

AFRICA RISK CONSULTING

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Foreign minister Ponomi Venson-Moitoi will run for the position of African Union (AU) chairperson. The AU will hold elections in June in Kigali (Rwanda). President Ian Khama (2008-present) ally and Court of Appeal president Justice Ian Kirby appears in the “Panama Papers”, with evidence of offshore investments dating back to 2005. Kirby denies any wrongdoing and claims his investments were all above board. Botswana’s largest copper and nickel producer Bamangwato Concession Limited (BCL) begins extensive layoffs, due to reduced income as a result of weak global commodity prices. Kimberley Diamonds Ltd (KDL) commences operations at its Lerala mine in Botswana. KDL expects the first diamond production at the end of April and plans to begin sales in June.

Foreign affairs minister tipped for AU Chair

The Southern African Development Community (SADC) has endorsed Botswana foreign minister Dr. **Ponomi Venson-Moitoi** to run for the position of **African Union (AU) Commission** chairperson.¹ The regional organisation announced its endorsement on 31 March.² President **Ian Khama** (2008-present) nominated Venson-Moitoi as Botswana’s candidate for the post.³ The regional bloc will conduct elections for the new chairperson in **Kigali (Rwanda)** during its **27th Ordinary Session of the Assembly of Heads of State and Government** that will run from 17-18 June.⁴ The foreign ministry stated that Venson-Moitoi beat two other contenders from **South Africa** and **Malawi** to attain the nomination.⁵ She will contest the post against **Algerian** foreign minister **Ramtane Lamamra** who has twice previously served as an African Union Commissioner.⁶

Moitoi’s political career includes serving as deputy secretary general of the ruling **Botswana Democratic Party (BDP)** from 1999-2003.⁷ She has been a member of parliament (MP) since 2004 and worked in several government ministries including communications, science and technology, public works and transport, trade and industry, wildlife and tourism, and education.⁸ Moitoi obtained a Master of Science degree in Administration from the **University of Central Michigan (United States)** in 1987.⁹

The term of current AU chair **Nkosazana Dlamini-Zuma** ends in June and she will not run for a second term.¹⁰ Dlamini-Zuma, former spouse of South Africa president **Jacob Zuma**

¹ SABC News, 1 Apr 2016

² SABC News, 1 Apr 2016

³ Mmegi, 1 Apr 2016

⁴ SABC News, 1 Apr 2016

⁵ SABC News, 1 Apr 2016

⁶ SABC News, 1 Apr 2016

⁷ Mmegi, 1 Apr 2016

⁸ Mmegi, 1 Apr 2016

⁹ Mmegi, 1 Apr 2016

¹⁰ IOL, 1 Apr 2016

(2009- present) reportedly plans to return to South Africa for a possible run for the country's presidency in 2019.¹¹

Venson-Moitoi expressed optimism with the AU's mandate despite President Khama's well-known disdain (see *ARC Briefing Botswana August 2015*) for both the AU and the SADC, of which he is the current chairperson. Khama has attended no AU or UN meetings since taking office in 2008.¹² In a press statement Venson Moitoi said she had faith in the AU:

*"Indeed, Botswana believes in the instrumentality of multilateral organisations, including the AU. That is the compelling justification of our joining the membership of the **Organisation of African Union**, as it was back then, within just one month of our independence, in October 31, 1966."*¹³

Justice Ian Kirby named in Panama Papers

The president of Botswana's **Court of Appeal**, Justice **Ian Kirby**, has been named as one of the shareholders in seven **British Virgin Islands (BVI)**-registered offshore companies which **Panama-based Mossack Fonseca** helped to establish.¹⁴ The so-called "**Panama Papers**" have revealed that Kirby was involved in firms that held vast amounts of shares in the offshore companies that held properties and had interests in real estate in the **United Kingdom (UK)**.¹⁵ Kirby reportedly first appeared in the documents as a shareholder of **Bellbrook Estates Limited** in May 2005, when he was still attorney general of Botswana.¹⁶ The company's activities in the UK remain unclear.

