

AFRICA RISK CONSULTING

Botswana Monthly Briefing July 2025

Botswana Summary 8 July 2025

Debswana Diamond Company's \$6 billion project to convert its flagship Jwaneng Mine into an underground operation, prolonging the mine's lifespan up to 2054, is ahead of schedule but the company confirms it is seeking funding for the project. Bank of Botswana (central bank) maintains its benchmark monetary policy rate at 1.9% for the fifth time in a row, but commercial banks continue to hike interest rates due to a liquidity crunch largely caused by the fall in diamond revenues. United Kingdom-based Anglo American begins the process to sell its diamond unit De Beers, in which Botswana holds a 15% stake.

Debswana reports progress on Jwaneng expansion but requires funding

Despite navigating a significant downturn in the global diamond market, **Debswana Diamond Company**, the joint venture between **United Kingdom (UK)**-headquartered **De Beers** and the Botswana government, is sending a clear signal of long-term commitment to the natural diamond industry with its crucial underground expansion project at its flagship **Jwaneng Mine** proceeding as planned.

The \$6 billion project, which started in May 2024, is 14% ahead of schedule but Debswana managing director **Andrew Motsomi** confirmed on 16 June that the company is looking to international capital markets to help fund the Jwaneng underground project as dwindling revenues have limited its ability to finance capital projects.¹ The diamond industry is currently facing strong headwinds due to a combination of factors, including sluggish demand in key markets like the **United States (US)** and **China**, economic uncertainty, competition from lab-grown stones, and excess inventory in the midstream (cutting and polishing centres).

Debswana, like its peers, has not been immune and on 6 June announced it was temporarily pausing production at its **Jwaneng Cut 9** and **Orapa** mines, after suspending operations at its **Letlhakane** tailing plant and Jwaneng modular plant in April as it cut output in response to prolonged weakness in the global diamond market.²

Despite the downturn in the market, which has seen Debswana further slashing its production target for 2025 to 15 million carats from 17.9 million carats in 2024, the company is set on continuing the project.³ When complete, the project will create the world's largest underground diamond operation, involving 360km of tunnels. Starting in 2034 and going up to at least 2054, the project will bring up nine million carats to the surface annually, anchoring Debswana and the government's revenues at a critical time when the country's diamond resources are dwindling.

Jwaneng is arguably the world's richest diamond mine by value, consistently generating most of Debswana's revenue and profits. Its high-value gem diamonds are crucial to Botswana's economy and De Beers' global supply. For Botswana, diamonds represent a cornerstone of national income, and safeguarding Jwaneng's future is synonymous with safeguarding the nation's economic stability and its ability to fund diversification efforts.

While current market conditions have necessitated short-term adjustments, Botswana believes the fundamentals for natural diamonds, particularly high-value gems like those from Jwaneng, remain

¹ Mmegi, 20 Jun 2025

² Reuters, 6 June 2025

³ Reuters, 16 Jun 2025

strong in the long run, and investing now positions the country optimally for the eventual market recovery.

Central bank keeps policy rate low but banks hike interest rates

In a move aimed squarely at economic revival, the **Bank of Botswana (BoB)** (central bank) held its benchmark Monetary Policy Rate (MoPR) steady at 1.9% during its 19 June **Monetary Policy Committee (MPC)** meeting. This decision, marking an extended period of historically low rates, underscores the central bank's commitment to an "*accommodative monetary policy stance*," designed to stimulate borrowing, investment, and consumption in an economy reeling from a prolonged downturn in the global diamond market.⁴

The central bank's rationale is clear. With inflation hovering within the bank's target range of between 3% and 6%– and projected to average 4.5% in 2025 – and acknowledging ongoing economic slack, the MPC sees room to prioritise growth. Keeping the MoPR at 1.9% is meant to signal cheap money with low policy rates expected to translate into low commercial bank funding costs, which should then be passed on to businesses and consumers as lower interest rates on loans. This, the BoB hopes, will encourage companies to invest in expansion and hiring, and consumers to spend on big-ticket items or consolidate debt, collectively injecting vitality into the economy.

Despite the central bank's accommodative monetary policy stance, commercial banks have in the past few months increased their lending rates as a biting liquidity crunch has forced them to access deposits at higher rates.⁵ The combination of increased government borrowing and reduced diamond sales revenues has also drained liquidity from the banking system, with the result that banks have been competing intensely for deposits and paying extremely high interest rates for short-term (1-3 month) funds.⁶ The country's second-largest bank, **Absa Bank Botswana**, increased its prime lending rate by 75 basis points to 6.76% effective 6 May. This followed a similar move by **Stanbic Bank Botswana**, the country's third-largest bank, which, effective 1 May, increased its prime lending rate by 100 basis points to 7.01%. The country's other commercial banks also followed with rate increases ranging from 1% to 2%. The liquidity crunch remains unabated despite the central bank releasing approximately P2.1 billion (\$133m) to banks in December, through the reduction of the primary reserve requirement from 2.5% to 0%.⁷

While the central bank's decision to hold the MoPR at 1.9% reflects a necessary commitment to supporting economic recovery, the current liquidity squeeze represents a critical fault line in monetary policy transmission. The effectiveness of the BoB's accommodative stance will now depend heavily on its ability, alongside other stakeholders, to successfully navigate and resolve the liquidity crunch plaguing the financial sector.

