



Going with the flow

One of the fastest growing economies in the world, Botswana has a well regulated and thriving gaming industry

A small landlocked country of some 1.9 million people, Botswana is one of the world's great development success stories. It was once one of the poorest countries in South Africa with a GDP per capita of around US\$70 when it became independent. Four decades later it has transformed itself into the ranks of middle income status to become one of the fastest growing economies in the world with an average growth rate of about nine per cent.

Although this saw a negative drop in 2009 due to the global recession (GDP per capita currently stands at US\$21,800), the country has shown an impressive track record of uninterrupted civilian leadership, progressive social policies whilst economic growth is supported by significant capital investment.

Diamond mining has fuelled much of the expansion and accounts for around one third of the GDP and about half of the government revenues. It does however still have high levels of poverty and inequality but its economic progress has significantly raised living standards for about two thirds of the population. Education expenditure remains high as does the unemployment rate of around 20 per cent whilst the country also suffers from the second highest HIV/AIDS adult prevalence rate in the world.

Debswana is the largest diamond mining company and is operated from Botswana and is 50 per cent owned by the government. Several other mining operations also exist. Since the early 1980s Botswana has been the world's largest producer of gem quality diamonds. The global economic crisis has greatly

reduced the demand for diamonds however and sales volume for 2009 was 37 per lower than that of 2007. Meanwhile since 2000, due to deteriorating economic conditions in Zimbabwe the number of Zimbabweans in Botswana has risen into tens of thousands whilst fewer than 10,000 Bushmen still live in the traditional way.

The earliest modern inhabitants of southern Africa were the Bushman (San) and the Hottentot (Khoen) people who have lived in a traditional lifestyle since the Middle Stone Age. In the 19th century numerous missionary societies were formed and sent out and by 1880 every major village of every tribe had a resident missionary and their influence became a permanent feature of life. Growing dissatisfaction with British protection came to a head from the 1930s and after 80 years as a British protectorate, Bechuanaland, became independent and thus changed its name to the Republic of Botswana in 1966. The term Batswana stems from the ethnic group of people who speak the Setswana language and refers to the citizens of Botswana. Sir Seretse Khama was elected as the first president and served until his death in 1980. The BDP (Botswana Democratic Party) has been in power since 1966 and is currently led by the son of the founding president, Seretse Khama Ian Khama.

Botswana is a sub-Saharan country in Southern Africa and is the world's 47th largest country and is predominantly flat whilst 84 per cent of it is covered by the Kalahari Desert with the Okavango Delta in the northwest and Makgadikgadi Pan salt pan in the north.

Botswana was among the first countries in southern Africa to regulate and legalise gambling, although for a long time the country had two pieces of legislation enacted to govern gambling. The Lotteries and Betting Act was set up in 1962 to regulate society lotteries and bingo and horse racing followed in 1971 by the Casino Act which was originally an exclusive licence granted to the Holiday Inn Hotel.

It borders South Africa to the south and southeast, Namibia in the west and north and Zimbabwe to the northeast. It also meets Zambia at a single point. There are nine districts – Central, Ghanzi, Kgalagadi, Kgatleng, Kweneng, Northeast, Northwest, Southeast, Southern and five town councils – Francistown, Gaborone, Jwaneng, Lobatse, Selebi-Pikwe.

The country suffers badly from drought and desertification. Around 75 per cent of the country's human and animal population relies on ground water which has left a toll on the land due to erosion from drilling. Cattle and livestock is a huge source of income for the country and therefore the land continues to be exploited whilst livestock has also increased dramatically.

Around 80 per cent of the population lives along the eastern side where its three largest urban centres are situated. Western culture has infiltrated this country in the urban areas in the form of business, technology consumer goods, tourism and the media whilst rural areas continue to live very traditionally.



In 2005 the gaming board imposed a moratorium on the consideration of licences to allow for the development of a Gaming and Gambling Policy to guide the issuance of additional casino licences.

Conscious of its over dependence on diamonds since the early 1990s the government has encouraged tourism as a major engine for economic growth and has adopted a high value, low volume approach.

Botswana's principal tourist attractions include its game reserves with hunting and photographic safaris whilst the Okavango Delta is a maze of waterways, islands and lakes during rainy season. Due to the involvement of the private sector in the tourism industry, tourism now accounts for 40 per cent of the employment opportunities that have been created in the northern part of Botswana. Some 17 per cent of the country is reserved for parks. Today tourism accounts for almost 16 per cent of non-mining GDP, the second largest contributor to the economy, and the country ranked number five in 2008 in the top five destinations in southern Africa with 1.5 million arrivals in 2009. Due to the global economic crisis however, the number of arrivals dropped by 19 per cent last year.

