



CENTER FOR GLOBAL DEVELOPMENT

Presents

Diamonds and Development: The Botswana Story

By

President Festus Mogae

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Nancy Birdsall: Thank you very much for sitting down. I'm Nancy Birdsall, the president of the Center for Global Development and I'm extremely pleased to have today the honor of introducing President Mogae of Botswana. The president has just shared some initial thoughts with us on a number of issues that I know he'll touch on in his remarks but what I think is most important and interesting as deep background is the leadership he has taken of a country he is proud to call the oldest multi-party democracy in Africa. Botswana is an extraordinary in many respects mostly positive, a few challenges. I'm sure that that is what he will talk about.

The president became president in 2002 prior to that he was the vice president and advisor to the – his own president in the earlier years. We're happy to report that he also spent time at Oxford which in the college – which was the college attended by the chairman of our board, Mr. Edward Scott. I don't want to do more in terms of introducing the president you can see I think already, Mr. President, you have an audience here that is eager to hear from you, friendly in many respects to your country and to your continent and we're honored to have this opportunity for – to hear from you.

President Mogae: Madame Moderator, Nancy Birdsall, president of the Center for Global Development, honorable ministers from Botswana, staff for the Center for Global Development, friends and friends to be, distinguished guests, ladies and gentlemen, I am pleased to address you on Botswana's development experience and natural resources management. I am even more pleased that this affords me the opportunity to establish a working relationship with the Center for Global Development. I think that on global issues for which I am sure – from which I am sure my delegation and I will learn a great deal. I will illustrate briefly what Botswana has achieved in her short history.

Between independence in 1966 and 2005, real gross domestic product grew an average by more than 7 percent per annum. GDP per capita by 2005 was over \$4,000.00 U.S. dollars. The national budget has grown from under \$3 million in 1966 to \$4 billion in 2006. Exports have also grown from around \$2 million to over \$2.5 billion by 2005. Formal sector employment has risen from around 13,800 to close to 300,000 last year. Life expectancy at birth rose from 48 years in 1966 to 65.3 years in 1991 before declining to 55.6 years in 2001 partly as a result of the HIV/AIDS pandemic. Primary school enrollment rose from 66,100 in 1966 to 327,600 last year. Access to health, education, transport, telecommunications and other services have improved dramatically.

The Botswana economy which is premised on free market principals has undergone a significant transformation since independence. Agriculture accounted for 40 percent of GDP in 1966. It now accounts for less than 3 percent. Mining at over 33 percent is now the latest contributor to gross domestic product. The Botswana economy is very open with exports plus imports constituting over 80 percent of gross domestic product. At independence exports primarily consisted of beef but diamond exports accounted for over 80 percent of total exports in 2005. Mineral revenues account for 47 percent of a total government labor use in 2006. Then of course, the in data multiply effects of mining on the economy is significantly much more than these figures suggest as mineral revenues are used to develop other sectors of the economy such as education and health. Botswana graduated from the list of 24 least developed countries in 1992. As a further attestation of the progress Botswana has made, Standard and Pours, a modest investor service have both assigned Botswana

investment grades, sovereign grade ratings from 2001 to date; in fact, the highest ratings in Africa.

Madame Moderator, distinguished guests, ladies and gentlemen; Botswana's economic success is in a large measure attributed to the exportation of natural resources, more especially diamonds. The basic tenant of our development philosophy has been to optimize the benefits of revenues from natural resources by reinvesting them into developing further productive capacity of the economy such as education and training, health, infrastructure, and others. The vesting of mineral rights in the state is the foundation on which development of minerals has been premised. This has allowed the government to equitably spread services and development across the country. I must here point out that this is not an antithesis of free market policies but a recognition of the development imperatives that we face as a small developing nation.

In reality, diamonds have been developed and marketed in closed partnership with the private sector. Our strategy therefore is to upgrade and manage the mining activities of free market principals but with significant public ownership. My country Botswana is essentially a development state that subscribes and upholds the values of democracy, transparency, freedom of speech, and naturalization which are the hallmarks of good governance. **** so free and fair elections since 1966 have ensured enduring social harmony as well as political stability, peace and tranquility. Education followed by health has remained the largest recipients of public expenditure consistently accounting for over half of the total budget.

While natural resource wealth has been a source of broad-based economic progress to the vast majority of our nationals notwithstanding that economic development literature seems to indicate that natural resources have often been the case, the so-called resource curse rather than a blessing to a country particularly on the African continent. This is mainly because the processes by which they are exploited can fuel ransacking behavior that is often a benefit to only an elite few who have either operating licenses or own the land on which the natural resources are found. Here I wish to reiterate that it has been our policy that all mineral rights in Botswana are vested in the state irrespective of who owns the land on which such minerals are found.

