

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing November 2024

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#### Botswana Summary 6 November 2024

*The Umbrella for Democratic Change (UDC) wins the 30 October general election. UDC leader Duma Boko inherits a struggling economically with lower revenues due to the global diamond downturn, high unemployment and inequality which might make it difficult for him to deliver on his election promises. Boko has already prioritised ties with United Kingdom-based De Beers and says he aims to finalise a new sales and marketing deal with the company as soon as possible.*

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#### History made as UDC ends BDP's 58-year rule

The **Umbrella for Democratic Change (UDC)** coalition won the 30 October general election, inflicting a heavy defeat on the **Botswana Democratic Party (BDP)** which has been in power for 58 years. **Duma Boko** officially took office on 4 November. He is leader of the **Botswana National Front (BNF)** and helped establish the UDC in 2012, which joined the UDC in 2012. He takes over from **Mogweetsi Masisi (2018-2024)** who has made history by becoming the country's first president to only serve one term.<sup>1</sup>

The UDC won the majority of both parliamentary and council seats. The UDC won 36 parliamentary seats, the **Botswana Congress Party (BCP)** won 15 seats while **Botswana Patriotic Front (BPF)** and BDP won 5 and 4 seats respectively. Former health minister, **Edwin Dikoloti**, who was suspended from the ruling party on the eve of the election, is the only independent legislator.

Botswana uses the first-past-the-post electoral system which means that the first party to more than half of the 61 contested seats will be declared the winner and install its candidate as president. While the BDP only managed to secure 4 seats, analysts say its performance was not as bad as it seemed blaming the first past the post system for portraying a seemingly biased picture. In terms of the popular vote, the BDP had the second-highest number of votes after the UDC. From the 824,014 people that voted, 37.22 % of them voted for the UDC while 30.49% of the people voted for the BDP while the BCP which won 15 seats got 20.99% of the popular vote. Voter turnout stood at 79% lower than in 2019 when it was 84%.

Under the current system, you can have a large number of followers but if you come second in a constituency, you get nothing. If Botswana were to use the proportional representation system, BDP could have had a better performance which could have changed the outcome as no single party was going to have more than half of the seats required to take power and Botswana would have had a hung parliament. The BDP became victim of an electoral system that has worked for them in the past.<sup>2</sup>

Economic grievances, particularly among young people, appears to be the main driver behind the downfall of the BDP.<sup>3</sup> Perceptions of rising corruption and disgruntlement within the ruling party, particularly against the leadership style of Masisi, also led to an erosion of the BDP membership. An **Africa Risk Consulting (ARC)** researcher from noted:

*"Unemployment is at 28%, youth unemployment is around 40%, diamond revenues fell by 50%, and I suspect that the import ban on South African goods led to an increase in food prices in Botswana. It seems Botswana completely lost faith in the BDP to turn things around."*<sup>4</sup>

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<sup>1</sup> Daily News, 3 Nov 2024

<sup>2</sup> ARC Briefing Botswana analyst

<sup>3</sup> Reuters, 28 Oct 2024

<sup>4</sup> ARC researcher

Other factors which could have played a more minor role include a better organised opposition and that the fight between former president **Ian Khama** (2008-2018) and Masisi was seen as arrogant, autocratic and corrupt. Masisi allegedly also gave his sister a huge P500m (\$37.1m) tender:

*"He didn't give the impression that he genuinely cared about average Batswana."*<sup>5</sup>

There have been reports that the UDC was voted in by members of the ruling party who wanted Masisi out. Former BDP secretary general **Botswana Ntuane** added echoed this sentiment, highlighting that citizen's exercised their right to vote corruption out. Ntuane also noted that the BPD's decision to align itself with **Zimbabwe's** ruling **Zanu-PF** was a mistake:

*"Patriotic voters resolved that economic mismanagement, egregious persecution of innocent citizens, weaponization of judiciary / state organs, dalliance with ED Mnangagwa's Zanu PF, the very architect of Zimbabwe's failed state, will not be rewarded with another 5-year mandate."*<sup>6</sup>

### **Mammoth task ahead as UDC inherits struggling economy**

The UDC won over people on the campaign trail by promising to create jobs, double the minimum wage, significantly raise the old age pension and student allowance and introduce an unemployment benefit for the jobless. But implementing those pledges might turn out to be tougher than expected as the party is taking over an economy that struggling and a fiscus that is in a dire state.

