

AFRICA RISK CONSULTING

Botswana Monthly Briefing November 2023

Botswana Summary 7 November 2023

Debswana Diamond Company diamond sales fall by 33.8% in the third quarter of the year due to an oversupply in the value chain. State-owned Botswana Oil will from 1 April 2024 have exclusive rights to import 90% of the country's oil requirements, a move received with outrage by multinational oil companies that have dominated the sector for years. Public works minister Eric Molale on 24 October signs contracts with nine firms that will deliver infrastructure projects under a new development manager model adopted by the government. Minerals and energy minister Lefoko Moagi confirms on 26 October that Canada-headquartered Giyani Metals will submit a mining licence application for the Kgwakwe Hill (K.Hill) manganese project in November.

Debswana sales drop as economic headwinds hit demand for jewellery

Debswana Diamond Company, the 50:50 joint venture between the government and **United Kingdom**-headquartered diamond mining corporation **De Beers**, diamond sales fell by 33.8% to \$632.7m between July and September, compared to \$955.8m in the same period last year. The decline is due to an oversupply in the value chain, driven by the impact of the current global macroeconomic uncertainty on jewellery demand.¹

The global diamond market has been rocked by multiple adverse factors during the year including restrained consumer demand in the **United States (US)** and weak post-**Covid-19** recovery in **China**. Recent demand may have been impacted by a sharp increase in diamond prices in 2022 when demand was strong, but the industry is feeling the lingering impacts. Synthetic diamonds are also increasingly impacting the natural diamond market share due to their much lower selling prices. With slowing demand, downstream participants in the diamond value chain, including cutters and polishers, traders, jewellery manufacturers and retailers, have all cut back on purchases as their stocks have risen, impacting rough diamond demand.

The cutback on purchases by cutters and polishers has impacted miners such as Debswana, which sells 75% of its output to De Beers, while the balance is sold to state-owned **Okavango Diamond Company (ODC)**. As a result, De Beers has announced that sightholders (contracted customers) would be permitted to defer up to 100% of their contracted purchases for the remainder of 2023 while the ODC has cancelled its planned November auction with a decision still to be made on whether its December sale will take place.² Despite the surplus in the diamond pipeline, Debswana has surprisingly not cut back on its production with De Beers also maintaining its full-year production guidance of 30 to 33 million carats. Debswana did, however, see its production drop by 12% in the third quarter to 5.8 million carats from the same period last year due to planned maintenance at **Orapa Mine**, but its year-to-date output is up 1% to 18.5 million carats.

Despite the falls in diamond demand and prices, the finance ministry announced in September that expects a narrower budget deficit of 2% of GDP in the 2023/24 fiscal year from a deficit projection of 3.06% announced in February (*see ARC Briefing Botswana Oct 2023*).³ Expenditure will remain the

¹ www.bankofbotswana.bw. Accessed 3 Oct 2023

² [Reuters](#), 24 Oct 2023

³ [Reuters](#), 11 Sep 2023

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).

Shake up in oil industry as state firm granted control of imports

A statutory instrument gazetted on 29 September and since published in October outlines that state-owned **Botswana Oil** will from 1 April 2024 under the “*petroleum products quota allocation*” have exclusive rights to import 90% of the 1.2 billion litres of fuel consumed annually and resell this to retailers, mostly owned by multinationals.⁴ The government has argued that the basis for the drastic change in law is a need to promote effective citizen empowerment in an industry dominated by large, foreign multinationals. In addition, Botswana Oil says it believes the import quota will ensure security and stability of supply in a sector that is heavily exposed to global supply and demand dynamics.

With the 90% import allocation, Botswana Oil also believes the high volumes will give it the much-required leverage to negotiate better prices and terms for the country. Furthermore, the government will have an opportunity to gain more insight and some level of control into the oil and gas industry, to mitigate against developments in the market such as mergers and acquisitions or divestitures as well as market exits that might leave a gap without ample notice for the Botswana market to adjust.⁵ However, private companies that have for a long time dominated the industry feel disgruntled by the government's sudden decision which they say was done without any consultation and will create supply and viability challenges for the sector. Botswana's oil industry is currently dominated by multinational oil firms including **South Africa**-headquartered **Engen**, **UK**-headquartered **Shell**, **Switzerland**-headquartered **Puma Energy**, **US**-headquartered **Caltex** and **France**-headquartered **TotalEnergies**.

The multinational companies have questioned the practicality of the government's move noting that Botswana Oil cannot carry out the role, arguing that the new plans would essentially weaken innovation, and the ability to secure competitive pricing. The private firms also say the move would render useless the millions of pula made in investment over the years, such as depots built by the various oil companies in the country.⁶ The industry players additionally argue that Botswana Oil does not have the physical infrastructural capacity to handle 1.2 billion litres of fuel a year, or about 100 million litres a month, and sell this forward to the fuel retailers at the pace required by the retailers, daily.

