

AFRICA RISK CONSULTING

Botswana Monthly Briefing October 2020

Botswana Summary 13 October 2020

The Botswana government extends the State of Public Emergency as cases of COVID-19 continue to rise. The country's economy shrinks by 24% and Botswana officially enters recession, as United States-based ratings agency Standard and Poor's (S&P) Global Ratings revises its economic outlook to negative. The Bank of Botswana (central bank) monetary policy committee cuts the benchmark interest rate to a record low of 3.75%. Filling stations can now sell unlimited quantities of petrol and diesel after the government lifts restrictions imposed in July in response to fuel shortages.

Government extends State of Emergency

The **Botswana** government extended the **State of Public Emergency (SoPE)** by a further six months on 29 September to combat the spread of the **COVID-19** virus. In March parliament approved the SoPE legislation to run from 2 April to 2 October after the **World Health Organisation (WHO)** declared the COVID-19 crisis a global pandemic. The second SoPE will extend current restrictions, including those on international travellers and tourism.¹ In contrast, neighbouring countries **Zimbabwe** and **South Africa** have eased many restrictions, including allowing limited international travel and the gradual re-opening of their economies, albeit with strict protocols in place to prevent the possible spread of infection. Although public gatherings in Botswana will continue to be restricted, schools have reopened and the sale of alcohol is permitted during limited hours.² The wearing of face masks remains mandatory in public places.

The government said the rise in COVID-19 cases had necessitated extending the SoPE. According to figures released on 11 October by the **Africa Centers for Disease Control and Prevention**, Botswana has reported 3,219 confirmed cases, including 18 deaths, in its population of about 2.3 million.³ The government expressed concern at the increasing number of COVID-19 infections following reports that 1,200 new cases were recorded over a 10-day period at the end of September.⁴ Deputy coordinator of the **COVID-19 Presidential Task Force, Mosepele Mosepele**, reported that Botswana recorded 1,228 new cases between 24 September and 4 October, a daily average of 120 cases versus 20 per day recorded in August.⁵ Speaking before parliament voted to approve the extension, President **Mokgweetsi Masisi** (2018-present) said:

"The disease burden has made it clear and imperative for us to extend the state of public emergency in the interest of the public."⁶

Leading opposition figures have criticised the extension of the state of public emergency. Opposition **Botswana Congress Party** leader **Dumelang Saleshando** noted the financial strain on ordinary Botswana, many of whom work in the tourism sector, or in the informal sector:

"Households are under severe financial strain with wages in the tourism sector cut and the wage subsidy not in place to assist them."⁷

¹ APN News, 29 Sep 2020

² APN News, 29 Sep 2020

³ Africa Centers of Disease Control and Prevention, 11 Oct 2020.

⁴ Political Analysis South Africa, 8 Oct 2020

⁵ Political Analysis South Africa, 8 Oct 2020

⁶ APN News, 29 Sep 2020

Analysts echo the opposition's criticism of the extension of the state of emergency. Although they acknowledge that the extension will curb the spread of COVID-19, analysts point to the negative impact of COVID-19 restrictions on the economy, arguing that the government should have consulted the business community for its input before extending the SoPE.⁸

Private sector business representative body **Business Botswana** released a statement noting that the extension of the SoPE will further damage the economy, which lockdowns have already negatively impacted.⁹ Business Botswana urged the government to rescue what remains of the economy by re-opening economic activity, rather than extending restrictions by a further six months.¹⁰ According to Business Botswana, there are other existing tools that government can use to manage the pandemic without resorting to state of public emergency:

*"The **Public Health Emergency Act** is such a tool which can achieve the same objective as the SOE but without exposing the economy to very stringent restrictions as it is the case now. Using the Public Health Emergency tool will relieve Government of the need to lay out a lot of money to mitigate losses arising from businesses having to close temporarily due to lockdowns."¹¹*

Business Botswana claims that most enterprises have not felt the benefit of government relief interventions but nevertheless applauded government efforts to mitigate the devastating impact of the COVID-19 pandemic.¹² The government has spent nearly all of its COVID-19 relief fund of 2 billion pula (\$171m) to provide wage subsidies to struggling businesses, purchase medication for hospitals and distribute food to needy families.¹³

Botswana's outlook revised to negative as it officially enters recession

Official numbers released by **Statistics Botswana** on 29 October reveal the dire impact of the COVID-19 pandemic on the Botswana's economy. Statistics Botswana estimates that the economy shrank by 24% between April and June due to a decline in output of the country's mining sector.¹⁴ Botswana's economy grew by 2.6% in the 12 months to March 2020, before suddenly plummeting as the COVID-19 pandemic forced the closure of borders, reduced demand and prices for Botswana's key commodities and inhibited productive activity through the restriction of movements.¹⁵

Botswana has officially entered a technical recession having experienced negative growth in two consecutive quarters, on a quarter-on-quarter basis.¹⁶ Botswana's economy shrank by 0.8% between January and March and by 24% between April and June.¹⁷ Government expects Botswana's economy to shrink by 8.9% year-on-year in 2020.¹⁸ While local experts generally use year-on-year statistics to analyse the country's growth as a way to avoid the seasonal swings associated with quarter-on-quarter analysis, they agree that the quantum of the fall in the economy qualifies it as a recession.

