

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing November 2020

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#### Botswana Summary 12 November 2020

*President Mokgweetsi Masisi (2018-present) announces the lifting of international flight restrictions and re-opening of Botswana's borders, subject to strict anti-Covid-19 protocols. The International Monetary Fund (IMF) expects Botswana's economy to 'bounce back' in 2021 and perform marginally higher than previously forecast as the country's trade deficit eases. Botswana start-up tech company Ponatshego launches a digital marketplace to help local vendors tap into a broader market.*

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#### Botswana re-opens its borders

President **Mokgweetsi Masisi** (2018-present) announced on 6 November that **Botswana** is reopening its borders, which it had closed to international visitors on 24 March in an effort to curb the spread of **Covid-19**.<sup>1</sup> The easing of restrictions is expected to provide a much-needed boost to Botswana's tourism and travel sectors. The government has adopted a phased approach to lifting international flight restrictions from 9 November to 1 December. Air travel to and from **Sir Seretse Khama International Airport, Kasane International Airport** and **Maun International Airport** resumed on 9 November, while air travel from **Phillip G. Matante International Airport** in **Francistown** will resume on 1 December. Botswana will also open its commercial land border points of entry at **Ngoma, Martins Drift, Kazungula Road, Kazungula ferry, Ramokgwebana, Tlokweng, Ramatlabama, Mamuno, Mohembo** and **Pioneer**.<sup>2</sup> The government will consider re-opening other ports of entry in due course, subject to Covid-19 developments and harmonisation with its neighbouring states of **Namibia, South Africa** and **Zimbabwe**.

All travellers to Botswana will be expected to meet strict health requirements.<sup>3</sup> These include presenting a valid negative Covid-19 Polymerase Chain Reaction (PCR) test result not older than 72 hours from the time of departure. Travellers will be screened for Covid-19 symptoms on entering Botswana. Symptomatic travellers will be required to undertake a mandatory Covid-19 test and if possible isolate and quarantine, and are required to remain in contact with local health authorities for 14 days while self-monitoring. Returning residents who meet the government's health requirement will have to undergo a mandatory 14-day quarantine and testing at their own cost. Non-resident travellers not meeting the health requirements will be denied entry into Botswana. Travellers leaving Botswana are expected to comply with regulations of the destination country at their own cost.

Botswana's air travel and tourism sectors will receive a major boost from the easing of travel restrictions. The collapse in demand as a result of the national lockdown to contain the spread of Covid-19 has severely impacted the two sectors. State-owned national airline **Air Botswana** announced plans on 9 November to resume regional flights on 10 November in accordance with the government's directives.<sup>4</sup> Air Botswana general manager **Agnes Khunwana** said the airline is committed to implementing comprehensive safety and health measures "*in line with globally recommended COVID-19 mitigation standards*".<sup>5</sup> Air Botswana said it would initially offer four weekly flights from the capital, **Gaborone**, to **Johannesburg** (South Africa), and will adjust the schedule

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<sup>1</sup> Office of the President Press Release, OPC 5/57/6 II (337), 6 Nov 2020

<sup>2</sup> Office of the President Press Release, OPC 5/57/6 II (337), 6 Nov 2020

<sup>3</sup> Office of the President Press Release, OPC 5/57/6 II (337), 6 Nov 2020

<sup>4</sup> CGTN Africa, 9 Nov 2020

<sup>5</sup> CGTN Africa, 9 Nov 2020

according to travel demand, introducing other routes as travel restrictions are lifted.<sup>6</sup> Possible new routes include **Cape Town** (South Africa), **Harare** (Zimbabwe) and **Lusaka (Zambia)**.<sup>7</sup>

Botswana's tourism and hospitality sector has taken a serious knock from the eight months of travel restrictions. Tourism and hospitality contribute around 13% of Botswana's gross domestic product (GDP), and the industry has lost about \$220m in revenue from cancelled bookings since March when restrictions were imposed.<sup>8</sup> Most workers in the sector were laid off following the global downturn in travel. Gaborone's four-star rated **Protea Marriot Masa Square** hotel stated that over the past few months it had incurred losses *"in the millions of pula [hundreds of thousands of dollars]"* with chief operations officer **Andrew Kamanga** noting the hotel has been struggling to keep its 182-roomed hotel and workers afloat.<sup>9</sup>

