

## AFRICA RISK CONSULTING

### Botswana Monthly Briefing January 2019

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#### Botswana Summary 19 January 2019

*Botswana's foreign ministry engages in a public spat with former president Ian Khama (2008-2018) over his criticism of United States (US) president Donald Trump (2017-present). Khama's allies within the ruling Botswana Democratic Party (BDP) launch a countrywide campaign to remove President Mokgweetsi Masisi (2018-present) as BDP president, which would make him ineligible to stand as the BDP's presidential candidate in the 2019 general election. Agents from the Directorate for Intelligence Services (DIS) arrest former DIS director and Khama's close ally, Isaac Kgosi, at Gaborone's Sir Seretse Khama International Airport, reportedly on corruption and tax evasion charges. Canada-based diamond mining company Lucara Diamond Corporation finds a 127-carat diamond, cementing its reputation for recovering high-value large diamonds.*

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#### Government and Khama feud over criticism of President Trump

Botswana's foreign affairs ministry released a statement on 29 December dissociating itself from statements by former president **Ian Khama** (2008-2018) critical of **United States (US)** president **Donald Trump** (2017-present).<sup>1</sup> The statements have exacerbated conflict between Khama and President **Mokgweetsi Masisi** (2018-present) and his administration.<sup>2</sup> Khama garnered a reputation for publicly criticising political leaders in **Africa** and beyond during his presidency, which frequently led to his breaking rank with the official positions of regional organisations such as the **Southern African Development Community (SADC)** and the **African Union (AU)**.<sup>3</sup> Unlike other African leaders, Khama consistently criticised the leadership and human rights abuses of **Zimbabwe's** former president, **Robert Mugabe** (1980-2017).<sup>4</sup>

Khama reportedly described President Trump as "*arrogant and racist*" during a meeting on 26 December with traditional chiefs, who are one of the most powerful political blocs in Botswana, in his hometown of **Serowe**.<sup>5</sup> Khama had also criticised Trump during a public lecture at **Oxford University (United Kingdom)** in October, saying, "*the immaturity of the man is unbelievable*", and describing Trump as "*the worst president America has ever had*".<sup>6</sup> The remarks prompted Botswana's foreign affairs ministry to issue a statement distancing itself from Khama's remarks. The ministry said that although Khama was entitled to his views, it disagreed with his use of a meeting with the traditional leaders to criticise a foreign leader, because this could potentially be viewed as the government's official position.<sup>7</sup> The ministry also indicated that Botswana enjoys cordial relations with the US, which are based on "*common understanding and mutual respect*".<sup>8</sup>

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<sup>1</sup> Eyewitness News, 31 Dec 2018.

<sup>2</sup> Eyewitness News, 31 Dec 2018.

<sup>3</sup> Eyewitness News, 31 Dec 2018.

<sup>4</sup> Eyewitness News, 31 Dec 2018.

<sup>5</sup> Eyewitness News, 31 Dec 2018.

<sup>6</sup> Washington Post, 30 Dec 2018.

<sup>7</sup> Washington Post, 30 Dec 2018.

<sup>8</sup> Washington Post, 30 Dec 2018.

In a statement on social media, Khama acknowledged the mandate of the ministry of international affairs and cooperation to promote and maintain good relations with other countries but denied representing the government of Botswana when he criticised President Trump:<sup>9</sup>

*“President Trump ... clearly displayed his disrespectful tendencies in the way he referred to countries in Africa... His attitude is motivated by what I have said before and I repeat again, his arrogance, intolerance, extravagance, and his allergy to telling the truth... At no time did I claim in my remarks about [President] Trump that I represented the Botswana government nor do I wish to...”<sup>10</sup>*

The spat between former president Khama and the foreign affairs ministry reflects the acrimonious relationship between Khama and President Masisi.<sup>11</sup> The foreign ministry’s claim that Khama’s statements would be misconstrued as the government’s official position is far-fetched since Khama does not hold any formal or symbolic position in government apart from being the former president.<sup>12</sup> The foreign affairs ministry’s statement can be viewed as an attempt to maintain its cordial relations with the US, which is one of Botswana’s foremost global allies.<sup>13</sup> There is little likelihood of a diplomatic fallout between Botswana and the US over Khama’s statements, since he is not an official representative of the government or the ruling **Botswana Democratic Party (BDP)**. However, the feud is likely to deepen internal tensions within the BDP, which will escalate as the 2019 general election approaches in the second half of 2019.<sup>14</sup>

