

AFRICA RISK CONSULTING

Botswana Monthly Briefing October 2023

Botswana Summary 10 October 2023

Botswana's potential deal with Belgian diamond trader HB Antwerp is under question after Canada-headquartered Lucara Diamond Corporation ends its deal with HB Antwerp over an alleged breach of financial commitments. India-headquartered Jindal Steel and Power Limited (JSPL) starts works on 6 October on its 600-megawatt (MW) coal-fired power station in Botswana, the country's largest baseload power project undertaken by an Independent Power Producer (IPP). The first phase of the project, a 300MW power plant, is expected to be complete by December 2026. The finance ministry releases its 2024/2025 Budget Strategy Paper (BSP) on 11 September. The BSP forecasts that the budget deficit for the current financial year will be 2% of gross domestic product (GDP), down from an earlier projection announced in February of 3.06% of GDP.

Spotlight on Botswana's next move as Lucara cuts ties with HB Antwerp

Diamond industry market watchers are closely monitoring whether **Botswana** will go ahead with a proposed deal to buy a 24% stake in **Belgian** diamond trader **HB Antwerp** after **Canada**-headquartered **Lucara Diamond Corporation** announced on 28 September that it would end its partnership with HB Antwerp amid allegations of breach of financial commitments by HB Antwerp.¹

At the height of the protracted talks between Botswana and **United Kingdom**-headquartered **De Beers** for a new sales and marketing deal earlier this year, President **Mokgweetsi Masisi** (2018-present) in March announced that Botswana would be acquiring shares in HB Antwerp and that state-owned **Okavango Diamond Company (ODC)** would also supply the Belgian company with rough diamonds over five years.² Masisi was demanding a higher allocation of **Debswana's**, the government's joint venture with De Beers, rough diamond production. This demand was met in the new deal with De Beers agreed in June, with some of the additional allocation set to be supplied to HB Antwerp.

Following Masisi's initial announcement about the HB Antwerp partnership, questions were also raised regarding three-year-old HB Antwerp's track record. However, the government vehemently defended its decision to partner with HB Antwerp arguing the deal not only provided a window for the country to participate further down the diamond industry value chain but that HB Antwerp's business model had been successfully demonstrated through its partnership with Lucara. Following Lucara's 28 September announcement, Masisi announced that the government were now reassessing the decision to partner with the Belgian company.³

Botswana's next move will be key after having previously sold the proposed partnership with HB Antwerp as an alternative to De Beers. The developments are also happening at a time when the diamond industry is currently experiencing a downturn due to oversupply in the midstream while the timing is also politically sensitive as Botswana heads for the general elections next year.

¹ [Reuters](#), 28 Sep 2023

² [Bloomberg](#), 27 Mar 2023

³ [Reuters](#), 28 Sep 2023

Works start on Botswana's largest privately funded coal-fired power plant

India-headquartered **Jindal Steel and Power Limited (JSPL)** launched works on 6 October on its 600-megawatt (MW) coal-fired power station in Botswana, the country's largest baseload power project undertaken by an Independent Power Producer (IPP). JSPL is earmarked to spend \$2 billion on the project. JSPL was picked in October 2022 as the preferred bidder for a 300MW power plant before Botswana doubled the project capacity to 600MW in July this year aiming to not only be energy self-sufficient but also a net exporter.⁴ JSPL Africa CEO, **Parshant Kumar Goyal** told a mining conference in September that the company was at looking funding the first 300MW phase of the project through a combination of debt and equity with 40% of the capital expenditure to be funded from inhouse resource resources and 60% debt.

At the launch of the project, Masisi noted that under a Power Purchase Agreement (PPA) signed in July, JSPL will build, finance and operate the plant and recoup its costs by selling the electricity to power utility, **Botswana Power Corporation (BPC)**, over 30 years. JSPL aims to complete the first phase of the project, which includes the 300MW plant and a 4.5 million tonnes per annum coal mine located in the **Mmamabula** coalfields in central Botswana, by December 2026.

JSPL is the fifth licenced coal miner in the country with state-owned **Morupule Coal Mine (MCM)** the largest producer at 3.5 million tonnes per annum and local miner **Minergy's Masama Coal Mine** can produce 1.2 million tonnes per annum. **Australia-headquartered African Energy Resources' Sese Coal Mine** is yet to start production while local miner **Maatla Resources** started building its mine this year.

Botswana currently has a baseload generation capacity of 520MW which is below its peak demand of 700MW. The MW comes from its **Chinese-built Morupule B Power Station** commissioned in 2012 which has often broken down due to technical glitches leading the country to support supply through imports of diesel generators.

