



ECONOMIC

# review

THIRD QUARTER JUL-SEP 2024

compiled by  
KEITH JEFFERIS

## COMMENTARY

# PROLONGED DIAMOND MARKET DOWNTURN EMPHASISES THE NEED TO BUILD A MORE RESILIENT ECONOMY

### Introduction

The economic pressures that we highlighted in the previous Economic Review have largely continued through the third quarter. While largely emanating from the global diamond market, the immediate result for Botswana is slowing growth and intensifying fiscal pressures. The continuation of the diamond market downturn makes it more difficult to treat the current situation as a temporary, cyclical development that can be managed by spending past savings, and reinforces the need for structural policy reforms. The biggest challenge facing the new administration taking office in November 2024 will be to build a more resilient economy that does not take the revenues previously earned from diamond mining for granted.

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### Economic Growth

Real GDP growth for the 12 months to the end of June 2024 came in at minus 0.9%. However, this negative overall figure represents the average for the economy as a whole, but actually masks two separate economic segments performing quite differently. The diamond sector (mining, trading, cutting and polishing) has experienced a deep contraction, with minus 15.5% growth over the past 12 months, while the non-diamond private sector grew by a respectable 3.4%. In addition, the government (public administration) sector grew at a rapid rate of 5.4% - providing a stimulus injection to the economy, albeit not a sustainable one given its dependence on mineral revenues. We anticipate growth for 2024 as a whole to be in the range of minus 1% to minus 2%, with the diamond sector in deep recession but the remainder of the economy experiencing positive growth around 3%. In due course the diamond market malaise will impact on other sectors (e.g. through reduced local purchases by Debswana and slowing government spending) but this will be felt more in 2025.

### Diamonds

The weakness in the global diamond market that has been apparent over the past year shows no signs of letting up, at least not during the remaining months of this year or the early part of 2025. The Government's Okavango Diamond Company (ODC) has cancelled its planned two remaining diamond auction sales for 2024, due to weak demand and a fear that diamonds would only be saleable at low prices. De Beers combined two of its planned sights (August and October) into a single sale in September. Although De Beers no longer (since July) publishes the results of individual sales cycles, indications are that the sale outcome was disappointing. The two remaining De Beers sights of 2024 will no doubt be challenging.

Looking further ahead, the diamond market is still weighed down by the same factors that have been apparent for much of the past year: increased penetration in the US market from lab-grown diamonds; weak demand from China; and the overhang of unsold diamond stocks (inventories) through the diamond value chain. In addition, there is a significant amount of diamond recycling, with US "baby boomers" bequeathing diamond jewellery through inheritances, while the high price of gold is making it attractive to melt down jewellery, which releases diamonds for re-purposing. The more that diamonds are available for recycling or re-use means that retail demand, even when it strengthens, has less of an impact on the accumulated inventory that is clogging up the value chain, and therefore is slower to feed through to higher demand for rough diamonds from mining companies.

All of this suggests that any diamond recovery in the first half of 2025 is likely to be weak. The fact that Debswana has announced spending cuts and is seeking voluntary

redundancies suggests that they see the slowdown as being prolonged. 2025 production guidance figures expected to be released by De Beers in early November will provide an indication of anticipated market conditions and output levels, but will certainly be less bullish than the previous commentary accompanying Anglo-American's mid-year results. Much will depend on the success of new marketing initiatives aimed at promoting natural diamonds to younger demographic groups in the US and elsewhere, such as the collaboration between De Beers and Signet Jewellers. Nevertheless, industry commentators are increasingly talking about market recovery in 2026 rather than 2025.

### Fiscal Challenges

The decline in diamond mining activity has in turn created severe fiscal challenges for government. Given this, the IMF's 2024 Botswana Article IV report, an annual assessment of economic performance and prospects, recommended that to avoid a large increase in the budget deficit due to reduced mineral revenues, Government cut back on spending and ensure that development (investment) spending was focused on high-return projects that would help to boost growth. Some spending cuts have been announced, but not to the extent that would keep the budget deficit down to the level projected in the 2024 Budget and the Annual Borrowing Plan. It is likely that the new administration that takes office after the October elections will have to quickly implement further spending cuts to bring the deficit down. The IMF also recommended that the Government should cease the practice of regularly postponing its planned fiscal consolidation (bringing spending back into balance with revenue), and ideally aim to generate a budget surplus in order to rebuild financial buffers and focus on long-term fiscal stability and macroeconomic resilience rather than using the budget to provide short-term fiscal boosts.

With the drawing down of balances in the Government Investment Account (GIA) at the Bank of Botswana to finance last year's budget deficit, Government is now more dependent than ever on borrowing to finance its spending, mainly through bond issuance. So far, this financial year, Government is more or less on track with its borrowing plan, and has raised P6.3 billion in bond sales over the six months from April to September, out of a projected P9 billion (net) for the financial year as a whole. However, bond sales are becoming more challenging, with shortfalls in the amounts raised (relative to the bonds on offer) at the last three auctions, and a necessity to pay higher interest rates. The planned launch of inflation-linked bonds (ILBs) in the coming months could help to ease financing pressures, given unmet demand from pension funds for this instrument. But the underlying problem of an unsustainable fiscal position, evident in past years but now worsened by the drop in mineral revenues, has to be addressed head-on through a reduction in spending, in order to avoid the rapid accumulation of public debt with the risks of an eventual debt crisis.

## Inflation and Interest Rates

There has been good news with inflation, which dropped to 1.5% in September, reflecting reduced fuel prices over the past year. This will most likely be a low point for inflation this year, as it is expected to rise gradually over the next 12 months, but it should remain well contained within the Bank of Botswana’s 3%-6% objective range.

This may not necessarily lead to a reduction in monetary policy interest rates, however. Looking at the sources of inflation, it is now being mainly driven by domestic factors, with domestic tradeables inflation at 4.3%, and on an upward trend. One of the main drivers of this is vegetable price inflation, at 12.8% over the past 12 months, reflecting the impact of the vegetable import ban on prices (domestic production is more expensive than imports), and hence on living standards. As monetary policy is most effective in terms of its impact on domestic (rather than imported) price rises, it might be wise to hold off on any further loosening until domestic inflation is more contained.

Interest rates more generally have not followed the policy rate downwards. With the significantly expanded government borrowing programme, interest rates have increased for both short-term debt (T-Bills) and for long-term bonds.

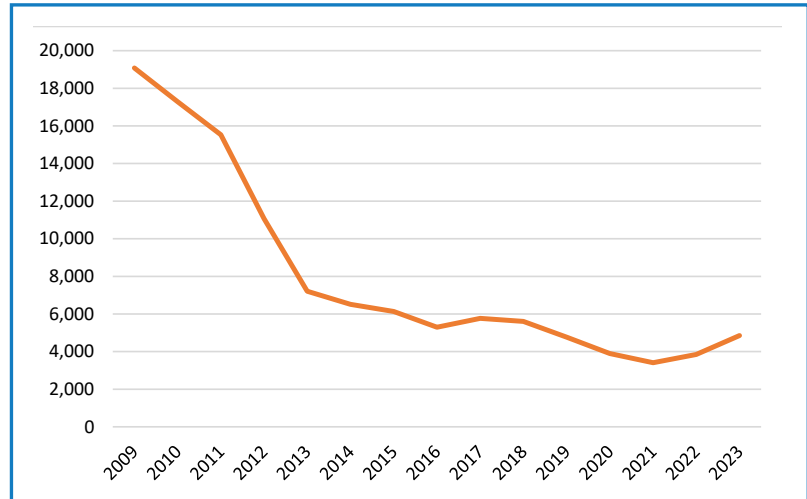
## Employment

Statistics Botswana published data on unemployment in the results of its 2024 Q1 Quarterly Household Multi-Topic Survey (QMTS). The overall unemployment rate came in at 27.6%, up from 25.9 % in the previous survey. Youth unemployment was 38.2%. These disappointing results reflect that employment creation is still lagging behind the growth rate of the labour force.

