

AFRICA RISK CONSULTING

Botswana Monthly Briefing January 2024

Botswana Summary 8 January 2024

The Bank of Botswana (central bank) Monetary Policy Committee (MPC) cuts the benchmark monetary policy rate by 25 basis points to 2.4% in a bid to support economic growth with inflation projected to stay within the bank's medium-term target range of 3%-6%. Real Gross Domestic Product (GDP) rises by 0.5% in the third quarter of 2023 (July-September), compared to an increase of 5.0% in the same quarter of 2022, largely pulled down by the mining sector, as the diamond market suffered from low global commodity prices. The Maun High Court rules in favour of Canadian mining company Tsodilo Resources in its protracted dispute with the government over the non-renewal of one of its five iron ore prospecting licences. Botswana announces it is extending by another two years its import restriction on selected fresh produce that was due to expire at the end of 2023 as the drought-prone country looks to achieve food self-sufficiency while cutting its fruit and vegetable import bill.

Central bank cuts interest rates to boost flagging economy

The **Bank of Botswana** (central bank) **Monetary Policy Committee (MPC)** on 7 December cut the benchmark monetary policy rate (MoPR) by 25 basis points to 2.4 %, in a bid to support economic growth.¹ After having kept the MoPR, based on a seven-day instrument, at 2.65% since August 2022, the central bank is moving to support consumption and investments through lower borrowing rates at a time when the economy is projected to operate below capacity in the medium term.

The reduction in interest rates follows an updated inflation forecast by the bank, which shows lower than previously expected prices in the economy going forward. The central bank now expects inflation to average 4.9% in 2024, from its October forecast of 5.2%, providing scope to ease borrowing costs and support economic activity. The annual inflation rate was 3.9 % in November, registering an increase of 0.8 of a percentage point from 3.1% recorded in October, within the Bank of Botswana's preferred 3%-6% band.² Inflation is projected to average 4.7% in 2025.

While inflation is expected to be benign in the country, the monetary authorities have decided to continue to allow the local currency to depreciate, as they expect the level of price growth in 2024 in **Botswana** to be higher than that of its major trading partners. The finance ministry announced on 28 December that it will permit the pula to weaken by 1.51% against a basket of other currencies in 2024.³ Since 2005, Botswana has used what it calls a “*crawling peg*” to control exchange-rate policy. The pula is fixed to a basket of foreign currencies, with **South Africa**'s rand comprising 45% and the rest being **International Monetary Fund (IMF)** reserves known as **Special Drawing Rights**. SDRs comprise the **United States (US)** dollar, the **United Kingdom (UK)** pound, the euro, the **Japanese** yen and **China**'s renminbi. An annual crawl rate is applied to the currency, which the finance ministry reviews together with the central bank. In its statement, the ministry said the annual downward crawl would be implemented through small daily adjustments that would equal 1.51% over 12 months. It also said that because trade patterns remain largely unchanged, the currency basket weights are maintained at 55 % SDR and 45% South African rand.⁴

¹ [Reuters](#), 7 Dec 2023

² [StatsBots](#), accessed 5 Jan 2024

³ [Bloomberg](#), 28 Dec 2023

⁴ [Mmegi](#), 28 Dec 2023

... as economic growth falters on diamond market slump

Figures released by **Statistics Botswana** on 28 December show Botswana's real Gross Domestic Product (GDP) rose by a mere 0.5% in the third quarter of 2023 (July-September), compared to an increase of 5.0% in the same quarter of 2022.⁵ The low growth rate in the quarter was attributed to real value added by public administration and defence, real estate and other administrative and support activities, which rose by 6.4%, 6.3% and 6.3% respectively. All other industries recorded growth of more than 1.3% except mining, water and electricity and diamond traders, which declined by 9.2%, 9.8% and 20.4% respectively.

