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ECONOMIC review

THIRD QUARTER JUL-SEP 2025

compiled by
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COMMENTARY

CONTINUED HEADWINDS FROM DIAMONDS AND EXCESSIVE GOVERNMENT SPENDING

Introduction

In our last Economic Review (Q2 2025) we predicted that the remainder of 2025 would be bumpy ride for the economy. In the third quarter of the year this has indeed turned out to be the case, with a downturn in GDP growth, devaluation of the Pula, an increase in inflation and interest rates, and continuing fiscal challenges for Government. On a positive note, there has been an improvement in diamond sales and exports, although it is as yet unclear whether this is likely to be sustained.

GDP Growth

Annual GDP growth over the year to June 2025 fell back to -3.0%, from -1.8% in the previous quarter. This was disappointing, but not unexpected, and largely reflected the slowdown in diamond mining, cutting & polishing, and sales, such that the combined diamond sector contracted by 28% on an annual basis. While this indicates that the economy remains in overall recession, there has been a range of outcomes across different economic sectors, with most services sectors performing reasonably well. The weakness is that many of these service sectors are dependent upon government spending, or the spending of public sector employees, which are not sources of sustainable growth with the government budget under severe pressure. The most resilient service sector is probably tourism, and although it is not directly measured in the GDP data, our estimate is that tourism grew by 3.9% in the year to June. The non-diamond private sector as a whole grew by 3.4%.

Diamonds

The global diamond industry has continued to face turbulent times into the second half of 2025. Following the announcement of US tariffs to be imposed on diamond imports in April, there was a surge in diamond exports from various countries in the following months, prior to the substantive imposition of tariffs in August. This was reflected in a huge increase in Botswana's diamond exports in the second quarter, which were up 92% over the first quarter. However, now that there are large stocks of diamonds in the US, demand for diamond imports may fall away in the third quarter (data will only be available in late November).

The tariffs themselves are not yet settled. As at October 2025, Botswana's diamond exports to the US face tariffs of 15%. However, Botswana's diamonds are still mostly exported for cutting and polishing in India, which faces a 50% tariff on its diamond exports to the USA. The USA has, however, indicated that there will be zero tariffs on diamond exports from "aligned" countries, which appears to refer to countries with signed trade agreements with the USA. So far, Belgium is the only significant diamond exporter to benefit from this concession. Discussions are ongoing with the US government to have this concession extended to Botswana. If this is achieved, it would provide a significant uplift to the Botswana diamond industry, including mining, selling, and cutting and polishing, with the latter possibly seeing some relocation from India to Botswana. If is it not achieved, and if US tariffs on India persist, it is more likely that some of the Indian cutting & polishing sector will relocate to the Gulf States, which face a lower US tariff on diamonds than Botswana, and have a much more welcoming environment for foreign investment.

The diamond market, especially in the USA, is also showing mixed signals. Diamond prices are up (due to the impact of tariffs), with the value of jewellery sales also higher as a result. However, sales volumes for natural diamonds were down. As one commentator (www.tenoris.bi) notes: "the disparity between the increased demand for finished diamond jewellery and the decrease in loose diamond sales is worrying. It underscores the heart of the problem the diamond industry is facing: decreased demand for diamond engagement rings set with natural diamonds and a generational shift".

This weak market demand for natural diamonds obviously has an impact on Botswana. An off-schedule special auction of diamonds by the Okavango Diamond Company (ODC) in late September resulted in no sales, with bids falling below reserve prices. Interestingly, ODC achieved exactly the same market result as De Beers had earlier – that many categories of diamonds (apart from the larger, higher value diamonds for which demand remains strong) could only be sold at "fire sale' prices that, in the longer term, would undermine the value of natural diamonds. This was despite earlier government criticism of De Beers for failing to sell diamonds – and despite the fact that ODC is government-controlled.

In this context the agreement reached in June 2025 by major producers of natural diamonds to contribute to a new marketing fund to promote natural diamonds (the Luanda Accord) was welcome. However, the delays by producing countries in contributing to the fund, to be hosted by the Natural Diamond Council, runs the risk of missing the opportunity to actively market natural diamonds in the run up to the crucial 2025 peak demand season.

Foreign Trade and Reserves

The upturn in diamond exports in the second quarter had a huge impact on the overall balance of trade. When combined with only a small increase in imports, the result was a modest quarterly surplus, the first for two years.

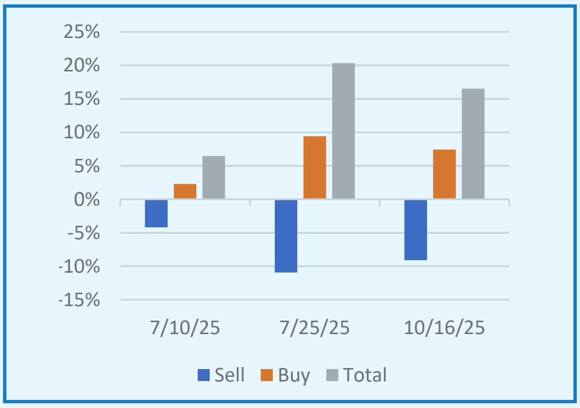
This may have contributed to a stabilization in the foreign exchange reserves, which experienced only small decline of 2.3% in USD terms in the first half of 2025. However, it would be unwise to celebrate too early – in 2024 the reserves were also quite stable in the first half of the year before dropping sharply in the second half as diamond exports weakened. However, the reserves will be boosted by the drawdown of loans from the African Development Bank and the OPEC Fund in August and September. Nevertheless, the trend of declining foreign exchange reserves, driven by fiscal deficits, remains one of the major threats to the exchange rate peg and to macroeconomic stability.

Exchange Rate Developments

As we highlighted in the second quarter Economic Review, the Government and Bank of Botswana (BoB) introduced changes to the operation of the Pula Basket exchange rate mechanism with effect from 11th July 2025. These changes comprised a slight increase in the downward rate of crawl of the Pula against the basket, from 1.51% a year to 2.76% a year, and a dramatic widening of the BoB's trading band from +/- 0.5% to +/- 7.5% around the mid-rate.

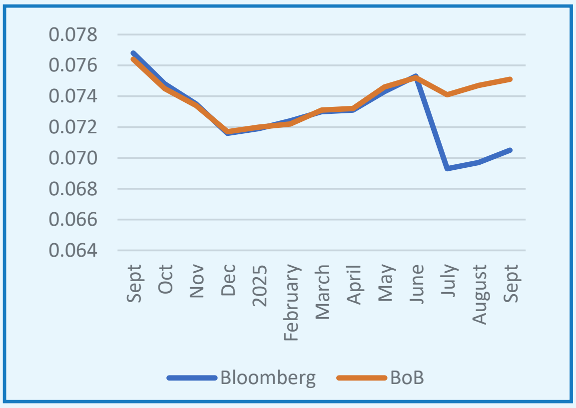
Now that the changes have been in place for over three months, we have a better understanding of their impact. As expected there has been a huge widening of the foreign exchange (FX) trading spread offered by banks, with the total spread from one of the major banks on publicly quoted rates increasing from 6.5% in early July to 20.3% in late July. This effectively meant a devaluation of around 7% for importers and a revaluation of 7% for exporters, at least for those buying and selling at published rates.

Fig. 1 BWP-ZAR Spread



Source: FNB

Fig. 2 USD per BWP – Bloomberg & BoB Rates



Source: Bank of Botswana, Bloomberg

However, and as intended by the Bank of Botswana, there have since then been some changes in the rates as the foreign exchange market has evolved, given the space provided by the much wider BoB trading spread. The public spread offered by the same bank has contracted by some 2% each way to give a total spread of around 16.5% (see Figure 1).

There have been more interesting and substantial developments for wholesale FX trades. There is a structural shortage of foreign exchange in the market, given the state of the balance of payments and the fact that major inflows (for SACU and Debswana tax payments) accrue to Government, not the private sector. Hence the banks are competing intensely to source FX in the market, and large exporters can get very good exchange rates when they sell FX, much closer to the BoB mid-rate. But it also means that there is a variety of unpublished exchange rates available in the market, depending on the direction and value of trade, and published rates (by the BoB and the banks) are no longer representative of those market rates.

It is now apparent that those market rates deviate significantly from published rates. For instance, the rates published by Bloomberg show a significant weakening of the Pula since the July changes. Over the three months from the end of June to the end of September, the Pula depreciated by 6.4% against the US dollar, and 7.8% against the SA rand (over this period the rand has been strengthening against the dollar). What this means is that the de facto devaluation of the Pula for importers has dominated the de facto revaluation of the Pula for exporters, with the latter mostly eroded by competition among banks to buy FX.