Botswana watches closely as Anglo begins De Beers sale process

Botswana is watching keenly as UK-based **Anglo American** is about to begin a formal sales process for diamond unit, De Beers, after receiving indications of interest from potential buyers that include **Indian** companies and firms linked to two of its former chief executives of the diamond giant.

An exit from De Beers represents the final step in a sweeping restructuring plan outlined by Anglo American CEO **Duncan Wanblad** last year as the company fended off a takeover approach from **Australia's BHP Group**. Anglo American has already sold its coal and nickel mines and unbundled its platinum business.

⁴ Reuters, 19 Jun 2025

⁵ Mmegi, 16 May 2025

⁶ Mmegi, 2 May 2025

⁷ Mmegi, 6 Dec 2025

Former De Beers bosses **Gareth Penny** and **Bruce Cleaver** are reportedly among a consortium of six groups that are potential buyers, as is Australian mining veteran **Michael O’Keeffe**.⁸ Also interested in buying De Beers at least six consortia, including commodities billionaire and founder of **Vedanta Resources**, **Anil Agarwal**, Indian diamond firms **KGK Group** and **Kapu Gems** as well as **Qatari** investment funds.⁹

At the centre of the sales process is Botswana, which holds a 15% stake in the company and is the source of about 70% of De Beers’ diamond supplies. As such, Botswana is not merely looking to consent; it sees this moment as an opportunity to fundamentally reshape its relationship with De Beers. Despite the prolonged downturn in the global diamond business, which has left it in a precarious financial position, Botswana says it is confident of increasing its stake in De Beers to as much as 50%.

While Anglo American indicates that finding the right buyers will depend on market conditions, vice president and finance minister **Ndaba Gaolathe** noted in an interview at the end of April that he is more optimistic that a buyer for the diamond miner will be found this year, with the country looking for partners with "deep pockets" who are in the diamond industry for the long haul.¹⁰

Questions, however, still linger about Botswana's financial capability to finance a purchase of an additional 35% in De Beers, with government finances having been hard-hit by the diamond market and export slowdown. The budget deficit for the 2025/26 financial year is estimated to be significantly high at 7.56% of GDP, though lower than the current financial year's estimated deficit of 9% of GDP.¹¹

While Anglo American's exit from De Beers marks the end of an era, it potentially heralds the dawn of a new one dominated by Botswana, as the country is not content to be a silent partner. The outcome of these high-stakes negotiations will redefine the ownership structure of the world's most famous diamond company and solidify Botswana's position as a commanding force in the global diamond industry for decades to come. The progress, while moving forward, remains delicate, hinging on resolving valuation disputes and finding a buyer aligned with Botswana's ambitious vision.

Planner

Jul 2025 (**Botswana**) **Botswana National Front (BNF)** elective congress

21 Aug 2025 **Gaborone (Botswana) Bank of Botswana (BoB)** (central bank) **Monetary Policy Committee (MPC)** decision

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

Chronology

6 Jul 2025 **Lilongwe (Malawi) Presidency**. Botswana and **Malawi** sign two memoranda of understanding to enhance trade and investment between the two countries during a state visit by President **Duma Boko** to that country;

4 Jul 2025 **Gaborone (Botswana) Mmegi**. With just two weeks remaining before the **Botswana National Front (BNF)**, the biggest party in the ruling **Umbrella for Democratic Change (UDC)**, holds its highly anticipated elective congress, the internal contest for delegate control is heating up, exposing underlying tensions within the party's leadership;

4 Jul 2025 **Gaborone (Botswana) Mmegi**. **Bank of Botswana** (central bank) reveals the value of transactions paid through banking cards at different point of sale systems in the country

⁸ Bloomberg. 5 Jun 2025

⁹ Reuters. 6 Jun 2025

¹⁰ Mining Weekly, 29 Apr 2025

¹¹ Daily News. 11 Feb 2025

more than doubled to P120.6 billion (\$9.27 billion) in 2024 compared to P52.1 billion (\$4 billion) in 2023 despite tighter economic conditions;

1 Jul 2025 **Gaborone (Botswana)** *Sunday Standard*. **Statistics Botswana** reports Botswana recorded a trade surplus of P0.94 billion (\$72.3m) in April 2025, reversing a long-standing trend of trade deficits that persisted for nearly 18 months largely on the back of a significant rebound in diamond exports;