On a more positive note, there are signs that the long-term downward trend in the number of work permits issued to non-citizens has finally been reversed. From a peak of just over 19,000 work permits in issue in 2009, the number was cut by more than 80% up to 2021, to 3,409. Since that time there has been a small increase, to 4,851 in 2023. This is

important, as a lack of access to skills is one of the main constraints to the growth of firms, and filling these gaps with skilled non-citizens helps to create jobs for Batswana and reduce unemployment. Reflecting this, the data shows that 57% of employee work permits are issued to non-citizens in the managerial, technical and professional occupations.

Figure 1: Number of Work Permits in Issue



Source: Statistics Botswana Work Permit Holders, various

## Digital developments

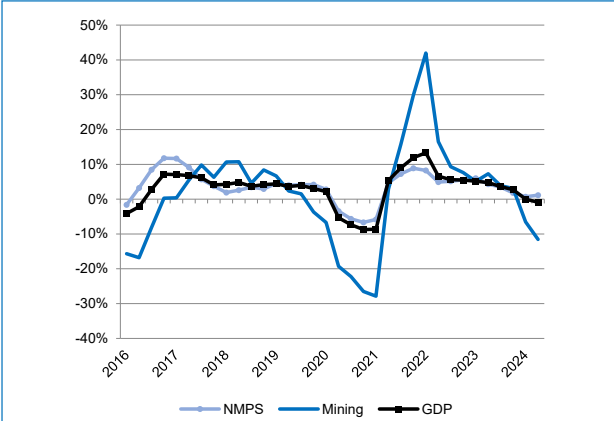
One very positive recent development has been the approval by the Botswana Communications Regulatory Authority (BOCRA) of Starlink in Botswana, opening up access to high-speed, low-cost internet to users all over the country. Expensive connectivity has been one of the factors undermining Botswana’s competitiveness, and Starlink will help to address that. BOCRA could further facilitate competitiveness in the telecoms sector by requiring networks to allow mobile number portability (MNP), which enables users to change networks without having to change phone numbers. This can significantly increase competition and reduce barriers to entry.

## Outlook

The economy is likely to be in for a bumpy ride through the remaining months of 2024 and into the first half of 2025. Prolonged diamond weakness will have an impact on the diamond sectors of the economy and, gradually, the economy more generally. The big question of whether the downturn is cyclical or structural is still unanswered – in fact it can only really be answered with certainty long after the event. In an environment of this kind, with uncertain long-term prospects, it is no longer feasible to offset the downturn by ever-higher levels of government spending. Policy interventions need to be focused on building fiscal resilience, and economic resilience more generally – for instance by improving the economy’s ability to respond to shocks, boosting the private sector, including through foreign investment, as well as improving productivity and competitiveness. Digital innovation can help here, but requires much more robust government digital infrastructure with much improved system speed and stability, and a more extensive rollout of e-government services. The diamond market downturn illustrates the importance of urgently supporting the development of other exports, i.e. export diversification, which in turn requires improved competitiveness. It is, therefore, important that policies and regulations are assessed through the lens of support for competitiveness and export-led growth.

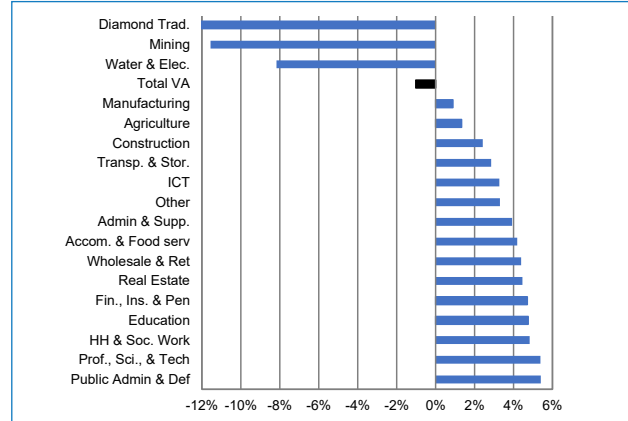
# KEY ECONOMIC VARIABLES

## ANNUAL GDP GROWTH



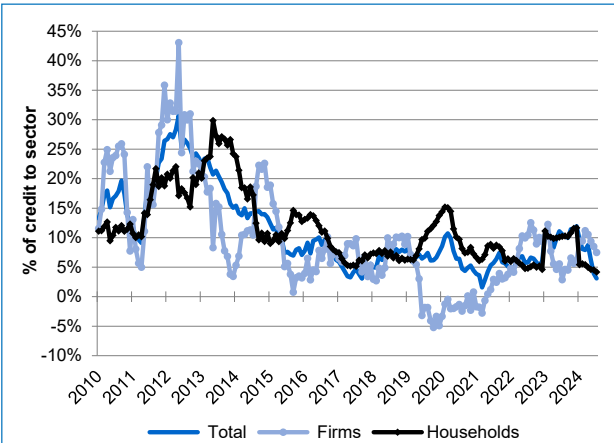
Annual GDP during the second quarter of 2024 was characterized by a further decline, as the global diamond market continues to experience subdued demand for rough diamonds. Real GDP growth fell to minus 0.9% year-on-year, down from 0% year-on-year in Q1 2024. The economic slowdown was due to the mining sector shrinking by 11.6% y-o-y in Q2. Growth improved marginally in the non-mining private sector to 1.1% y-o-y in Q2 2024, up from 0.7% y-o-y in Q1 2024. Growth is in line with expectations of slower growth in 2024 attributable to reduced diamond production and lower diamond sales.

## ANNUAL SECTORAL GROWTH



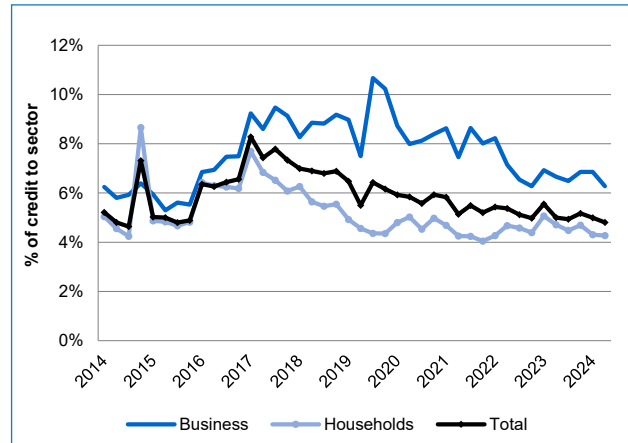
Mining and Diamond Trading were the worst performing economic sectors, contracting by 11.6% and 41%, respectively, in the year to June 2024. The contraction in mining was due to sharply reduced diamond output in the second quarter, following a fall in demand for rough diamonds, along with a slowing of activity in the diamond manufacturing industry. Of the remaining sectors, most had marginally lower or largely unchanged growth in Q2 2024 as compared to Q1.

## ANNUAL CREDIT GROWTH



Credit growth continued to be subdued, with overall growth in bank credit at only 3.1% over the year to July 2024, falling significantly from 8.8% in April. Growth of credit to households continued to be weak, at only 4.2% in the year to July in contrast to the 5% recorded in April 2024. There was a noticeable drop in the growth of household credit for mortgages, which contracted by -0.8%. Growth of credit to businesses also slowed, to 7.5%, down from 10.5% for the prior period. The most dramatic decline was in bank lending to parastatals, which fell by 48% over the year to July.