Budget revenue in the first quarter of the fiscal year starting April was about 28% lower than the targeted 23.4 billion pula (\$1.7 billion) due to lower diamond revenues and sales. **Debswana**, jointly owned 50% by the state and **United Kingdom (UK)**-headquartered **De Beers**, which contributes about a third of the national income, saw its sales in the first nine months of the year to September 2024 fall by 52% as the downturn in the global diamond market persists.<sup>7</sup> Botswana is the world's largest producer of rough diamonds by value with the revenues making up the bulk of the country's budget receipts, but global diamond sales have been impacted by too much supply, and poor demand from the crucial **Chinese** market.

The drop in exports has led Botswana's economy to slide into a technical recession as the global diamond market malaise continues with lower output at mines while traders have faced weak demand and lower prices. **Statistics Botswana** announced on 27 September that Real GDP contracted by 0.5% year-on-year in the second quarter of 2024, following a 5.3% decline in the prior three-month period, signalling the onset of a technical recession.<sup>8</sup>

The contraction in the domestic economy was observed in mining and quarry and diamond traders' categories as real value added fell by 16.5% and 11.2% respectively.<sup>9</sup> All other industries recorded positive growths of more than 0.3% resulting in the non-mining GDP increasing by 4.2% in the second quarter of 2024 compared to 3.8% registered in the same quarter of the previous year.

The **International Monetary Fund (IMF)** forecasts 1% growth for 2024, down from 5.5% in 2022 and 2.7% in 2023. Lower diamond revenues and expansionary budgets have led the normally fiscally prudent Botswana into a projected budget deficit of some P17 billion (\$1.26 billion) – or 6% of GDP – in the 2024/2025 fiscal year.<sup>10</sup>

Boko will have to first implement economic recovery measures before he can have enough money to raise pensions and student payments. An economist told ARC Briefing that the economy is in such a bad state that the new administration will have to cut spending significantly:

<sup>5</sup> ARC researcher

<sup>6</sup> Sunday Standard, 3 Nov 2023

<sup>7</sup> Reuters, 1 Nov 2024

<sup>8</sup> An economy is said to be in a technical recession which it undergoes two consecutive quarters of negative growth.

<sup>9</sup> Sunday Standard, 3 Oct 2024

<sup>10</sup> Reuters, 13 Jul 2024

*"In an environment of this kind, with uncertain long-term prospects, it is no longer feasible to offset the downturn by even higher levels of government spending. The new president will have to first of all stop the bleeding they cannot afford to continue spending when the money is not coming in."<sup>11</sup>*

The economist added that some of the planned big infrastructure projects are going to have to be put on hold, even though contracts have already been signed. Boko's promise to double the minimum wage could work against his plans to create more jobs in an economy that needs the private sector to grow and provide employment. With the economy in such a state, there is scepticism around Boko's ability to deliver some of his election promises.

### **Boko aims to finalise De Beers' deal quickly**

Boko has said he plan to reach out to De Beers in an effort to rekindle working relations which he believes was damaged by the way Masisi handled the negotiations for a new sales and marketing deal. The new contract is four years overdue with talks having protracted as Botswana demanded a deal that Masisi said would bring more wealth to the country. At the height of the talks in 2023, Masisi threatened to end the five-decade relationship with De Beers, accusing the company of offering Botswana "a deal fraudulent and fraught with error".<sup>12</sup>

De Beers, agreed to a new diamond sales pact, which would see the government's share of diamonds from Debswana gradually increase to 50% over the next decade. Debswana currently sells 75% of its output to De Beers. The new pact has yet to be signed.

