

AFRICA RISK CONSULTING

Botswana Monthly Briefing April 2024

Botswana Summary 9 April 2024

Minerals and energy minister Lefoko Moagi confirms on 28 March that government and United Kingdom-based De Beers are progressing in negotiations on their new ten-year sales and marketing agreement ahead of the 28 June deadline. Jwaneng Mine general manager Goitseone Gadifele says on 19 March that full production at the diamond mine, the richest diamond mine in the world, will resume on 23 March. The Botswana Energy Regulatory Authority (Importation of Petroleum Products Allocation) Order of 2023 takes effect on 1 April, officially preventing all multinational oil companies (MNOCs) operating in Botswana from importing oil into the country. Parliament approves an increased domestic borrowing limit of P55 billion (\$4.07 billion) on 22 March.

Government and De Beers working to finalise deal by 28 June

Minerals and energy minister **Lefoko Moagi** confirmed on 28 March that negotiations between the government and **United Kingdom (UK)**-headquartered **De Beers** on their new ten-year sales and marketing agreement for their joint venture, **Debswana**, are continuing and will be completed by 28 June. Moagi added that both parties are confident that the outstanding final finer details will be agreed upon by the deadline but that key milestones, including regulatory frameworks such as the **Financial Conduct Authority** in **London (UK)**, which is a necessity for **Anglo American** (De Beers majority shareholder) as a listed company, are yet to be reached.

After more than three years of protracted negotiations, which saw President **Mokgweetsi Masisi** (2018-present) even threaten to walk away from the 50-year partnership, the two parties on 30 June 2023 signed a statement of principles, which was followed on 30 September 2023 by the heads of terms agreement which provided detail and clarity on the commercial and operational aspects.¹

Moagi noted that significant progress has been made to finalise the deal since the heads of agreements were signed in September last year:

*“What is left is the long-form agreement whereby now we will have the definitive, well laid out detail of what those agreements entail. For all intents and purposes our recent meeting in **Kasane** was successful, apart from a few technical issues, but, having extended the sales agreement to June this year, we do not want to go beyond our intended June 28 agreement.”².*

Under the terms of the new deal, the share of Debswana supply sold via state-owned **Okavango Diamond Company (ODC)** will increase to 30% from the current 25%, with the allocation increasing to 50% over the ten-year agreement. From the increased allocation, ODC will look to supply some of its diamonds to **Belgium**-headquartered **HB Antwerp**, with which it is finalising a supply agreement, and to citizen-owned companies in the cutting and polishing industry.

A second pillar of the new deal is that the two parties also agreed to renew the Debswana mining lease for another 25 years to 2054, paving the way for them to progress the long-term capital investment required to secure Debswana’s position as one of the world’s leading diamond producers, and Botswana’s largest private employer. The third significant pillar was De Beers’ commitment to supporting the government's efforts to diversify the economy away from its overreliance on

¹ Rapaport, 1 Oct 2023

² Daily News, 1 Apr 2024

diamonds by pledging funds to finance businesses in sectors such as agriculture and tourism. This will be done through the multi-billion pula **Diamonds for Development Fund**, with De Beers' upfront investment of P1 billion (\$75m) and further contributions over the next 10 years that could total up to P10 billion (\$750m). The funds aim to create substantial additional value to the Botswana economy.

Jwaneng resumes full operations on improved outlook

Following an improvement in the global diamond markets, Debswana's **Jwaneng Mine**, the world's richest diamond mine, resumed full operations on 23 March following its decision to slow production in late 2023 due to weaker demand brought about by the global macroeconomic uncertainties. Jwaneng Mine general manager **Goitseone Gadifele**, who was updating district administrative authorities in Jwaneng during a business brief and mine tour on 19 March, said the mine had to scale down production in the last quarter due to an economic downturn affecting international markets. Overall, sales at Debswana were down 25.1% in 2023.³

De Beers earned \$430m at its second rough-sales cycle of 2024 held in Botswana from 26 February to 1 March, 15% higher than the \$374m the company reported at its first sales held in January and more than three times higher than the final sight of 2023 as demand in **India** has picked up.⁴ However, sales remain sluggish as ongoing economic uncertainty in the **United States** has led to retail restocking conservatively after the 2023 holiday season.