Similarly, government is the custodian of our wide life resources. This ensures that all our citizens have a common stake and enjoy unqualified benefits from all of our natural resources. You will also be aware that in some countries civil laws have erupted over the control of natural resources. In my view this is mainly because those who thought control feel that they will be denied fair and equitable access to the benefits arising from the resources. Admittedly, sometimes the fight over resources is fueled by insatiable greed and lust for personal wealth which is then used to buy political power. Conflicts have arisen in some countries over diamonds, the so-called conflict diamonds. Botswana upholds such a development as a consequence of which we subscribe and adhere to the values and principals enshrined in the UK led expective investors transparency initiative.

In addition, Botswana is a founder member of the Kimberly Process which was established in 2003 following a resolution of the United Nations. The Kimberly Process' main objective is to ensure the transparent use of diamonds as well as to set up clear mechanisms for monetary compliance and accountability. As I speak, the Kimberly Process is rectified by 70 countries including the United States, China, Japan, the EU, that is European Union, India, Israel, South Africa and Botswana of course. This collaborative sell regulatory partnership has

allowed diamond producers to work with governments and non-governmental organizations to successfully stem the flow of conflict diamonds from the market. These have been brought down to less than 1 percent of global diamond trade.

It must be admitted, however, that this is an evolving situation. We will be meeting later this month to evaluate the processes and taste – uh- any weaknesses to try to strengthen the mechanisms for monitoring. Rough diamonds are mined by companies in conflict free zones are sealed in tamper resistant containers with a fully resistant sophisticate attesting to their status. This prevents conflict diamonds from entering the global diamond supply chain and helps to ensure that the revenue is channeled through governments. It is now estimated that about 99 percent of global diamonds are certified to be from conflict free sources. It is ironic that diamonds, a longstanding symbol of true love and affection have been used by some devious people for uses other than love and affection.

It is even more distressing that notwithstanding that the Kimberly Progress or Process rather has brought down conflict diamonds in global – in the global diamond trade, the marketing of legitimate diamonds continues to be threatened by the unfortunate reality – by this unfortunate reality – the reality of an insignificant percentage of the diamond being from conflict areas. However, I take due cognizance of the fact that even the relatively insignificant proportion of conflict diamond trade is causing untold misery, hardship, pain and suffering to many innocent people. This must be totally stemmed out in my view, which view is shared by many – one conflict diamond is one too many.

Fortunately, even at the level of jewelry retailers, it is possible to get warranties certifying the diamonds being sold are from sources free of conflict. Gem diamonds of which Botswana is a significant producer are luxury goods that are consumed mainly in developed economies. Botswana is the largest diamond producer by volume accounting for 27 percent of the global output. We attach the greatest importance to trade in clean diamonds and are committed to working with international community and 30 NGOs, multi-lateral development institutions, diamond producing retailers as well as governments to eliminate conflict diamonds from the market place.

Diamonds are the bedrock on which Botswana's economy rests. We fully realize that our economy must quickly reduce its dependence on this depletable resource. The creation of stable economic opportunities by exploiting to the full both renewable and nonrenewable resources as was as diversifying the economy. A key anchor of our development strategy, tourism, which is based on our pristine and unspoiled natural beauty and wildlife, is increasingly contributing a significant share of GDP as well as total employment. Environmental conservation is a key focus of our development strategy. The challenges of employment generation, poverty reduction, and continued improvement in living standards cannot be achieved without the positive contribution of our natural resources endowment. In this regard we have put high priority to promote to export promotion, the diversification of our tourism product and protection of foreign data investment.

Botswana also firmly believes in regional integration and cooperation and is an active participant in the Southern African Development Community (SADC), the African union (AU), and initiatives such as the New Partnership for Africa's Development (NPAD). The collaborative use of natural resources such as water and energy can enlist development of landscape projects which are not viable when based on small domestic markets of individual countries such as ours. Similarly, in health, education, and research, joint projects can be

undertaken for the collective good of the people of the region. While Botswana has made commendable development strides, many challenges were made such as property deduction, employment generation, the fight against HIV Aids pandemic, and extending the coverage of social services as well as physical and social infrastructure.

In Botswana, the exploitation of our natural resources is a key determinant of the impact we are likely to make on the lives of our people. Diamonds in particular are synonymous with development. As I have said before, natural resources need not be a curse. If anything, the curse is those leaders and their henchmen and women who I trust are few or at least a dying species who misuse natural resources for their own selfish and unjust ends. Botswana stands ready to work closely with international community and other stakeholders to preserve the integrity as well as the free and transparent trade in natural resources. As I have already pointed out to you, Botswana is particularly dependent on diamonds and shall remain so until economic diversification takes root.

Madame Moderator, distinguished guests, ladies and gentlemen, I have given you the gist of Botswana's development experience, economic strategy, economic prospects, as well as natural resources management framework. My delegation and I stand ready to provide further elaboration of any aspect of our economic development policy and programs. I thank you for your kind attention. Madam, I thank you. I am willing to take questions.

