

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing October 2016

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#### Botswana Summary 22 October 2016

*Botswana breaks rank with leaders of other African Union (AU) member states over support for the International Criminal Court. This further alienates the government during its rotating chair of the Southern African Development Community (SADC). Botswana's opposition parties, the Umbrella for Democratic Change (UDC) and Botswana Congress Party (BCP), announce the conclusion of talks on incorporating the BCP into the UDC coalition. This strengthens the country's opposition ahead of the 2018 general elections, increasing the likelihood of a defeat for the ruling Botswana Democratic Party (BDP). The government places the country's largest copper and nickel mining company, BCL Ltd, under liquidation following poor financial performance amid weak global copper prices. Canada-based diamond miner Lucara Diamonds announces another extraordinary stone tender, in which it will auction some of its largest stones. Lucara announces further investment in mine technology that will enable it to extract more large diamonds, which have become more profitable on the global market than smaller, jewel-size stones.*

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#### Botswana's popularity hits a low point as it breaks rank with African leaders over ICC...

Botswana has maintained its support for the **International Criminal Court (ICC)**, which is an unpopular stance as other **African** leaders are contemplating severing ties with the institution (see *ARC Briefing Botswana July 2016*).<sup>1</sup> In a communiqué at the 71st session of the **United Nations**, vice president **Mokgweetsi Masisi** reaffirmed the country's stance on the ICC, indicating that the government views the court as an invaluable tool that strengthens the international criminal justice system and prevents impunity.<sup>2</sup>

The comments came as the **African Union (AU)** commissioned its open-ended committee on the ICC to develop a strategy for dealing with the court, which includes the possibility of withdrawal.<sup>3</sup> The AU established the committee in January, and it has called for immunity from prosecution for sitting heads of state and other senior officials.<sup>4</sup> **Kenya, Namibia, South Africa** and **Uganda** are amongst the AU member states that are currently lobbying for a withdrawal from the court.<sup>5</sup> South Africa submitted a formal request to withdraw from the court on 19 October.<sup>6</sup>

*"Botswana's critical stance against both AU and SADC positions has always attracted the commendation of western countries, especially the **United States**, but the issue of the ICC is slightly different from issues such as the crisis in **Zimbabwe**. The ICC's prosecution of*

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<sup>1</sup> Southern Times, 2 Oct 2016.

<sup>2</sup> Southern Times, 2 Oct 2016.

<sup>3</sup> Southern Times, 2 Oct 2016.

<sup>4</sup> Southern Times, 2 Oct 2016.

<sup>5</sup> Southern Times, 2 Oct 2016.

<sup>6</sup> Mail and Guardian, 21 Oct 2016

*leaders from African countries has created a deep sense of insecurity among the continent's leadership, since several of them have presided over controversial incidents during their tenure which could lead to possible indictments. This includes [President **Ian**] **Khama** [2008-present] himself, who stands accused of extrajudicial killings of political opponents and journalists. South Africa's withdrawal from the ICC given its global standing as the most democratic and pluralist society in Africa shows the extent to which this issue will divide both the SADC and the AU. In this case, the Botswana government's view is in the minority, because most of the leaders are tilting towards withdrawal from the ICC."*<sup>7</sup>

Khama's stand against other African leaders has been a defining feature of his foreign policy since he came to power in 2008. In 2010 Botswana defied the official AU position by indicating that it would arrest **Sudanese** president **Omar Al Bashir** (1989-present) in execution of an ICC warrant, issued in 2009, if he visited Botswana.<sup>8</sup> Botswana was also one of the first countries to end diplomatic ties with former **Libyan** leader **Muammar Gaddafi**, (1969-2011) in 2009, while the African Union was making attempts to broker an international peace agreement that would have ended Gaddafi's rule.<sup>9</sup> Botswana also condemned the Zimbabwean general election as flawed in 2013, following SADC and AU statements that described the polls as free and fair.<sup>10</sup> Recently, the government of Botswana declined to support the SADC's plans to allow Zimbabwe and **Namibia** to export their ivory stockpiles legally, arguing that this would lead to an increase in poaching (see *ARC Briefing Botswana September 2016*).<sup>11</sup>