The resumption of full operation at Jwaneng, which contributes about 70% of Debswana production, comes as the mine embarks on a project to transition to an underground mine to extend its lifespan. Gadifele confirmed that a contract had been awarded for the first phase of the underground mining project, and mobilisation has since started with the first blast scheduled for May, which will pave the way for the exploration access for the underground project expected to run from 2034.

In January, Debswana's board approved an investment of approximately \$1 billion for the development phase of the Jwaneng underground project.⁵ To improve its skills development ahead of the underground transition, Debswana sent 26 newly hired graduate learner officials to undergo training at **Mopani Central Training Centre** in **Zambia**. Additionally, Debswana has partnered with other underground mines in pursuit of continuing practical training in various disciplines crucial to underground mining operations.

New oil import regulations take effect

The **Botswana Energy Regulatory Authority (Importation of Petroleum Products Allocation) Order of 2023** took effect on 1 April, officially preventing all multinational oil companies (MNOCs) operating in Botswana from importing oil into the country. As set out in the order, passed in October 2023, the state-owned **Botswana Oil Limited (BOL)** now has the mandate to import 90% of the country's fuel requirements with citizen-owned companies set to import the balance.⁶

MNOCs, including include US-based **Caltex**, UK-headquartered **Shell**, France-headquartered **Total**, Switzerland-based **Puma Energy** and South Africa's **Engen**, will now only operate in the retail space and source the oil from BOL. Thirteen other citizen-owned companies have a grace period of up to six

BOL said in October that the rationale behind the change is to give the government, through BOL, responsibility over the country's security of supply against the backdrop of increasing global and regional supply chain challenges which create supply risks (*see ARC Briefing Botswana Nov 2023*). BOL added its belief that the consolidated volumes will give government much-required leverage to negotiate better prices and terms for the country, giving BOL better returns that can be reinvested in citizen economic development initiatives. In addition, BOL said the government wanted to have more

³ Nasdaq, 1 Mar 2024

⁴ Rapaport, 13 Mar 2024

⁵ Mmegi, 12 Jan 2024

⁶ Mmegi, 29 Mar 2024

insight and some level of control in 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 in the market without ample notice for the Botswana market to adjust.

Despite the government's reasoning, with Botswana being a price taker and at the end of the value chain with no oil reserves or production capacity, the decision to have one player importing almost all of the country's oil requirements is a risky move which could affect supply and prices in the future.

Government nearly doubles domestic borrowing limit

Parliament on 20 March approved an increase in the domestic borrowing limit to P55 billion (\$4.07 billion) from P30 billion (\$2.22 billion) as the country seeks to make space to mop up over a P16 billion (\$1.18 billion) in offshore pension funds that are supposed to be repatriated in the next three years.⁷ Under changes to the **Retirement Funds Act**, made in 2022, pension funds holding total assets of about P140 billion (\$10.37 billion) are required to gradually raise their domestic holdings to a minimum of 50% by 2027 from the current 40%.⁸ This means local pension funds will repatriate approximately P16 billion (\$1.18 billion) by December 2027.

Botswana reached its P30 billion (\$2.22 billion) domestic borrowing threshold in February this year, and the country is looking to borrow more domestically to finance its projected budget deficit of P8.7 billion (\$644m) for the 2024/2025 financial year. Finance minister **Peggy Serame** said on 19 March that the government will increase its **Bond Issuance Programme** to provide safe investment opportunities for these repatriated pension assets, as well as complement **Bank of Botswana's** (central bank) monetary policy objectives of controlling liquidity.