Workers in tourist hotspots such as **Ngamiland (North West District)** welcomed the government's announcement on 28 October that it would allow chartered flights to travel to Botswana's prime tourists destinations from 1 November.<sup>10</sup> Charter flights are now allowed to fly to Maun and Kasane airports, prime tourist resorts in the vicinity of the popular **Okavango Delta**.<sup>11</sup>

Although the government's directive has been widely welcomed, not everyone will benefit equally from the easing of travel and tourism restrictions. Safari lodge manager **Reaboka Mbulawa** said the bigger players would benefit the most from the opening of the sector:

*"You will still find that only the major tourism companies will be the ones that will be able to charter in their clients, through their agents. As for the rest of Botswana, the ordinary citizens will be waiting to see a time when the normal kind of lights will be open. It is a new development for the country but it is not as glamorous as we think."*<sup>12</sup>

### IMF raises Botswana 2021 growth forecast ...

The **International Monetary Fund (IMF)** in its 13 October release of the updated **World Economic Outlook**, expects Botswana's economy to *"bounce back"* and perform marginally higher than previously forecast.<sup>13</sup> The projected recovery plays well for Botswana, whose economic pillars of mining and tourism are dependent on external demand and were critically impacted by the Covid-19 pandemic and government's measures to contain it.<sup>14</sup> The IMF expects Botswana's economy to grow by 8.7% in 2021, slightly up from its July estimate of 8.6% growth in 2021. IMF analysts note that the marginal difference reflects its view of a less severe than initially forecast global downturn due to Covid-19; the global recovery took root in the third quarter due to aggressive economic support measures implemented by governments and the easing of lockdowns across the world. Botswana's estimated bounce-back of 8.7% in 2021 is the second-highest forecast in **sub-Saharan Africa** after **Mauritius**.<sup>15</sup>

Botswana's economy is currently fighting a technical recession after having experienced negative growth in two consecutive quarters, on a quarter-on-quarter basis.<sup>16</sup> The local economy shrank by 0.8% between January and March and by 24% between April and June.<sup>17</sup> The IMF maintains its forecast of 9.7% contraction for Botswana's economy in 2020, the third worst sub-Saharan

<sup>6</sup> Source, Air Botswana consultant, Gaborone

<sup>7</sup> Source, Air Botswana consultant, Gaborone

<sup>8</sup> VOA News, 28 Oct 2020

<sup>9</sup> All Africa, 10 Jul 2020

<sup>10</sup> VOA News, 28 Oct 2020

<sup>11</sup> VOA News, 28 Oct 2020

<sup>12</sup> News, 28 Oct 2020

<sup>13</sup> Mmegi, 16 Oct 2020

<sup>14</sup> Mmegi, 16 Oct 2020

<sup>15</sup> Mmegi, 16 Oct 2020

<sup>16</sup> Mmegi, 2 Oct 2020

<sup>17</sup> Mmegi, 2 Oct 2020

contraction after Mauritius, **Seychelles** and **Zimbabwe**.<sup>18</sup> The Botswana government expects the local economy to shrink by 8.9% this year, and bounce back to a 7.7% growth in 2021.<sup>19</sup>

Botswana's economy will receive a much needed boost from increased demand for its main economic commodity, rough diamonds, due to a resurgence in prices and demand, as evident in the last two diamond auctions in Gaborone.<sup>20</sup> Recent estimates show that the output of **Debswana Diamond Company**, jointly owned by the Botswana government and South Africa-based diamond producing company **De Beers**, will not fall as drastically as predicted.<sup>21</sup>

However, the IMF's prognosis for Botswana's other economic pillar, tourism, is less optimistic. The IMF predicts that ongoing restrictions, coupled with consumers' fears of contagion even in areas with lower rates of COVID-19 infections, will continue to weigh heavily on the tourism sector globally:<sup>22</sup>

*"Small states as well as tourism-dependent and commodities-based economies are in a particularly difficult spot. Most economies will experience lasting damage to supply potential, reflecting scars from the deep recession this year and the need for structural change."*<sup>23</sup>

