

AFRICA RISK CONSULTING

Botswana Monthly Briefing February 2024

Botswana Summary 9 February 2024

Finance minister Peggy Serame announces an expansionary budget on 5 February. The development budget will increase 41% and be channelled towards a significant infrastructure development drive as the country heads for the 2024 general elections. As fears grow over the impact of the new measures introduced by the G7 to keep Russian diamonds out of the bloc, President Mokgweetsi Masisi (2018-present) says on 23 January he will escalate the matter to a political level. Debswana Diamond Company confirms on 22 January it will slow production this year in response to weak conditions in the global diamond market but remains confident in long-term prospects.

Government unveils stimulus budget ahead of election

Finance minister **Peggy Serame** on 5 February unveiled an expansionary 2024/25 national budget which saw proposed spending breach the P100 billion (\$7.41 billion) mark for the first time in the history of the country with significant investments earmarked for infrastructure development in the roads, water, energy and agriculture sectors.

Reflecting proposed increased fiscal spending to support public investment as part of the **Transitional National Development Plan (TNDP)**, total expenditure and net lending for the financial year 2024/2025 is projected at P102.28 billion (\$7.5 billion) up from P88.79 billion (\$6.6 billion) in the current year ending March 2024. This is set against expected revenues of P93.58 billion (\$6.9 billion) resulting in a budget deficit of P8.69 billion (\$643 million), or 2.8% of GDP.¹ Under the two-year TNDP, which ends in March 2025, Botswana will inject significant investments into roads, land, and 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.²

The government says the TNDP aims to propel the implementation of projects to unlock opportunities for sustainable jobs, improve the quality of life, reduce poverty, eliminate gross inequalities and ultimately achieve high-income status. However, the programme could also be viewed as a way to appease voters ahead of the general election slated for later in the year. For the country to reap the maximum from this stimulus programme, there is a need for improvements in the process of preparing, selecting and prioritising projects, so that the additional spending is not wasted on low-return (or negative return) projects, as has so often been the case in recent years.

Serame said that due to the current fiscal policy priority to allow the accumulation of government cash balances, drawing on the **Government Investment Account (GIA)** at the **Bank of Botswana (BoB)** (central bank) will be moderated as part of financing the budget. Consequently, government will have to mobilise additional resources including using part of the fiscal savings, special funds proceeds and domestic borrowing through the issuance of new instruments such as inflation-linked bonds and green bonds, among others. The government will have more room to borrow from the domestic market this year as more pension funds that were invested offshore will be coming back to the country under recent changes to the **Retirement Funds Act**. With these changes, local pension funds

¹ [Mmegi](#), 5 Feb 2024

² [Mmegi](#), 5 Feb 2024

have until December 2027 to invest a minimum of 50% of their assets domestically up from the former threshold of 30%.³

On economic growth, Serame noted that GDP is estimated to grow at 3.2 % in 2023, revised downwards from the 3.8% that was earlier estimated for the year. In 2024 growth is expected to pick up to 4.2% and 5.4% in 2025 as the world economy recovers.⁴ While the government budget points to an optimistic outlook for the country, 2024 will still be a tough year for the economy, with a high level of uncertainty in the diamond sector.

Masisi seeks political solution to new G7 diamond trade measures

President **Mokgweetsi Masisi** (2018-present) confirmed on 23 January that he will use diplomatic channels to engage with leaders of the **G7** on how to successfully cut off **Russian** diamonds from the bloc without harming producers such as Botswana.⁵ As part of the new measures to ensure that diamonds of Russian origin do not enter the G7 countries, the bloc announced in December that from September 2024 all polished diamonds should be routed through **Antwerp (Belgium)** for certification.