According to Statistics Botswana, mining sector performance contributed significantly to the recession, with real value added declining by 60.2% in the second quarter.¹⁹ Botswana's economy is heavily reliant on minerals and is vulnerable to global fluctuations in demand and price. A Statistics Botswana researcher said:

⁷ APN News, 29 Sep 2020

⁸ Mmegi, 2 Oct 2020

⁹ Mmegi, 1 Oct 2020

¹⁰ Mmegi, 1 Oct 2020

¹¹ Mmegi, 1 Oct 2020

¹² Mmegi, 1 Oct 2020

¹³ APN News, 29 Sep 2020

¹⁴ Mmegi, 2 Oct 2020

¹⁵ Mmegi, 2 Oct 2020

¹⁶ Mmegi, 2 Oct 2020

¹⁷ Mmegi, 2 Oct 2020

¹⁸ Mmegi, 2 Oct 2020

¹⁹ Mmegi, 2 Oct 2020

“Diamond production in carats went down by 67% while coal production in tonnes decreased by 40.7% ... Diamonds are luxury goods and therefore are bound to fluctuate due to the appetite of reliable customers as the world is highly affected by the outbreak of the coronavirus pandemic.”²⁰

The non-mining sector, which has supported the economy in recent years, declined by 20.7% in the second quarter of 2020.²¹ In 2019, non-mining output increased by 4.3% in the same quarter.

United States (US)-based ratings agency **Standard and Poor’s (S&P) Global Ratings** predicts that Botswana’s economic contraction will be deeper than expected. S&P estimates that the country’s GDP will shrink by around 10% in 2020 as a result of the COVID-19 pandemic and weaker diamond sales.²² In a research update on Botswana released on 18 September, S&P said that the fallout from current pressures could delay medium-term fiscal consolidation and further erode Botswana’s external buffers. S&P said it has revised Botswana’s economic outlook to negative from stable, affirming its ‘BBB+/A-2’ rating.²³ The negative outlook reflects S&P’s view that it anticipates higher pressures on the country’s economic, external and fiscal performance, stemming from the negative impact of the global drop in demand on diamond exports.²⁴ Botswana’s economic situation could deteriorate further; S&P says it could lower its rating if the fiscal trajectory remains weak beyond the impact of COVID-19, which could happen if diamond prices and demand fail to recover in the next two years.²⁵ On an upside scenario, S&P says it could revise the country’s economic outlook to stable if there is an upturn in the global diamond market and Botswana is able to restore its fiscal balance to more manageable levels through fiscal discipline.²⁶ The **International Monetary Fund (IMF)** forecasts an economic contraction of 9.6% in 2020, before rebounding to 8.6% growth in 2021.

Bank of Botswana cuts benchmark interest rate to record low

The **Bank of Botswana** (central bank) cut its benchmark interest rate on 8 October to a record low after the country recorded its largest yet economic contraction in the second quarter of the year.²⁷ Bank of Botswana governor **Moses Pelaelo** reported that the monetary policy committee had reduced the rate from 4.25% to 3.75 %, its first easing since it implemented a half point reduction in April and the second cut this year.²⁸ The drastic action aims to support the country’s economy due to the impact of the COVID-19 pandemic and comes against a backdrop of low inflationary pressures.²⁹ The local economy plunged by a record 24% in the second quarter, primarily due to the adverse impact of the nationwide lockdown and drop in the price and demand of diamonds.³⁰

Botswana’s inflation remained steady at 1% in August, and below the central bank’s target range of 3% to 6% for 11 months.³¹ Inflation is only expected to return to within range in the third quarter of 2021. Pelaelo expects the economy to continue operating below capacity in the short to medium term with low inflation pressures going forward.³²

Government lifts restrictions on petrol and diesel sales

Acting permanent secretary of Botswana’s ministry of natural resources, green technology, and energy security **Nchidzi Mmolawa** announced on 2 October that the government is lifting all sale