Government engages development managers for delivery of P13 billion projects

Transport and public works minister **Eric Molale** on 24 October signed contracts with nine firms that will carry out P13 billion (\$962m) worth of infrastructure developments across the country under a new development manager (DM) model adopted by the government.⁷ The projects, which are under the two-year **Transitional National Development Plan (TNDP)**, include roads, bridges, water infrastructure and schools. In February, the government issued an expression of interest looking to implement the projects and 123 companies, both from locally and abroad, showed interest. Molale said that of the 123, only 23 responded and nine companies were successful.⁸

Under the TNDP, Botswana will inject significant investments into roads, land, water infrastructure development and support to key state-owned enterprises with P26.8 billion (\$1.98 billion) earmarked for new projects while P37.2 billion (\$2.76 billion) has been set aside to fund existing projects.⁹ Over

⁴ [Bloomberg](#), 30 Oct 2023

⁵ [Mmegi](#), 24 Oct 2023

⁶ [Mmegi](#), 16 Oct 2023

⁷ [Daily News](#), 25 Oct 2023

⁸ [Daily News](#), 22 Aug 2023

⁹ [Reuters](#), 6 Feb 2023

P17 billion (\$1.26 billion) has been allocated to ongoing and new land servicing and water infrastructure programmes over the period, while over P8 billion (\$592m) is earmarked for new construction, reconstruction and expansion of the country's road network. The TNDP succeeded the six-year 11th **National Development Plan (NDP11)** which runs from April 2023 to March 2025 and will thereafter be followed by a longer-term 12th **National Development Plan (NDP12)**.

Earlier this year, the government announced it had adopted the DM model as the lead method of improving project delivery. In this method, the DM does the full scope of engineering, procurement, construction, and management (EPCM) services associated with facilities and infrastructure projects. The government believes this model is efficient and cushions it from financial risks associated with lapses in project implementation and delivery, including delays and cost overruns commonly associated with litigation and insider trading. In addition, the model, where feasible, allows for private-sector financing.

Botswana has invested significantly in infrastructure development, but spending is inefficient due to poor project implementation and supervision. The 2023 **Public Investment Management Assessment (PIMA)** released by the **International Monetary Fund (IMF)** in August concluded that the efficiency of Botswana's public infrastructure investment spending falls approximately 30% below the levels of the best-performing upper-middle-income countries.¹⁰ This reflects poor project appraisal and preparation, a failure to prioritise effectively, and weak project management.

Flagship manganese project ready for licencing

Minerals and energy minister **Lefoko Moagi** confirmed on 26 October that **Canada**-headquartered **Giyani Metals** will submit a mining licence application for the **Kgwakwe Hill (K.Hill)** manganese project in **Kanye** later this month, a move Moagi believes marks a pivotal moment in the pursuit of manganese mining.¹¹ Giyani Metals on 31 July announced a new Preliminary Economic Assessment (PEA) for the K.Hill showing the improved significant economic potential value of nearly \$1 billion. The mine would be Botswana's first large-scale manganese mine and the first fully integrated battery metals project in the country. Giyani Metals plans to complete project construction in 2026.

Botswana is heavily reliant on diamonds, which contributes 30% of national revenues and 70% of foreign exchange earnings but is looking to diversify within the mining sector with minerals such as copper, nickel, coal and iron ore. Apart from diamond mines, the country has two operating coal mines and two copper mines. With the global appetite for green minerals on the rise due to the energy transition, the global demand for battery metals such as manganese could create an opportunity for Botswana to reduce its reliance on diamonds. Giyani Metals has established that the manganese sulphate monohydrate (HPMSM) in the area can be utilised in electric car batteries.

Giyani Metals projects to process manganese oxide material on-site to produce manganese sulphate, with a feed capacity of 200,000 tonnes per annum over a 57-year life. Under this scenario, the K.Hill project would have a post-tax net present value of \$983m.¹² K.Hill will be the first fully integrated battery metals project in the country, and Giyani Metals plans to complete project construction in 2026.

Planner

¹⁰ www.econsult.co.bw. Accessed 3 Oct 2023

¹¹ [Sunday Standard](#), 30 Oct 2023

¹² [Mining.com](#), 31 Jul 2023

6 Nov 2023 **Gaborone (Botswana)** Parliamentary sitting
 13 Nov – 8 Dec 2023 **(Botswana)** Voter registration
 Nov 2023 **Gaborone (Botswana)** 2023/24 supplementary budget
 7 Dec 2023 **Gaborone (Botswana)** **Bank of Botswana** (central bank) **Monetary Policy Committee** meeting
 Feb 2024 **Gaborone (Botswana)** 2024/25 national budget
 2024 **(Botswana)** General elections

Chronology

1 Nov 2023 **Gaborone (Botswana)** *Daily News*. A white paper on constitution review is expected to be presented to the next parliament sitting which starts on the 6 November. This follows the **Presidential Commission of Inquiry** into the review of the constitution exercise in 2022;

1 Nov 2023 **Gaborone (Botswana)** *Mmegi*. **Independent Electoral Commission (IEC)** postpones voter registration until 13 November after the **Francistown** high court rules that the **Umbrella for Democratic Change (UDC)** could observe the registration period. Registration was initially scheduled to begin on the 1 of November;

