

AFRICA RISK CONSULTING

Botswana Monthly Briefing December 2022

Botswana Summary 5 December 2022

The Bank of Botswana (central bank) forecasts a sharp drop in the annual inflation rate in 2023 providing scope for easing the tight monetary policy implemented in 2022. The finance ministry announced on 11 November that it is finalising the guidelines that will begin the gradual shift of offshore pension funds back to Botswana in early 2023, in line with a government directive announced in July requiring pension funds to have at least 50% of funds invested locally. The directive will see over P11 billion (\$860 million) in pension funds invested abroad start to return to Botswana. India-based Jindal Steel & Power Ltd is awarded a contract by the energy ministry on 21 November for the construction of a new coal mine, capable of producing 4.5 million tonnes per annum, and a 300-megawatt (MW) coal power plant in the Mmamabula coalfields. Canadian firm Giyani Metals is bullish on its manganese mine project in southern Botswana after a feasibility study confirms an economically viable resource with the construction of the mine slated for 2025. SRK Consulting, a global mining consultancy firm, indicates that the mine has the potential to bring over \$1 billion in net cash flows. A survey by the pan-African survey network, Afrobarometer finds an increasing number of citizens believe there is increased corruption in the president's office.

Central Bank forecasts sharp drop in inflation in 2023

The **Bank of Botswana (BoB)** (central bank) has forecast a sharp drop in inflation in 2023 providing scope for an expansionary monetary policy, as previously administered price increases fall out of calculations (base effects) and falling international oil prices help to tame inflationary pressures.¹ BoB forecasts inflation to decline significantly from an average of 11.2% in the first quarter of 2023 to 7.3% in the fourth quarter before falling within the BoB's 3-6% objective range by the third quarter of 2024. In addition to the base effects, the projected decrease in inflation into the medium term is also due to subdued domestic demand, current monetary policy posture, and expected decrease in global inflation and international commodity prices.

The central bank's Monetary Policy Committee (MPC) decided at its latest meeting on 1 December to maintain the monetary policy rate at 2.65% following another decline in inflation from 13.8% year-on-year (y/y) in September to 13.1% y/y in October. Factors contributing to the drop in October include the decrease in domestic fuel prices effected on 27 October as well as a stronger pula against the rand.

On a back of a strong performance in the mining sector, real gross domestic product (GDP) grew by 6.7% between June 2021 and June 2022, compared with a growth of 5.1% in the year to June 2021. Despite this strong growth, the MPC projects that the domestic economy will operate below full capacity in the short-to-medium term and, therefore, not generate any demand-induced inflationary pressures. The finance ministry forecasts economic growth to moderate to 4.2% in 2022 and 4.1% in 2023, compared to 11.4% in 2021.²

Despite the benign inflation outlook, the central bank has still warned of possible upside risks to inflation owing to the potential increase in international commodity prices beyond current forecasts,

¹ [Bank on Botswana](#)

² Botswana Budget Strategy Paper 2023/24

and the persistence of supply and logistical constraints to production. The adverse economic and price effects of the ongoing **Russia-Ukraine** war and the uncertain **COVID-19** profile also present external threats while on the domestic front, the risks of higher inflation than currently projected relate to possible annual adjustments of administered prices not included in the forecast and upward pressure on wages across the economy emanating from the increase in public service salaries.

Over P11 billion in offshore pension funds to return in 2023

The finance ministry announced on 11 November that it is finalising the guidelines that will begin the gradual shift of offshore pension funds back to Botswana in early 2023, in line with a government directive announced in July requiring pension funds to have at least 50% of funds invested locally. The directive will see over P11 billion (\$860 million) in pension funds invested abroad start to return to Botswana.³ A phased approach will be used in which the minimum percentages to be invested locally would gradually increase towards the new 50% threshold. The government believes that the increase in pension funds could increase investments in local infrastructure and foster the development of the local capital market.

Local fund managers, however, argue that the return in offshore pensions, if abruptly implemented, could dent pensioners' returns, lamenting the dearth of investment opportunities locally. Statistics show that as of September 2022, local pension funds held P113.5 billion (\$8.8 billion) in assets with 39.8% invested locally and the balance offshore.⁴ The country's largest pension fund, the **Botswana Public Officers Pension Fund (BPOPF)** holds over P90 billion (\$7.03 billion) in assets with over 60% invested outside the country.⁵

Works on coal and solar power plants to begin next year

India-based Jindal Steel & Power Ltd was awarded a contract by the energy ministry on 21 November for the construction of a new coal mine, capable of producing 4.5 million tonnes per annum, and a 300 megawatt (MW) coal power plant in the **Mmamabula** coalfields.⁶ Jindal will, as an Independent Power Producer (IPP), design, finance, build and operate the plant for up to 25 years and sell the power to **Botswana Power Corporation (BPC)**. Construction is set to begin in 2023.

Under its 20-year **Integrated Resource Plan (IRP)**, Botswana plans to add more than 600MW of solar and coal-fired power in the next four years as the country looks to wean itself off imports while also eyeing power exports. The coal plant is the only fossil fuel plant under the IRP, with the balance coming from renewable sources.