The phased repatriation of pension assets will see an inflow of P500m (\$37.03m) this year and will proceed with an annual inflow of P4.17 billion (\$308m) thereafter until the end of 2027 with the increase in pension fund thresholds also seen facilitating the introduction of diverse debt instruments, particularly inflation-linked bonds.

The increase in the domestic borrowing limit would still leave the country's public debt exposure within the statutory limit of 40 % of GDP. Currently, total public debt including guarantees is 20.59% of GDP comprising external debt at 9.54% of GDP and domestic debt at 11.05% of GDP.

Planner

26 Apr 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 Apr 2024 **Gaborone (Botswana) Daily News.** Botswana and **Zambia** agree on programmes for the expansion of the **Kazungula Bridge Authority** and areas to be modified including the approach road to the bridge as it is too narrow and needs opening up;

5 Apr 2024 **Gaborone (Botswana) Mmegi.** President **Mokgweetsi Masisi** attacks **Eswatini** and **South Africa** for "*aiding and abetting*" former president **Ian Khama** who is in a protracted feud with his successor. Khama, who is facing gun charges, has been living in exile in South Africa since 2021 while he regularly visits Eswatini.

2 Apr 2024 **Gaborone (Botswana) Daily News.** President **Mokgweetsi Masisi** hosts the 2024 heads of mission conference which convened heads and representatives from Botswana's 23

⁷ Mmegi, 22 Mar 2024

⁸ Mmegi, 8 Mar 2024

diplomatic missions abroad, under the theme 'advancing Botswana towards a high-income, inclusive, and knowledge-based economy through strategic global engagement';

31 Mar 2024 **Gaborone (Botswana)** *Mmegi*. **Botswana Communications Regulatory Authority (BOCRA)** extends the deadline for all mobile phone SIM card holders to submit **Know Your Customer (KYC)** information to 30 June 2024 after only 44 % of the 4.4 million subscribers were compliant by the 31 March deadline;

29 Mar 2024 **Gaborone (Botswana)** *Mmegi*. State-owned **Botswana Railways** invites private and citizen-owned companies to submit expressions of interest to collaborate in the provision of passenger train services which the parastatal discontinued years ago;

29 Mar 2024 **Gaborone (Botswana)** *Mmegi*. Botswana's highly anticipated inaugural satellite **BotswanaSat-1 (BOTSAT-1)** will be launched by **United States**-headquartered **SpaceX**. Government says it has spent P8 million (\$592,000) in the first phase of the satellite project with more funds expected to be pumped in until its completion in January 2027;

29 Mar 2024 **Gaborone (Botswana)** *Mmegi*. **Statistics Botswana** data shows the trade balance fell to a deficit of P2.7 billion (\$200m) in January, compared to a shortfall of P1.7 billion(\$125.92m) in December, due to continued weakness in diamond exports;

28 Mar 2024 **Gaborone (Botswana)** *Mmegi*. The **Botswana Energy Regulatory Authority (BERA)** announces that the **National Petroleum Fund (NPF)** levy will be adjusted upwards from 13.5 thebe (\$0.01) per litre to 70 thebe (\$0.05) per litre effective 1 April following the amendment of regulation 52 of the **Botswana Energy Regulatory Authority (Petroleum Products) Regulations of 2024**;

28 Mar 2024 **Lusaka (Zambia)** *Daily News*. President **Mokgweetsi Masisi** and his **Zambian** counterpart **Hakainde Hichilema** witness the signing of 10 instruments of cooperation including an agreement to elevate their **Joint Permanent Commission on Cooperation (JPCC)** and **Joint Permanent Commission on Defence and Security (JPCDS)** to a **Bi-National Commission (BNC)**;

27 Mar 2024 **Gaborone (Botswana)** *Projects Magazine*. **China**-headquartered **MMG's** interim CEO **Li Liangang** says MMG has finalised the \$1.7 billion purchase of **Khoemacau Mine** after the finalisation of all conditions agreed to with former owners, **Canada's Cuprous Capital Ltd**;