30 Jun 2025 **Gaborone (Botswana)** *Sunday Standard*. **Directorate on Corruption and Economic Crime (DCEC)** has reportedly raided the homes and properties of former cabinet ministers **Lefoko Moagi** and **Kefentse Mzwinila** as part of an ongoing investigation into suspected possession of unexplained wealth;

30 Jun 2025 **Gaborone (Botswana)** *Mmegi*. President **Duma Boko** announces significant reforms for Botswana's state-owned enterprises, emphasising the need to align them more effectively with national development goals;

28 Jun 2025 **Gaborone (Botswana)** *Mmegi*. **Directorate on Corruption and Economic Crime** former head of intelligence **Tshepo Pilane** is transferred to the **Botswana Defence Force** following tensions with top government officials;

27 Jun 2025 **Gaborone (Botswana)** *Mmegi*. **Austria-based OPEC Fund**, a regular financier to Botswana's public and private sector, approves a \$200m loan to the government, a deal sealed during vice president **Ndaba Gaolathe's** recent engagement in **Vienna (Austria)**;

26 Jun 2025 **Gaborone (Botswana)** *Mmegi*. **South Africa-headquartered Pick 'n Pay** acquires its Botswana franchise by purchasing 100% of **NTS Holdings**, which has operated Pick 'n Pay supermarkets and liquor stores in Botswana for over 15 years;

25 Jun 2025 **Gaborone (Botswana)** *Mmegi*. Vice president and finance minister **Ndaba Gaolathe** appoints **Kenneth Molosi** to the position of **Bank of Botswana** (central bank) board chairman for the period 1 May 2025 to 31 August 2029;

24 Jun 2025 **Gaborone (Botswana)** *Daily News*. **Debswana Diamond Company** has spent P1.4 billion (\$107m) since December last year, releasing 664 employees on voluntary separation as the company reacts to a downturn in the global diamond industry;

22 Jun 2025 **Gaborone (Botswana)** *Daily News*. President **Duma Boko** participates in the **17th United States (US)-Africa Business Summit** in **Angola**;

20 Jun 2025 **Gaborone (Botswana)** *Mmegi*. The **2025 IMD World Competitiveness Ranking** shows Botswana has seen a decline in its global competitiveness, dropping to 59th position out of the 69 economies surveyed in 2025, falling from 55th place out of the 67 countries in 2024, mainly due to being outpaced in reforms by other countries;

19 Jun 2025 **Gaborone (Botswana)** *Daily News*. President **Duma Boko** receives letters of credence from the ambassador-designate of the state of **Qatar, Mubarak Bin Nasser Mubarak Al-Khalifa**, and says the two countries have had a solid relationship that dates to 2006 and has deepened ever since;

18 Jun 2025 **Gaborone (Botswana)** *Mmegi*. Trade ministry secures access to the **Chinese** beef market during the **Botswana-China Business Forum**, marking a significant development in Botswana's agricultural exports;

17 Jun 2025 **Gaborone (Botswana)** *Mmegi*. Botswana, along with several other African countries, has secured zero-tariff access to the Chinese market under new trade concessions announced at the ongoing **Forum on China-Africa Cooperation (FOCAC)** meetings;

16 Jun 2025 **Gaborone (Botswana)** *Sunday Standard*. President **Duma Boko** announces the creation of the **Botswana Mercantile Exchange (BMX)**, a commodities trading platform aimed

at deepening the country's role in global diamond and resource markets through traceable, structured finance;

13 Jun 2025 **Gaborone (Botswana) Mmegi**. State-owned **Okavango Diamond Company (ODC)** signs onto **United Kingdom**-headquartered **De Beers'** traceability blockchain platform, **Tracr**, whilst the **Gemological Institute of America (GIA)** has joined the platform as an equity partner, both major leaps for natural diamonds and their recovery;

13 Jun 2025 **Gaborone (Botswana) Mmegi**. Botswana's drop in foreign exchange reserves, which fell P18.4 billion (\$1.41 billion) between March 2024 and March 2025, triggers concerns about the value of the pula and the possibility of sudden shocks to the national currency;

10 Jun 2025 **Gaborone (Botswana) Daily News**. President **Duma Boko** declares Botswana's campaign to promote natural diamonds at the **De Beers JCK** diamond show in **Las Vegas (United States)** a success, with the House of Botswana concept telling the story of how diamonds contribute to national development;

6 Jun 2025 **Gaborone (Botswana) Mmegi**. Economic activity outside the mining sector is expected to suffer knock-on effects of slowed government spending coupled with delayed payments to suppliers, as the economy's cash crunch takes a turn for the worse;

6 Jun 2025 **Gaborone (Botswana) Mmegi**. Permanent secretary in the finance ministry, **Tshokologo Alex Kganetsano** says government's debt is nearing its limit for domestic borrowings, being at P42.6 billion (\$3.28 billion) or about 18.7% of GDP, just under the 20% ceiling;

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