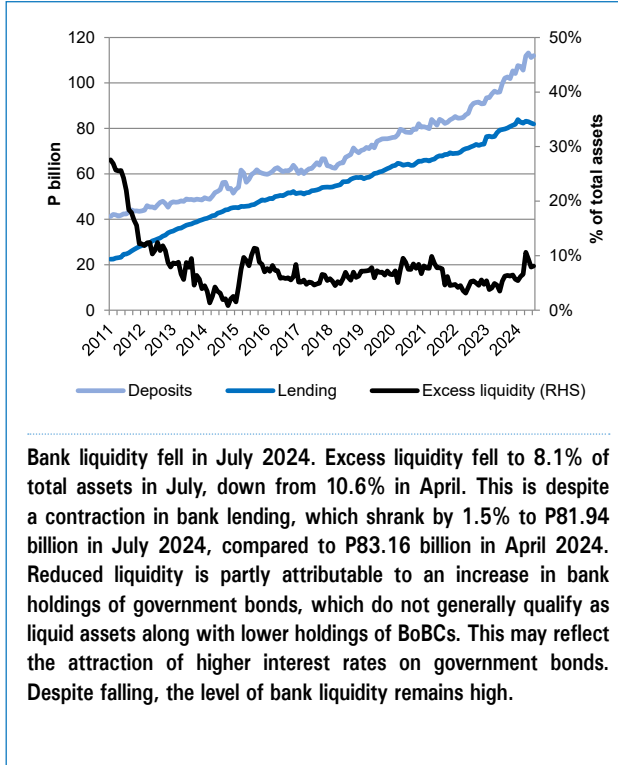
## ARREARS ON BANK LENDING



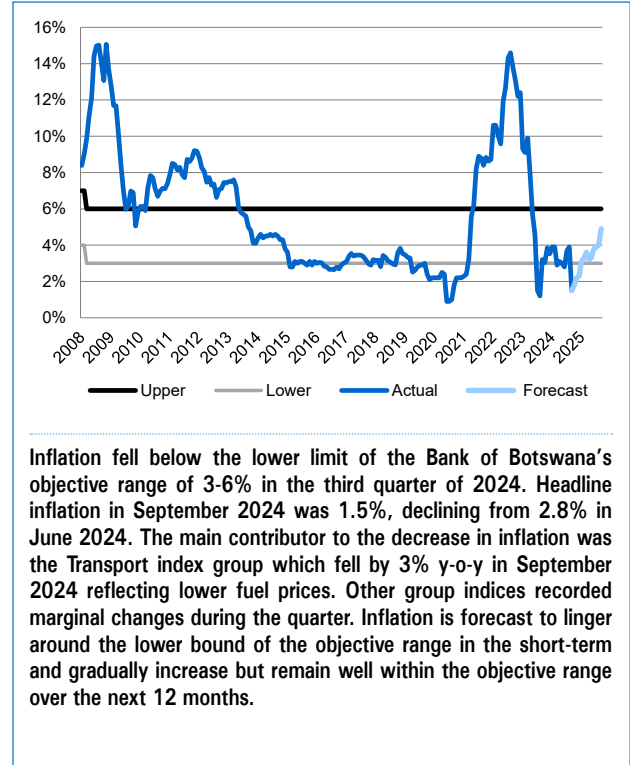
Arrears on bank lending decreased to 4.8% in Q2 2024, down marginally from 5% in Q1 2024. Businesses were the main drivers of lower arrears during the period, to 6.3% in Q2 down from 6.9% in Q1. This downward trend has been observed since January 2022. Arrears on lending to households remained unchanged at 4.3% during the same period.