THE CASINO INDUSTRY

Botswana was among the first countries in southern Africa to regulate and legalise gambling, although for a long time the country had two pieces of legislation enacted to govern gambling. The Lotteries and Betting Act was set up in 1962 to regulate society lotteries and bingo and horse racing followed in 1971 by the Casino Act which was originally an exclusive licence granted to the Holiday Inn Hotel. This exclusive licence ended in 1992 after 20 years when the government opened up the market and said any new hotels of international calibre could now be eligible to apply for a casino licence. The Gaborone Sun opened not long after followed by the Grand Palm.

A total of additional casinos licences were issued by the Casino Control Board in major towns throughout the country although no casinos were operated in rural areas. Although the licences are issued to hotels of international standards the problem was there was no hotel grading system for hotels in place. However the government has been very careful to enable the casino industry to develop in line with the growing number of foreign visitors.

In 2005 the gaming board imposed a moratorium on the consideration of licences to allow for the development of a Gaming and Gambling Policy to guide the issuance of additional casino licences. At the moment the government regulates betting and gambling operations via the Casino Act and the Lotteries and Betting Act. This is governed by the Ministry of

Trade and Industry and via the Internal Trade Division. However the acts have become outdated and inadequate to deal with the changes of the industry. The plan recommended that three further casinos should be permitted in Maun, Kasane and Letlhakane. The Gaming and Gambling Bill has been under consideration and is due to be taken to parliament.

The casino sector is now governed by the Casino Control Board which is headed by Chairman Lekwalo Mosienyane and two other members. The board is responsible for regulating and controlling the development of the casinos and defining areas in which they can be established and operated and to ensure licence fees are paid and accounted for.

The board may attach conditions to a licence relating to the games played in the casino, method of operation of games or operation of any hotel forming part of the casino. It can also specify the day and hours of casino operations and various other matters. Casino licences are issued for 10 years but can be renewed. Licence fees are paid every month as a percentage of gaming revenue determined by the board. Recent changes include the increase of the fee to enter casinos from BWP3 to BWP20 which was introduced to ensure only those who can afford to gamble are allowed entry into casinos.

There are now 10 casinos in Botswana. In Gaborone there are three casinos, the Gaborone Sun, Grand Palm and Moonlite Casino. Francistown is the largest city in northern Botswana and was the site of the southern Africa's first 'gold rush' in the mid 19th century. It is now home to two casinos The Marang and Sedibeng (was Admiral). In Selebi-Phikwe the casinos are Menateng and Syringa (was Admiral). Plus there are casinos in Jwaneng (the Teemane) and in Lobatse (Kings) and Palapye (Letsatsi)

Gross revenues earned by all casinos in 2008/09 came to BWP184,859,635 which was a 21 per cent increase on the previous year revenues, whilst the total contributions to the government increased by 7.9 per cent from BWP13m to BWP16m which is made up of 10 per cent casino levies and 50 per cent from entrance fees.

Palapye became the first and only village in Botswana to have a casino after calls by some companies to open a casino in the tourist village of Maun were rejected in the past. The Gaborone Sun Hotel is the oldest and biggest in the country and was recently refurbished and this was later followed by the Grand Palm. These two remain the largest in Botswana.

A fourth casino licence is currently at the centre of a battle amongst operators in Botswana when it was announced last year that the licence was being issued in the Gaborone city centre. Three gaming companies are asking the government to review the fourth gambling licence which was awarded to a consortium run by South Africa's Gold Reef Resorts. The licence was given to Gold Reef which has a 50 per cent stake and has teamed up with local businessman Moitsheki 'Chicks' Lekalake and Guido Giachetti, MD of local property group RDC

Gold Reef has said that it would invest up to R30m in building a casino at the new Masa Centre development in Gaborone which will comprise of a 160 room four star hotel managed by Holiday Inn, a shopping mall, 3D cinema, theatres, boutiques and restaurants. The resort is being developed by RDC and is expected to cost within the region of BWP325m.

However three other licence holders, Peermont Global, Moonlite Casinos and Sun International, say there is no place in the market for another gambling licence especially in Gaborone and it will dilute their market share. It appears some claim there are irregularities over the licence which was awarded in the name of Lekalake who claims he's been trying to obtain a licence for the last 10 years.

Gaborone is a small city with around 200,000 people and it is the only city outside of Gauteng in South Africa where all three of SA's biggest casino groups compete in the same city. There has been an influx lately of Chinese immigrants into Gaborone and the developers now believe there is room for a fourth casino which would house around 150 slots and 11 tables. The casino is scheduled to open this year.