Essentially, the widening of the band created space for a more active foreign exchange market to develop. In an environment where there is a shortage of foreign exchange, this led the Pula to weaken pretty much as far as it could, to the lower end of the band.

Another development (again, as expected) is that there has been some disintermediation of the banks and BoB, with businesses doing direct bilateral FX trades. For instance an exporting company can sell FX directly to an importer, rather than trading their FX through the banks. The rates at which these trades are done will not be reflected in interbank FX rates.

The de facto devaluation has made a start at reducing the overvaluation of the Pula, but it is still likely that the Pula remains overvalued by 10-20%. Hence further weakening of the Pula remains likely, whether by official measures or through the market.

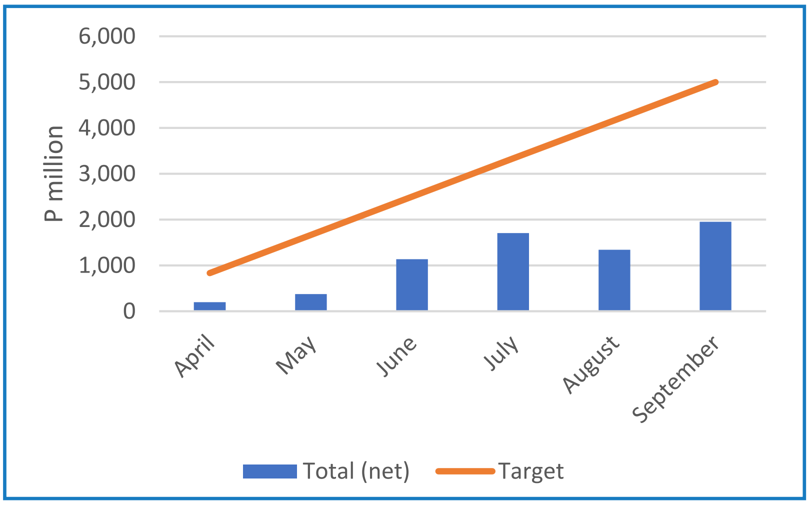
Government Finances

The pressure on government finances has continued, with the Government Investment Account (GIA) at the Bank of Botswana almost totally depleted by the end of June, falling from P7.0 billion to P0.5 billion during the quarter. The GIA showed a small recovery in July after receipt of SACU funds at the beginning of the month. The seriousness of the fiscal imbalance is illustrated by the fact that the GIA depletion happened despite an improvement in diamond exports and relatively buoyant fiscal receipts from Debswana. Nevertheless, the overall budget showed a deficit of just over P3 billion during the first quarter of the financial year.

The Government's deficit financing plan for the 2025/26 FY includes a mixture of domestic and foreign borrowing. According to the Annual Borrowing Programme (ABP), the target is to borrow P10 billion from domestic markets during the 2025/26 financial year (P2 billion in net new T-Bill issuance and P8 billion in bond issuance). But in the first half of the financial year (April-September), Government only managed to raise some P2 billion, against a half year target of P5 billion. Even that came at the cost of significantly higher interest rates on government borrowing, especially for T-Bills.

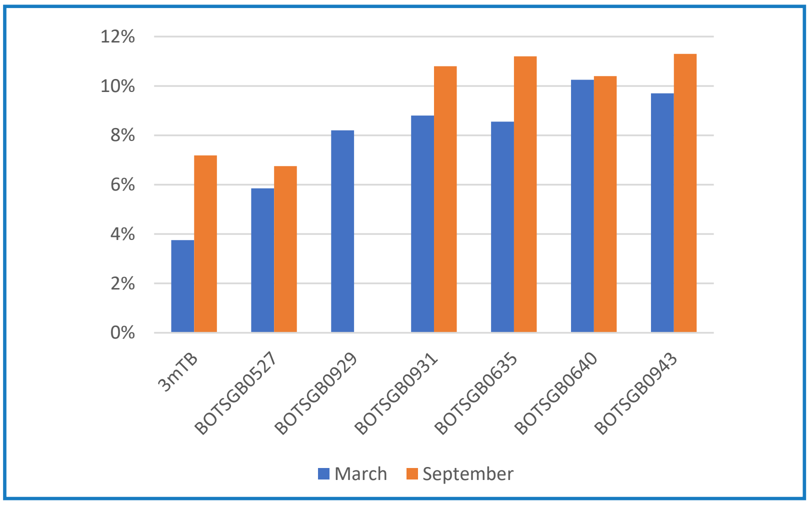
In 1993, James Carvill, political strategist for Bill Clinton said that "I used to think if there was reincarnation, I wanted to come back as the president or the Pope or a .400 baseball hitter. But now I want to come back as the Bond Market. You can intimidate everybody." Since then, many governments have found that fiscal profligacy is quickly punished by that bond market. That is certainly now happening in Botswana, with markets pushing for ever-higher yields in order to keep on financing government, which government is continuing to resist. But with rising debt and rising interest rates, the amount of government spending devoted to debt service costs will continue to rise rapidly.

Figure 3: Cumulative Bond/T-Bill Issuance, 2025-26 FY



Source: Bank of Botswana, Econsult

Figure 4: T-Bill/Bond Auction Yields, March & September 2025



Source: Bank of Botswana

The budget remains in a precarious position, with insufficient revenues, excessive spending and an unsustainable deficit. As the IMF emphasised at the end of their annual Article IV mission in September, the need for financial consolidation (reducing the deficit through cutting spending and improved revenue mobilisation) is still paramount. Some measures have been taken along these lines, including partially suspending the issuance of government purchase orders, cutting spending on travel by civil servants, and delaying new development projects. Much more remains to be done, however, and the mid-year budget statement promised for the current parliamentary sitting will be critical in setting out the specific plans to achieve fiscal sustainability.

In this environment, the credit rating downgrades from S&P and Moody's were to be expected. The fact that both agencies have retained a negative outlook is worrying, as this indicates that further downgrades could follow. The actions will add to the cost of borrowing by government. Despite the downgrade, Botswana remains only one of two countries in Sub-Saharan Africa (along with Mauritius) with an investment-grade rating.

Inflation and the Financial Sector

As expected, following the Pula devaluation, inflation has started to rise sharply, reaching 3.7% in September, from well under 2% in July and August. Inflation is now within the Bank of Botswana's inflation objective range of 3%-6%. Important commodity groups had higher inflation than the average rate, including food (5.4%), and transport (5.7%), offset to some extent by a 3% decline in the housing, water & electricity group. We expect inflationary pressures to continue as the impact of the Pula devaluation persists, and to exceed the upper end of the BoB range by the end of 2025.

In the financial sector, anecdotal evidence persists of a shortage of liquidity, credit constraints and deteriorating credit quality. This is not really supported by the data, however, which show a robust 9.6% growth in bank credit in the year to July, stable liquidity, as well as no increase in the level of arrears on bank lending. What appears to have happened is that following severe liquidity shortages in the banking system last year, the sharp increase in interest rates offered by banks on wholesale fixed deposits, to reach 15%-20%, has been successful in bringing funds back into the banking system, enabling banks to resume lending, albeit at a high interest cost.

In recent months, interest rates in the banking system (and in the capital market) have become detached from the BoB Monetary Policy Rate (MoPR) (see Box). While the BoB has been criticising banks for raising interest rates independently of changes in monetary policy, this is missing the point; it is government and its heavy borrowing demands that is pushing up interest rates, and the banks are merely responding. In recognition of this disconnect, the BoB raised the MoPR by 1.6%, to reach 3.5%, at the end of October.

Development Initiatives

Recent months have seen many announcements and initiatives aimed at restructuring the economy and achieving the objective of "a high-income Botswana that is digitally enabled, export-driven and economically diversified – where every citizen is employed, empowered and fulfilled". Central to these is the Botswana Economic Transformation Plan (BETP), including a portfolio of 200 or so mostly private sector investment projects aimed at driving diversification and export-led growth, along with some supporting reforms. It is encouraging that these projects have been generated through a process that had a central role for the private sector. The details of the BETP and most of the projects are still to be made public.

The draft National Development Plan 12 (NDP12) has also been presented (to Parliament, even if not - officially - to the public). It has very ambitious targets: more than doubling GNP per capita from 2024 to 2036, annual real GDP growth of 6-10%; 580,000 new jobs (10% a year growth); agriculture to increase from 1.7% to 6% of GDP (requiring turbocharged 30% a year growth); and cumulative investment inflows of USD529 billion (more than 400% of GDP over the period). It has a commitment to the principle of "fiscal consolidation", meaning achieving a small budget surplus to rebuild depleted fiscal buffers, but there is no substantive strategy to achieve this. Unfortunately it lacks the macroeconomic and fiscal frameworks and projections that have been central to previous NDPs, and provide an anchor for budgeted expenditure. And the NDP content is not always internally consistent: for instance it proposes a big expansion of coal-fired power generation (in chapter 3) as well as a reduction in carbon / greenhouse emissions (in chapter 5 and the results framework), two things that cannot go together.