The new regime aims to keep Russian diamonds out of G7 markets, even if they have subsequently been transformed into polished diamonds. At present, a loophole in the sanction's regime allows Russian-origin diamonds that have been cut and polished elsewhere, for example, in **India**, to be legitimately sold in the **United States (US)** and other G7 markets.⁶ To guard against this, the G7 is planning to introduce a blockchain-based traceability system for all individual diamonds, initially of one carat and above. It is also proposed that the registration of individual diamonds on this blockchain will have to be done physically in Antwerp. Fears are that this could potentially have major implications for Botswana diamonds, including additional transport costs and costs associated with the registration process and complicating supplies to local cutting and polishing factories.

Botswana is also concerned that the new measures have the potential to undermine **Gaborone's** status as a global diamond trading centre. There is also concern that it could threaten **United Kingdom**-headquartered **De Beers'** aggregation model whereby diamonds from Botswana, **Namibia**, **South Africa** and **Canada** are "aggregated" in Gaborone and then sold to De Beers sightholders.⁷

Although presented as part of the Russian sanctions regime, the new regime is seemingly also an attempt by the G7 to restore the status of Antwerp as a global diamond trading centre, which has been fading over the years. Due to its proximity to producing countries and the incentives it has put in to attract diamond trade, **Dubai (United Arab Emirates)** has emerged as the fastest-growing diamond trading centre leading the lure of former hubs such as Antwerp diminishing.

A G7 technical team was in Gaborone between 15 and 17 January for consultations but left without giving any assurances, heightening fears that if the bloc goes ahead to implement the measures it will affect Botswana's ability to accumulate foreign exchange reserves and government revenue.⁸

Masisi will now approach the leaders of the G7 to engage them on the proposal which he says amounts to infringing on the country's sovereignty. Addressing a press conference in **Kasane** after a meeting with his **Zambian** counterpart **Hakainde Hichilema** (2021-present) on 23 January, Masisi said that no country in the G7 has a right to lay claim to Botswana's diamonds. Masisi added that he had expressed his protest to Belgian prime minister **Alexander De Croo** (2020-present) and his advisors last year, stating the importance of Botswana's involvement in any decisions that could affect the nation, as a major diamond producer.⁹ While Masisi noted that Botswana will use its strong

³ [Mmegi](#), 15 Dec 2023

⁴ [Reuters](#), 5 Feb 2024

⁵ [Mmegi](#), 2 Feb 2024

⁶ [Rapaport](#), 19 Dec 2023

⁷ [Rapaport](#), 19 Dec 2023

⁸ [Sunday Standard](#), 22 Jan 2024

⁹ [Daily News](#), 26 Jan 2024

diplomatic relations with all G7 members to facilitate discussions, if the new regime is also being driven by a desire to move fewer diamonds through Dubai, Masisi may struggle to completely convince the G7 otherwise.

Debswana to reduce production in 2024 on a dim global outlook

Debswana Diamond Company, the joint venture between the government and De Beers which contributes about 70% to the supply of De Beers, confirmed on 22 January that it plans to reduce production in 2024 in response to the ongoing headwinds facing the global diamond market. The global diamond market struggled throughout most of 2023, and more or less collapsed during the final quarter of the year. Diamond sales through De Beers amounted to \$416m in the fourth quarter, covering the last three sights of the year, compared to \$1.4 billion in the same period of 2022 – a decline of 70%.¹⁰

The factors that affected the global diamond market are likely to persist into 2024 in particular, the slow economic recovery in some parts of the world, notably **Europe** and **China**, which affected demand for diamonds and other luxury goods in 2023. Of more concern, the increased, competition from lab-grown (synthetic) diamonds (LGDs), which are penetrating further and further into the diamond market is likely to continue as synthetic diamonds are significantly cheaper to produce than natural diamonds and offer customers a different value proposition such as a larger stone for the same price.

