

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing January 2016

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#### *Botswana Summary 21 January 2016*

*A pro-opposition business lobby begins to take shape in Botswana. This reflects the growing frustration with the current government and increased expectation that the ruling Botswana Democratic Party (BDP) is likely to lose the 2019 election. However, opposition officials view the new lobby with caution. Botswana faces acute food shortages and further pressure against its economy from the drought and depressed diamond sales. The government will need to develop and implement broad based and lasting infrastructural policies to address its persistent water shortages, since it is a landlocked and drought-prone country. The International Civil Aviation Organisation has removed safety concerns from the Civil Aviation Authority Botswana, following an audit conducted in December 2015. This opens opportunities for growth in the country's aviation sector that will support overall economic growth initiatives.*

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#### **Pro-opposition lobby takes shape in Botswana's business sector**

Botswana's business sector is reportedly taking increased interest in extending overtures to the opposition, particularly the **Umbrella for Democratic Change (UDC)** president, **Duma Boko**, because of his possible victory in the 2019 elections.<sup>1</sup> The ruling **Botswana Democratic Party (BDP)** has traditionally received the support of the business sector, which it relies on for funding. However, even the BDP's foremost corporate ally, **De Beers**, has begun adjusting its tone and image from being a BDP ally to making its engagement in Botswana about "the people".<sup>2</sup> During a **Connecting Resources to Society** conference in Botswana in December, De Beers' head of strategy, **Bruce Cleaver**, expressed the benefits of the company's operations in Botswana since its partnership with the government started in 1969, and stressed that the company endeavours to retain strong relations with the government regardless of who is in power.<sup>3</sup>

De Beers has other strategic reasons for expressing its interest in working with other political parties in Botswana. The sales contract that grants the company rights to sell Botswana's diamonds expires in 2020, and the party in power at that time will be responsible for extending the contract.<sup>4</sup> Currently, De Beers' relationship with the government is under pressure from the fall in revenue from its 50-50 joint venture with the government, **Debswana**. Revenue decreased to approximately \$4 billion in 2015, compared to \$6.8 billion in 2014.<sup>5</sup> The current slump in the diamond industry has led to escalating efforts for diversification, as the government seeks to respond to voter fatigue amidst increasing unemployment and poor economic diversification.

Analysts expect the BDP to lose in the 2019 elections, since it technically lost the 2014 popular vote and managed to hold onto power through the electoral system.<sup>6</sup> The BDP suffered its worst electoral loss since independence in the 2014 elections, garnering 47% of the total vote, compared to 52% in 2009, whilst the opposition won 52%.<sup>7</sup> The BDP retained a slight parliamentary majority due to its

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<sup>1</sup> Business Weekly, 13 Dec 2015

<sup>2</sup> Business Day, 2 Dec 2015

<sup>3</sup> Business Day, 2 Dec 2015

<sup>4</sup> Business Day, 2 Dec 2015

<sup>5</sup> Business Day, 2 Dec 2015

<sup>6</sup> Huffington Post, 16 Jan 2016

<sup>7</sup> Business Weekly, 13 Dec 2015

“first past the post” system that translated the 47% into 42 out of 62 seats.<sup>8</sup> The BDP’s support base is now concentrated in the rural areas, with the growing middle class in the urban areas tilting towards the opposition.<sup>9</sup>

*“The BDP will likely lose the 2019 elections unless it rigs them through gerrymandering, which they have already expressed interests in doing. The BDP plans to increase the number of constituencies from 57 to 120, ostensibly to improve service delivery...”<sup>10</sup>*

The BDP has punished companies that have attempted to focus on the opposition in the past. **Kalahari Breweries** attempted to implement an open political funding strategy before the 2009 general election, by donating approximately \$200,000 to the BDP and the opposition through a proportional system according to each party’s performance in the 2004 election.<sup>11</sup> However, pressure from the BDP forced the company to issue a statement indicating that it would cease donating to political parties. The business community’s move to side with the opposition also stems from the BDP-led government’s immigration system that has frustrated foreign investors. The **Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM)** president, **Lejwalo Mosienyane**, indicated that the government’s visa system is detrimental to business because of its hostile, non-transparent rejection of work permits and deportation of foreign nationals without due process.<sup>12</sup> Other local agencies such as the **Botswana Investment Trade Centre (BITC)**, **Hospitality, and Tourism Association of Botswana (HAATAB)** have also decried the unexplained rejection of work permits and tourist visas.

