

AFRICA RISK CONSULTING

Botswana Monthly Briefing August 2019

Botswana Summary 20 August 2019

Political tensions mount in Gaborone as October's general election closes in. President Mokgweetsi Masisi (2018-present) says his fractured governing party, the Botswana Democratic Party (BDP), is ready to welcome back senior members who defected from the BDP this year. In a bid to boost entrepreneurship and reduce unemployment, Masisi announces plans to reduce regulations for small businesses and allow citizens to do business from home without licences. Botswana Stock Exchange (BSE)-listed Minergy announces the start of production at its Masama coal mine. As coal supplies drop in South Africa, Botswana may be set to benefit from its underutilised, vast coal resources.

Political tensions running high as elections approach

President **Mokgweetsi Masisi** (2018-present) said on 14 August that his fractured governing party, the **Botswana Democratic Party (BDP)**, was “*ready to welcome back anyone*” as several former senior party members have defected to strengthening opposition groups – most notable of which is former president and BDP leader, **Ian Khama** (2008-2018).¹ **Botswanan** politics has not experienced this level of tension and infighting since independence, which has opened the doors for the recently formed and Khama-endorsed **Botswana Patriotic Front (BPF)** to stand the best hope of being the first opposition party to win elections in five decades when they take place in October.²

Former president Khama joined forces with other defected BDP members to form the BPF in May (see *ARC Briefing Botswana June 2019*), which has tenuously allied itself with the main opposition coalition, the **Umbrella for Democratic Change (UDC)**. Khama's rivalry with Masisi began shortly after the former handed power to his hand-picked successor in April 2018 (see *ARC Briefing Botswana April 2018*). Masisi then sacked the country's head of intelligence, retired colonel **Isaac Kgosi**, and Botswana's high commissioner to the **United Kingdom, Roy Blackbeard** – two of Khama's long-time allies. Masisi has also reversed some of Khama's policies, including reducing taxes on alcohol, lifting a ban on hunting, and abiding by the “**One China**” policy.³ Khama recently remarked about Masisi:

“He [Masisi] is immature and intolerant ... I have come to realise that maybe I have misjudged [him].”⁴

Botswana Movement for Democracy president **Sydney Pilane**, **Alliance for Progressives** leader **Ndaba Gaolathe** and vice leader **Wynter Mmolotsi**, and former loyalist and activist **James Kgalajwe**, have all left the BDP in the past year over the feud between Masisi and Khama.⁵ Tensions have risen to a point where **Botswana Intelligence Department** director-general **Peter Mogosi** confirmed on 4 August that there was a plot to assassinate Masisi.⁶ No further information about the reported assassination is available.

¹ Botswana Press Agency, 14 Aug 2019

² Source, analyst, London

³ Bloomberg, 25 May 2019

⁴ SABC, 8 Jun 2019

⁵ Africa Times, 14 Aug 2019

⁶ EWN, 5 Aug 2019

The BPF has no clear ideological stance and is principally built around its founder and leader, Khama, as well as his highly popular father, Botswana's first post-independence president, **Seretse Khama** (1965-1980).⁷ The BPF has the potential to capitalise on Khama's popularity and usurp parliamentary seats from the BDP, especially in rural areas.⁸ Khama is a traditional chief of the **Bangwato** people who are native in the central region and are the largest ethnic grouping in Botswana. In the 2014 general election, the BDP won all 19 constituencies in the central region, representing a third of Botswana's parliament. This may result in the BDP's presidential candidate, Masisi, failing to garner more than 50% of votes required to win the presidency in Botswana's "first past the post" electoral system.⁹ Political instability will remain high even if Khama's BPF and the **Duma Boko**-led UDC form a loose alliance to beat the ruling BDP in the October election, due to the lack of common ground between the two.¹⁰

One of Masisi's greatest strengths coming into the election will be his concerted effort to reposition Botswana on the international stage and to reignite relations with potentially significant regional and international allies that Khama either ignored or damaged (see *ARC Briefing Botswana July 2019*). Masisi continued this message at the annual **Global Expo Botswana 2019 (GEB)** on 6 August when he told the local businesses community to engage with emerging markets in **China, India, Brazil, Russia** and **South Africa**.¹¹