Perhaps most strikingly, NDP12 includes a huge Public Investment Plan (PIP), with a total development budget of P388 billion over five years – a figure that is certainly not consistent with fiscal restraint. This highly ambitious PIP has hundreds of public investment projects that will supposedly help to transform the economy – exactly the same as the development model pursued over recent decades, but which has long since run out of steam.

Given the lack of a fiscal framework, the financing for these projects is unclear, with vague comments about "private sector financing and PPPs". A cursory examination of the list of PIP projects, however, reveals that very few of them are "bankable" in the sense of being able to attract private sector or PPP financing without substantial government subsidies. Notably, most of the BETP projects that are more likely to attract private sector financing are not included in the NDP12 PIP or the P388bn total.

Our own fiscal forecasts suggest that the maximum public funding that could be available from the development budget to finance the proposed PIP is around P120bn over 5 years – less than one-third of what is proposed in the draft NDP12. Unfortunately the PIP (as was the case with the Transitional National Development Plan from 2023-25) is a wish-list of badly prepared, poorly costed and unprioritized projects. To keep the overall budget in balance, the development budget will have to be cut substantially below the NDP12 PIP figure, which should happen if projects are subjected to proper appraisal and evaluation. If this is not done it will just lead to low-return investments, a waste of scarce fiscal resources and little positive development impact.

Getting Macro-economic policy back into balance.

Discovering that "The Impossible Trinity" is indeed impossible.

Macroeconomic policy plays a critical role in enabling an economy to grow and develop. This includes monetary policy, fiscal policy, exchange rate policy etc. Not only must the stance of each policy be appropriate for a country's economic development needs, but the different aspects of policy must be in alignment with economic fundamentals and consistent with each other. If the overall macroeconomic policy framework is unbalanced, there will be economic instability with potentially adverse outcomes.

Botswana's current macroeconomic policy mix falls into this "unbalanced and unsustainable" classification. We have a mixture of a fixed (pegged) exchange rate, a loose monetary policy, and a loose fiscal policy. The Monetary Policy Rate (MoPR), at 1.9% is very low, much lower than in comparable countries – it is estimated that the relevant external parity rate is around 7.5%. Fiscal policy is also very loose, with budget deficits in the region of 5-10% of GDP (published public finance data is of poor quality, so it is difficult to know exactly what the budget deficit is, or is likely to be). The Pula is overvalued. And we have capital mobility (no exchange controls).

There are several key results of this unsustainable policy combination – which will not surprise any student of open economy macroeconomics who has studied "The Impossible Trinity". This shows that a country can only choose two of three policy options: an active monetary policy, a pegged exchange rate and an open capital account.

The first consequence is that the monetary policy transmission mechanism is broken, and monetary policy is ineffective. Despite the low and unchanged MoPR, interest rates are rising throughout the economy, because of "fiscal dominance" – i.e., Government's high domestic borrowing requirements are pushing up interest rates in the capital market and the banking system, regardless of the stance of monetary policy. So the BoB has lost control of this policy lever. The recalibration of the MoPR in late October should help to resolve this issue. Second, the foreign exchange reserves are falling rapidly, due to balance of trade deficits and capital outflows. This will eventually lead to the collapse of the current exchange rate arrangement, if current trends continue. In other words, Government will lose control over exchange rate policy.

So the attempt to maintain both a loose monetary policy (to boost growth) and a high value for the Pula (to keep imports cheap and inflation low) will eventually fail if current trends continue. The main cause of the instability is of course the government budget deficit (see our Feature on "Twin Deficits" in the previous issue of the Economic Review), which is pushing up interest rates and depleting the foreign exchange reserves. Getting the budget under control through a process of "fiscal consolidation" will be painful but is nonetheless essential. Government can either do this in a reasonably structured manner over a period of time, or it can keep on putting it off, and eventually the markets will do it for them.

Outlook

The current economic stresses appear to be having a negative impact on households, although available data to quantify this is limited. For instance, there has been no data on unemployment since early 2024, so we don't know whether unemployment has risen from the 27.6% reported then. However, data on the sources of domestic demand indicate that household consumption has been under increasing pressure, with the annual real growth of household consumption spending down to only 1.6% in June 2025.

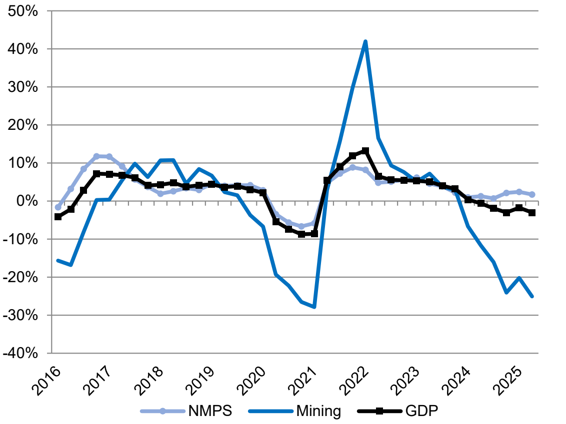
Our projection is that GDP will contract by a further 1% in 2025, an improvement on 2024's 3% contraction, but still a recession. This is in line with projections from the IMF, but much lower than the 6% contraction projected by Moody's, which we consider to be unduly pessimistic.

As it approaches the first anniversary of taking up office, the Government still faces the challenging demands of bringing about structural change to diversify the economy away from dependence on diamonds, boosting growth and employment, stabilising the budget and the balance of payments, while trying to meet its ambitious election manifesto commitments to improve social provision and outcomes. Much like the Labour government in the UK, Botswana's UDC government is struggling to come up with a governance and policy model that enables the implementation of a progressive, social democratic programme in an environment where there is no money. Instead, it has continued to try and implement expensive. manifesto commitments. Much as it may dislike the idea of reducing the size of government and trimming spending, there is no alternative if the economy is to be stabilised and provide a conducive macroeconomic environment for growth.

There have been many grandiose announcements, which too often lack substance (or any realistic prospects of sustainable funding). What has been missing is attention to detail and moves to improve the investment climate, which is needed to encourage private sector led growth – many of which can be achieved at little or no cost to government. Indeed some measures have been in direct conflict to broader policy objectives. For instance, in recent months the private sector has been prohibited from exporting live cattle or beef, all to "protect" BMC. This directly contradicts the stated objectives of encouraging export-focused, private sector-led growth, and scaling back the role of "privileged" SOEs to create space for much more efficient private sector firms. Later in this Review we propose a range of essential business environment reforms that will support these broader objectives.

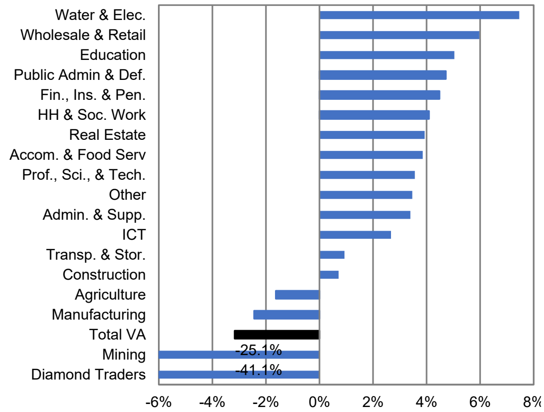
KEY ECONOMIC VARIABLES

ANNUAL GDP GROWTH



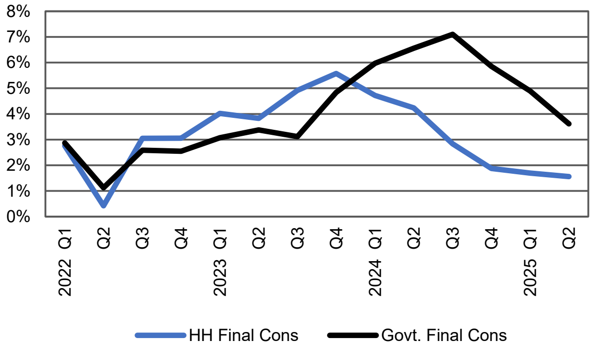
The Botswana economy's recession deepened in the second quarter of 2025, with the overall GDP contraction worsening from -1.8% year-on-year in Q1 to -3.0% year-on-year in Q2, indicating a deterioration of 1.2 percentage points. Botswana's economic recession is driven by mining sector contraction because of the slump in global demand for rough diamonds. The mining sector contracted to -25.1% y-o-y in Q2 2025, down from -20.2% y-o-y in Q1 2025. The resilience of the non-mining private sector (NMPS) significantly decreased, recording year-on-year growth of 1.7% in Q1, down from 2.4% y-o-y Q2. This suggests that the negative spillover effects from the prolonged mining downturn are now actively slowing down the rest of the domestic economy.