### ... as trade deficit eases

**Statistics Botswana** reported on 5 November that the country's merchandise trade deficit had eased from P3.5 billion (\$312m) in July to P3 billion (\$268m) in August due to lower fuel imports and a rebound in diamond exports as global demand for diamonds increased.<sup>24</sup> Botswana's exports in August amounted to P2.7 billion (\$241m) compared to imports of P5.7 billion (\$509m). Imports in June reached P6.3 billion (\$563m) and P3.5 billion (\$312m) in July.<sup>25</sup> The trade shortfall continues a trend of deficits the country has seen since February when global borders closed and demand dropped due to COVID-19.

Botswana's cumulative trade balance for the year until August shows a deficit of P20 billion (\$178m), which contrasts negatively with 2019's full-year trade shortfall of P14.3 billion (\$127m).<sup>26</sup> The increased deficit is linked to a continued moderation in diamond trade. The **Bank of Botswana** (central bank) has warned that the continuing deficits are placing the country's foreign reserves at risk, particularly in light of the underperformance of key receipts from tourism and the regional customs union due to the pandemic.<sup>27</sup>

### Digital marketplace launched

Botswana-based tech start-up **Ponatshego** has launched a digital marketplace to help vendors sell their goods. The platform aims to give local producers a broader market in which to sell their products. The self-funded company claims it has already built a steady user base and earned P40,000 (\$3,500) in revenue.<sup>28</sup> Company founders **Joseph Ngaiti** and **William George Whittle** say they created the platform to make it easier to do business in Botswana and on the rest of continent.<sup>29</sup> Ponatshego's online marketplace provides vendors of products such as clothing, electronics and luxury goods with a platform to showcase their merchandise and make a final sale to customers anywhere in the world.<sup>30</sup> A few competitors in Botswana provide a similar service but none has so far secured significant market share.

<sup>18</sup> Mmegi, 16 Oct 2020

<sup>19</sup> Mmegi, 16 Oct 2020

<sup>20</sup> Mmegi, 16 Oct 2020

<sup>21</sup> Mmegi, 16 Oct 2020

<sup>22</sup> Mmegi, 16 Oct 2020

<sup>23</sup> Mmegi, 16 Oct 2020

<sup>24</sup> Mmegi, 5 Nov 2020

<sup>25</sup> Mmegi, 5 Nov 2020

<sup>26</sup> Mmegi, 5 Nov 2020

<sup>27</sup> Mmegi, 5 Nov 2020

<sup>28</sup> Disrupt-africa.com, 27 Oct 2020.

<sup>29</sup> Disrupt-africa.com, 27 Oct 2020.

<sup>30</sup> Disrupt-africa.com, 27 Oct 2020.

While Ponatshego's digital marketplace is a positive development for the country, the internet remains an alien concept for most Batswana. The poverty rate in many rural areas and villages is over 46%, with the result that few people can afford access to internet.<sup>31</sup> A report by **United Kingdom**-based research company **Cable** in May ranked Botswana 14th out of 228 countries globally for the most expensive data.<sup>32</sup>

Local residents and businesses also claim that network quality is poor.<sup>33</sup> The **Botswana Communications and Regulatory Authority (BOCRA)** released a report in March, noting that most internet challenges in the country come from a lack of capacity from the three local network operators, **Mascom, Orange** and **BTC**. Insufficient transmission towers result in internet traffic congestion and lower connection quality, particularly in Gaborone, where the large number of cell phone users frequently overwhelms network service providers.<sup>34</sup>

Network providers have not invested in improving their infrastructure to improve service. BOCRA CEO **Thari Pheko** said that the local infrastructure (transmission towers) was only meant to handle voice calls, but cannot sustain increasing market demand for data amid rapid technological development.