### **New Jerusalem faction formally launches bid to unseat Masisi...**

Internal conflict within the ruling BDP has escalated, with the **New Jerusalem (NJ)** faction aligned to former president Ian Khama formally launching countrywide campaigns to unseat President Mokgweetsi Masisi ahead of the 2019 election.<sup>15</sup> The infighting will weaken the BDP ahead of the general election, and may allow the opposition to make substantial gains or win an outright electoral victory.<sup>16</sup> The NJ faction reportedly launched the campaigns at Khama’s official residence, **Palamaokue**, in Serowe district on 23 December in a bid to preempt plans by President Masisi’s faction to postpone the BDP’s elective congress, due to take place before the general election later in the year.<sup>17</sup>

Former foreign minister and long-serving BDP legislator **Pelonomi Venson Moitoi**, who is reportedly part of the NJ faction, has declared her candidature for the presidency of the BDP party, and will pose a formidable challenge to Masisi.<sup>18</sup> Masisi and Moitoi are long-standing political rivals, particularly since Masisi assumed office in 2018. Masisi reportedly reneged on a deal in terms of which he would appoint Moitoi as his vice president, instead choosing the current vice president, **Slumber Tsogwane**.<sup>19</sup> Other BDP leaders are also reportedly planning to challenge Masisi for the presidency and will announce their candidacies in

<sup>9</sup> Washington Post, 30 Dec 2018.

<sup>10</sup> Excerpts from former president Khama’s public statement on social media, 29 Dec 2018.

<sup>11</sup> Source, analyst, London

<sup>12</sup> Source, analyst, London

<sup>13</sup> Source, analyst, London

<sup>14</sup> Source, analyst, London

<sup>15</sup> The Patriot, 17 Jan 2019.

<sup>16</sup> The Patriot, 17 Jan 2019.

<sup>17</sup> The Patriot, 17 Jan 2019.

<sup>18</sup> The Patriot, 17 Jan 2019.

<sup>19</sup> The Southern Times, 28 Dec 2018.

advance of the party's congress.<sup>20</sup> This includes the current presidential affairs minister, **Nonfo Molefhi**.<sup>21</sup>

The NJ faction is reportedly implementing a multi-pronged strategy against Masisi, which will include collaborating with private media outlets to propagate anti-Masisi reportage and aligning with the opposition in parliament to pass a vote of no confidence in Masisi.<sup>22</sup> Apart from personal differences between Masisi and Khama, the BDP's internal conflict emanates from the factions' collective stakes, and access to opportunities and financial gain associated with incumbency.<sup>23</sup> The internal conflict will substantially weaken the ruling party, which makes an opposition majority or presidency increasingly likely after the 2019 general election.<sup>24</sup>

### ... as DIS arrests Khama's top ally, Isaac Kgosi

Agents from the **Directorate for Intelligence Services (DIS)** arrested former DIS director and Khama ally **Isaac Kgosi** on 15 January on suspicions of corruption and tax evasion.<sup>25</sup> Kgosi's arrest will increase tensions between President Mokgweetsi Masisi and former president Ian Khama, and further deepen divisions within the ruling BDP.<sup>26</sup> DIS agents led by the current director, **General Peter Magosi**, arrested Kgosi at the **Sir Seretse Khama International Airport** in **Gaborone** shortly after his arrival from holiday destinations in **Asia** and the **Middle East**.<sup>27</sup> Kgosi responded angrily to his arrest because the DIS conducted it publicly and in the presence of invited media personnel.<sup>28</sup> During his arrest, Kgosi reportedly threatened to topple President Masisi's government.<sup>29</sup> The DIS subsequently raided Kgosi's house on 16 January, and other properties that he is associated with in Botswana.<sup>30</sup> Magosi indicated that the DIS would keep Kgosi in custody while investigations continue. The DIS is yet to formally charge Kgosi.<sup>31</sup>

The **Botswana Unified Revenue Services (BURS)** has also been conducting a lifestyle audit against Kgosi, and investigating some of his close associates for evidence of corrupt practices that Kgosi may have conducted during his tenure as the DIS director.<sup>32</sup> This includes allegations that he fraudulently provided a \$9.5m tender to a UK-registered company, **AfricIntel**, for training services for DIS personnel in 2010.<sup>33</sup> The investigations include Kgosi's alleged ownership of shares in several companies listed on the **Botswana Stock Exchange (BSE)**, which are **Letshego Holdings Limited**, **Sefalana Holdings Company**, and the **Botswana Telecommunications Corporation (BTC)**.<sup>34</sup> BURS is also investigating Kgosi's alleged fraudulent transactions with state-owned corporations, which include the **Botswana Housing Corporation (BHC)**, **Botswana Power Corporation (BPC)**, **Botswana**

<sup>20</sup> The Southern Times, 28 Dec 2018.