Kirby currently retains shares in three companies that conducted real estate-related activities: **Jaye Limited**, **Beachleigh Holdings Limited**, and **Allmonde Company Limited**.¹⁷

Mossack Fonseca assisted in registering all three companies in the BVI.¹⁸ In addition, South African real estate company **Pam Golding** reportedly registered seven offshore companies registered in the BVI on Kirby's behalf.¹⁹ Pam Golding denies being involved with Justice Kirby, but stated that a **Gaborone**-based former franchisee may have participated in some of the dealings and would investigate the matter.²⁰ Justice Kirby confirmed the information contained in the leaked documentation and noted that he held investments in the companies, which acquired properties in the UK.²¹ Kirby indicated that he and his wife lost most of their investments in the offshore companies due to the global recession.²² He has also said that he will not resign over the leaks, since he has done nothing wrong.²³

Top nickel producer begins massive layoffs

Botswana's largest copper and nickel producer, **Bamangwato Concession Limited (BCL)**, has begun retrenching employees in order to cut operational costs and prevent the complete

¹¹ IOL, 1 Apr 201

¹² Mail and Guardian, 24 Aug 2015

¹³ Dr. Venson Moitoi, Press Statement

¹⁴ Enca, 6 Apr 2016

¹⁵ Enca, 6 Apr 2016

¹⁶ Enca, 6 Apr 2016

¹⁷ Sunday Standard, 11 Apr 2016

¹⁸ Sunday Standard, 11 Apr 2016

¹⁹ Business Day, 4 Apr 2016

²⁰ Business Day, 4 Apr 2016

²¹ Business Day, 4 Apr 2016

²² Enca, 6 Apr 2016

²³ GabzFM, 8 Apr 2016

collapse of the company.²⁴ The company announced plans to retrench workers on 23 March and began issuing layoff notices on 19 April.²⁵ The Botswana government is the sole owner of the company.²⁶ BCL representative **James Molosankwe** said the layoffs were one of several strategies that the company has adopted to keep the company operational.²⁷ BCL managing director **Dan Mahupela** said that nickel prices had dropped from an average \$9.20 per pound to \$4 per pound, which translated to a substantial 57% loss in value.²⁸

BCL's divisional manager for organisational capabilities, **Motsile Sibanda**, said that the company was issuing retrenchment notices to all affected workers and their representative unions, and they would stipulate the severance pay, retrenchment benefits and assistance that the company would offer to affected workers.²⁹ BCL will conduct the retrenchments on an ongoing basis until June and this will affect at least 2,000 workers.³⁰ Sibanda also noted that the company would not guarantee future reinstatement to any of the affected employees, although it committed to abide by any recall provisions of the re-deployment and retrenchment agreements.³¹

In response, the **Botswana Mine Workers Union (BMWU)** called for action against the company's management for the financial woes and consequent retrenchments.³² BMWU secretary general **Mbiganyi Ramokate** accused BCL management of using the retrenchments as a way of covering up the effects of corruption and financial mismanagement at the company.³³ **Botswana Federation of Public Sector Unions (BOFEPUSU)** secretary general **Tobokani Rari** has also urged the government to halt the retrenchments.³⁴

KDL commences operations at Lerala Mine

Australia-based Kimberley Diamonds Ltd (KDL) has commenced open pit mining operations at its **Lerala** diamond mine in Botswana, following three years of closure.³⁵ The **Australian Securities Exchange (ASX)**-listed company bought the mine from UK-based **Mantle Diamonds** in 2013 and has been conducting various fund-raising initiatives to finance the mine's reopening.³⁶ Mantle Diamonds placed the mine under care and maintenance in July 2012, citing a weak diamond market, which led to 100 workers losing their jobs.³⁷ KDL expects the first production and recovery of diamonds by the end of April, and the first diamond sales in June.³⁸

Basil Read Mining Botswana (Pty) Limited is conducting the mining operations on KDL's behalf, after winning a tender worth \$47m.³⁹ KDL awarded the tender to Basil Read

²⁴ Creamer Media, 19 Apr 2016

²⁵ engineeringnews.co.za, 23 Mar 2016 and 19 Apr 2016.