SECTORAL GDP GROWTH



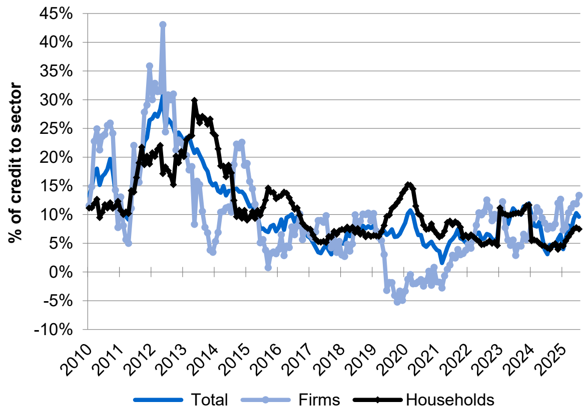
The domestic economy weakened during Q2 2025, with many economic sectors experiencing lower growth than in Q1 2025. Critical sectors such as Mining (-25.1%), Agriculture (-1.6%), Diamond Traders (-41.1%) and Manufacturing (-2.4%) continue to severely underperform. In contrast, the main sources of growth are the domestic-focused services sectors. Their resilience indicates a sustained level of consumer spending and government's continued commitment to social service delivery. However, the severe contraction in the diamond industry poses a major economic and social risk, in the form of job losses and incomes which have been supporting other sectors.

REAL GROWTH OF CONSUMPTION EXPENDITURE (ANNUAL)



Besides considering the composition of GDP by the output of different sectors, it is also useful to consider the types of expenditure that contribute to GDP. The main sources of expenditure are private (household) consumption (45% of GDP in 2024), Government consumption (32%), fixed investment (GFCF) (28%) and exports (27%). Relative to most other countries, Botswana is more dependent on Government consumption, and less dependent on households. Both have seen a sharp drop-off in growth over the past year, in particular household consumption, which illustrates the squeeze on disposable incomes.

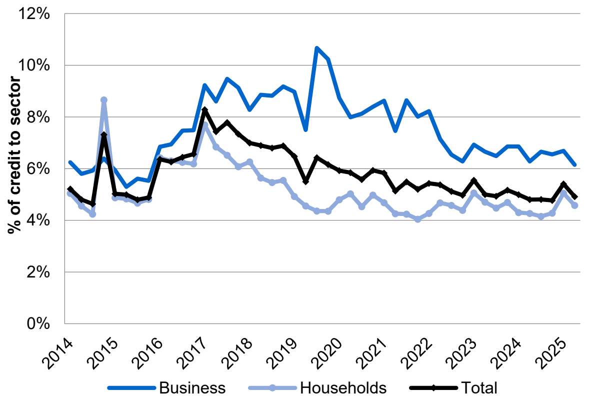
ANNUAL CREDIT GROWTH



Total bank credit growth progressively increased between April and July 2025, rising from 7.3% to 9.6% year-on-year, indicating a strong appetite for borrowing despite higher interest rates. It also indicates the availability of loanable funds. Credit growth was driven by significant increase in credit for both firms and households. Credit to firms rose sharply to 13.3% y-on-y in July 2025 up from 11.1% y-on-y in April. Similarly, growth of credit to households rose to 7.5% y-o-y in July, from 6.8% y-o-y in April. The widening gap of firms' credit, albeit marginal, confirms that business investment is currently the main driver of banking sector credit growth.

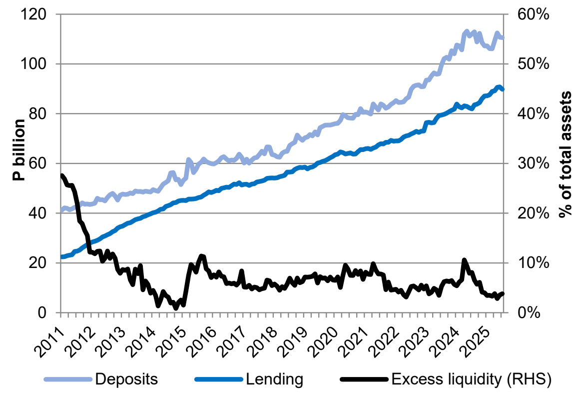
KEY ECONOMIC VARIABLES

ARREARS ON BANK LENDING



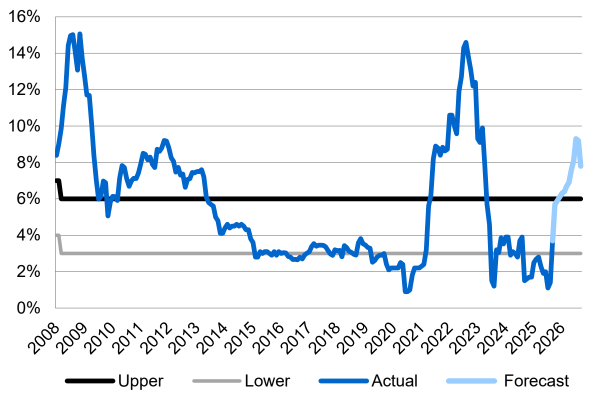
Total arrears as a proportion of total banking assets decreased marginally during the second quarter of 2025, to 4.9% from 5.4% in Q1 2025, driven by slight improvements in both market segments. Business arrears recorded a modest reduction from 7.0% in March to 6.0% in June. Similarly, household arrears, while historically lower, eased marginally from 4.5% to 4.0%. The findings of an improvement in arrears – based on Bank of Botswana data – are something of a surprise given widespread concerns about pressure on household incomes in particular.

BANK DEPOSITS, LENDING & LIQUIDITY



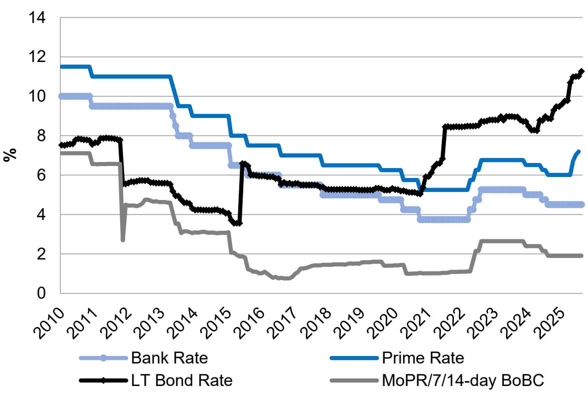
Bank liquidity was stable between April and July 2025, at 3.8% and successfully supporting the strong credit demand in the market. Both deposits and lending maintained their steady upwards trajectory, rising by 1.1% and 0.7%, respectively. Although excess liquidity is low, this stable level is considered sufficient for banks to meet the growing demand for credit without facing immediate funding constraints. It appears that banks' initiatives to bring in more deposits by offering higher interest rates have been successful in alleviating liquidity constraints, albeit at the cost of more expensive credit.

INFLATION AND FORECAST



Headline inflation increased significantly by 1.7 percentage points during the quarter to reach 3.7% in September 2025, up from 2% in June. The increase in the inflation rate is attributable to the Transport group, which rose by 4.9% following the increase in retail pump fuel prices in September. This drove Imported Tradeables inflation up by 4.8 percentage points to 5.9% while Domestic Tradeables increased by 1.1 percentage points to 5.4%. This suggests that during the third quarter of 2025, the inflationary spike was driven by external factors, particularly the devaluation of the Pula in July. Inflation is forecast to rise sharply and surpass the upper bound of the BoB's 3-6% objective range.

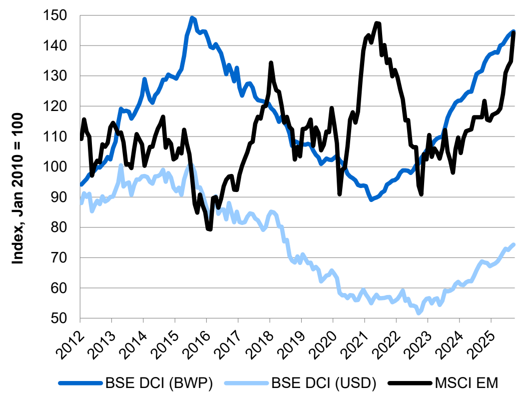
INTEREST RATES



The Bank of Botswana's (BoB) Monetary Policy Committee (MPC) maintained an accommodative monetary stance, keeping the Monetary Policy Rate (MoPR) at 1.9% in September 2025. The decision was supportive of the prevailing economic conditions, grounded on the expectation that the economy will continue to operate below its full potential, and that increases in inflation would not be demand driven but rather a temporary once-off supply shock. In contrast, government bond yields continue to rise, due to sustained government borrowing. The long-term government bond rate (BW012) rose to 11.27% in August 2025 from 10.98% in May 2025. Combined with higher bank prime lending rates, it is clear that the monetary policy rate is increasingly ineffective at influencing interest rates throughout the financial system.

