

AFRICA RISK CONSULTING

Botswana Monthly Briefing May 2022

Botswana Summary 10 May 2022

Botswana's prosecuting authority charges former president Ian Khama (2008-2018) with 14 criminal offences, including unlawful possession, illegal acquisition and theft of firearms. The International Monetary Fund (IMF), in its World Economic Outlook (WEO), expects Botswana's economy to grow by 4.3% in 2022, down from its earlier projection of 4.7% economic growth. The Bank of Botswana (BoB) (central bank) raises interest rates by 51 points, the first time it has done so since 2008. Statistics Botswana indicates in its latest report released on 14 April that inflation in Botswana eased to 10% in March, from 10.6% recorded in February and January. The Botswana Unified Revenue Service (BURS) reports that it raised P45.3 billion (\$3.7 billion) in taxes during the year ending 31 March, roughly P900m (\$73.5m) above its target. New cases of Covid-19 are on the decline in Botswana.

Former president Ian Khama charged with 14 criminal offences

Former president **Ian Khama** (2008-2018) has been formally charged with 14 criminal offences, becoming the first former head of state of **Botswana** to face criminal charges.¹ Khama can no longer claim presidential immunity, as he has been out of office for four years, meaning that a conviction could result in a prison sentence for the former president.² Khama has been in self-imposed exile in **South Africa** since the **Directorate of Intelligence and Security (DIS)** launched its investigation in November.³

The **Regional Magistrate Court in Broadhurst (Gaborone)** announced on 19 April that the **Director of Public Prosecutions** had amended the charge sheet of former DIS head **Isaac Kgosi** to include Khama, police commissioner **Keabetswe Makgophe**, and deputy permanent secretary **Bruno Paledi**.⁴ The four high-profile public figures face a total of 38 charges, which include unlawful possession, illegal acquisition and stealing of firearms. Recent amendments to Khama's charge sheet have increased the charges against him from the initial 13 to 14.⁵ Kgosi has seen his charges increase to 20, while Makgophe and Paledi face three and two charges respectively.⁶ The four accused were summoned to appear before the Broadhurst magistrate court on 21 April; however, Khama failed to appear, saying he had not received a summons.⁷

The case against Khama has been postponed to 6 June to allow for a summons to be served.⁸ If he fails to appear in court on the new date, he is likely to be found guilty of contempt of court. Botswana's prosecuting authority may also be forced to apply for Khama to be extradited from South Africa, and in the process he would become the first former president of Botswana to be extradited, arrested and jailed.⁹ However, Khama claims the case against him is not strong enough to warrant such an application succeeding and accuses the DIS of harassing his family

¹ Daily Maverick, 21 Apr 2022

² Mmegi, 22 Apr 2022

³ Mmegi, 22 Apr 2022

⁴ Mmegi, 20 Apr 2022

⁵ Mmegi, 22 Apr 2022

⁶ Mmegi, 20 Apr 2022

⁷ Daily Maverick, 21 Apr 2022

⁸ Mmegi, 22 Apr 2022

⁹ Daily Maverick, 21 Apr 2022

and allies without evidence. Speaking to local publication **Mmegi** on 19 April, Khama said he had received a “credible” report from a private security company informing him that President **Mokgweetsi Masisi** (2018- present) aims to “eliminate” him before the 2024 elections.¹⁰ Noting that he is not a “fugitive from justice”, Khama said:

“My reaction is I am embarrassed that the country is being exposed by this regime as being dishonest, intolerant and continuing to undermine the rule of law in order to target opponents of the regime and its dictator through fabricated charges.”¹¹

The developments surrounding Khama have caused significant political uncertainty and instability in a country known for being one of **Africa**'s most stable democracies, and have filtered down to Botswana's tribal politics. The **Bangwato** tribal leadership, headed by Khama as chief, said on 9 May that it does not accept the government's latest move to terminate regent Kgosi (chief) **Sediegeng Kgamane** for discussing Khama-related issues in a Kgotla (elders) meeting.¹² The Bangwato leadership has reportedly banned government officials from Kgotla meetings and will boycott any meetings convened by President Masisi.¹³ High-ranking elders within the ruling **Botswana Democratic Party (BDP)** and local tribes are also concerned about the negative impact of the unprecedented fallout and public spat between Khama and Masisi on the party, government and country.¹⁴

A local source told **Africa Risk Consulting (ARC)** that the state is focusing on meaningless activities rather than building the country:

“This issue is given so much attention than important issues that needs urgent attention. I'm getting a bit sick and tired of this issue, we have legitimised the issue so much so that it's now a priority.”¹⁵

IMF lowers expectations for Botswana's 2022 GDP growth...

