

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing December 2020

---

#### Botswana Summary 9 December 2020

*The Botswana Defence Force (BDF) policy of “shooting-to-kill” suspected poachers has strained relations between Botswana and Namibia after BDF members killed three Namibians and their Zambian cousin reportedly fishing along the Chobe River on the unmarked border of the two countries. The finance ministry plans to increase Value Added Tax (VAT) from 12% to 14%. Its Taxation Review Committee will decide whether the increase will take place over one or two years. The World Bank is in discussions with Botswana’s finance and economic development committee over a loan to help the country finance its P14.5 billion (\$1.3 billion) Economic Recovery and Transformation Plan (ERTP). The World Bank announces that it will support Botswana in acquiring Covid-19 vaccines.*

---

#### BDF “shoot-to-kill” poacher policy under fire ...

Diplomatic relations between **Botswana** and **Namibia** have been at a low point after members of the **Botswana Defence Force (BDF)** shot and killed three Namibians and their **Zambian** cousin who were reportedly fishing at **Sedudu Island** along the **Chobe River**, near Botswana’s tourist town of **Kasane**, on 5 November.<sup>1</sup> The incident led to angry protests in Namibia against the Namibian government’s delayed response to the fatal shootings. The family of the deceased claim the men were unarmed fishermen who had been camping in nearby **Kasika** village.<sup>2</sup>

Namibian citizens demanded that their government confront Botswana about the BDF’s controversial “shoot-to-kill” policy, which is intended to deter poaching, and which **Zambezi Region** governor **Lawrence Ampofu** claims has killed an estimated 37 Namibians since 1990.<sup>3</sup> The BDF has insisted that the four men were believed to be part of a network responsible for organised cross-border poaching.<sup>4</sup> In its statement, the BDF noted that there was “*an alarming surge of organised poaching for rhinoceros and elephants especially in the western part of the country*”.<sup>5</sup>

Both Namibia’s President **Hage Geingob** (2015-present) and Botswana’s President **Mokgweetsi Masisi** (2018-present) have agreed to a joint probe into the BDF killings.<sup>6</sup> President Masisi called for calm on both sides amid simmering tensions between the two countries, while President Geingob announced on 10 November that he had held discussions with Masisi. Geingob noted:

*“What cannot be denied is that the people were in Botswana territory and it was very late at about 11pm. So what were you doing at that time?”<sup>7</sup>*

The Chobe River marks the fenceless border between Botswana and Namibia. Namibia’s dispute with Botswana over ownership of the 5-sq-km uninhabited Sedudu Island (known as **Kasikili Island** by Namibia) in the Chobe was amicably resolved when Namibia agreed to accept the 1999 ruling of the **International Court of Justice (ICJ)** that the border runs north of the island, and not south as Namibia had contended (see *ARC Briefing Namibia November 2020*). However, the larger issue for Botswana remains protection of its wildlife, with tourism a key source of national income. Botswana

---

<sup>1</sup> News24, 12 Nov 2020.

<sup>2</sup> News24, 12 Nov 2020

<sup>3</sup> The Namibian, 14 Nov 2020; ARC sources.

<sup>4</sup> The Namibian, 10 Nov 2020.

<sup>5</sup> News24, 12 Nov 2020.

<sup>6</sup> Mmegi, 10 Nov 2020.

<sup>7</sup> Mmegi, 10 Nov 2020.

takes a tough stance on poaching, particularly of its many endangered species, including rhinos, elephants and lions.

