

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing June 2021

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#### Botswana Summary 9 June 2021

**President Mokgweetsi Masisi (2018-present) is banking on his recently launched “reset agenda” to shore up public support and confidence in his administration and improve public opinion of the local economy’s performance under Covid-19. Statistics Botswana reports that inflation rose sharply in April to 5.6%, from 3.2% recorded in March. The government hopes its newly revitalised strategy for the African Growth and Opportunities Act (AGOA) will reap dividends after a United States (US) government international trade specialist reveals that local companies’ exports under the trade deal have been at zero since the end of 2019. The Botswana Unified Revenue Service (BURS) closes and reopens three major road borders with South Africa at the request of authorities in that country, which is battling a third wave of Covid-19. The border closures raise concerns that rising Covid-19 cases in South Africa will endanger imports of goods to Botswana, including economically critical commodities.**

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#### Masisi’s reset agenda meets with scepticism...

President **Mokgweetsi Masisi** (2018-present) is banking on his recently launched “reset agenda” to shore up public support and confidence in his administration, particularly with regard to **Botswana’s** economic performance under **Covid-19**.<sup>1</sup> The reset agenda introduces major reforms that will affect cabinet, the ruling **Botswana Democratic Party (BDP)** and the public service, with the aim of improving service delivery and the country’s economic standing.<sup>2</sup> Briefing the nation in May, Masisi noted that the current global crisis has necessitated a re-evaluation of the way government operates:<sup>3</sup>

*“To reset is to set new priorities, to adopt new approaches and to put new implementation resources in place immediately... This is not a turnaround that will take years; It is immediate.”<sup>4</sup>*

Masisi stressed that a new mindset, seeking new and smarter ways of implementing projects on time and budget, whose focus was citizen economic inclusion, was necessary.<sup>5</sup> To that end, Masisi said the public service has been scrutinised as a tool of public governance and delivery, to determine the extent to which public sector shortcomings lead to implementation failures, which have become the norm in government. Among key priorities of the reset agenda, Masisi has included the need to save Botswana from Covid-19 through the implementation of life saving programmes, including successful and timely vaccination against the disease (see below).<sup>6</sup>

Several analysts say Masisi’s blueprint to reconfigure Botswana’s economic fortunes aims to restore faith in his failing administration. A Botswana-based analyst said the president’s reset agenda is an indication that things are not working well in government and the country in general. Another analyst expressed doubt that the new strategy will result in significant improvement, given the government’s history of ineffectiveness.<sup>7</sup>

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<sup>1</sup> Mmegi, 4 Jun 2021

<sup>2</sup> Daily News, 9 May 2021

<sup>3</sup> Mmegi, 4 Jun 2021

<sup>4</sup> Daily News, 9 May 2021

<sup>5</sup> Daily News, 9 May 2021

<sup>6</sup> Daily News, 9 May 2021

<sup>7</sup> Source, Botswana analyst

*“The proponents of reset forget that constitutionally, the supervisor of the public service is the Executive, which is the Cabinet. So if the public service has failed, it is the cabinet which has failed. Anyway, in all fairness to His Excellency the President, he did concede that for the past 30 years, the BDP government has failed this nation.”<sup>8</sup>*

The BDP has ruled Botswana continuously since the country gained independence from the **United Kingdom (UK)** in 1966. Botswana next heads to the polls in 2024.

### ... as inflation reaches 5.6% in April, highest rate since July 2013...

National statistics agency **Statistics Botswana** released data on the **Consumer Price Index (CPI)** on 14 May, revealing that inflation rose sharply in Botswana in April to 5.6% from 3.2% recorded in March.<sup>9</sup> The last time the country saw inflation this high was eight years ago, in July 2013. The rise in the cost of living has been attributed to the 1 April fuel price increase, value added tax, as well as higher prices of food, alcohol, financial services, **Botswana Housing Corporation (BHC)** house rentals, electricity tariffs, water, gas and miscellaneous goods and services. The tax hikes are generally interpreted as local businesses passing on increased costs to consumers in the form of higher prices, while supply constraints in an environment of rising demand have also fueled inflation.<sup>10</sup>

