

AFRICA RISK CONSULTING

Botswana Monthly Briefing March 2020

Botswana Summary 11 March 2020

Botswana strengthens its preparedness for COVID-19. To date, 14 suspected cases in Botswana have tested negative. Africa Centres for Disease Control and Prevention (Africa CDC), the World Health Organisation (WHO), the US Centers for Disease Control and Prevention (US CDC), and the National Public Health Institutes (NPHIs) unite to help the African continent fight the outbreak. United Kingdom (UK)-headquartered diamond company De Beers reports that COVID-19 has caused a 36% drop in its sales this year. This decline comes as Botswana negotiates a new contract with De Beers' parent company, UK-headquartered Anglo American. The African Development Bank (AfDB) invests \$80m in the Botswana Development Corporation (BDC).

Botswana readies itself for COVID-19 ...

Botswana's health and wellness ministry announced its plans on 10 March for protecting Botswana from an outbreak of the **coronavirus disease 2019 (COVID-19)**.¹ To date, Botswana's 14 suspected cases have all tested negative for COVID-19. Responding to news released by neighbouring **South Africa** that it had seven confirmed cases as of 9 March, health minister **Lemogang Kwape** indicated that "corona virus might come knocking at our doors anytime soon".² Although the spread of the virus is declining in **China**, where it originated, it continues to increase globally. The **World Health Organisation (WHO)** on 11 March characterised COVID-19 a "pandemic".³ On the **African** continent cases of the virus have been confirmed in **Algeria, Cameroon, Tunisia, Egypt, Morocco, Nigeria, Senegal, South Africa, Togo, and Tunisia**.

Health minister Kwape met with presidential affairs, governance and public administration minister **Kabo Morwaeng** on 8 March to strategise Botswana's actions.⁴ The ministers committed to strengthening work relations, streamlining processes to enable timely procurement of commodities, and collecting resources to strengthen response and preparedness of the country against COVID-19.⁵ The ministers and their teams agreed to jointly mobilise resources, offer space should there be need for facility quarantine, advise on movement limitation, and determine and manage possible issues.⁶ The ministers said they will meet regularly and continue to brief cabinet on measures that can be put in place.

Health services director **Malaika Tshipayagae** announced on 8 March that Botswana would be introducing mandatory self-quarantine for 14 days for tourists and travellers from countries that have confirmed outbreaks of COVID-19.⁷ Health ministry officers in travellers' respective districts will monitor the self-quarantine process and the **Hospitality Tourism and Association of Botswana** has been informed of the decision. Although it is still unclear how this will affect tourism and travel within Botswana, travel disruptions and delays are anticipated. The business tourism sector could see a

¹ Republic of Botswana's Ministry of Health and Wellness Official Facebook page, 10 Mar 2020

² Republic of Botswana's Ministry of Health and Wellness Official Facebook page, 10 Mar 2020

³ WHO Statement, 11 Mar 2020

⁴ Republic of Botswana's Ministry of Health and Wellness Official Facebook page, 10 Mar 2020

⁵ Republic of Botswana's Ministry of Health and Wellness Official Facebook page, 10 Mar 2020

⁶ Republic of Botswana's Ministry of Health and Wellness Official Facebook page, 10 Mar 2020

⁷ Journal du Cameroun, 8 Mar 2020

downturn given decisions by many companies to cease all business travel and rather invoke work from home policies.⁸

Health checks are being conducted at all ports of entry into Botswana, including the **Sir Seretse Khama International Airport in Gaborone**.⁹ Travellers entering the country will be screened via temperature measurement and/or visual observation at the port of entry. Travellers who might be ill (higher than normal temperature) will be assessed for signs, symptoms and history that may suggest COVID-19 disease, and may be quarantined.¹⁰ However, the efficacy of airport screening has been questioned, given the inability of the thermometer 'guns' to consistently detect infected passengers.¹¹ Thermal scanners and handheld thermometers measure skin temperature, which can be higher or lower than the core body temperature that is the key metric for fevers.¹² Additionally, infected people who are still in the incubation phase (between 2 and 14 days) and without symptoms are often missed.¹³ Researchers at the **European Centre for Disease Prevention and Control** concluded that approximately 75% of passengers infected with COVID-19 and traveling from affected Chinese cities would not be detected by the entry screening process.¹⁴ Likewise, a study by the **London School of Hygiene & Tropical Medicine** concluded that exit and entry screening is not likely to prevent passage of infected travellers to other regions.¹⁵