### VAT to increase to 14% amid rising consumer prices...

The finance and economic development ministry announced on 16 November that it will seek parliament's approval to raise the value added tax (VAT) from 12% to 14%.<sup>8</sup> VAT is charged on most goods and services in Botswana, and the increase will affect a large section of society, including the country's lowest paid employees. Almost 70% of Botswana's working population earns below P10,000 (\$912) per month.<sup>9</sup>

VAT was introduced in Botswana in 2002 and was pegged at 10% until its increase in April 2010 to 12%, still one of the lowest VAT rates in the **Southern African** region. However, finance ministry officials are under pressure to revise taxes, reduce exemptions and review subsidies to address an expected P15.2 billion (\$1.3 billion) budget deficit in 2020 and a further P12.6 billion (\$1.1 billion) deficit in 2021.<sup>10</sup> The approved mid-term **National Development Plan 11 (NDP11)** notes that Botswana's low VAT rate is not sustainable:

*"Furthermore, the efficiency of VAT collection is low. Botswana also has the lowest personal and corporate income tax rates in the [Southern African Customs Union] SACU. Taxes on land and property are also low by international standards, and yet these present an easily-taxable asset class that would mainly raise revenue from those who can afford to pay more."*<sup>11</sup>

Finance ministry permanent secretary **Wilfred Mandlebe** said the increase in VAT is in line with the **Economic Recovery and Transformation Plan** approved by the winter parliament. A **Taxation Review Committee** will deliberate whether the increase in VAT will take place over one or two years and give recommendations that the cabinet will consider ahead of the next budget.<sup>12</sup> The government has also committed to reviewing personal income tax and addressing bracket creep – where inflation pushes income into higher tax brackets – which it claims will improve the consumption spending power of tax paying households.<sup>13</sup>

Consumer prices in Botswana rose for the third straight month in October, with inflation expected to rise in the upcoming months following years of low inflation. **Statistics Botswana's** monthly inflation report for October notes that overall prices rose by 2.2%, an increase of 0.4% from the September rate of 1.8%, which doubled from August's 1% monthly inflation rate after increasing from a record low of 0.9% in June and July, the lowest since 1975.<sup>14</sup> Although prices have risen by 2.2%, they have been at record lows for much of 2020, below the **Bank of Botswana's** (central bank) objective range of 3-6%.<sup>15</sup>

Statistics Botswana attributes the three months' increase in inflation to increased costs of household items. The primary contributors to the October annual inflation rate were housing, water, electricity, gas and other fuels, food and non-alcoholic beverages. Food prices have increased by 2% in the past six months and 4.3% in past twelve months. Prices for alcoholic beverages and tobacco rose by 5.9% in the past six months and on a yearly basis they have increased by 6.6%.<sup>16</sup> Costs have also risen for housing, water, electricity, gas and other fuels, registering a 1.3% increase in the past six months and 6.6% on a yearly basis.<sup>17</sup> Much of the increase in prices is due to government's decision to increase electricity tariffs by 22% in April.

<sup>8</sup> Sunday Standard, 16 Nov 2020

<sup>9</sup> Sunday Standard, 16 Nov 2020

<sup>10</sup> Mmegi, 20 Nov 2020

<sup>11</sup> Mmegi, 20 Nov 2020

<sup>12</sup> Mmegi, 20 Nov 2020

<sup>13</sup> Mmegi, 20 Nov 2020

<sup>14</sup> Sunday Standard, 16 Nov 2020

<sup>15</sup> Sunday Standard, 16 Nov 2020

<sup>16</sup> Sunday Standard, 16 Nov 2020

<sup>17</sup> Sunday Standard, 16 Nov 2020

Prices of water, housing, electricity, gas and other fuels group index, have the second largest weight of 17.45% in the CPI.<sup>18</sup> The 0.3% increase in the group has been attributed to an increase in the price of building materials. The food and non-alcoholic beverages group weighted at 13.55% of the consumer basket, is the third highest, and rose by 0.7% due to an increase in the price of alcoholic beverages.<sup>19</sup>

The distortion in inflation prices is largely due to the transport sector whose constituent prices are primarily administered by government and which has the largest weighting.<sup>20</sup> The transport group component of the consumer price index (CPI) recorded a 24.43% increase, attributed to a rise in public transport fares implemented at the beginning of September.<sup>21</sup> However, inflation rates have mostly been kept low by a reduction in fuel prices.

