

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing October 2021

#### Botswana Summary 11 October 2021

*President Mokgweetsi Masisi (2018-present) announces that Botswana will exit the Covid-19-induced State of Emergency (SoE), raising expectations that life will return to a semblance of normalcy as Covid-19 cases and deaths reach record lows. National statistics agency Statistics Botswana Consumer Price Index (CPI) data reveals that Botswana's inflation rate dropped marginally from 8.9% in July to 8.8% in August, the first time it has weakened since June 2020. United States (US)-based ratings agency Standard and Poor's (S&P) Global Ratings revises its outlook for Botswana from negative to stable, citing stronger prospects for economic recovery. The ruling Botswana Democratic Party (BDP) is reportedly at war with itself as party factions reach an all-time high, raising questions on Masisi's ability to deal with the rising factionalism.*

#### Botswana exits state of emergency after 18 months...

President **Mokgweetsi Masisi** (2018-present) announced during an **Independence Day** televised address on 30 September that **Botswana** would exit the State of Emergency (SoE) on 1 October.<sup>1</sup> Parliament approved Masisi's request to impose a state of emergency in April 2020 and extended it twice (see *ARC Briefing Botswana April 2020*). The SoE regulations introduced businesses and consumers to various trading restrictions and other limitations in order to combat **Covid-19**.<sup>2</sup> The termination of the state of emergency sees the lifting of curfews and other restrictions on movement restrictions, which is expected to give a boost to Botswana's economy. A local source noted:

*"This SoE is the worst thing that has happened to many Batswana. Many have lost jobs, money, and hope because of lockdown restrictions. Very few Batswana will be sad to see this SoE end."*<sup>3</sup>

All restrictions on businesses, such as limits on trading hours, are now lifted and limitations on the number of people in public gatherings are also removed.<sup>4</sup> Nightclubs, which have not operated since 21 March 2020, will resume operations. While the sport and entertainment industry have fully re-opened, organisers are required to ensure compliance with health regulations.<sup>5</sup> The wearing of masks remains mandatory in all public areas and on public transport. Temperature screening and maintenance of social distance will be also required upon entering public areas.<sup>6</sup> Investment, trade and industry minister **Mmusi Kgafela** warned on 21 September that the **Shops and**

<sup>1</sup> Botswana Television, 30 Sep 2021

<sup>2</sup> Mmegi, 21 Sep 2021

<sup>3</sup> ARC source, local resident

<sup>4</sup> Xinhua, 30 Sep 2021

<sup>5</sup> Xinhua, 30 Sep 2021

<sup>6</sup> Xinhua, 30 Sep 2021

**Restaurant Hours Act** could be used to enforce any restrictions deemed necessary after the SoE ends.

While the removal of restrictions on businesses is expected to improve the economy, concerns remain that increased activity in sectors such as the liquor industry could drive a new wave of Covid-19 infections.<sup>7</sup> Officials warn that Botswana cannot declare victory over the pandemic since the so-called delta variant is still present domestically and many Batswana remain unvaccinated:

*“COVID-19 is still here and it is still a challenge. We expect businesses going forward to continue to comply with good hygiene practices. The war is not over and my Ministry will continue engaging with the nation to resuscitate the economy.”<sup>8</sup>*

Botswana’s Covid-19 vaccination roll-out has been slower than expected. As of 4 October, the health ministry had fully vaccinated 253,692 of the eligible population of 1.53 million Batswana while 481,189 had received a first dose of a Covid-19 vaccine.<sup>9</sup> The health ministry announced on 27 September that the vaccination programme would start including those aged 30 and above from 28 September.<sup>10</sup>

Covid-19 cases and deaths are on a declining trend in Botswana.<sup>11</sup> As of 10 October, the health ministry had recorded 180,438 cases of Covid-19 in its population of roughly 2.4 million, with 176,595 recoveries and 2,376 Covid-19-related deaths.<sup>12</sup> There were roughly 1,467 active cases in the country as of 10 October.

All travellers to Botswana must have a printed medical certificate (in English) with a negative Covid-19 polymerase chain reaction (PCR) test result issued no more than 72 hours before departure.<sup>13</sup> Passengers are subject to medical screening upon arrival. However, travellers from high-risk countries may be required to quarantine at a designated facility and at their own expense. Antigen (rapid) tests are available at the international airports and major land border crossings and testing centres around Botswana.