The WHO has emphasised a multi-pronged approach of thermal screening along with symptom checks and interviewing passengers with known high-risk exposure in order to collect data that can be stored and traced if need be. Confirming cases presents a challenge with only five laboratories existing on the African continent at the start of the outbreak in China.¹⁶ The **Africa Centres for Disease Control and Prevention (Africa CDC)** has partnered with the WHO, the **US Centers for Disease Control and Prevention (US CDC)**, the **National Public Health Institutes (NPHIs)** and equivalent government agencies, and health ministries to prepare **African Union (AU)** member states for the outbreak in their countries.¹⁷ Africa CDC director Dr. **John Nkengasong** has reassured that the centre has trained hundreds of experts from AU member states in different aspects of COVID-19 prevention and control, including laboratory diagnosis, enhanced surveillance and point of entry screening, infection prevention and control, risk communication, and case management, with 43 laboratories from 43 African countries having participated in training organised by Africa CDC, as of 7 March. Representatives of those laboratories have been trained to isolate and transport the virus and test for it in the laboratory. Each laboratory has received kits containing reagents to conduct at least 200 tests during the training. Africa CDC also provides additional kits for 1,000 tests to any country that reports cases. The WHO and US CDC have provided additional test kits to some of these countries to strengthen their capacity to test for the virus.

Botswana's youth empowerment, sport and culture development minister, **Tumiso Rakgare**, has said that the government will continue to monitor the COVID-19 situation ahead of the **2020 Summer Olympics** due to be held in **Tokyo (Japan)** from 24 July until 9 August.¹⁸

Impact of COVID-19 on Botswana's economy

The COVID-19 outbreak is likely to have an economic impact on Botswana, though the extent is not yet clear. Disruptions to the diamond industry have already surfaced, as **United Kingdom-**

⁸ Source, analyst, London

⁹ US Embassy in Botswana, 25 Feb 2020

¹⁰ Center for Global Health and Botswanan-UPenn (University of Pennsylvania) Partnership, 3 Mar 2020

¹¹ ScienceMag, 6 Mar 2020

¹² ScienceMag, 6 Mar 2020

¹³ ScienceMag, 6 Mar 2020

¹⁴ European Centre for Disease Prevention and Control, 31 Jan 2020

¹⁵ London School of Hygiene & Tropical Medicine, 6 Feb 2020

¹⁶ The Guardian, 4 Feb 2020

¹⁷ Africa Centres for Disease Control and Prevention (Africa CDC) Press Release, 7 Mar 2020

¹⁸ The Standard, 3 Mar 2020

headquartered diamond company **De Beers** revealed on 4 March that the outbreak of the coronavirus had negatively affected its sales of rough diamonds in February by 36%.¹⁹ The company sold \$355m worth of rough diamonds in the second cycle of 2020 compared to \$551m for the first cycle of the year and 28% lower than sales in the same period in 2019.²⁰ China accounts for 14% of global consumption of polished gems, which makes it the biggest market outside the US.²¹ Chinese buyers are not expected to return to the market for at least the next couple of months.²² The accumulation of excess goods will negatively impact on liquidity amongst polished-diamond suppliers.²³

Botswana's membership of the **Southern African Development Community (SADC)**²⁴ may provide some security in the wake of Chinese trade uncertainty. Botswana sources 81.6% of its imports from the SADC region, and these are valued at \$395.3m compared to \$11m in imports from China.²⁵ Bilateral trade between Botswana and China stood at \$296m in 2018. China accounts for 30% of **Asia's** total exports to Botswana and are valued at \$36.4m, equating to 7.5% of the country's total imports.²⁶ The main imports from Asia were machinery and electrical equipment.²⁷ Exports to China include diamonds, nickel, beef and other agricultural goods.²⁸ It is unclear yet the extent to which the COVID-19 outbreak will affect demand for exports of beef or other agricultural goods.

