

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing March 2025

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#### Botswana Summary 6 March 2025

*Botswana and United Kingdom-headquartered De Beers sign a new 25-year diamond extraction and 10-year sales deal, but the terms of the deal agreed with the new government appear to be different from the ones agreed with the past administration, signalling that some compromises may have been made for the new deal to go through. The Bank of Botswana (central bank) Monetary Policy Committee (MPC) leaves its main lending rate unchanged at 1.9% and says it will maintain an accommodative monetary policy stance to boost the flagging economy. Government and De Beers' 50/50 joint venture, Debswana Diamond Company, engages a consultant to probe suspected widespread fronting in its P20 billion (\$1.48 billion) Citizen Economic Empowerment Programme (CEEP). President Duma Boko (2024-present) institutes a forensic audit to investigate past public spending amidst concerns of rising corruption, particularly under the previous administration.*

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#### Botswana makes concessions to reach deal with De Beers

After six years of protracted negotiations, Botswana and **United Kingdom**-headquartered **De Beers** on 25 February signed a new 25-year diamond extraction and 10-year sales deal, but some terms of the deal agreed with the new administration appear to be different to those agreed with the previous administration, signalling that some compromises may have been made by the new administration for the deal to go through.<sup>1</sup>

The most significant variation is the timeframe and quantum of diamond supply that the government through the state-owned **Okavango Diamond Company (ODC)** will be allocated. In the deal agreed with the previous government, the government and De Beers' 50/50 joint venture, **Debswana Diamond Company**, would provide 50% of output to ODC in the ten-year period but that has changed with ODC now only entitled to 40% of allocation in the ten years and then 50% of allocation over a five-year extension period after the initial 10-year period, but this extension is dependent on certain criteria being met. The conditions for the extension of the deal were however not disclosed.

While the commitment for the **Diamonds for Development Fund** has largely remained unchanged between the initial September 2024 announcement and the signing, more details or conditions appear to have been added. Under the original terms, the two sides agreed to establish a multi-billion-pula Diamonds for Development Fund, with an upfront investment by De Beers of P1 billion (\$75m). Further contributions over the next 10 years of the deal would be made that could total up to P10 billion (\$750m).<sup>2</sup> However, under the new terms, the upfront has been confirmed but further annual contributions will come "from its dividends from Debswana, based on Debswana's performance".<sup>3</sup>

The new government has also agreed to share marketing costs with De Beers, a term that was not revealed in the September agreement and was believed to be one of the major outstanding issues as De Beers has always paid for marketing on its own, which the previous administration still wanted.

While variations have been made to the sales deal, the mining contracts appear to have remained the same with a 25-year extension of Debswana's mining licences from August 2029 to July 2054. The extraction deal will enable the Debswana joint venture to deliver long-term value from its existing

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<sup>1</sup> Mmegi, 28 Feb 2025

<sup>2</sup> Reuters, 20 Feb 2025

<sup>3</sup> Reuters, 20 Feb 2025

mining assets and mine life extension projects beyond the current mining licence period. Mine life extension projects include **Jwaneng Cut-9**, **Jwaneng Underground** and **Orapa Cut-3**. Other terms of the new deal include jointly processing exceptional stones emerging from the mines and jointly exploring for diamonds across the world.

### Central bank holds interest rates to boost flagging economy

The **Bank of Botswana (BoB)** (central bank) **Monetary Policy Committee (MPC)** left the main lending rate unchanged at 1.9% during its first monetary policy meeting of 2025 on 20 February. With inflation expected to remain within BoB's target range of 3% and 6% over the medium term, the MPC decided to hold the monetary policy rate after having left it at the same level at its last two meetings in November and December.

Central bank governor **Cornelius Dekop** said inflation quickened to 2.5% year-on-year in January, from 1.7% a month earlier. The central bank expects inflation to remain below 3% through to the second half of this year, before rising to peak at just over 5% in the late fourth quarter. Under the accommodative monetary policy stance, the central bank decreased interest rates by 50 basis points last year, noting that benign inflation provided scope to support economic activity:

*"Inflation is forecast to remain within the objective range in the medium term, similarly ... businesses expect inflation to be within the medium-term objective range, suggesting that inflation expectations are well-anchored"*<sup>4</sup>

The central bank has also indicated it will maintain an accommodative monetary policy stance to boost the flagging economy. The economy is estimated to have shrunk by 3.1% in 2024 due to the continued significant downturn in the global diamond market, while the non-mining sector remained stable.<sup>5</sup> The government is hoping the economy will rebound this year because of an improvement in the global diamond market and a better performance in other sectors, and in a bid to support economic recovery, central bank confirmed it will keep interest rates low to support uptake of credit.<sup>6</sup> The accommodative monetary policy stance is made possible by the projections that inflation will remain within its objective range.