THE OPERATORS AND OPERATIONS

SUN INTERNATIONAL has been trading successfully in Botswana for many years and currently operates three casinos - The Gaborone Sun, Menateng Casino in Selebi Phikwe and Marang Casino in Francistown. Sun's operations in Botswana achieved revenues of R156m and EBITDA of R48m which was 14 per cent and 29 per cent down on the previous year. Sun says this decline is due to the prevailing economic conditions in Botswana which had led to a lack of disposable income and also further exacerbated by the 10 per cent strengthening of the Rand against the Botswana Pula. Tamra Velej of Sun International said: "The upgrade of Peermont's Grand Palm to five stars significantly impacted on table game revenues at Gaborone Sun and as a consequence the group's share of the

Gaborone casino gaming market declined from 56 per cent last year to 47 per cent for the period under review. Slot revenues were not affected." The Gaborone Sun is anticipating further impact on revenues as the new casino proposed by Gold Reef Resorts opened in early 2011 at the City Centre development.

PEERMONT operates a total of 14 properties in southern Africa including nine in South Africa (of which seven are casinos) and five in Botswana (of which three house casinos). Collectively the group has 3,273 slots and 155 gaming tables and 1631 hotel rooms. The three Botswana casinos include the Grand Palm in Gaborone, the Sedibeng located in Francistown and the Syringa in Selebi Phikwe. The latter two casinos were purchased by Peermont from Admiral Casinos in 2007 whilst the Grand Palm property which was opened back in 2005 underwent an upgrading last year to five stars. The group operates a total of 220 slots across the three casinos. The Sedibeng Casino is located at the Thapama Hotel whilst the Syringa is located in the Syringa Lodge. There is a mix of traditional reel and multi-line video products in the casinos and all are operated as cashless.

GOLD REEF RESORTS was awarded the fourth casino licence in Gaborone last year and will open a new casino early next year at the City Centre development. It is expected to have 135 slots and 10 tables. It could affect the Gaborone Sun and the other three Gaborone operators are appealing against the licence.

GABORONE

Gaborone is the capital of Botswana and largest city with a population of almost 200,000, some 10 per cent of the total population. It is just 15 km from the South African border.

GABORONE SUN is a luxury hotel, casino and conference centre located in the capital city. The hotel dates back to 1972 and was the first casino to open in Botswana and at the time was known as the Holiday Inn. It has been extensively refurbished and accommodation includes 196 rooms. The casino offers eight tables and 135 progressive slots. It is operated by Sun International

THE GRAND PALM RESORT is located just a few minutes from the city centre of Gaborone and 12 km from the airport. It offers two different hotels – the five star Peermont Walmart and the three star Peermont Metcourt. The Grand Palm casino is a Las Vegas style casino with 150 slots and 13 table games. The Walmart Hotel and Grand Palm Casino were taken over in 1996 whilst the



BOTSWANA: VITAL STATISTICS

Capital: Gaborone
Population: 1,990,876
Land Area: 556,730sq.km
Median age: 22 years
Languages: Tswana, Kalanga, Sekgalagadi, English
Currency: Pulas (BWP)
Government: Parliamentary Republic
Chief of State: President Seretse Khama Ian KHAMA (since 2008)
Head of Government: President Seretse Khama Ian KHAMA
Cabinet: Appointed by the president. President indirectly elected for a five year term.
Elections: Last election held in 2009, next is due 2014.

Casinos: 10
Casino operators: 5
Casino Slots: 715
Casino Tables: 31
Casino Revenue: BWP184m (2008/09)

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Metcourt Inn was opened in 2002. It underwent refurbishment in 2008 and is operated by Peermont.

MOONLITE Casino was opened in 2006 and offered 50 slots initially and was the first independent citizen owned casino in the capital city. During phase two of its development the casino introduced four gaming tables.

GOLD REEF CASINO is a fourth casino licence awarded in Gaborone to Gold Reef Resorts. When it is opened next year it will hold 135 slots and 11 tables. However the licence is being challenged by the other three licence holders.

FRANCISTOWN

Francistown is the second largest city with a population of 85,000. It is located in the east some 90km from the border of Zimbabwe and was the centre of southern Africa's first gold rush.

SEDIBENG CASINO is located in the Cresta Marakanelo Thapama Hotel in the centre of Francistown. It houses 50 slots. Sedibeng means 'natural water source' and is aimed at the Tati River which is an important part of Francistown. It was opened in 1995 and is operated by Peermont (formerly an Admiral Casino)

MARANG CASINO is situated in Francistown and is just 10km for the airport and located on the banks of the Tati River. The casino was opened in 1998 and has 50 slots and all machines are operated on a cashless basis. Operated by Sun International

SELEBI PHIKWE

This is a mining town located in the Central District and has a population of around 50,000. Nickel mining is the main activity and originally it was two tiny places called Selebi and Phikwe until a township was built in between due to mining and they two combined.

