

# Business in Botswana

Quarterly Newsletter



**U.S. EMBASSY GABORONE**

# Business in Botswana

---

## Quarterly Newsletter

### 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

## **IMF ISSUES ANNUAL ASSESSMENT FOR BOTSWANA**

Following a visit to Botswana from June 28 to July 11 the International Monetary Fund (IMF) [issued a report](#) which praised certain policy choices that the government has made to date, but noted that economic growth has softened and cautioned that “the public-sector capital-deepening growth model has run its course.” The IMF report stated that the public sector is too large and that future growth was dependent upon increasing productivity. It also urged Botswana to develop instruments to curb the high rate of unsecured household lending which reached P15 billion in April of this year. The report stated that “[t]he high concentration of banks' loans to households and the acceleration in the growth of unsecured lending warrants close monitoring.” According to Bank of Botswana statistics, loan arrears for individuals stood at roughly P931.2 million through the first quarter of the year.

## **BOTSWANA RISES IN GLOBAL COMPETITIVENESS RANKINGS**

The World Economic Forum published its [2013-14 Global Competitiveness Report](#) which showed that Botswana improved its “Global Competitiveness Ranking” from 79th to 74th place (out of 148 countries). The improvement was due to an overall improvement in the macroeconomic environment, including Botswana’s recent budget surplus and an increase in its national savings rate. Both were largely attributable to increases in diamond revenue. While Botswana’s ranking rose overall, it slipped in several notable areas, including higher education and training, market efficiency for goods, business sophistication and innovation. Productivity and government bureaucracy topped the list for the biggest problems that the Botswana economy faces.

## **AGOA EXPORTS TUMBLE**

A third quarter assessment of textile exports show continued weakness, particularly for exports eligible for duty-free status under the African Growth and Opportunity Act (AGOA). AGOA exports declined from nearly 44% of total textile exports in 2005 to 6.3% in 2011 – this despite the Government of Botswana’s subsidy bailout effort of 2009-11. The decline has continued: Botswana’s textile-related AGOA exports to the U.S. were down 60% in the first quarter of this year alone, a falloff that mirrors the stagnation of Botswana’s manufacturing sector in general. Manufacturing grew less than 2% in 2012 and declined nearly 10% in the first quarter of 2013.

## **U.S. BUSINESSES HELP GROW AGRICULTURE SECTOR**

Fodder Solutions, a U.S. company, has developed new form of animal fodder that will help enhance beef, dairy, sheep, goat and poultry production in Botswana. The company relies on patented technology that uses hundreds of times less water than conventional methods to produce organic, highly nutritious animal feed by growing grains, like barley, and legumes in a controlled, hydroponic environment. According to veterinarian Dr. Mike Sento, the technology will allow fresh feed to be grown during the dry season and provides “a superior feed product for all types of livestock” that is high in protein, reduces bloat and increases fertility.

A second U.S. firm, Got Produce? Botswana, a commercial scale agriculture operation, broke ground on construction of high-tech greenhouses in two locations in Gaborone and Maun. Got Produce? uses hydroponic technology to grow fresh vegetables reliably 365-days a year using 2% of the water of traditional irrigation. The farm is expected to grow over 300 tones of high-grade vegetables for the domestic market in by 2014.

## **BOTSWANA LOOKING TO BOLSTER TOURISM**

There have been numerous developments on the tourism front, as Botswana seeks to expand the impact of tourism on the economy:

- Botswana’s Tourism Expo held on August 13-16 focused on the need to adopt international trends in developing the country’s tourism model, as well as the country’s need to diversify its tourism portfolio away from wildlife and into business and leisure.
- The Botswana Tourism Organization unveiled a Draft Management Plan to transform the Maun Education Park into a tourism hub.
- The U.S. Embassy held a “Direct Line” call with the Botswana Tourism Organization, the Hospitality and Tourism Association of Botswana, the Ministry of Environment, Wildlife and Tourism, the U.S. Ambassador, and 35 U.S. companies interested in pursuing opportunities in Botswana’s tourism sector.

### **BANK OF BOTSWANA CUTS INTEREST RATES**

The Bank of Botswana’s Monetary Policy Committee cut interest rates by half to 8% in an effort to stimulate economic growth. The rate cut was for the third this year. Rates are now the lowest they have been in three years. Several analysts and financial experts welcomed the move, citing a sluggish economy and the hope that a rate cut would lead to increased spending.

### **U.S. COMPANY KEY PLAYER IN DIAMOND AUCTION**

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. The ODC launched its first successful pilot sale in July.

<b>Upcoming Events</b>			
	<b>Event Name</b>	<b>Venue</b>	<b>Date</b>
1	<a href="#">The Botswana 200 business Assembly</a>	Gaborone GICC	October 28 - 29, 2013
2	<a href="#">Property Investment, Décor &amp; Lifestyle Expo</a>	Boipuso Hall, Fairgrounds	October 10 - 12, 2013
3	<a href="#">Global Expo Botswana</a>	Fairgrounds, Gaborone	November 20-23, 2013
4	<a href="#">Botswana Renewable Energy Expo</a>	Exhibition Centre, Fairgrounds	February 26 - 28, 2014