Opposition **Botswana Congress Party (BCP)** president **Dumelang Saleshando** acknowledged the business sector’s increasing support for the opposition, although he also cautioned that this mainly rests on frustrations with the BDP, not their confidence in the opposition’s policies.<sup>13</sup> However, he noted that the frustrations provide some common ground on which the opposition can build stronger relationships in preparation for a post-BDP era. UDC spokesperson **Moeti Hwasa** echoed Saleshando’s comments and noted that the business sector is expressing frustrations that are also present in other sectors of society. However, he indicated that business has not translated this to increased financial support to the opposition yet, but maintains close financial connections with the BDP.<sup>14</sup> However, BDP secretary general **Botsalo Ntuane** refuted claims that the business community had begun warming up to the opposition, and asserted that the party’s relationship with the corporate sector remains strong.<sup>15</sup>

### Botswana’s drought woes affect food security and the economy

The **Botswana Agricultural Marketing Board (BAMB)** has announced that Botswana is likely to experience acute food shortages this year due to the continuing drought. The BAMB’s annual report revealed that the country’s 2014/15 ploughing season only yielded 239 metric tonnes of maize, compared to 669 tonnes the previous season.<sup>16</sup> The BAMB also indicated that it had 30,000 tonnes of sorghum, 3,000 tonnes of cowpeas, but no maize, in store in December 2015.<sup>17</sup> It has since begun importing 5,000 tonnes of maize from **Zambia** and will import additional quantities from other sources.<sup>18</sup> The country has always been a net maize importer, with 95% of its grain from external

<sup>8</sup> Business Weekly, 13 Dec 2015

<sup>9</sup> Huffington Post, 16 Jan 2016

<sup>10</sup> Source, analyst

<sup>11</sup> Business Weekly, 13 Dec 2015

<sup>12</sup> Business Weekly, 13 Dec 2015

<sup>13</sup> Business Weekly, 13 Dec 2015

<sup>14</sup> Business Weekly, 13 Dec 2015

<sup>15</sup> Business Weekly, 13 Dec 2015

<sup>16</sup> The Patriot, 11 Jan 2016

<sup>17</sup> The Patriot, 11 Jan 2016

<sup>18</sup> The Patriot, 11 Jan 2016

sources and only 5% from local farmers.<sup>19</sup> However, the current drought has exacerbated the country's food insecurity due to a drastic reduction in production. The government has since declared the 2014/15 season to be a drought year.<sup>20</sup> Analysts foresee possible increases in food prices, should the current maize shortage continue. **South Africa**, from which Botswana imports a considerable percentage of its food, also faces a 5 million tonne maize shortage.<sup>21</sup> **Maize and Wheat Millers Botswana** chairman **Nkosi Mwaba** indicated that South African maize prices are already 15% higher than local costs, and food manufacturers will transfer the cost to consumers.<sup>22</sup> South Africa's maize production has often been the hedge against regional shortfalls due to its more developed agricultural sector.<sup>23</sup> However, its output has also dropped by 30% this year.<sup>24</sup> The BAMB is a government agency that provides farmers a market for locally grown cereals, and manages the country's food supply.<sup>25</sup>

Increasing temperatures and poor rains have contributed to farmers' reluctance to engage in arable farming, which further weakens the country's food security. The agriculture ministry reported that farmers only used only 417,000 of the 945,000 hectares allocated for farming in the country during the 2013/14 season, and believes that land was similarly underutilised during the 2014/2015 season.<sup>26</sup> Director of meteorological services **Thabang Botshoma** indicated that the **El Nino** weather phenomenon, responsible for the heat wave in **Southern Africa** and elsewhere in the world, would persist until May 2016.<sup>27</sup> Regional food security for 2015/16 is also at risk, with an overall cereal (maize, wheat, rice, millet, sorghum) deficit of 7,90m tonnes compared to a surplus of 1,21m tonnes during the 2014/15 year.<sup>28</sup>

