

AFRICA RISK CONSULTING

Botswana Monthly Briefing June 2024

Botswana Summary 6 June 2024

President Mokgweetsi Masisi (2018-present) confirms on 1 June that Botswana is considering increasing its shareholding in United Kingdom-headquartered De Beers. The government and De Beers' joint venture, the Debswana Diamond Company, will on 28 June launch a \$6 billion project to convert its Jwaneng mine into an underground operation. Botswana parliament is finalising amendments to the constitution but opts to defer sensitive issues to a referendum. Botswana falls in the authoritative Fraser Institute Mining global rankings but still emerges as the top mining destination in Africa.

Botswana weighs options as Anglo sells De Beers

President **Mokgweetsi Masisi** (2018-present) confirmed on 1 June that **Botswana** is investigating increasing its stake in **United Kingdom (UK)**-headquartered diamond giant, **De Beers**, which was put up for sale by its parent company, **Anglo American** on 14 May. Speaking at the **JCK** diamond trade show in the **United States (US)**, Masisi said De Beers derives 70% of its value from Botswana and it would only be logical for the country to take up more shareholding in the company.¹ Botswana currently holds a 15% shareholding in De Beers with the balance held by Anglo American which is reported to have held talks with potential suitors of the diamond company in the last months.

While Botswana is keen to increase its stake in the company, it would need a mining company to partner with in the transaction. However, there are not too many mining giants interested in diamond mining at the moment given the headwinds the industry is facing. In February 2024, Anglo American announced a \$1.6 billion write-down of De Beers' book value, bringing it to \$7.6 billion. Botswana might not have enough resources to take up a significant shareholding in De Beers but it could facilitate resources from the country's cash-flush pension funds. Liquidity in Botswana's capital market is currently very high as pension funds, under a new law, are repatriating part of funds invested offshore.² Another option touted is that in the absence of an interested buyer, Anglo American might seek to list De Beers through an Initial Public Offer (IPO), preferably on the **London Stock Exchange (LSE)**.

Botswana is also hoping that the De Beers sale will happen as soon as possible to avoid any complications that might come with proposals for Anglo American. Anglo American has rejected a \$49 billion takeover offer from **Australia's BHP** but reports suggest other mining giants including **Australia's Rio Tinto** and **Swiss giant Glencore** have shown interest in taking over the diversified miner.³

Botswana is also aiming for a quick finalisation of its new ten-year sales agreement with De Beers on its joint venture, **Debswana Diamond Company**, and that the developments around Anglo American will not derail it. De Beers and Botswana have an agreement in place to finalise their new deal by 28 June but Anglo American CEO **Duncan Wanblad** on 1 June said it could take another couple of months for the deal to be finalised without providing further detail.⁴ The renewal of the sales deal as well as the mining rights for Debswana is as vital to the company as it is to Botswana. Botswana gets between

¹ Idexonline, 9 May 2024

² Mmegi, 4 Mar 2024

³ Reuters, 29 May 2024

⁴ Financial Times, 1 Jun 2024

30% and 40% of its revenue, 75% of its foreign exchange earnings and a third of its national output from diamonds.

Debswana launches \$6 billion project at Jwaneng

Despite Anglo American's decision to exit the diamond sector and the increasing threat of lab-grown diamonds, Botswana and De Beers have agreed to forge ahead with plans to invest in extending their mines' life span. Debswana will on 28 June launch a \$6 billion project to extend the lifespan of the **Jwaneng** mine from the current 2032 horizon to 2054.⁵ Jwaneng produces an average of 11 million carats per year and is the world's richest diamond mine.

Launching its new strategy on 31 May at the JCK show, De Beers said the Jwaneng underground was one of the key projects it would focus on in a revised strategy that would see the company focus on high-value assets while it also exits the lab-grown diamond business.⁶

In April, Debswana awarded **Canada's Redpath Mining** a contract to build an underground mine at Jwaneng which has been operating as an open pit for the past 40 years (*see ARC Briefing Botswana May 2024*). The first phase of the project has an estimated cost of \$1 billion. Debswana's contract with Redpath, effective as of 1 May, spans 68 months and its scope of works includes building roughly 28km of lateral development, a ventilation shaft and the required engineering infrastructure including ventilation fans and pump stations.

In addition to the Jwaneng underground project, De Beers will focus on the **Venetia Mine** in **South Africa** to deliver higher returns. The new strategy could be the basis of a reshaping of the company as it separates from Anglo American, with the possibility of non-core assets such as **Canadian** and **Namibian** land operations sold.

Botswana amends constitution but defers critical changes to a referendum

Parliament is in the final stages of making key amendments to the constitution as recommended by a **Presidential Constitutional Review Commission** but has deferred critical issues including laws around same-sex relations and the death penalty to a referendum. The decision is reflective of the ruling **Botswana Democratic Party (BDP)** avoiding making sensitive sweeping changes ahead of the election slated for October.

