

A PERSONAL INVITATION FROM

H.E. FESTUS MOGAE
PRESIDENT OF THE REPUBLIC OF BOTSWANA



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Botswana is a remarkable success story. Our country has developed dramatically since gaining independence in 1966, when it was classified as one of the 25 poorest in the world. Today it is a model in Africa; a democratic, stable, progressive and prosperous young nation, richly blessed with natural resources as well as unique features that make it an outstanding tourism destination.

The economy has flourished with a sustained growth rate that has been without equal, averaging nine per cent per annum, over three decades. Mining revenues, mainly from diamonds, have been invested to concertedly develop the national infrastructure and to enhance education, health, housing and other social services to raise the standard of living of our people.

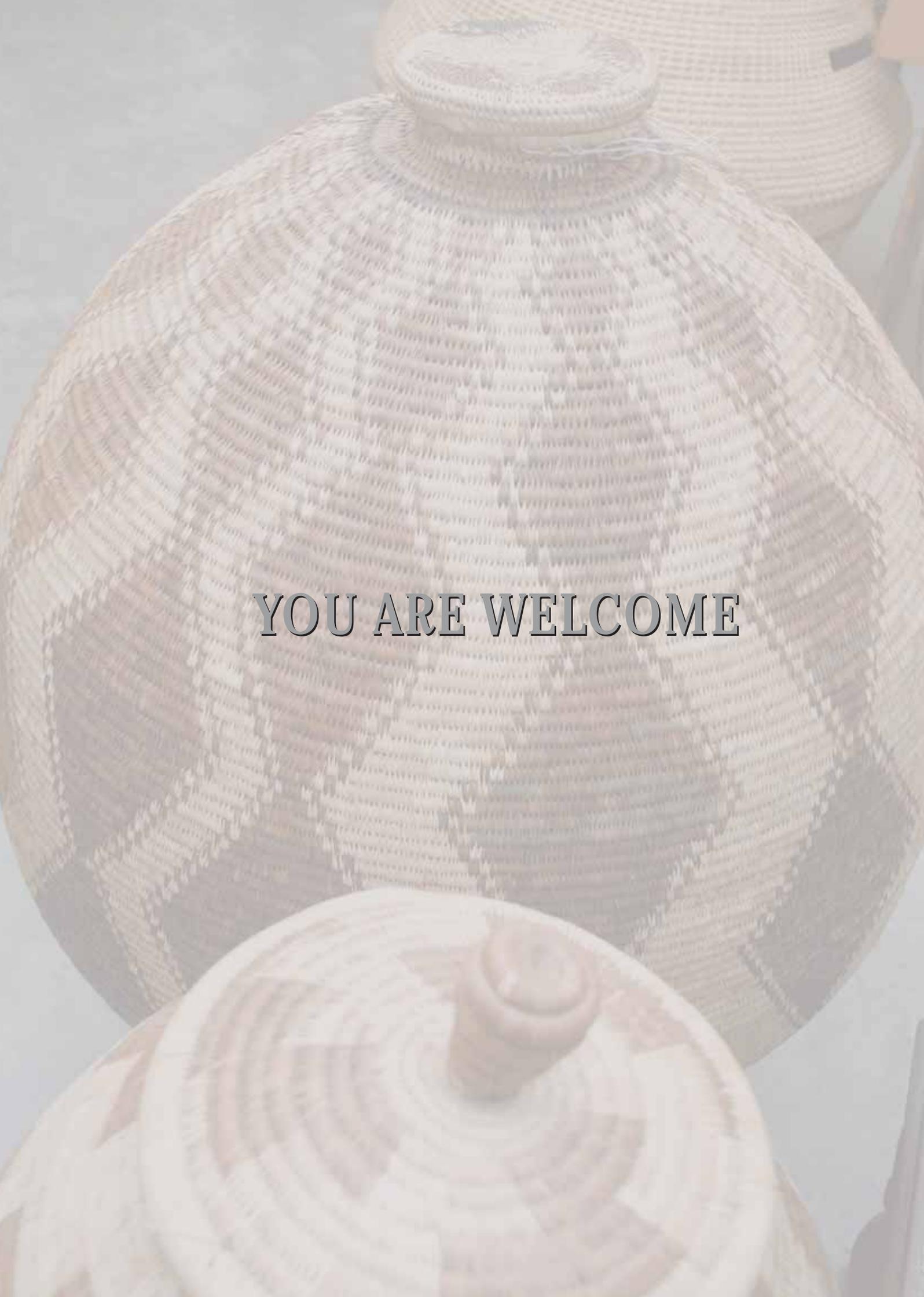
Botswana has earned global recognition for its good governance and socio-economic performance, and with a *per capita* income of about \$3 500, now enjoys Middle Income Country status in the IMF/World Bank ratings. Our resolve is to extend this success by vigorously diversifying the economy.

