

AFRICA RISK CONSULTING

Botswana Monthly Briefing August 2020

Botswana Summary 17 August 2020

The Botswana government lifts the lockdown of capital city Gaborone, effective immediately on 13 August, despite concerns of steadily increasing coronavirus cases. Disruptions caused by the Covid-19 pandemic resulted in Botswana's diamond exports plunging by over two-thirds between April and June. Coal mining and trading company Minergy Limited successfully exports Botswana's first coal by rail to South Africa.

Botswana lifts capital lockdown

The **Botswana** government on 13 August lifted its two-week renewed lockdown of capital city **Gaborone** which it had reinstated on 31 July.¹ The government had re-imposed the lockdown to contain the resurgence in **Covid-19** cases after local transmissions had doubled.² Health minister **Lemogang Kwape** said the government made the decision to reopen Gaborone despite concerns over a steady increase in local transmissions since 1 August. Kwape drew attention to the 203 new Covid-19 cases registered in the past two weeks, including one death, bringing the number of Botswana's Covid-19 related deaths to three since the outbreak.³

*"Since then, the number of cases has been increasing despite the lockdown. Of special importance is for all of us to note that we are registering a lot of high numbers, more than our country can cope with. Moreover, there is a clear indication of local transmission."*⁴

Kwape said the government took the decision to gradually resume economic activities while remaining vigilant of any developments of the outbreak within the city.⁵

*"To come out of this lockdown while cases continue to escalate is a precarious situation. This development has the potential to be dangerous if we do not have the appropriate controls and measures in place."*⁶

Stringent measures are in place for businesses and schools planning to reopen in Gaborone.⁷ Schools as well as businesses and entrepreneurs resuming economic activities are expected to adhere to extra precautionary measures including temperature scans of all individuals accessing their premises and regular disinfection of facilities.⁸

President **Mokgweetsi Masisi** (2018-present) imposed the lockdown under the state of emergency that he declared on 31 March in response to the Covid-19 outbreak. The state of emergency involved the closure of borders as well as various public spaces including schools, businesses, churches, and the limitation of public movement in Botswana (see *ARC Briefing Botswana June, July 2020*).

The government's response measures to the pandemic have allowed the country to limit confirmed cases to 1,214, with 120 recoveries and 1,091 active cases.⁹ Botswana's mortality rate is under two deaths per one million inhabitants, significantly lower than the rate recorded in neighbouring **South**

¹ World Aware, 13 Aug 2020

² Aviation Travel and Conservation News, 31 Jul 2020

³ World Aware, 13 Aug 2020

⁴ Minister Lemogang Kwape quoted by Voice of America, 15 Aug 2020

⁵ Voice of America, 15 Aug 2020

⁶ Minister Lemogang Kwape quoted by Voice of America, 15 Aug 2020

⁷ World Aware, 13 Aug 2020

⁸ World Aware, 13 Aug 2020

⁹ Statista, 16 Aug 2020

Africa with its better-recognised public health system.¹⁰ South Africa's present mortality rate is just under 195 per million inhabitants.¹¹

In addition to the phased reopening of Gaborone, the government will commence surveillance testing of the coronavirus on 17 August to determine the extent of its spread in communities throughout the country.¹² In an announcement on a local radio station on 15 August, health services director **Malaki Tshipayagae** said the government had identified health facilities around the country where people will be tested randomly.¹³ The government aims to conduct approximately 20,000 tests per month. Until now it has concentrated its testing capacity at entry points, which has seen a low number of Covid-19 cases recorded at its borders.¹⁴ However, the recent surge in transmissions, primarily in Gaborone, has forced Botswana's health authorities to consider an alternative strategy regarding testing and tracing as the virus spreads within communities.¹⁵

Diamond sector has lost its sheen ...