### Planner

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

### Chronology

10 Nov 2020 **Karowe (Botswana) Lucara Diamond** press release. **Canada-based Lucara Diamond** has recovered a 998 carat high white clivage diamond from its 100% owned **Karowe** mine in Botswana;

5 Nov 2020 **Gaborone (Botswana) Mmegi**. **Statistics Botswana** reports that Botswana's merchandise trade deficit eased to P3 billion (\$268m) in August, from P3.5 billion (\$312m) in July, powered by lower fuel imports and a rebound in diamond exports;

5 Nov 2020 **Gaborone (Botswana) Daily News**. Vice-president **Slumber Tsogwane** attends inauguration of **Tanzania's** president elect, **John Magufuli**;

3 Nov 2020 **Gaborone (Botswana) Daily News**. Government to spend over P10m (\$894180) on minerals project;

2 Nov 2020 **Gaborone (Botswana) Mmegi**. **South African** businesswoman **Bridgette Motsepe** claims P20m (\$1.7m) from the Botswana government in damages for defamation of character;

2 Nov 2020 **Gaborone (Botswana) Mmegi**. The **Botswana Unified Revenue Service (BURS)** expects to collect at least P37 billion (\$330m) in taxes for the 2020-2021 financial year, cutting the initial forecast by about P7 billion (\$625m);

2 Nov 2020 **Gaborone (Botswana) Mmegi**. The Botswana government, through the **Bank of Botswana** (central bank), will approach the market for P2.6 billion (\$232m), in its first borrowing under the recently expanded domestic debt ceiling programme;

30 Oct 2020 **Gaborone (Botswana) Daily News**. Minister of mineral resources, green technology & energy security **Lefoko Moagi** says the recently approved **Integrated Resource Plan (IRP)**, a combination of renewable energy and thermal coal, will ensure that the country is a key exporter of reliable electricity by 2026;

<sup>31</sup> Al Jazeera, 19 Jul 2020.

<sup>32</sup> The Botswana Gazette, 6 May 2020.

<sup>33</sup> Source, Botswana analyst

<sup>34</sup> The Botswana Gazette, 6 May 2020.

28 Oct 2020 **Gaborone (Botswana)** *Mmegi*. **European Union (EU)** delegation to Botswana and **SADC** head **Jan Sadek** says Botswana is months away from shaking off its three-year-old grey listing as a tax haven by the **European Union (EU)**, after recently signing a deal with the **Organisation for Economic Co-operation and Development (OECD)**;

26 Oct 2020 **Gaborone (Botswana)** *Daily News*. Environment, natural resources, conservation and tourism minister **Philda Kereng** says chartered international flights will be allowed into the **Chobe, Ngamiland** tourist region;

22 Oct 2020 **Gaborone (Botswana)** *Sunday Standard*. The **United States** signs a memorandum of understanding with **Peru** and Botswana on critical energy minerals;

21 Oct 2020 **Gaborone (Botswana)** *Mmegi*. The **Water Utilities Corporation (WUC)** expects the **Covid-19** pandemic to impact its earnings by at least P33m (\$2.9m), adding to its cash flow troubles;

20 Oct 2020 **Gaborone (Botswana)** *Daily News*. Assistant agricultural development and food security minister **Beauty Manake** urges government departments and stakeholders to work together to control an outbreak of locusts, which it has labelled a national disaster requiring a multi-sectoral approach;

19 Oct 2020 **Gaborone (Botswana)** *Mmegi*. The **International Monetary Fund (IMF)** expects Botswana's 2021 economic 'bounce-back' to be marginally higher than previously forecast;

19 Oct 2020 **Gaborone (Botswana)** *Sunday Standard*. The **Botswana Patriotic Front (BPF)** officially confirms that it is in talks with other opposition parties on possible cooperation venture on bye elections and beyond;

19 Oct 2020 **Gaborone (Botswana)** *Daily News*. **Botswana** and **Zambia** are at an advanced stage of concluding legal instruments that will enable the **Kazungula Bridge** to become operational;

15 Oct 2020 **Gaborone (Botswana)** *Mmegi*. Botswana's small banks continue to make ground on the Big Five, accounting for 15.3% of total assets in the banking sector or P15.1 billion (\$135m) in 2019;

14 Oct 2020 **Gaborone (Botswana)** *Mmegi*. Joint government-**De Beers** mining company **Debswana** says it could produce 'slightly under' 20 million carats this year.

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