In September the finance ministry revised downwards its 2023 growth projections to 3.8% from 4% on the back of the fall in global diamond prices and demand. Multiple adverse factors affected the global diamond market during 2023, with restrained consumer demand in the US coupled with weak post-COVID recovery in China. With slowing demand, downstream participants in the diamond value chain (cutters and polishers, traders, jewellery manufacturers and retailers) cut back on purchases as their stocks have risen, impacting rough diamond demand.⁶

The cutback on purchases by cutters and polishers has impacted miners such as **Debswana**, the 50:50 joint venture between the Botswana government and the UK-headquartered **De Beers Group of Companies**, which sells 75 % of its output to industry giants, while the balance is sold to state-owned **Okavango Diamond Company (ODC)**. As a result, De Beers announced in September that its contracted customers would be permitted to defer up to 100% of their contracted purchases for the remainder of 2023 while the ODC cancelled its planned November and December auctions.⁷

Despite the glut in the diamond pipeline, Debswana has not cut back on its production, with De Beers maintaining its full-year production guidance, announced earlier in the year, at 30-33 million carats.⁸ Debswana, which accounts for about 70% of De Beers' supply, saw its production drop by 12 % in the third quarter to a million carats from the same period in 2022 due to planned maintenance at **Orapa Mine**. This resulted in a 9.25% drop in the mining sectors in the quarter, with the diamond trading sector being the hardest hit in the period, registering a 20.4% drop as sales at both De Beers and ODC fell.

Miner hails courts after winning licence dispute against government

The **Maun High Court** has resolved a protracted dispute between the Botswana government and **Canadian** mining company **Tsodilo Resources** over the non-renewal of one of the company's five iron ore prospecting licences.⁹ The court ruled in favour of the firm on 15 December.¹⁰ In October 2022, **Gcwihaba Resources (Pty) Ltd**, a wholly owned subsidiary of Tsodilo Resources, initiated litigation proceedings against the **Ministry of Mineral Resources, Green Technology and Energy Security** over the renewal of its prospecting licences along the **Xaudum Iron Formation (XIF)** project located in the buffer zone of the **Okavango Delta**. The project in the **North-West District** extends for a known length of some 40 kilometres. An extrapolated exploration target has defined the XIF to hold an iron resource of 5 to 7 billion tonnes.

The mineral resources ministry first granted Gcwihaba Resources prospecting licences in 2008. The minister renewed all these licences successfully from 2011 until 2021, when he raised some issues citing the listing of the Okavango Delta as a **World Heritage** property in July 2014 by the **United Nations Educational Scientific and Cultural Organization (UNESCO)**. The UNESCO World Heritage status identified the Okavango Delta as a "core zone", making it subject to protection measures from activities that could compromise its status as a "nominated property". These activities include

⁵ [StatsBots](#), accessed 5 JAN 2024

⁶ [Mmegi](#), 24 Dec 2023

⁷ [Reuters](#), 24 Oct 2023

⁸ [Reuters](#), 13 Nov 2023

⁹ [WeekendPost](#), 4 Jan 2024

¹⁰ [WeekendPost](#), 4 Jan 2024

exploration and mining activities.¹¹ In January 2021, Gcwihaba Resources had four of its five licences containing the majority of its XIF exploration target renewed. However, the fifth licence renewal became the subject of delays and the consequent protracted court case, as the minister refused to renew it, arguing that it fell within the Delta's buffer zone.

Passing judgment on 15 December, the High Court directed minerals and energy minister **Lefoko Moagi** to renew, within 14 days, Gcwihaba Resources (PTY) Ltd's prospecting licence. In a 110-page ruling, Justice **Bugalo Maripe** described the minister's decision to reject the application for the renewal of the company prospecting licence as "*illegal and unreasonable*".¹² Maripe said Moagi's position that prospecting and mineral explorations are prohibited within a buffer zone is contradictory, as he states in a separate statement that in cases where mining activities are permitted, they should be subjected to stringent environmental protection measures. Maripe stated that these two positions are mutually exclusive. Tsodilo chairman and CEO **James Bruchs** described the judgment as evidence of the prevalence of the rule of law in Botswana:

*"This is a very important decision for Botswana as it reinforces those values and systems that establish Botswana as one of the best democracies in the world. Its respect for the rule of law, judicial independence, separation of powers and regular, free, and fair elections are among the tenets of democracy which have earned Botswana this international acclaim."*¹³

