnesses	135.14	141.74	104.40	127.59	159.65
Gauges /Instruments/parts	144.75	138.09	129.79	140.10	146.07
Filters	94.22	93.59	91.45	99.12	117.35
Brake parts	81.84	105.47	84.35	97.17	117.03
Other	2072.67	2158.47	1899.07	2335.84	2688.96
Total	3854.46	3955.47	3621.40	4293.37	4977.35



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, 2023

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

USD (million)	2018	2019	2020	2021	2022
United Arab Emirates	31%	11%	9%	28%	28%
Botswana	16%	22%	23%	16%	15%
Zambia	5%	4%	5%	6%	7%
Namibia	6%	7%	8%	6%	7%
Germany	9%	7%	7%	5%	6%



INVESTMENT CLIMATE

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. As the fourth most competitive economy in Africa and the easiest African countries to do business with. The country has a peaceful democracy with an excellent investment climate. It enjoys good governance and a stable macro-economic environment.

BOTSWANA OFFERS MANY INCENTIVES FOR INVESTORS, INCLUDING:

- ✔ No restrictions on business ownership,
- ✔ Up to 100% Duty rebates on importation of machinery,
- ✔ 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; and
- ✔ Deductible training rebate of 200%.
- ✔ Provide up to 100% duty rebate for customs duties on imported raw materials for manufacturing under schedule 3 of the Customs Act.

INCENTIVES FOR IFSC ACCREDITED COMPANIES

- ✔ A competitive corporate tax incentive framework; 15% corporate tax,
- ✔ Exemption from Capital Gains Tax (CGT) and Withholding Tax (WHT),
- ✔ Access to a growing network of Double Taxation Avoidance (DTA) Treaties,
- ✔ No foreign exchange controls; and
- ✔ Denomination of share capital in any major convertible currency.

SPEDEU REGION INCENTIVES

- ✔ 5% Corporate Tax for the first 5 years, 10 % thereafter,
- ✔ Duty rebates 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), and
- ✔ Provide rebate for customs duties and

SPECIAL ECONOMIC ZONES INCENTIVES

- ✔ 5% corporate tax for the first 10 years then 10% corporate tax thereafter
- ✔ Duty rebates on imports of specialised plant and machinery for manufacturing purposes
- ✔ Waiver on transfer duty on land and property and Property Tax Exemption for 5 years
- ✔ Zero – rated VAT on raw materials for manufacturing and export
- ✔ Fast – tracked land allocation and long-term renewable land leases

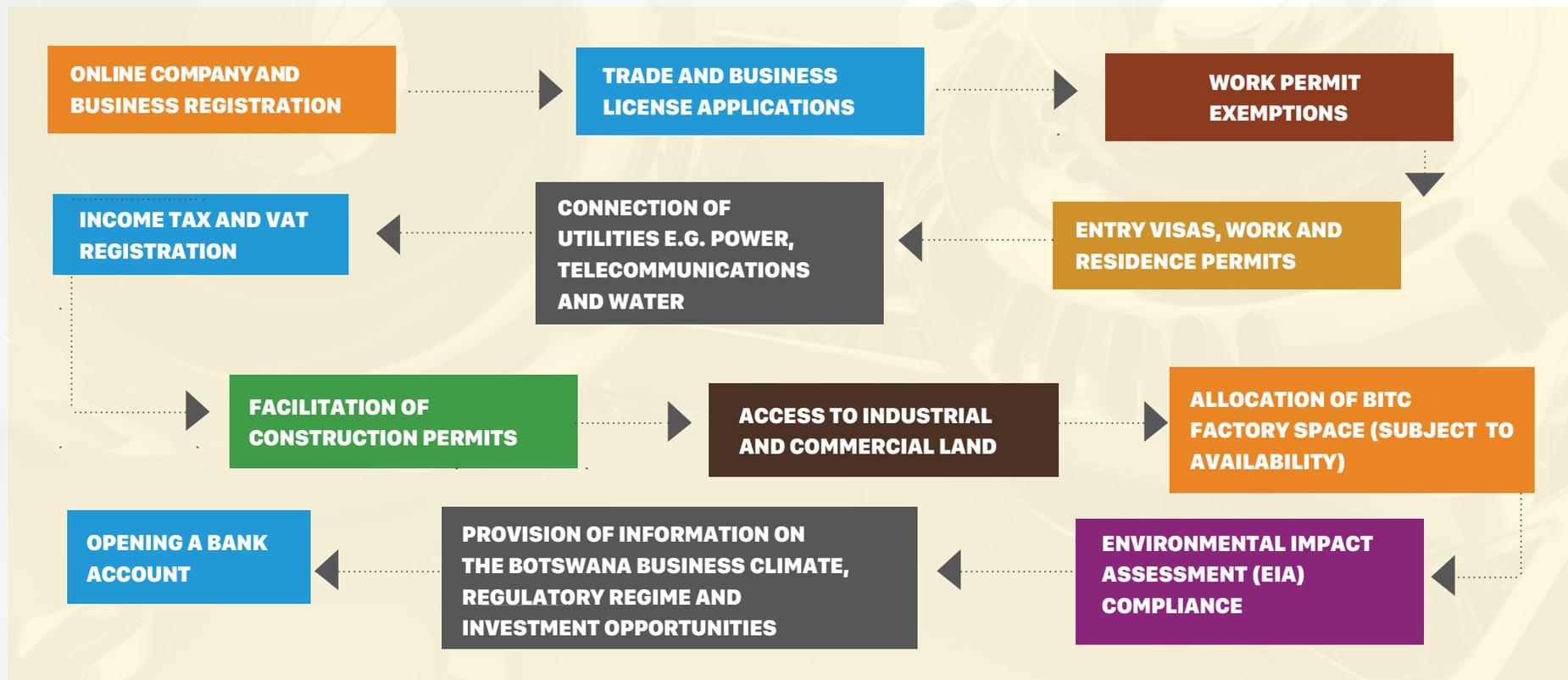
Industrial Rebates

Industrial Rebates are specified under Schedule 3 of the Customs and Excise Tariff Schedule, and are granted to manufacturers who import raw materials from outside the SACU market for production of goods for domestic consumption. The Industrial Rebates offer a full or partial exemption of customs duty on the imported raw materials and are generally accessible to a wide range of industries such as Textiles, food, machinery etc. The customs duty liability on the raw materials ceases as soon as manufacture has been completed. In exceptional cases where goods manufactured under Industrial Rebate are disposed of within Botswana, VAT becomes due and payable: Botswana Unified Revenue Services

BOTSWANA INVESTMENT AND TRADE CENTRE

The organization plays a critical role of driving Botswana's economic growth through attraction of Foreign Direct Investment (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 this organization is building and maintaining a positive and impressive image of our country locally and internationally. Through this encompassing mandate, BITC has committed to deliver on the following services, through the Botswana One Stop Service Centre housed at its head office in Gaborone to ensure the ease of doing business for all investors:



CONTACT DETAILS

BITC is ready to facilitate your investment. For further information and inquiries related to Botswana and Automotive & Component Manufacturing Sector In Botswana Sector please contact:

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