

AFRICA RISK CONSULTING

Botswana Monthly Briefing August 2022

Botswana Summary 10 August 2022

Statistics Botswana indicates in its latest report that inflation reached 12.7% in June, the highest level recorded since January 2009. Finance minister Peggy Serame briefs parliament on several interventions to help cushion households against rising costs. Debswana, a local mining company jointly owned by the government and United Kingdom-headquartered mining giant De Beers, is on track to export its highest value of diamonds since 2016. Sales reached P31 billion (\$2.4 billion) in the first six months of the year, nearly 69% higher than the same period last year. South African president Cyril Ramaphosa says the state-owned energy provider Eskom is in negotiations to import surplus electricity from Botswana. Several Botswana Democratic Party (BDP) members are accused of betraying President Mokgweetsi Masisi (2018-present) after leaking recordings of closed-door sessions. The health ministry announces the relaxing of measures taken to prevent the spread of Covid-19. This includes the wearing of face masks in public, social distancing and PCR tests conducted at ports of entry.

Government announces inflation relief measures...

Statistics Botswana published its latest report on 15 July indicating that inflation reached 12.7% year-on-year in June. This is the highest level recorded since January 2009, powered by recent increases in fuel pump prices.¹ Inflation was recorded at 11.9% in May and 9,6% in April.

Following the report's publication, government announced on 27 July a P1.8 billion (\$143m) short-term intervention to cushion households from the prevailing economic stress and fight the rising costs of living.² Finance minister **Peggy Serame** briefed parliament on the measures, stating that from 1 August, Value Added Tax (VAT) would be reduced from 14% to 12% for six months.³ Petroleum gas and cooking oil will also be zero-rated for VAT purposes for the same period. Serame called on all retailers to adjust their prices to align with the new developments:

"I expect retailers and other traders to reduce their prices accordingly and ensure that the benefits of these measures are passed on to the intended beneficiaries, and that is the households".⁴

Serame added that government will provide an additional P120m (\$9.5m) in funding to the **Botswana Meat Commission (BMC)** to help farmers cover operating expenses. This funding includes covering delayed payments to cattle suppliers.⁵ However, the disbursement of funds is subject to the firm commitment by the BMC to fulfil certain conditions set out in the **BMC Transition Act**. The act stipulates the permanent removal of the BMC's beef export monopoly and bringing in a private sector partner through partial privatisation.⁶

¹ Statistics Botswana, 15 Jul 2022

² Daily news, 28 Jul 2022

³ Daily news, 28 Jul 2022

⁴ Sunday standard, 28 Jul 2022

⁵ Daily news, 28 Jul 2022

⁶ Daily news, 28 Jul 2022

Tertiary students will also see their institution allowance increase by 18.5% from 1 September. Unspecified adjustments will also be made for externally placed students in selected countries to align with the cost of students there.⁷

Serame highlighted that the government's interventions would result in an increased national deficit due to the reduced revenues and additional expenditures. Serame further stated that government would monitor the situation and act accordingly to undertake remedial measures as and when required.⁸ The impact of the intervention will be formally reviewed within six months.

Governor of the **Bank of Botswana (BoB)** (central bank), **Moses Pelaelo**, noted on 28 July that the domestic inflation rate will remain above the institution's 3% to 6% objective range in the short term.⁹ Pelaelo conveyed that Botswana's inflation outlook is subject to significant upside risks that include the continuing adverse impact of the pandemic, constrained supply relative to demand and regular annual price adjustments, particularly of administered prices.¹⁰ Pelaelo additionally added:

*"These risks are however moderated by the possibility of weak domestic and global economic activities and restrained commodity prices; hence the inflation rate is expected to revert to within the objective range in the third quarter of 2022."*¹¹

Diamond sales on track to break six-year record benefiting foreign reserves...

Debswana, a local mining company 50% owned by the government and 50% owned by **United Kingdom**-headquartered mining giant **De Beers**, is on track to export its highest value of diamonds since 2016. Sales reached P31 billion (\$2.4 billion) in the first six months of the year, nearly 69% higher than the same period last year.¹² Diamond sales account for a large share of Botswana's foreign currency earnings. Finance ministry permanent secretary **Wilfred Mandlebe**, speaking before a parliamentary public accounts committee on 17 June said that the rebound in diamond exports in 2021 had helped government reserves reach their strongest position in two years.¹³

Debswana's exports between January and June 2022 compare favourably to the full-year sales of P38.1 billion (\$3.0 billion) for 2021, which in turn represented the highest level since 2016.¹⁴ Debswana sells 25% of its production to the state-owned diamond trader, **Okavango Diamond Company (ODC)** and the remaining 75% to De Beers.¹⁵ Sales reached P12.7 billion (\$1.0 billion) between January and March before accelerating to P18.3 billion (\$1.4 billion) for the period April to June.

