

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing October 2015

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#### Botswana Summary 27 October 2015

*President Ian Khama (2008-present) announces an economic stimulus package (ESP) at a Special Congress of the Botswana Democratic Party (BDP). Khama describes it as a catalyst for job creation, economic stimulation, and diversification. Analysts brand it a vote-buying scheme. The government's poor treatment of asylum seekers undermines its reputation as a promoter of democracy, good governance, and human rights. Private investors announce a \$4.5 billion coal to fuels, electricity generation and fertilizer manufacture project. It will potentially improve the country's energy supply, although the dependence on fossil fuels will raise questions about sustainability.*

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#### Khama launches economic stimulus package

President **Ian Khama** (2008-present) unveiled an economic stimulus package (ESP) at the **Botswana Democratic Party (BDP)** special congress in **Gaborone** on 10 October.<sup>1</sup> He announced that the package would boost economic growth and diversification, and create new jobs.<sup>2</sup> The government will fund the stimulus plan using foreign reserves, currently estimated at \$8.5 billion.<sup>3</sup> This will be the first time that the government will use its foreign reserves to stimulate the economy.<sup>4</sup> It will also draw additional funds from various alternative sources, such as treasury bills, bonds, and external borrowing since Botswana has a low debt to GDP ratio of 17%.<sup>5</sup> Khama reiterated that the government would use the reserves prudently.

The plan will support key economic sectors including construction, tourism, agricultural production, and manufacturing. Khama flagged construction as one of the plan's key target sectors, describing it as "an engine of growth for many economies the world over".<sup>6</sup> He said that the government would launch construction projects in every district, including roads, schools, clinics, teachers and nurses' quarters. It will also fast track the servicing of land for commercial and household construction, and construct 44,980 new public housing units through the state-owned **Botswana Housing Corp.**<sup>7</sup> The government will also increase agricultural production through supporting small and commercial farmers, horticultural projects, and expanding beef production. The plan will additionally support manufacturing. Government departments will buy goods from local manufacturers, and support exports as well. A committee comprising stakeholders from all targeted economic sectors will manage the plan, and the vice president **Mokgweetsi Masisi** will serve as chair.<sup>8</sup> However, the committee will conduct meetings out of the president's office.<sup>9</sup>

*"[The ESP] has the hallmark of a political strategy. The committee that will ostensibly run the programme will meet under the auspices of the president's office, instead of parliament. That*

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<sup>1</sup> Botswana Guardian, 15 Oct 2015.

<sup>2</sup> Botswana Guardian, 15 Oct 2015.

<sup>3</sup> Enca Africa, 12 Oct 2015.

<sup>4</sup> The Patriot, 19 Oct 2015.

<sup>5</sup> Botswana Gazette, 28 Oct 2015.

<sup>6</sup> Botswana Guardian, 15 Oct 2015.

<sup>7</sup> The Patriot, 19 Oct 2015.

<sup>8</sup> Botswana Gazette, 28 Oct 2015.

<sup>9</sup> Botswana Gazette, 28 Oct 2015.

*shows the extent to which Khama seeks to wield unquestioned control over a national plan that should be managed through a transparent, consultative platform.”<sup>10</sup>*

Local commentators have received the ESP with mixed reactions. **Citizen Contractors Association** chairman **Michael Moji** welcomed the emphasis on the construction sector, but indicated that benefits will primarily depend on the government’s implementation and monitoring mechanisms.<sup>11</sup> The government has a poor record of corruption, weak project implementation, monitoring and evaluation standards, overspending, and delays in completing past projects.<sup>12</sup> Moji also noted that the temporary nature of construction jobs, which depend on the duration of projects, will reduce the sector’s ability to create long term solutions to unemployment.<sup>13</sup> However, infrastructure ministry **Dikagiso Mokotedi** said that the government is working on a law that will regulate the industry to improve working conditions and wages.<sup>14</sup>

Opposition political parties have branded the ESP as a populist programme of massive public spending ahead of the 2019 election.<sup>15</sup>

