



BOTSWANA
INVESTMENT
& TRADE CENTRE

LEATHER AND LEATHER GOODS



OVERVIEW OF BOTSWANA

Botswana holds a strategic position within the Southern African Development Community (SADC), a region encompassing over 293 million individuals. With a strong foundation of good governance and an unwavering commitment to combating corruption, Botswana stands out as one of Africa's most stable and attractive economies for investors. While its economy has historically relied on abundant natural resources, particularly diamonds, the country has earned widespread acclaim as a 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	2.1 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 LEATHER INDUSTRY OVERVIEW

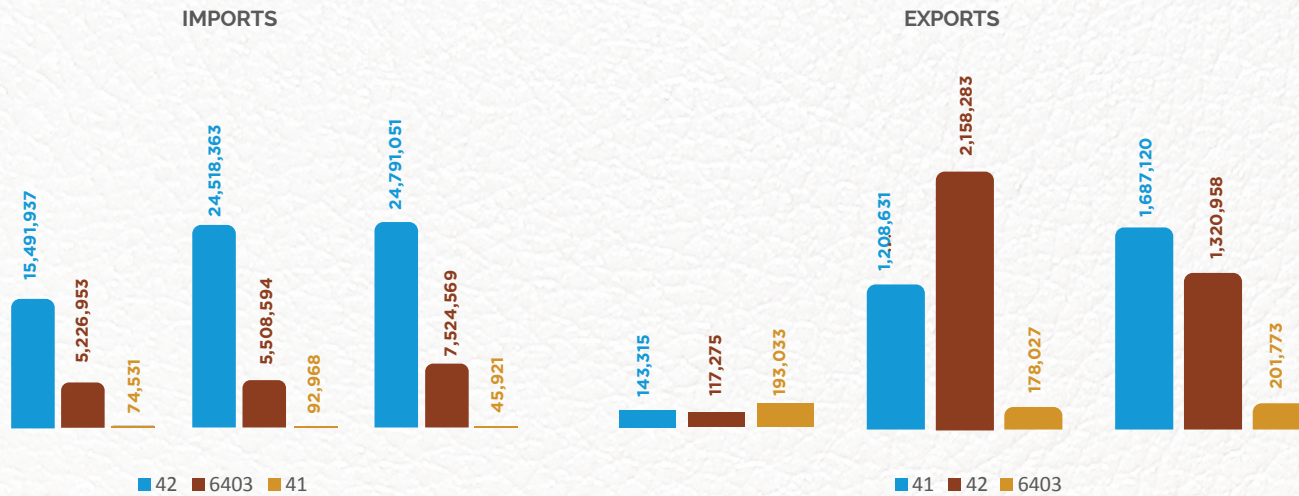
Botswana has an abundance of raw hides and skins locally. The country has an annual national herd size of 2.5-3.3 million cattle; with an average off-take ratio of 9% estimated only through the Botswana Meat Commission (BMC) annual throughput, yielding 200,000-300,000 hides per year.

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 & Leather goods (US\$m), 2020, 2021& 2022



Source: GTA, 2023

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), 2018 & 2022

Trade Partner	United States Dollars (Billion)				
	2018	2019	2020	2021	2022
World	38.3	29.7	19.5	25.5	25.5
Italy	6	5.1	3.8	4.6	4.5
Brazil	3	2.6	1.7	2.4	2.3
United States	3.7	2.6	1.6	2.3	2.3
Spain	1.2	1	0.7	1	1.1
Germany	1.5	1.1	0.8	1	0.9
France	1.2	0.9	0.6	0.9	0.9
China	0.8	0.7	0.5	0.7	0.9
Argentina	1.3	1	0.6	0.8	0.8
India	1.4	1	0.5	0.7	0.7

Source: GTA.2023

World's Top Ten Importers Of Leather (US\$m), 2018 & 2022

Trade Partner	United States Dollars (Billion)				
	2018	2019	2020	2021	2022
World	162	161.8	115.3	139.3	161.5
China	67.7	59.8	35.1	41.5	50.4
Italy	18.4	19.7	17.2	23.3	24.3
France	13.5	14.1	12.5	16.3	18
Vietnam	9.2	10.3	7.8	8.1	10.7
Cambodia	2.1	3.8	3.7	5.3	7.8
India	8.2	8.5	5.1	6.3	7.8
Indonesia	1.9	2.5	2	2.9	4.3
Spain	3.8	3.8	3.3	4	4.2
Germany	3.5	3.5	3	3.4	3.3
Switzerland	5.5	6.1	3.2	3	2.7

Source: GTA,2023

World's Top Ten Importers Of Leather Goods (US\$m), 2018 & 2022

Trade Partner	United States Dollars (Billion)				
	2018	2019	2020	2021	2022
World	114.7	116	86.6	98.5	118.2
China	27.9	26.3	15.6	19.7	24
Vietnam	15	16.9	14.4	15.2	21.7
Italy	13.9	13.9	11.3	14	15.3
Indonesia	5.9	6.5	5.3	6.6	8.6
India	6.6	6.5	3.7	4.2	5.7
Germany	4.9	4.9	4.4	4.7	4.8
Portugal	3.5	3.2	2.7	3.1	3.4
Netherlands	2.7	3.1	2.7	3.2	3.1
Belgium	2	2.1	2.1	2.5	3
Cambodia	1.8	2.2	1.6	1.7	2.5

Source: GTA,2023



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;