Executive vice president of De Beers, **Paul Rowley**, said on 28 July that Debswana's rough diamond sales in the first half of the year were supported by strong consumer demand from the **United States (US)** and a reduction in supply due to sanctions placed on **Russia**.¹⁶ The retail of diamond jewellery has been breaking records since the start of the **Covid-19** pandemic, sending rough stone sales for De Beers soaring. The company produced 22.3 million carats of diamonds in 2021, worth \$4.9 billion, a 75% year-on-year increase.¹⁷ De Beers' rough diamond sales for the

⁷ Sunday standard, 28 Jul 2022

⁸ Daily news, 28 Jul 2022

⁹ Bank of Botswana, 28 Jul 2022

¹⁰ Bank of Botswana, 28 Jul 2022

¹¹ Bank of Botswana, 28 Jul 2022

¹² Mmegi, 5 Aug 2022

¹³ Mmegi, 17 Jun 2022

¹⁴ Mmegi, 5 Aug 2022

¹⁵ Mmegi, 5 Aug 2022

¹⁶ Mmegi, 5 Aug 2022

¹⁷ Mining Weekly 29 Jun 2022; National Jeweler, 1 Jul 2022

half-year in 2022 rose to P41.3 billion (\$3.3 billion) from P32.5 billion (\$2.6 billion) over the same period last year.¹⁸

Despite Debswana's impressive results, a local source speaking to **Africa Risk Consulting (ARC)** said that the figures mean nothing to the average Motswana:

*"Why should we be proud of Debswana's financial figures? They do not matter when we are still jobless and suffering. Also, where is diamond beneficiation?"*¹⁹

The government and De Beers agreed in June to extend their existing sales agreement on diamonds by twelve months until 30 June 2023 (see *ARC Briefing Botswana July 2022*).²⁰ The agreement was set to expire at the end of 2020; however, it was extended to December 2021 due to Covid-19-related travel disruptions. It was then extended by a further six months until 30 June 2022. De Beers announced on 29 June that following positive negotiations, the two parties agreed to the extension to enable the finalisation of discussions.²¹ The current ten-year agreement dates to 1 January 2011, marking the start of the migration of De Beers' operations from **London** to **Gaborone**.

South Africa confirms talks with Botswana to buy power...

South Africa president **Cyril Ramaphosa** (2017-present) announced on 4 August that state-owned energy provider **Eskom** is in negotiations to import surplus electricity from Botswana as South Africa's 14-year-long energy crisis worsens.²² Ramaphosa was speaking at a media briefing held after the two-day **South Africa-Botswana Business Roundtable** in Gaborone on 4 August, commemorating 28 years of bilateral economic relations between the two.²³ South Africa is Botswana's leading source of imports which totalled 64.4 billion rand (\$5.1 billion) in 2021.²⁴ Botswana ranks as South Africa's seventh largest export market.

Ramaphosa's confirmation comes after he announced on 25 July that Eskom plans on importing power from neighbouring countries through the **Southern African Power Pool** arrangement as one of the measures to close the 6000-megawatt electricity shortage on its grid over the next three months.²⁵ Ramaphosa also confirmed that Botswana's government had shown a willingness to sell its excess electricity to South Africa to strengthen economic and trade ties.²⁶ Ramaphosa said that the talks are being led by Eskom:

*"They are now going to be working on the implementation of that whole package of interventions, and obviously we will be playing an oversight role. We are hoping that through various negotiations, we will be able to tap into energy sources from Botswana as well where there is a measure of surplus energy that they can sell to us."*²⁷

BDP Caucus overshadowed by Masisi leaks...