### **Inflation softens marginally to 8.8%**

National statistics agency **Statistics Botswana** released data on the **Consumer Price Index (CPI)** on 15 September, revealing that Botswana’s inflation rate dropped marginally from 8.9% in July to 8.8% in August, the first time the key rate has weakened since June 2020.<sup>14</sup> However, the inflation rate remains at a nine-year high due to price increases over the past 12 months. According to the Statistics Botswana’s data, various indexes that comprise the Consumer Price Index registered marginal movements during August, allowing inflation to retreat slightly. However, the marginal drop in inflation will be imperceptible for consumers who have seen sharp increases in prices of most goods and services this year propelled by higher value added tax and a fuel price

<sup>7</sup> Mmegi, 21 Sep 2021

<sup>8</sup> Mmegi, 21 Sep 2021

<sup>9</sup> Botswana Covid-19 Task Force, 4 Oct 2021

<sup>10</sup> Ministry of health, 27 Sep 2021

<sup>11</sup> Mmegi, 21 Sep 2021

<sup>12</sup> Worldometers, 10 Oct 2021

<sup>13</sup> Xinhua, 30 Sep 2021

<sup>14</sup> Statistics Botswana, 15 Sep 2021

increase as of 1 April, impacting prices of food, alcohol, financial services, **Botswana Housing Corporation (BHC)** house rentals, electricity tariffs, water and gas, amongst others.<sup>15</sup> Local businesses have passed on increased costs to consumers in the form of higher prices, while supply constraints in an environment of rising demand have also fuelled inflation. The inflation rate has increased by more than three and a half times since January, chipping away at customers' disposable incomes. Statistics Botswana's data show that prices of oils and fats rose by more than 23% in the 12 months to 31 August while bread and cereals were up by nearly 7% and fish by 10.2%.<sup>16</sup> Prices of many commodities and services increased nearly across the board, except for accommodation services, which dropped 5.1% in the 12 months to 31 August.<sup>17</sup> Hospitality service providers decreased their prices over the period in order to attract more local clients due to the pandemic.

Investment, trade and industry minister Mmusi Kgafela warned on 21 September that the lifting of the state of emergency on 1 October would fuel further inflation, as price controls on essential goods are removed.<sup>18</sup> Fuel prices increased on 8 October, with petrol 93 rising by P0.69 (\$0.061) per litre; petrol 95 by P0.71 (\$0.063) per litre; diesel P0.55 (\$0.049) per litre; and paraffin by P0.74 per litre (\$0.066).<sup>19</sup>

The **Bank of Botswana (BoB)** (central bank) forecast in June that inflation would peak at 8.5% this year before returning to the medium-term objective range of between 3% and 6% by the second quarter of 2022.<sup>20</sup>

### **S&P raises Botswana's outlook on diamond recovery...**

**United States (US)**-based ratings agency **Standard and Poor's (S&P) Global Ratings** on 17 September revised its outlook for Botswana from negative to stable, citing stronger prospects for economic recovery.<sup>21</sup> Justifying its outlook, S&P researchers acknowledged Botswana's "*robust and predictable*" institutional and monetary policy frameworks, modest net general government debt levels and relatively strong net external position.<sup>22</sup> S&P had downgraded the country's outlook to negative on 18 September 2020, due to higher pressures on Botswana's economic, external and fiscal performance over the next two years. The agency said this was in light of Covid-19 and the impact on diamond exports. A year later, on 17 September, S&P said the recovery of the local diamond industry would anchor the expected economic recovery:

*"S&P expects economic recovery to be driven by the anticipated strong recovery in the diamond market which, in turn, should result in a substantial improvement in the domestic fiscal and external sectors' performance over the next two years."*<sup>23</sup>

**Debswana**, Botswana's main diamond producer and the government's 50:50 joint venture diamond company with **United Kingdom (UK)**-headquartered **De Beers**

<sup>15</sup> Mmegi, 15 Sep 2021

<sup>16</sup> Statistics Botswana, 15 Sep 2021; Mmegi, 15 Sep 2021

<sup>17</sup> Mmegi, 15 Sep 2021

<sup>18</sup> Mmegi, 21 Sep 2021

<sup>19</sup> Sunday Standard, 7 Oct 2021

<sup>20</sup> Mmegi, 15 Jul 2021

<sup>21</sup> Standard and Poor's, 17 Sep 2021

<sup>22</sup> Mmegi, 18 Sep 2021

<sup>23</sup> Standard and Poor's, 17 Sep 2021

**Group**, reportedly produced 10.7 million carats for the first half of this year, 43% higher than in the same period last year.<sup>24</sup> Developments at Botswana's only privately-owned coal mine, **Minergy**, and at the high-grade underground copper-silver mine **Khoemacau** have also raised prospects for a healthy economic recovery led by mining sector.<sup>25</sup>