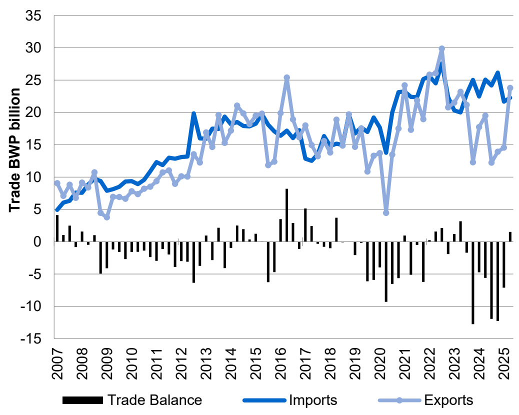
KEY ECONOMIC VARIABLES

STOCK MARKETS



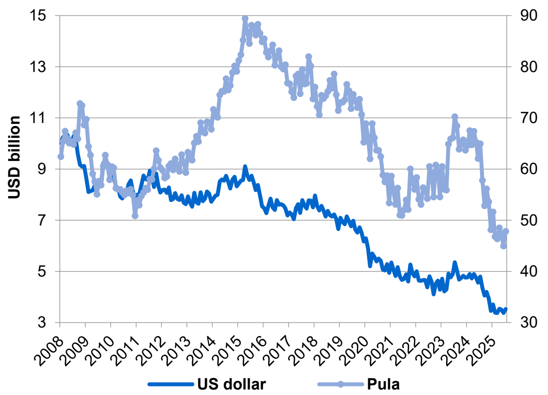
The Botswana Stock Exchange's (BSE) Domestic Company Index (DCI) showed strong growth in Q3 2025. The DCI rose by 2% and 1.9% in Pula and Dollar terms, respectively. The international benchmark markets, the MSCI World and MSCI Emerging Markets indices, displayed impressive performances during the quarter. They increased by 7% and 10.1%, respectively in Q3 2025.

INTERNATIONAL TRADE



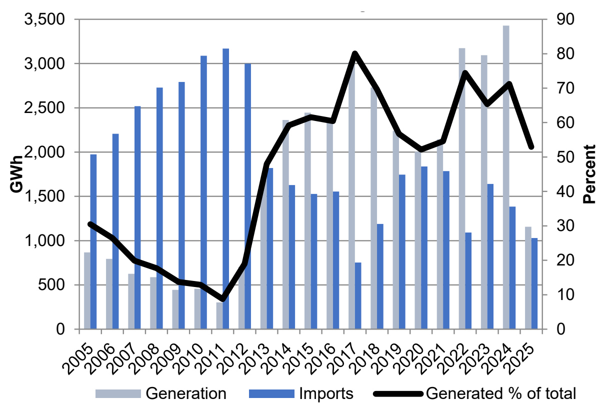
International trade activity showed a positive shift in the second quarter of 2025, primarily driven by a near doubling of diamond exports. Total exports grew sharply by 63.5% to P23.78 billion in Q2 from P14.55 billion in Q1. This growth is attributable to 69.2% rise in mineral exports, of which diamonds grew by 92.5%, as diamonds sales improved during the period. Total imports also increased by 2.8% to P22.26 billion from P21.66 billion between Q1 and Q2 2025. Exports significantly outpaced imports and resulted in a substantial improvement in the quarterly trade balance, from P7.11 billion deficit to P1.52 billion surplus.

FOREIGN EXCHANGE RESERVES



Foreign exchange reserves continued a downward trend in June 2025. Foreign exchange reserves dropped to P44.96 billion in June from P46.35 billion in March. In other currencies, foreign reserves increased slightly in US dollar terms by 0.1% to USD3.38 billion because of dollar weakness, and decreased by 3.3% in SDR terms to SDR2.46 billion during the period. The prolonged downturn in diamond exports, as evidenced by large trade deficits, has choked Botswana's main source of foreign currency inflow. The downward trend in the foreign exchange reserves threatens the sustainability of the Pula exchange rate peg.

ELECTRICITY



Domestic generation of electricity increased significantly between Q1 and Q2 2025. Total electricity generated was 635.2 GWh in Q2 2025, up from 522GWh in Q1 2025, representing an increase of 21.7%. This is attributable to increased efficiency at Morupule A and B power stations. However, total electricity consumed during the same period fell by 1.1% to 1,086.9 GWh, down from 1,099.5 GWh consumed in Q1 2025. Similarly, the volume of imported electricity during the same period fell by 21.8% to 451.8GWh, down from 577.5GWh in the previous quarter.

2nd July	BBS Bank returns to profitability. (Botswana Gazette)	BBS Bank reported a profit after tax of P38.4 million for the year ending December 31, 2024, its first since demutualisation in 2018, rebounding from a loss of P21.3 million in 2023. The profit included P11.5 million gain from property sales, leading to an adjusted profit of P26.9 million. Managing Director Pedzani Tafa emphasized the bank's strategy to enhance shareholder value and meet customer needs in mass-segment banking, expressing confidence in management and future growth strategies despite competitive challenges.
11th July	Declining national herd worries Boko amid export push. (Mmegi)	Botswana's President Duma Boko noted the concern about the country's declining cattle herd, which threatens the beef sector's sustainability. With the declining diamond sector, affecting GDP, the government is focusing on the beef sector to boost the economy, with export deals to China and the Democratic Republic of Congo. However, Boko warns that the declining cattle herd could derail economic diversification efforts into exporting beef. He plans to launch an initiative to increase the national herd from three million to five million, involving experts in the beef sector.
12th July	Commercial banks report 5% drop in loan arrears. (WeekendPost)	Recent data from the banking sector reveals a notable decline in commercial banks' loan arrears, falling by 5% between March and April 2025, from P6.27 billion to P5.96 billion. This was driven by household arrears falling from P3.71 billion to P3.35 billion during the period. Business arrears grew marginally to P2.60 billion from P2.56 billion. This is despite growing bank lending to both households and businesses, by 0.3% between March and April 2025.
13th July	Govt adjust exchange rates. (Daily News)	In response to a prolonged economic downturn influenced by global diamond markets, the Botswana government has adjusted the Pula exchange rate effective 11 July 2025, to enhance economic resilience and support exports. The exchange rate, reviewed biannually, will now depreciate at a faster annual rate of 2.76%, with a widened central bank trading margin of ±7.5%. The Pula will remain pegged to a basket comprising 50% South African Rand and 50% the International Monetary Fund's (IMF) Special Drawing Right (SDR) basket. This initiative aims to boost local production and maintain inflation within a range of 3-6%. However, the stability of this exchange rate mechanism is contingent on the availability of foreign reserves, which have been decreasing, recently falling to a record low of 5.2 months of import cover, largely due to reduced diamond revenue.
14th July	US Bank considers Giyani loan for Kanye Manganese Project. (Botswana Gazette)	The Export-Import Bank of the United States (EXIM) has issued a non-binding Letter of Interest (LOI) to Giyani for up to USD225 million for the K.Hill Battery-Grade Manganese Project in Botswana. The LOI includes terms for long-term debt with a 15-year repayment period but is contingent on securing offtake contracts and successful due diligence, including a Definitive Feasibility Study due by Q1 2026. Giyani views this LOI as a key move in securing funding and enhancing partnerships for critical minerals development.