In its **World Economic Outlook (WEO)** released on 19 April, the **International Monetary Fund (IMF)** says it now expects Botswana's economy to grow by 4.3% in 2022, down from an earlier projection of 4.7%.¹⁶ The IMF's new forecast is similar to that of the finance ministry, projected during the budget speech in February.¹⁷ While the IMF did not offer details on its reasons for Botswana's revised economic growth, the WEO indicates that the growth adjustment comes amid warnings that global growth will be impacted by **Russia**'s military operations in **Ukraine**, as well as **Covid-19** lockdowns in **China**. Russia is a major supplier of gas, oil, and metals, while Ukraine is a major supplier of wheat and corn.¹⁸ The expected decline in supply of these commodities has already accelerated global prices sharply:

“[The conflict] will severely set back the global recovery, slowing growth and increasing inflation even further.”¹⁹

Botswana's GDP growth projection of 4.3% in 2022 is nevertheless above the 3.8% growth average that the IMF projects for **sub-Saharan Africa**.²⁰ Within the **Southern African Development Community (SADC)** region, Botswana's economic forecast is the highest,

¹⁰ Daily Maverick, 21 Apr 2022

¹¹ Mmegi, 22 Apr 2022

¹² Mmegi, 9 May

¹³ Mmegi, 6 May

¹⁴ Gazette News, 16 Aug 2018

¹⁵ ARC source, local resident

¹⁶ International Monetary Fund, 19 Apr 2022

¹⁷ Mmegi, 22 Apr 2022

¹⁸ Mmegi, 22 Apr 2022

¹⁹ International Monetary Fund, 19 Apr 2022

²⁰ International Monetary Fund, 19 Apr 2022

followed by **Mozambique** at 3.8% and **Zimbabwe** at 3.5%.²¹ South Africa is expected to experience the lowest economic expansion in the region at 1.9%, with **Eswatini** at 2.1% and **Namibia** at 2.7%.²²

In a separate report released on 18 April, the **World Bank** indicates that while countries such as Botswana have very minimal exposure to Ukraine or Russia, the conflict will affect their economies through higher global commodity prices.²³ The World Bank noted that Botswana has the ninth fewest direct imports from Ukraine or Russia.²⁴ While Botswana is expected to benefit from the diamond trade shock as a result of the Russia-Ukraine conflict, the World Bank expects that rising oil prices and weakening demand for diamonds in China will add pressure to the local economy.²⁵

... as interest rates rise for the first time in 14 years...

The **Bank of Botswana (BoB)** (central bank) on 28 April raised interest rates by 51 points or about half a percentage point, the first time it has done so since 2008.²⁶ BoB officials announced that the interest hike to 1.65% was necessary to manage expectations of escalating inflation in the local economy (see below).²⁷ Speaking at a media briefing on 28 April, BoB governor **Moses Pelaelo** said:

*“This increase is warranted because in the medium term we are looking at the totality of the inflation profile and trajectory and where we want to be in terms of price stability.”*²⁸

BoB research and financial stability director **Lesedi Senatla** noted that it had become apparent to the central bank that higher inflation expectations had become entrenched in the economy, a situation she said is inflationary in itself:²⁹

*“We have seen from the latest Business Expectations Survey that businesses are beginning to feel that inflation is rising higher and higher. In fact, they believe that in 2022, inflation will average 8.5% and then 7.5% in 2023. In order for us to tame those expectations, we felt it was necessary to raise the signalling rate.”*³⁰

The new interest rate, finalised at the BoB’s **Monetary Policy Committee** meeting on 27 April, means that borrowers whose loans are not based on a fixed rate will pay more for their repayments or new loans with immediate effect.³¹ Local analysts say the interest hike came as a surprise, as the BoB had previously hinted that it would wait out the prevailing high levels of inflation, arguing that they were not only transitional but primarily influenced by supply pressures, as opposed to higher local demand.³² Botswana are already impacted by stagnant growth, higher prices of goods and services and uncertain economic fortunes.³³ Throughout 2021, rising inflation ate into consumers’ disposable incomes and weakened their ability to rebound from the Covid-19-induced economic distress.