### Government eyes World Bank loan to fund \$1.3-billion economic recovery plan

**World Bank** resident representative for Botswana and Special Envoy to SADC **Guido Rurangwa** said on 10 November that the World Bank and Botswana's finance minister, **Thapelo Matsheka**, were holding technical discussions towards a loan to help the government fund its P14.5 billion (\$1.3 billion) **Economic Recovery and Transformation Plan (ERTP)**.<sup>22</sup> The ERTP is the government's strategy to lift Botswana out of its **Covid-19** induced economic slump, setting it on a transformation agenda through fast-tracked projects and policies running until March 2023, the end date of the NDP11.<sup>23</sup> Matsheka said that the ERTP funding will come from domestic borrowing, domestic resource mobilisation, including higher taxes and fewer subsidies, and external support.

Rurangwa said the amount of financial support available to Botswana will depend on several parameters, including its per capita income and its creditworthiness:

*"The specific amount available for a country is shared with the government, and we make efforts to accommodate the country's needs for financing."*<sup>24</sup>

Finance ministry secretary for development and budget **Grace Muzila** said that government has held meetings with other external partners besides the World Bank. Muzila said Botswana is wary of external borrowing, preferring to dip into its reserves or raise capital domestically, to avoid *"being stuck with high foreign debt obligations"*.<sup>25</sup> However, Matsheka warned that the government could not depend on its reserves to tackle budget gaps caused by the Covid-19 pandemic. Matsheka noted that the government's reserves under the **Government Investment Account (GIA)** were fragile, needing to be rebuilt and preserved for use as future buffers:

*"It is important to point out that unlike in previous economic crises, such as that of 2008-2009, the 2020 COVID-19 induced economic crisis comes at a time when the country's net financial position is not strong. In particular, the balance in the GIA has decreased over the past years. It is therefore not advisable to draw down on the GIA as the main source of financing for the anticipated deficits, as has been done in the past."*<sup>26</sup>

Prior to the 2008-2009 global financial crisis, the GIA amounted to P30.5 billion (\$2.7 billion) in December 2008, equivalent to 41% of gross domestic product (GDP).<sup>27</sup> In December 2019, the GIA stood at P18.3 billion (\$1.6 billion), only 9% of GDP. In August 2020, the GIA stood at P11 billion (\$1.003 billion), down from P13.7 billion (\$1.2 billion) in July while a year previously, in August 2019, it amounted to about P19.5 billion (\$1.7 billion).

<sup>18</sup> Sunday Standard, 16 Nov 2020

<sup>19</sup> Sunday Standard, 16 Nov 2020

<sup>20</sup> Sunday Standard, 16 Nov 2020

<sup>21</sup> Sunday Standard, 16 Nov 2020

<sup>22</sup> Mmegi, 13 Nov 2020

<sup>23</sup> Mmegi, 13 Nov 2020

<sup>24</sup> Mmegi, 13 Nov 2020

<sup>25</sup> Mmegi, 13 Nov 2020

<sup>26</sup> Mmegi, 13 Nov 2020

<sup>27</sup> Mmegi, 13 Nov 2020

## World Bank to support Botswana in acquiring Covid-19 vaccines

World Bank resident representative Rurangwa noted on 10 November that the World Bank is prepared to support Botswana in acquiring Covid-19 vaccines once they become available. **Reuters** reported on 10 November that Botswana had made a payment to COVAX, a Covid-19 access initiative led by the **World Health Organization (WHO)** that aims to accelerate the development and manufacture of vaccines, and guarantee fair and equitable access for every participating country.<sup>28</sup> Botswana will have the option to secure about 940,000 vaccine doses under a two-dose regimen.<sup>29</sup>