Although the Botswana government has made no official statement, it is likely that projects planned by the Chinese government under the **Agreement on Economic and Technical Cooperation with Botswana** will be put on the back-burner.²⁹ President **Mokgweetsi Masisi** (2018-present) has sought to improve relations with China, which had significantly cooled during the administration of his predecessor, **Ian Khama** (2008-2018). Masisi's introduction of **National Vision 2036** saw robust efforts to strengthen economic and trade ties with China for the country's economic transformation.³⁰ Masisi appeared to recognise the role China could play in lessening Botswana's reliance on diamond mining and trade and focusing on innovation and entrepreneurship for its progression towards a knowledge-based economy. Masisi reiterated this at the **Global Expo Botswana (GEB)** in August, calling on Botswana's businesses to engage with emerging markets such as **BRICS (Brazil, Russia, India, China, South Africa)** and create strategic partnerships.³¹ Masisi is the first Botswana president to have paid a state visit to China in more than a decade. He attended the **Forum on China-Africa Cooperation (FOCAC)** summit in September 2018 where he vowed to strengthen cooperation between the two countries under both FOCAC and the **Belt and Road Initiative** through the Agreement on Economic and Technical Cooperation.³²

Investment by Chinese companies in Botswana was \$23.24m in 2019 and spanned infrastructure, technology, tourism and healthcare.³³ Chinese companies pay a 15% corporate tax rate when they set up factories in Botswana, compared to the standard 22% rate for other countries.³⁴

¹⁹ Mining.com, 4 Mar 2020

²⁰ Mmegi, 4 Mar 2020

²¹ Business Day Live, 4 Mar 2020

²² Business Day Live, 4 Mar 2020

²³ Business Day Live, 4 Mar 2020

²⁴ SADC comprises of 16 Member States: Angola, Botswana, Comoros, Democratic Republic of Congo, Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Tanzania, Zambia and Zimbabwe