<sup>21</sup> The Southern Times, 28 Dec 2018.

<sup>22</sup> The Southern Times, 28 Dec 2018.

<sup>23</sup> Source, analyst, London

<sup>24</sup> Source, analyst, London

<sup>25</sup> Mail and Guardian, 18 Jan 2019.

<sup>26</sup> Mail and Guardian, 18 Jan 2019.

<sup>27</sup> Mail and Guardian, 18 Jan 2019.

<sup>28</sup> Mail and Guardian, 18 Jan 2019.

<sup>29</sup> Mail and Guardian, 18 Jan 2019.

<sup>30</sup> Mail and Guardian, 18 Jan 2019.

<sup>31</sup> Mail and Guardian, 18 Jan 2019.

<sup>32</sup> Sunday Standard, 13 Jan 2019.

<sup>33</sup> Sunday Standard, 13 Jan 2019.

<sup>34</sup> Sunday Standard, 13 Jan 2019.

**Telecommunications Corporation (BTC)**, and the government's diamond mining joint venture with **South Africa**-based diamond company, **De Beers' Debswana Diamond Company Ltd.**<sup>35</sup>

Khama created the DIS in 2008 shortly after he assumed office, albeit with strong opposition from legislators within both the ruling BDP and opposition parties.<sup>36</sup> Kgosi was Khama's private secretary at the time, and as the DIS director, he became one of the most powerful people in Botswana.<sup>37</sup> Kgosi faced several corruption allegations during his time in office, but avoided criminal prosecution because of his close relationship with Khama.<sup>38</sup> Although the allegations are long-standing, Kgosi's arrest will intensify political tensions between former president Khama and President Masisi.<sup>39</sup> Khama and his supporters within the BDP will see the arrest as an attack against their faction.<sup>40</sup> The anticipated escalation of tensions will spill over into campaigns in advance of the 2019 election, particularly when the BDP begins its internal process for selecting candidates.<sup>41</sup>

### Lucara unearths 127-carat diamond in Botswana

**Canada**-based diamond mining company **Lucara Diamond Corporation** announced on 10 January that it had recovered a 127-carat diamond from its **Karowe** diamond mine in Botswana.<sup>42</sup> The discovery reaffirms the Karowe mine as a high-value resource for Lucara and provides a boost to Botswana's diamond mining sector, which is its largest economic sector.<sup>43</sup> The discovery strengthens Lucara's reputation for recovering large diamonds, which hold more value than smaller, jewel quality diamonds, which currently have a global glut and face competition from the synthetic diamond market.<sup>44</sup>

*"The recovery of the latest, high value, top white 127 carat diamond attests to the remarkable nature of the Karowe ore body, which has consistently delivered large, high value diamonds throughout its history."*<sup>45</sup>

Lucara began mining operations at the Karowe mine in 2012, and has recovered 129 diamonds that are over 100 carats in size.<sup>46</sup> The diamonds have earned Lucara substantial revenue. The company has sold 180 diamonds worth over \$1m each, and 10 diamonds worth over \$10m each.<sup>47</sup> Lucara discovered the largest diamond ever to be mined in Botswana, the 1,111-carat "**Lesedi La Rona**" (Our Light) in November 2015, which became the second largest diamond discovered in a century.<sup>48</sup>

Lucara is planning to expand underground mining at the Karowe site, which will expand the mine's life to 2036.<sup>49</sup>

<sup>35</sup> Sunday Standard, 13 Jan 2019.

<sup>36</sup> Mail and Guardian, 18 Jan 2019.

<sup>37</sup> Mail and Guardian, 18 Jan 2019.

<sup>38</sup> Source, analyst, London

<sup>39</sup> Source, analyst, London

<sup>40</sup> Source, analyst, London

<sup>41</sup> Source, analyst, London

<sup>42</sup> Mining Weekly, 11 Jan 2019.

