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AFRICA RISK CONSULTING
Botswana Monthly Briefing July 2026

Botswana Summary 8 July 2026

Sweeping tax reforms come into effect on 1 July with amendments to the Income Tax Act, the Value Added Tax (VAT) Act, and the Customs Act, as the government seeks to strengthen public finances amid slowing economic growth and declining diamond revenues. Debswana Diamond Company plans to increase diamond production by 20% to 18 million carats in 2026, while simultaneously embarking on an ambitious transformation programme to cut operating costs by around 30% and diversify beyond its traditional mining business. Botswana steps into Southern Africa's budding electricity trading market with the launch of the 100MW Tati Solar Project, which will sell electricity directly into the Southern African Power Pool (SAPP).

Government under pressure to increase revenues

Botswana effected one of its most significant tax overhauls in decades on 1 July with the implementation of amendments to the **Income Tax Act** alongside changes to the **Value Added Tax (VAT) Act** and the **Customs Act**, as government seeks to strengthen public finances amid slowing economic growth and declining diamond revenues. The reforms are also intended to modernise the tax system, broaden the tax base, improve compliance and align with international taxation standards.

The new Income Tax Act introduces a residence-based taxation system, meaning Botswana tax residents will now be taxed on their worldwide income rather than only income sourced within the country. The legislation also strengthens transfer pricing rules, introduces **Controlled Foreign Company (CFC)** provisions, tightens anti-tax avoidance measures, and aligns Botswana's tax framework with international standards such as the **Organisation for Economic Cooperation and Developments (OECD)** pillar two global minimum tax rules. In addition, the corporate income tax rate rises from 22% to 25% for most companies, while the highest personal income tax rate increases to 27.5% for individuals earning more than P400,000 ($27,739) annually.

The VAT reforms retain the 14% VAT rate but significantly broaden the tax base by reducing the list of zero-rated goods. The legislation also extends VAT to remote and electronic services that non-resident businesses supply, requiring foreign digital service providers to register and account for VAT in Botswana. The law further introduces electronic invoicing and new compliance requirements to improve tax administration and reduce revenue leakage.

The amendments to the Customs Act modernise customs administration, strengthen border enforcement and streamline the movement of goods through enhanced digital procedures and risk-based customs controls. The changes are expected to improve trade facilitation while combating customs fraud and under-declaration of imports.

The government argues the reforms are necessary as Botswana grapples with one of its toughest fiscal environments in years. Weak global diamond demand has weighed heavily on export earnings and government revenue, widening budget deficits and increasing pressure to diversify tax sources. The fiscal deficit for 2026/27 is projected at P26.35 billion ($1.83 billion). Officials say broadening the tax base will make finances more resilient and reduce the country's historical dependence on diamond revenues.

The reforms present several advantages including higher government revenues which could help finance critical infrastructure, health, education and social programmes without excessive borrowing. Stricter anti-avoidance rules are also expected to improve tax fairness by ensuring multinational companies and high-income individuals contribute an appropriate share of taxes. The digitisation of VAT administration through electronic invoicing should also reduce fraud and improve efficiency for both the **Botswana Unified Revenue Service (BURS)** and compliant businesses.

However, the changes are likely to increase the cost of doing business during an already difficult economic period. Higher corporate taxes may discourage investment or reduce company profits. At the same time, the narrowing of zero-rated VAT items could push up consumer prices and add pressure to households already battling high living costs. Businesses will also face additional compliance costs associated with electronic invoicing, expanded reporting obligations and adapting to the new tax regime.

Botswana has recorded two consecutive years of real GDP contraction, with a negative growth of 2.8% in 2024 and 0.7% in 2025. Non-diamond private sector growth slowed to 2% in 2025, down from 4.4 % the year before. This is the part of the economy the **Botswana Economic Transformation Programme (BETP)** depends on, and it is being asked to fund 60% of a P514 billion ($34.65 billion) programme.

Raising the corporate tax rate by 2.5% increases the cost of operating in Botswana for exactly the businesses the transformation agenda is counting on to invest, expand, and hire. A higher rate may not be critical to any single investment decision, but the direction of the signal matters. Fiscal policy is raising the cost of private-sector activity while industrial policy is asking the private sector to take on the largest capital commitment in the country's history.

