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Botswana's opposition parties re-launch the Umbrella for Democratic Change (UDC) electoral coalition, in preparation for the 2019 elections. The new coalition aims to dislodge the ruling Botswana Democratic Party (BDP), but strong support for the BDP in rural areas will make this difficult. Finance minister Kenneth Matambo presents the 2017 budget, highlighting improved prospects for economic growth prospects despite constraints and challenges to the country's fiscal sustainability. The Botswana and Zambian governments reaffirm their commitment to the Kazungula border post, which will facilitate increased trade and passenger traffic between the two countries and within the region. Botswana's coal and copper mining sectors attract significant investments, as the commodities sectors are poised for a resurgence this year.

Opposition re-launches UDC, as BCP finally joins

Botswana's main opposition political parties re-launched an electoral coalition on 3 February that will challenge president **Ian Khama's** (2008-present) ruling **Botswana Democratic Party (BDP)** in the 2019 elections.¹ The four main parties re-launched the **Umbrella for Democratic Change (UDC)**, with the **Botswana Congress Party (BCP)** finally joining the coalition after running as an independent opposition political party in 2014. This will improve the opposition's chances of defeating the BDP in the next elections.² The other electoral coalition members are the **Botswana National Front (BNF)**, the **Botswana Movement for Democracy (BMD)**, and the **Botswana People's Party (BPP)**.³ BNF president **Duma Boko** led the coalition in its first election in 2014 and remains the UDC president.⁴ During the launch, Boko indicated that a united opposition front, rather than a fragmented opposition vote, will dislodge the BDP.⁵ The BDP has been in power since independence in 1966, but has increasingly become unpopular during Khama's term mainly due to his authoritarian style of governance which has included attacks on civil society, media and opposition activists.

*"This announcement reflects the growing maturity of Botswana's opposition and inevitable realisation that a fragmented opposition would not end the BDP's dominance since independence. Despite being regarded as Africa's best democracy, the absence of a viable opposition made Botswana a de facto one-party state, with elections merely rubber-stamping the BDP's dominance. This new coalition will make it much harder for the BDP to maintain its grip on power, especially since Khama, who has banked on his personal links with the army and powerful traditional leaders will depart in 2019 as his two terms of office end."*⁶

¹ eNCA, 5 Feb 2017.

² eNCA, 5 Feb 2017.

³ eNCA, 5 Feb 2017.

⁴ eNCA, 5 Feb 2017.

⁵ Reuters, 3 Feb 2017.

⁶ Source, analyst.

Despite winning the 2014 presidential elections, the BDP's share of the popular vote fell to 45% for the first time since independence. This was partly a result of Khama's growing unpopularity, and rising unemployment levels, but also the strength of the UDC, which was established in 2012 and contested elections for the first time in 2014. The BDP also became weaker due to the 2010 split that gave birth to one of the main opposition parties, the BMD.

An opposition electoral victory in 2019 would bring an end to dynastic politics in Botswana, in which former president **Seretse Khama** (1966-1980), his children, family members and allies have dominated the political landscape since independence. An opposition electoral victory would also cement Botswana's image as a mature pluralist democracy. However, the BDP still commands considerable support in rural areas, and it is not likely to lose the election easily.

Finance minister delivers 2017/18 budget speech

Finance minister **Kenneth Matambo** delivered the 2017/18 budget speech on 6 February, in which he made several crucial announcements about Botswana's economy.⁷ He indicated that the economy will grow approximately 4.2% in 2017, up from 2.9% in 2016.⁸ He attributed the optimistic outlook to expected improvements and growth both in the mining and non-mining sectors.⁹ Anticipated revenues for the new financial year stand at \$5.5 billion, in which customs revenues are expected to account for 29.8%, while mineral revenue is expected to constitute 28.6%.¹⁰ Matambo also said that the rate of inflation remained below the **Bank of Botswana (BoB)** (central bank) target range of between 3% and 6% in 2016, with the domestic inflation outlook positive in the medium term.¹¹ Other highlights from the budget statement include the growth of non-mining sectors such as financial services, business services, trade, hotels and restaurants, transport and communications, although the economy still remains anchored dependent on the diamond mining sector.¹²