# KEY ECONOMIC VARIABLES

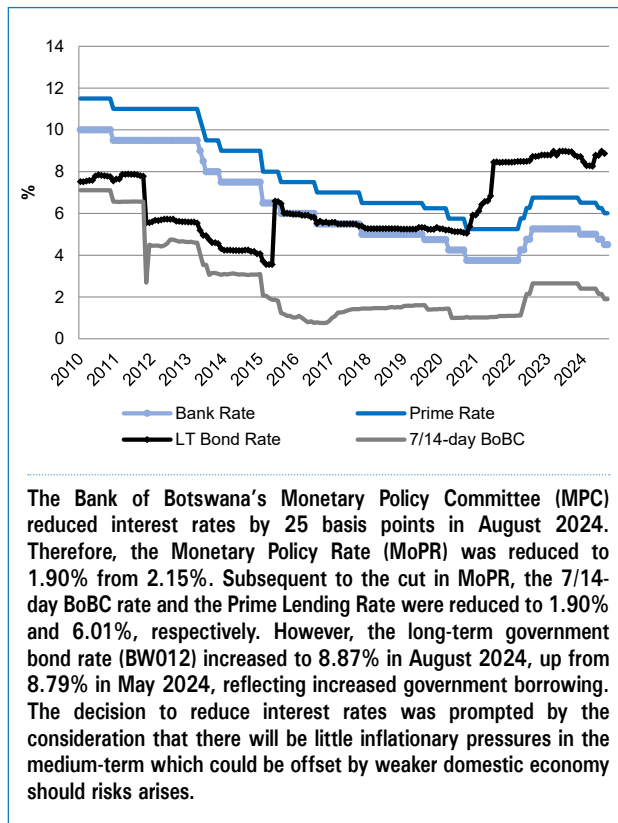
## BANK DEPOSITS, LENDING & LIQUIDITY



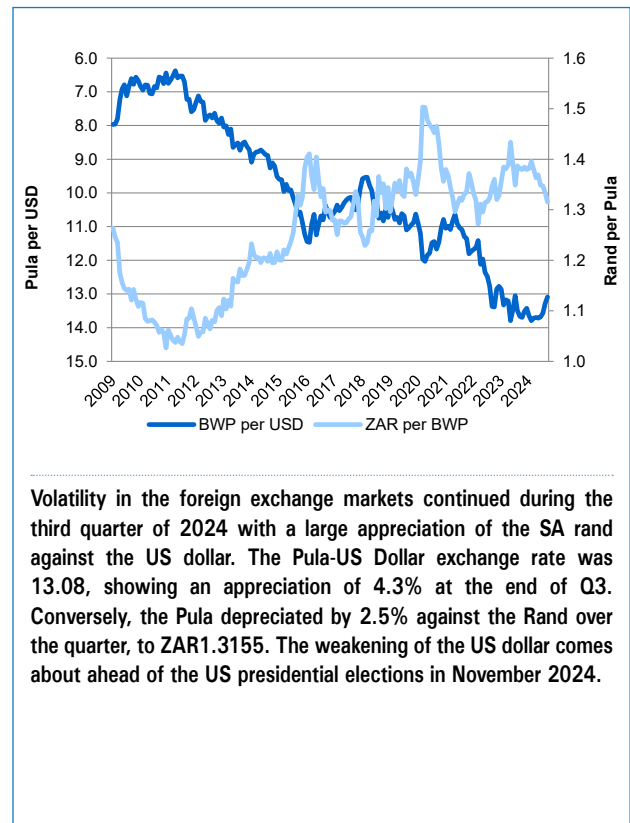
## INFLATION AND FORECAST



## INTEREST RATES

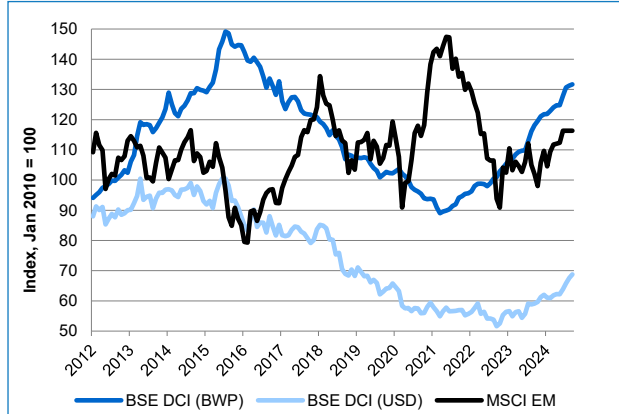


## EXCHANGE RATES



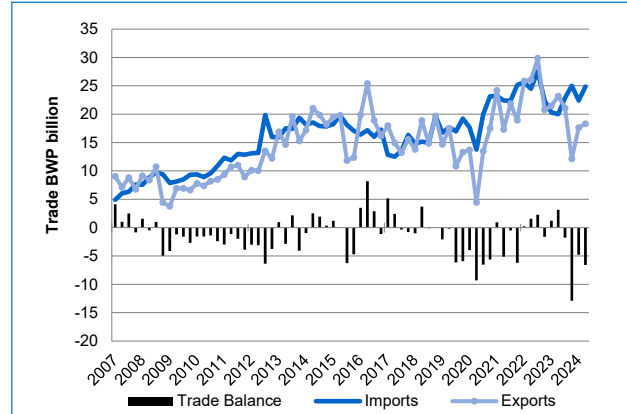
# KEY ECONOMIC VARIABLES

## STOCK MARKETS



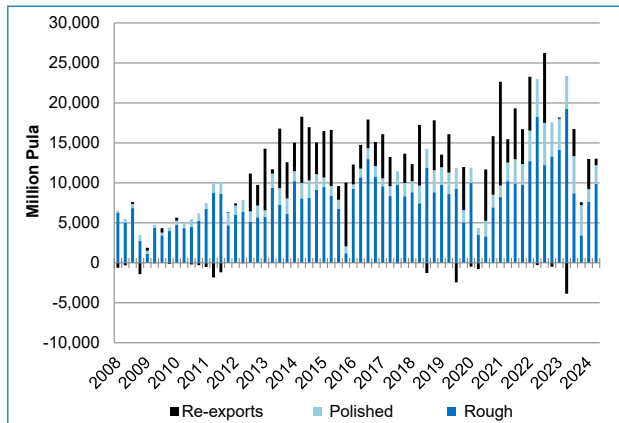
The Botswana Stock Exchange's (BSE) Domestic Company Index (DCI) registered impressive performance during the quarter ending September 2024. The DCI outperformed international markets, growing by 3.0% and 7.6% in Pula and US dollar terms, respectively. The Emerging stock markets registered 0% growth in Q3 2024, remaining unchanged in comparison to the previous quarter.

## INTERNATIONAL TRADE



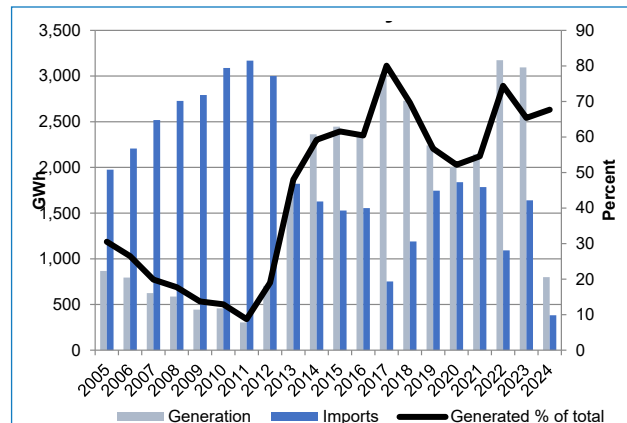
International trade activity increased during the second quarter of 2024. Both exports and imports increased; however, imports rose faster than exports. Total imports rose by 11% to P24.87 billion in Q2 2024, up from P22.40 billion in Q1 2024. Total exports increased by 3.9% to P18.30 billion in Q2, up from P17.61 billion in Q1. The faster increase in total imports than total exports resulted in trade deficit of P6.57 billion in Q2 2024, larger than the deficit in Q1.

## DIAMOND EXPORTS



Total diamond exports rose marginally by 0.2% in Q2 2024, from P12.99 billion in Q1 2024 to P13.03 billion. Diamond exports increased for all categories except for re-exports. Botswana rough exports increased by 28.7% from P7.68 billion in Q1 2024 to P9.88 billion in Q2 2024. Polished diamonds increased substantially by 51.5% to P2.32 billion during the quarter under consideration. However, diamond re-exports decreased to P0.83 billion, down from P3.79 billion, a decline of 78.1%. Despite the increase in diamond exports from Q1 to Q2, the level is still low by historical standards.

## ELECTRICITY



Domestic generation of electricity increased marginally between Q1 and Q2 2024. Total electricity generated was 799.5 GWh in Q2 2024, up from 791.3 GWh in Q1 2024, an increase of 1%. However, total electricity consumed during the same period fell by 1.7% to 1,181.3 GWh, down from 1,201.3 GWh consumed in Q1 2024. This most likely reflects reduced output levels in both diamond and copper mining. Similarly, the volume of imported electricity during the same period fell by 6.9% to 381.8 GWh, down from 410.0 GWh in the previous quarter.

## NEWS HIGHLIGHTS

7th July	Russia overtakes Botswana for rough production and value in 2023. (Rapaport)	Russia's rough diamond production surpassed Botswana's in 2023, despite increased sanctions and a weak market. Russia produced 37.3 million carats of rough in 2023, valued at USD3.61 billion, compared to 41.9 million carats in 2022. Botswana's value slid due partly to a lower quality output mix at De Beers' Jwaneng deposit. Rough production in Botswana was 25.1 million carats in 2023, valued at USD3.28 billion. Global rough output fell 20% y-o-y to USD12.72 billion, with a 12% slump in Russia, a 24% drop from Botswana, and a 45% decrease from South Africa.
8th July	Management of Botswana's diamond revenues. (IMF PFM Blog <a href="https://blogs.imf.org/2023/07/08/3UmrUF">bit.ly/3UmrUF</a> )	Botswana's economy heavily relies on diamonds, accounting for 80% of exports, one third of fiscal revenues, and one quarter of GDP. The country's small GDP, around USD20 billion, makes diamonds a significant macroeconomic and fiscal impact. However, well-managed diamond resources yield large macroeconomic and fiscal benefits. Botswana has followed principles such as the "Sustainable Budgeting Principle" and the Sovereign Wealth Fund (SWF) to avoid failures due to mismanagement and corruption. The Pula Fund, managed by the Bank of Botswana, houses accumulated balance of payments surpluses and the Government Investment Account (GIA), holding accumulated fiscal surpluses. The government receives almost 85% of the profits generated by diamond mining in the country. Botswana has managed to avoid corruption due to competent public sector officials, a transparent fiscal regime, and dealing with a single company for most mineral revenues.
11th July	EU provides relief to drought-affected families in Botswana. (Sunday Standard)	The European Union has committed EUR 150,000 in humanitarian funding to support vulnerable families in Botswana, following a drought emergency declared in July 2023. The funding will help the Botswana Red Cross Society to assist in addressing food security, water, sanitation, and hygiene challenges. The aid will also enable community training on sustainable farming practices and purchase essential items for clean water access.
12th July	IMF Staff Completes 2024 Article IV Mission to Botswana. (IMF)	The International Monetary Fund (IMF) Botswana country team to has reported a slowdown in the country's economic growth, due to a decline in diamond trading and mining activities. This is attributed to a decrease in global demand for rough diamonds. Despite this, the external account position improved last year due to strong customs union revenues. Inflation has remained below the Bank of Botswana's objective range since spring 2023, mainly due to falling oil prices. The fiscal position has loosened from a budget balance in FY2022 to an estimated deficit of 4.7% of GDP in FY2023. The economy is expected to decelerate further this year, with growth projected at 1%. The current account deficit is expected to widen in 2024 due to weak diamond exports, followed by a rebound next year. The financial sector remains stable, and policy priorities include reform of state-owned enterprises, improved infrastructure, and trade facilitation measures. The budget deficit is expected to widen to 6.0% of GDP from 3.45%. The IMF urged Botswana to slow down new infrastructure projects and prioritize projects with high returns. Moreover, slowing down on capital spending would help contain fiscal deficits and boost the economy