Botswana's extension of fresh produce import ban riles South Africa

Botswana announced on 4 December the extension by another two years of import restriction on selected fresh produce that was due to expire at the end of the year as the drought-prone country looks to achieve food self-sufficiency while cutting its fruit and vegetable import bill.¹⁴ In addition to extending the import restriction of fresh produce such as tomatoes and onions, Botswana also doubled the number of restricted commodities to 32, effective July 2024. In his **State of the Nation Address** in November, President **Mokgweetsi Masisi** (2018-present) said the import restrictions were bearing fruit as the fresh produce import bill had declined by 71% since the ban was put in place, while the country's capacity to produce its own food had increased.

While Botswana says it is protecting its infant industries with the restriction, South African farmers, who supply the bulk of Botswana's food needs, say the import ban violates the **Southern Africa Customs Union (SACU)** agreement.¹⁵ South Africa supplied about 80% of Botswana's food requirements before the two-year ban was implemented in January 2022. Reacting to the import ban extension, South African agriculture, land reform and rural development minister **Angela Thokozile Didiza** said she had taken note of the concerns regarding the restrictions on imports and the negative impact this will have on bilateral trade between the two countries. The minister said she would seek an urgent meeting with her Botswana counterpart to raise her concerns and to hear the underlying concerns that have made Botswana take this move.¹⁶

Didiza said she raised South Africa's concerns on these restrictions during the SACU Summit in July and said there was hope that a broader bilateral engagement would take place between the agriculture and trade ministers of the two countries to try to reach a better understanding of what occasioned Botswana's move. While the move may be seen as an inward-looking protectionism measure, Masisi says it is part of his reset agenda aimed at fulfilling his election manifesto promises of citizen economic empowerment.

¹¹ [Okavango Express](#), 20 Dec 2023

¹² [Mmegi](#), 24 Dec 2023

¹³ www.tsodiloresources.com. Accessed 8 Jan 2024

¹⁴ [Reuters](#), 4 Dec 2023

¹⁵ [EngineeringNews](#), 19 Aug 2022

¹⁶ [Bloomberg](#), 5 Dec 2023

Planner

5-8 Feb 2024 **Cape Town (South Africa) Mining Indaba**

22 Feb 2024 **Gaborone (Botswana) Bank of Botswana** (central bank) Monetary Policy Statement

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

26 Apr 2024 **Gaborone (Botswana) Bank of Botswana** Monetary Policy Committee (MPC) Meeting;

13 Jun 2024 **Gaborone (Botswana) Bank of Botswana** Monetary Policy Committee (MPC) Meeting;

Oct 2024 **(Botswana)** General elections.

Chronology

6 Jan 2024 **Gaborone (Botswana) Xinhua. Independent Electoral Commission (IEC)** kicks off the voter registration process, which will conclude on 3 February, in preparation for general elections in October;

2 Jan 2024 **Gaborone (Botswana) Sunday Standard. Absa Bank Botswana Limited (Absa)** successfully lists the first-ever Sustainable Bond, valued at P47.4 million (\$3.51m), on the **Botswana Stock Exchange (BSE)**, under its P2.0 billion(\$148.2m) medium term note programme;

25 Dec 2023 **Gaborone (Botswana) Mmegi. Legislators rail against reports that President Mokgweetsi Masisi and his Zimbabwean counterpart, Emmerson Mnangagwa, have reached an informal agreement to allow for the two countries' citizens to forgo passports and national identity cards to cross borders;**

25 Dec 2023 **Gaborone (Botswana) Mmegi. Meteorological Services Department** says hot and dry conditions, with below-normal rainfall, more frequent dry spells and heatwaves are expected to persist over the country in the second half of the season, which runs from January to April;

24 Dec 2023 **Gaborone (Botswana) Mmegi. Norway-based Scatec ASA**, which won the contract to build Botswana's largest renewable energy plant to date, says government has doubled the deal to 120MW, with capital costs estimated at \$104m;