NEWS HIGHLIGHTS

14th July	Botswana faces external shock risks. (Daily News)	Botswana faces financial instability due to external shocks and diamond dependency, with increased risks from market uncertainty, high sovereign debt, and adverse weather events, according to the Bank of Botswana's Financial Stability Report. The report suggests proactive risk management and diversification to reduce dependency on diamond exports and improve macroeconomic conditions.
17th July	Economic decline delays suppliers' payments. (Daily News)	The Botswana government is facing significant revenue pressure due to a decline in diamond sales, causing supplier payment delays. The government's reliance on quarterly funds from the SACU Revenue Pool is unstable and unsustainable. Short-term loans totalling P15.54 billion have been taken from various institutions to finance daily operations and address institutional weaknesses. The Vice President and Minister of Finance, Mr Ndaba Gaolathe, notes the need for Botswana to broaden the revenue base, address institutional weaknesses and transform the economy through the Botswana Economic Transformation Programme (BETP).
29th July	Anglo warned against De Beers fire sale. (Mining Mx)	Anglo American is advised against selling De Beers at a discounted price amidst a downturn in the diamond market, as highlighted by analyst Paul Zimnisky. With 85% ownership, Anglo American is urged to wait for a better valuation, particularly after successfully selling other assets. Botswana's president Advocate Duma Boko has criticized the sale plans, suggesting the government might take control of De Beers, although analysts note the improbability of this given Botswana's financial constraints. The diamond industry faces significant challenges due to competition from lab-grown diamonds and reduced demand, leading to a substantial drop in De Beers' revenue. A sale price of approximately GBP1 billion is considered favourable under current market conditions.
31st July	Anglo negotiating with Botswana for increased stake in De Beers. (Mining Mx)	Anglo American is negotiating with the Botswana government to increase its 15% stake in De Beers as part of a divestment strategy, preferring a trade sale over an IPO. CEO Duncan Wanblad stated that Botswana would not receive a discount for the increased stake, which must align with third-party buyer valuations. Despite the weak diamond market, a trade sale remains the primary plan.
4th August	'Women Trail in Botswana's Workforce' – World Bank. (Botswana Gazette)	A World Bank report reveals significant gender disparities in Botswana's labour market despite progress in education. While the gender gap in education has narrowed, women still face challenges in labour force participation, wages, and business performance, with a noted skills mismatch in the workforce. Although women are overrepresented in higher education, they remain underrepresented in technical fields and STEM disciplines. As of 2023, 63.4% of women participate in the labour force compared to 73.2% of men, with persistent barriers hindering full workforce involvement. Increasing women's participation could play a crucial role in poverty reduction in urban areas.

5th August	BETP call for Ideas promotes inclusivity. (Daily News)	The Botswana Economic Transformation Programme (BETP) is positioned as a foundational initiative aimed at fostering a mindset shift for community development. BETP is focused on inclusive, grassroots economic development, and invited ideas from thinkers and institutions across all sectors of the economy.
6th August	Few parastatals profitable. (Daily News)	Botswana's parastatal sector comprises 63 entities, of which 16 are commercial. According to the Minister of Finance, Mr Ndaba Gaolathe, only five parastatals have been profitable for three consecutive years, being Botswana Housing Corporation (BHC), Botswana Vaccine Institute (BVI), Botswana Fibre Networks (BOFINET), Botswana Savings Bank (BSB) and the Minerals Development Company Botswana (MDCB). Many other parastatals face financial instability due to social obligations and market volatility, fiscal pressures and inefficiencies. The government plans to reform underperforming entities to enhance financial stability, operational efficiency and corporate governance.
7th August	Diamond Trade in Turmoil as US Announces 50% India Tariffs. (Rapaport)	The US will increase tariffs on Indian goods to 50% starting in August 2025. The duties are expected to escalate from 10% to 50%. The diamond sector is particularly affected, with over 90% of polished diamonds manufactured in India and trading halting as companies rush to ship goods to the US before the new rates are implemented. Botswana diamonds will be affected as India is one of the biggest diamond markets for the country’s rough diamonds.
8th August	DM model review uncovers rot. (Mmegi)	The Task Team, appointed by the Minister of Transport and Infrastructure, has released a report on the implementation of the Development Manager (DM) Model in Botswana. The team found that the DM model was a bespoke contract rather than an internationally recognised procurement framework, lacking legal clarity and thorough stakeholder consultation. The model failed to deliver set objectives, leading to cost overruns, delays, and poor quality. The cost of DM projects increased substantially, impacting the government's fiscal standing and diverting resources from other priority areas. The Catalyst Project Team (CPT) operated without a clear legal mandate and reported minimally to line ministries. The Task Team recommended eliminating inefficiencies, addressing eroded credibility in public procurement, ensuring infrastructure quality, and introducing a centralized digital project monitoring system.
8th August	Falling reserves raise fears of pula framework change. (Mmegi)	Botswana's foreign exchange reserves have deteriorated, reaching USD3.5 billion in April 2025, compared to record highs of USD10.3 billion in 2008. This has led to less room for fiscal planners to sell the pula and buy other currencies to maintain the local currency's value and supply. Econsult Botswana (Econsult) warn that the trajectory of foreign reserves suggests a review of the crawling peg system, which is currently used to give the pula nominal value. The Bank of Botswana (BoB) uses its foreign exchange reserves to intervene when market forces push the pula outside its target range. However, Econsult believe the moves are inadequate to stop the decline in reserves. The central bank deputy governor, Lesego Moseki, said the urgent requirement was for the official reserves to be protected to defend the pula's value.

15th August	Engen profits drop by P83 million after oil import shift. (Mmegi)	Regulatory changes allowing Botswana Oil Limited (BOL) to import 90% of Botswana's petroleum products have significantly impacted Engen Botswana, leading to a decline in profits before taxation from P193.9 million in 2023 to P111.0 million in 2024, a 42% drop. The company's margins are under pressure due to the loss of fuel import licenses and the obligation to source products exclusively from government-owned Botswana Oil, posing a major risk to Engen's business operations.
22nd August	Botswana was once 'at risk of extinction' from HIV. Now it is a world leader in eliminating the virus in children. (The Guardian)	Botswana has been recognized for significantly reducing mother-to-child HIV transmission rates to just 1.2%, implementing a successful HIV-elimination program over two decades. This transformation, spurred by initiatives led by health officials, began in response to high infant infection rates and severe mortality due to HIV. Key strategies included the adoption of the WHO's Option B+ strategy, which provided free antiretroviral therapy to pregnant and breastfeeding women, and comprehensive HIV testing for all expectant mothers. Almost all births occur in hospitals, contributing to effective treatment strategies for infants. Innovations continue with new clinical trials aiming to cure children born with the virus, making Botswana a leader in addressing HIV challenges.
27th August	Namibia-Botswana Joint Oil Refinery Feasibility Study: Strategic Analysis. (Discovery Alert)	The Namibia-Botswana joint oil refinery initiative aims to transform Southern Africa's petroleum sector with an estimated cost of USD3-5 billion. The project aims to create a regional refining hub, reduce energy dependency, and create jobs. Challenges include reaching the necessary volume 100,000 barrels per day, securing financing, and ensuring environmental compliance. The project considers locations in Walvis Bay, Namibia, for refining and export, and Ghanzi, Botswana, for storage.
29th August	Gov't fiscal crunch squeezes business confidence. (Mmegi)	Business confidence is significantly affected by concerns over slow government spending, as indicated by the Bank of Botswana's Business Expectations Survey (BES). The BES for the second quarter shows that firms anticipate a challenging operational environment into the first half of the next year, primarily due to the government's reduced revenues and spending, alongside recent announcements to cut and pause planned expenditures.
2nd September	Lab-Grown gems are robbing Botswana of its diamond riches. (Bloomberg)	Botswana is facing an economic downturn largely due to a crisis in the diamond market, which has been severely impacted by the rise of lab-grown gems. The popularity of lab-grown diamonds, particularly in the U.S., has dramatically decreased demand for natural diamonds. The government is seeking foreign investments and engaging economic diversification. Economic indicators forecast a significant fiscal deficit and a surge in public debt, prompting calls for private sector involvement in financing infrastructure projects. This situation illustrates the perils of an over-reliance on a single commodity for economic stability.

5th September	Karowe underground expansion project, Botswana – update. (Mining Weekly)	The Karowe open pit diamond mine is set to be developed underground to extend its life to beyond 2040. The underground operation will support a 2.7 million tonne a year mining operation and processing plant, focusing on the South Lobe of the AK06 kimberlite. The project is expected to recover about 6.8 million carats of diamonds and require USD683 million in capital expenditure.
9th September	Botswana edges closer to carbon tax introduction. (Mmegi)	The government is developing a framework for a carbon tax aimed at greenhouse gas-producing industries to support the green-energy transition. This follows the European Union's proposed taxes on commodities from carbon-emitting countries that could impact trade, including Botswana.
12th September	S&P Global Ratings downgrades the sovereign credit rating on long-term bonds but affirms the rating on short-term bonds and the economic outlook on Botswana. (Bank of Botswana)	On September 12, 2025, S&P Global Ratings downgraded Botswana's long-term sovereign credit ratings from 'BBB+' to 'BBB', while affirming short-term ratings at 'A-2' and maintaining a negative outlook. The downgrade is attributed to declining diamond revenues affecting fiscal and external positions. Despite the challenges, Botswana's credit ratings are supported by strong institutional frameworks and democratic governance. S&P highlighted potential improvements from a recent deal with De Beers and emphasized the need for economic diversification and prudent policy measures to enhance fiscal sustainability. A stable outlook could result from significant economic growth and improved fiscal performance, whereas continued fiscal challenges may lead to further downgrades.
17th September	Standard Chartered Bank Botswana warns of significant losses. (Botswana Gazette)	Standard Chartered Bank Botswana anticipates half-year losses for the period ending 30 June 2025, projecting a profit before tax decline from P254 million in 2024, translating to expected losses of P102 million to P127 million due to a one-off transaction affecting credit impairment. The bank issued a cautionary statement for shareholders and investors to remain cautious in trading its securities until full results are published.
19th September	Manganese project gains momentum, financing expected in 2026. (Mining Weekly)	Giyani Metals is advancing its definitive feasibility study for the K.Hill manganese mining project in Botswana, with project financing anticipated in 2026 and full production by 2030. The company has received a letter of intent for up to USD225 million in long-term debt from the Export-Import Bank of the US, affirming its status as a preferred developer of battery-grade manganese products. Giyani aims to support Botswana's efforts to diversify its mining sector and remains committed to community initiatives, including educational support for differently abled individuals.
19th September	Tataki Mine – Restoring Hope. (The Voice Newspaper)	Tati Nickel Mine in Botswana has reopened after a decade of closure, renaming it Tataki. The mine, acquired by NIU Investment, is managed by Global Critical Resources Corporation (GCR), a U.S. producer of critical metals. GCR plans to invest USD200 million over the next decade, including USD50 million within the first 18 months, to ramp up steady-state production. The mine is expected to generate over USD4.2 billion in revenue over its lifetime and contribute a 1.5% increase to Botswana's annual GDP. The mine will create 400 permanent jobs and over 3,000 indirect jobs once fully operational.