²¹ International Monetary Fund, 19 Apr 2022

²² Mmegi, 22 Apr 2022

²³ World Bank, 18 Apr 2022

²⁴ World Bank, 18 Apr 2022

²⁵ World Bank, 18 Apr 2022

²⁶ Bank of Botswana, 28 Apr 2022

²⁷ Bank of Botswana, 28 Apr 2022

²⁸ Mmegi, 28 Apr 2022

²⁹ Mmegi, 28 Apr 2022

³⁰ Bank of Botswana, 28 Apr 2022

³¹ Mmegi, 28 Apr 2022

³² Mmegi, 28 Apr 2022

³³ Mmegi, 28 Apr 2022

... and inflation eases marginally to 10% in April

While the BoB cited management of inflationary expectations as a reason for increasing interest rates, **Statistics Botswana** indicated in its latest report released on 14 April, that inflation in Botswana eased to 10% in March, from 10.6% recorded in February and January.³⁴ The inflation drop in March, which was the first since November, was primarily due to lower price movements across various goods and services monitored by Statistics Botswana, in comparison to the same period last year.³⁵ Inflation in Botswana rose to a 13-year high of 10.6% in January, an increase of 1.9 percentage points from the December rate of 8.7%.³⁶ Local analysts warn that the overall high prices for goods and services are set to continue throughout most of the year, as the Ukraine conflict continues adding pressure.³⁷

The inflation rate in April is expected to increase dramatically as the 28 March fuel price hike averaging P1.33 (\$0.11) per litre was most likely not included in the March inflation statistics.³⁸ Electricity tariffs were also due to rise again in April, while the **Botswana Housing Corporation (BHC)** was expected to implement the second phased increase in its rentals around the same time.³⁹ Statistics Botswana is due to unveil the 2021 economic growth figures on 30 April.

The BoB expects inflation to average 10.4% in the first three months of 2022, before easing off in later months and settling at between 3% and 6% in the third quarter of the year.⁴⁰ In its World Economic Outlook released on 19 April, the IMF expects Botswana's inflation to average 8.9% this year and average 4.5% in 2023.⁴¹

BURS exceeds tax targets

The **Botswana Unified Revenue Service (BURS)** announced on 13 April that it had raised P45.3 billion (\$3.7 billion) in taxes during the year ending 31 March.⁴² The amount is about P900m (\$73.5m) above the set target due to the impact of rate increases that kicked in April 2021. BURS officials said that the tax agency exceeded expectations due to higher contributions from income taxes and Value Added Tax (VAT).⁴³ VAT increased by 14% in April 2021 and the withholding tax on dividends was increased to 10% from July.⁴⁴ Authorities also raised the income tax threshold for resident taxpayers from P36,000 (\$2,941) to P48,000 (3,922) per year.⁴⁵ However, BURS officials also confirmed that **Southern African Customs Union (SACU)** revenues dropped in the year to March 2022.⁴⁶

For BURS, the 2021/2022 financial year marks the first uninterrupted economic activity since the start of the Covid-19 pandemic in March 2020, allowing authorities to gauge the full impact of the wide-ranging tax increases enacted in April 2021. BURS commissioner general **Jeanette Makgolo** said the institution's performance was a "*bold*" step in the right direction for the priorities she had set upon assuming office in August 2021.⁴⁷ In a briefing on 13 April, Makgolo

³⁴ Statistics Botswana, 15 Feb 2022

³⁵ Mmegi, 20 Apr 2022

³⁶ Statistics Botswana, 15 Feb 2022

³⁷ Mmegi, 20 Apr 2022

³⁸ Mmegi, 20 Apr 2022

³⁹ Mmegi, 15 Feb 2022

⁴⁰ Mmegi, 15 Feb 2022

⁴¹ International Monetary Fund, 19 Apr 2022

⁴² Mmegi, 14 Apr 2022

⁴³ Botswana Unified Revenue Service, 13 Apr 2022

⁴⁴ Mmegi, 14 Apr 2022

⁴⁵ Mmegi, 14 Apr 2022

⁴⁶ Botswana Unified Revenue Service, 13 Apr 2022

⁴⁷ Mmegi, 14 Apr 2022

described the improved tax collection as the result of “*deliberate efforts and hard work of visionary men and women of BURS, and our key stakeholders*”:

“During this period where macroeconomic conditions are not favourable to realise optimal revenue collection, this collection is not a windfall.”⁴⁸

However, finance minister **Peggy Serame** said that while the tax haul was noteworthy, there was room for improvement in terms of efficiencies:

“When they say they have exceeded the targets, I don’t get excited. I tell them that we are going to increase the targets not because we will increase taxes, but because we can enhance collections, be more efficient and close gaps.”⁴⁹

Local analysts note that while BURS exceeded its targets, the government’s “*domestic resource mobilisation*” drive to support the budget inflicted punishing taxes and levy increases on Botswana in 2021.⁵⁰