## NEWS HIGHLIGHTS

18th July	Botala Energy-led consortium secures solar project tender in Serowe, Botswana. (Proactive)	Botala Energy Ltd has been awarded a tender by the Botswana Power Corporation for a 4MW solar power plant in Serowe, Botswana. The Serowe Solar Consortium, led by Botala, will construct and operate the facility, with other consortium members including the Ngwato Development Trust, Base Agencies, and OCEF Engineering Botswana. The project includes a binding Power Purchase Agreement with BPC, ensuring strong project economics. Construction is expected to begin in November 2024, with commissioning slated for mid-2025.
18th July	Botash targets double profits by 2027. (The Patriot)	Botswana Ash, Africa's leading supplier of Soda Ash and industrial salt, has seen a three-fold increase in profits between 2017 and 2022. The mine's profit is expected to double by 2027 with the introduction of new products such as Sulphate of Potash, Sodium Bicarbonate, and Sodium Sulphate. Botash has a strategic five-year plan to double sales and deliver diversified sodium-based product growth through improved logistics, plant operations, new product development, and geographical expansion. The mine's raw material is brine sourced from 155 wells in the Makgadikgadi pan. The mine's current lease runs up to 2039, but resources from a 2014 resource evaluation suggest it can run at least up to 2050.
19th July	Botswana secures P1.7 billion renewable energy funding. (Mmegi)	The World Bank and Green Climate Fund have approved a USD125.5 million package of loans and grants to support Botswana's development of its first 50-megawatt utility-scale battery energy storage system. The loans will fund grid investment, rural village expansion, and improving electricity services in Southern districts. The investment aims to support sustainable and inclusive growth in Botswana.
23rd July	Botswana proposes law for locals to acquire 24% stakes in mines. (Reuters)	Botswana is proposing a law that would require mining companies to sell a 24% stake in mines to locals if the government does not exercise its option to acquire the shareholding. The current Mines and Minerals Act allows the government to buy a 15% shareholding in any mining project upon licensing. The Mines and Minerals Amendment Bill, due to be tabled in parliament, would ask the holder to dispose of the 24% stake to citizens or citizen-owned companies.
24th July	Can the natural diamond market regain its sparkle? (Financial Times)	The market for rough diamonds for jewellery is experiencing a downturn due to a drop in prices, prompting consumers to switch to factory-made stones. However, some forecast a recovery in rough or natural stones as lab-grown prices have fallen too far. Retailers are now facing profitability crises, prompting them to promote natural stones. De Beers, the world's largest diamond miner, predicts a 20% market share drop-in lab-grown diamonds by 2030.



## NEWS HIGHLIGHTS

25th July	De Beers cut output 3. million carats as diamonds forecast to drift. (MiningMx)	De Beers has reduced its full-year production guidance by three million carats to between 23 and 26 million carats from the revised 26 to 29 million carats, due to weaker demand. The company's midstream inventories of diamonds are expected to remain higher than normal, partly due to poor demand from China and the US, offset by Indian demand. De Beers has targeted a USD100 million cut in overhead costs and announced other initiatives, including suspending lab-grown diamond production for jewellery, integrating the midstream for efficient rough diamond sales, and focusing only on high-return capital projects.
1st August	Diamond sales at Botswana's Debswana fall 49.2% as market downturn continues. (Reuters)	Debswana Diamond Company's sales of rough diamonds fell by 49.2% to USD1.29 billion in the first half of 2024 down from USD2.54 billion in the first half of 2023, as the global diamond market downturn continued. Output guidance at De Beers was revised down to 23-26 million carats from 26-29 million in response to the diamond market's ongoing downturn.
8th August	Premium Nickel Resources announces its initial mineral resource estimate of 27.7 mt for the Selebi Mines in Botswana. (Junior Mining)	Premium Nickel Resources Ltd. has released an initial Mineral Resource Estimate (MRE) for its past-producing nickel-copper sulphide (Ni-Cu) Selebi Main and North deposits in Botswana. The MRE is 18.89 million tonnes at 3.51% CuEq or 1.70% NiEq, with 165,000 tonnes nickel and 319,000 tonnes copper inferred. The completed NI 43-101 Technical Report will be filed on SEDAR+ within 45 days.
8th August	BITC achieves P3.6 billion in domestic investment. (The Voice BW)	The Botswana Investment and Trade Center (BITC) has reported a significant increase in domestic investment, surpassing its initial target of P1.9 billion for the 2023/24 financial year. The agency generated P3.6 billion in local investment across various sectors. BITC also exceeded its FDI target, achieving P2.5 billion against a goal of P2.4 billion. The agency's efforts to diversify the economy and reduce reliance on diamonds have been successful, with an export value of P6.044 billion and 6,636 jobs created.
13th August	Botswana Power awards 100 MW solar deal to Chinese group. (Mining Weekly)	A group of Chinese companies led by China Harbour Engineering Co, have won a contract to build a 100 MW solar photovoltaic plant. The project, which is expected to be commissioned in Q2 2026, is expected to cost USD78.3 million. Botswana plans to increase its renewable energy generation to 50% of demand by 2036. The Ministry of Minerals and Energy is finalizing procurement of a 200 MW concentrated solar-thermal power plant and an additional 100 MW solar facility, both to be operated on an Independent Power Producer (IPP) basis.

## NEWS HIGHLIGHTS

13th August	Botswana to cut spending on cars, travel as diamond slump persists. (Mining Weekly)	Botswana is planning to cut spending on new vehicles and travel for government officials and may delay some capital projects due to a slump in diamond revenues. Budget revenue in the first quarter of the fiscal year was 28% lower than the target, and if the situation doesn't improve, some planned projects may be delayed. The budget pressures come as Botswana prepares for elections in October 2024.
14th August	Botswana aims for bigger stake in HB Antwerp. (Rapaport)	Botswana is in talks to acquire a 49.9% stake in Belgian diamond manufacturer HB Antwerp, renegotiating terms due to market conditions. The acquisition aims to enable independent price discovery, allow ODC to sell rough through contracts, give Botswana an ownership stake in the cutting-and-polishing segment of the industry and create jobs in the diamond supply chain.
16th August	BPOPF on the hunt for big-ticket infrastructure investments. (Mmegi)	The Botswana Public Officers Pension Fund (BPOPF) is prioritizing infrastructure investments to meet its growth targets by December 2024. The fund is working on high-value deals and is open to investing across various sectors, including roads, agriculture, water, and energy. The government has facilitated access to lucrative infrastructure deals, aligning with BPOPF's investment strategy designed to balance risks and returns. As members age, more exits are expected, emphasizing the importance of large-scale, high-return investments.
20th August	GABS challenges impact gov't fiscus, SME's stability. (Mmegi)	Botswana's development planners face economic challenges due to dysfunctional Government Accounting and Budgeting System (GABS), leading to delayed issuance of purchase orders and payments to suppliers, affecting about 88,000 suppliers in June 2024. The collapse of GABS therefore affects the private sector, causing subdued economic activity. The failure of GABS also hinders accurate assessment of government finances.
21st August	Lucara diamond recovers epic 2,492 carat diamond from the Karowe mine. (Junior Mining)	Lucara Diamond Corp. has discovered a 2,492 carats diamond from its Karowe Diamond Mine in Botswana, making it the second largest rough diamond ever found. The discovery, using Mega Diamond Recovery X-ray Transmission technology, was made from processing EM/PK(S) kimberlite. This marks Lucara's position as a leading producer of large, exceptional diamonds.
31st August	Okavango Diamond seeks P4 billion credit to expand operations. (Weekend Post)	The Botswana government has provided a USD175 million (approximately P2.3 billion) loan guarantee to Okavango Diamond Company (ODC) to secure the needed USD300 million (approximately P4 billion) in credit from commercial banks. The government will support ODC's 30% entitlement to Debswana's rough supply and negotiate favorable rates in the local market. The government guarantees ODC's principal sum, including interest and other charges, in case of insolvency.

