

COUNTRY PROFILE:**REPUBLIC OF BOTSWANA****DATED:****JANUARY 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	1B	No restrictions

Recent Political Highlights

- Chief of state since April 1998 has been Festus G. Mogae. The president is elected for a five-year term and is eligible for a second term. The next election is scheduled for October 2009. Botswana remains one of Africa's most stable countries, characterised with a corruption-free climate that has a good human rights record.

Recent Economic Highlights

- Botswana has a population of 1.8m people that was expected to grow at a rate of 1.5% in 2007. Despite being one of the least populated countries in Africa, it has managed to produce one of the world's highest levels of economic growth, albeit with GDP growth slowing to 4.7% in 2006;
- Botswana recently revealed its brand with the aim of shoring-up its image in the globally competitive investor and tourist market. President Mogae urged his nation to live and breath the brand after learning that very few people outside Botswana know about the country. The brand is expected to create a vibrant picture in the minds of people and to strongly position Botswana locally and internationally;
- As the world grows closer to becoming a global free trade area, the trade and industry minister advised Botswana to develop a horticultural industry that can compete in the local, regional and international markets. He believes that, in recognition of the importance of the agricultural sector to continued economic expansion and diversification, Botswana could transform itself into a horticultural commercial hub;
- In contrast to its neighbouring countries, Botswana's exports are heavily skewed towards secondary products. According to the 2007/08 Human Development Report by the UN, Botswana's exports are made up of 86% manufactured products and 13% primary goods. On economic performance, the report reveals that the annual growth rate of GDP per capita has been declining over the past twenty years. Economic diversification is imperative to bring a balance to its exports;
- Production results from Debswana were expected to surpass targets. The General Manager of Debswana Orapa and Letlhakane mines has stated that the mines have exceeded targets in 2007. They were able to reach record production levels of the previous year due to their performance management systems and performance reward systems;
- Discovery Metals Limited, the Botswana-Australian-London listed company, has stated that its inferred resources near Maun has jumped 46% making the project one of the prospectively richest copper mines in the country. The total resource at the Maun project rose to 46.1m tonnes. Ongoing drilling on the Maun project was proving very successful with three inferred mineral resources defined from five prospects drilled during 2007. The significant growth in resources will make 2008 a very exciting year;
- The escalating oil prices have raised concerns of further retail fuel prices and further inflationary pressures in Botswana. The inflation outlook has deteriorated from an expected peak of 8% in February 2008 to a peak of 9%. From November 2006 to November 2007, crude oil prices increased 40% while local petrol prices rose 11%. The mismatch implies that the current pump prices of petrol, diesel and paraffin do not reflect the true value of local fuel prices and further hikes can be expected this year;
- Botswana and Namibia could emerge as the new diamond processing centres in the world within a few years. This comes in the wake of the anticipated removal of a few companies of Indian origin from the list of Diamond Trading Company sight holders for a three-year period from March 2008. The DTC attributed the cut in sight holders to a shortage of rough diamonds. It has set up joint venture companies in Botswana and Namibian diamond industries;
- The Botswana Power Corporation has increased electricity tariffs from the beginning of this month. The BPC increased tariffs for domestic use by 9% from 6%, while commercial tariffs were hiked by 15%;
- Botswana Telecommunications Corporation is expected to surprise the market this year by launching its mobile phone network that will push the number of competitors to three. The network could be in the market as early as February. The new development will bring in fresh competition into the mobile phone market.

Latest Trade Developments

- Major exports: diamonds, copper, nickel, soda, ash, meat and textiles;
- Major imports: food, machinery, electrical goods, transport equipment, textiles, fuel and petroleum products, wood and paper products and metal products;
- Main trading partners: European Free Trade Association, SACU and Zimbabwe;
- Imports from Botswana have been R1.8bn in 2006 and R1.4bn in the year to October 2007.

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