In December 2021, Masisi appointed a presidential commission of inquiry into the review of the constitution which culminated in recommendations that were drafted into a **Constitutional Amendment Bill**. The bill is currently being debated in parliament with the ruling BDP set to pass it into law.⁷ The bill seeks to enshrine the rights to health, education, and work in the constitution. It also seeks to give the president powers in the nomination and appointment of the chief justice or court of appeal president. The most contentious part of the amendments has been a clause to bar a former president from holding any political office. This move could be viewed as aimed at former president **Ian Khama** (2008-2018), now a patron of the opposition **Botswana Patriotic Front (BPF)**.⁸ Masisi and Khama have been in an ongoing feud with the former president now living in exile.⁹

In the initial bill, only issues such as abortion, commercial sex, same-sex relations and the death penalty were to be decided through a referendum. However, on 2 June, minister for state president **Kabo Morwaeng** asked parliament to delete some clauses from the bill and requested that the above issues be referred to a referendum.¹⁰ Some deleted amendment clauses included one seeking to prohibit a retired president who had served an aggregate period of ten years from pursuing election

⁵ Mining Weekly, 29 May 2024

⁶ Bloomberg, 3 Jun 2024

⁷ Mmegi, 18 Dec 2021

⁸ Daily News, 26 May 2024

⁹ Daily News, 26 May 2024

¹⁰ Daily News, 4 Jun 2024

in any political office. Other clauses deleted from the bill included an amendment to limit membership of the **National Assembly** to citizens, including in the case of dual citizenship persons who had renounced the citizenship of another country.

The bill was further amended to delete an amendment clause relating to disqualifying a specially elected member from holding the seat if they resigned from the political party they were a member of at the time they were elected. Also deleted from the bill were amendment clauses that sought to provide for the chief justice as the head of the judiciary and the president of the court of appeal as the deputy head.

Botswana will now hold a referendum, likely after the elections, to decide on the critical issues that were part of the constitutional review recommendations but require a two-thirds majority in parliament to be changed.

Botswana slides in global mining ranking but still tops Africa

Botswana has fallen in the latest global mining attractiveness rankings compiled by Canada's **Fraser Institute**, with investors concerned about skills and infrastructure shortages in the country. Released on 16 May, the **2023 Fraser Institute Annual Mining Survey Report** shows that Botswana has dropped several places in the **Investment Attractiveness Index** and ranks 15th out of 86 countries after ranking among the top ten jurisdictions last year.¹¹

The survey results are divided into two main categories: the **Best Practices Mineral Potential Index**, which assesses geological attractiveness, and the **Policy Perception Index (PPI)**, which evaluates governmental policies and attitudes toward exploration investment. These indices together form the overall Investment Attractiveness Index, with geological potential accounting for 60% and policy perception for the remaining 40%.

The survey collected feedback from 293 respondents worldwide between August of the previous year and January of the current year to evaluate how mineral resources and public policies, such as taxation and regulatory stability, impact investment in exploration. The survey participants mainly comprised company presidents, vice presidents, and managers or senior managers. The companies involved reported spending \$4.1 billion on exploration in 2023.

The Canadian think tank said that Botswana's lower PPI score this year (-5.6 points) reflects increasing concerns about skilled labour (+15 points), infrastructure (+9 points), its geological database (+9 points) and uncertainty concerning protected areas (+9 points). Despite this decline, Botswana is the highest-ranked jurisdiction in Africa taking back its position as the continent's most attractive mining investment destination, overtaking **Morocco**. At the global level, five **European** countries overtook Botswana in the latest edition of the survey, with some investors noting that the country had unclear laws on environmental protection.

In Africa, behind Botswana is Morocco with a score of 69.61 (down from 74.13), **Zambia** with 64.23 (up from 41.18), South Africa with 41.84 (down from 44.76), while Namibia's also decreased from 59.88 to 56.43.¹²

Planner

31 May 2024 **Lusaka (Zambia) Kavango-Zambezi Trans-Frontier Conservation Area (KAZA)** heads of state summit

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

Oct 2024 **(Botswana)** General elections

Dec 2024 **Gaborone (Botswana)** Supplementary budget speech

¹¹ Mmegi, 24 May 2024

¹² Sub Saharan Mining, 21 May 2024

Chronology

4 Jun 2024 **Gaborone (Botswana)** *Mmegi*. Technocrats and other stakeholders are finalising the country's first cybersecurity law, with proposals for tighter security around strategic sectors of the economy and hefty penalties against criminals, including cyber-extortionists and harmful fake social media;

4 Jun 2024 **Gaborone (Botswana)** *Mmegi*. The former **Directorate of Intelligence and Security (DIS)** director-general **Isaac Kgosi** is granted his seized guns after a high court judgment rules that the guns were acquired by the former spy boss legally;

3 Jun 2024 **Gaborone (Botswana)** *Daily News*. President **Mokgweetsi Masisi** arrives in **Seoul (South Korea)** for the inaugural **Korea-Africa Summit**;