The **Bank of Botswana (BoB)** (central bank) expects that inflation will breach the upper cap of its 3-6% target in the second quarter of this year before returning to below that level in the first three months of 2022.<sup>11</sup> BoB governor **Moses Dinekere Pelaelo** said the rise in inflation in the second quarter is driven by recent tax increases and Covid-19 related constraints.<sup>12</sup> Inflation dropped below 1% in 2020 as the Covid-19 pandemic depressed economic activity but has been on the rise in the last few months, culminating in the 5.6% rate in April.

### Government acts as AGOA exports hit zero...

The Botswana government is hopeful that its newly revitalised strategy for the **African Growth and Opportunities Act (AGOA)** will reap dividends after a **United States (US)** government international trade specialist revealed that exports by Botswana companies under the trade deal have been zero since the end of 2019.<sup>13</sup> AGOA is a trade agreement between the US and **sub-Saharan African** countries that allows for duty free access to the US market and runs until 2025.

Historically, many **African** countries, including Botswana, have underutilised the potential of AGOA. The Botswana government’s new strategy aims to change this. At its peak in 2008, Botswanan companies exported goods to the value of P1.8 billion (\$170m), but figures have plummeted over the past few years as exporting sectors such as textiles and garments have struggled with several issues.<sup>14</sup> **US Department of Commerce** international trade specialist **Thomas Newberg** told **BusinessWeek** that Botswana’s last exports under AGOA occurred in 2019 and consisted of wooden ornaments to the value of \$3,500.<sup>15</sup> The last textile exports from Botswana under the trade arrangement were in 2017 and consisted of women’s garments worth \$970,000.<sup>16</sup> Newberg said the potential for exports of textile and apparels under AGOA is very high, with AGOA allowing countries such as Botswana to source fabric from third-party countries.<sup>17</sup> Newberg noted that AGOA eligible countries have consistently fallen short of the quota fill rate for third-party fabric.

Although the US remains the most lucrative market for local textile exporters, issues of scale, distance, capacity, costs, and intense competition for the US market coupled with the Botswana government’s

<sup>8</sup> Patrick Molutsi quoted in The Gazette News, 31 May 2021

<sup>9</sup> Sunday Standard, 14 May 2021

<sup>10</sup> Reuters, 29 Apr 2021

<sup>11</sup> Mmegi, 14 May 2021

<sup>12</sup> Reuters, 29 Apr 2021

<sup>13</sup> Mmegi, 4 Jun 2021

<sup>14</sup> Mmegi, 4 Jun 2021

<sup>15</sup> BusinessWeek, 4 Jun 2021

<sup>16</sup> Mmegi, 4 Jun 2021

<sup>17</sup> BusinessWeek, 4 Jun 2021

reluctance to extend incentives to producers, have led to closure of some factories in Botswana and relocation by others.<sup>18</sup> Local textile exporters have generally refocused on targeting the domestic retail market, government procurement and exports into neighbouring **South Africa**.<sup>19</sup>

Botswana's acting deputy permanent secretary of the ministry of investment, trade and industry, **Gideon Mmolawa**, said the country's revised AGOA strategy will direct focus on supporting the exports of handicrafts, meat and meat products, natural/indigenous products, jewellery and semi-precious stones.<sup>20</sup> However, Mmolawa said that exporting "*horticulture and agro-processing, textile and apparel (as well as) and leather and leather products*" remains important.<sup>21</sup> Mmolawa noted that some domestic firms have already made progress in exporting natural/indigenous products with an estimated global value of \$37 billion. Producers of jewellery and semi-precious stones have established contacts in the US, and arts and crafts creators from northern Botswana are expected to take advantage of the AGOA deal. Mmolawa also said the government will continue to support the domestic textile sector through a "*stern focus*" on manufacturing uniforms for the national army and schools as a strategy to penetrate local supply and retail.<sup>22</sup> Regional clusters in rural areas are also being developed to strengthen value chains and awareness campaigns have been launched to promote the advantages of AGOA. Newberg noted that AGOA will continue to be in place until September 2025.<sup>23</sup>