²⁰ Mmegi, 2 Oct 2020

²¹ Mmegi, 2 Oct 2020

²² The Botswana Gazette, 30 Sep 2020

²³ The Botswana Gazette, 30 Sep 2020

²⁴ The Botswana Gazette, 30 Sep 2020

²⁵ The Botswana Gazette, 30 Sep 2020

²⁶ The Botswana Gazette, 30 Sep 2020

²⁷ Bloomberg, 8 Oct 2020

²⁸ Bloomberg, 8 Oct 2020

²⁹ Trading Economics, 11 Oct 2020

³⁰ Trading Economics, 11 Oct 2020

³¹ Bloomberg, 8 Oct 2020

³² Bloomberg, 8 Oct 2020

restrictions on petroleum products with immediate effect.³³ Removal of petroleum restrictions should ease pressure on the struggling economy weighed down by the COVID-19 pandemic. Filling stations are now permitted to sell all petroleum products without limits on quantity. Consumers may also purchase petroleum in portable containers such as jerrycans, subject to compliance with all safety and health compliance requirements, and all filling stations are permitted to operate for 24 hours.³⁴

In July, President Masisi announced that the government would ration fuel in order to ease a crippling shortage that had seen many consumers rush to stock up on supplies. The shortage resulted from disruption in delivery of fuel supplies from neighbouring South Africa, forcing Botswana to draw on its strategic reserves.³⁵ Implementation of national lockdowns and the inability of refineries to produce at full capacity were largely responsible for disrupted supply. Permanent secretary of energy security **Mmetla Masire** said on 7 July that the shortage had forced the government to source fuel from alternative suppliers in the **Southern African** region, including **Namibia** and **Mozambique** (see *ARC Briefing Botswana July 2020*).³⁶ At least 90% of Botswana's fuel is sourced through South Africa, while the balance is sourced through Namibia and Mozambique.

Seeking to keep strategic reserves above five days' supply, the government introduced fuel rationing measures that included reduced operating hours for fuel stations and a limit on the quantity of fuel sold, "a maximum cost of 250 pula (\$25)" per car.³⁷ At the time, Botswana had eight days' worth of supplies while it normally holds reserves of fuel at 12 days' supply.³⁸ Botswana consumers use an average of 3.3 million litres of petroleum a day.

Planner

3 Dec 2020 **Gaborone (Botswana) Bank of Botswana** Monetary Policy Committee meeting;
2024 **(Botswana)** Presidential elections

Chronology

11 Oct 2020 **Gaborone (Botswana) Mmegi**. **Air Botswana** plans on intensifying survival plans as it fights to stay afloat amidst a pandemic induced revenue collapse.

8 Oct 2020 **Gaborone (Botswana) Mmegi**. The **Ministry of Health and Wellness**, which is at the frontline of the **Covid-19** pandemic, has lost four of its top managers, who were either fired or redeployed from the pandemic war room;

7 Oct 2020 **Gaborone (Botswana) Mmegi**. **Minergy Limited** posts a P117.6m (\$10.14m) pretax loss in its first year of production weighed down by the impact of COVID-19 pandemic.

4 Oct 2020 **Gaborone (Botswana) Sunday Standard**. Botswana's overall exports in June 2020 decreased by 70.3% (P2.2 billion) (\$189.6m) to P943.5m (\$82.3m) compared to the revised May 2020 value of P3.1 billion (\$270.51m);

1 Oct 2020 **Gaborone (Botswana) Sunday Standard**. International credit ratings firm **S&P Global Ratings** expects Botswana's GDP to contract by around 10% in 2020 because of the adverse impact of the **COVID-19** pandemic, compounded by weaker diamond exports;

28 Sep 2020 **Gaborone (Botswana) Mmegi**. Parliament votes to extend the state of emergency for a further six months to combat the spread of **covid-19**;

27 Sep 2020 **Gaborone (Botswana) eNCA**. Opposition parties accuse President **Mokgweetsi Masisi** of arresting journalists and members of the opposition in a clampdown on freedom of

³³ Ministry of Mineral Resources, Green Technology and Energy Security, Press Release, MMGE 1/15/1 I (241), 2 Oct 2020

³⁴ Ministry of Mineral Resources, Green Technology and Energy Security, Press Release, MMGE 1/15/1 I (241), 2 Oct 2020

³⁵ Bloomberg, 7 Jul 2020

³⁶ Bloomberg, 7 Jul 2020

³⁷ CGTN Africa, 10 Jul 2020

³⁸ Daily Maverick, 9 Jul 2020

expression;

16 Sep 2020 **Gaborone (Botswana)** *Bloomberg*. Parliament approves the government's request to double the domestic-borrowing ceiling to 30 billion pula (\$2.6 billion) in order to fund budget shortfalls caused by the **Covid-19** pandemic;

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