*“The BDP ... faces a serious electoral challenge in 2019, and a BDP-led, publicly funded development strategy will be, effectively, a vote buying strategy that will considerably improve the BDP’s image especially among the rural voters.”<sup>16</sup>*

Opposition **Umbrella for Democratic Change** member of parliament (MP) **Moeti Mohwasa** indicated that the plan is unlikely to benefit the majority of the population since only a limited number of government-linked companies will win related contracts.<sup>17</sup> He also claimed that, by restricting foreign investors, the government’s stringent immigration requirements will curb the impact of the ESP.<sup>18</sup>

The government has made concerted efforts to diversify its diamond export-dependent economy in recent years, through various policies that include the localisation of diamond polishing and marketing, and promotion of non-diamond and non-mineral sectors. Diamonds account for approximately 75% of foreign exchange earnings, and 30% of GDP, but demand has slowed since the last half of 2014, leading to depressed global prices.<sup>19</sup> The government has, however, managed to build substantial foreign reserves, primarily through diamond earnings, and has maintained a low debt to GDP ratio, which will facilitate a balance between using foreign reserves and borrowing to fund the stimulus package.

*“On the surface, the ESP is a welcome development for Botswana, since it will essentially facilitate state-funded economic growth. In a sense, Khama’s government is asserting its independence in that it will not wait for foreign investment to reach its intended economic diversification and growth targets. It also shows a potentially prudent use of public savings to drive economic growth amidst a soft global market for diamonds. However, its success or failure rests on the government’s ability to implement the plan effectively.”<sup>20</sup>*

### **Failed bid to deport Eritrean asylum seekers highlights human rights record**

The government’s record for promoting democracy and human rights has come under scrutiny following its failed attempt to deport ten **Eritrean** soccer players who sought political asylum in the

<sup>10</sup> Source, analyst, Botswana

<sup>11</sup> Botswana Guardian, 19 Oct 2015.

<sup>12</sup> The Patriot, 19 Oct 2015.

<sup>13</sup> Botswana Guardian, 19 Oct 2015.

<sup>14</sup> Daily News, 27 Oct 2015.

<sup>15</sup> The Patriot, 19 Oct 2015.

<sup>16</sup> Source, analyst, Botswana

<sup>17</sup> The Patriot, 19 Oct 2015.

<sup>18</sup> The Patriot, 19 Oct 2015.

<sup>19</sup> Enca Africa, 12 Oct 2015.

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

country.<sup>21</sup> The Eritrean national team was in Botswana for a **World Cup** qualifying match, played on 13 October in **Francistown**. The players were due to return to Eritrea on 14 October but handed themselves to police, declaring that they sought political asylum.<sup>22</sup> Eritrea president **Isaiah Afwerki** (1993-present)'s government has a record of human rights violations, including allegations of torture, extrajudicial killings, mass incarceration of dissidents, forced conscription into the army, slavery and government prohibitions from travel.<sup>23</sup> Frequent defections of football players and government delegations occur as a result.<sup>24</sup> The **Johannesburg**-based NGO **Eritrean Movement for Democracy and Human Rights (EMDHR)** hired prominent Botswana-based human rights lawyer **Dick Bayford** to represent the players. In a case that attracted international media attention, the government attempted to deport the players without affording them a hearing, despite an ongoing **United Nations** investigation against the Eritrean government on crimes against humanity.<sup>25</sup> Defence and security minister **Shaw Kgathi** indicated that the government would not assist the players since they had not followed appropriate procedures for seeking asylum in Botswana.<sup>26</sup> Kgathi said,

*"The issue is simple: they must go back to their country. You don't come here to play football, lose, then say you want political asylum... there are proper steps that should be followed if you want to be a refugee..."*<sup>27</sup>

However, Bayford managed to secure a final high court order on 16 October guaranteeing the asylum seekers an indefinite stay in Botswana.<sup>28</sup> The court order also instructs the government and security forces not to remove the Eritrean asylum seekers.<sup>29</sup> Following the court order, the government moved the players to the **Centre for Illegal Immigrants** in Francistown to await their refugee application hearing, scheduled for 11 December.<sup>30</sup> However, in a statement to the press Bayford said that suspected **Directorate of Intelligence and Security Services (DISS)** operatives clandestinely met with the asylum seekers, and made them sign a declaration dissociating themselves from their lawyers and the EMDHR, under false pretenses.<sup>31</sup> This was allegedly part of a government plan to weaken the asylum seekers' application for refugee status.