Initially, despite the softening of the diamond market in 2023, Debswana said it was going to maintain its production target of around 24 million carats with plans to stockpile the inventory, a practice that is expensive to maintain. However, for 2024, Debswana says it will now reduce production in line with the sluggish global diamond market although the company declined to reveal the lower production target for this year.¹¹

In the longer term, it appears that Debswana is still optimistic though, announcing on 10 January that it has committed \$1 billion towards the transition of its **Jwaneng Mine** into an underground operation to prolong its lifespan, in a sign of the strong long-term fundamentals of the industry.¹² With a total budget estimated at \$6 billion, the underground mine at Jwaneng will be the country's single biggest project ever by value and, according to Debswana, will create the world's largest underground diamond operation. Jwaneng is currently accessing ore from the **Cut 9** expansion project which is expected to last until 2033 at which point ore from the underground project should be ready to take over and continue mining activities until at least 2054.

Planner

Feb 2024 **Gaborone (Botswana) 2024 Bank of Botswana** (central bank) **Monetary Policy Committee (MPC)** statement

24 Feb 2024 **Gaborone (Botswana) Bank of Botswana** (central bank) **Monetary Policy Committee (MPC)** meeting

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

Dec 2024 **Gaborone (Botswana)** Supplementary Budget

Chronology

7 Feb 2024 **Gaborone (Botswana) Business Live**. Botswana confirms it will buy shares in **Belgian** diamond trader **HB Antwerp** for \$65m;

¹⁰ [Weekend Post](#), 19 Nov 2023

¹¹ [Sunday Standard](#), 22 Jan 2024

¹² [Reuters](#), 10 Jan 2024

4 Feb 2024 **Gaborone (Botswana)** *Daily News*. Foreign affairs minister **Lemogang Kwape** says Botswana is eager to pursue development opportunities and prosperity, and believes that fostering ties with countries like **China** can help advance these aspirations;

4 Feb 2024 **Gaborone (Botswana)** *Sunday Standard*. **United States**-based think tank **Brookings Institution** says the **Botswana Democratic Party (BDP)** is likely to retain a legislative majority in the general elections which will be held later this year;

3 Feb 2024 **Gaborone (Botswana)** *Daily News*. The national voter registration exercise, which commenced on 5 January this year, concludes with many Botswana, particularly the youth, flocking to the polling stations around Gaborone on the final day to meet the deadline. Botswana is scheduled to hold its general elections this year, with the specific date yet to be announced;

3 Feb 2024 **Gaborone (Botswana)** *Business Insider Africa*. The government denies **United States**-headquartered **Starlink** approval to operate in Botswana, stating that the company did not provide all the necessary information in its application;

2 Feb 2024 **Gaborone (Botswana)** *Mmegi*. Botswana's ranking on **Transparency International's 2023 Corruption Perception Index (CPI)** falls to 39 out of 180 countries from position 35 in 2022 as the country's score continues to slide down from 60/100 last year to 59/100 this year;

2 Feb 2024 **Gaborone (Botswana)** *Mmegi*. The **Competition and Consumer Authority (CCA)** has given the **Chinese** state majority-owned mining company **MMG** the go-ahead to proceed with the \$1.88 billion purchase of **Khoemacau Copper Mine**;

1 Feb 2024 **Gaborone (Botswana)** *Mmegi*. **Statistics Botswana** reports that diamond exports slowed from a peak of P7.3 billion (\$539.8m) in March 2023 to a low of P1.3 billion (\$96.12m) in November as demand for diamonds continues to sink;

31 January 2024 **Gaborone (Botswana)** *Rapaport*. **United Kingdom**-based **De Beers'** first rough diamond sales cycle of the year ends with sales down 19% versus a year ago, however, the January sales were nearly three times the \$137m the company brought in at its final sight of 2023;

29 Jan 2024 **Gaborone (Botswana)** *Sunday Standard*. **Canada's Premium Nickel Resources Limited (PNRL)** announces encouraging results from the ongoing drilling programme at the **BCL mine**, buoying up the company to continue with further explorations to bring back to life the mothballed mine;

29 Jan 2024 **Gaborone (Botswana)** *JCK Online*. **United Kingdom**-headquartered **De Beers** head of corporate affairs **Pat Dambe** is seconded to the minerals and energy ministry to work on marketing and brand development for natural diamonds;