Nancy Birdsall: Well thank you very much Mr. President. Um – you packed a lot into a wonderful presentation very efficiently. We like that, we economists especially. Let me kick off the discussion by asking you to elaborate on this – I think it is almost unique in the developing world, the approach you have taken to the distribution of benefits from the diamond industry and possibly from others of your mineral resources and I am thinking of – and I am not sure many people in the audience may be more familiar with other parts of the world than with Botswana.

For example, today in Latin America there is a controversy going on that you may be aware of in Bolivia where the government is interesting in altering the – the nature of the deal over the rights to oil proceeds in which the new government wants to have in effect a larger portion of the profits or the net income accruing to the government, presumably and therefore to the people of Bolivia. So what I think would be very interesting for us is if you could elaborate a little bit on the nature of the diamond industry in Botswana. There is presumably one, but I am not even sure, one or two major producers with which you work, and the way over time the relationship between the industry and the government has evolved. It appears to be an unusually happy marriage, let's say between the private sector and the public sector and I think it is an opportunity for us to learn what might make the happier marriage in other developing countries.

President Mogae: Well, thank you very much Madame Moderator. What happened in the case of Botswana, then as now, we believe in private sector development. What happened was that **** discovered the minerals and we had an agreement that they would have accelerated write off for their – until their investment was recovered and that when it will have been recovered we shall then negotiate – um – a new regime. We also undertook that we would not discriminate against them so far as taxation is concerned so that is what happened. We renegotiated and the arrangement is basically that they pay a royalty which is about 15 percent, they then pay whatever is the going –

Next Speaker: Tax – uh –

Next Speaker: Corporation tax –

Next Speaker: Uh hum.

President Mogae: But in 1980 we then used some of our revenues to buy shares in the – in the company so we basically established a joint venture. This was an occasion when a new, in fact, largest mine had been discovered. We agreed that we would finance the new expansion jointly so as a result of that arrangement we get revenues in three forms –

We get royalty, then we get taxes, then, of course, we get dividends, but as I say, all minerals are vested in the state. This was a decision that was made before any mining activities started so it has never been an issue. Had we tried to do that afterwards when mining was taking place, and when maybe some district was **** prosperous and other people making agreements **** with themselves, you bet there would have been problems and so – the other thing is that DBS is a diamond company. It is dependent for its existence, its wealth, its being on diamonds. Botswana is a diamond dependent country so we realize we need these gems.

I think it is the basis of – of that realization is the basis of our mutual – uh – partnership – uh – what is good for DBS at least as far as diamonds is concerned, is assumed to be also good for us and vice versa. Basically, we – we have mining in other areas. We have attracted mining investment from Australia and Canada – uh – so we have a gold mine, we have – uh – a corporate nickel mine, and we have a nickel mine. We also have – um – another expective industry whereby we extract mine carbonate of sodium and sodium chloride from mine deposits – uh – so there again, the – the tax regime again is that they pay a royalty and – and they pay a standard tax. Where special incentives are called for we grant tax holidays which we call Development Approval Ordinance.

Nancy Birdsall: Very good. Thank you very much. So it is easier if you start right.

President Mogae: Yes.

Nancy Birdsall: Let me ask one more question and then we will turn to the audience for their questions and comments and that has to do with your being – with your very fine team of colleagues here in Washington. We are here in Washington all the time and it would be very useful and interesting for me and my colleagues and many others who are here, I suspect, to – for you to give us your wish list, let's say, for what you would like to see happen be it in the U.S. government on the hill, in the administration, with USA I.D., with mining challenge account, with any of the various players on the AGOA issue and if there is anything you would like to see happen with some of our other institutions, the World Bank, the International Monetary Fund, for example. Do you have messages you would like to convey that we could continue to convey in the spirit of supporting what is, as I said, and extraordinary country with extraordinary success on so many of the characteristics that in Washington are often emphasized, democracy, open transparency, open market, and so on.

President Mogae: Well, the position is at present, we are not eligible for any congressional assistance, and the World Bank we were kicked out of, I think, in 1930 – uh – 1976. The only grudge we have against World Bank and the IMF is that as the country is mostly affected by HIV/AIDS and we reported ourselves to the UN and to them and internationally, then they – they organized a conference where we made a presentation on the problem then Wolfensohn, not Wolfensohn, not the present man, the Australian gentleman –

Nancy Birdsall: Wolfensohn, yes.

President Mogae: Wolfensohn, promised to create a special – uh – facility in the bank. We assumed that since we were the country that – uh – was used as justification for – since we were the country whose plight was used for creating that special facility that we would be eligible for concessional access to that facility but when we tried to borrow from it they said, oh by the way, you don't qualify for concessional requirements because of your per capita income. It may be water under the bridge but we are still angry with them for that. Otherwise, well, we don't have too much quarrel with them or any of the institutions. We – we collaborate with them. We – we listen to their advice to a lesser or greater extent – uh – fortunately, they are not in a position to impose too much of their will on us.