Analysts note that Botswana's government has consistently taken a hard line stance against refugees and foreign nationals in general, despite its reputation for democratic and human rights standards. In a statement, NGO **MISA Botswana** criticised the government's actions, indicating that it ought to abide by international laws and conventions governing the processing of asylum requests, such as the **African Charter on Human and People's Rights (ACHPR)**.<sup>32</sup>

*"Under Khama's government, Botswana's image as a supporter and guardian of democracy and human rights has eroded extensively... in addition to the notoriously harsh immigration policy, the government actively victimises foreigners and takes a dismissive stance against asylum seekers and refugees. The minister's unprofessional statement on national radio, coupled with the DISS' covert operation against the refugees reflects the government's low standards as far as promoting democracy and human rights is concerned. Khama frequently differs with other African leaders in order to project Botswana's image as a promoter of human rights and good governance, yet the country is fast becoming a police state. Once this image becomes widely*

<sup>21</sup> Enca Africa, 15 Oct 2015.

<sup>22</sup> Sunday Standard, 14 Oct 2015.

<sup>23</sup> Reuters, 15 Oct 2015.

<sup>24</sup> Yahoo, 15 Oct 2015.

<sup>25</sup> Yahoo, 15 Oct 2015.

<sup>26</sup> Reuters, 15 Oct 2015.

<sup>27</sup> Radio Interview, Gabz FM, 13 Oct 2015.

<sup>28</sup> The Patriot, 26 Oct, 2015

<sup>29</sup> The Patriot, 26 Oct, 2015

<sup>30</sup> Sunday Standard, 18 Oct 2015.

<sup>31</sup> Sunday Standard, 18 Oct 2015.

<sup>32</sup> The Patriot, 26 Oct 2015.

*known, the country will begin experiencing negative effects in areas such as tourism, and foreign investment”<sup>33</sup>*

### **Botswana to have \$4.5 billion fuels and power plant**

Three private companies will fund a \$4.5 billion investment facility that will establish a coal-to-liquid fuels, fertilizer, and power plant in Francistown. **United Refineries Botswana (Ltd)**, through its subsidiary, **Coal Petroleum (Pty) Ltd, Johannesburg (South Africa)-based Kumvest Ltd., and Holland and Hausberger (Pty) Ltd** will fund “**Project Tsosoloso**”.<sup>34</sup> The government is not involved in the project’s construction phases, and will only purchase its products upon completion.<sup>35</sup> Nevertheless, it remains open to the possibility of buying a stake, given the plant’s strategic importance.<sup>36</sup> The project will deliver at least 304MW of electricity to the national grid, and produce 200,000 barrels of fuel daily.<sup>37</sup> The investors also foresee the plant annually producing 300,600 tonnes of ammonium nitrate, a fertilizer used in agriculture and 15,200 tons of sulphur.<sup>38</sup>

Kumvest chairperson **Mandla Kumalo** indicated that Botswana’s legislative framework impressed the company and guarantees its viability as an investment destination.<sup>39</sup> The company provided the initial \$3m investment for the first stage of studies on the project. The three companies have since secured land for the facility, undertaken economic and technical assessments, and obtained funding for a feasibility study.<sup>40</sup> Construction will comprise three phases and is expected to finish in 2020.<sup>41</sup> Holland and Hausberger indicated that it has already shortlisted technologies and is developing a preliminary engineering design.<sup>42</sup> Holland and Hausberger chief executive officer **Brendon Hausberger** indicated that the **Chinese and American Export-Import Banks** have expressed interest in participating in the project.<sup>43</sup> The project will create over 4,000 full time, and 5,000 part-time jobs during construction.<sup>44</sup> The project site in Francistown’s **Dumela Industrial Area** is adjacent to power, water, road, rail and housing facilities that will support the construction operations.<sup>45</sup> The plant will require 4.3m tonnes of coal annually, the primary source of which will be the country’s largest coal mine, **Morupule Coal**.<sup>46</sup>

