

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing January 2015

---

#### Botswana Summary 20 January 2015

*The Botswana Democratic Party (BDP)-led government reportedly directs government ministries and parastatals not to place advertisements in private news outlets. The move is seen as punishment for negative press reporting on the BDP in the run up to the October 2014 elections. Australian miner Discovery Metals suspends copper mining in Botswana. Analysts predict minimal effects on the national economy but see it as further proof of global mineral market volatility and the need for economic diversification. Debswana may soon install x-ray scanners at De Beers mining operations in Botswana due to indications of increased diamond theft.*

---

#### Government allegedly bans advertising in private media

The **Botswana Democratic Party (BDP)**-led government has reportedly issued a secret memo to government ministries and parastatals ordering them to stop placing advertisements with all private news outlets in the country. Private newspapers have traditionally been critical of the government. The main protagonists are **Mmegi, Sunday Standard, Botswana Guardian, Weekend Post** and **The Patriot** newspapers.<sup>1</sup> However, the ban will not affect **The Voice, Daily News** and **Ngami Times** newspapers and the state-run **Botswana Television (BTV)** that have tended not to be critical of BDP governments.<sup>2</sup> The ban came into effect on 1 December 2014. Government departments that had already booked advertising space in the now-banned outlets began pulling them without explanation.<sup>3</sup>

The government is yet to admit formal responsibility for issuing the memo. Local media have reported that the finance ministry issued the directive, although ministry officials refused to confirm or deny the reports.<sup>4</sup> **Carter Morupisi**, the permanent secretary of Botswana's president, **Ian Khama** (2008 – present), acknowledged the memo's existence, but described it as “unofficial” and not reflecting official government policy.<sup>5</sup> A local political analyst sees the government's withdrawal of adverts from private media as a settling of scores in retaliation for negative reporting leading up to the October 2014 election:

*“The government's withdrawal of adverts from private newspapers is undeniably political, and the absence of any official communication from any of its departments is possibly intended to avert legal action. Private newspapers are the [political] opposition's unofficial mouthpiece. The [opposition **Umbrella for Democratic Change**] **UDC's** formidable electoral showing in the October general election consigned the BDP to its lowest parliamentary majority since independence [in the 1960s]. So it is [very credible] that the government is now settling scores against the private media. Private newspapers will thus lose [significant] revenue due to [the] government [being the biggest single advertiser in Botswana], in addition to other [advertising from] private sources [allied to the BDP].”<sup>6</sup>*

---

<sup>1</sup> Sunday Standard, 12 Dec 2014

<sup>2</sup> Sunday Standard, 12 Dec 2014

<sup>3</sup> Sunday Standard, 12 Dec 2014

<sup>4</sup> Botswana Guardian, 19 Dec 2014

<sup>5</sup> Botswana Guardian, 19 Dec 2014

<sup>6</sup> Source, political analyst

Civil society organisations have also weighed in. The influential and respected **Media Institute for Southern Africa (MISA)** released a statement describing the ban as “an assault on freedom of speech” and threatened court action if the government formally enforced it.<sup>7</sup> A similar case occurred in 2001 when the Botswana Guardian and **Midweek Sun** newspapers successfully sued the government in the High Court over the withdrawal of adverts following accusations of negative reporting.<sup>8</sup>

*“Despite MISA’s statement and the precedence of the 2001 court verdict, the newspapers are not guaranteed another win this time because the government will likely be more creative. One of the key arguments that they could make is that due to the proliferation of private newspapers since then, the government reserves the right to choose where to place its adverts and that it [cannot] afford to advertise in all of them. The private media [always] has to play a [business] balancing act between maintaining editorial independence on one hand, and maintaining its patronage through advertising on the other.”<sup>9</sup>*

BDP governments have a history of strained relations with the media. In 2008, around the time Khama became president, the government promulgated the **Media Practitioners Act**, creating a statutory media oversight body, the **Media Council**, to register all media outlets, including websites, blogs and even journalists.<sup>10</sup> It also empowered the information minister to influence the Media Council’s handling of complaints via parliamentary committees, all dominated by BDP legislators due to the party’s parliamentary majority. However, the act is yet to come into force, due to a pending ruling over its constitutionality.<sup>11</sup> President Khama also sued the **Sunday Standard** newspaper in 2009 over stories alleging that he was involved in the army’s killing of convicted criminal **John Kalafatis** over a missing laptop, which reportedly contained material incriminating the president and his close associates.<sup>12</sup>