Debswana plans higher 2026 output but targets leaner future

Debswana Diamond Company, a joint venture between the government and **United Kingdom (UK)**-headquartered **De Beers**, is preparing for a pivotal year after announcing plans to increase diamond production to about 18 million carats in 2026 from 15 million carats produced in 2025 while also be embarking on an ambitious transformation programme aimed at cutting operating costs by around 30% and diversifying beyond its traditional mining business.

The twin strategy reflects a company adapting to a rapidly changing global diamond industry after enduring one of the worst downturns in decades. Weak consumer demand, rising competition from laboratory-grown diamonds and economic uncertainty has forces Botswana's largest diamond producer to slash production over the past two years as Botswana's economy slipped into recession.

However, signs of a gradual recovery in key consumer markets such as the **United States** and **China** have encouraged the company to cautiously raise production, with the **Bank of Botswana** (central bank) forecasting higher diamond output to be one of the key drivers of economic growth this year, with Debswana confirming plans to raise production by around 20%. The production increase comes alongside a far-reaching restructuring strategy, **Ya Masa 2025-2029**, which seeks to reposition the company for long-term sustainability amid what executives describe as structural changes in the global diamond market.

Under the strategy, Debswana intends to reduce annual operating costs by roughly one-third, from about P9 billion ($624m) to P6 billion ($416m) by 2028, through greater operational efficiency, streamlined business processes, and improved productivity. Management has warned that without significant cost reductions, the company's long-term viability would be under threat as mining costs continue to rise while diamond prices remain under pressure.

Beyond cost-cutting, the company also plans to expand into non-core business ventures, leveraging its extensive mining infrastructure and technical expertise to generate alternative revenue streams. Although details of these ventures are still emerging, the strategy reflects growing recognition that Botswana's diamond industry can no longer rely solely on mining revenues amid changing consumer preferences and increased competition from synthetic diamonds.

For Botswana, the implications are mixed - the increase in production is welcome news for an economy that remains heavily dependent on diamonds. Debswana accounts for about 90% of Botswana's diamond production, while the sector contributes roughly one-third of government revenues and nearly three-quarters of foreign exchange earnings. Higher production should therefore boost exports, improve mineral revenues, strengthen foreign-exchange inflows, and contribute positively to gross domestic product after two difficult years.

The production increase could also support government efforts to restore fiscal stability following declining mineral revenues that forced authorities to borrow more heavily and implement spending restraint. Increased diamond sales would provide much-needed tax receipts, royalties and dividends, easing pressure on the national budget.

However, the benefits of higher production may be partly offset by Debswana's aggressive cost-cutting programme. The company has traditionally injected more than P9 billion annually into Botswana's economy through procurement, contractors, transport services, maintenance, accommodation, engineering services and other operational expenditure. Reducing operating costs to around P6 billion would mean approximately P3 billion ($208m) less circulating through the domestic economy each year. This reduction will likely be felt across a wide range of local suppliers, contractors and service providers whose businesses depend on Debswana's procurement spending. Lower corporate expenditure could also dampen economic activity in mining towns and reduce multiplier effects that have historically supported employment and household incomes.

The challenge for policymakers will therefore be to ensure that the gains from higher diamond production outweigh the negative effects of lower corporate spending. Overall, Ya Masa represents an acknowledgment that Botswana's diamond industry is entering a new era and that instead of hoping that global demand will return to previous highs, Debswana is rather restructuring to become leaner, more efficient and less dependent on a single revenue source.

Botswana joins regional power trading with Tati Solar Project

Botswana is set to take a significant step into **Southern Africa**'s evolving electricity market after the 100MW **Tati Solar Project** reached financial close, becoming the country's first large-scale independent power project designed to sell electricity directly into the **Southern African Power Pool (SAPP)** rather than under a sovereign-backed power purchase agreement (PPA).

The approximately $100m project marks a fundamental shift in Botswana's electricity sector. Unlike previous independent solar developments that rely on long-term PPAs with the **Botswana Power Corporation (BPC)**, Tati Solar will operate as a merchant power plant, generating electricity for competitive sale across the regional market through the SAPP.

Developed near **Francistown** by **Tati Solar (Pty) Ltd**, the project is sponsored by **Shumba Energy**'s subsidiary **Etavi Renewables** together with equity partners. South Africa's **Rand Merchant Bank (RMB)** acted as lead arranger and underwriter of the financing package, demonstrating growing confidence among financiers that regional electricity markets can support commercially viable renewable energy projects without government guarantees. Construction is already underway, with commercial operations expected in 2027. The facility is expected to create around 600 jobs during construction while strengthening Botswana's renewable energy industry.