Nancy Birdsall: Well that is the trade off, not getting the concessional –

President Mogae: Right. Yes.

Nancy Birdsall: Thing. You are not usually allowed to have your cake and eat it too.

President Mogae : Yes. Uh – but, we are friends. We – we – with them. With the U.S. government, the same, we are friends – we are great friends but we suffer. We are friends especially with the administration, with **** administration and the Bush administration – uh – we have a little more difficulty on the hill on this per capita criteria because for instance, we didn't qualify for AGOA – uh – on the grounds that our per capita income was high and we have to negotiate – and negotiate and lobby on the hill for a long time and it is only about two years ago that we became eligible, too late in the day when many other countries – African countries have benefited from that concessional arrangement – uh – AGOA, which is concessional access to the U.S. market. Of course, we support AGOA very much whether we qualify or not.

We – we want to say that is the one singularly important act of the U.S. in the last 20 years that has really benefited Southern Africa immensely. It is only a pity that we were unfortunately not to be included. So we are still lobbying to continue to be included. The other one is the Millennium Development Challenge account, again we were excluded on per capita grounds and we are dealing with the administration and everybody else that we meet all the criteria set except the per capita income one and – uh – and so we are lobbying our friends and everybody. We are not lobbying on the hill yet because the honorable senators and congressmen are busy with the elections, but when they shall have come back to the hill we intend to go ahead and lobby and lobby and lobby and argue.

On this end we are mobilizing all our friends such as you to support us in our writings and talk that we should because we have the special problem of being a landlocked country, semi arid country, a country seriously affected by HIV/AIDS and that those are special reasons for which we should qualify for concessional assistance in some areas such as the Millennium

Development Challenge account and such as AGOA, access to the U.S. market. In the Southern African Development Committee, we are in the process of establishing a free trade area and then **** as far as the land in ****, have had to give unilateral concession to the other members of SADC whereby we have abolished – they have total free access into our markets, but they have been allowed to take up to 2008 to gradually reduce the tariff's against us and ultimately eliminate them by the end of 2008 and we think that the U.S. and – and Western Europe, North America, especially the United States and Western Europe, can afford to do that with respect to us to developing countries in general but particularly Southern Africa including Botswana and the smaller island states of the Caribbean instead of saying that okay, they will only do that to the poorest of the poor in Africa. So that is what we wish could happen.

Nancy Birdsall: Well that is certainly a good agenda. I think it is very interesting that you are not the first – uh – first head of state or ambassador or finance minister from Africa that has emphasized how important the trade issue is.

President Mogae: Yes.

Nancy Birdsall: And how important AGOA has been and can be. Okay, let's turn to – uh – all of you for – if you would please identify yourself – uh –

Next Speaker: Charles Johnson. I was the – uh – senior economic advisor to the Minister of Mineral Resources and Water Affairs and I sat at the table with you, Your Excellency, and it was between 1976 and 1979 during negotiations as I was on the negotiating team for the renegotiation of ARAPA and the **** agreement and I very much appreciated – uh – having the expertise- your expertise at the table. I wanted to add something to what you said that the success of Botswana is attributable to the exploration of your natural resources.

I worked in 42 countries so far, including the United States, and I found many countries that have very rich natural resources, but I found none that were able to develop them in the way that you have succeeded and so I would add to that that the critical variable not being the natural resources, but a very honest government and the ability to continually put together the strongest negotiating teams that I have seen in my work in 42 countries that could match the expertise of the foreign investors so that Botswana got the best deals that were possible in the mineral sector.

And the last point that I would bring up and I would refer to – uh – His Excellency Mogae who was president when we were doing the negotiations, once after a very difficult day of negotiations we had met the – His Excellency, the president, and we were talking about our options in negotiations and this did not have to do with diamonds I just want to let you know, and what the president said was something very wise to us. He said to make sure we don't end up running the mines. And this is something I have seen in many countries where the governments think they can do it better than the private sector and have taken over the mines. Botswana has always resisted that and negotiated really tough agreements, but then let the power of the private sector work and I think those are three factors that have led to Botswana being one of the most successful countries in the world. Thank you.

Next Speaker: Thank you very much. Uh – do you want to comment on –

Next Speaker: Yes, on it all. I didn't know you were in the audience.

Next Speaker: Um – my name is Tony Carroll and I am with Company Management Trade and had the honor of being a Peace Corp volunteer in Botswana when I was a much younger man I am part of a working group that looked at Nigeria and the oil wealth and distribution of oil wealth and Nigeria is still driven by regionalism and factualism with regard to the distribution of its oil wealth and Botswana has never been driven with such issues. I – I would like to attribute it to good governance – uh – to open participatory democracy and to perhaps less of the – of the – uh – you know, ethnicity that seems to drive some of the issues in Nigeria.