In 2013, Khama announced that individual government officials would be able to access state funds to launch defamation lawsuits against the media, justifying the measure by what he described as “personal attacks” against his government.<sup>13</sup> The media, many of which would be unable to afford the cost of defamation lawsuits, criticised this move as an attempt to force media self-censorship.<sup>14</sup> Most recently, the police arrested Sunday Standard editor **Outsa Mokone** in September 2014 over a story alleging that Khama was involved in a car accident while driving alone at night and had tried to cover it up.<sup>15</sup> Following a police raid on the paper’s offices and a sedition charge against Mokone, the journalist who wrote the article (**Edgar Tsimane**), fled to **South Africa** following a reported tip-off that he was about to be arrested.<sup>16</sup>

## Discovery suspends copper mining in Botswana

**Discovery Metals Ltd** will suspend copper mining in Botswana in the first half of 2015 due to poor world prices. The **Australia**-listed company announced on 10 December 2014 that an internal feasibility review of its **Boseto** copper mine revealed a poor outlook for 2015.<sup>17</sup> The global copper

<sup>7</sup> Botswana Guardian, 19 Dec 2014

<sup>8</sup> Botswana Guardian, 19 Dec 2014

<sup>9</sup> Source, political analyst

<sup>10</sup> The Patriot, 14 Sep 2014

<sup>11</sup> Botswana Guardian, 19 Dec 2014

<sup>12</sup> The Patriot, 14 Sep 2014

<sup>13</sup> The Patriot, 14 Sep 2014

<sup>14</sup> The Patriot, 14 Sep 2014

<sup>15</sup> Al Jazeera, 18 Sep 2014

<sup>16</sup> Al Jazeera, 18 Sep 2014

<sup>17</sup> Yahoo Finance, 16 Dec 2014

price has dropped by \$1,000 per metric tonne, roughly 15%, since January 2014<sup>18</sup> and is expected to remain in this range over the short to medium term.<sup>19</sup>

*“The global copper market is notoriously volatile, and it is not unusual that Discovery is putting the mine into [what it calls] ‘maintenance’. While it may be reopened when global copper prices recover, [the decision] is evidence of Botswana’s [need for] economic diversification away from mining [as a whole] to other industries, not just... from diamonds.”<sup>20</sup>*

The mine closure will lead to the retrenchment of 380 out of a total of 422 employees between April and June 2015, 90% of the workforce.<sup>21</sup> The company had already cut 85 jobs in 2014 in a cost-cutting and restructuring exercise. Its country manager, **Mokwena Morulane**, said that the weak outlook for copper had reduced the company’s revenues while operating costs at Boseto had increased.<sup>22</sup> Larger conglomerates such as **Rio Tinto** and **BHP Billiton** hold a larger share of the \$140bn global copper market, which gives smaller players like Discovery stiff competition amidst falling prices and market oversupply.<sup>23</sup> Australia’s **Bureau of Resource and Energy Economics** forecast a global surplus of 300,000 tonnes of copper for 2015, which will guarantee depressed global prices.<sup>24</sup>

*“Discovery’s closure of the mine is a setback to the government’s diversification efforts. President Khama opened the mine in 2012 and this shows the project’s high [political] value to the government’s economic diversification policies. The most immediate problem will be local unemployment, since 96% of the employees were Botswana citizens and mostly recruited from the local **Ngamiland** area. The local economy will suffer because cattle ranching and wildlife [management] were the only economic activities [before] Discovery’s arrival. Since Discovery is a relatively-small miner, the national economy will not experience immediate negative effects but the closure undermines efforts to reduce unemployment and diversify the economy away from diamonds.”<sup>25</sup>*

Discovery’s closure of Boseto will unnerve officials who may fear that further mine closures may follow. The government-owned **Bamangwato Concessions Ltd**, which owns **Norilsk’s** former **Nkomati** copper mines in South Africa and the **Tati Nickel Mine** in Botswana, is the largest copper mining firm in the country.

## Debswana planning to install X-ray scanners at De Beers diamond mines

**Debswana** has announced plans to install ten full-body x-ray machines at four mines in Botswana after indications of increased diamond theft. The company will install four of the ten scanners at **Jwaneng**, the world’s biggest diamond mine,<sup>26</sup> and the other machines at the **Orapa**, **Lethakane** and **Damtshaa** mines. The equipment will cost approximately \$4m to install.