In pursuit of this goal, the financial services sector is among those areas of activity that have received full Government support. The sector is developing rapidly, and a manifestation of this has been the creation and growth of the Botswana International Financial Services Centre (IFSC).

Financial services are the most global of businesses. The demanding requirements of this sector fit in well with Botswana's fundamental strengths: open market economic norms, a stable exchange rate regime, a good telecommunications and transport infrastructure, well educated and trainable people, a first-class regulatory regime and a welcoming approach to inward investment.

Botswana remains firmly committed to private sector development, which continues to drive the robust performance of the economy. The IFSC strongly positions Botswana as a hub for cross-border financial services and a regional gateway for capital and investment flows.

I warmly invite your interest in the services that it provides and the solid business opportunities that it presents, both in our country and as a gateway to the huge potential of the wider African market.



YOU ARE WELCOME



YOU ARE WELCOME

In Botswana we say *Dumela* – the universal greeting and welcome of our country. Thank you for your interest in the Botswana International Financial Services Centre. We look forward to being of service to you. We have been gratified by the ready acceptance that Botswana IFSC has gained among financial services companies and some major corporate institutions in many countries.

Botswana's political and economic credentials undoubtedly have played a major part in this, but it is clear that participants who have already signed on with us have also been impressed with the thoroughness of the planning that went into the IFSC's design.

The enabling legislation that was put in place and our basic business model are world-class. The support and co-operation that we enjoy from the financial authorities of the Southern African Development Community (SADC) countries, and major industrialised countries, is also reassuring to the companies that we accommodate.

Our office in Gaborone makes every effort to provide efficient services and support to companies inquiring about the IFSC, and we are most pleased to receive positive feedback from the participants who have joined us and others who have expressed interest in the Centre and in Botswana.

We assure existing and potential participants of our very best attention at all times. *Dumela!* You are welcome.

Alan Boshwaen
Chief Executive Officer

"I found the setting up of our operation in the IFSC very efficient, as red tape and other issues that tend to take a lot of time, simply fell away." Brian Alexander, Andisa Capital.

"I believe that with the unrivalled political and economic stability that you have secured in Botswana, you are ideally placed to promote your country as a financial services centre for southern Africa." Magne Seljeflot, Chairman, AON Global Natural Resources Practice, London.

WHO WE ARE – WHAT WE DO

Botswana IFSC is a company limited by guarantee. It was incorporated in April 2003 with a strong mandate to establish and develop Botswana as a world-class hub for a broad range of cross border financial services.

This is a key component of the overall Government objective – to improve Botswana's competitiveness in global markets, to contribute to sustainable economic diversification, increase employment opportunities for local people (Botswana), develop financial skills and generate revenue.

The country's long and excellent relationship with international institutions, such as the International Monetary Fund and World Bank, was an important factor in the decision to establish the IFSC.

Botswana IFSC employs best practice procedures to facilitate the delivery of cross-border financial services to clients in other countries. It also offers tax and other incentives to financial and non-financial institutions to encourage them to participate in the IFSC in the provision of these services.