## NEWS HIGHLIGHTS

1st September	Household debt hits P61 billion—Borrower's paradise or debt trap? (Sunday Standard)	Botswana's household debt rose by 4.6% to P61 billion as of December 2023, distributed mainly among individuals aged 36 to 49 years. This demographic, comprising 40.4% of the workforce and having the highest employment-to-population ratio, has a strong borrowing capacity and an appetite for various types of credit.
2nd September	Botswana mining law proposals pose potential litigation and corruption risks. (Pinset Masons)	Botswana's proposed mining law amendment aims to boost local participation in the sector, requiring companies to distribute 24% to citizens or citizen-owned companies. However, this raises risks of litigation and corruption, as rent-seeking officials or corrupt individuals may manipulate ownership. Companies in Africa should understand these risks, stay updated, and have robust governance and compliance systems.
12th September	Cavista Technologies expands global footprint with new office in Botswana, expected to create 500 high-skill IT jobs. (Cavista Holdings)	Cavista Technologies has opened a new corporate office in Botswana, aiming to create up to 500 high-skill IT jobs. The expansion is part of Cavista's com. President Masisi welcomed Cavista's entry into Botswana, stating it was a partnership built on shared values and a belief in Botswana's potential as a global business hub.
13th September	Only 5% of TNDP projects completed. (Mmegi)	The Transitional National Development Plan (TNDP) in Botswana has only completed five percent of its projects, highlighting the ongoing challenge of weak implementation and poor service delivery. The TNDP is due to end in six months but has a medium-term implementation framework covering more years than the plan's term. However, the low project completion rate has raised concerns, with 53% of TNDP projects having completion rates between one and 49%, and 14% having a 50% to 79% completion rate. Initiatives like the development manager model and three-phase assessment for projects are being considered to enhance project implementation. The TNDP is a bridge between the 11th NDP and the upcoming NDP12, which is set to kick in April 2025.
18th September	Gov't reserves break losing streak. (Mmegi)	The Government Investment Account (GIA) reached its strongest position since March 2024, reaching P6.5 billion in July 2024. The GIA has been weaker in recent years due to persistent budgets and higher government spending requirements.
18th September	Botswana licenses its first manganese mining project. (Reuters)	Giyani Metals opens new tab a 15-year mining license for Kgwakwe Hill project. The project will process manganese oxide material on-site to produce high purity manganese sulphate. Manganese is a key component in batteries and its demand is expected to be driven by growth in electric vehicle and other clean energy applications.
19th September	Firm prices at De Beers and Alrosa likely here to stay. (Rapaport)	The diamond industry is facing challenges due to weak Chinese demand and mixed US orders, leading to an oversupply of polished diamonds. Miner Alrosa is not reducing rough prices but will maintain a policy of not flooding the market. De Beers is expected to maintain prices, while others offer fewer goods.

## NEWS HIGHLIGHTS

19th September	Lotus eyes 3.3Mlb/y from Botswana uranium mine. (Mining Weekly)	Lotus Resources has confirmed the Letlhakane uranium project in Botswana as a commercially viable operation, with the potential to produce three million pounds of uranium a year and an extended operational lifespan. The open pit mine is projected to produce 42.3 million pounds of uranium oxide over 15 years, with initial capital estimated at A\$465-million. Lotus has identified potential for in-situ recovery (ISR) in deeper mineralised zones at Letlhakane, which could complement the proposed open pit heap leach process.
20th September	FNBB approves over P610 million in green loans. (Mmegi)	First National Bank Botswana approved P610 million in green loans in the year ending 30 June 2024, demonstrating its commitment to Environmental, Social, and Governance principles. The bank plans to maintain innovation, leverage AI and data science, and prioritize cybersecurity measures.
23rd September	Okavango Diamond Company cancels December sale. (Rapaport)	Okavango Diamond Company (ODC) has decided to cancel its upcoming rough diamond sales due to weak demand. The company cited current market conditions as the reason for the postponement. According to ODC, auction dates will be confirmed on a sale-by-sale basis.
24th September	BHP and Cobre invest in copper in Botswana. (Ecofin Agency)	Botswana's copper industry is expanding, with two mines launched between 2021 and 2023. Australian mining junior company Cobre has signed a letter of intent with BHP to negotiate an exclusive joint venture on the Kitlanya West and East copper projects. The agreement could help establish a copper industry in Botswana, which is currently dominated by diamonds.
25th September	Minergy sees green shoots from turnaround at Masama mine. (Mining Weekly)	Minergy coal company has experienced operational stabilisation and a successful turnaround in the financial year ended 30 June 2024. Minergy expects to reach steady-state capacity in November 2024. The company is also benefiting from global coal prices trending above USD85 per tonne, which reflects a robust resurgence in the market and increased confidence in offshore exports. Minergy is working towards unveiling its long-term resource development plan and a five-year corporate strategy for 2025 to 2029. The company is also exploring environment-friendly chemical dust suppression technology along the road to Lentsweletau.
26th September	Orange Botswana emerge as BW's leading teleco. (The Voice BW)	Orange Botswana has become the leading telecommunications company in Botswana, with a customer base of 1.88 million as of March 2024. The company has outperformed competitors across all major service categories, including mobile money, internet, and mobile services. Orange now holds a 43% market share, followed by Mascom at 42%. The company's success is attributed to its strategic focus on innovation and customer satisfaction. Orange Botswana's mobile money services have seen significant growth, with 1.1 million subscribers and a 78% market share. The company is also focusing on social and economic development through initiatives like the Women's Digital Centre and Orange FA Cup.