Several **Botswana Democratic Party (BDP)** members are accused of betraying President **Mokgweetsi Masisi** (2018-present) after leaking recordings of closed-door meetings. The recordings, in which Masisi was addressing BDP members on former president **Ian Khama** (2008-2018), were made on 16 July during the BDP's two-day **58th National Council**.²⁸ The

¹⁸ Mmegi, 5 Aug 2022

¹⁹ ARC source, local resident

²⁰ National Jeweler, 1 Jul 2022

²¹ Mining Weekly 29 Jun 2022

²² IOL, 5 Aug 2022

²³ IOL, 5 Aug 2022

²⁴ IOL 5 Aug 2022

²⁵ News24, 25 Jul 2022

²⁶ IOL, 5 Aug 2022

²⁷ IOL, 5 Aug 2022

²⁸ Botswana Guardian, 22 Jul 2022

council, held at **Maharaja** hotel in Gaborone under the theme ‘*Unity & Consolidation*’, was a consultative platform to collectively discuss party issues, motions, and resolutions.²⁹

The recordings were made shortly after Masisi opened the Council and pleaded with members to avoid leaking internal, confidential, and sensitive issues ahead of the 2024 general election as it is bad for the party. Masisi further said that Khama was angered by his decision not to appoint his younger brother **Tshekidi Khama** as vice president. Masisi also accused the former president of extrajudicial killings. The president added that he had ordered the country’s ambassadors to “*stand up against his axis*” and that:

*“From now whatever Khama will say about this country, he will be answered... even his uncles should stop disrespecting me. I don’t know if they understand the seat I am holding.”*³⁰

Masisi warned that there will be consequences for those who protect Khama, including in South Africa where Khama has been living in exile:

“I have also warned President of South Africa Cyril Ramaphosa that if they are aiding and abetting someone who is busy attacking us, there will be consequences. He promised me that he will further engage on the matter.”

Khama, responded to the recordings on 20 July saying that he had never considered his bother Tshekidi for vice president and would have chosen him on his own if he wanted to, never needed Masisi’s help to do so.

Botswana’s prosecuting authority indicated on 6 June that it would consider applying for the extradition of Khama from South Africa so that he can appear before the **Regional Magistrate Court in Broadhurst**, Gaborone.³¹ Khama has been formally charged with 14 criminal offences related to alleged illegal possession of firearms, becoming the first former head of state of Botswana to face criminal charges (see *ARC Briefing Botswana May 2022*).³² Khama has been in self-imposed exile in South Africa since the **Directorate of Intelligence and Security (DIS)** launched its investigation in November 2021.³³ Khama failed to appear for a second time before the Broadhurst court on 6 June and said he welcomed an extradition request should the state pursue it.³⁴

The government announced on 17 June that Khama would undertake a private visit to London from 26 June to 2 July and then to **Italy** to attend a retreat at **Lake Como** at the invitation of the South African-based **Brenthurst Foundation**. Khama, during his time in the UK, held interviews with **British** and other international media and engaged with government officials in the **House of Commons** and the **House of Lords**. Khama was expected to return to South Africa on 7 July, however, he is still in the UK.³⁵

It has been almost two months since the government indicated that it wants to extradite Khama yet there has been no progress. Khama can also no longer claim presidential immunity, as he has been out of office for four years, thus a conviction could result in a prison sentence.³⁶

²⁹ Botswana Guardian, 22 Jul 2022

³⁰ Botswana Guardian, 22 Jul 2022

³¹ Sunday Standard, 6 Jun 2022

³² Daily Maverick, 21 Apr 2022

³³ Mmegi, 22 Apr 2022

³⁴ Mmegi, 6 Jun 2022

³⁵ The Monitor, 17 Jun 2022

³⁶ Mmegi, 22 Apr 2022

Government relaxes Covid-19 measures

The health ministry announced the relaxing of several Covid-19 measures effective from 2 August.³⁷ Ministry spokesperson, **Christopher Nyanga**, said in a press statement that the decision comes after reviewing the burden of Covid-19 domestically and globally and more importantly, the high numbers of people vaccinated in Botswana.³⁸ The following measures were changed:

- Wearing masks in outdoor areas is no longer mandatory;
- Social distancing will be optional, except for in schools;
- Isolation of positive cases is no longer required unless requested by a medical expert;
- Covid-19 testing of unvaccinated or partially vaccinated people at ports of entry will no longer be conducted. A negative PCR test result conducted within 72 hours is now the only requirement;
- Travellers arriving without proof of vaccination, or a negative PCR test result will be tested on arrival, at their own cost. If positive, they will be required to isolate for five days within the district of the port of entry.³⁹

The health ministry did not announce any new Covid-19 cases on 8 August and the seven-day moving average was 36 new cases per 100,000 people.⁴⁰ A month ago, the seven-day moving average was 198 new cases per 100,000 people.⁴¹ As of 10 August, Botswana had recorded 325,724 cases of Covid-19 in its population of approximately 2.4 million with 2,772 deaths attributed to Covid-19.⁴²

The health ministry continues to advise all people to get vaccinated and receive booster shots to continue benefitting from the protection they provide.⁴³ Nyanga said on 24 June that preparations are at an advanced stage to inoculate those aged between five and 11 years old with the US-manufactured **Pfizer** Covid-19 vaccine.⁴⁴

Botswana recorded on 28 June that it had fully vaccinated 1,519,754 of the population (63,3%) while 1,701,599 (70.8%) had received the first dose of a Covid-19 vaccine.⁴⁵ A total of 397,989 (16.5%) people have received booster shots.