Botswana IFSC is a transparent, open business location with high standards of regulation and rigorous screening and project approval processes.

VISION AND VALUES

Botswana IFSC has a clear vision: to be recognised as a regional and international financial centre of choice, its operations characterised by integrity, professionalism, best practice and customer service.

In its daily dealings the organisation is guided by a clear set of values based on integrity, professionalism, customer service, efficiency, transparency and teamwork.



THE APPLICATION PROCESS

To gain accreditation to the IFSC, prospective participants should apply to the Botswana IFSC and should provide the following information:

- Name of the company** : Include the project name or the provisional name if the company has not yet been registered in Botswana.
- Principals (sponsors)** : Background information on the company's beneficial owners. Details of the applicant's business activities, length of time it has been established, financial standing, performance record, history and ownership should be provided. The most recent audited accounts should be included.
- The IFSC Project** : State the objectives of the project.
Set out the proposed business activities for which the accreditation certificate is sought.
Describe the business plan.
- Employment** : This should provide an employment forecast for the project over the initial three year period. Include an estimate of the breakdown between citizens and expatriates, together with an indication of the skills range required. It would be helpful if this information could be provided in the form of a table.
- Markets** : Information on proposed markets of the company should be provided and should include market size and a summary of marketing plans.
- Financial Projections** : Financial projections should be provided for the initial three years. Projections should include Balance Sheets, Profit and Loss and Cash Flow Statements.
- Benefits to Botswana** : The proposal should indicate how the project will contribute to the development of the Botswana IFSC, in addition to the employment level in 'Employment' above. This should cover areas such as demand for services or other economic benefits associated with the project.



WHY THE BOTSWANA IFSC?

THE IFSC INCENTIVES

Botswana has put great effort into creating a model framework to effectively conduct and regulate IFSC operations.

Legislation includes income tax amendments to cater for a privileged IFSC tax regime. These include:

- a guaranteed corporate tax of 15% until June 2020;
- exemption from withholding taxes on interest, commercial royalties, management or consultancy fees and dividends paid by an IFSC company to a non-resident;
- access to Botswana's expanding Double Taxation Treaty network, at present comprising South Africa, United Kingdom, Mauritius, Sweden, France, Zimbabwe, Namibia, India and Russia;
- where there is no double taxation agreement yet in place, credits for withholding taxes (of up to 15%) levied in other jurisdictions;
- tax exemption for Collective Investment Undertakings (CIUs); applicable to unit trusts (mutual funds) and other collective investment structures; and
- access to Botswana's 200 percent tax training rebate.

Regulation

The Bank of Botswana and the Registrar of Insurance have been designated by legislation as the regulatory authorities for IFSC activities.

The Botswana IFSC framework provides for full transparency, applies a complete information exchange programme through the growing double taxation treaty network and requires the establishment of genuine and substantive business activity in the country.

ELIGIBLE ACTIVITIES FOR ACCREDITATION

A broad range of financial services activities qualify for accreditation under the IFSC. These services must be provided to clients outside Botswana and in currencies other than the Botswana Pula. The services include:

1. Banking and financing operations.
2. Group Holding Company/Group Treasury operations (manage group liquidity, trade in financial assets, currencies etc.).
3. Broking and trading of securities.
4. Accounting and financial administration, including for non-financial corporate institutions.
5. Business Process Outsourcing and call centres.
6. Development and supply of computer software for use in the provision of services.
7. Investment fund management/administration/custodial services and related activities.
8. Management of captive insurance companies and international insurance activities such as reinsurance.
9. Registrars and transfer agency services.
10. Exploitation of intellectual property.

Botswana IFSC is well positioned to facilitate business resulting from the increasing financial flows between the major industrial economies and Africa, that the NEPAD (New Partnership for African Development) initiative is expected to generate.

Possibilities in this area include regional headquarters and treasury operations for financial and non-financial companies wishing to access the wider market in Africa and in Botswana's time zone, as well as back office processing for financial services providers in the unit trusts, insurance or banking sectors.