26 Mar 2024 **Gaborone (Botswana)** *Mmegi*. **Independent Electoral Commission (IEC)** avails another window (20 – 31 May) for eligible voters to register for the coming general election after only registering 62% of their target 1.3 million people;

25 Mar 2024 **Gaborone (Botswana)** *Mmegi*. Finance minister **Peggy Serame** tells parliament that privatisation efforts for cash-strapped **Air Botswana** have ceased due to the failure to lure in investors because of the loss-making state of the airline;

22 Mar 2024 **Gaborone (Botswana)** *Mmegi*. Government stops providing subventions to **Botswana Energy Regulatory Authority (BERA)**, leaving the state-owned enterprise to cover its costs from the regulatory fees it started levying on the sale of fuel, electricity and Liquefied Petroleum Gas (LPG) in September 2023;

20 Mar 2024 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** celebrates the inaugural harvest of the **Selebi Phikwe Citrus Project (SPC)**, a P300m (\$22.2m) project covering 1,500 hectares with 70% of the produce marked for the export market;

19 Mar 2024 **Gaborone (Botswana)** *APA News*. Botswana and **Zimbabwe** lobby **United Kingdom** legislators to not pass a proposed law that aims to ban the importation of hunting trophies from various animals, with Botswana saying it will impact hunters and conservationists;

18 Mar 2024 **Gaborone (Botswana)** *Daily News*. **Bahamas** prime minister **Philip Davis** undertakes an official visit to Botswana with President **Mokgweetsi Masisi** hailing the visit as a strategic move to strengthen ties and advance areas of interest between the two countries;

17 Mar 2024 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** says Botswana has reduced its fruits and vegetables import bill by 71%, from \$45m to \$13.13m, thanks to import restrictions his government put in place two years ago;

16 Mar 2024 **Gaborone (Botswana)** *Projects Magazine*. **United States**-based **S&P Global Ratings** affirms Botswana's 'BBB+' long-term and 'A-2' short-term foreign and local currency sovereign credit ratings and maintains its economic outlook as stable anticipating that GDP growth will remain relatively resilient and that this will, in turn, support export receipts and fiscal revenue;

15 Mar 2024 **Gaborone (Botswana)** *Mmegi*. **Bank of Botswana** (central bank) data shows that commercial banks earned a collective P3.2 billion (\$237m) in after-tax profits in 2022, up 17% compared to 2021. This is the second year running that the banks have broken history with the levels of earnings;

14 Mar 2024 **Gaborone (Botswana)** *Projects Magazine*. The **Botswana Mine Workers Union (BMWU)** calls on government to save the country's sole gold miner, **Mupane Gold**, after operations ground to a halt due to cashflow challenges;

11 Mar 2024 **Gaborone (Botswana)** *Mmegi*. Environment and tourism minister **Dumezweni Mthimkhulu** indicates there is rising interest amongst citizens to venture into the tourism industry saying as of the end of January, the ministry had licensed 3,236 100% citizen-owned operators, 286 joint ventures, and 296 non-citizen-owned enterprises;

10 Mar 2024 **Gaborone (Botswana)** *IOL*. Government officials accuse former president **Ian Khama** of working with **United Kingdom (UK)** lawmakers to enact a UK ban on trophy hunting imports in the UK;

8 Mar 2024 **Gaborone (Botswana)** *Africa Intelligence*. Minerals and energy minister **Lefoko Moagi** says the government has approved the transfer of a mining licence for **Lerala Diamond Mine** to **Maroon Capital**, owned by **Israeli** investor **Gilad Shabtai**, a development that will require the firm to soon resume operations after the mine was put under care and maintenance in 2017;

5 Mar 2024 **Gaborone (Botswana)** *Projects Magazine*. Local company, **Minergy Ltd** resumes production at the troubled **Masama Coal Mine**, anticipating reaching full-scale output and sales by the end of June;

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