Botswana's rough diamond exports plunged 68% in the second quarter of the year according to data published by the **Bank of Botswana (BoB)** (central bank) on 7 August.¹⁶ The nationwide lockdown and closure of borders imposed in March prevented international diamond traders from several diamond trading centres including **Beijing (China)**, **Mumbai (India)** and **Antwerp (Belgium)** from travelling to Botswana to view and buy diamonds.¹⁷

The Bank of Botswana report revealed a decline in diamond exports from **Debswana**, the 50:50 joint venture between the Botswana government and diamond producing company **De Beers Group**, a division of **United Kingdom**-based **Anglo American**.¹⁸ While no diamond exports were recorded in May, Botswana was able to export \$20m worth of diamonds in June.¹⁹ The central bank's data showed Debswana's exports amounted to \$293m in the second quarter of this year, falling by nearly two-thirds from \$916m in the previous period.²⁰

The decline in diamond exports will disrupt Botswana's economic growth, which is expected to contract by 13.1%, while the Gross Domestic Product (GDP) is forecasted to shrink by 5.4% in 2020 (see *ARC Briefing Botswana May 2020*). The mining sector – Botswana's largest revenue earner – is forecasted to contract by a third as a result of a P6.7 billion (\$5.53m) fall in diamond sales earnings from P20 billion (\$1.6 billion) to P13.3 billion (\$1.1 billion).²¹ Diamond exports are responsible for approximately 70% of total revenue generated in Botswana.²²

Measures put in place to stem the spread of the coronavirus have had a significant impact on both mining operations and demand for diamonds.²³ A De Beers report released on 30 July showed the company suffered a net loss of \$241m in the first half of the year, as rough diamond sales fell by more than half to \$1 billion.²⁴ De Beers relies heavily on Botswana for its diamond supply, equating to nearly 70%.²⁵ The Covid-19 pandemic has exposed the vulnerabilities stemming from Botswana's

¹⁰ Statista, 16 Aug 2020

¹¹ Statista, 16 Aug 2020

¹² Xinhua, 16 Aug 2020

¹³ Xinhua, 16 Aug 2020

¹⁴ Xinhua, 16 Aug 2020

¹⁵ Source, analyst, Pretoria

¹⁶ Bank of Botswana, 7 Aug 2020

¹⁷ Financial World, 11 Aug 2020

¹⁸ Bank of Botswana, 7 Aug 2020

¹⁹ Financial World, 11 Aug 2020

²⁰ Bank of Botswana, 7 Aug 2020

²¹ Bloomberg, 30 Apr 2020

²² Bloomberg, 10 Aug 2020

²³ Source, analyst, Pretoria

²⁴ De Beer Group, 30 Jul 2020

²⁵ Bloomberg, 10 Aug 2020

lack of economic diversification due its significant reliance on a single commodity – diamonds – for growth, exports, and budget revenues.²⁶

... while coal mining sector heats up

Botswana Stock Exchange-listed mining coal mining and trading company **Minergy Limited** exported Botswana’s first coal by rail to neighbouring South Africa on 17 July.²⁷ The coal miner, which owns and operates the **Masama** coalmine in the **Mmamabula** coalfield, transported the coal for an industrial client in the cement sector in South Africa.²⁸ Transport and communications minister **Thulagano Segogkgo**, infrastructure and housing development minister **Mmusi Kgafela**, assistant minister of basic education **Fidelis Molao**, as well as local dignitaries and representatives of **Minergy**, **Botswana Railways (BotRail)**, and South Africa-based financial services group **ABSA Group Limited** attended the event²⁹ Minergy CEO **Morne du Plessis** noted the significance of the achievement as a victory for both Minergy and for regional export of coal from Botswana.³⁰

Botswana is beginning to play a more important role in the **Southern African** domestic and export coal market.³¹ This aligns with the Botswana government’s national strategy to diversify away from an exclusively diamond-based economy.³² The government has identified the export of coal as one way to reach this objective.³³