30 Oct 2023 **Gaborone (Botswana)** *Mmegi*. **Okavango Diamond Company (ODC)** managing director **Mmetla Masire** says approximately ten citizen-owned companies participated in the first exclusive tender for citizens to buy rough diamonds;

30 Oct 2023 **Gaborone (Botswana)** *Mmegi*. Representatives from **Debswana**, the government and **United Kingdom**-headquartered **De Beers'** joint venture, say that the country has already mined 58% of its total diamond deposits, expressing concern for the future of the industry and its role as the country's principal export and a primary contributor to GDP;

27 Oct 2023 **Gaborone (Botswana)** *Mmegi*. Botswana has banned imports of poultry products from **South Africa** following the outbreak of **Highly Pathogenic Avian Influenza (HPAI)** in South Africa;

27 Oct 2023 **Gaborone (Botswana)** *Mmegi*. **Botswana Stock Exchange (BSE)** approves an application by a **Zambian** firm that seeks to raise \$500m debt in the local market, a development that underlines the potential of the local BSE;

27 Oct 2023 **Gaborone (Botswana)** *Mmegi*. The value of banking cash transactions required to be reported to the **Financial Intelligence Agency (FIA)**, which is set at P10,000 (\$741) and above, more than doubled to P62 billion (\$4.59 billion) in the 2022/23 financial year sparking fears of dirty money activities;

26 Oct 2023 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** launches the **Temo Letlotlo** agriculture subsidy programme, with an initial budget of P500m (\$37.1m) to finance inputs for subsistence, small-scale and large-scale farmers;

26 Oct 2023 **Gaborone (Botswana)** *Reuters*. **Bank of Botswana** (central bank) keeps its key lending rate unchanged at 2.65% despite an increase in annual inflation from 1.2% in August to 3.2% in September. The rate has been 2.65% since August 2022;

25 Oct 2023 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** receives a delegation from **Belgium** led by the director of economic interests in the foreign affairs ministry, **Mathias Haerynck**. Masisi notes the visit was aimed at discussing important issues

affecting both countries concerning the security of supply of diamonds and mitigating any potential disruptions and risks to the sector;

23 Oct 2023 **Gaborone (Botswana)** *Reuters*. President **Mokgweetsi Masisi** appoints **Cornelius Dekop** as the new **Bank of Botswana** (central bank) governor with immediate effect to replace **Moses Pelaelo**, who has served as the governor since 2016;

23 Oct 2023 **Gaborone (Botswana)** *Mmegi*. The 2022 **Banking Supervision Report** is published, indicating that several banks in 2022 were fined P543,000 (\$40,224) for various acts of non-compliance, particularly violations of the **Financial Intelligence Act**, as the **Bank of Botswana** (central bank) tightened its monitoring of the sector;

23 Oct 2023 **Gaborone (Botswana)** *Mmegi*. **Statistics Botswana** data shows that copper's quarter-on-quarter production increased by 7.8% in the second quarter of 2023 rising from 13,757 tonnes in the first quarter to 14,872 tonnes. The uptick is the result of increased players in the copper industry with newly opened mines such as the **Motheo Copper Mine** having sent out its first copper production;

17 Oct 2023 **Gaborone (Botswana)** *Daily News*. **Canada's Premium Nickel Resources Limited (PNRL)**, whose local subsidiary is reviving the **BCL Ltd** assets, expects the **Selebi** mining operations to bounce back into operation by 2026;

13 Oct 2023 **Gaborone (Botswana)** *Mmegi*. Finance minister **Peggy Serame** is set to sample international interest for the possibility of the government issuing its first ever foreign currency bond appears during the **International Monetary Fund** and **World Bank** annual meetings;

11 Oct 2023 **Gaborone (Botswana)** *Mmegi*. **International Monetary Fund's Financial Access Survey** shows that mobile money usage is surging in Botswana, with the number of mobile money accounts per 1,000 adults more than doubling in the last five years, from 1,115 in 2017 to 2,973 in 2022;

11 Oct 2023 **Gaborone (Botswana)** *Daily News*. Meteorology services department says it anticipates a severe drought during the 2023/24 season due to **El Niño** conditions that have been observed in the southern hemisphere. Enhanced probabilities of below-normal precipitation are forecasts with increased risk of drought over some areas while the eastern parts will be particularly dry;

6 Oct 2023 **Gaborone (Botswana)** *Mmegi*. **Absa Bank Botswana**, a unit of South Africa's **Absa**, successfully lists a P2 billion (\$148.2m) note programme on the **Botswana Stock Exchange (BSE)** exclusively aimed at funding green and social projects, a move towards the first sustainability issuance on the local bourse;

6 Oct 2023 **Gaborone (Botswana)** *Mmegi*. Opposition party, the **Botswana Patriotic Front (BPF)**, appoints former state president and party patron, **Ian Khama** as its campaign manager for the 2024 general election as the party looks to tap into the former president's popularity.

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