Botswana awarded **Norwegian** company **Scatec** its first large-scale renewable energy contract in August to build a 50MW solar plant with construction expected to start in 2023 and operations by June 2024.⁷ Botswana has amongst the world's highest levels of direct normal (solar) irradiation (DNI)- a measure of the amount of sunlight - at over 3,000 kWh/m² per annum.⁸ However, the country does not currently have any large-scale solar power generation and its 600MW national energy demand is predominantly met by state-owned coal-fired plants and imports, primarily from **South Africa**.

Endowed with over 200 billion tonnes of coal, Botswana's power generation will continue being dominated by fossil fuels in the near future, but the country is also increasingly infusing renewables into its energy mix with a target of at least 30% of national production being generated from renewables by 2030.

³ [Mmegi](#), 11 Nov 2022

⁴ Botswana Financial Statics Report October 2022

⁵ BPOPF Annual Report

⁶ [Reuters](#), 21 Nov 2022

⁷ [Reuters](#), 1 Sep 2022

⁸ [Solargis.com](#)

Botswana invited bids from IPPs in May to build another 200MW power plant comprising two units of 100MW each, with the plant expected to be commercially online by 2026/2027. Procurement of 200MW is currently underway with the government announcing in November that four international firms have now been shortlisted to design, finance, and build what will be the country's largest single procurement in renewable energy.⁹

The four shortlisted bidders include **Saudi Arabia's ACWA Power Company**, **South Africa-headquartered Cobra Industrial Services**, and two **Chinese** consortiums comprising **Power China Resources Limited** and **Shandong Electric Power Construction Corporation III** and another partnership involving the **China-Africa Development Fund** and **Shouhang High Tech Energy**.

Progress made on Botswana's first manganese mine

Canada-headquartered Giyani Metals announced on 14 November that a feasibility study confirmed an economically viable resource at the **K-Hill manganese** exploration, in what would be Botswana's first large-scale mine of the battery mineral.¹⁰ Manganese sulphate is used in the manufacture of lithium-ion electric vehicle batteries which are expected to start replacing a portion of the automobile market currently met by the internal combustion engine.

Giyani says the probable reserve grade of 18.9% manganese oxide is the highest among its listed battery-grade manganese peers and underpins a scalable operation with an initial throughput of 200,000 tonnes of ore production per annum, offering potential future production capacity expansion. The project's total estimated initial capital expenditure for the design, construction, installation and commissioning of all facilities and equipment is \$281m including a contingency of \$32m.

In September, Giyani announced that it has signed a design-build contract with specialist South African hydrometallurgical engineering firm **Met63 (Pty) Ltd** for the construction of a demonstration plant. The plant will produce high-purity manganese sulphate monohydrate samples that will be sent for testing by lithium-ion battery manufacturers and automotive original equipment manufacturers. Botswana currently produces diamonds, copper, nickel, soda ash, coal and gold while numerous investors are at various stages of exploring other minerals such as uranium, iron ore, lithium and rare earth minerals.

SRK Consulting, a global mining consultancy firm, conducted a study indicating that the mine has the potential to bring over \$1 billion in net cash flows. Production is expected to start in 2025, placing Botswana on the path to benefit from the current surge in demand for battery metals.

Survey finds increased perception of corruption in President's office

Pan-African survey and research network, **Afrobarometer** released a report on 1 December indicating that a growing number of citizens see increased corruption in the office of the president.¹¹ Despite Botswana's standing as one of the least corrupt countries in **Africa**, citizens' perceptions of corruption in the president's office are at their highest level over the past decade. The view that the president and his officials are involved in corruption is especially common among men, urban dwellers, youth, and the more educated.

According to the findings of the survey, conducted between July and August 2022, almost eight in 10 Botswana (79%) say that at least "*some*" officials in the president's office are corrupt, including half (50%) who believe that "*most*" or "*all*" of them are involved in corruption. Only 6% see no corruption in the presidency.

The perception that at least "*some*" officials in the president's office are corrupt is more widespread among younger citizens (up to 87% of 26- to 35-year-olds), more educated respondents (89% of those with post-secondary qualifications), men (84%), and urban residents (83%) than among their

⁹ [Mmegi](#), 11 Nov 2022

¹⁰ [Giyani Metals](#) website

¹¹ [Afrobarometer](#) Report

various counterparts. The perception that "some," "most," or "all" officials in the president's office are involved in corruption has increased by 18% since 2012.