Covid-19 on the decline on Botswana

Covid-19 appears to be on the decline in Botswana with data as of 9 May indicating a seven-day moving average of 31 new cases per 100,000 people countrywide.⁵¹ The **Omicron** variant was detected in Botswana on 25 November (see *ARC Briefing Botswana Dec 2021*), leading to an average 2,500 new cases every three days, compared with fewer than 300 over the same period before Omicron.⁵² As of 10 May, the health ministry had recorded 305,859 cases of Covid-19 in Botswana’s population of roughly 2.4 million, with 303,026 recoveries and 2,688 Covid-19-related deaths.⁵³

Botswana ended its Covid-19-induced State of Emergency (SoE) on 30 September; however, President Masisi emphasised this did not signal the end of the pandemic, and encouraged Botswana to continue abiding by Covid-19 health protocols.⁵⁴ The health ministry announced on 21 February that effective 23 February, the isolation period for Covid-19 positive people will be reduced to five days.⁵⁵ All fully vaccinated people are required to self-isolate for five days, while partially vaccinated and unvaccinated people are required to isolate for seven days.⁵⁶

The health ministry reported on 3 May that it had fully vaccinated 1,498,849 of the total population of 2.4 million Botswana, or 61% of the total population, while 1,689,385 had received a first dose of a Covid-19 vaccine (69% of the total population).⁵⁷ A total of 341,331 had received booster shots.

Health minister **Edwin Dikoloti** announced amendments to Covid-19 measures on 11 February in light of the country’s improving health situation. As of 14 February, all visitors to Botswana are required to produce vaccination certificates to gain entry into the country.⁵⁸ Travellers who are not fully vaccinated will be required to produce a 72-hour valid negative polymerase chain reaction (PCR) result at their own cost or undergo vaccination at point of entry.

⁴⁸ Botswana Unified Revenue Service, 13 Apr 2022

⁴⁹ Mmegi, 14 Apr 2022

⁵⁰ Mmegi, 14 Apr 2022

⁵¹ Worldometers, 9 May 2022

⁵² Reuters, 3 Jan 2022

⁵³ Worldometers, 10 May 2022

⁵⁴ Office of the President, 8 Nov 2021

⁵⁵ Sunday Standard, 8 Mar 2022

⁵⁶ Sunday Standard, 8 Mar 2022

⁵⁷ Botswana Covid-19 Task Force, 21 Feb 2022

⁵⁸ Daily News, 11 Feb 2022

Dikoloti noted that preliminary research on Covid-19 indicated that the virus might become endemic sooner than anticipated.⁵⁹ However, the health ministry said it would occasionally “introduce new measures as may be necessary in order to help save Botswana from the pandemic”.⁶⁰ The emergence of new variants is still a major concern.

Planner

Jun 2022 **Gaborone (Botswana)** Kimberly Process meeting;
 Jun 2022 **(Botswana)** End of current **De Beers**-government diamond sales deal;
 Jul 2022 **(Botswana)** **Botswana Democratic Party (BDP)** elective congress;
 Sep 2022 **(Botswana)** Constitutional Review Commission to submit a report with recommendations to the president not later than end of September;
 2022 **(Botswana)** National Census;
 Mar 2023 **(Botswana)** End date of **National Development Plan 11 (NDP11)**;
 2024 **(Botswana)** Presidential elections

Chronology

9 May 2022 **Gaborone (Botswana)** *Mmegi*. **Bangwato** tribal leadership, including Bangwato chief former president **Ian Khama**, says it does not accept government's latest move to terminate regent Kgosi (chief) **Sediegeng Kgamane**;

5 May 2022 **Gaborone (Botswana)** *Sunday Standard*. National carrier **Air Botswana** announces re-commencement of flights between **Gaborone, Harare** and **Lusaka** from 6 May;

4 May 2022 **Gaborone (Botswana)** *Daily News*. **Botswana Stock Exchange (BSE)** launches the **Investor Compensation Fund**, which it will use to grant compensation to investors for financial losses suffered as a result of a participant's failure to meet their contractual obligations;

3 May 2022 **Gaborone (Botswana)** *Mmegi*. **Directorate of Intelligence and Security (DIS)** raids office of the **Directorate on Corruption and Economic Crime (DCEC)** director **Tymon Katlholo**, who is on official business in **Rwanda** and facing allegations that he has nullified his investigators' efforts to probe former president **Ian Khama** and former DIS chief **Isaac Kgosi**;

3 May 2022 **Gaborone (Botswana)** *Mmegi*. **Nigerian** cryptocurrency exchange **Yellow Card** says it has approached both the **Non-Bank Financial Institutions Regulatory Authority (NBFIRA)** and the **Financial Intelligence Agency** for licensing of its operations in Botswana;