## MACRO-ECONOMIC DATA

Key Economic Data		unit	2017	2018	2019	2020	2021	2022	2023	2024Q1	2024Q2	2024Q3
<b>Annual Economic Growth</b>												
GDP	%		4.1	4.2	3.0	-8.7	11.9	5.8	2.7	0.0	-0.9	..
Mining	%		6.3	8.4	-3.7	-26.5	29.8	7.5	3.1	-6.5	-11.6	..
Non-mining private sector	%		3.7	2.9	4.2	-6.7	8.8	5.5	1.8	0.7	1.1	..
GDP current prices	P bn		166.65	173.73	179.90	171.39	207.74	251.4	263.7	64.54	68.58	..
GDP 2016 prices	P bn		171.18	178.35	183.76	167.72	187.63	198.01	203.4	49.37	50.05	..
<b>Money &amp; Prices</b>												
Inflation	%		3.2	3.5	2.2	2.2	8.7	12.4	2.9	2.9	2.8	1.5
Prime lending rate	%		6.50	6.50	6.25	5.25	5.25	6.76	6.51	6.51	6.26	6.01
BoBC 7/14-day	%		1.45	1.52	1.41	1.04	1.10	2.65	2.40	2.40	2.15	1.9
<b>Trade &amp; Balance of Payments</b>												
Exports - total goods	P bn		61.67	67.17	56.33	49.12	82.28	102.52	77.89	17.61	18.30	..
Exports - diamonds	P bn		54.38	60.41	51.01	43.30	74.13	89.22	61.61	12.99	13.02	..
Balance of payments	P bn		-4.28	-4.20	-12.02	-20.06	-2.87	4.49	1.65	-2.01	..	..
<b>Foreign Exchange</b>												
Exchange rate BWP per USD	end		9.87	10.73	10.63	10.79	11.74	12.77	13.72	13.72	13.68	13.09
Exchange rate ZAR per BWP	end		1.256	1.344	1.330	1.356	1.355	1.328	1.380	1.380	1.349	1.3155
FX reserves	\$ bn		7.502	6.657	6.171	4.941	4.806	4.22	4.77	4.73	4.56	..
FX reserves	P bn		73.69	71.43	65.23	53.36	56.02	54.53	63.69	64.75	62.05	..
<b>Financial Sector</b>												
Deposits in banks	P bn		63.58	69.27	75.71	80.54	84.36	90.93	103.87	105.67	111.21	..
Bank credit	P bn		54.18	58.33	62.77	65.55	68.92	73.05	81.80	82.30	82.35	..
BSE index			8,860	7,854	7,495	6,879	7,010	7,726	9,096	9,096	9,375	9,653
<b>Business Indicators</b>												
Diamond production (a)	mn cts		22.96	24.38	23.67	16.87	22.70	24.48	25.10	5.08	4.81	..
Copper production (b)	'000t		1.24	1.46	0.00	..	11.74	44.27	54.81	12.43	11.22	..
Electricity consumption	GWh		3,772	3,919	3,906	3,842	3,928	4,265	4,736	1,201	1,181	..
Crude oil (Brent)	\$/bar		66.73	50.57	67.77	51.22	77.24	82.82	86.17	86.17	87.26	72.35
<b>Employment (formal) (d)</b>												
												<b>Q3 2023</b>
Government			129,009	156,785	156,785	152,973	152,225	143,022	150,872	154,128		
Parastatals			19,444	23,497	23,497	18,933	21,056	18,674	19,012	20,028		
Private sector			193,745	250,778	305,242	305,810	321,176	324,680	320,977	330,582		
Total			342,198	431,060	485,524	477,716	494,457	486,376	490,861	504,738		
<b>Govt Budget</b>												
			2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26			
			(e)	(f)	(g)	(h)	Revised	Budget	Projection			
							(i)	(j)	(k)			
Revenues	P bn		54.30	49.37	68.57	74.10	81.67	93.58	95.42			
Spending	P bn		65.40	65.79	68.68	74.10	88.79	102.28	100.11			
Balance	P bn		-11.10	-16.41	-0.11	0.00	-7.13	-8.69	-4.68			
Public debt & guarantees	P bn		38.18	42.37	48.26	53.42	62.04	72.49	72.95			
Govt deposits at BoB	P bn		19.86	6.20	12.82	14.02	8.76	..	..			
GDP	P bn		180.94	174.24	218.02	259.41	279.33	299.06	329.46			
Revenues	%GDP		30.0%	28.3%	31.5%	28.6%	29.2%	31.3%	29.0%			
Spending	%GDP		36.1%	37.8%	31.5%	28.6%	31.8%	34.2%	30.4%			
Balance	%GDP		-6.1%	-9.4%	0.0%	0.0%	-2.6%	-2.9%	-1.4%			
Public debt & guarantees	%GDP		21.1%	24.3%	22.1%	20.6%	22.2%	24.2%	22.1%			
Govt deposits at BoB	%GDP		11.0%	3.6%	5.9%	5.4%	3.1%	..	..			

Sources: BoB; MFED; Statistics Botswana; Department of Mines; BSE; US Energy Information Administration; Bloomberg; Econsult

### Notes:

(a) Figures include production from Lucara Diamonds (Karowe mine) and Debswana. In 2016 and 2017, figures also include production from Gem Diamonds (Ghaghoo) and Lerela mines. (no longer operational)

(b) Copper production starting Q2 2017 for Mowana mine and Q2 2022 for Khoemacau

(c) Numbers in Italics reflect revisions from the previous review.

(d) Employment figures up to 2018 are not comparable with those from 2019 onwards due to changed methodology of data collection and reporting

(e) - (h) Actual

# WORLD BANK B-READY ASSESSMENT

The World Bank has released the first edition of its new Business Ready (B-Ready) Report, for 2024. The B-Ready report provides a quantitative assessment of the business environment for firms in a range of countries, with the objective of promoting private-sector led growth. However, it does not just focus on firms, but it also aims to elevate the interests of workers, consumers, potential new enterprises, and the natural environment.

The first edition covers 50 countries, of which Botswana is one. The B-Ready assessment is a replacement for the old "Doing Business" assessment, which was discontinued by the World Bank in 2021. The new assessment is quite different to the old one and uses different methodology (a much broader sample of firms and respondents, improved assessment of de facto regulations, and includes large firms, not just small and medium enterprises); many more data points; and there is no longer a "ranking" of countries. It aims to achieve three objectives that are part of business environment reform:

#### **Reform advocacy.**

B-Ready advocates policy reform through the effective communication of international benchmarking, and supports knowledge-sharing and policy dialogue for governments and the private sector.

#### **Policy guidance.**

B-Ready helps to guide specific policy changes through comprehensive and relevant data and information, showing how and by how much each economy lags international good practice.

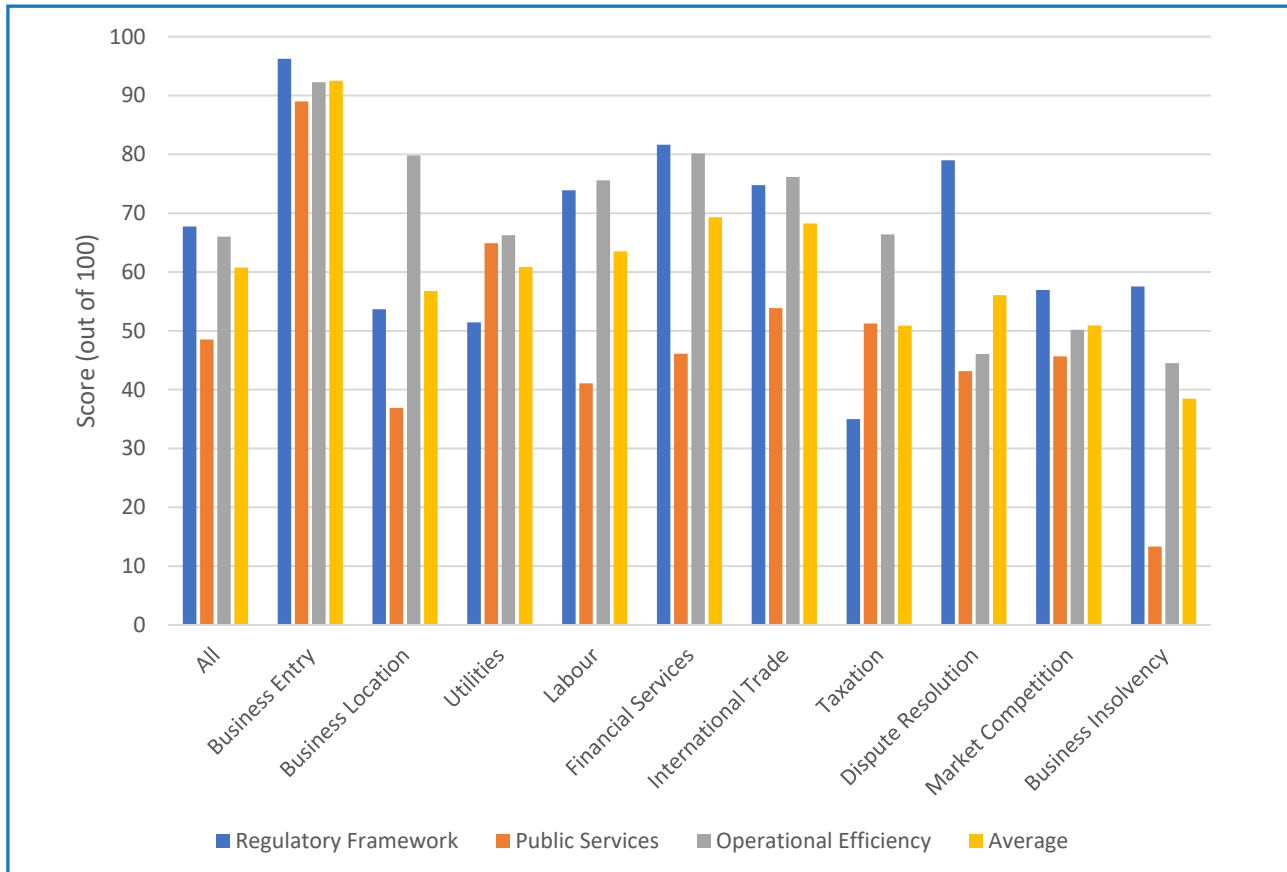
#### **Analysis and research.**

B-Ready provides extensive data for research and analysis, shedding light on the drivers and mechanisms of private sector development.