### ... and rising Covid-19 cases in South Africa threaten imports to Botswana ...

The **Botswana Unified Revenue Service (BURS)** on 5 June closed and then reopened three major road borders with South Africa at the request of authorities in that country, which is battling a third wave of Covid-19.<sup>24</sup> Border gates at **Tlokweng**, **Pioneer** and **Ramatlabama** represent Botswana's busiest borders with South Africa. The three borders reopened on 6 June after closing on 5 June.<sup>25</sup> South Africa is experiencing a rise in Covid-19 cases, with close to 5,000 new cases per day being recorded since 2 June.<sup>26</sup>

The border closures raised concerns that rising Covid-19 cases in South Africa will endanger imports of goods to Botswana, which include economically critical commodities such as fuel. Imports from South Africa account for two-thirds of Botswana's annual import bill. The government of Botswana has promised to accelerate various policies to reduce the import bill, especially as Covid-19 continues to expose the risks of over-reliance on imports.<sup>27</sup>

Botswana's other major border post with South Africa, **Martin's Drift**, was not impacted but local officials said they were monitoring updates from South African counterparts. BURS general communications manager **Mable Bolele** told local news publication **The Monitor** when the three borders closed on 5 June that the government had no timeframe for when the borders would reopen:

*"It's not on our side; it's [South Africa] SA that called to say they have Covid-19 scares and they will tell us when they open... On our side, we have to notify our travellers so that they don't find themselves going all the way only to find the border closed."*<sup>28</sup>

The temporary closure of the three borders resulted in increased traffic for smaller border crossings such as **Sikwane**, **Platjan**, **Ramotswa**, **Molopo** and **Phitsane**.

<sup>18</sup> Mmegi, 4 Jun 2021

<sup>19</sup> BusinessWeek, 4 Jun 2021

<sup>20</sup> Mmegi, 4 Jun 2021

<sup>21</sup> Mmegi, 4 Jun 2021

<sup>22</sup> Mmegi, 4 Jun 2021

<sup>23</sup> BusinessWeek, 4 Jun 2021

<sup>24</sup> Mmegi, 7 Jun 2021

<sup>25</sup> Mmegi, 7 Jun 2021

<sup>26</sup> Mmegi, 7 Jun 2021

<sup>27</sup> Mmegi, 7 Jun 2021

<sup>28</sup> Mmegi, 7 Jun 2021

As of 10 June, Botswana has reported 58,095 cases of Covid-19 in its population of roughly 2.4 million, with 53,887 recoveries and 885 Covid-19-related deaths.<sup>29</sup> Botswana has identified 1,014 new positive cases since 1 June and vaccinated 149,268 people.<sup>30</sup> The ministry of health and wellness announced on 17 May that Botswana would receive 38,400 doses of the **British-Swedish**-manufactured **AstraZeneca** Covid-19 vaccine on 29 May and 19,890 doses of the US-manufactured **Pfizer** vaccine on 3 June.<sup>31</sup> Procurement of the vaccines took place through the **World Health Organisation (WHO)**-led **Covax** facility, and was facilitated by the **United Nations Children's Fund (UNICEF)**. The health ministry began vaccinating the elderly on 26 March with the AstraZeneca vaccine (see *ARC Briefing Botswana April 2021*).