Further political upheaval has the potential to irreversibly damage Botswana's vital reputation as a stable democracy within the region. That said, while the apprehensive state of politics is a concern, a stronger opposition will pressure the BDP to tackle various pressing issues that have been routinely ignored by a government that has been in power for over 50 years and has grown too comfortable.¹² Masisi's critics claim he has not prioritised fixing weak oversight institutions, improving public finances and tackling job creation – particularly youth unemployment, which exceeds 40% and is among the highest in the region – since he took office in 2018. Masisi's launching of the first digital skills training programme on 16 August, aimed at aligning the country's youth to the fourth Industrial Revolution wave, is aimed at silencing some of his critics.¹³

Masisi's pro-business plans

President Mokgweetsi Masisi said via his official **Twitter** handle on 12 August that he will soon sign a bill into law that will scrap unnecessary regulations for small businesses and allow citizens to do business from home without licences.¹⁴ The move comes as Masisi is under pressure to boost growth and investment and create jobs ahead of general elections slated for October. Masisi's Tweet reads:

"I want to share with you that among the bills passed by the 11th parliament is a bill that allows you to run your small business from home without requiring a license. Soon I will sign this bill into law."¹⁵

The president hopes the bill will make it easier for Botswana to venture into domestic entrepreneurship as a way of beating unemployment in the country – particularly for the youth. He also plans to improve Botswana's attractiveness to foreign businesses and held the 14th Global Expo Botswana (GEB) in **Gaborone** from 6-9 August to raise the country's global profile.¹⁶ At the expo, Masisi argued that emerging markets like China are "disrupting global poles of power and commercial

⁷ Daily Maverick, 6 Jun 2019

⁸ Source, analyst, London

⁹ Source, analyst, London

¹⁰ Source, analyst, London

¹¹ Xinhua, 6 Aug 2019

¹² Source, analyst, London

¹³ Mmegi, 16 Aug 2019

¹⁴ Bulawayo24, 12 Aug 2019

¹⁵ 'Dr. Mokgweetsi E.K. Masisi', Twitter, 12 Aug 2019

¹⁶ City Press, 11 Aug 2019

activity" and that Botswana needs to adapt to this global "reorientation of power, culture and ways of doing business."¹⁷ He also said

*"The **World Bank's Doing Business** report of this year has placed Botswana at number five in the Ease of Doing Business rankings in **sub-Saharan Africa**. We continue to review and make strategic reforms to improve the ease of doing business and the competitive environment to facilitate the growth of local business as well as to attract foreign direct investment. These reforms include, among others, the continued streamlining and automation of our processes in areas of company registration, construction permits and cross border trade."*¹⁸

Botswana is ranked 86th among 190 economies in the World Bank's annual ease of doing business ratings, which is the sixth highest in Africa.¹⁹ Of notable improvement, the country's score in the 'Dealing with Construction Permits' category increased 4.31% between 2018 and 2019.

Doing Business Regional Rankings ²⁰			
	2017	2018	2019
Botswana	81	86	86
South Africa	82	82	82
Zambia	85	87	87
Namibia	106	107	107
Mozambique	138	135	135
Zimbabwe	159	159	155

Botswana Investment and Trade Centre (BITC) head **Keletsoitse Olebile** also spoke highly of Botswana's business climate at the GEB. Olebile said that the BITC would help investors with tax clearance, company registration and the opening of bank accounts, saying all these were "*facilitated from our one-stop services centre.*"²¹ Olebile also remarked:

*"Sometimes Botswana is judged in terms of its small population but if you look at every policy that this government has put in place, it's really to enable you to utilise our long-standing desirable factors such as prudent microeconomic stability, low corruption and the central location in the **Southern African Development Community (SADC)** to really be able to use the country as a launchpad into the whole of the region."*²²

Olebile noted that Botswana has no foreign exchange controls and is seeking to establish other incentives to doing business in Botswana:

"... you don't have to apply for externalisation of your funds... We're also putting together a list of compelling incentives; our tax rate is already 22%, but we found strategic sectors that we have

¹⁷ Global Times, 12 Aug 2019

¹⁸ City Press, 11 Aug 2019

¹⁹ Botswana, 'Doing Business: Measuring Business Regulations 2019', World Bank. An economy's ease of doing business score is reflected on a scale from 0 to 100, where 0 represents the lowest and 100 represents the best performance.