Uh – has this been a since I have never been in cabinet meetings and I don't understand, you know, I have never been privy to the discussions between the people in **** versus **** about the distribution of revenues to – on a regional level. Has that ever been a factor in Botswana in the development planning process? Have you looked at trying to find ways of providing more money to where the mines, or to where the diamonds are mined or do you just look at it as sort of a total undivided sort of slate as it were?

President Mogae: We have always looked at the country as a unit and – uh – we – we have – uh – blended machinery whereby we blend the – the development of the country and the level of the public service who determine – uh – the criteria for – for – for development priorities and we have benefited tremendously from advice from – from abroad such as Mr. Charles Johnson. In his case, it was negotiations with – with DBS and others but our planning teams of officials – um – who always have benefited from advice from – from outside the country – um – have always been the people who actually determine the distribution of resources in terms of – of priorities of development – uh – and so the question of distribution between the districts has never been an issue. The criticism is always people – people criticize the central government for giving them not enough. We – we have been fortunate that up to now nobody has said you are giving – we have given so and so more than you have given us. They always say you promise to give us more, why are you giving us less.

Nancy Birdsall: Uh – it occurred – I mean, there is one theory about diamonds being different from oil because of the recovery period after the initial investment is longer so that the – uh – say that in this case it would be DeBeers has a greater interest in a good relationship, it's investment is fixed, it needs to have good labor relations and so on. Perhaps compared to the situation with certain other natural resources, this is just a theory, I don't know if you want to comment on it. Maybe – what was the recovery period for that early – on the early deal where I suppose the producer or the private company, if it was DeBeers, took – took more of the net income along – until it had recovered its initial investment if I understood what you said, Mr. President.

President Mogae: I suppose that would depend on the individual – what is the function of the individual project. In our case, DeBeers – um – asserted that they would recover their investment in seven years. They did so in 18 months and that is why we hired the likes of Charles Johnson – and others from all sources to – to start negotiating a new packaged deal because along that time we said they were no longer a priority industry. So there it is. They recovered their investment in three years.

Nancy Birdsall: Well you had – you had good insight –

Next Speaker: In 18 months –

Next Speaker: To know that –

Next Speaker: Instead of the seven years they had predicted.

Next Speaker: Right. To – to have that information, I mean, this is – it is a cruel world out there with many rats and snakes so –

Next Speaker: Right.

Next Speaker: You must have had good people and good advisors who realized that they – uh – had recovered their investment in so short a period –

Next Speaker: Yes.

Next Speaker: Because it is obviously possible to – um – to cook the books a little bit. Uh – let me ask – uh – Dennis de Tray –

Next Speaker: Um – Dennis Tretray with the Center for Global Development.

Mr. President as I listened to you and Nancy discuss the – the basis for Botswana's success in the management of diamonds, you stressed two points. The first is that all natural resources in Botswana are vested in the state and second that you that after the cost recovery period for the original investment in the mines you renegotiated. Nancy said you got it right to start with. Virtually every resource company started that way. The natural resources are vested in the state and at some point they try to renegotiate their agreement with private sector actors who are taking resources out.

I have two questions and – and if you look at the other 44 countries that Mr. Johnson worked in, they didn't do so well as you did. So I have two questions. One is what is it about Botswana that gave credibility to the commitments you were making early on to, I guess, DeBeers that – that would give them confidence that they were going to put this major investment down and that you were going to stick to the rules of the game? And second, how were you able to negotiate after the cost recovery period in a way that didn't lead to a very contentious and difficult process which is, for example, taking place in Kazakhstan right now with the oil majors over the distribution of the oil grants? Thank you.

President Mogae: Well I think in our case it was agreed – it was mutually agreed that we would renegotiate after the – the recovery and they made that recovery, they were aware that we were anxious to retain them out of the realization that they had the capital know how and the – and the finance. And so when we negotiated, it wasn't such a surprise, it was something that that had been anticipated. It was not changing the rules. Nevertheless, negotiations became tough. Fortunately, um – it was over what would be a fair distribution of benefits between us and them.

As I say, there was a mutual realization that we are dependent on each other. They are a diamond company, we are a country dependent on diamonds. But the negotiations were tough but we also realized that we – we were aware of our limited technical competence. That is why we set up teams with advisors from abroad, from this country, and through the – through the World Bank, from the Canadians, from the Commonwealth and Development

Corporation so it is our people and – and three or four advisors from outside so they couldn't say we are being emotional or – or ignorant. We were aware that we were not as knowledgeable as they were and so we were able to do it that way. I – I forget the first part of your question.

Next Speaker: How did you generate ****

President Mogae: I think at that time in the 1960s we as African government had not lost the credibility that we seem to have now list. People did trust. There was a lot of sympathy when we gained our independence and we were very much a very idealistic, most of us and so I think companies trusted us and most people, including the advisors we hired were really sympathetic with our cause and certainly in our case, DeBeers couldn't say that we were being unfair because we were using sound logic from – not only from our wishes but also from the advice of our advisors.