Despite a global pushback on the use of coal which has seen financiers shun funding of fossil fuel projects, Botswana is pressing ahead with plans to monetise its estimated 212 billion tonnes of coal resources for economic development. As such, Botswana's power generation is expected to remain dominated by fossil fuels in the near future, although it has a target of generating at least 30% of national production from renewables by 2030. Under a 20-year plan approved in 2020, Botswana was planning to add more than 600MW of solar and coal-fired power by 2026, but this will seemingly be dominated by coal.⁵

Budget deficit seen narrowing despite headwinds in diamond industry

Botswana is expecting a narrower budget deficit for the 2023/24 financial year despite a global downturn in the diamond industry which has seen sales drop at both De Beers and ODC. The finance ministry in its **2024/2025 Budget Strategy Paper (BSP)** released on 11 September forecasts that the budget deficit for the current financial year will be 2% of gross domestic product (GDP), down from an earlier projection announced in February of 3.06% of GDP.⁶

Expenditure will remain the same at P87.3 billion (\$6.46 billion), but revenues have been revised upwards from P79.79 billion (\$5.9 billion) to P81.67 billion (\$6.05 billion) driven by an expected increase in mineral revenues from P23.34 billion (\$1.72 billion) to P26.46 billion (\$1.9 billion). The initial projection was made in February.

The jump in projected revenue comes at a time when the diamond market is depressed due to global economic uncertainties, which has seen the country revise down its economic growth projections to 3.8% from 4%. Botswana gets 30% of its national income and 70% of its foreign exchange earnings from diamonds.

⁴ [Reuters](#), 27 Jul 2023

⁵ [Reuters](#), 21 Nov 2022

⁶ [Mmegi](#), 15 Sep 2023

The government's diamond revenue comes from De Beers, where it currently sells 75% of Debswana production as well as ODC, which gets the remaining 25% of Debswana supply. De Beers announced on 5 October that its year-on-year rough sales slid for the eighth consecutive cycle, hitting their lowest point this year with September sales totalling \$200m, a 61% drop from the same period in 2022, and a 46% drop from August when sales came to \$370m.⁷ Meanwhile, ODC saw its revenues in the first six months of the year drop by nearly 60% compared to the same period last year, due to the sharp downturn last seen four years.⁸

The drop in sales comes as India – which cuts and polishes at least 80% of the world's rough diamonds – announced that it is banning imports of the stones for two months in order to “*better manage the balance between supply and demand*”.⁹

It is anticipated that the performance of the economy will be slower in the second half of the year, as growth in the mining sector moderates on the back of the likelihood of slowing growth and possible recession in the **United States** (which accounts for about 50 % of the diamond jewellery market). Persistently high global inflation reduced real incomes and tighter monetary policy adversely affected diamond sales in 2023, with implications for export earnings and government revenues as well as foreign reserves.

The anticipated slower growth in the economy is also expected to have an impact on employment. Over the short to medium term, there is little prospect of a reduction in unemployment as the economy remains centred on the capital-intensive mining sector while the extent to which the non-mining economy can grow is limited by the nature of the sectors which mainly serve the domestic market, thus creating limited job opportunities. In the 2024/25 **Budget Strategy Paper (BSP)**, released on 11 September, the finance ministry estimates that the reduction of the economic growth projection to 3.8 % in 2023 will result in 7,000 fewer people employed by the end of the year. Botswana has a population of 2.3 million people.

Planner

26 Oct **Gaborone (Botswana) Bank of Botswana (central bank) Monetary Policy Committee** meeting

Nov 2023 **Gaborone (Botswana) 2023/24 supplementary budget**

Feb 2024 **Gaborone (Botswana) 2024/25 national budget**

2024 **(Botswana) General elections.**

Chronology

5 Oct 2023 **Gaborone (Botswana) Daily News.** Department of civil and national registration records indicates that there will be more than 1.7 million eligible citizens by the time the next general elections are held in 2024 and the **Independent Electoral Commission (IEC)** expects

⁷ [Rapaport](#), 5 Oct 2023

⁸ [Mmegi](#), 29 Sep 2023

⁹ [Rapaport](#), 26 Sep 2023

to register significant numbers during the voter registration period scheduled for 1 – 30 November;

3 Oct 2023 **Gaborone (Botswana)** *Sunday Standard*. Concerns that progress made in the fight against **AIDS** may be undone if the **President's Emergency Plan for AIDS Relief (PEPFAR)**, which was set to expire on 30 September. No renewal plans have been mentioned;