NEWS HIGHLIGHTS

22nd September	Sovereign downgrade worsens public finance outlook. (Mmegi)	Government borrowing costs are anticipated to rise following S&P Global Ratings' downgrade of the Botswana's sovereign credit ratings, the first since March 2020. The agency cited worsening public finances, primarily due to a prolonged decline in diamond revenues and limited recovery prospects, as the reason for the downgrade. This downgrade is expected to affect borrowing costs, investor confidence, and foreign exchange reserves.
24th September	Angola seeks minority stake in De Beers. (Mmegi)	The Angola government plans to bid for a minority stake in De Beers to prevent dominance by any single party and promote the company's international growth. Endiama, Angola's state-owned diamond miner, has submitted a fully financed offer. The Minister of Mineral Resources and Petroleum of Angola, Mr Diamantino Pedro Azevedo, emphasized the aim of fostering a partnership among Botswana, Namibia, South Africa, and Angola to ensure meaningful participation from all involved countries.
26th September	Diamond sale fails in Botswana as buyers refuse to pay up. (Mining.com)	Botswana's attempt to auction 1 million carats of rough diamonds through the Okavango Diamond Company (ODC) failed, as no buyers met the reserve pricing amidst a significant downturn in the diamond industry. This decline is attributed to reduced demand from China, competition from lab-grown diamonds, and US tariffs, affecting Botswana's economy where diamonds make up 80% of exports and a third of government revenue. The country is projected to experience economic contraction for a second consecutive year in 2025, coupled with a 43% year-on-year drop in diamond output. Despite the failed auction, ODC insists it upholds market value, anticipating increased interest in future sales.
26th September	Breakthrough nears in US diamond tariffs. (Mmegi)	The US has scrapped tariffs on diamonds polished in the European Union, a significant breakthrough for the industry and boosting hopes for similar agreements for other centres and producers like Botswana. The Antwerp World Diamond Centre (AWDC) announced that its exports (polished diamonds of EU origin) to the US are now free from tariffs. The US is applying an arrangement where certain products can be imported at zero tariff if a bilateral agreement is concluded. This exemption makes Antwerp the only major trading hub with tariff-free access to the US market.

26th September	IMF Staff Completes 2025 Article IV Mission to Botswana. (International Monetary Fund)	In 2025, Botswana's economy is projected to contract by approximately 1% due to a decline in diamond production, with recovery expected in 2026. Inflation remains below the Bank of Botswana's target range of 3–6%, potentially returning to it as the Pula's depreciation influences consumer prices. Rising fiscal pressures necessitate streamlined government spending and economic diversification efforts. Following a 3% contraction in 2024, driven by declining mineral output and decreased exports, the fiscal deficit rose to 7.1% of GDP, elevating public debt above 30% of GDP. To foster future growth, Botswana needs ambitious reforms focusing on fiscal sustainability, private sector engagement, and improved business conditions. These reforms should align with the new five-year National Development Plan.
26th September	New digital tax due by April. (Mmegi)	Botswana is set to introduce a new Value Added Tax (VAT) on local consumers of digital services, including Netflix and Amazon, and remote services like attorneys and accountants. The amendments to the VAT Act, passed in August 2025, are awaiting President Duma Boko's assent. The Botswana Unified Revenue Service (BURS) is working to prepare for the changes, with the law expected to commence in March or April 2026. The tax collector plans to use IP addresses and banking details to capture any Botswana-based consumer of digital and remote services.
26th September	Choppies kisses SA market goodbye. (Mmegi)	Choppies, a regional grocer, has announced a five-year divestment plan from South Africa. The company suffered significant losses in the South African market due to its aggressive expansion strategy. Choppies has entered into binding agreements to sell 100% of its shareholding in the business to the Shingai Itai Consortium, marking a full exit from the market. The transaction is expected to be finalized by November 2025.
27th September	Botswana signs Hemp Investment MoU. (Botswana Gazette)	Botswana has signed a Memorandum of Understanding (MoU) with Hemp Innovations Europe to establish an industrial hemp sector, involving collaboration with the Botswana University of Agriculture and Natural Resources and the National Agricultural Research and Development Institute. The agreement aims to enhance education, research, and sustainable agriculture while promoting job creation and investment.

MACRO-ECONOMIC DATA

Key Economic Data	unit	2020	2021	2022	2023	2024	2024Q4	2025Q1	2025Q2	2025Q3
Annual Economic Growth										
GDP	%	-8.7	11.9	5.8	3.2	-3.0	-3.0	-1.7	-3.0	..
Mining	%	-26.5	29.8	7.5	2.9	-24.1	-24.1	-20.2	-25.1	..
Non-mining private sector	%	-6.7	8.8	5.5	2.2	2.1	2.1	2.4	1.7	..
GDP current prices	P bn	171.39	207.74	251.36	263.92	263.2	64.40	65.28	69.62	..
GDP 2016 prices	P bn	167.72	187.63	198.01	204.36	198.25	49.49	49.40	47.6	..
Money & Prices										
Inflation	%	2.2	8.7	12.4	2.9	1.7	1.7	2.9	2.0	3.7
Prime lending rate	%	5.25	5.25	6.76	6.51	6.01	6.01	6.01	7.22	7.19
Monetary Policy Rate (MoPR)	%	3.75	3.75	2.65	2.40	1.90	1.90	1.90	1.90	1.90
Trade & Balance of Payments										
Exports - total goods	P bn	49.12	82.28	102.52	78.11	63.34	13.91	14.55	23.78	..
Exports - diamonds	P bn	43.30	74.13	89.30	62.00	40.37	9.05	9.61	18.48	..
Balance of payments	P bn	-20.06	-2.87	4.49	1.65	-20.91	-6.28	-2.01	..	..
Foreign Exchange (d)										
Exchange rate BWP per USD	end	10.79	11.74	12.77	13.72	13.68	13.95	13.68	13.30	14.18
Exchange rate ZAR per BWP	end	1.356	1.355	1.328	1.380	1.333	1.347	1.333	1.334	1.229
FX reserves	$ bn	4.941	4.806	4.22	4.77	3.46	3.46	3.37	3.38	..
FX reserves	P bn	53.36	56.02	54.53	63.69	48.13	48.13	46.35	44.96	..
FX reserve import cover	months	7.7	6.0	5.0	7.2	4.8	4.8	..	..	..
Financial Sector										
Deposits in banks	P bn	80.54	84.36	90.93	104.12	107.24	107.24	106.12	110.76	..
Bank credit	P bn	65.55	68.92	73.05	81.80	87.13	87.13	88.97	90.8	..
BSE index		6,879	7,010	7,726	9,096	10,049	10,049	10,092	10,403	10,611
Business Indicators										
Diamond production (a)	mn cts	16.87	22.70	24.48	25.10	18.32	4.34	4.67	2.74	..
Copper production (b)	'000t	..	11.74	44.27	54.81	48.76	12.11	11.42	13.20	..
Electricity consumption	GWh	3,842	3,928	4,265	4,736	4,813	1,207	1,099	1,087	..
Crude oil (Brent)	$/bar	51.22	77.24	82.82	86.17	74.58	74.58	77.23	68.15	68.52

Employment (formal)		2020	2021	2022	Q3 2023	Q1 2024
Government		152,973	152,225	143,022	150,872	154,128
Parastatals		18,933	21,056	18,674	19,012	20,028
Private sector		305,810	321,176	324,680	320,977	330,582
Total		477,716	494,457	486,376	490,861	504,738

Govt Budget		2021/22 (e)	2022/23 (f)	2023/24 (g)	2024/25 (h)	2025/26 (i)
Revenues	P bn	68.57	74.10	74.26	68.69	75.49
Spending	P bn	68.68	74.10	85.37	93.42	97.61
Balance	P bn	-0.11	0.00	-11.11	-24.73	-22.12
Public debt & guarantees	P bn	48.26	53.42	59.46	77.27	74.24
Govt deposits at BoB	P bn	12.82	14.02	8.76	8.28	..
GDP	P bn	218.01	259.34	261.89	267.79	292.39
Revenues	%GDP	31.5%	28.6%	28.4%	25.7%	25.8%
Spending	%GDP	31.5%	28.6%	32.6%	34.9%	33.4%
Balance	%GDP	0.0%	0.0%	-4.2%	-9.2%	-7.6%
Public debt & guarantees	%GDP	22.1%	20.6%	22.7%	28.9%	25.4%
Govt deposits at BoB	%GDP	5.9%	5.4%	3.3%	3.1%	..