3 May 2022 **Gaborone (Botswana)** *Mmegi*. **Bangwato** tribe regent, Kgosi (chief) **Sediegeng Kgamane**, has been suspended after failing to follow government's instruction not to convene meetings at the **Serowe** kgotla (meeting of elders) to discuss issues pertaining to former president **Ian Khama**, chief of the Bangwato tribe, or any of his family members;

3 May 2022 **Gaborone (Botswana)** *Mmegi*. **Botswana Nurses Union (BONU)** seals a deal that will see Botswana nurses move to the **United Kingdom's National Health Services (NHS)**;

29 Apr 2022 **Gaborone (Botswana)** *Mmegi*. **Bank of Botswana (BoB)** (central bank) survey of local firms reports less optimism about business operating conditions and expectations that the **Russia-Ukraine** will drive costs higher;

⁵⁹ Daily News, 11 Feb 2022

⁶⁰ Ministry of health, 11 Feb 2022

28 Apr 2022 **Gaborone (Botswana)** *Sunday Standard*. President **Mokgweetsi Masisi** announces he has launched an initiative to donate bulls to some farmers throughout the country in the 57 constituencies in partnership with the ministry of agriculture and the private sector;

27 Apr 2022 **Gaborone (Botswana)** *Daily News*. Opposition **Umbrella for Democratic Change (UDC)** says there is “*nothing to be excited about*” following President **Mokgweetsi Masisi**’s rearrangement and reconstitution of ministries, government departments and parastatals;

26 Apr 2022 **Gaborone (Botswana)** *The Monitor*. Former president **Ian Khama** says 13 members of his family have fled the country as his feud with President **Mokgweetsi Masisi** intensifies;

24 Apr 2022 **Gaborone (Botswana)** *Sunday Standard*. President **Mokgweetsi Masisi** officially opens **Forbes 30 Under-30 Summit**;

22 Apr 2022 **Pretoria (South Africa)** *Sunday Standard*. President **Mokgweetsi Masisi** attends the **Botswana-South Africa Bi-National Commission** in Pretoria;

22 Apr 2022 **Gaborone (Botswana)** *Sunday Standard*. President **Mokgweetsi Masisi** appoints **Karabo Socraat Gare** as Botswana’s first minister of entrepreneurship;

21 Apr 2022 **Gaborone (Botswana)** *Mmegi*. President **Mokgweetsi Masisi** introduces three new ministries of state president, justice and entrepreneurship, with the **Citizen Entrepreneurship Development Agency (CEDA)** and **Local Enterprise Authority (LEA)** to be merged into one entity that will provide broad-based support to micro, small and medium enterprises (SMMEs);

21 Apr 2022 **Gaborone (Botswana)** *Mmegi*. Former president **Ian Khama** fails to appear in court for his trial on charges that include unlawful possession, illegal acquisition and stealing of firearms;

21 Apr 2022 **Gaborone (Botswana)** *Daily News*. **Mozambique**’s ambassador to Gaborone, **Domingos Ferendas**, says that plans to translocate 500 elephants from Botswana to **Mozambique** will start as soon as all necessary logistics are in place;

19 Apr 2022 **Gaborone (Botswana)** *International Monetary Fund*. The **International Monetary Fund (IMF)** now expects Botswana’s economy to grow by 4.3% this year, down from a projection of 4.7%;

19 Apr 2022 **Gaborone (Botswana)** *The Monitor*. The **Gaborone Regional Magistrate Court** in **Broadhurst** summons former president **Ian Khama** to face 13 criminal charges;

21 Apr 2022 **Gaborone (Botswana)** *Mmegi*. The **African Development Bank (AfDB)** is making available P1.4 billion (\$114m) through loans and technical support to support developmental programmes in Botswana within the next two years;

19 Apr 2022 **Gaborone (Botswana)** *Mmegi*. **Botswana Unified Revenue Service (BURS)** reports it raised P45.3 billion (\$3.7 billion) in taxes during the year ending 31 March. roughly P900m (\$73.5m) above its target due to the impact of rate increases that kicked in in April 2021;

18 Apr 2022 **Gaborone (Botswana)** *Mmegi*. Cryptocurrency operators active in the local market have until 25 May to secure operating licences from the **Non-Bank Financial Institutions Regulatory Authority** or face fines of up to P250,000 (\$20,428) and/or five years in jail;

14 Apr 2022 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** and **Mozambique's** President, **Filipe Nyusi** officially open the **Samora Machel Memorial Museum** in **Lobatse**;

13 Apr 2022 **Gaborone (Botswana)** *Sunday Standard*. **Mozambique's** President **Filipe Nyusi** arrives in Botswana for a four-day state visit;

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