Planner

25 Aug 2022 **Gaborone (Botswana) Bank of Botswana** (central bank) **Monetary Policy Committee (MPC)** meets;

1 Sep 2022 **Gaborone (Botswana) Bank of Botswana (BoB)** (central bank) **Monetary Policy Committee (MPC)** to publish a full update on BoB outlook for domestic economy and inflation;

Sep 2022 **(Botswana) Constitutional Review Commission** to submit a report with recommendations to the president no later than the end of September;

20 Oct 2022 **Gaborone (Botswana) Bank of Botswana** (central bank) **Monetary Policy Committee (MPC)** meets;

³⁷ Ministry of health, 2 Aug 2022

³⁸ Mmegi, 2 Aug 2022

³⁹ Ministry of health, 2 Aug 2022

⁴⁰ Worldometers, 10 Aug 2022

⁴¹ Worldometers, 9 Jul 2022

⁴² Worldometers, 10 Aug 2022

⁴³ Ministry of health, 24 Jun 2022

⁴⁴ Daily News, 24 Jun 2022

⁴⁵ Botswana Covid-19 Task Force, 7 Jun 2022

Nov 2022 **Gaborone (Botswana) Kimberley Process** Plenary;

1 Dec 2022 **Gaborone (Botswana) Bank of Botswana** (central bank) **Monetary Policy Committee (MPC)** meets;

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

Jun 2023 **(Botswana)** End of current **De Beers**-government diamond sales deal;

2024 **(Botswana)** Presidential elections

Chronology

8 Aug 2022 **Gaborone (Botswana) Mmegi**. President **Mokgweetsi Masisi** announces he held an online meeting with the president of **Ukraine, Volodymyr Zelenskyy**, reiterating solidarity with the Ukrainian people and encouraging a peaceful solution to the conflict;

8 Aug 2022 **Montreal (Canada) Mmegi**. **Botswana's** government and the **United States President's Emergency Plan for AIDS Relief (PEPFAR)** mark the end of the 24th International AIDS Conference in **Montreal (Canada)** by sharing the results of the **Botswana AIDS Impact Survey V**, the first population-based survey to confirm achievements of UNAIDS 95-95-95 treatment goal in sub-Saharan Africa;

7 Aug 2022 **Gaborone (Botswana) Sunday Standard**. Former finance minister, **Thapelo Matsheka**, is released from detention by the **High court** after being arrested without a warrant or being charged. Matsheka has been held in custody since 2 August for alleged the murder of a minor;

6 Aug 2022 **Gaborone (Botswana) Sunday Standard**. The **Botswana Patriotic Front (BPF)** announces that it shall with immediate effect become a member of the opposition coalition, the **Umbrella for Democratic Change (UDC)** with equal representation;

5 Aug 2022 **Gaborone (Botswana) Mmegi**. President **Mokgweetsi Masisi** officially opens the **Botswana Democratic Party (BDP)** Youth Wing elective congress in **Bobonong**;

4 Aug 2022 **Gaborone (Botswana) Mmegi**. President **Mokgweetsi Masisi**, in his final speech at the **Botswana-South Africa business roundtable**, stresses the urgency of elevating trade between the two countries. He states Botswana and **South Africa** need to trade in a mutually beneficial and efficient manner and should strive to close the trade imbalance existing between them;

3 Aug 2022 **Gaborone (Botswana) Daily News**. President **Mokgweetsi Masisi** signs four legal instruments adopted by the 2021 **Southern African Development Community (SADC)** Summit. SADC legal secretariat **Mphatsa Kachule** says they pertain to protocols on statistics, energy, firearms, ammunition, and related materials as well as the status of the SADC Standby Force regarding training, peace support operations, exercises, and humanitarian assistance;

3 Aug 2022 **Gaborone (Botswana) Mmegi**. The **Botswana Unified Revenue Services (BURS)** has reportedly lost millions of pula through tax theft committed by one of its employees;

3 Aug 2022 **Gaborone (Botswana) Mmegi**. The **Bank of Botswana (BoB)** (central bank) expects to lose a total of P22.5m (\$1.7m) due to the need to cash out its **Russian** investments in the wake of Russia's invasion of **Ukraine** and the resultant sanctions;

