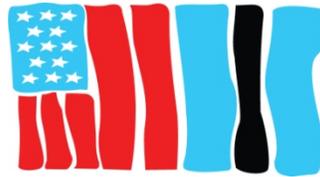


Business in Botswana

Quarterly Newsletter



U.S. EMBASSY GABORONE

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MESSAGE FROM THE AMBASSADOR

Botswana is at a pivotal moment in its history as it prepares to diversify its economy away from overdependence on diamonds, with significant commercial opportunities in the mining, energy, tourism and financial services sectors. With that in mind, we have prepared this quarterly newsletter, *Business in Botswana*, to provide an overview of economic and business-related issues in Botswana, as well as information about upcoming events. We hope that this snapshot provides you with a glimpse of some of the new and exciting opportunities taking place here. We'd also like to hear from you: if you think that there is an event that should be included in this newsletter, feel free to [contact us](#). We'd love to hear from you!

Sincerely,

Michelle D. Gavin
Ambassador

WORLD BANK DOWNGRADES BOTSWANA'S GROWTH FORECAST

The World Bank [slightly downgraded its growth forecast](#) for Botswana from 5.1% to 5% - still significantly above the IMF (4.1%) and Bank of Botswana (3.7%) forecasts. The decline may have been due to continued weakness in domestic demand, a factor in the Bank of Botswana's decision to cut interest rates by five basis points. The mean measure of core inflation fell from 6.8 percent to 6.0 percent, while inflation, excluding administered prices, decreased from 6.4 percent to 6.1 percent.

MORE DELAYS ON THE TRANS-KALAHARI RAILWAY

Despite initial optimism, a bilateral agreement to begin construction on the Trans-Kalahari Railway has yet to be signed between Botswana and Namibia. While the Ministries of Transportation for both countries announced that the parties had reached an agreement in principal in March, and rumors swirled that a Memorandum of Understanding would be signed by the middle of April, as of the date of publication, there is no indication of an imminent agreement. In the meantime, the South African railway company Transnet has announced that it will begin carrying coal from Botswana's Morupule colliery to the port of Durban.

GOVERNMENT TO SPEND NEARLY \$70 MILLION ON TELECOMMUNICATIONS INFRASTRUCTURE

The Botswana Telecommunications Corporation (BTC) announced that it would spend \$68 million to upgrade the country's information communications infrastructure. BTC Chief Executive Paul Taylor stated: "We cannot remain isolated as the world fast-tracks toward the digital age." The BTC announcement comes on the heels of a [Global Information Technology Report](#) published by the World Economic Forum that ranked Botswana 96th out of 144 countries in terms of the impact of its information and communications infrastructure on growth.

POWER WOES CONTINUE

Botswana continued to experience significant power outages during the second quarter of 2013 as the Botswana Power Corporation (BPC) scrambled to complete a 600 MW known as Morupule B. Morupule B was scheduled to deliver a full 600 MW by October 2012, but technical problems have plagued the project since inception. Since then, Botswana has lost a third of the power that had been previously supplied by Eskom, South Africa's utility provider, and the country has contended with frequent rolling blackouts. While Botswana's President assured the country that the problems would be resolved by the end of July, it is unclear whether the engineering problems at the Chinese-built power plant has been resolved, or whether the \$37 million that the government has set aside for emergency power for 2013-14 will be sufficient. Southern Africa's power problems are not expected to end anytime soon: some estimate that the region will need up to 4000 MW of additional power in the coming years.

BOTSWANA'S TEXTILE INDUSTRY FACES AN UNCERTAIN FUTURE

Botswana's textile industry, which employs some 4,000 people, saw a 66% decline in exports last year. Shrinking revenues prompted the industry to request a \$60 million bailout from the government – its third request in four years. A [working paper](#) from the Botswana Institute for Development Policy Analysis (BIDPA) cast doubt on the wisdom of the proposed bailout, stating that the government should first determine whether the textile sector would be able to survive in a competitive global climate, and added that the future of the industry in Botswana was “highly questionable.” According to BIDPA, a previous bailout that lasted from 2009-11 had been “unfocused,” centered largely around wage subsidies, and not oriented toward improving the country's export potential. Ninety percent of Botswana's textiles are exported to South Africa.

U.S. COMPANY HELPS LAUNCH NEW DIAMOND TRADING BUSINESS

In September 2011, De Beers and the Government of Botswana reached a deal to relocate the Diamond Trading Company, DeBeers' sales arm, from London to Botswana by the end of 2013. As part of that deal, the parties agreed that the Botswana government would form its own trading company independent of the DTC. The newly formed Okavango Diamond Company (ODC) engaged U.S.-based [Power Auctions LLC](#) to hold a pilot sale of diamonds in what will be the first step toward establishing a new sales channel.

DOMESTIC SECURITIES ARE UP, PULA IS DOWN

On an annual basis (twelve months to June 2013), the Pula depreciated against the euro 13.1%, the U.S. dollar 9.8%, and the pound 7.6%, while appreciating against the yen 12.1% and the rand 7.7%. For the year-to-date, the Botswana Stock Exchange's Domestic Companies index has risen by 15.69 percent, while the foreign companies index declined by 1.16 percent.

Upcoming Events

	Event Name	Venue	Date
1	Botswana Renewable Energy Expo (www.botswanarenewableenergyexpo.org)	Exhibition Centre, Faigrounds, Gaborone	26-28 February 2014
2	Property Investment, Décor & Lifestyle Expo (www.propertyexpobotswana.com)	Boipuso Hall, Fairgrounds, Gaborone	10-12 October 2013
3			
4	Global Expo Botswana	Fairgrounds, Gaborone	20-23 November 2013