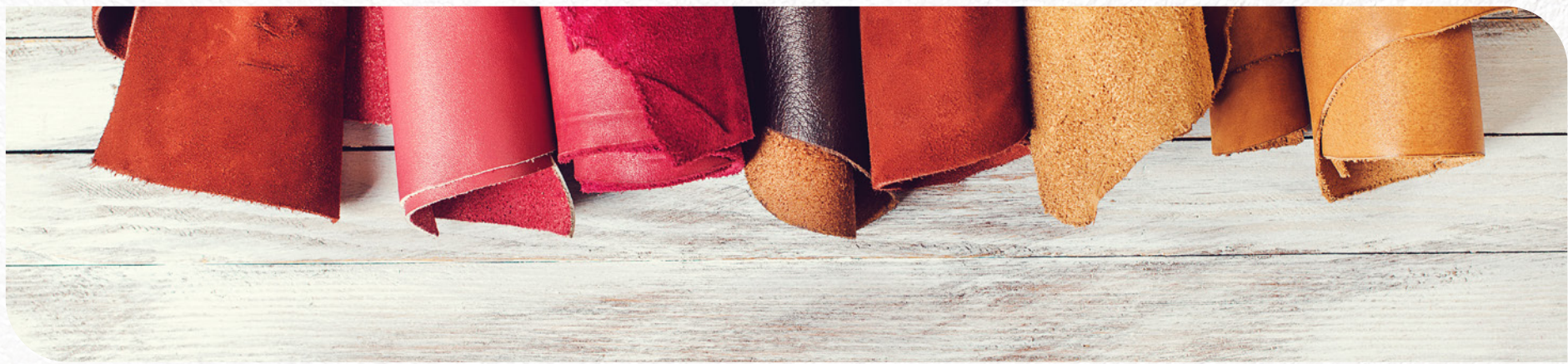
R&D for the leather sector: training rebates and migration laws for innovation are supported by modern facilities and a strong legal framework; and

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.



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, 2023

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.

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.

SPEDU 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

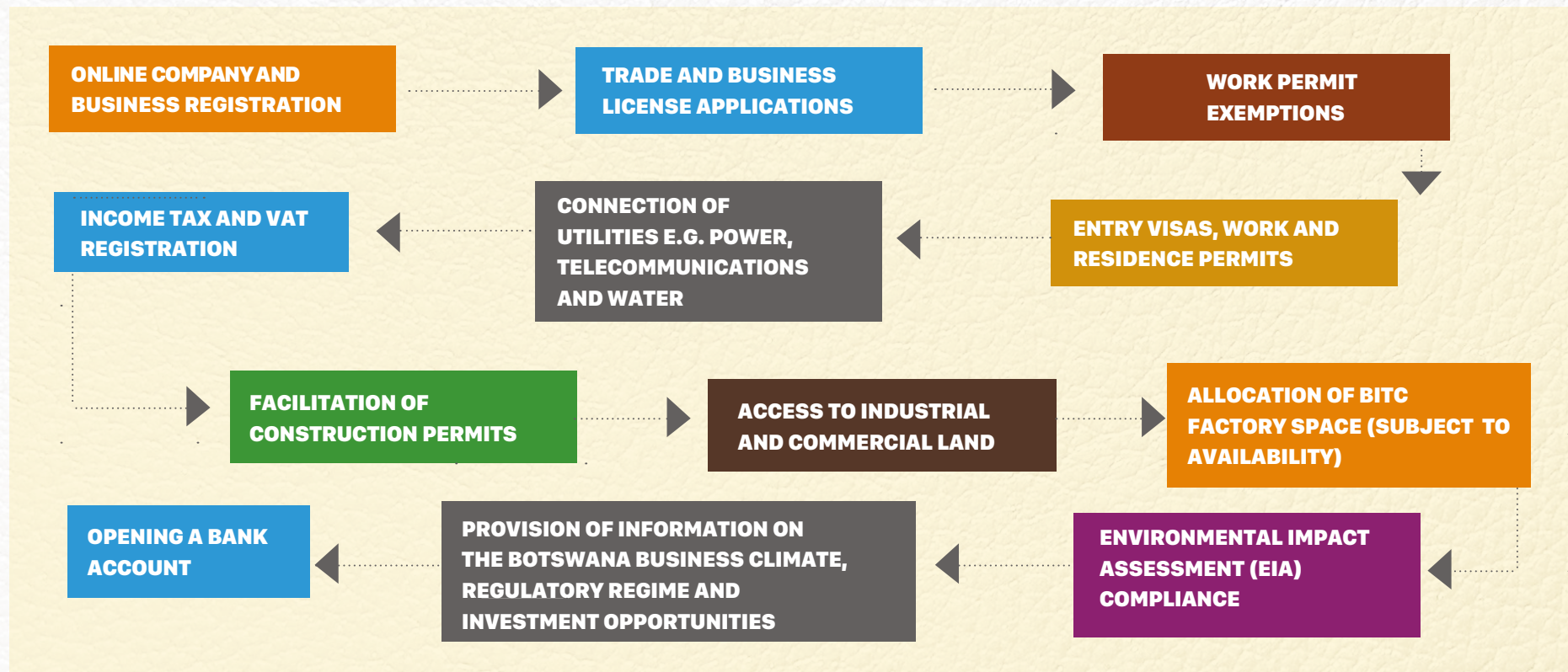
Industrial Rebates

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 opportunities in the Leather and Leather Goods Sector please contact:

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