<sup>43</sup> Mining Weekly, 11 Jan 2019.

<sup>44</sup> Mining Weekly, 11 Jan 2019.

<sup>45</sup> Lucara Diamond Corporation chief executive officer, Eira Thomas, quoted in Resource World, 10 Jan 2019.

<sup>46</sup> Resource World, 10 Jan 2019.

<sup>47</sup> Resource World, 10 Jan 2019.

<sup>48</sup> Resource World, 10 Jan 2019.

<sup>49</sup> Mining Weekly, 11 Jan 2019.

*"In 2019, mining will be largely focused on the high value south lobe, including contributions from the newly refined EMPKS unit, which is now understood to be the source of both the historic Lesedi La Rona and the Constellation diamonds."*<sup>50</sup>

Lucara's investment into recovering large diamonds will sustain the profitability of Botswana's diamond industry, which faces possible decline from reduced global diamond prices and a glut that began in 2014.<sup>51</sup> Some investors and collectors prefer to buy large diamonds, because they hold more long-term value.<sup>52</sup> However, Botswana still needs to diversify from diamonds, given the volatility of global primary commodity prices.<sup>53</sup> Diamonds are a luxury primary commodity, and thus vulnerable to recessions and economic downturns in major markets, especially the US and **China**.<sup>54</sup>

### Planner

21 May 2019 (**Botswana**) Mining Investment Conference and Exhibition;  
 10 Jun 2019 (**Botswana**) Botswana Resource Sector Conference  
 October 2019 (**Botswana**) Scheduled general elections;  
 10 Sept 2019. (**Botswana**) Electra Mining Botswana event;

### Chronology

18 Jan 2019. **Gaborone (Botswana)** *Mail & Guardian*. Agents from the **Directorate for Intelligence Services (DIS)** arrest and detain former DIS director **Isaac Kgosi** on suspicions of tax evasion and corruption;

15 Jan 2019 **London (United Kingdom)** *Morning Star*. **Australia-based Tlou Energy** announces that it has resumed drilling at its **Lesedi** coal bed methane project in **Botswana**;

13 Jan 2019. **Gaborone (Botswana)** *Sunday Standard*. The **Botswana Unified Revenue Services (BURS)** conducts a lifestyle audit on former **Directorate for Intelligence Services (DIS)** director **Isaac Kgosi**;

13 Jan 2019. **Gaborone (Botswana)** *Sunday Standard*. The **United States (US)** government's **Integrated Country Strategy (ICS)** report on Botswana indicates that political and economic conditions are likely to deteriorate in 2019, with the ruling **Botswana Democratic Party (BDP)** facing possible electoral defeat in the general election;

13 Jan 2019. **Gaborone (Botswana)** *Sunday Standard*. President **Mokgweetsi Masisi's** security detail will reportedly receive an overhaul because of an anticipated increase in threats to his personal security;

11 Jan 2019. **Gaborone (Botswana)** *Mining Weekly*. **Canada-based mining company Lucara Diamond Corporation** recovers 127-carat diamond from its **Karowe** mine in Botswana;

11 Jan 2019. **Gaborone (Botswana)** *Political Analysis South Africa*. **Statistics Botswana**

<sup>50</sup> Lucara Diamond Corporation chief executive officer, Eira Thomas, quoted in Resource World, 10 Jan 2019.

<sup>51</sup> Source, analyst, London

<sup>52</sup> Source, analyst, London

<sup>53</sup> Source, analyst, London

<sup>54</sup> Source, analyst, London

reveals that the country's economy grew by 4.2% in the third quarter of 2018, higher than the 3.5% that it recorded in the same period;

11 Jan 2019. **Gaborone (Botswana)** *Sowetan*. **Botswana's** agricultural development and food security ministry imposes restrictions on animal meat products from **South Africa** over fears of foot and mouth outbreaks, which would threaten its beef exports;

30 Dec 2018. **Gaborone (Botswana)** *Washington Post*. Botswana's foreign affairs ministry criticises former president **Ian Khama's** statements criticising **United States (US)** President **Donald Trump**;

28 Dec 2018. **Gaborone (Botswana)** *The Southern Times*. President **Mokgweetsi Masisi** faces several challengers to his presidency of the ruling **Botswana Democratic Party (BDP)** in the party's electoral congress, whose date is still pending announcement;

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