### BDP in downward spiral as Masisi's popularity ratings sink...

The ruling **Botswana Democratic Party (BDP)** is reportedly at war with itself as party factions reach an all-time high. Analysts say there are clear signs of gaps emerging in President Masisi's leadership amid questions about his ability to deal with the rising factionalism.<sup>26</sup>

Party factions have been common within the BDP. The **Barataphathi** and **A-team** factions were dominant during the presidency of **Festus Mogae** (1998-2008) and spilled over into the **Seretse Ian Khama** (2008-2018) regime.<sup>27</sup> During Khama's presidency, the factions were revived under new names, the **Third Force**, led by former BDP chairman **Guma Moyo**, and the Barataphathi. They are re-emerging during the Masisi presidency, with reports that some cabinet ministers and party backbenchers are revolting against his leadership style and some councillors have openly criticised the president.

Masisi has reportedly fallen out with employment, labour productivity and skills development minister **Mpho Balopi**, who is also the BDP secretary-general.<sup>28</sup> However, Balopi dismissed reports that he and the president have fallen out after Masisi reportedly chose the national strategy, communications and international relations committee without the secretary general's input, contrary to party practice. Rumours have also been circulating that Balopi will challenge Masisi for the party presidency at the 2022 party national congress elections, the first since 2017.<sup>29</sup> Balopi denied these rumours, calling them "untruths":

*"It has been all over on social media that I am intending to challenge President Masisi in 2024 for the party presidency....I am a true democrat who is guided by the party constitution and its practices. Even when some friends in 2010 defected to the **Botswana Movement for Democracy (BMD)**, I stayed and fought for the party. So, I will not in any way try to fight or contribute to party instability."*<sup>30</sup>

Masisi is also facing pressure from the general population, with many accusing him of failing to keep his promises.<sup>31</sup> There are clear signs of frustration amongst citizens, particularly the youth, who are frustrated by unemployment and the lack of support from government. Political analysts also say Masisi's loss of high-profile corruption cases against former director-general of the **Directorate of Intelligence and Security**

<sup>24</sup> Mmegi, 18 Sep 2021

<sup>25</sup> Mmegi, 18 Sep 2021

<sup>26</sup> Mmegi, 24 Sep 2021

<sup>27</sup> Mmegi, 24 Sep 2021

<sup>28</sup> Mmegi, 24 Sep 2021

<sup>29</sup> Mmegi, 1 Oct 2021

<sup>30</sup> Mmegi, 1 Oct 2021

<sup>31</sup> Mmegi, 10 Sep 2021

**(DIS) Isaac Kgosi**, businessman **Bakang Seretse**, and recently **Wilhelminah ‘Butterfly’ Maswabi** have seriously harmed his legacy.<sup>32</sup>

Political analyst **Leonard Sesa** is confident that the president will effectively handle party factions given that he has grown up in the BDP, understands it very well and has seen the consequences of splits in the past.<sup>33</sup> However, a local source notes:

*“All parties have disagreements and internal squabbles over their affairs. However, let us not forget that the BDP has split twice in the past decade. Remember how the BMD was formed in 2010 and also in 2019 during Masisi’s term when some party members defected to form the **Botswana Patriotic Front (BPF)**. Let us not dismiss these rumours so easily.”<sup>34</sup>*

## Planner

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

21 Oct 2021 **Gaborone (Botswana) Bank of Botswana** (central bank) Monetary Policy Committee meets;

2 Dec 2021 **Gaborone (Botswana) Bank of Botswana** (central bank) Monetary Policy Committee meets;

31 Dec 2021 **(Botswana)** Deadline set by President **Mokgweetsi Masisi** to fully vaccinate 975,782 Batswana (64% of the target population);

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;

2022 **(Botswana) Botswana Democratic Party (BDP)** elective congress;

2022 **(Botswana)** National Census;

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

2024 **(Botswana)** Presidential elections

## Chronology

7 Oct 2021 **Gaborone (Botswana) Sunday Standard**. Fuel prices will increase nationwide effective 8 October; Petrol 93 increases by P0.69 (\$0.061) per litre; petrol 95 by P0.71 (\$0.063) per litre; diesel P0.55 (\$0.049) per litre; paraffin by P0.74 per litre (\$0.066);