Botswana is experiencing its worst drought in 34 years, and the **United States Climate Prediction Center** indicated that this season's El Nino could be the strongest on record.<sup>29</sup> Following a visit to Botswana in November 2015, the **United Nations** special rapporteur on the human right to safe drinking water and sanitation, **Leo Heller**, indicated that the ongoing drought is not a one-off event, but a signal to Botswana's government to view water security and sanitation as an urgent national priority:

*"As water stress in Botswana is predicted to get higher and higher due to the impact of climate change and increasing water demand, the government must establish measures in order to prevent severe environmental situations from translating into water shortage, affecting people's standard of living...a strategic and participatory process, oriented to the provision of water and sanitation for all will be a short cut to prevent illnesses and deaths related to water borne diseases and economic losses."*<sup>30</sup>

Botswana faces formidable challenges of weakening global diamond prices and drought, which will have a depressing effect on the economy this year. Botswana's key economic sectors, cattle ranching and tourism are also struggling under the drought, with animal deaths reported in different parts of the country. Former Botswana president **Quett Ketumile Masire** (1980-1998) –a renowned farmer and game rancher – lost 89 zebra in early January due to water shortages at his game ranch near **Sekoma District** in the country's southern region.<sup>31</sup> The **Botswana Meat Commission (BMC)** has

<sup>19</sup> The Patriot, 11 Jan 2016

<sup>20</sup> The Patriot, 11 Jan 2016

<sup>21</sup> The Patriot, 11 Jan 2016

<sup>22</sup> The Patriot, 11 Jan 2016

<sup>23</sup> IRIN News, 20 Jan 2016

<sup>24</sup> IRIN News, 20 Jan 2016

<sup>25</sup> BAMB website

<sup>26</sup> The Patriot, 11 Jan 2016

<sup>27</sup> The Patriot, 18 Jan 2016

<sup>28</sup> The Herald, 11 Jan 2016

<sup>29</sup> Mail and Guardian, 11 Sept 2015

<sup>30</sup> Leo Heller, media statement, November 2015

<sup>31</sup> Daily news, 13 Jan 2016

also shut down its main northern regional abattoir in **Maun** due to severe water shortages.<sup>32</sup> The BMC's area manager in Maun, **Oabona Ramotshwara**, said that several cattle that it bought from local farmers had died in holding pens due to dehydration and lack of food.<sup>33</sup> The drought has forced cattle ranchers to sell at reduced prices to the BMC, which in turn failed to slaughter the cattle, resulting in losses for the BMC, farmers and trucking companies that ferried the cattle to Maun.<sup>34</sup> Ramotshwara indicated that the **Water Utilities Corp** has indicated that it does not have capacity to supply the abattoir with water since its main source, the **Thamalakane River**, had dried up.<sup>35</sup>

### ICAO removes significant safety concern tag against aviation authority

The **International Civil Aviation Organisation (ICAO)** has removed two aviation safety concerns that it handed to the **Civil Aviation Authority Botswana (CAAB)** in 2013.<sup>36</sup> These safety concerns were regarding the "*operations of aircraft*", and "*airworthiness of aircraft*".<sup>37</sup> This had undermined the growth of civil aviation in Botswana, since it could not certify more airlines to fly from the country.<sup>38</sup> The removal of the aviation safety concerns will also eliminate the country's reliance on South Africa's **O. R. Tambo Airport**, where all its international flights had to transit. The safety concerns could also have led to a ban from flying to **Europe**, which could have encouraged European countries to advise its citizens against using Botswana-registered aircraft.<sup>39</sup> As a result, **Air Botswana** could have faced tougher competition from South African airlines currently operating in Botswana. The ICAO's representatives conducted an eight-day audit and validation process from 9 to 16 December 2015.<sup>40</sup> It assessed seven key areas, which include legislation and civil aviation regulations, personal licensing and training, and accident and incident investigation.<sup>41</sup>