Sources: BoB; MFED; Statistics Botswana; Department of Mines; BSE; US Energy Information Administration; Bloomberg; World Bank; 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 Lerala 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) Exchange rate figures from BoB until June 2025, thereafter from Bloomberg. FX reserve cover from World Bank
(e) - (g) Actual

ESSENTIAL GOVERNMENT ACTIONS TO STIMULATE PRIVATE SECTOR EXPORT-LED GROWTH

The draft NDP12 perpetuates the development budget-led growth model that has run out of steam in recent years, and furthermore presents a list of projects that is well beyond the scope of any credible financing availability. But the drivers of growth go well beyond this, and depend crucially on the nature of the business environment, the investment climate, and the extent to which the private sector is encouraged rather than held back by government. Importantly, many improvements to the business climate can be achieved at low cost – certainly much cheaper than spending money on development projects with questionable economic merit. Below, we outline some of the actions that can be taken by government to stimulate private sector export-led growth. These actions are aimed at improving the efficiency of both government and markets, reducing the costs of doing business, and will be required in order to attract the proposed domestic and foreign investment flows into the BETP projects.

1. Immigration reform	Facilitate and liberalise issuance of work /residence permits for: (i) entrepreneurs/investors; (ii) skilled workers; (iii) digital nomads; and (iv) retirees.
	Change the official attitude to encouraging immigration rather than discouraging.
	Introduce a new channel for work and residence permit approvals that by-passes current boards (which have insufficient understanding of the economy).
	Abolish the requirement for permanent residents to obtain work permits if they wish to work.
	Speed up issuance of entry visas for tourists and business people, committing to: (i) online application process with 48-hour turnaround time; (ii) visa on arrival provision for all nationalities.
2. Border efficiency	Move all commercial border posts to 24-hour operation.
	Make all import requirements (licenses, permits, approvals etc.) transparently available, including online, and stop adding arbitrary or new requirements at the borders.
	Change the attitude of BURS staff to one of facilitating trade (including imports) rather than obstructing.
	Improve the efficiency of passenger arrivals processing by BURS at major international airports (SSKA, Maun) to avoid unnecessary delays and adverse visitor experiences.

3. Trade restrictions	Reduce the use of import restrictions; as a minimum carry out a comprehensive impact analysis prior to the introduction of any trade restrictions, considering the impact on all sectors of the economy (including households)
	Do not implement measures that are inconsistent with Botswana's trade agreements and the expressed intent to persuade other countries to remove non-tariff barriers (NTBs) under the AfCFTA.
	Remove bans on exports by the private sector (e.g. beef) – this is not consistent with the stated objective of private sector driven, export led growth.
	Adopt "passporting" of standards – if a product has standards approval from a reputable foreign standards agency, it should not need additional BOBS approval, which adds to the cost of trade and reduces economic efficiency. Most generally, standards requirements should be risk-based.
4. Land	Immediately increase the capacity of the Deeds Registry to promptly process land and property transfers/ registrations and address current delays/backlog, utilising the private sector if necessary to address those capacity constraints.
	Develop a plan to drastically improve the capacity of Land Boards, which are not fit for purpose, to (i) operate efficiently and transparently; (ii) eliminate corruption, through applying efficiency and performance standards and digitization of records and processes; and (iii) bring understanding of business and the economy through appropriate appointments of land board members.
	Move towards market-determined land allocation to raise funds, and move away from arbitrary administrative allocation and waiting lists, which is inefficient and encourages corruption.
5. Government data network and e-Gov	In view of the impediments posed by persistent "system e down" problems, and the adverse consequences on the private sector, individuals and the rollout of digital economy services, problems with the government data network need to be urgently addressed to ensure 99.5% uptime.
	Similarly, GABS problems need to be rapidly addressed to support the integrity of the government financial system, and to ensure data integrity for fiscal monitoring and reporting purposes, with the same objective of ensuring 99.5% uptime.
	Aggressively move public services online to (i) improve efficiency (ii) improve transparency (iii) reduce opportunities for corruption and (iv) provide opportunities for the private sector.

6. Public Procurement	Remove requirement for public procurement to be restricted to 100% citizen-owned entities – any preference should be for local entities (not necessarily citizen-owned, so as to encourage FDI into entities that can supply government). And in general it should be easier for government to procure externally, so as to avoid problems such as those surrounding the procurement of medications
	Ensure that there is sufficient competition from foreign entities to bring the costs of public procurement down and save money for government. This will also reduce opportunities for corruption.
	Pay much greater attention to value for money in public procurement.
	Revert to PPADB as centralised procurement body for larger contracts.
	Minimise direct appointments except for very small procurements.
	Terminate the Development Manager model, which has been widely abused.
7. Public Sector Investment/ Development Projects	Prohibit the allocation of public funds to projects unless those projects have been through a clear, rigorous and transparent process of project evaluation, to enable prioritization, greater economic impact and return on investment, and reduce public spending. Ensure that all such project evaluations are publicly available.
	Structure high-quality income-generating public investment projects to make them suitable for procurement as PPPs and attract available private sector funding.
	Many (most) government assets have been neglected and poorly maintained, leading to their degradation, failure to provide the intended outputs, and higher expenditure being required for eventual refurbishment or replacement. There needs to be much more attention paid to proper maintenance to preserve expensive assets.
	Deal with the basics before getting carried away with grand ideas. E.g., fix the streetlights, get all traffic lights working, and fill potholes promptly.

8. Corruption	Aggressively combat corruption, which has increased exponentially, especially (but not limited to) public procurement.
	Provide full protection for whistle-blowers.
	Fully capacitate DCEC and ensure its ability to operate independently and without political interference.
9. State-owned enterprises	Enforce the requirement for SOEs to operate efficiently and generate profits, failing which they should be closed down.
	Make any subsidies to SOEs clear and transparent, and justified on the basis of socio-economic criteria.
	Promptly privatise BMC operations and Air Botswana, failing which they should be closed; no further subsidies should be provided.
	Remove restrictions on BTCL share ownership and open up to non-citizens, and sell the 51% still owned by Government.
	Privatise BVI (use the Debswana model, 50% GoB and 50% private investor).
	Aggressively pursue the merging of parastatals, such as the range of professional regulatory bodies, SPEDU/SEZA/BITC, LEA/CEDA and others already agreed by Cabinet.
	Address SOE and parastatal governance failings at the levels of boards, CEOs and management, ensuring appointments on the basis of competence, terminating political appointments, and apply private sector governance standards.
	Remove SOE market privileges, and allow the private sector to compete on a level playing field.

10. Energy and Power Grid	Speed up investment in the national power grid to ensure resilience and suitability for distributed renewable energy generation, incorporating the attraction of private infrastructure investment for both new projects and asset recycling for existing projects.
	Give private sector generators the right of access to the grid for wheeling, not at BPC's discretion.
	Upgrade cross-border connectivity to provide capacity for domestic generators to export power.
	Revise plans to expand coal-fired power generation to ensure that the Integrated Resource Plan (IRP) (i) is consistent with Botswana's international commitments to greenhouse gas (GHG) emission reduction; (ii) ensures least cost generation over a multi-decade period and avoid long-term financial liabilities for GoB as well as expensive stranded assets; (iii) includes the impact of carbon pricing/taxation.
	Support aggressive expansion of renewable energy and storage to attract international investment, e.g. in AI datacentres.
	Implement asset recycling for the existing grid, in a sale-and-leaseback arrangement with private sector operators, to raise capital for grid expansion.

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