29 Jan 2024 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** meets with special envoy of **Zimbabwe's** President **Emmerson Mnangagwa** - ambassador **Simbarashe Mumbengegwi** - to discuss bilateral relations. Mumbengegwi praises relations as cordial underpinned by Botswana's stance that international sanctions against Zimbabwe are unfair;

27 Jan 2024 **Johannesburg (South Africa)** *SABC News*. South Africa's **Sovereign Africa Ratings** says it is in advanced talks with **Botswana** to officially undertake requested credit assessments as the new seeks to gradually move into space currently dominated by the **United States**-based big three credit ratings agencies- **Moody's, Fitch** and **S&P**;

27 Jan 2024 **Gaborone (Botswana)** *Mmegi*. President **Mokgweetsi Masisi** and his **Zambian** counterpart, **Hakainde Hichilema** say they have agreed to fast-track the establishment of the **Kazungula Bridge Authority**, the eagerly awaited agency that will boost service efficiency at the regionally important border crossing;

25 Jan 2024 **Gaborone (Botswana)** *Mmegi*. **Australia**-headquartered **Tlou Energy** finalises construction of the key 100km transmission line which links its **Lesedi Coal Bed Methane project** to the **Botswana Power Corporation (BPC)** substation in **Serowe** effectively connecting the company, which has been contracted to supply 10 MW to BPC, to the national grid;

24 Jan 2024 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** and his **Zambian** counterpart, **Hakainde Hichilema** hold talks in Botswana with the two presidents saying their talks will culminate in the signing of a programme of cooperation in **Livingstone** (Zambia) in two months. Bilateral cooperation will cover sectors such as mines, mineral development, agriculture, health, transport, infrastructure, defence, and security among others;

24 Jan 2024 **Johannesburg (South Africa)** *Mining Weekly*. **Canada**-headquartered **Tsodilo Resources** files an interlocutory application with the high court which calls on minerals minister **Lefoko Moagi** to explain why he should not be held in contempt of court for failing to comply with a 15 December judgement ordering him to renew Tsodilo's prospecting licence within 14 days;

24 Jan 2024 **Gaborone (Botswana)** *Mmegi*. **Canada's Giyani Metals** has finalised \$26m in funding needed to move the **Kgwakgwe Hill** project to a final investment decision, which includes establishing a demo plant to produce battery-grade manganese;

23 Jan 2024 **Gaborone (Botswana)** *Mmegi*. The **World Bank** expects the local economy to expand by 4.1% this year, higher than the **sub-Saharan African** average but lower than the government's expectation that the economy will this year grow by 4.4%;

23 Jan 2024 **Gaborone (Botswana)** *Sunday Standard*. **Botswana Stock Exchange (BSE)** reports last year had its strongest year-end performance in ten years, with its benchmark domestic company index (DCI) gaining 15.6% in 2023, nearly reaching highs last seen in 2013 when the bourse hit 17.8%;

18 Jan 2024 **Gaborone (Botswana)** *Mmegi*. **Statistics Botswana** says the rate of increase in the average prices of goods and services in the economy eased in December, as reflected by inflation slowing to 3.5% from 3.9% in November with annual food inflation dropping from 6.7% in November to 6.1% in December;

18 Jan 2024 Dec **Gaborone (Botswana)** *Daily News*. Botswana reaffirms its unwavering support for the freedom, right to self-determination and independence of the people of **Palestine** during the 19th **Non-Aligned Movement (NAM) Summit in Kampala**;

17 Jan 2024 Dec **Gaborone (Botswana)** *Daily News*. Local mining firm **Mupane Gold Mine** says it is investigating why the blasting at its mine has affected properties beyond the agreed-upon 500-metre radius;

8 Jan 2024 **Gaborone (Botswana)** *Mmegi*. **Independent Electoral Commission (IEC)** reports a total of 75,457 people have registered to vote in the 2024 general election by the morning of the first day of the voter registration period with the IEC targeting 1.7 million voters at the end of the process on 3 February 2024.

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