The central bank has generally maintained an accommodative monetary policy stance for years, only breaking the trend briefly in August 2022 when inflation reached a 14-year high of 14.2% forcing interest rate hikes of 151 basis points.<sup>7</sup>

### Debswana probes fronting in P20 billion programme

Debswana engaged a consultant to probe suspected widespread fronting in its P20 billion (\$1.48 billion) **Citizen Economic Empowerment Programme (CEEP)**, amidst early indicators that 90% of service providers in the initiative are 'stand ins' for foreign interests. In procurement, fronting refers to a fraudulent practice where a company or individual falsely presents themselves as meeting specific criteria, like ownership or capacity, to gain a procurement contract, often by using another entity as a facade to circumvent regulations like affirmative action or local content requirements, essentially deceiving the procuring entity about who is truly behind the bid.

Touted as the country's single largest transfer of value from mining to citizens, the CEEP programme had set a goal to empower citizen companies by redirecting P20 billion (\$1.48 billion) in Debswana procurement with the target of creating 20,000 jobs between 2020 and 2024. Debswana is one of the country's biggest procuring entities, but citizens and their enterprises have often found themselves unable to compete for contracts with foreign-owned entities. Following preliminary investigations, which found that six out of 12 companies probed for fronting for tenders in the CEEP of Debswana in

<sup>4</sup> Reuters, 20 Feb 2025

<sup>5</sup> Reuters, 10 Feb 2025

<sup>6</sup> Mmegi, 20 Feb 2025

<sup>7</sup> Mmegi, 5 Aug 2022

early 2024 were guilty and subsequently blacklisted, the company has now engaged a consultant to assess the extent of the fronting.<sup>8</sup>

The consultant's scope of work includes investigating all instances of possible fronting within Debswana's procurement activities, providing detailed reporting with findings and developing awareness and education programmes for their procurement staff and suppliers to recognise and combat fronting.

Debswana executives publicly estimated in 2024 that up to 90% of the diamond mining company's contractors under the CEEP were fronting for private sector players outside the country. The disclosure was further worsened by revelations that most of these operating companies had no business accounts in Botswana as payment of salaries was made from outside the country.<sup>9</sup>

Over its recently ended strategy period, 2020 to 2024, Debswana spent P23.56 billion (\$1.74 billion) on citizen-owned businesses with citizen spending accounting for 50% of its total spend. Of the P23.56 billion, P8.78 billion (\$650m) was spent on the **Orapa, Letlhakane** and **Damtshaa** mines, while P13.37 billion (\$990m) was spent on Jwaneng and P1.42 billion (\$105m) on the head offices in **Gaborone**.

A total of 3,116 suppliers are currently registered on the Debswana database and out of this number 2,262 (73%) are citizen suppliers. A total of 962 citizen companies have benefited from Debswana procurement opportunities over the past five years with an average of 700 citizen companies transacting with the company annually.

### **Boko institutes forensic audit of past public spending**

The government has contracted a foreign company to conduct a forensic audit of all past public spending amidst widespread concerns about increasing corruption in the country, particularly under the previous administration of **Mokgweetsi Masisi** (2018-2024). During the Masisi administration, Botswana's **Transparency International's Corruption Perception Index (CPI)** ranking gradually fell. In Transparency International's CPI for 2024, Botswana dropped yet again with a score of 57/100 from 2023's 59/100. This placed the country 43<sup>rd</sup> out of 180 countries, dropping from 39<sup>th</sup> in 2013.<sup>10</sup>

TI CPI Rankings for Botswana <sup>11</sup>					
	2024	2023	2022	2021	2020
<b>Ranking</b>	43/180	39/180	39/180	45/180	35/180
<b>Score</b>	57	59	59	55	60

According to several **Afrobarometer** surveys, more than seven in 10 Botswana (72%) believe that the former president and officials in his office were involved in corruption, including four in 10 who say that 'most' or 'all' (39%) of them were involved in graft.<sup>12</sup> President **Duma Boko** (2024-present) has now contracted a foreign company at a cost of \$4.5m to carry out a comprehensive forensic audit of past public spending. The audit, which is expected to begin in the next few weeks, will target 30 state-owned entities and government agencies. Unlike in the past where millions were spent to audit a single government department, Boko said on 26 February this audit will deal with the entirety of government and is hopeful of a significant amount being recovered, citing the example of **Angola**, which he said recovered \$30 billion after conducting a forensic audit.<sup>13</sup>

<sup>8</sup> The Botswana Gazette, 5 Mar 2025

<sup>9</sup> Mmegi, 14 Feb 2025

<sup>10</sup> Mmegi, 13 Feb 2025

<sup>11</sup> Source: Transparency International's [Corruption Perception Index](#). Countries with a low score, nearer to zero, are calculated to be more corrupt than countries with a high score, nearer to 100.