### Planner

Mar-Dec 2021 (**Botswana**) Timeline for Botswana's **Covid-19** vaccination campaign;

30 Jun 2021 (**Botswana**) Date by which **State Bank of India** will exit Botswana;

1 Jul 2021 (**Botswana**) Withholding tax increases from 7.5% to 10%;

Aug 2021 (**Malawi**) **41<sup>st</sup> Southern Africa Development Community Summit** of Heads of State and Government;

2021 **Morupule (Botswana)** Expected commissioning of **Morupule Coal Mine** expanded mine;

Mar 2022 (**Botswana**) Target date to establish 2,400 new businesses, including 32 manufacturing companies;

Mar 2023 (**Botswana**) End date of **National Development Plan 11 (NDP11)**;

2024 (**Botswana**) Presidential elections

### Chronology

8 Jun 2021 **Gaborone (Botswana) Mmegi. Botswana Democratic Party (BDP) National Youth Executive Committee (NYEC)** requests youth empowerment, sport and culture development ministry to re-open the **Youth Development Fund (YDF)** to address unemployment challenges;

7 Jun 2021 **Gaborone (Botswana) Mmegi. Botswana Export Credit Insurance (BECI)** extends the rollout of the government's P1 billion (\$94.6m) loan guarantee scheme to 31 March 2022 after financing more than P100m (\$9.4m) worth of guarantees;

7 Jun 2021 **Gaborone (Botswana) Mmegi. The Botswana Movement for Democracy (BMD)** dismisses reports it is on the verge of closing and says it is building its structures;

7 Jun 2021 **Gaborone (Botswana) Mmegi. The Botswana Federation of Trade Unions (BFTU)** criticises government's handling of **Covid-19** vaccine procurement and lack of a clear vaccination programme;

6 Jun 2021 **Gaborone (Botswana) The Monitor. The Botswana Unified Revenue Service (BURS)** reopens three major road borders – **Tlokweng, Pioneer** and **Ramatlabama** border gates – with **South Africa** after closing the borders at the request of authorities in that country, which is battling with a new outbreak of **Covid-19**;

6 Jun 2021 **Gaborone (Botswana) Mmegi. Rising Covid-19 cases in South Africa** threaten imports into Botswana;

5 Jun 2021 **Gaborone (Botswana) Botswana Unified Revenue Service. Botswana Unified Revenue Service (BURS)** informs the public that the **Tlokweng, Ramatlabama** and **Pioneer**

<sup>29</sup> Worldometer, 10 Jun 2021

<sup>30</sup> Botswana Task Force, 10 Jun 2021

<sup>31</sup> Daily News, 27 May 2021

border gates will be closed until further notice due to rising **Covid-19** cases on the **South African** side;

3 Jun 2021 **Gaborone (Botswana) Mmegi**. **United States** vaccine producer **Moderna** confirms a bilateral deal to supply Botswana with **Covid-19** vaccines;

3 Jun 2021 **Gaborone (Botswana) Mmegi**. Data revisions by researchers at **Statistics Botswana** wipes away the trade surplus recorded in February this year;

2 Jun 2021 **Chobe (Botswana) Sunday Standard**. **Chobe** sub-region acting customs manager **Kebaabetswe Montsho** says the **Kazungula Bridge** has already raised close to P1 million (\$94,636) in toll fees on the Botswana side in the two weeks since it was commissioned;

31 May 2021 **Gaborone (Botswana) Mmegi**. **TransUnion Botswana**, Botswana's leading credit bureau, expects the lifting of the state of emergency to trigger lay-offs across the country, leading to a debt crisis among individual borrowers;

31 May 2021 **Gaborone (Botswana) The Daily News**. President **Mokgweetsi Masisi** returns after a two-day working visit to fellow **Southern African Development Community (SADC)** member state **Angola** to engage in talks on bilateral and regional issues with President **João Lourenço**;

31 May 2021 **Gaborone (Botswana) Mmegi**. **Botswana Defence Force (BDF)** is reportedly currently undertaking research on the development of drones;

30 May 2021 **Gaborone (Botswana) The Daily News**. President **Mokgweetsi Masisi** travels to Angola on a working visit where he is expected to meet with Angolan president **João Lourenço** to discuss regional issues of mutual interest and present Botswana's candidate for the position of SADC executive secretary, ambassador-at-Large **Elias Magosi**;