Critics of President **Mokgweetsi Masisi** (2018-present) have accused him of being involved in corruption since he came into power with accusations ranging from his acquisition of **Banyana** farms and his sisters allegedly winning lucrative government contracts. Masisi addressed the allegations at the ruling **Botswana Democratic Party (BDP)** Congress in July, accusing the opposition of peddling a false narrative.¹²

Planner

15 Dec 2022 **Gaborone (Botswana) Statistics Botswana** publishes November inflation data;
 Dec 2022 **Gaborone (Botswana)** Finance minister announces 2022/22 supplementary budget
 Feb 2023 **Gaborone (Botswana)** Finance minister announces 2023/24 national budget
 Mar 2023 **Gaborone (Botswana) Bank of Botswana** announces 2023 Monetary Policy Statement
 Jun 2023 **(Botswana)** End of current **De Beers**-government diamond sales deal;
 2024 **(Botswana)** Presidential elections

Chronology

2 Dec 2022 **Gaborone (Botswana) Mmegi**. Health ministry announces that a new sub-variant of the **Omicron** virus has been detected in the country which has been dominant in countries in **Europe** and **Asia**;

28 Nov 2022 **Gaborone (Botswana) Lucara Statement**. **Lucara Diamonds** expects to dig up to 425,000 carats of diamonds in 2023, collecting revenues of between \$200m and \$230m;

28 Nov 2022 **Gaborone (Botswana) Daily News**. The **Botswana Meat Commission Maun** abattoir says it is struggling to reach its slaughtering target, despite introducing some interventions to motivate farmers to bring their cattle impacting local sales and exports to the **Democratic Republic of Congo (DRC)**;

27 Nov 2022 **Gaborone (Botswana) Daily News**. Advocate **Ernest Mosate**, director general for counter-terrorism analysis and fusion agency, says **Botswana** is stepping up efforts to address potential civil aviation terrorist threats;

25 Nov 2022 **Gaborone (Botswana) Mmegi**. **World Bank's** board of directors says it will consider a \$150m loan to **Botswana** early next year, which if approved, will go towards supporting the country's budget, the green transition and sustainable development. The loan will be the second and last in a series which produced the \$250m funding in June 2021, a rare instance of direct budget support from the World Bank to Botswana;

25 Nov 2022 **Gaborone (Botswana) Mmegi**. **Presidential Commission of Inquiry** into the review of the constitution rejects some submissions from citizens requesting for direct election of the president, despite arguments that it will enhance the democratic dispensation in Botswana by essentially transferring power to the electorate;

22 Nov 2022 **Gaborone (Botswana) Xinhua**. **European Union (EU)** launches a \$16.4m cooperative **Multi-Annual Indicative Program (MIP)**, to run until 2027, with **Botswana** to fund green transformation and economic diversification;

22 Nov 2022 **Gaborone (Botswana) Voice of America**. Health minister **Edwin Dikoloti** says government has approved the use of injectable anti-retroviral (ARV) drugs to improve adherence to **HIV** treatment, stating injections are more convenient than daily pills, which patients sometimes skip. The use of injectable ARV medication will start next year;

¹² [The Botswana Gazette](#), 22 Jul 2022

18 Nov 2022 **Gaborone (Botswana)** *Morning Star*. **United Kingdom**-headquartered **Power Metal Resources Plc** increases its share in **Botswana**-based **Kalahari Key Mineral Exploration Pty Ltd (KKME)** to 88%;

17 Nov 2022 **Gaborone (Botswana)** *Mmegi*. Police arrest four **Zimbabwean** nationals found in the possession of 40 lithium batteries stolen from telecommunications towers worth \$76,929;

16 Nov 2022 **Gaborone (Botswana)** *De Beers* statement. **De Beers** revenue reaches \$450m in the latest sales cycle, which ran from 31 October to 4 November, 11% lower than the previous cycle, as the rough market showed a seasonal slowdown and global sentiment remained uncertain;

16 Nov 2022 **Gaborone (Botswana)** *Global Times*. President **Mokgweetsi Masisi** delivers the **State of the Nation Address (SONA)**;

16 Nov 2022 **Panama City (Panama)** *Voice of America*. A report presented at a conference on **CITES – the Convention on International Trade in Endangered Species** shows that **Botswana's** rhinoceros poaching statistics have dropped this year after taking greater steps to protect its shrinking rhino population;

15 Nov 2022 **Gaborone (Botswana)** *World Bank*. **World Bank** announces the appointment of **Liang Wang** as the new country representative for **Botswana**;

11 Nov 2022 **Gaborone (Botswana)** *Reuters*. **French** telecoms group **Orange** launches a new 5G network in **Botswana** which will cover 30% of the population in **Gaborone** and **Francistown**, enabling new health, education and security services;

9 Nov 2022 **Gaborone (Botswana)** *The East African*. **Botswana**-based market chain **Choppies Enterprises** fights technical insolvency after incurring a \$125m loss on the closure of its operations in **Kenya, Tanzania, South Africa, and Mozambique** two years ago;

9 Nov 2022 **Gaborone (Botswana)** *Xinhua*. **Botswana** launches its second **National Risk Assessment** on money laundering, terrorism financing, and proliferation financing;

7 Nov 2022 **Gaborone (Botswana)** *Business Weekly*. **Canada**-headquartered **Tsodilo Resources** begins litigation against the energy and minerals ministry in connection with the licence renewal process for the **Xaudum** iron formation project - Tsodilo says the conduct of the ministry, which declined to renew one of its five licences, has left no recourse other than litigation;

2022 **Gaborone (Botswana)** *Mmegi*. Court of appeal grants government a victory against hemp farmer **Barend Daniel de Beer** who was accorded exemption to plant and grow hemp by the **Gaborone** high court in January this year;

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