Debswana is a 50-50 joint partnership between the government and **De Beers**. As the world’s largest diamond producer De Beers produced 18.3m carats of diamonds last year, earning \$2.8bn in revenue in the first nine months of 2014.<sup>27</sup>

Debswana initially sought to install the full-body x-ray machines in 2012 and received permission from the **Radiation Protection Board** to do so.<sup>28</sup> It subsequently submitted its environmental impact

<sup>18</sup>Yahoo Finance, 16 Dec 2014

<sup>19</sup> Mining Weekly, 17 Dec 2014

<sup>20</sup> Source, analyst, Gaborone

<sup>21</sup> Mmegi, 18 Dec 2014

<sup>22</sup> Mining Weekly, 17 Dec 2014

<sup>23</sup> Mining Weekly, 17 Dec 2014

<sup>24</sup> Weekend Post, 22 Dec 2014

<sup>25</sup> Source, political analyst

<sup>26</sup> Bloomberg, 6 Jan 2015

<sup>27</sup> Timeslive, 7 Jan 2015

<sup>28</sup> The Patriot, 13 Jan 2015

assessment (EIA) report to the department of environmental affairs (DEA) for approval, which it has been waiting for since August 2013.<sup>29</sup> The DEA allowed Debswana to conduct a public consultation of its EIA report in January 2015, after which it is expected to approve the installation.

Debswana's preferred model, a **Scannex** machine, is a low x-ray dose, full-body scanner invented by De Beers itself and commonly used at diamond mines elsewhere in the world.<sup>30</sup> It produces high-resolution digital images of any hidden hard material concealed on, or within a person, within 10 seconds.<sup>31</sup> It also excludes images of the human tissue, as a non-invasive feature. De Beers already uses similar machines at its mines in South Africa and **Namibia**.<sup>32</sup> The company currently performs physical searches at all its mines in Botswana, an inefficient method that cannot detect diamonds concealed within the human body.<sup>33</sup>

The **Botswana Mining Workers Union (BMWU)** opposes the use of scanners, citing health safety concerns due to exposure to radiation. The DEA formed a reference group consisting of public health officials, the Radiation Protection Board, the **University of Botswana** Physics Department, the **Department of Mines** and BMWU to investigate the union's concerns.<sup>34</sup> The reference group's members eventually approved the scanners, except BMWU. Independent technical consultant **John Johnson** said that the radiation emitted by each scanner is less than airport scanners and medical x-ray machines.<sup>35</sup> He also said that the machines have been used in South Africa for 20 years, with five million recorded scans and no reported incidents of illness from exposure to radiation from the scanners.<sup>36</sup>

Diamond mining in Botswana, Namibia and South Africa has a long-standing diamond theft problem, deriving from collusion between company employees, security forces, public officials and organised-crime networks.<sup>37</sup> Cases of theft are more frequent than the few made public, partly due to companies' concerns about market reputation and security management.<sup>38</sup>

The pre-existing evidence of diamond theft from De Beers' mines, and the well-documented black market for stolen gems in Botswana, necessitated the increased security measures. However, the company's decision to relocate its diamond 'sights' from **London** to **Gaborone** in December 2013 made the issue more urgent, with diamonds now being cut and polished locally and therefore of higher potential value to illicit buyers.<sup>39</sup> Debswana's senior project manager, **Eunice Molokai**, said an independent security review showed that security effectiveness at Debswana's mines in Botswana compared to the rest of De Beers' operations in the region is relatively low at 44%.<sup>40</sup>

## Implications

Tensions between the private media and the BDP-led government will tarnish Botswana's image of strong democratic practices and good governance. This may undermine the government's hard-won reputation for respecting the rule of law and, by extension, harm its efforts to accelerate economic growth mainly through attracting more investment into the country.

---

<sup>29</sup> The Patriot, 13 Jan 2015

<sup>30</sup> IT Web Africa, 16 Jan 2015

<sup>31</sup> IT Web Africa, 16 Jan 2015

<sup>32</sup> Bloomberg, 6 Jan 2015

<sup>33</sup> Bloomberg, 6 Jan 2015

<sup>34</sup> The Patriot, 13 Jan 2015

<sup>35</sup> Mining Weekly, 16 Nov 2014

<sup>36</sup> Mining Weekly, 8 Aug 2014

<sup>37</sup> Jane's Intelligence Weekly, 16 Nov 2014

<sup>38</sup> Jane's Intelligence Weekly, 16 Nov 2014

<sup>39</sup> Timeslive, 7 Jan 2015

<sup>40</sup> Mmegi, 12 Jul 2014

The closure of the Boseto mine shows how vulnerable the economy is to global volatility in the mining sector and the need to balance and diversify. Although the closure will not have a serious national impact, it will impact badly on Ngamiland and encourage more migration to Gaborone.

Mining also presents national security challenges: security upgrades at diamond mines are long overdue and the failure to grip the issue since the De Beers sights (which the government itself had campaigned for) has enabled the growth of criminal networks around the country's vital diamond industry, which is its major revenue earner. Illicit diamonds are an untraceable method of payment for criminal transactions and facilitate money-laundering. The problem also raises questions about Botswana's border security, since the diamonds are smuggled out of the country through neighbouring countries, especially South Africa and **Zimbabwe**.