6 Oct 2021 **Gaborone (Botswana) Sunday Standard**. Suspended **Directorate of Intelligence Services (DIS)** agent **Mphoeng Maswabi**, codenamed **‘Butterfly’**, has lost her P30m (\$2.6m) defamatory lawsuit against state agencies;

5 Oct 2021 **Gaborone (Botswana) Office of the Presidency**. President **Mokgweetsi Masisi** and **South African, Namibian** and **Mozambican** counterparts, presidents **Cyril Ramaphosa**, **Hage Geingob** and **Fillipe Nyusi** respectively, meet at the **Southern African Development**

<sup>32</sup> Mmegi, 10 Sep 2021

<sup>33</sup> Mmegi, 24 Sep 2021

<sup>34</sup> ARC source, local resident

**Community (SADC) Troika in Pretoria** to discuss issues of peace, security, and stability in the region;

4 Oct 2021 **Gaborone (Botswana) Mmegi**. The longstanding dispute between **South African** construction company **PPC Aggregates** and the **Botswana Mine Workers Union (BMWU)** over payment toward retrenchment packages to some company workers will go to trial;

4 Oct 2021 **Gaborone (Botswana) Mmegi**. **Max Power Limited** is moving to take over **Mowana** mine, clearing most of the P800m (\$71m) owed to creditors, pumping in more working capital as well as funding the purchase of new plant and equipment;

4 Oct 2021 **Gaborone (Botswana) Mmegi**. **Botswana Democratic Party (BDP)** secretary-general **Mpho Balopi** says he does not intend to challenge the current BDP president, **Mokgweetsi Masisi**, or vice president **Slumber Tsogwane** at the BDP's next elective congress in 2022;

3 Oct 2021 **Gaborone (Botswana) Mmegi**. Investment, trade and industry minister **Mmusi Kgafela** tells investors that Botswana continues to provide a stable and profitable environment for investors;

1 Oct 2021 **Gaborone (Botswana) Sunday Standard**. Botswana receives 300,000 doses of the **AstraZeneca** Covid-19 vaccine;

30 Sep 2021 **Gaborone (Botswana) Mmegi**. Botswana participates in the **Dubai 2020 Expo** with over 192 countries participating ;

30 Sep 2021 **Gaborone (Botswana) Mmegi**. President **Mokgweetsi Masisi** ends the state of emergency in Botswana after 18 months;

29 Sep 2021 **Gaborone (Botswana) Sunday Standard**. The **Botswana Sectors of Education Trade Union (BOSETU)** and **China**-based telecommunications manufacturer **Huawei** sign a memorandum of understanding (MoU) and Huawei agrees to donate laptops to BOSETU;

29 Sep 2021 **Gaborone (Botswana) Sunday Standard**. President **Mokgweetsi Masisi** demands accusers to prove that he recently acquired **Tautona Lodge** (President's Lodge) and land in the **Okavango** for himself;

29 Sep 2021 **Gaborone (Botswana) Sunday Standard**. The **Botswana Federation of Public Private and Parastatal Sector Unions (BOFEPUSU)** threatens to take government to court over its reluctance to revive the public service bargaining council;

27 Sep 2021 **Gaborone (Botswana) Mmegi**. Alcohol producer **Kgalagadi Breweries Limited (KBL)** pre-tax profits for the first six months of the year increased to P151.4m (\$13.7m), a near three-fold jump but a level still below the firm's pre-pandemic performance;

27 Sep 2021 **Gaborone (Botswana) Sunday Standard**. The ministry of health and wellness announces that Covid-19 vaccination for 30-44-year-olds will begin 28 September;

27 Sep 2021 **Gaborone (Botswana) Mmegi**. President **Mokgweetsi Masisi** reportedly did not consult **Botswana Democratic Party (BDP)** secretary-general **Mpho Balopi** on the appointments of party sub-committees, contrary to party practice;

27 Sep 2021 **Gaborone (Botswana) Mmegi**. Botswana's largest bank by balance sheet, **First National Bank Botswana (FNBB)**, slashes its impairments by 43% to P241m (\$24m) in the year to June 2021, as it maintained tight risk assessments and handheld businesses hit by the pandemic;

23 Sep 2021 **Gaborone (Botswana) Daily News**. While addressing the 76th **United Nations General Assembly** in **New York**, President **Mokgweetsi Masisi** says his Reset Agenda is

aimed at strengthening the country's socio-economic conditions and is linked to global ambitions of creating a better world;