²⁵ Xinhua Net, 30 Nov 2019

²⁶ Xinhua Net, 30 Nov 2019

²⁷ Xinhua Net, 30 Nov 2019

²⁸ Global Times, 11 Aug 2019

²⁹ Source, analyst, London

³⁰ FOCAC.org, 10 Sep 2018

³¹ Global Times, 11 Aug 2019

³² FOCAC.org, 10 Sep 2018

³³ Global Times, 11 Aug 2019

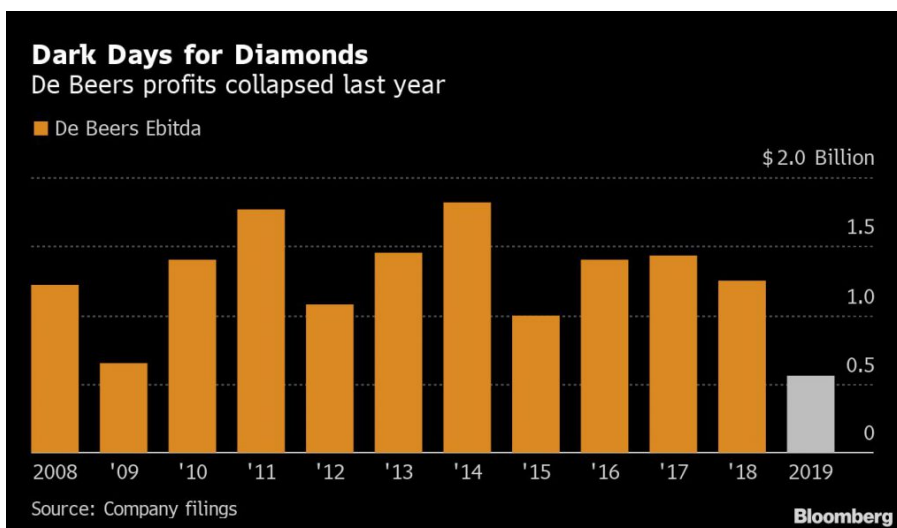
³⁴ Global Times, 11 Aug 2019

De Beers negotiates new contract with Botswana government

De Beers' declining diamond sales come as its parent company, UK-headquartered **Anglo American**, negotiates a new contract with the Botswana government for sorting, valuing and sales of diamonds from mines run by **Debswana**, the 50-50 joint venture between De Beers and the Botswana government. De Beers is 85% owned by Anglo American with the Botswana government owning the balance.³⁵ De Beers has indicated that the new contract will address the way the sights are run and look at changes that can be made to the traditional model to accommodate the changing market circumstances.³⁶ De Beers sells diamonds to a handpicked group of 80 buyers at events called 'sights' that take place 10 times throughout the year.³⁷

De Beers outlined plans in early March to assign its customers into three categories – dealers, manufacturers and integrated retailers.³⁸ The plan aims to ensure that each buyer receives the stones most suited to its needs and business type.³⁹ De Beers also proposes to channel specific types and volumes of diamonds to the customers best positioned to ensure a profit from them.⁴⁰ This will prevent instances seen in the past where, because diamonds were allocated based on past purchases, some customers would purchase the stones in order to secure future purchases and then dump the diamonds in the market.⁴¹

Mineral resources, green technology and energy security minister **Lefoko Moagi** indicated that the government plans to conclude negotiations with De Beers by the end of April.⁴² Botswana accounts for more than two-thirds of De Beers' production while it relies on the gems for 90% of its exports.⁴³ It is anticipated that Botswana will push for greater job creation and human capital development in the new contract.



De Beers' total diamond sales in 2020 have reached \$906m, making this the slowest start to a year since the company began releasing sales data in 2016.⁴⁴ Trends between 2018 and 2019 showed a decline in demand for all types of diamonds, which has impacted small stone producers the most, given oversupplies in that sector.⁴⁵ Increasing demand for synthetic diamonds has also affected prices as man-made stones require less investment than mined ones and can offer greater profit margins.⁴⁶

³⁵ Mmegi, 4 Mar 2020

³⁶ Business Day Live, 4 Mar 2020

³⁷ Mmegi Live, 4 Mar 2020

³⁸ Mining Weekly, 2 Mar 2020

³⁹ Mining Weekly, 2 Mar 2020

⁴⁰ Mining Weekly, 2 Mar 2020

⁴¹ Mining Weekly, 2 Mar 2020

⁴² Ventures Africa, 17 Feb 2020

⁴³ Moneyweb, 15 Feb 2020

⁴⁴ Business Day Live, 4 Mar 2020

⁴⁵ Mining.com, 4 Mar 2020

⁴⁶ Mmegi, 4 Mar 2020

AfDB invests \$80m in Botswana Development Corporation

The **African Development Bank (AfDB)** and the **Botswana Development Corporation (BDC)**, the country's main development finance agency, have signed a Line of Credit (LOC) totalling \$80m to help with key investments in Botswana.⁴⁷ The AfDB said in a statement that the BDC will lend to specific target groups, focusing on industrialisation including manufacturing, transport and service sectors that have significant development impact.⁴⁸ Repayment will be over 10 years, including a two-year grace period. AfDB financial intermediation and inclusion division manager **Mohamed Kalif** said:

*"The African Development Bank is excited to collaborate with BDC to promote private sector development, as well as support broad-based economic growth in Botswana."*⁴⁹