The project represents Botswana's entry into one of Africa's fastest-growing electricity market trends, power trading and wheeling. Under this model, electricity producers can sell power directly to eligible customers across national borders while using existing transmission infrastructure owned by state utilities. Instead of relying on a single utility buyer, power flows through interconnected transmission networks to customers willing to purchase electricity wherever demand exists.

This market structure has been gaining momentum across Southern Africa as governments seek to attract private investment into electricity generation without placing additional financial obligations on state utilities. Countries such as South Africa and **Zambia** have already begun liberalising their electricity markets, allowing independent power producers to wheel electricity across transmission networks to mines, industries and municipalities.

Zambia has emerged as one of the region's leading examples after opening its transmission network to licensed electricity traders. The reforms allow private generators and traders to buy and sell electricity using the national grid, creating opportunities for regional trade while improving utilisation of existing transmission infrastructure. Similar wheeling arrangements have expanded rapidly in South Africa, where mining companies, manufacturers and commercial customers increasingly procure renewable electricity directly from independent producers. These developments are transforming traditional utility monopolies into more competitive electricity markets.

A key partner in the Tati Solar Project is **Africa GreenCo Power Services,** one of the region's pioneering renewable energy traders. Headquartered in Zambia, GreenCo acts as an intermediary, purchasing electricity from independent producers and selling it to utilities, commercial customers, and participants in the SAPP. The company also provides credit support and market risk management, enabling renewable energy developers to secure financing without relying exclusively on government-backed power purchase agreements.

GreenCo has become an increasingly important institution in Southern Africa's evolving electricity market by helping renewable energy producers reach multiple buyers while reducing the commercial risks associated with merchant trading. Its involvement in Tati Solar provides confidence that Botswana's first merchant renewable energy project will have access to established regional trading platforms and experienced market participants.

Botswana's participation comes as the country pursues an ambitious renewable energy programme aimed at reducing dependence on imported electricity and coal-fired generation. Several utility-scale solar projects are currently under construction or development across the country. However, virtually all have been procured through conventional PPAs with Botswana Power Corporation, making Tati Solar the first to implement the emerging competitive regional trading model.

If successful, the project could establish a guide for future privately financed renewable energy developments in Botswana, particularly as electricity demand continues to grow across Southern Africa.

Planner

27 Aug 2026 **Gaborone (Botswana) Bank of Botswana** (central bank) **Monetary Policy Committee** decision

Sep 2026 **Gaborone (Botswana)** Mid-term Budget review

Chronology

3 Jul 2026 **Gaborone (Botswana)** *Mmegi.* The **Bank of Botswana** (central bank) says it is set to review the current system used to manage the value of the pula, given its reliance on the foreign exchange reserves which have been sliding in the diamond downturn;

3 Jul 2026 **Gaborone (Botswana)** *Mmegi.* The **Botswana Energy Regulatory Authority (BERA)** plans to limit access to the cheapest electricity tariff it charges domestic users, to ensure that more deserving households are targeted;

3 Jul 2026 **Gaborone (Botswana)** *Mmegi.* The **Botswana Federation of Public, Private and Parastatal Sector Unions (BOFEPUSU)** says it is against plans by the government to launch a voluntary separation programme targeting some of the country's most senior public servants in what could signal the beginning of a significant shake-up of the upper ranks of the civil service;

30 Jun 2026 **Gaborone (Botswana)** *Mmegi.* Environment and tourism minister, **Wynter Mmolotsi** says the government launches a comprehensive review of the **Tourism Act** of 2009 aimed at modernising the tourism regulatory framework and positioning the sector as a key driver of economic diversification and job creation;

30 Jun 2026 **Gaborone (Botswana)** *Mmegi*. The **Botswana Petroleum Retailers Association (BOPRA)** says it is concerned by the continued reports of fuel being sold below regulated pump prices;

29 Jun 2026 **Gaborone (Botswana)** *Sunday Standard.* According to the latest **Afrobarometer** report, a growing majority of Botswana citizens believe the country is moving in the wrong direction amid worsening economic hardship, widespread unemployment and mounting pressure on household livelihoods;