Nancy Birdsall: I suppose the other direction of credibility that they could have confidence in at least in particularly –

President Mogae: But now we have taken a correct course –

Nancy Birdsall: Right.

President Mogae: Because you were asking about at the beginning how could they trust us. Apparently they should because we have stood by – we have negotiated now several times, but we have always been as good as our word.

Nancy Birdsall: I was – the credibility you have with your own citizens –

President Mogae: Yes.

Nancy Birdsall: Is also central because of that but that doesn't apply to the question since the beginning –

President Mogae: Yes.

Nancy Birdsall: Was different but now I think that kind of confidence that there will not be a fight over the rents and the spoils inside of government –

President Mogae: Yes.

Nancy Birdsall: Is key for investors that they – that there will be political stability. Um – I saw some other hands? Yes? In the back, the first one with the stripes. Okay. Go ahead. Blue shirt and then stripes. I'm sorry. I don't –

Next Speaker: Thank you very much. Walter Groman, alternate director for **** World Bank. Um – it's the unfortunate experience of many countries growing that poverty cannot

be successfully fought in their countries so my question is, you mentioned, Mr. President – uh – poverty is one of your challenges remaining. So what is the situation there? What progress did you make? And what are you planning to do about this? Thank you.

President Mogae: Well basically as I said, education and training is a major priority. We provide free education. We think that is one way of fighting poverty by training the people, by giving people education so that they can be participants in the – in the fight against poverty themselves. The next one, of course, is the problem and creation, giving them opportunities. That is what we are trying to do and that is why – why we are interested to protect private foreign investment because it can help us create jobs which is an effective way of reducing poverty.

Of course we have direct schemes such as agriculture and schemes which we are trying and have tried but with valid success. We have had various – um – it's nowadays the word is called empowerment it didn't exist up until about 35 years ago. Um – it only started about maybe ten years ago. Um – we have tried various empowerment schemes many of them we wasted a lot of money on the citizens but they did not empower themselves to the extent that we had hoped they would so we are continuing with those and we are trying to reform agriculture which is one way of – of fighting poverty so – so those are the issues we are doing.

Next Speaker: Yes?

Next Speaker: Shawn Shecter, Public National Law and Policy. It's an honor, Mr. President, to be able to speak to you. Uh – I just wanted to ask you a general question. Often with economic modernization there is a tension between modernizing and the culture and ethnicity in that country trying to modernize and losing some of their traditions. Could you talk about a country as rich as Botswana is with different ethnic and cultural ties how the government is trying to ease that tension, modernize but keep the past cultural and ethnic traditions alive?

President Mogae: Well you are right, there is that problem but we – we do it by – by consultation. We move slowly, we try to carry the people with us and also, the new generations are not wedded to the old – uh – customs. Some of the old people regret what is happening in the country now some call it pop culture where nowadays with the television and – and cell phones and everything, young people in the world seem to be adjusting to the same and the ethnicity – you know, maybe some of this is just life.

Ethnicity is there but not very intense in – in our country and people talk about it there. People talk about it. There are critics, opposition parties, but they state on state television, on a state radio they are call in programs and so on about all issues so it's not as if there are no complaints, there are, but they are not – they are not intense. They don't – people feel greater affiliation to their football club than their – than their ethnic group.

Nancy Birdsall: That's globalization.

President Mogae: So – so maybe it's life. I – I don't know.

Nancy Birdsall: Okay. Some over here in the – I see a hand going up.

Next Speaker: Hi. Martha Dye with Transparency International USA. We are very honored to be able to speak to you and I want to thank CGD for giving us this opportunity. Um – from our perspective, one of your successes and we applaud you is – is your success in combating corruption in the country and, as you know, Botswana is the highest rated African country on our corruption perception index that we put out each year. I wanted the opportunity to ask you to what you attribute your success in combating corrupting. We don't think it is any accident that your success in combating corruption is coming along at the same time as your success in defining the resource curse.

We think those two are very much related and would like to hear from your experience and hope that other countries can benefit from that and also what your plans are for maintaining that that success in the future and specifically also what your plans are for re-implementing the expective industry's transparency initiative and the continued vitality of the Kimberly process.

President Mogae: Well, I think – uh – I think democracy is the – maybe the greatest safeguard against corruption by allowing freedom of the press – free press and free opposition. I think they may not be – they may not be sufficient but they certainly are a necessary condition for successfully fighting corruption. Um – but as I said, maybe it is also that an element of life that our original leaders were not corrupt in their – and allowed – or at least were accountable and – and so in a democratic system there is a public account committee that is the - **** the books have to be audited.

There are rules and regulations regarding public procurement – uh – and we were dependent on aid and the – and the donors and followers wanted the monies to be accounted for. And the World Bank are used to international competitive bidding which was – um – insisted upon by the World Bank and other donors and – and we complied. So I am not sure there is any one particular thing. It seems to me – uh – a combination of all of these factors, the existence of democracy and – and an open society is in fact the most effective weapon against corruption. But, of course, you have to do a little more, but there are essential ingredients in the fight against corruption.