The assessment covers three pillars of the business environment by focusing on the regulatory framework and the provision of related public services directed at firms and markets, as well as the efficiency with which regulatory framework and public services are combined in practice. The three pillars are the Regulatory Framework, Public Services, and Operational Efficiency. These are assessed across ten topics that are organized following the life cycle of the firm and its participation in the market while opening, operating (or expanding), and closing (or reorganizing) a business. The topics include Business Entry, Business Location, Utility Services, Labor, Financial Services, International Trade, Taxation, Dispute Resolution, Market Competition, and Business Insolvency.

As noted above, Botswana is one of the first group of 50 countries included in B-Ready 2024 (<https://www.worldbank.org/en/businessready/economy/botswana>). Botswana's B-Ready scores across the three pillars for each of the ten topics are shown in the figure below.

Figure 1: Botswana B-Ready Scores 2024



Source: World Bank <https://www.worldbank.org/en/businessready/economy/botswana>

Across the three pillars, Botswana performs best on the Regulatory Framework, almost as well on Operational Efficiency, but significantly worse on Public Services.

Across the ten topics, Botswana scores highest in Business Entry, Financial Services, and International Trade, and lowest in Business Insolvency, Taxation, and Market Competition.

The Business Entry topic scores well across all three pillars. This is not really surprising: the CIPA Business Registration system is fully online and digitised, highly efficient, and very transparent.

Botswana also does well (with a score of 80 or more) on the Operational Efficiency of Business Location, and on both the Regulatory Framework and Operational Efficiency for Financial Services.

Where are the weak spots that need to be addressed? The lowest score (13.3) is for Public Services for Business Insolvency, due to a lack of digital services and a lack of public information on insolvency proceedings. There is also a low score (35.0) on the Regulatory Framework

for Taxation, due to a lack of administrative clarity and transparency on tax regulations, a lack of simplified tax process for small businesses, and the absence of taxes promoting environmental sustainability. The final score of below 40 is for Public Services for Business Location, mainly reflecting the length of time taken to register property transfers at the Deeds Registry and the complete lack of digital land registration services.

Other areas that need attention include Public Services under the topics of Labour, Financial Services, Dispute Resolution and Market Competition, as well as the Operational Efficiency for Dispute Resolution and Business Insolvency.

The B-Ready data provides very detailed information on all of the indicators that make up the pillar scores, hence specific actions to improve the quality of the business environment are relatively easy to identify. The results for Botswana show that the main areas that need to be addressed relate to the quality of Public Services across most of the Pillars

# FINANCIAL REPORTING BY STATE-OWNED ENTERPRISES

Botswana has around 70 parastatals, of which some 22 are revenue-generating entities, also known as State-Owned Enterprises (SOEs). Notwithstanding a long-standing commitment to privatisation and a formal privatisation policy (dating back to 2000), there have been no full privatisations of SOEs.<sup>1</sup>

SOEs can take various legal forms but are ultimately owned by the public, and in our view should be accountable to the public. This is relevant as a general principle but particularly so given that even revenue-generating SOEs are, in most cases, dependent upon subventions from the Government, via the annual budget, to meet either recurrent or capital expenses, or both.

It is, therefore, important that SOEs should provide Annual Reports (AR) (or, at a minimum, Annual Financial Statements (AFS)) to the public, through their website for accessibility purposes. Historically, SOEs were typically statutory (established by Act of Parliament), with their founding laws requiring their annual report to be

published within six months of the end of their financial year. But more recently some SOEs have been established as limited companies under the Companies Act, where there is no requirement for reporting to the public, only to the shareholder (Government) and regulator (CIPA), who do not make them public.

In this brief note we assess the quality of AR/AFS reporting by revenue-generating SOEs, benchmarked against the standard set by the Botswana Stock Exchange (BSE) for listed companies – which requires publication of the Annual Report within six months of the company's year-end (hence up to 18 months is the maximum permissible period following the period covered by the previous AR/AFS).

As we show in the table below, very few SOEs meet this standard, either because they publish Annual Reports late, or do not publish them at all. The assessment was carried out with a reference date of 30th September 2024.

**Table 1: Revenue-generating SOEs – Publication of Annual Reports and Financial Statements**

NAME	LEGAL STATUS	YEAR EST.	YEAR-END	AR/AFS ON WEBSITE?	MOST RECENT AR/AFS	MONTHS SINCE LAST AR/AFS
<b>On-time reporters</b>						
BHC	Stat	1971	Mar	Y*	2023-24	6
BTCL	Comp	1980	Mar	Y	2023-24	6
BOB	Stat	1974	Dec	Y	2023	9
BSE	Comp	1994	Dec	Y	2023	9
BDC	Comp	1970	June	Y*	2022-23	15

<b>LATE REPORTERS</b>						
BoFINET	Comp	2012	Mar	Y	2022-23	18
BP	Comp	2015	Mar	Y	2022-23	18
BSB	Stat	1992	Mar	Y	2022-23	18
BOL	Comp	2012	Mar	Y	2021-22	30
BPC	Stat	1970	Mar	Y	2021-22	30
BPAH	Comp	2008	Mar	Y*	2021-22	30
NDB	Stat	1963	Mar	Y	2021-22	30
BMC	Stat	1965	Dec	Y*	2021	33
BAMB	Stat	1974	Mar	Y	2020-21	42
MVAF	Stat	1986	Mar	Y	2019-20	54
BVI	Comp	1979	Dec	Y	2019	57
CEDA	Comp	2001	Mar	Y*	2018-19	66

<sup>1</sup>A minority stake (49%) of BTCL was sold off in 2016 through an IPO



NON-REPORTERS					
AB	Stat	1988	Mar	N	Accounting and/or website issues
BR	Stat	1987	Mar	N	Accounting and website issues
MDCB	Comp	2014	Mar	N	No website
ODC	Comp	2012	Mar	N	Declined to publish
WUC	Stat	1970	Mar	N	Accounting and/or website issues

*Note: For companies marked \*, the date refers to publication of the AFS. Annual Reports are earlier, notably BDC (2021-22); BMC (2015); and CEDA (2011-12). BPAH only publishes AFS.*

*Stat = Statutory*

*Comp = Company.*

Only five of the 22 SOEs (23%) meet BSE corporate governance standards for reporting. Another 12 publish their Annual Reports or AFS, but late, in some cases very late. Five SOEs do not publish the Annual Reports at all. This may be because the SOE doesn't have an up-to-date AR, or has a dysfunctional website, or has an up-to-date AR but has taken a deliberate decision not to make it public. One of them (MDCB) doesn't even have a website.

**Table 2: SOE Names and Abbreviations**

Air Botswana	AB
Botswana Agricultural Marketing Board	BAMB
Botswana Development Corporation Limited	BDC
Botswana Housing Corporation	BHC
Botswana Meat Commission	BMC
Bank of Botswana	BOB
Botswana Fibre Networks	BoFINET
Botswana Oil	BOL
Botswana Post and Savings Group Limited	BP
Botswana Privatisation Asset Holdings	BPAH
Botswana Power Corporation	BPC
Botswana Railways	BR
Botswana Savings Bank	BSB
Botswana Stock Exchange	BSE
Botswana Telecommunications Corporation	BTCL
Botswana Vaccine Institute	BVI
Citizen Entrepreneurial Development Agency	CEDA
Mineral Development Company Botswana	MDCB
Motor Vehicle Accident Fund	MVAF
National Development Bank	NDB
Okavango Diamond Company	ODC
Water Utilities Corporation	WUC

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