GATEWAY TO AFRICA AND BEYOND

Botswana is ideally placed as the gateway for cross-border financial services in Africa and farther afield. The Botswana IFSC is a world-class professional vehicle for this activity.

With its stability and harmony, strong economy, developed banking and financial services sector, good communications infrastructure – and its location at the crossroads of southern Africa – Botswana is well positioned in every sense for the IFSC to fulfil its mandate and to carry out its services.

The capital, Gaborone, is less than an hour by air from Johannesburg, South Africa, with several commuter flights daily in both directions operated by two carriers.

Telecommunications and data communications, already good, are being further upgraded to enhance capacity and international connectivity.

Botswana is a member of the Southern African Customs Union (SACU), a tariff-free grouping that includes South Africa, Namibia, Lesotho and Swaziland. Gaborone is the headquarters of the Southern African Development Community (SADC), a 14-nation regional grouping representing a market of some 200 million people.



WHY BOTSWANA

Botswana has, uniquely in Africa, all the essential ingredients for a thriving financial services sector.

These include:

- a well established, stable, multi-party democratic political system, entrenched principles of non-racialism, universal human rights and the primacy of the rule of law;
- sound and effective macroeconomic management and prudent financial management, based on the conviction that the market ultimately allocates resources more efficiently than the state;
- a robust and open economy, with strong sustained growth;
- no foreign exchange controls;
- consistent rating by Transparency International as the least corrupt country in Africa and one of the least corrupt in the world;
- investment grade sovereign ratings by Standard and Poors and Moody's, higher than any other sub-Saharan African country;
- clear leadership status among African countries ranked by the World Economic Forum (based on quality of public institutions, anti-corruption efforts, and respect for the rule of law, including adherence to contracts);
- strict observance of international guidelines on countering money laundering and financial crime;
- a conducive and business-friendly environment, classified by the Washington-based Cato Institute as Africa's most liberalised economy;
- a progressive Government policy that envisions the selective privatisation of state enterprises, to diversify the economy, attract investment, promote competition, encourage entrepreneurship, create jobs and combat poverty;
- a harmonious society; and
- a country of great beauty, with a fine climate and magnificent natural features.



GROUP HOLDING STRUCTURES/GROUP TREASURY OPERATIONS

Corporate institutions of all types and in all industries will find the IFSC a very attractive location from which to carry out a number of key group functions. Companies, including non financial institutions, will find it very beneficial to consolidate some of their activities to the IFSC to create greater efficiencies within a tax and business friendly environment.

IFSC companies can set up Group Holding Structures that provide a range of shared service support functions to subsidiaries. In addition to receiving and paying out dividends, such Holding Companies can provide the following services to subsidiary operations:

- Accounting and financial administration, including group audit functions
- Exploitation of intellectual property rights
- Group I.T services
- Group Human Resources Management
- Group Marketing activities

Group Treasury Activities

A comprehensive range of group treasury activities can be carried on from the center, including:

- intra-group lending, asset financing, cross border leasing etc
- interest rate and exchange rate risk management
- multi-currency management
- active management of group liquidity
- debt factoring and receivables financing
- sales aid financing for the groups product range
- asset securitisation
- bond and commercial paper issues
- administration and advisory services

Activities of the group treasury operation can be carried out either on a stand alone basis, or through the establishment of Agency Treasury Operation. This depends entirely on the nature and scale of services rendered, and on the size of the group.

Stand Alone Treasury Centre

The Stand Alone Treasury Centre (STC) enables a group operation to carry out a wide range of treasury and financing activities from the IFSC. Under this arrangement, the STC establishes its own physical presence in the centre, employing a staff compliment in line with the nature and scope of its operation. It will provide a number of treasury services to the group operating subsidiaries, including cross border leasing, corporate lending, and structured financing.