3 Aug 2022 **Gaborone (Botswana) Sunday Standard**. **South Africa's** international relations and cooperation minister, **Naledi Pandor**, says that its exports to **Botswana** were R64.4 billion (\$5.1 billion) in 2021. South Africa remains Botswana's number one source of imports;

3 Aug 2022 **Gaborone (Botswana)** *Mmegi*. **Botswana Democratic Party (BDP)** says it is too early to comment on Member of Parliament (MP) **Thapelo Matsheka's** arrest on 2 August;

2 Aug 2022 **Gaborone (Botswana)** *Ministry of health*. The ministry of health has revealed that effective today, wearing masks in outdoor areas will no longer be mandatory;

1 Aug 2022 **Gaborone (Botswana)** *Mmegi*. The **Botswana Democratic Party (BDP)** tells the **Presidential Commission** on the **Constitutional Review** that there must be a clear clause in the constitution of the country that prohibits former presidents from political activism;

1 Aug 2022 **Gaborone (Botswana)** *Mmegi*. Parliament passes the most comprehensive amendments to the **Bank of Botswana Act** in 26 years, granting the central bank greater autonomy from undue 'political or industry' influence and sharpening its role to that of price management and financial stability;

27 Jul **Gaborone (Botswana)** *Sunday Standard*. **Bank of Botswana (BoB)** (central bank) pays government P3.5 billion (\$277m) as profit for the year ended December 2021;

27 Jul 2022 **Gaborone (Botswana)** *Mmegi*. Finance minister **Peggy Serame** introduces new measures to cushion the impact of rising inflation on households and the economy. Value Added Tax (VAT) will be reduced to 12% from 14% for the next six months and cooking oil and gas will be zero-rated for VAT;

26 Jul 2022 **Gaborone (Botswana)** *Mmegi*. The government invites private capital to help finance the upcoming **National Development Plan (NDP) 12** which starts next April, saying its ability to keep funding public works is weakening;

26 Jul 2022 **Gaborone (Botswana)** *Mmegi*. The **Botswana Power Corporation (BPC)** recorded total losses of P486.9m (\$38.6m) in the year to March 2022, after its electricity imports rose due to the below target generation at **Morupule B**, the country's primary source of power;

25 Jul 2022 **Gaborone (Botswana)** *Mmegi*. The **Botswana Democratic Party (BDP)** submits a proposal before the presidential constitutional review commission seeking that the president be given the power to choose 40% of cabinet ministers from outside the **National Assembly** and 60% from within **Parliament**;

25 Jul 2022 **Gaborone (Botswana)** *Sunday Standard*. **South Africa's** justice minister, **Ronald Lamola**, has described a "unique" request by the **Botswana** government for mutual legal assistance but an extradition request of former president **Ian Khama** was not included;

21 Jul 2022 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** presents **Botswana's** vision toward digital transformation as an investment opportunity for **United States (US)** investors at the **14th US Africa Business Summit** in **Morocco**;

20 Jul 2022 **Gaborone (Botswana)** *Sunday Standard*. Former president **Ian Khama** says that he was not aware of the intensity of president **Mokgweetsi Masisi's** personality problem and their fallout began after he started infringing upon his retirement benefits and entitlements. He also challenges Masisi to disclose names of anybody he claims were killed at his command. He adds that he will forever regret choosing Masisi as his Vice president;

18 Jul 2022 **Marrakech (Morocco)** *Daily News*. President **Mokgweetsi Masisi** leaves for **Marrakech** to attend the **14th United States-Africa Business Summit**;

18 Jul 2022 **Gaborone (Botswana)** *Sunday Standard*. Former permanent secretary to the president, **Carter Morupisi**, says President **Mokgweetsi Masisi** crossed the line in disclosing state secrets at the **Botswana Democratic Party (BDP)** meeting on 16 July;

16 Jul 2022 **Gaborone (Botswana)** *Daily News*. Labour minister, **Anna Mokgethi**, announces that all border posts that were closed to curb the spread of Covid-19, will be opened this month;

16 Jul 2022 **Gaborone (Botswana)** *The Monitor*. The **Botswana Democratic Party (BDP)** holds its 58th **National Council** at **Maharaj** hotel, in **Gaborone**;

15 Jul 2022 **Gaborone (Botswana)** *Statistics Botswana*. Inflation rises to 12.7% for June, from 11.9% in May. This is the highest level recorded since January 2009.

About Africa Risk Consulting:

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