SYRINGA CASINO is located within the Syringa Lodge and is named after the Syringa tree which grows right outside the casino. There are a total of 30 slots and it was opened in 1998 and is operated by Peermont (formerly an Admiral Casino)

MENATENG CASINO is on the main route to the northern delta and around 400km from Gaborone. The casino is situated next to the Cresta Bosele Hotel with has 50 rooms, restaurant, pool and conference facilities. There are 50 slots and it was opened in 1996. It is operated by Sun International.

CASINO INFORMATION

CASINOS	LOCATION	OPERATOR	SLOTS/TABLES	REVENUES 2004	REVENUES 2009
Gaborone Sun	Gaborone	Sun International	135/8	BWP35m	BWP78.9m
Grand Palm	Gaborone	Peermont	150/13	BWP36m	BWP65.4m
Moonlite	Gaborone	Independent	50/0	-	BWP2.4m
Marang	Francistown	Sun International	50/0	BWP6m	BWP11.5m
Sedibeng	Francistown	Peermont	50/0	BWP2.7m	BWP5.7m
Menateng	Selebi-Phikwe	Sun International	50/0	BWP5m	BWP6.7m
Syringa	Selebi-Phikwe	Peermont	30/0	BWP600,000	BWP1.6m
Kings	Lobatse	Independent	50/6	BWP4m	BWP3.9m
Teemane	Jwaneng	independent	100/4	BWP2m	BWP2.8m
Letsatsi	Palapye	Sun International	50/0	-	BWP5.6m
TOTAL			715/35		BWP184.8m

Source: Casino Control Board Annual Report 2008/09

PALAPYE

Palapye is a large town between Francistown and Gaborone and has become a convenient stopover on southern Africa's principal north to south rail and road routes. It is home to Morupule Power Station, Botswana's principal source of electricity.

LETSATSI CASINO is found in the fast growing town of Palapye. There are 50 slots and it is operated by Sun International and it was opened in 2006.

LOBATSE

Lobatse is located in south-east Botswana in a valley running north towards Gaborone. It has a population of 29,000.

KINGS CASINO is located at the Cumberland Hotel and has 50 slots and six table games. It is located 70 kms from Gaborone and about 6 km from the South African border. It was opened in 1998.

JWANENG

Jwaneng is a town in the southern district of Botswana and was formed around the Jwaneng diamond mine and is said to be the richest diamond mine in the world.

TEEMANE CASINO is located at the Mokala Lodge. The Lodge has 25 rooms plus a restaurant, conference room, bars and swimming pool. The casino has 100 slots and 4 tables and opened in 2003.

LOTTERY

Until recently no lottery games were permitted, only raffles, which was then restricted to registered societies which are non profit making. The new gaming bill will seek to establish a National Lottery which will be state owned but operated by a private company.

CASINO DATA 2009

CASINO REVENUE	TABLES	SLOTS	GGR	TOTAL GOV'T
Gaborone Sun	BWP26.7	BWP52.1m	BWP78.9m	BWP6.8m
Grand Palm	BWP22.5m	BWP42.8m	BWP65.4m	BWP5.3m
Marang	-	BWP11.5m	BWP11.5m	BWP994.505
Menateng	-	BWP6.7m	BWP6.7m	BWP589.819
Sedibeng	-	BWP5.7m	BWP5.7m	BWP480,363
Letsatsi	-	BWP5.6m	BWP5.6m	BWP513,701
Kings	BWP822,703	BWP3.1m	BWP3.9m	BWP372,912
Moonlite	-	BWP2.7m	BWP2.7m	BWP192,667
Teemane	BWP251,800	BWP2.2m	BWP2.4m	BWP275,627
Syringa	-	BWP1.4m	BWP1.4m	BWP121,467
TOTAL	BWP50.2m	BWP133.8	BWP184.8m	BWP16.5m

Lottery operator Uthingo lost their licence to operate in South Africa in 2007 after it was formed in 1996 to compete for this right amongst a total of three consortia bidding for the licence. It lost its bid to renew the licence to lottery operator Gidani who took over in October 2007 following legal battles and negotiations.

At the time Uthingo considered a move to Botswana. However Botswana did not have a law that allows for the operation of a national lottery and Botswana's Lotteries and Betting Act specifies that lotteries and bingo are restricted to charities and non profit organisations such as the Botswana Red Cross.

This is operated by Mascom which was licensed in 1998 as one of two companies to establish and operate a GSM mobile

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network in the country. Mascom is a joint venture between domestic, regional and international partners and covers 80 per cent of Botswana at the moment. The Botswana Red Cross Society runs a weekly prize giving lottery for players over the age of 16 which operates with a virtual ticket of chance recorded by way of SMS. The draw takes place on Radio Botswana once a week.

Meanwhile the casual video gaming phenomena has reached Botswana youths and has taken off in a big way particularly with middle school children. The introduction of online gaming has also brought a new aspect to such activities enabling players to play against other players across the world. Such games like Call of Duty online are proving very popular.