²⁰ Botswana, 'Doing Business: Measuring Business Regulations 2019', World Bank

²¹ City Press, 11 Aug 2019

²² City Press, 11 Aug 2019

further incentivised to 15% – that is in the manufacturing space, international financial services space as well as in the innovation hub space.”²³

Is Botswana’s coal sector about to ignite?

Botswana-based and **Botswana Stock Exchange (BSE)**-listed **Minergy Coal** announced on 7 August that its **Masama** coal mine, located in the **Mmamabula** coalfield, has exported its first saleable coal to South Africa and **Namibia**.²⁴ As coal supplies drop in South Africa, Botswana may be set to benefit from its underutilised vast coal resources – with more than three times South Africa’s coal reserves – but first, the land-locked country must expand its transportation infrastructure.²⁵

Minergy said it has extracted 39,000 tonnes of coal from Masama since July and aims to increase production to 100,000 tonnes per month by next year. The mining facility is based outside Gaborone and was developed at a cost of 400m pula (P) (\$37m). It is estimated to hold 390m tonnes of coal reserves. Minergy announced on 9 August that it has raised P90m (\$8.15m) funding to date from the **Botswana Development Corporation** and the **Minerals Development Company of Botswana** to bring Masama mine into full production.²⁶ Minergy’s chief executive officer, **Andre Boje**, said in December 2018 that Botswana has considerable potential in fulfilling the growing demand for coal in Africa and overseas (see *ARC Briefing Botswana December 2018*).

Masama and state-owned **Morupule** are the only two operating coal mines in Botswana, a country with estimated coal resources of 212 billion tonnes.²⁷ Better utilisation of this resource has the potential to boost growth and create jobs. Regional supply of coal has dropped recently, with several large companies in the sector, including **United Kingdom**-headquartered mining company **Anglo American** and **Australia**-based mining and metals company **South32**, withdrawing from the South African coal sector. South Africa’s state-owned electricity generator, **Eskom**, estimates a shortfall in coal supply of 470 million tonnes by 2030. Coal analyst **Xavier Prevost** expects Botswana’s coal to replace South African coal in the South African domestic market in the near future.²⁸ Botswana’s transport and communications minister, **Dorcas Makgato**, has spotted the potential in growing the domestic sector and told the **14th Annual Southern African Coal Conference** in January that her government aims to unlock its vast coal resources.²⁹

Inadequate heavy goods transportation infrastructure has prevented Botswana’s coal sector from being fully utilised, but this may be changing. State-owned rail companies **Botswana Railways** and **South Africa**-based **Transnet** announced on 7 February that they have formally engaged in talks to construct heavy goods rail infrastructure that will connect the two countries (see *ARC Briefing Botswana February 2019*).³⁰ This will provide a boost for Botswana’s coal industry through opening new markets and increasing revenue from coal exports.³¹ The deal will allow the two corporations to jointly transport and market coal for domestic use, and regional and foreign export.³²

India-based **Jindal Steel & Power Ltd** on 13 August sold off its coal assets in Botswana to **Maatla Energy** for \$150m.³³ Maatla is likely to be the next mining company to start coal production in Botswana. Its Mmamabula coal mine has received approval of an environmental impact assessment and has submitted a mining licence application to Botswana authorities for the mine. Maatla expects approval before the end of this year.

²³ City Press, 11 Aug 2019

²⁴ Reuters, 7 Aug 2019

²⁵ Source, analyst, London

²⁶ Mmegi, 9 Aug 2019

²⁷ The BRICS Post, 11 Aug 2019

²⁸ Xavier Prevost quoted in The BRICS Post, 11 Aug 2019

²⁹ The BRICS Post, 11 Aug 2019

³⁰ The Citizen, 7 Feb 2019

³¹ The Citizen, 7 Feb 2019

³² The Citizen, 7 Feb 2019

³³ Business Standard, 13 Aug 2019

Planner

22-23 Aug 2019 **(Botswana)** Botswana Compliance Forum;
 29 Aug 2019 **(Botswana)** Bank of Botswana MPC meeting;
 9-11 Sep 2019 **(Botswana)** National Business Conference;
 10-12 Sep 2019 **(Botswana)** Electra Mining Botswana event;
 24-25 Sep 2019 **(Botswana)** Africa Mining Summit;
 24 Oct 2019 **(Botswana)** General elections;
 3-4 Oct 2019 **(Botswana)** Entrepreneurship in Mining Conference;
 31 Oct 2019 **(Botswana)** Bank of Botswana MPC meeting;
 5 Dec 2019 **(Botswana)** Bank of Botswana MPC meeting;