Matambo noted that the budget deficit was likely to widen to 1.43% of GDP, compared to 0.7% in the previous year, because of government spending on electricity and water infrastructure as a result of the **El Nino**-induced drought throughout the region.¹³ He also cautioned that slow recovery in the global economy and soft commodity prices are potential risks to the country's economic growth forecast.¹⁴ Matambo said the government will expand Botswana's revenue base in order to reduce the dependence on revenue from diamond exports, which make the economy vulnerable to cyclical boom-bust cycles of the global diamond market.¹⁵ The government will also complement efforts to diversify the economy with strategies to reduce public expenditure, strengthen public finance management, and ensure medium to long-term fiscal sustainability.¹⁶

Government signs contract for One Stop Border Post (OSBP) facility

Botswana and **Zambia** have signed a contract with **China-based Anhui Foreign Economic Construction Group Co Ltd of China (AFECC)** to build a **One Stop Border Post (OSBP)** facility on the **Zambian side of the Kazungula Border**.¹⁷ Once complete, the facility will ease congestion and reduce border transit times from approximately five days, to one or two days, at the busy

⁷ EWN, 6 Feb 2017.

⁸ EWN, 6 Feb 2017.

⁹ Mmegi, 6 Feb 2017.

¹⁰ EWN, 6 Feb 2017.

¹¹ Mmegi, 6 Feb 2017.

¹² Mmegi, 6 Feb 2017.

¹³ Mmegi, 6 Feb 2017.

¹⁴ EWN, 6 Feb 2017.

¹⁵ Mmegi, 6 Feb 2017.

¹⁶ Mmegi, 6 Feb 2017.

¹⁷ Sunday Standard, 29 Jan 2017.

border post.¹⁸ It will also enhance the transportation of cargo and passengers along the regional **North-South** corridor, which links the mineral-rich regions of Zambia and the **Democratic Republic of the Congo (DRC)**, to Botswana, **Zimbabwe** and **South Africa's Durban Port**.¹⁹ A loan from the **African Development Bank (AfDB)** will fund the border post facility, which is the third and final component of the **Kazungula Bridge** project.²⁰ The project also involves the construction of a permanent road and railway bridge, and an OSBP facility on the Botswana side, which is already underway.²¹ **South Korea**-based contractor **Daewoo Engineering and Construction Company** is handling the \$161m project.²² The project began in 2007, and will be complete in December 2018.²³

The governments of Botswana and Zambia have both pledged support for the Kazungula project and guaranteed its timely completion. Khama hosted Zambia's president **Edgar Lungu** (2015-present) on 6 and 7 February.²⁴ Lungu travelled primarily to inspect the ongoing Kazungula bridge project.²⁵ Zambia's foreign ministry official **Dorcus Chileshe** also indicated that Khama and Lungu had held bilateral talks on other issues of common interests, following their inspection of the project both from the Zambian and Botswana sides.²⁶

The Kazungula bridge project will open an alternative transport route from South Africa, through Botswana to Zambia and beyond. It primarily includes a one stop border post, and a bridge connecting Botswana and Zambia over the **Zambezi River**, which will replace the existing ferry.²⁷ Kazungula is one of the region's busiest border posts. Land-locked **Southern African** countries rely mainly on South Africa's Durban Port for imports and exports to and from overseas markets. Currently, Zimbabwe's **Beitbridge** border post handles much of the road traffic, making it the busiest in southern Africa. The new corridor will improve passenger and commercial transit, and trade for both Zambia and Botswana. The corridor will benefit mainly mining, agriculture and service sectors.²⁸

New investments in coal and copper sectors, higher sales anticipated

Botswana's coal and copper sectors have received substantial new investments since the beginning of the year, signalling the commodity market's resurgence in 2017. Botswana-based **Shumba Coal** announced that it has acquired an additional coal portfolio in the **Morupule South** projects from **Hodges Resources**, according to media reports on 3 February.²⁹ The investment will boost the coal sector, which mainly supplies electric power plants in the region and other global markets, especially in China, **India** and **European** countries. The P26m (\$2.4m) acquisition is in line with Shumba's strategy to gain a foothold in Botswana and Southern Africa's coal industry.³⁰ The terms of the acquisition, which is still subject to due diligence and Shumba getting the requisite regulatory approvals, entail an immediate cash payment of \$1.4m to Hodges Resources, and a further \$1m due one year following the commencement of commercial production.³¹ Shumba adds the Morupule South projects, which has 1.2 billion tonnes of coal to its **Sechaba** and **Mabesekwa** assets, which jointly amount to

¹⁸ Sunday Standard, 29 Jan 2017.