²⁶ Metal Bulletin Company Database website, www.mbdatabase.com

²⁷ Creamer Media, 19 Apr 2016

²⁸ The Voice, 22 Apr 2016

²⁹ Mining Weekly, 19 Apr 2016

³⁰ Star Africa, 19 Apr 2016

³¹ Mining Weekly, 19 Apr 2016

³² The Monitor, 18 Apr 2016

³³ The Voice, 22 Apr 2016

³⁴ Mmegi, 20 Apr 2016

³⁵ Diamond Intelligence, 12 Apr 2016

³⁶ Mmegi, 12 Apr 2016

³⁷ Mmegi, 12 Apr 2016

³⁸ Diamond Intelligence, 12 Apr 2016

³⁹ Diamond Intelligence, 12 Apr 2016

following a competitive tender process.⁴⁰ Basil Read mobilised staff and equipment to the mine in February and March.⁴¹ KDL also reported that it would complete the construction of its process plant by mid-April, with re-commissioning scheduled later in the month.⁴² Heavy rainfall had delayed construction activities at the site.⁴³ The company also indicated that other infrastructure such as the primary scrubber, the secondary crusher, the 400 tonne storage bin and the new recovery module are all structurally complete, with electrical and instrumentation work at an advanced stage.⁴⁴

The mine has an estimated 20.1 million tonnes of diamonds, at 24.2 carats per hundred tonnes that contain 4.9 million carats.⁴⁵ KDL has set a target of 360,000 carats from the mine over the next seven years.⁴⁶ It has also entered into a diamond sales agreement with **Restwell Investments** in which Restwell will acquire \$6m worth of diamonds produced at Lerala on a timetable and at a price that the parties have agreed upon.⁴⁷

Implications

Venson-Moitoi's candidacy for the African Union chairperson's post is a novel development for Botswana's regional and continental politics. President Ian Khama has a well-known dislike for the regional groups. Khama has also been critical of other African leaders, particularly **Zimbabwe** president **Robert Mugabe** (1980- present), over disputed election results and human rights abuses. This record will likely influence Venson-Moitoi's odds during the election in June 2016.

Justice Kirby's implication in the Panama Papers paints Botswana's judiciary in a negative light. Although Kirby does not appear to have committed any crimes through the offshore investments, the case tarnishes the reputation of the judiciary as well as his personal reputation. Kirby is unlikely to undergo any sanction in Botswana over the case, particularly due to his alleged close association with Khama, who has assumed control over the judiciary of late.

The government-owned BCL's retrenchments are seemingly inevitable, given the drop in global commodity prices. However, this will contribute to escalating unemployment levels in Botswana, following similar retrenchments since 2015 by other mining companies. The government will need to implement policies that will absorb some of the retrenched workers in order to avert a humanitarian crisis and political instability in a country that already faces a drought and water crisis.

KDL's investments and production targets for the Lerala mine are set against the background of the soft global diamond market. However, its purchase deal with Restwell will potentially guarantee revenue receipts for a substantial portion of the diamonds produced at the mine. KDL and Restwell are also betting against a projected global rebound of diamond (and primary commodity prices) in late 2016/2017.

⁴⁰ Mining Review, 11 Apr 2016

⁴¹ Mining Review, 11 Apr 2016

⁴² IDEX Online, 12 Apr 2016

⁴³ Mining Review, 11 Apr 2016

⁴⁴ Mining Review, 11 Apr 2016

⁴⁵ Mmegi, 12 Apr 2016

⁴⁶ Mmegi, 12 Apr 2016

⁴⁷ Mmegi, 12 Apr 2016

About Africa Risk Consulting:

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