Chronology

18 Aug 2019 **Mahalapye (Botswana)** *The Northern Miner*. **Giyani Metals** publishes a positive preliminary economic assessment for its 88%-owned **K. Hill** manganese project;

16 Aug 2019 **Gaborone (Botswana)** *Mmegi*. President **Mokgweetsi Masisi** launches the first digital skills training programme aimed at aligning the country's youth to the fourth Industrial Revolution wave;

15 Aug 2019 **Gaborone (Botswana)** *The Patriot*. Members of parliament from both sides unite in rejecting the construction of the P900m (\$82m) **Masama-Mmamashia** pipeline;

15 Aug 2019 **Gaborone (Botswana)** *Botswana Unplugged*. **Barclays Bank of Botswana Limited** announces \$700,000 partnership with the **Botswana Football Association**;

15 Aug 2019 **Gaborone (Botswana)** *EIN News*. Botswana and **Angola** to create a bilateral commission for the identification of new cooperation areas following President **Mokgweetsi Masisi**'s two-day visit;

14 Aug 2019 **Gaborone (Botswana)** *Botswana Press Agency*. President **Mokgweetsi Masisi** woos defected **Botswana Democratic Party** members to return;

14 Aug 2019 **Gaborone (Botswana)** *CNBC Africa*. Supermarket chain **Choppies** plans to exit its **South African** operations due to financial constraints;

14 Aug 2019 **Gaborone (Botswana)** *PV Magazine*. The state-owned **Botswana Power Corp** announces plans to tender the construction of two 50 megawatt solar parks;

13 Aug 2019 **Gaborone (Botswana)** *Business Standard*. **India-based Jindal Steel & Power Ltd** sells off its coal assets in Botswana to **Maatla Energy** for \$150m;

13 Aug 2019 **Gaborone (Botswana)** *BBC*. Local businessman **Farouk Ismail** defends donating P2m (\$180,000) to President **Mokgweetsi Masisi**'s 2017 chairmanship campaign;

13 Aug 2019 **Gaborone (Botswana)** *BBC*. President **Mokgweetsi Masisi** begins a two-day working visit in **Angola** to expand bilateral relations;

13 Aug 2019 **Gaborone (Botswana)** *MiningMX*. **Botswana Stock Exchange**-listed coal

producer **Minergy** starts production at its **Masama** facility and hopes to produce 1.3 million tonnes of coal in 2019;

12 Aug 2019 **Gaborone (Botswana)** *Xinhua*. **Botswana Stock Exchange** plans to delist Australia-based **Gasfields** shares from the **Foreign Venture Capital Board**;

11 Aug 2019 **Gaborone (Botswana)** *Sunday World*. Infrastructure and housing development minister **Vincent Seretse** is implicated in a sexual harassment scandal involving a **South African** woman;

9 Aug 2019 **Gaborone (Botswana)** *Mmegi*. **Minergy Coal** raises P90m (\$8.15m) funding from the **Botswana Development Corporation** and the **Minerals Development Company of Botswana**;

6 Aug 2019 **Gaborone (Botswana)** *Xinhua*. President **Mokgweetsi Masisi** calls on the local businesses community to engage with emerging markets in **China, India, Brazil, Russia** and **South Africa** at the annual **Global Expo Botswana 2019**;

4 Aug 2019 **Gaborone (Botswana)** *Eyewitness News*. **Botswana Intelligence Department** director-general **Peter Mogosi** confirms there was a plot to assassinate President **Mokgweetsi Masisi**;

1 Aug 2019 **Gaborone (Botswana)** *Xinhua*. The **Chinese Embassy in Botswana** and **Global Max Media Group** co-host the first China-Botswana public diplomacy forum;

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