The project will provide long term solutions to Botswana’s energy shortages, since it imports 85% of its electricity supply and imports all its liquid fuels to meet the country’s annual consumption of 1.2 billion litres.<sup>47</sup> The government is also planning to award a tender for the construction of two more power generators at its **Morupule B** plant, which will generate at least 300MW and is expected to come fully online in 2016.<sup>48</sup> The plant is currently running at a third of its capacity due to technical failures since its inception in 2011.<sup>49</sup> It is also reportedly negotiating an intergovernmental renewable

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<sup>33</sup> Source, analyst

<sup>34</sup> Bloomberg Business, 28 Oct 2015.

<sup>35</sup> Bloomberg Business, 28 Oct 2015.

<sup>36</sup> Holland and Hausberger, press release, 22 Oct 2015.

<sup>37</sup> The Africa Report, 27 Oct 2015.

<sup>38</sup> The Africa Report, 27 Oct 2015.

<sup>39</sup> Bloomberg Business, 28 Oct 2015.

<sup>40</sup> Bloom Holland and Hausberger, press release, 22 Oct 2015.

<sup>41</sup> Holland and Hausberger, press release, 22 Oct 2015.

<sup>42</sup> The Africa Report, 27 Oct 2015.

<sup>43</sup> Bloomberg Business, 28 Oct 2015.

<sup>44</sup> Holland and Hausberger, press release, 22 Oct 2015.

<sup>45</sup> Holland and Hausberger, press release, 22 Oct 2015.

<sup>46</sup> Reuters, 27 Oct 2015.

<sup>47</sup> Reuters, 27 Oct 2015.

<sup>48</sup> CAJ News Africa, 26 Oct 2015.

<sup>49</sup> Bloomberg Business, 28 Oct 2015.

energy project with **Israel**.<sup>50</sup> Energy minister **Kitso Mokaila** indicated that the government is making concerted efforts to make Botswana a net exporter of electricity by 2018.<sup>51</sup>

The large-scale private investment-funded project is a vote of confidence in Botswana's viability as a business destination. It also shows its intention to provide opportunities for the exploitation of its non-diamond related minerals, in this case coal, to contribute to economic growth and development. However, the project is dependent on a fossil fuel – coal – that is also a finite resource. This limits the project's sustainability.

### Implications

The ESP will accelerate the government's economic diversification policies, since it has resorted to publicly financing economic growth. However, its effectiveness will depend on its implementation, monitoring, and evaluation. Although the ESP is consistent with the government's economic diversification policies, the public spending programme will also strategically woo voters, especially in rural areas, to vote for the BDP in the 2019 elections. Opposition parties made substantial gains in the October 2014 elections for the first time since independence in 1965 (see *ARC Briefing Botswana October 2014*).

The government's treatment of asylum seekers and refugees reflects the country's deteriorating standards of political governance and human rights promotion. The use of covert intelligence operatives also shows its determination to subvert the outcomes of a legal process. The government frequently seeks to either expel or restrict the entrance of foreign nationals into the country. This is yet to have a notable impact on tourism and external investments, despite the negative reputation Botswana has developed in recent years. On a positive note, the case highlights the courts' judicial independence, despite Khama's interference through suspending judges in September (see *ARC Briefing Botswana September 2015*).

The planned establishment of a coal to fuel, electricity and fertilizer plant will improve Botswana's energy security in the long term, and allow it to export fertilizer and coal petroleum. However, the reliance on fossil fuels is not sustainable in the long term.

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<sup>50</sup> CAJ News Africa, 26 Oct 2015.

<sup>51</sup> CAJ News Africa, 26 Oct 2015.

### About Africa Risk Consulting:

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