¹⁹ Sunday Standard, 29 Jan 2017.

²⁰ Sunday Standard, 29 Jan 2017.

²¹ Sunday Standard, 29 Jan 2017.

²² Lusaka Times, 6 Feb 2017.

²³ Times, 7 Feb 2017.

²⁴ Lusaka Times, 6 Feb 2017.

²⁵ Lusaka Times, 6 Feb 2017.

²⁶ Lusaka Times, 4 Feb 2017.

²⁷ The Herald, 31 May 2016.

²⁸ The Herald, 16 May 2016.

²⁹ Mining News, 3 Feb 2017.

³⁰ Mining News, 3 Feb 2017.

³¹ Mmegi, 7 Feb 2017.

two billion tonnes of coal.³² The company also plans to construct independent power production plants at the Sechaba and Mabesekwa projects.³³

“Coal remains a viable global commodity, especially in emerging economies like China and India despite the increased global activism against fossil fuels. Most of these middle income economies still lack capital to invest in renewable energy technologies, which would also slow down their rate of production. In addition, one of the reasons they attract investment which drives their growth is their relatively lax environmental, regulatory and employment conditions. That means demand for coal, which is mainly used in power generation, will remain, in the foreseeable future.”³⁴

The copper and nickel sector has received other investments. The **Botswana High Court** agreed on 7 February to halt the liquidation of state-owned **BCL Mine Ltd**, following the announcement that the company had received an offer for the purchase of its copper and nickel mines, which it mothballed in October 2016.³⁵ This gives a new lease of life to the state-owned company, which entered liquidation in October after failing to maintain profitability due to a drop in the quality of copper produced and a drop in global copper prices.³⁶ The liquidator, **KPMG**, indicated that they received the offer from an unnamed investor based in the **United Arab Emirates (UAE)**, and that minerals and energy minister **Sadique Kebonang** is currently in the UAE conducting negotiations on the deal.³⁷

KPMG liquidator **Nigel Dixon-Warren** had recommended that the company be placed under final liquidation in January because its three subsidiaries were insolvent and the government could no longer afford to subsidise its operations.³⁸ Although the government is currently increasing efforts to secure investments in non-mining industries in order to strengthen its economy and reduce unemployment, mining remains the mainstay of the economy. Analysts expect the global commodity markets to strengthen in 2017, following a slump since 2015, and Botswana remains a viable source of coal and copper for various global markets.

“It will be critical for [the] mining companies to build investor confidence, as the market is looking for confirmation that they will maintain capital discipline, keep capital expenditure down and return excess cash to shareholders.”³⁹

Shumba secured a coal marketing deal with leading global trading house, **Germany-based HMS Bergbau** on 9 January to exclusively manage the marketing and export of Shumba’s coal from Botswana.⁴⁰ Several mining companies managed to survive the global commodity slump through cost cutting measures, and regard the disciplined approach of profit-boosting, instead of increasing market share and capital spending, as guaranteeing better performance in 2017.⁴¹

The new investments into Botswana’s primary commodity sector signal investor anticipation of improved earnings this year and beyond. This is welcome news to the government, which has been working to revamp the economy that the global diamond glut coupled with drought and power shortages had weakened since 2015. This affected the rate of economic output, especially in the manufacturing and mining sectors, with some companies suspending operations and shedding jobs. Investments in other primary commodities, separate from diamonds, also give

³² Mmegi, 7 Feb 2017.

³³ Mmegi, 7 Feb 2017.

³⁴ Source, analyst.

³⁵ Reuters, 7 Feb 2017.

³⁶ Reuters, 8 Oct 2016.

³⁷ Reuters, 7 Feb 2017.

³⁸ Reuters, 7 Feb 2017.

³⁹ CitiGroup analyst, quoted in Financial Times, 6 Feb 2017

⁴⁰ Mmegi, 12 Jan 2017.

⁴¹ Financial Times, 6 Feb 2017.

the economy a fresh source of jobs and revenue. Botswana faces competition from synthetic jewel-grade diamond manufacturers, particularly in China and India, which restrict diamond sector profitability. However, the government will need to accelerate power generation, since the power-intensive minerals sector increases electricity demand on the national power grid.

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