26 Jun 2026 **Gaborone (Botswana)***Mmegi.* The **Financial Intelligence Agency (FIA)** reports it flagged suspicious transactions worth P481m ($35.6m) during the 2024/25 financial year, highlighting the scale of financial crimes ranging from fraud and corruption to tax offences and illegal deposit-taking;

26 Jun 2026 **Gaborone (Botswana)***Mmegi.* The anti-corruption agency, the **Directorate on Corruption and Economic Crime (DCEC)**, is expected to cease operating in its current form by 31 March 2027, as the government advances plans to establish a new, more independent anti-corruption agency;

26 Jun 2026 **Gaborone (Botswana)** *Mmegi.* The corruption and money laundering trial of former minerals and energy minister, **Lefoko Moagi**, resumes at the high court with the former minister accused of using his position to award a tender to a Chinese company improperly and later receiving financial proceeds linked to the deals;

26 Jun 2026 **Gaborone (Botswana)** *Mmegi.* The **Botswana Congress Party (BCP)**, the main opposition party, acknowledges a growing trend of indiscipline among some of its members as the party prepares for its highly anticipated elective congress scheduled for the 20-21 July 2026;

26 Jun 2026 **Gaborone (Botswana)** *Daily News.* Botswana's position in the latest **Global Competitiveness Report** declines significantly, falling seven places from 59th in 2025 to 66th in 2026, reflecting growing economic pressures, despite maintaining several strengths that continue to attract investors;

23 Jun 2026 **Gaborone (Botswana)** *Mmegi.* The ruling **Umbrella for Democratic Change (UDC)** retains the **Tati Siding North** ward in a council by-election, securing 335 votes, representing 37.6% of the vote compared to the opposition **Botswana Democratic Party (BDP)** garnered 299 votes, equivalent to 33.5%, while the **Botswana Congress Party (BCP)** received 163 votes, representing 18.3% of the vote;

23 Jun 2026 **Gaborone (Botswana)** *Mmegi*. During the inaugural session of the **Botswana-Lesotho Bi-National Commission** in Gaborone, Lesotho's prime minister **Samuel Matekane** proposes a deeper partnership with Botswana centred on mineral beneficiation;

22 Jun 2026 **Gaborone (Botswana)** *Sunday Standard.* Workers at state-owned **Botswana Railways** embark on industrial action over allegations that deductions made from employees' salaries have not been remitted to the institutions for which they were intended;

17 Jun 2026 **Gaborone (Botswana)** *Mmegi.* The **Financial Stability Council (FSC)** says annual growth in commercial bank credit has trended downwards since October 2025, registering a growth of 2.6% in February 2026 down from 5.8 % in the corresponding period in 2025;

16 Jun 2026 **Gaborone (Botswana)** *Daily News*. State-owned firms, **Botswana Meat Commission (BMC)** and **Botswana Vaccine Institute (BVI)** seek to strengthen collaboration with their counterparts in **Lesotho** as the two countries expand bilateral cooperation aimed at boosting value-added meat processing, animal health and regional food security;

15 Jun 2026 **Gaborone (Botswana)** *Sunday Standard*. National airline, **Air Botswana**, suspends plans to expand into new markets and revive previously closed routes, citing rising jet fuel prices and growing pressure on operating costs;

12 Jun 2026 **Gaborone (Botswana)** *Mmegi.* Minerals and energy ministry says a call for investors for the long-planned coals to liquid project did not identify a successful proposal, and authorities are now scouring specific markets to pitch the idea to investors;

10 Jun 2026 **Gaborone (Botswana)** *Mmegi.* The country's foreign exchange reserves reached about P56 billion ($4.15 billion) in March this year - the highest level since October 2024 - signaling an improvement in inflows as well as interventions such as the exchange rate policy changes; the reserves were measured at about P46.4 billion($3.43 billion) in March 2024;

10 Jun 2026 **Gaborone (Botswana)** *Daily News*. Health minister, **Stephen Modise**, says that government had procured seven months' worth of medicines through a special arrangement with the **United Arab Emirates (UAE)** as part of efforts to address medicine shortages across the country;

9 Jun 2026 **Gaborone (Botswana)** *Mmegi* President **Duma Boko** launches a P25 billion ($1.9 billion) mixed-use development which will be developed through a partnership involving the state-owned **Botswana Development Corporation (BDC)** and **United Arab Emirates (UAE)** -based **Al Baddad Group**;

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