Boko was frank in his assessment of the relationship, noting that Botswana's economy depends on diamonds as it has not diversified:

*"So, we've got to try and safeguard the goose that lays for us, the golden egg in the short to medium term, at the very least, so that we have some revenue to generate income for the country, while we then look at levels, second level, third levels of diversifying the economy."<sup>13</sup>*

The removal of Masisi from office also throws into doubt a planned deal by the government to acquire a stake in a **Belgium** company **HB Antwerp**, a deal that was personally pushed by Masisi. The deal with HB Antwerp, which Masisi announced at the height of the talks with De Beers, was heavily criticised by the opposition who accused the government of not having done enough due diligence on the start-up Belgian company.

Government announced in August that it was renegotiating the terms of its proposed 24% equity deal with HB Antwerp to reflect changed conditions in the global diamond market, with the country now aiming for a bigger stake of up to 49.9% in Belgian gem trader at no additional cost.<sup>14</sup> In February, the country had set aside \$66m for the 24% stake placing the value of the Belgian company at \$274.6m.

The proposed deal was placed under the spotlight in September 2023 when **Canada's Lucara Diamond Corporation** terminated its sales agreement with HB Antwerp, citing financial irregularities. However, Lucara revived the partnership with HB Antwerp in February 2024, signing a new ten-year deal.

### **Planner**

7 Nov 2024 **Gaborone (Botswana) Bank of Botswana (central bank) Monetary Policy Committee (MPC)** meeting

27-29 Nov 2024 **Gaborone (Botswana) African Securities Exchanges Association (ASEA)** annual conference

<sup>11</sup> Source, economist, Gaborone

<sup>12</sup> Mmegi, 5 Apr 2024

<sup>13</sup> Reuters, 1 Nov 2024

<sup>14</sup> Reuters. 13 Aug 2024

10 – 13 Dec 2024 **Gaborone (Botswana) United Nations Conference on Landlocked Developing Countries (LLDC3)**

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

3-6 Feb 2025 **Cape Town (South Africa)** Mining Indaba 2025

### Chronology

3 Nov 2024 **Gaborone (Botswana) Daily News.** **United States** ambassador to Botswana, **Howard Van Vranken** congratulates the **Umbrella for Democratic Change (UDC)** and **Duma Boko** on their historic victory in Botswana's 2024 general elections,

3 Nov 2024 **Gaborone (Botswana) Daily News.** **South Africa, Zambia, and Zimbabwe** congratulate President **Duma Boko** as well as the government and people of Botswana, on the success of the recently concluded general elections;

3 Nov 2024 **Gaborone (Botswana) Sunday Standard.** Former **Selibe Phikwe West** member of parliament (MP) **Dithapelo Keorapetse**, who was also the Leader of Opposition (LOO) under the **Umbrella for Democratic Change (UDC)**, abandons plans to take the **Independent Electoral Commission (IEC)** to court citing irregularities after losing elections;

3 Nov 2024 **Gaborone (Botswana) Parrot.** **Botswana Patriotic Front (BPF)** announces that it has released its patron, former president **Ian Khama** to allow him to assume his traditional role as paramount chief;

1 Nov 2024 **Gaborone (Botswana) Mmegi.** **Competition and Consumer Authority (CCA)** approves a \$15m takeover of **Tati Nickel** by a firm linked to Austrian tycoon, **Cevdet Caner**;

1 Nov 2024 **Gaborone (Botswana) Mmegi.** **Duncan Wanblad**, the CEO of **United Kingdom**-based **Anglo American**, says its unit **De Beers** could ask **Debswana** to restrain its output again – which would be the third time this year – as diamonds continue in a slump;

28 Oct 2024 **Gaborone (Botswana) Sunday Standard.** **South Africa's** department of home affairs' decision to implement a new biometric data capture system has led to severe congestion at key border posts with Botswana, causing frustration for travellers, truck drivers, and businesses;

25 Oct 2024 **Gaborone (Botswana) Mmegi.** **United Kingdom**-based diamond giant **De Beers** says it will now provide country of origin data for each of its rough stones above 1.25 carats in size, in a pushback against the ethical traceability claims that synthetic manufacturers have exploited to gain a stronger foothold against natural diamonds;