Of course, also with corruption is not something that you fight and succeed in and you go – and – and you have to continuously be on the lookout so we have established an anti-corruption agency which reports through my office to parliament and we are continuously strengthening a monitoring agency such as the attorney general's office. We have also a thing called Ombudsman, but of course that one's duty is to – to listen to the complaints of the public against government bureaucracy so we have the Ombudsman, then we have this – an agency which is constitutionally unchanged called **** against corruption and economic crime but as I say, it's all these together, not only the direct effect on corruption and economic crime and the Ombudsman, but also constitutionally unchanged but also the existence of free opposition and public account committee of parliament and the office of the attorney general which are also constitutionally unchanged. I think it is all those, but also when corruption has – does not **** itself, it is easier to continue fighting it. But, of course, one has to keep on fighting.

Next Speaker: Yes, in the back –

Next Speaker: I think free press is also –

Next Speaker: Sorry.

Next Speaker: An element. Of course the press manual says yes, ah yes, we the press are responsible, but that is nonsense. You can just be corrupt but the free press don't know but – uh – free press and free opposition and – uh – and institutional arrangements together –

Next Speaker: Uh hum.

Next Speaker: No – no one single answer but –

Next Speaker: Yes.

Next Speaker: Reinforcing each other. Yes, there is – that's right, in the back. In the back next – go ahead, since you have the mike.

Next Speaker: Thank you very much. Um - ****. I'm from ****. It's a pleasure ****. Okay. My question is what role do you think Botswana could play in sharing best practices and effective management of – uh – natural resources or mineral resources in other countries of Africa?

President Mogae: Well as I say, we are a small country. We are not a big power. Remember, we are only about 1.8 million of us. We can only lead by precept and example and we can give advice or tell of our experience to those who offer or colleagues who want to listen. We cannot impose our will on them. Uh – but people like your current president, ****, who is **** and is willing to discuss with us what we do, we were able to have fruitful discussions from our experience telling this and so on and – and he has subscribed to democracy and so we – we like him and are friends with him. Um – but that is what we do with the rest of our sister republics.

For instance, I was saying that we cannot claim to have influenced anybody, but we are gratified that when formed SADC in 1980, Botswana was the only multi-party democracy. All the other countries were one party states, even democratic ones like Tanzania. Tanzania has always been a democratic country, but it is all – but it is a one party state, but Tanzania has since become a multi-party democracy. Malawi was a dictatorship. It has since become a multi-party democracy so with the independence of South Africa and **** - in the – in the 1990s, coming up with also multi-party to democracy and – and – uh – constitutional guarantees and so on we are all now in the SADC region multi-party democracies and we are gratified, but we cannot blame to have been the influence. I think those who may say that they were influenced by us, we would be glad, but – um –

Nancy Birdsall: Very realistic. I am told Ambassador Jeter had a question. Yes, please. And then we will go to the back.

Next Speaker: Mr. President, how are you? Nice to see you.

Next Speaker: **** that I know.

Next Speaker: Thank you very much. Uh – my name is Howard Jeter – uh – I am with Good Works International and I was – uh – fortunate to be the American ambassador to your great country, Botswana, from 1993 to 1996. I think my – one of my questions has been

answered and that is – uh – it had to do with the “C” word, corruption and really the president has been very modest in describing what Botswana has done. The effort has been tremendous the anti-corruption commission which was set up during the period that I was there was No. 1 placed in the presidency which I think said a lot to – uh – the rest of the world as to the seriousness of your effort and it dealt with corruption not only in government, but also in the private sector – budding corruption. I think what Botswana wanted to do was to make sure it died at the roots should it occur so that has been a big factor, I think, in the success of your economy and your system of government.

On conflict diamonds, one of the things that I would be that I am curious about is whether – which areas – which, I don’t know if you can say countries – uh – give you concern in terms of the conflict diamond issue? I know we are talking about Congo, certainly, Sierra Leone may still be somewhat of a problem, but I was wondering which areas really give you concern about the 1 or 2 percent of diamonds that may be called conflict diamonds and what is Botswana doing about it? Is there any special assistance you give to a sister republic like Sierra Leone so that they perhaps can emulate what you are doing in terms of securing your own diamond exports?

You mentioned that you don’t qualify for AGOA and that is a shame because – uh – under AGOA oil exports from certain countries actually benefit from AGOA – uh – and when people talk about the actual dollar value of AGOA exports – exports from Africa, that includes oil so I – I don’t get why Botswana and your diamond exports to the U.S. wouldn’t get the same kind of concessional preferential treatment. Um – yours is a wonderful country and I thank you for all that you have done, not just for Botswana but I think for the rest of Africa.