<sup>12</sup> News24, 2 Dec 2022

<sup>13</sup> Mmegi, 28 Feb 2025

## Planner

17 Apr 2025 **Gaborone (Botswana) Bank of Botswana** (central bank) **Monetary Policy Committee (MPC)** decision

Sep 2025 **Gaborone (Botswana)** 2025/26 national budget mid-term review

## Chronology

2 Mar 2025 **Gaborone (Botswana)** *Sunday Standard*. A new survey conducted by **Afrobarometer** in July 224 suggests that the former ruling **Botswana Democratic Party (BDP)** had already lost significant public support ahead of the October 2024 general elections even before its controversial primary elections;

2 Mar 2025 **Gaborone (Botswana)** *Daily News*. Minister for state president, **Moeti Mohwasa** informs parliament that the **Directorate of Intelligence and Security Services (DISS) Act** is currently under review for purposes of addressing its accountability and oversight challenges;

2 Mar 2025 **Gaborone (Botswana)** *Daily News*. President **Duma Boko** leaves for the **United States (US)** to attend the historic launch of Botswana's first satellite, **BOTSAT-1**;

2 Mar 2025 **Gaborone (Botswana)** *Daily News*. Parliament extends the second **Transitional National Development Plan (TNDP)**, which was due to end in April, by seven months to October to give the new government more time to plan for the 12<sup>th</sup> **National Development Plan (NDP 12)**;

28 Feb 2025 **Gaborone (Botswana)** *Mmegi*. **Canada-based Lucara Diamond Corp.** records an 18% jump in revenues to \$203.9m in 2024 driven by sales of several large and special stones discovered at its **Karowe Mine** in central Botswana;

27 Feb 2025 **Gaborone (Botswana)** *Daily News*. **China** grants Botswana P188m (\$13.9m) to support development projects with finance minister **Ndaba Gaolathe** signing the agreement with China's ambassador **Fan Yong**;

27 Feb 2025 **Gaborone (Botswana)** *Daily News*. **Russia's** ambassador to Botswana **Andrey Kemarskiy** pays a courtesy call on speaker of parliament, **Dithapelo Keorapetse**, with the two agreeing to continue to deepen and nurture bilateral relations;

24 Feb 2025 **Gaborone (Botswana)** *Daily News*. President **Duma Boko** says the government has set a target to scale up electricity production to at least 8,000MW within the next four years with a strategic shift towards a solar-dominated energy industry;

24 Feb 2025 **Gaborone (Botswana)** *Mmegi*. **Canada's Premium Resources**, the company reviving **BCL Mines Ltd**, plans to raise CA\$36m (\$24.84m) through a private placement of shares and warrants to continue developing the base metal project whilst advancing exploration;

23 Feb 2025 **Gaborone (Botswana)** *Daily News*. Acting director of plant health in the lands and agriculture ministry, **Loitseng Sebetwane**, says the recent heavy rains have resulted in the outbreak of the African armyworm in some parts of the country;

21 Feb 2025 **Gaborone (Botswana)** *Mmegi*. **Botswana Communications Regulatory Authority's (BOCRA)** 2024 annual report shows the value of mobile money transactions in the country rose to P33.5 billion (\$2.44 billion) in the year to March 2024, up more than 26% year-on-year;

21 Feb 2025 **Gaborone (Botswana)** *Mmegi*. The **Botswana Power Corporation (BPC)** is due to receive an additional P1.2 billion (\$88.88 m) in tariff and operational subsidies in the 2025/2026 budget;

21 Feb 2025 **Gaborone (Botswana)** *Mmegi*. Communications and innovation minister **David Tshire** issues a stern warning to high-profiting companies to pay the lowest wage permitted by the new administration of P4,000 (\$296.3) or close;

19 Feb 2025 **Gaborone (Botswana)** *Daily News*. **Kanye West (Southern District)** member of parliament **Victor Phologolo** says negotiations with **Canada's Giyani Metals** for the relocation of its manganese demo plant from **South Africa** to Botswana are ongoing;

18 Feb 2025 **Gaborone (Botswana)** *Mmegi*. Minerals and energy minister **Bogolo Kenewendo** says the government plans to promote the development of off-grid solar generation to electrify remote areas, an approach that is more cost-effective;

14 Feb 2025 **Gaborone (Botswana)** *Mmegi*. Finance minister **Ndaba Gaolathe** announces plans to create a **Sovereign Wealth Fund**, moving in line with recommendations by the **International Monetary Fund (IMF)** and the **Bank of Botswana** (central bank) which have called for the establishment of a strong generational fiscal reserve;

14 Feb 2025 **Gaborone (Botswana)** *Mmegi*. Some members of the ruling **Umbrella for Democratic Change (UDC)** express a concern that although the party has secured full government control, the party's **National Executive Committee (NEC)** has not convened since the 2024 election victory;

12 Feb 2025 **Gaborone (Botswana)** *Daily News*. Leader of the opposition, **Dumelang Saleshando** says the ruling **Umbrella for Democratic Change's (UDC)** failure to fulfil manifesto promises means it gave Batswana false hope;

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