24 Dec 2023 **Gaborone (Botswana) Mmegi. Cabinet** has approved a recommendation from the **Presidential Commission of Inquiry into the Review of the Constitution** for government to fund political parties, ahead of the 2024 general elections, a decision that opposition parties have welcomed;

24 Dec 2023 **Gaborone (Botswana) Mmegi. State-owned Botswana Oil Limited (BOL)** has kick-started the construction of a 60 million litre storage facility in **Gantsi** at the cost of P1 billion (\$74.1m) in a bid to strengthen the security of fuel supply in the western part of the country with strategic storage capacity currently at 18 days against the international threshold of 90 days;

21 Dec 2023 **Gaborone (Botswana) Daily News. Labour and home affairs minister Anna Mokgethi** announces that government has adjusted minimum wage rates for employees in applicable sectors effective 1 February, which will increase in all industries by 23.5 % except the agricultural and domestic sectors, which will increase by 38.4 % to P1500 (\$111.1) per month;

19 Dec 2023 **Gaborone (Botswana) Daily News. A full bench of the Court of Appeal** unanimously agrees with **the Independent Electoral Commission (IEC)** that the **Umbrella for**

Democratic Change (UDC) has no right to observe the voter registration process, setting aside a 10 November interim order by the **High Court**, which among others granted UDC permission to observe and monitor election registration process;

17 Dec 2023 **Gaborone (Botswana)** *Projects Magazine*. **Botswana Stock Exchange (BSE)**-listed coal mining and trading company **Minergy Limited** announces that a consortium of Botswana citizen companies under the auspices of **Meropa Resources** has been appointed at its **Masama Coal Mine** in **Medie**;

17 Dec 2023 **Gaborone (Botswana)** *Daily News*. Veterinary services director **Kefentse Motshegwa** warns farmers along the Botswana and **South Africa** border against their livestock crossing the boundary because of the outbreak of **Foot and Mouth Disease (FMD)** in South Africa;

17 Dec 2023 **Gaborone (Botswana)** *Daily News*. Foreign affairs ministry announces that the fourth session of foreign office consultations between the foreign ministries of Botswana and **India** took place in Gaborone on 14 December, giving the two ministries an opportunity to deliberate on issues of common interest such as the trade and investment, health, tourism and education sectors;

17 Dec 2023 **Gaborone (Botswana)** *Mmegi*. Finance minister **Peggy Serame** says the government is reviewing taxation laws and will consider exempting pension income from income tax with plans underway to amend the **Income Tax Act** to align it with the **Retirement Funds Act, 2022**;

15 Dec 2023 **Gaborone (Botswana)** *Mmegi*. State-owned minerals investment firm **Minerals Development Company Botswana (MDCB)** says it is assessing investment opportunities valued between one and two billion pula (\$74.1m-\$148.2m) as part of a target to ramp up its portfolio to \$1 billion (P13.7 billion) in the next five years;

13 Dec 2023 **Gaborone (Botswana)** *Mmegi*. The finance ministry reports the national budget recorded a P5.2 billion (\$385.3m) surplus in the first quarter of the 2024 financial year (April-June), largely driven by **Southern African Customs Union (SACU)** receipts and mineral revenues, but it expects an overall P5.7-billion (\$422.2m) deficit in the fiscal year;

10 Dec 2023 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** meets with **Tanzania's** deputy prime minister, **Dr Doto Biteko**, during a courtesy visit and underscores the need to revive the **Joint Permanent Commission on Cooperation (JPCC)** between the two countries in a bid to strengthen relations through regular engagements;

10 Dec 2023 **Gaborone (Botswana)** *Daily News*. Opposition **Botswana Congress Party (BCP)** member **Moalosi Afa** wins the **Lepokole/Borotsi** council ward bye-election following the resignation of councilor **Motseothata Mafoko**;

10 Dec 2023 **Gaborone (Botswana)** *Daily News*. **National Planning Commission (NPC) Bill** receives approval from the majority of legislators who debated it in parliament; The bill aims to establish the NPC, which will be a central point for the planning of all national projects;

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