Botswana offers an attractive value proposition to meet demand for coal in Southern Africa, particularly in South Africa’s **North West** and **Northern Cape** provinces.³⁴ Botswana is estimated to have up to 200 billion tonnes of coal reserves³⁵ and has a favourable investment climate. The **United Nations Conference on Trade and Development (UNCTAD) World Investment Report 2020**, released on 26 June, noted that political stability and a well-functioning judicial system are advantages for investment prospects in Botswana.³⁶ Botswana ranked 87th out 190 economies surveyed in the **World Bank’s 2020 Doing Business** report, maintaining its 2019 ranking as one of the top 10 countries in **Africa** for facilitating business activity.³⁷ The ranking placed Botswana 7th in Africa, trailing behind **Mauritius** (13th), **Rwanda** (38th), **Morocco** (53rd), **Kenya** (56th), **Tunisia** (78th), South Africa (84th) and **Zambia** (85th).³⁸ The World Bank report noted that Botswana had made “*paying taxes less costly by reducing the corporate income tax rate*”.³⁹

²⁶ Source, analyst, Pretoria

²⁷ Mmegi, 24 Jul 2020

²⁸ Minergy Limited 2020

²⁹ NS Energy, 27 Jul 2020

³⁰ NS Energy, 27 Jul 2020

³¹ Source, analyst, Pretoria

³² African Development Bank, 17 Mar 2020

³³ Source, analyst, Pretoria

³⁴ Source, analyst, Pretoria

³⁵ Mmegi, 24 Jul 2020

³⁶ UNCTAD World Investment Report, 26 Jun 2020

³⁷ World Bank Doing Business 2020

³⁸ World Bank Doing Business 2020

³⁹ World Bank’s Doing Business 2020

Planner

20 Aug 2020 **(Botswana) Bank of Botswana** Monetary Policy Committee meeting;
2024 **(Botswana)** Presidential elections

Chronology

14 Aug 2020 **Gaborone (Botswana) Mmegi**. The **Botswana Red Cross Society** uses the \$50,000 (P600,000) donated by the **Coca-Cola Foundation** to assist hundreds of vulnerable villagers in the **Kweneng West** district;

14 Aug 2020 **Gaborone (Botswana) Mmegi**. **Directorate on Corruption and Economic Crime (DCEC)** raids the office of **Directorate of Intelligence and Security (DIS)** chief **Peter Magosi** following allegations of misappropriation of “millions of pula” in public funds;

14 Aug 2020 **Gaborone (Botswana) Mmegi**. **Bank of Botswana** (central bank) reports that collective profits of local commercial banks dropped nearly 8% in the first months of the year, compared to the corresponding period last year;

10 Aug 2020 **Kanye (Botswana) All Africa**. **Moshupa Police** Commander, Superintendent **David Ramoseki**, announces that illegal sand miners recently targeted a number of regions, including **Moshupa West, Taueshele Farm area, Lotlhakane West, Tshaane** and **Sentsi** villages;

6 Aug 2020 **Gaborone (Botswana) Southern Times Africa**. **Bank of Botswana's** quarterly **Business Expectations Survey (BES)** indicates optimism and improvement of the domestic market in the third quarter of 2020 compared to the second quarter;

3 Aug 2020 **Gaborone (Botswana) Mmegi**. Retailer **Choppies** CEO **Ramachandran Ottapathu** says Choppies will close unprofitable supermarkets in **South Africa, Kenya, Tanzania** and **Mozambique** and concentrate its resources in **Botswana**;

30 Jul 2020 **Gaborone (Botswana) Mmegi**. Government reinstates a two-week lockdown in capital **Gaborone** amid a surge in **coronavirus** cases;

28 Jul 2020 **Gaborone (Botswana) African Markets**. Regional retail giant **Choppies Enterprises** relists on the **Botswana Stock Exchange**, effectively resuming the trading of its shares on the bourse;

About Africa Risk Consulting:

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