Botswana's health ministry said that rollout of the COVAX Facility will take place as soon as Covid-19 vaccines are ready for market and a distribution system is in place.<sup>30</sup> Ministry permanent secretary **Kabelo Ebineng** said Botswana is working with over 150 other countries that are participating in the COVAX Facility, and has complied with all provisions of the agreements pledged by participating nations.<sup>31</sup> However Ebineng said that details of price and what is being paid for are not public information for now. The **Botswana Medicines Regulatory Authority (BOMRA)** will make pronouncements on use, as well as other regulatory considerations, when Botswana is ready.<sup>32</sup>

### Planner

11 Jan 2021 **Gaborone (Botswana)** Submission of final draft budget speech to cabinet;  
 4-22 Feb 2021 **Gaborone (Botswana)** Debate on budget speech;  
 2021 **Morupule (Botswana)** Expected commissioning of **Morupule Coal Mine** expanded mine;  
 March 2023 **(Botswana)** End date of the **National Development Plan 11 (NDP11)**  
 2024 **(Botswana)** Presidential elections

### Chronology

7 Dec 2020 **Gaborone (Botswana) Mmegi.** The health ministry says the rollout of the **COVAX Facility** will take place as soon as the **COVID-19** vaccines are ready for market and made available while a distribution system is put in place for the purpose;

6 Dec 2020 **Gaborone (Botswana) Mmegi.** **Vincent Excellent Tour Southern Heritage** says it has launched a 230-km circuit in Gaborone as part of a strategy to resuscitate the tourism sector in the wake of the **COVID-19** pandemic;

6 Dec 2020 **Gaborone (Botswana) Mmegi.** **Wilderness Safaris** announces that five of its exclusive properties have joined **Beyond Green**, a global portfolio of hotels, resorts, and lodges that exemplify sustainability leadership;

4 Dec 2020 **Gaborone (Botswana) Sunday Standard.** Local government and rural development minister **Eric Molale** tells parliament that government has spent P431m (\$39m) on the **COVID-19** relief programme;

4 Dec 2020 **Gaborone (Botswana) Sunday Standard.** **United States** ambassador **Craig Cloud** launches a gender-based violence (GBV) project and tours the Botswana GBV prevention and support centre;

4 Dec 2020 **Gaborone (Botswana) Sunday Standard.** Health ministry announces that Botswana has recorded 10,010 confirmed **COVID-19** cases;

3 Dec 2020 **Gaborone (Botswana) Sunday Standard.** A **Chinese** medical team has joined Botswana's fight against **COVID-19**;

<sup>28</sup> Mmegi, 13 Nov 2020

<sup>29</sup> Mmegi, 13 Nov 2020

<sup>30</sup> Mmegi, 4 Dec 2020

<sup>31</sup> Mmegi, 4 Dec 2020

<sup>32</sup> Mmegi, 4 Dec 2020

3 Dec 2020 **Gaborone (Botswana)** *Mmegi*. Government permits **Botswana Housing Corporation (BHC)** to start increasing rental prices from 1 April 2021, which in some cases will increase threefold from current levels in the first increase the parastatal has made in 16 years;

3 Dec 2020 **Gaborone (Botswana)** *Sunday Standard*. The **Botswana Defence Force (BDF)** announces that one of its Écureuil AS-350 helicopters crashed upon take-off, during an anti-poaching operation near **Mombo** at **Chiefs Island** in the **Moremi Game Reserve**, but all five BDF crew aboard the helicopter survived and are receiving medical attention;

2 Dec 2020 **Gaborone (Botswana)** *The Monitor*. The **Botswana Tourism Organisation (BTO)** hosts the annual **Botswana Travel and Tourism Expo (BTTE)** virtually from 2-4 December;

1 Dec 2020 **Gaborone (Botswana)** *Sunday Standard*. The government announces that all government and state-owned entities will procure goods and services from citizen-owned businesses in their regions in a bid to resuscitate the SMME sector, which has been negatively affected by **COVID-19** and lockdowns;