3 Jun 2024 **Gaborone (Botswana)** *Mmegi*. The **Botswana Mine Workers Union (BMWU)** says it is yet to get an update from the **Mupane Gold Mine** management after the mine stopped operations in February this year owing to cash flow challenges;

3 Jun 2024 **Gaborone (Botswana)** *Mmegi*. **Air Botswana** CEO **Lulu Rasebotsa** says the struggling airline has added three **Embraer** jets to its fleet and is eyeing a fourth purchase as it aims to revitalise its operations;

27 May 2024 **Gaborone (Botswana)** *Businessnews*. **United Kingdom**-based **Si6 Metals** increases its exploration area in the **Limpopo Mobile Belt** in Botswana by 45% after being granted new prospecting licences in a ground that is adjacent to its high-grade copper and silver projects;

26 May 2024 **Gaborone (Botswana)** *Daily News*. Ahead of the general election later this year, the **Independent Electoral Commission (IEC)** releases the first supplementary voters roll in readiness for the 21 days statutory inspection period, as per Section 15 of the **Electoral Act**;

26 May 2024 **Gaborone (Botswana)** *Sunday Standard*. **Bank of Botswana** (central bank) says foreign reserves grew last year, but the share of the government in the sovereign fund has gone down, a sign that the government continues to draw down on the reserves to meet its huge expenditure as diamond revenues continue to decrease;

24 May 2024 **Gaborone (Botswana)** *Mmegi*. Opposition members of parliament object to cabinet's proposal to increase the number of Specially Elected Members of Parliament (SEMPs) from six to 10 as part of the **Constitution (Amendment) Bill, 2024**;

23 May 2024 **Gaborone (Botswana)** *Mining Weekly*. **Ireland**-based diamond exploration company, **Botswana Diamonds** has been granted four more prospecting licences – covering just under 2,332 square kilometres – in the **Kalahari**;

22 May 2024 **Gaborone (Botswana)** *Sunday Standard*. Amid the planned sale of **United Kingdom**-based **De Beers** by its **London**-listed parent company, **Anglo American**, former **De Beers Botswana** CEO **Sheila Khama** suggests that the government should consider reducing its stake in **Debswana Diamond Company** in exchange for a larger share in De Beers Group;

22 May 2024 **Gaborone (Botswana)** *Sunday Standard*. **Canadian** gold explorer **Avanti Gold** gains rights to prospecting gold licences covering an area of approximately 90 hectares in Botswana after entering into a share exchange agreement with **MTM Ltd.**, a privately held **Seychelles** company;

21 May 2024 **Gaborone (Botswana)** *Mmegi*. The **Ramatlabama Border Post** between Botswana and **South Africa** is reopened after a temporary closure due to a strike by South African truckers;

21 May 2024 **Gaborone (Botswana)** *Voice of America*. **Southern African** leaders launch a \$5.5 billion humanitarian aid appeal as the region faces acute grain shortages due to **El Nino**-induced droughts;

21 May 2024 **Gaborone (Botswana)** *Bloomberg*. **Botswana Agricultural Marketing Board** confirms it will seek to import grains from **Brazil** and **Australia** as the **El-Niño** drought impacts crop yields;

20 May 2024 **Gaborone (Botswana) Mmegi**. Opposition coalition **Umbrella for Democratic Change (UDC)**, comprising the **Botswana National Front (BNF)**, **Botswana People's Party (BPP)** and **Alliance for Progressives (AP)**, reveals that it does not have funding for the upcoming expensive general election;

16 May 2024 **Gaborone (Botswana) Mmegi**. The **Independent Electoral Commission (IEC)** announces another supplementary voter registration period for the next 11 days from 20 May to 31 May in preparation for the general elections due later this year;

13 May 2024 **Gaborone (Botswana) Mmegi**. The **United Kingdom's** controversial **Trophy Hunting (Import Prohibition) Bill** will be discussed among leaders from Botswana, **Angola, Namibia, Zambia, and Zimbabwe** at the **Kavango-Zambezi Trans-Frontier Conservation Area (KAZA)** heads of state summit on 31 May;

12 May 2024 **Gaborone (Botswana) Rapaport**. **Canada's Lucara Diamond Corp.** says sales declined 4% year on year to \$41.1m in the first quarter of 2024 as the number of large stones mined at its **Karowe Mine** and sold into the miner's offtake agreement with **Belgium-based HB Antwerp** dropped;

10 May 2024 **Gaborone (Botswana) Mmegi**. Leading consumer insights firm **TransUnion**, says Botswana borrowers are facing the heaviest debt burden in the post-**Covid** era, marked by reduced debt affordability, higher debt pressures, and decreased appetite for loans, due to various economic factors;

7 May 2024 **Gaborone (Botswana) Mmegi**. President **Mokgweetsi Masisi** says the **Freedom of Information Bill** will be gazetted and tabled during the winter parliament session.

About Africa Risk Consulting:

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