25 Oct 2024 **Gaborone (Botswana) Mmegi.** Despite the chaotic situation the **Independent Electoral Commission (IEC)** endured over the weekend due to shortage of ballot papers, the IEC assures the public that order will be restored;

25 Oct 2024 **Gaborone (Botswana) Mmegi.** The **Botswana Mine Workers Union's (BMWU)** oil and gas private company, **Leru Energy**, remains inactive two years after being formed as a joint venture targeting 10% of local mines' requirements;

23 Oct 2024 **Gaborone (Botswana) Daily News.** **Botswana Stock Exchange (BSE)** trades P412m (\$31.7m) in total market turnover, which is the highest single day turnover on the bourse so far in 2024;

22 Oct 2024 **Gaborone (Botswana) Mmegi.** The **Botswana Stock Exchange (BSE)** says at least four companies have passed board resolutions to raise capital by equity listings, in moves that will boost activity on the local exchange;

- 22 Oct 2024 **Gaborone (Botswana)** *Mmegi*. President **Mokgweetsi Masisi** tells a political gathering that promises made by opposition parties in their manifestos would collapse the economy if implemented;
- 20 Oct 2024 **Gaborone (Botswana)** *Daily News*. **Tanzania's** former prime minister, **Mizengo Pinda**, will lead the **Southern African Development Community (SADC)** election observer mission to Botswana ahead of the 30 October general election;
- 18 Oct 2024 **Gaborone (Botswana)** *Mmegi*. **Disaster Relief Emergency Fund (DREF)** says the tension between President **Mokgweetsi Masisi** and his predecessor **Ian Khama** could culminate in possible political unrest;
- 17 Oct 2024 **Gaborone (Botswana)** *Daily News*. Foreign affairs ministry announces Botswana will host the 3<sup>rd</sup> **United Nations Conference on Landlocked Developing Countries (LLDC3)**, in Gaborone this December;
- 16 Oct 2024 **Gaborone (Botswana)** *Mmegi*. **Statistics Botswana** reports annual inflation in September came in at 1.5% – its lowest level this year – down from 3.9% in August, helped by a drop in fuel prices;
- 11 Oct 2024 **Gaborone (Botswana)** *Mmegi*. **Gaborone** high court denies a P18m (\$1.4m) sale of **Pula Steel**, forcing liquidators to re-assess;
- 11 Oct Aug 2024 **Gaborone (Botswana)** *Mmegi*. **Madibela Tlhopho**, a pressure group reporting directly to the **Umbrella for Democratic Change (UDC)** president **Duma Boko**, publicises the digital voters' roll and alleges there are irregularities;
- 11 Oct 2024 **Gaborone (Botswana)** *Mmegi*. Despite the **Botswana Democratic Party's (BDP)** efforts to unite its members, it has become increasingly evident that its primaries elections, known as **Bulela-Ditswe**, have sown seeds of discord within the party with the numbers of defections increasing;
- 11 Oct 2024 **Gaborone (Botswana)** *Mmegi*. A Gaborone regional magistrate court has confirmed its order of last month setting aside warrants of arrest against former president, **Ian Khama**;
- 11 Oct 2024 **Gaborone (Botswana)** *Mmegi*. The long-awaited **Trans-Kalahari Railway** is moving to a feasibility study in January, a keenly awaited development as the \$11 billion project has now been opened up from coal to include iron ore, copper, and fuel;
- 10 Oct 2024 **Gaborone (Botswana)** *Sunday Standard*. The **Botswana Democratic Party (BDP)** officially names **Lefoko Maxwell Moagi** as the campaign manager for the 2024 general elections;
- 7 Oct 2024 **Gaborone (Botswana)** *Engineering News*. Botswana and **South Africa** commit to establishing a bilateral working group to resolve trade challenges;
- 4 Oct 2024 **Gaborone (Botswana)** *Mmegi*. Opposition parties demand that they want the recently appointed commissioners of the **Independent Electoral Commission (IEC)** be suspended pending the finalisation of their legal review application;

### About Africa Risk Consulting:

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