CAAB public affairs manager **Modipe Nkwe** said the removal of the aviation safety concerns is a significant milestone in the country's aviation industry since it will facilitate the rebuilding of confidence in the sector's safety and capacity.<sup>42</sup> Apart from the removal of the safety concerns, the audit also revealed that the CAAB exceeded ICAO's overall standards and recommended practices (SARPS), scoring a 71.32% mark compared to 53.78% in 2013.<sup>43</sup> This rating puts Botswana above both the **Africa** and the global averages of 46.39% and 62.68% respectively.<sup>44</sup> CAAB CEO **Geoffrey Moshabesha** explained that the impending ban from the **European Union** would have had economic implications because the majority of the tourist arrivals to Maun and **Kasane**, for instance, come from Europe.<sup>45</sup>

The CAAB is a government agency responsible for regulating, providing and promoting aviation security in Botswana. It had faced challenges that include low revenue, poor staff morale, and lack of competent professionals, high staff turnover and overall sub-optimal performance, which led to conditions that attracted the ICAO's significant safety concerns (SSCs).<sup>46</sup> The SSCs had effectively placed the country's aviation sector on an international blacklist. The CAAB was thus unable to certify airlines that wished to operate local and international flights. Two airlines, **Blue Sky Airways** and **Daytona Air**, were awaiting certification for local and regional flights, and thus the lifting of the SSCs

<sup>32</sup> eNews Africa, 15 Jan 2016

<sup>33</sup> eNews Africa, 15 Jan 2016

<sup>34</sup> Daily News, 14 Jan 2016

<sup>35</sup> Daily News, 14 Jan 2016

<sup>36</sup> Sunday Standard, 21 Dec 2015

<sup>37</sup> Mmegi, 15 Jan 2016

<sup>38</sup> Mmegi, 13 Jan 2016

<sup>39</sup> Mmegi, 13 Jan 2016

<sup>40</sup> Sunday Standard, 21 Dec 2015

<sup>41</sup> Mmegi, 13 Jan 2016

<sup>42</sup> Sunday Standard, 21 Dec 2015

<sup>43</sup> Mmegi, 13 Jan 2016

<sup>44</sup> Sunday Standard, 21 Dec 2015

<sup>45</sup> Mmegi, 15 Jan 2016

<sup>46</sup> Mmegi, 15 Jan 2016

will allow the process to resume.<sup>47</sup> The CAAB began implementing corrective processes in 2013, with the ICAO's continuous monitoring of both the CAAB and all local stakeholders in the aviation industry. The processes included amendments of regulations, development of procedures and checklists, re-certifying all existing airline operators and aircraft maintenance facilities in the country, due diligence assessment of key staff, infrastructure and other capabilities.<sup>48</sup> The CAAB also reviewed its tariffs for services rendered to airlines, which had been a critical factor contributing to its operational failures.<sup>49</sup>

### Implications

The corporate sector's growing interests in dissociating itself from the ruling BDP are early signs of widespread belief that the BDP's protracted rule is likely to end in 2019. However, the opposition remains cautious, since companies still maintain strong relationships with the government and the BDP through financial patronage networks. Expressions of interest show the level of frustration with the government's contradictory approach to economic development – striving to attract investment into the country but maintaining unfriendly legal and immigration regimes.

The country is reeling under a long-running drought that experts expect to worsen until the middle of the year. As a result, Botswana faces dual pressures from depreciating diamond revenue and reduced economic activity in non-mining economic sectors such as agriculture and ranching, amidst a worsening food security situation. As a drought-prone and land locked country, Botswana will need to invest more in developing infrastructure to draw water from beyond its borders and ensure equal access in all its regions and economic sectors.

The ICAO's removal of safety concerns is a positive development for the country's aviation sector and economy in general. Increased aviation activity will support the government's efforts to increase economic diversification by supporting logistics in trade and tourism.

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<sup>47</sup> Mmegi, 15 Jan 2016

<sup>48</sup> Mmegi, 15 Jan 2016

<sup>49</sup> Mmegi 15 Jan 2016

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