This is the largest amount to be loaned to a financial institution in Botswana.⁵⁰ The AfDB is one of Botswana's largest investors and a key promoter of its industrialisation agenda.⁵¹

Planner

19-23 Apr 2020 **Gaborone (Botswana)** United States-based business magazine **Forbes** to host the first **Under 30 Africa Summit**;⁵²

21-25 April 2020 **Bulawayo (Zimbabwe)** Zimbabwe International Trade Fair (ZITF);⁵³

30 Apr 2020 **(Botswana)** Bank of Botswana MPC meeting;

24 July – 9 Aug 2020 **Tokyo (Japan)** 2020 Summer Olympics;

20 Aug 2020 **(Botswana)** Bank of Botswana Monetary Policy Committee meeting;

2024 **(Botswana)** Presidential elections

Chronology

6 Mar 2020 **Gaborone (Botswana)** *Mmgeni*. **Gaborone Industrial Court** reinstates **Chawada Machacha** as finance and procurement director of **Botswana Energy Regulatory (BERA)**;

5 Mar 2020 **Queensland (Australia)** *Strata-X.com*. **Australia-based Strata-X Energy** agrees to farm out **Botswana's Serowe** coalbed methane project to Australia-based **BotsGas**;

5 Mar 2020 **Gaborone (Botswana)** *The Patriot*. **Botswana Public Officers Pension Fund (BPOPF)**, the wealthiest pension fund in Botswana (over P70 billion/\$6.3 billion), faces uncertainty over Board's indecision over CEO **Boitumelo Molefe's** contract renewal;

5 Mar 2020 **Johannesburg (South Africa)** *Engineering News*. **African** equity capital market declined in value by 44% and in volume by 29% in 2019, and **PwC** projects that this volatile trend will continue in the 2020 financial year;

4 Mar 2020 **Gaborone (Botswana)** *ENSight*. The **Non-Bank Financial Institutions Regulatory Authority (NBFIRA)** publishes a Guidance Note on Proliferation and Proliferation Financing: Non-Bank Financial Institutions;

⁴⁷ ESI Africa, 2 Mar 2020

⁴⁸ ESI Africa, 2 Mar 2020

⁴⁹ ESI Africa, 2 Mar 2020

⁵⁰ ESI Africa, 2 Mar 2020

⁵¹ ESI Africa, 2 Mar 2020

⁵² The government announced on 10 March that they would monitor COVID-19 developments before deciding to continue or cancel the event.

⁵³ ZITF organisers say they will make an announcement on 13 March as to whether the trade show will go ahead.

26 Feb 2020 **Gaborone (Botswana)** *ESI Africa*. **African Development Bank** and the **Botswana Development Corporation** sign a line of credit totalling \$80m to support private sector development and broad-based economic growth in Botswana;

24 Feb 2020 **Gaborone (Botswana)** *Morning Star*. **Botswana Diamonds** says drilling at **Marsfontein** project has encountered kimberlite, an igneous rock that sometimes contains diamonds, causing shares to increase 38%;

17 Feb 2020 **Gaborone (Botswana)** *Morning Star*. **Kavango Resources** signs a joint venture agreement in respect of two prospecting licences situated in the **Kalahari Copper Belt**;

14 Feb 2020 **Gaborone (Botswana)** *Moneyweb.com*. Mineral resources, green technology and energy security minister **Lefoko Moagi** says **Botswana** plans to conclude negotiations with **United Kingdom**-based **De Beers** on a diamond sales agreement by the end of April to replace the current 10-year deal that expires in January 2021;

14 Feb 2020 **Gaborone (Botswana)** *Morning Star*. **United Kingdom**-based natural resources investor **Metal Tiger** puts a further \$1.5m into **Botswana**-focused explorer **Kalahari Metals**;

12 Feb 2020 **Gaborone (Botswana)** *Botswana Daily News*. **Botswana Institute for Technology, Research and Innovation (BITRI)** is looking to use nickel batteries in the development of a Botswana-made electric car.

About Africa Risk Consulting:

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