In a sign of Botswana's waning regional popularity, several SADC leaders boycotted Botswana's 50<sup>th</sup> independence day celebrations, which Khama hosted on 30 September.<sup>12</sup> Only the presidents of **Mozambique** and **Swaziland** attended the ceremony, while Namibia sent its vice president, and **Zambia** its foreign affairs minister.<sup>13</sup> Zimbabwe president **Robert Mugabe** (1980-present) snubbed the event, despite having earlier confirmed his attendance.<sup>14</sup> In a media interview a week before the independence day celebrations, Khama had called on Mugabe to step down.<sup>15</sup> The absence of both SADC and other continental leaders from the event is a result of Khama's foreign policy. He rarely attends AU and SADC events, and has seldom held bilateral meetings with other leaders.<sup>16</sup>

### **UDC and BCP set to form electoral coalition**

Botswana's opposition parties, the **Umbrella for Democratic Change (UDC)** and **Botswana Congress Party (BCP)**, have completed negotiations for an electoral coalition, according to media reports on 17 October.<sup>17</sup> This increases the likelihood of the opposition defeating the ruling **Botswana Democratic Party (BDP)** at the polls in 2018.<sup>18</sup> The UDC represents the three largest political parties, the **Botswana National Front (BNF)**, **Botswana Movement**

<sup>7</sup> Source, analyst

<sup>8</sup> Daily Maverick, 8 Aug 2013

<sup>9</sup> Daily Maverick, 8 Aug 2013

<sup>10</sup> Daily Maverick, 8 Aug 2016.

<sup>11</sup> Reuters, 21 Sept 2016.

<sup>12</sup> The Patriot, 3 Oct 2016.

<sup>13</sup> The Patriot, 3 Oct 2016.

<sup>14</sup> The Patriot, 3 Oct 2016.

<sup>15</sup> The Independent, 30 Sept 2016.

<sup>16</sup> The Patriot, 3 Oct 2016.

<sup>17</sup> Afri Media, 18 Oct 2016.

<sup>18</sup> Afri Media, 18 Oct 2016.

for Democracy (BMD), and Botswana People's Party (BPP).<sup>19</sup> The coalition won 54% of the popular vote in the 2014 election, which became the BDP's first electoral defeat since independence in 1965.<sup>20</sup> Following the conclusion of the negotiations, the parties have appointed a task force led by advocate **Sidney Pilane** to amend the UDC's constitution so that it reflects the new party structure.<sup>21</sup> This includes a provision for two party vice presidents, an arrangement the parties will extend to government in the event of an electoral victory.<sup>22</sup>

*"The UDC and BCP's agreement is a notable milestone in Botswana's politics, since this will give the BDP a formidable electoral opponent that stands a very good chance of winning at the polls. This coalition is partly a result of president Khama's flawed politics of alienation of political opponents instead of dialogue, which caused the first split of the BDP since independence when a disgruntled faction formed the BMD in 2010. Although he will not stand for re-election in 2018, Khama leaves his successor with a party that will likely lose its fifty-year post-colonial dominance of the country's politics."<sup>23</sup>*

### Botswana puts state-owned BCL under liquidation

Mineral resources minister **Sadique Kebonang** announced on 8 October that the government would place the country's largest copper and nickel producer, **BCL Limited** under provisional liquidation because of the company's non-profitability.<sup>24</sup> Kebonang said the government can no longer afford the approximately \$750m required to sustain BCL's loss making operations.<sup>25</sup> Kebonang indicated that the declining quality of copper over the years coupled with a drop in global copper prices had led to the decision.<sup>26</sup> The government has applied to the high court to place BCL under provisional liquidation and will continue to pay the salaries of its 5,000 workers.<sup>27</sup> BCL, which the government fully owns, was established in 1956 and operates Botswana's oldest mine.<sup>28</sup>

The government had planned to privatise the company once it became profitable, but the mineral resources minister indicated that the mine has been extracting minerals at \$8 per tonne, and selling at \$4, which was a substantial loss.<sup>29</sup> The government-appointed liquidator, **Nigel Dixon-Warren** from **KPMG**, will provide the government with a report in February 2017, which will determine whether the company ought to continue operating or shut down.<sup>30</sup> The liquidation faces opposition from labour unions and opposition political parties, who accuse the government of failing to institute alternative measures to keep the mine afloat. Opposition BCP member of parliament **Dithapelo Keorapetse** said that the government's decision will not only affect the company's employees, but other companies that rely on BCL, especially for coal, such as the **Morupule Colliery** and **Botswana Power Corp.**<sup>31</sup>

<sup>19</sup> Afri Media, 18 Oct 2016.