23 Sep 2021 **Gaborone (Botswana)** *Sunday Standard*. The ministry of health and wellness announces that Phase 2 of covid-19 vaccinations resumes today;

23 Sep 2021 **Kasane (Botswana)** *Daily News*. An inquest into the shooting and killing of three **Namibians** and a **Zambian** during a **Botswana Defence Force (BDF)** patrol near **Sedudu Island** in the **Chobe National Park** in November is to start soon;

22 Sep 2021 **Gaborone (Botswana)** *Sunday Standard*. The **Directorate of Intelligence Services (DIS)** says it did not harass former president **Ian Khama** after he alleged they want to harm him;

22 Sep 2021 **Gaborone (Botswana)** *Sunday Standard*. The ministry of health and wellness invites all Batswana and residents who were vaccinated for Covid-19 outside the country to register with the ministry in order to assist the ministry to capture data on all Batswana and residents who have been vaccinated against the virus;

22 Sep 2021 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** in an interview with **United States** television network **Bloomberg** says Botswana has become "smarter" and will no longer be exploited by buyers who procure its rough diamonds at very low prices to maximise profits when selling to polishers;

21 Sep 2021 **Gaborone (Botswana)** *Mmegi*. Investment, trade and industry minister **Mmusi Kgafela** says nightclubs will reopen from 1 October, as other trading restrictions on businesses are lifted due to the ending of the State of Emergency, and all businesses, including restaurants and bars, will return to their pre-pandemic operating hours, although the **Shops and Restaurant Hours Act** could be used to enforce any restrictions deemed necessary after the SOE ends;

20 Sep 2021 **Gaborone (Botswana)** *Mmegi*. The finance and economic development ministry is weighing options around how to access and use the P3 billion (\$266m) in additional reserves allocated last month by the **International Monetary Fund (IMF)**;

20 Sep 2021 **Gaborone (Botswana)** *Mmegi*. Botswana's largest and most diversified financial services group, **BIHL**, saw its pre-tax profits for the first six months of 2021 drop by 24% after the so-called Delta variant of Covid-19 greatly increased deaths in the country, causing claims to jump P354m (\$31m) during the period;

20 Sep 2021 **Gaborone (Botswana)** *Mmegi*. The opposition **Botswana Patriotic Front (BPF)** says it will take action against some of its members for defending suspended president **Biggie Butale**;

19 Sep 2021 **Gaborone (Botswana)** *Sunday Standard*. A leaked communication between an unnamed chief of staff and minister has underscored general unhappiness among ministers over a decision to withdraw some perks and privileges such as cars and drivers from them;

18 Sep 2021 **Gaborone (Botswana)** *Daily News*. Botswana receives 101,760 doses of the **AstraZeneca** covid-19 vaccine from **Germany**, the first batch of an expected 401,280 doses donated by Germany;

17 Sep 2021 **Gaborone (Botswana)** *Mmegi*. Global credit ratings agency **Standard & Poor's (S&P)** revises its view of Botswana's outlook to stable from negative, citing stronger prospects for economic recovery;

17 Sep 2021 **Gaborone (Botswana) Mmegi**. The proportion of Botswana with access to financial services has improved, with about 1.29 million adults recorded as financially included in 2020, up from one million in 2014;

15 Sep 2021 **Gaborone (Botswana) Sunday Standard**. Permanent secretary in the ministry of health and wellness **Grace Muzila** says the ministry will not allow the drug **Ivermectin** to be used in the fight against Covid-19 until the **Botswana Medicines Regulatory Authority (BOMRA)** has approved it;

15 Sep 2021 **Gaborone (Botswana) Mmegi**. National statistics agency **Statistics Botswana Consumer Price Index (CPI)** data reveals Botswana's inflation rate dropped marginally from 8.9% in July to 8.8% in August;

13 Sep 2021 **Gaborone (Botswana) Mmegi**. The state has reportedly launched fresh investigations into the P100 billion (\$8.8 billion) looting case and the suspected leaking of information of purchased armoured vehicles for President **Mokgweetsi Masisi**;

13 Sep 2021 **Gaborone (Botswana) Mmegi**. Assets under management of Botswana's second-largest pension fund, **Debswana Pension Fund (DPF)**, have risen to P9.5 billion (\$843m), helped primarily by the performance of offshore investments;

13 Sep 2021 **Gaborone (Botswana) Mmegi**. Government is hopeful the October plenary of the **Financial Action Task Force (FATF)** will remove the country's greylisting for money laundering, ending a three-year censure that has impacted Botswana's investment allure.

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