Agency Treasury

Financial services providers such as banks can also set up agency treasury operations to manage the treasury functions of corporate institutions on an outsourced basis. The agency treasury operation can carry out the full range of treasury activities on behalf of the client, on a fee basis.

Agency fees charged by the service provider attract the lower incentive tax rate available under the IFSC.

BUSINESS PROCESS OUTSOURCING AND CALL CENTRES

The IFSC seeks to encourage investment in the area of business process outsourcing (BPO) and call/contact centres.

The servicing of comparatively high cost markets from low cost destinations has been dubbed the "third wave of globalisation". Business processing has been made possible by the dramatic fall in telecommunications costs and the ability to transform paper-based activities into digital ones, requiring only a telephone and a computer.

A broad range of service jobs and back-office functions such as data entry and transaction processing, real-time consumer support and research services, can now be performed remotely. Botswana enjoys comparative advantages that have the potential to see a substantial business process outsourcing industry develop in the country. These include:-

COST SAVINGS: Botswana business operators can provide efficient BPO and call/contact centres for less than 50% of average European and North American costs;

FAVOURABLE RATE OF EXCHANGE: The rate of exchange between the Botswana Pula and most major international currencies makes Botswana an even more attractive investment proposition;

LABOUR: The continuing sponsorship by the Government of thousands of citizens to educational institutions in the United Kingdom, Europe, North America, Australia and South Africa, enables Botswana to boast an abundance of highly trainable human resources;

LANGUAGE SKILLS: Strong historical links with the United Kingdom ensures that Botswana has a large pool of English and African language skills;

CONNECTIVITY: Currently in the process of deregulation, the Botswana telecommunications industry boasts some of the most advanced technologies with cable and satellite links to all major countries;

CARRIER TARIFFS: International BPO and call/contact centre organisations operating in Botswana experience highly competitive international connectivity tariffs;

TIME ZONE: Botswana operates on the same time zone as most of Europe (two hours ahead of Greenwich Mean Time); and

ATTRACTIVE INCENTIVES: The Botswana IFSC package of incentives applies to international BPO and call/contact centre operations established in Botswana.

INVESTMENT FUNDS

The Botswana IFSC seeks to attract international investment funds and related activities including fund management, custodial or trustee services and fund administration. The Collective Investment Undertaking (CIU) Act of 1999 and regulations have been promulgated to develop this sector and are based on global best practice in order to attract reputable collective investments undertakings.

A Collective Investment Undertaking is exempt from Botswana tax and non-resident unit holders will not be subject to Botswana tax. A manager, administrator, custodian or trustee of a CIU whose unit holders are wholly non-resident, qualifies for a 15% corporate tax rate. There is no transfer tax, stamp duty or capital duty on the purchase, issuance or sale of shares or securities by a collective investment undertaking in Botswana.

Custodian and Fund Administrators

Regulations require a custodian or trustee to be a licensed bank or be a subsidiary of a licensed bank that has a fiduciary duty towards investors in a fund. A single company may not combine the functions of a management company and a custodian or trustee. Although a fund registered in Botswana is required to have a Botswana based custodian and administrator, provisions of the CIU Act also permit sub-custodial arrangements entered into in good faith and within accepted industry practice.

INTERNATIONAL INSURANCE

An International Insurance Act has been promulgated to create the fiscal and regulatory environment necessary to make Botswana an attractive location from which a comprehensive international insurance offering inclusive of reinsurance, captive insurance, agency and brokerage activities can be provided to non-residents and in currencies other than the Botswana Pula. Botswana has no exchange controls which allow flexibility in the movement of capital and the country is a lower cost jurisdiction compared to traditional European and Caribbean offshore locations. Therefore Botswana's fundamental strengths fit well with the requirements for growth and success of the international insurance sector.

Botswana is also able to keep abreast of global trends and maintain its global competitiveness through membership of the SADC regional Committee of Insurance, Securities (CISNA) and the Non-bank Financial Institutions and the International Associations of Insurance Supervisors (IAIS).