<sup>20</sup> The Patriot, 17 Oct 2016.

<sup>21</sup> The Patriot, 17 Oct 2016.

<sup>22</sup> The Patriot, 17 Oct 2016.

<sup>23</sup> Source, analyst

<sup>24</sup> Reuters, 8 Oct 2016.

<sup>25</sup> Reuters, 8 Oct 2016.

<sup>26</sup> Reuters, 8 Oct 2016.

<sup>27</sup> Bloomberg, 8 Oct 2016.

<sup>28</sup> Bloomberg, 8 Oct 2016.

<sup>29</sup> Bloomberg, 8 Oct 2016.

<sup>30</sup> Daily News, 12 Oct 2016.

<sup>31</sup> Mmegi, 18 Oct 2016.

## Lucara announces dates for Exceptional Stone tender

Canada-based diamond mining company **Lucara** announced on 3 October the dates for its second exceptional stone tender for the year.<sup>32</sup> The tender will include at least 12 exceptional diamonds, which will have a combined weight of approximately 1,100 carats.<sup>33</sup> The company, which operates the **Karowe** mine in Botswana, has gained a global reputation for discovering large diamonds, which attract a substantially higher price than jewel-size diamonds.<sup>34</sup> The company scheduled viewings for the tender from 7-16 November.<sup>35</sup> The company also announced that it has completed the first stage of plant modifications to upgrade its large diamond recovery circuit (LDR) at Karowe mine, which will enable it to process large material.<sup>36</sup>

The company has invested in its plant, including a \$30m investment for the installation of four additional x-ray transmission (XRT) diamond recovery units at Karowe.<sup>37</sup> These will facilitate the targeting of diamonds in the 4mm to 8mm size range.<sup>38</sup> Lucara's president and CEO **William Lamb** said,

*"The Karowe mine has continued to produce large exceptional high value stones. The ongoing sale of these diamonds has solidified the company's market leadership position and brand recognition for the sale of exceptional, high quality, large diamonds. Our focus on advancing our recovery techniques, marketing strategy and the routes to market for the sale of such exceptional diamonds has resulted in the expansion of our premium customer base and is achieving maximum diamond recoveries, prices and shareholder value."*<sup>39</sup>

## Implications

Botswana's continued support of the ICC in contradiction to the AU and SADC member states, especially as it holds the rotating SADC chair, will further alienate the government from others in the region and on the continent. African leaders have concerns about the ICC's procedure and a perception about the undue targeting of incumbents or former leaders on the continent. South Africa has already begun the formal process of withdrawing from the court, which is likely to result in others following suit.

The BCP's entrance into the UDC coalition will give the opposition an electoral advantage in 2018, which is likely to see the BDP losing power. The opposition has become stronger partly because of president Ian Khama's style of governance, which has increased opposition from the country's growing civil society.

The government's decision to put BCL under provisional liquidation reflects the waning profitability of Botswana's coal, nickel and copper sectors. However, it is still possible that the government will reopen the mine at the end of the four-month liquidation period, depending on KPMG's findings. Opposition political parties and unions are likely to play a pivotal role in lobbying against the mine's complete closure. Lucara Diamonds' exceptional stones tender signals its confidence in the profitability of diamond trading, particularly in this

<sup>32</sup> Mining Weekly, 4 Oct 2016.

<sup>33</sup> Israeli Diamond Industry, 5 Oct 2016.

<sup>34</sup> Mining Weekly, 4 Oct 2016.

<sup>35</sup> Market Wired, 3 Oct 2016.

<sup>36</sup> Mining Weekly, 3 Oct 2016.

<sup>37</sup> Mining Weekly, 3 Oct 2016.

<sup>38</sup> Mining Weekly, 3 Oct 2016.

<sup>39</sup> William Lamb, quoted in Diamond World, 5 Oct 2016.

last quarter of 2016, amid projections that diamond prices will gradually recover. However, the company is focusing on larger stones, since prices for smaller, jewel-quality stones remain depressed due to global oversupply and competition from synthetic diamonds.

### About Africa Risk Consulting:

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Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

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