3 Oct 2023 **Gaborone (Botswana)** *Daily News*. The **Botswana Unified Revenue Services (BURS)** a collected about P33 billion (\$2.44 billion) so far, which is more than half of the P60.4 billion (\$4.47 billion) targeted collection for the current financial year which ends in March 2024. BURS commissioner general, **Jeanette Makgolo** said they are poised to exceed their collections target this year as they did last year when they surpassed the P47 billion (\$3.48 billion) target by 4.55%;

26 Sep 2023 **Gaborone (Botswana)** *Daily News*. Botswana will harness its potential collaboration with **Evum Motors**, a **German** auto manufacturer, by requesting the company to set up the vehicle's assembly plant in the country.;

25 Sep 2023 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** says that Botswana wants to join over 20 **African** countries that are members of the **International Council for Game and Wildlife Conservation (CIC)**, an international non-profit body that advocates biodiversity conservation through sustainable use of wildlife resources;

25 Sep 2023 **Gaborone (Botswana)** *Mmegi*. **Air Botswana** enters a partnership with the **Botswana Chamber of Mines (BCM)** that will see the transportation of mining cargo through the national airliner's fleet. Air Botswana will facilitate air cargo transportation of raw materials, import, and export of finished manufactured goods for the impactful growth of the mining, transport industries and other players in the value chain;

22 Sep 2023 **Gaborone (Botswana)** *Mmegi*. **India's KGK Diamonds** seals an arrangement with local gold miner **Mupane Gold Mine** under which gold produced in the country will be worked into locally made diamond jewellery;

21 Sep 2023 **Gaborone (Botswana)** *Mmegi*. **Bank of Botswana** indicates that the value of assets collectively held by the country's pension funds rebounded from losses in 2022, to reach P130.5 billion (\$9.66 billion) by June of this year, more than P12.5 billion(\$930m) above the level in December 2022;

20 Sep 2023 **Gaborone (Botswana)** *Mmegi*. The coming into effect of the personal privacy requirements under the **Data Protection Act** has been further extended to September 2024, giving entities that hold individuals' data another year to transition to the tighter new legal provisions;

19 Sep 2023 **Gaborone (Botswana)** *Sunday Standard*. **Statistics Botswana (SB)** announces that annual inflation rate was 1.2 % in August 2023, down from 1.5% in July;

18 Sep **Gaborone (Botswana)** *Mmegi*. State-owned diamond trader, the **Okavango Diamond Company (ODC)** will next month start setting aside an allocation of diamonds for exclusive sale to citizen enterprises, helping Botswana into an industry where they have battled against more capitalised and experienced international traders;

15 Sep 2023 **Gaborone (Botswana)** *Mmegi*. **Gazelle Ecosolutions**, a tech and environment firm with global founding partners, has finalised a proof of concept at the **Tsabong** project site which demonstrates that the carbon credits can be put on the global market;

15 Sep 2023 **Gaborone (Botswana)** *Mmegi*. The **Botswana Energy Regulatory Authority (BERA)** increases fuel prices, ranging up to P2.46 (\$0.18) per litre;

14 Sep 2023 **Gaborone (Botswana)** *Daily News*. Botswana and **The Bahamas** sign a memorandum of understanding (MoU) on bilateral and political consultations in the areas of

environment and tourism, trade and investment, agriculture, education, health and financial sector;

13 Sep 2023 **Gaborone (Botswana)** *Mmegi*. **Botswana Telecommunications Corporation Limited (BTCL)** says it aims to go completely copper-free in **Gaborone, Orapa** and **Jwaneng** by the end of the next financial year, as cable theft continues to plague its operations and profits;

11 Sep 2023 **Gaborone (Botswana)** *Sunday Standard*. **Australia's Sandfire Resources**, the operator of **Motheo copper mine** in the **Kalahari Copper Belt**, awards a \$225m mining services contract to **African Mining Services (AMS)**, a subsidiary of Australia's **Perenti** at the A4 open pit within the larger Motheo copper mine in **Ghanzi**;

8 Sep 2023 **Gaborone (Botswana)** *Mmegi*. State investment agency, the **Botswana Development Corporation (BDC)** secures a P736m (\$54.5m) line of credit from **German financier, Commerzbank AG**, targeted at climate-related projects;

5 Sep 2023 **Gaborone (Botswana)** *Mmegi*. Botswana signs the **Southern African Development Community (SADC)** memorandum of agreement for the establishment of the humanitarian and emergency operations centre in **Mozambique**;

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