31 May 2021 **Gaborone (Botswana) Mmegi**. Local news publication **Mmegi** reports that **Covid-19** has pushed more Botswana towards the informal sector;

28 May 2021 **Shakawe (Botswana) The Daily News**. Mineral resources, green technology and energy security minister **Lefoko Moagi** says geological data gathered by **Reconnaissance Energy Botswana** indicates that there could be oil in the **Okavango** area, which can only be confirmed through introduction of physical activities;

28 May 2021 **Chobe (Botswana) Sunday Standard**. **Botswana Unified Revenue Service (BURS)** reports that about 900 companies defrauded the **Covid-19** wage subsidy scheme;

27 May 2021 **Gaborone (Botswana) The Daily News**. Health ministry reports a total of 132,782 people have been vaccinated against **Covid-19** in Botswana;

26 May 2021 **Gaborone (Botswana) The Daily News**. **National AIDS and Health Promotion Agency (NAHPA)** acting national coordinator **Robert Selato** says Botswana is close to attaining elimination of the transmission of HIV from mother to child;

26 May 2021 **Gaborone (Botswana) Mmegi**. The **Botswana Nurses Union (BONU)** expresses disappointment over the government's continuous failure to honour its promise to pay back allowance money for nurses' uniform;

25 May 2021 **Gaborone (Botswana) Mmegi**. The **Bank of Botswana (BoB)** will return to the capital market on 28 May seeking to raise P700m (\$66m) in debt on behalf of the government;

24 May 2021 **Gaborone (Botswana) The Daily News**. Environment, natural resources conservation and tourism ministry confirms that promoting or marketing tourism sites in the country remains one of its top priorities;

24 May 2021 **Gaborone (Botswana) BusinessWeek**. The **Botswana Unified Revenue Service (BURS)** reports it collected P40 billion (\$3.75 billion) in taxes in 2020, exceeding the

government's target of P37 billion (\$3.5 billion), despite the effects of the **Covid-19** pandemic;

24 May 2021 **Gaborone (Botswana)** *The Daily News*. Environment, natural resources conservation and tourism minister **Philda Kereng** says the **Kasane/Kazungula** redevelopment project is meant to diversify the tourism product offering away from wildlife resources;

20 May 2021 **Gaborone (Botswana)** *Mmegi*. Botswana's **Covid-19** vaccination programme is expected to remain on track despite the **Serum Institute of India (SII)** announcing it will stop exporting vaccines to **Africa** and other countries for the next seven months as the virus ravages India;

19 May 2021 **Gaborone (Botswana)** *The Monitor*. Newly revamped **Liquid Intelligence Technologies (LIT)**, a leading communications services and solutions provider across **East, Central and Southern Africa**, reveals its plans to roll out fibre across Botswana;

19 May 2021 **Gaborone (Botswana)** *Mmegi*. The amount of outstanding loans at commercial banks attributable to households rose by P72.2 million (\$6.8m) in February, continuing the weak uptake of credit seen in the local market since the outbreak of **Covid-19**;

19 May 2021 **Gaborone (Botswana)** *The Daily News*. President **Mokgweetsi Masisi** travels to **Maseru (Lesotho)** on a one-day working visit, accompanied by international affairs and cooperation minister **Lemogang Kwape**, ambassador at large in the ministry, **Elias Magosi**, paramount chief of **Bangwaketse** Kgosi **Malope II**, and some senior government officials;

18 May 2021 **Gaborone (Botswana)** *The Daily News*. Opposition **Botswana Patriotic Front (BPF)** president **Biggie Butale** has reportedly told party officials that he intends to quit the party soon;

17 May 2021 **Gaborone (Botswana)** *The Daily News*. Health and wellness ministry says a new **Covid-19** variant (B.1.617), first discovered in **India**, was confirmed in Botswana on 13 May and has been confirmed in two people as of 16 May;

14 May 2021 **Gaborone (Botswana)** *Statistics Botswana*. **Statistics Botswana** reports that inflation in April reached 5.6%, the highest since July 2013.

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