1 Dec 2020 **Gaborone (Botswana)** *The Monitor*. Bobonong member of parliament **Taolo Lucas** criticises the **Department of Broadcasting Services (DBS)** for reportedly blocking former president **Ian Khama** from appearing on national broadcast media platforms;

30 Nov 2020 **Gaborone (Botswana)** *Mmegi*. Botswana's creative industry expresses disappointment as government cancels festive entertainment festivals due to **COVID-19** restrictions;

30 Nov 2020 **Francistown (Botswana)** *Mmegi*. Francistown civic leaders call for a business bail-out;

30 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. Alcoholic beverages and tobacco prices have increased by 5.9% in the past six months;

27 Nov 2020 **Gaborone (Botswana)** *Mmegi*. Government will return to the capital market seeking P1.95 billion (\$177m) in debt, its second approach under the newly increased domestic borrowing limit of P30 billion (\$2.7 billion);

26 Nov 2020 **Gaborone (Botswana)** *Mmegi*. The **Gaborone High Court** drops charges against former intelligence chief **Isaac Kgosi** who was charged with two counts of corruption in relation to the alleged theft of P250m (\$22m) from the **National Petroleum Fund**;

25 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. Amid tensions between Botswana and **Namibia** over the killing of alleged poachers, a suspected poacher reportedly stabbed a **Botswana Defence Force (BDF)** soldier during an anti-poaching exercise;

25 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. **Botswana Accountancy Oversight Authority (BAOA)** CEO **Duncan Majinda** dismisses reports that former President **Ian Khama**, **South African** businesswoman **Bridgette Motsepe**, former spy chief **Isaac Kgosi** and spy agent **Mphoeng Maswabi** were involved in the theft of P100 billion (\$9m) from the **Bank of Botswana** (central bank);

24 Nov 2020 **Morupule (Botswana)** *Mmegi*. **Morupule Coal Mine** expects its expanded new mine to be commissioned in 2021, delivering an additional 1.4 million tonnes of coal per year to the region;

24 Nov 2020 **Gaborone (Botswana)** *The Monitor*. **Mahalapye East** member of parliament **Yandani Boko** announces he will table a motion before parliament asking government to amend the **Electoral Act** for the **Independent Electoral Commission (IEC)** to be an autonomous body, one that does not fall under the **Office of the President (OP)**;

23 Nov 2020 **Gaborone (Botswana)** *Mmegi*. **Women in Mining UK** names **Canada**-headquartered diamond mining company **Lucara Botswana** managing director **Naseem Lahri**

as one of the world's top 100 women in mining;

23 Nov 2020 **Gaborone (Botswana)** *Mmegi*. A finance and economic development ministry committee is scheduled to decide whether the increase in Value Added Tax (VAT) from 12% to 14% will take place over one or two years;

23 Nov 2020 **Gaborone (Botswana)** *Mmegi*. Government engages local and international mineral investors on whether the **Mines and Minerals Act** can be amended to allow the state to acquire up to 26% equity in mining companies, an increase from the current provision of 15%;

20 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. State-owned **Okavango Diamond Company** managing director **Marcus Ter Haar** resigns with immediate effect;

17 Nov 2020 **London (England)** *Sunday Standard*. The **Ibrahim Index of African Governance** reports that **Botswana** has regressed in its governance ranking, despite being among the 2019 top-scoring countries;

16 Nov 2020 **Gaborone (Botswana)** *Mmegi*. The **World Bank** says it is holding discussions with Botswana's finance and economic development ministry regarding a loan to help Botswana finance its P14.5 billion (\$1.3 billion) **Economic Recovery and Transformation Plan (ERTP)**;

17 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. **Statistics Botswana** shows in its monthly inflation report for October 2020 that overall prices rose by 2.2%, an increase of 0.4% from the September rate of 1.8%;

16 Nov 2020 **Gaborone (Botswana)** *Mmegi*. **Debswana Pension Fund (DPF)** assets increased by P485m (\$43m) between January and September, ending the period at P8.83 billion (\$801m) defying expectations amidst the global chaos seen in markets due to the **COVID-19** pandemic;

16 Nov 2020 **Gaborone (Botswana)** *The Monitor*. International affairs and cooperation minister **Lemogang Kwape** pleads with Botswana to stop provoking **Namibians** across social media platforms as riots in the neighbouring country intensify;

13 Nov 2020 **Gaborone (Botswana)** *Mmegi*. Government has selected four parastatals to roll out its P1.3 billion (\$117m) business assistance plan, which will offer mainly interest-free loans and six-month grace periods to **COVID-19**-impacted sectors such as tourism, agriculture and the informal sector;

13 Nov 2020 **Windhoek (Namibia)** *Mmegi*. Protests break out in Namibia's capital, Windhoek, against the recent killings of four Namibians by the **Botswana Defence Force (BDF)**'s Anti-Poaching Unit;

12 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. President **Mokgweetsi Masisi** calls for calm on both sides as tensions simmer between Botswana and **Namibians** over the killing of four suspected poachers by the **Botswana Defence Force (BDF)**;

12 Nov 2020 **Gaborone (Botswana)** *Mmegi*. The **Directorate of Intelligence and Security** has halted plans for the **SPEDU Industrial and Urban Agriculture Land Service** project, a 3,500-job development programme that President **Mokgweetsi Masisi** highlighted in his State of the Nation Address (SONA);

12 Nov 2020 **Gaborone (Botswana)** *Mmegi*. The environment, natural resources conservation and tourism ministry announces it is finalising a tender to allow private investors to bid and take over management of the **Gaborone Game Reserve**;

12 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. The government of **Namibia** summons Botswana's High Commissioner in **Windhoek**, **Batlang Serema**, seeking explanation on Botswana's "shoot to kill" policy;

11 Nov 2020 **Gaborone (Botswana)** *Mmegi*. Government has lined up six clean energy projects with the potential to produce 395 megawatts of electricity in the next seven years, in a bid to

diversify the country's energy mix;

11 Nov 2020 **Gaborone (Botswana)** *Sunday Standard*. Former president **Festus Mogae** and **Choppies** retailer managing director **Ottapathu Ramachandran** are expected to disclose to court their roles in allegedly helping Choppies bypass provisions of **Zimbabwe's Indigenous Act**;

10 Nov 2020 **Gaborone (Botswana)** *Mmegi*. **Directorate of Public Service Management (DPSM)** director **Goitseone Mosalakatane** invites six cooperating unions for negotiations regarding the **covid-19** risk allowance for frontline workers;

10 Nov 2020 **Gaborone (Botswana)** *Mmegi*. **Namibia's** President **Hage Geingob** informs media that he held long discussions with President **Mokgweetsi Masisi** following the **Botswana Defence Force (BDF)**'s shooting of four Namibians at **Sedudu Island**;

10 Nov 2020 **Gaborone (Botswana)** *Mmegi*. Businesses in the **Ngamiland** district, Botswana's tourism hub, plead with government for the full opening of the country's borders to allow foreign tourists in;

9 Nov 2020 **Gaborone (Botswana)** *The Monitor*. Parliament to debate **Citizenship Amendment Bill** which proposes to amend Section 15 of the **Citizenship Act**, which makes provision for dual citizenship up to the age of 21;

9 Nov 2020 **Gaborone (Botswana)** *Mmegi*. The finance and economic development ministry expects the budget deficit for 2021 to drop to P12.6 billion (\$1.13 billion), led by a recovery of the country's key diamond mining sector.

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

**ARC's** core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### About ARC Briefing:

**ARC Briefing** is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

**ARC Briefing** is an information service keeping you:

- Up to date with Country Chronologies of business-critical events
- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

[www.africariskconsulting.com](http://www.africariskconsulting.com)

### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)