Nancy Birdsall: Thank you Mr. Ambassador. Um – I – I would like to interject two points, Mr. President, before you answer that excellent question. One is on AGOA, we have on our web site a number of briefs and other information about AGOA and the ambassador just reminded me that in the first couple of years of AGOA, at least 70 percent of Africa’s exports were benefiting were oil so this is a very important point. Um – I think it is – we can hope that it is not at all too late for Botswana to benefit now that it has become eligible, if I understand –

Next Speaker: Hum.

Next Speaker: It looks as though there will be a few more years before the overall packages erode as we are not making very good progress on the larger multi lateral negotiations. But – but the question I wanted to ask had to do with the ambassador’s question on diamonds. Is it primarily countries that are doing the – uh – I think it is called the Artesian diamond mining where it is – uh – not the deep mines organized in a way that makes it easy to – um – label the – the product that are the principal problem? Are the conflict diamonds now primarily those diamonds that are produced by many thousands of relatively poor unskilled workers or are they actually coming from traditional mines?

President Mogae: I think – uh – to answer the ambassador’s first question, in the case of our region, it was originally Angola, GFC in our region and then of course there was Sierra Leone in West Africa, Sierra Leone and Liberia – um – originally. Angola now is at peace and negotiations are taking place in Angola at the present time. DFC, as you know, is a country in transition. We don’t know how long it will be in transition but we are keeping

our fingers crossed. Um – our problem in Africa is that sometimes when we succeed in ending conflict in one part then some other country region that had been stable then becomes engulfed by conflict such as the Ivory Coast which had been one of our stable countries. So I am informed that to the extent that there are still conflict diamonds, some of them may be coming from the Ivory Coast. I didn't know that the Ivory Coast has diamonds. I knew they were leaders in the production of ***** and other agricultural products but yes – uh – ***** or alluvial diamonds – uh – are the ones which are much more difficult to control.

Whether that is conflict or not – if you take Sierra Leone, the – the management of Sierra Leone diamonds has always been a problem long before the conflict came which came decades later because they – when – when – uh – peasants are plowing their fields, they pick up a diamond. When they are building their huts, they pick up a diamond and – and so it's – they are much more difficult to control and then you find – uh - ***** merchant or middle men in the bush in Sierra Leone and so on, that – that was always – uh – problematic. That to some extent is the case in the DRC and to some extent in the case also in Angola.

So there are problems there but you could have that problem even if you don't have problem of control and if you – if you don't have conflict. So now at the present time, I – I would hope that the international community will be careful in what we call conflict diamonds because let's take Sierra Leone itself which is the one that has attracted the greatest notoriety, I think conflict is – the regional conflict in Sierra Leone at the present time, the present government is using its best endeavors to – to mine the diamonds to – to fight corruption, to reconstruct the economy and society and it is not easy when society and law and order have broken down to the extent that it has. But controlling the diamonds and accounting for them will be very difficult and so whether ***** diamonds from Sierra Leone today should still be considered conflict diamonds when there is no conflict, when that conflict that took place there are no longer taking place, I am not so sure that that would be fair.

Next Speaker: Uh hum.

President Mogae: Um – and so that – that is the problem for which I have no answer but we, of course, have to continue - the international community has to continue to use its best endeavors to ensure that the sources of diamonds are accounted for, but I would hope that we will not throw away the baby with the bottle and and accuse African government of failure to control conflict diamonds when we simply mean that we are not able to control the mining of diamonds in their countries. In those countries in which the diamonds are okay in – in scattered forms whereas in Southern Africa, ours are mined from either deep underground – deep, deep mines or those in Botswana where it is open ***** mines, but then you have to get rid of trillions of tons of ***** with big machines before you can get to the blue ground called Kimberley where the diamonds are then found. That way, it is easier to – to control and therefore account for.

Next Speaker: Thank you very much, Mr. President. ***** What does happen to conflict diamonds in the chain, I find it highly unlikely that they get thrown away. They do – they must end up somewhere so I'm wondering what your perspective is operating from a country that's affected by this practice. I don't mean that it's going on there but it goes on anywhere, it affects the diamond trade. Thank you.

President Mogae: Well, you've reminded me that I, I didn't answer the part where somebody saying what are they doing about it. Of course, what I was saying was what we

you doing about conflict diamond is the processes we have set contained through the Kimberly process. The reason why we still talk about saying less than 1 percent or 1 percent, we are acknowledging that in spite of us, there must be conflict diamonds coming into the market. That's what we talk about in percentage. What we are saying that what we would like to see is the total elimination of conflict diamonds, making sure that all diamonds are accounted for and therefore we can suspend the trade from a particular source if we are sure that, that, that is that, if there is an area of conflict, we could suspend processes from that. They would not be losing them. They can't be thrown away. They don't rot or go bad like milk. They just stay good and, and when the conditions are right, they can then be put into the market.

Next Speaker: Mm hm.

President Mogae: You know, in former times when the DeBeers was a near monopoly, they used to buy diamonds and, and uh, stockpile them and release them gradually to even out supply. They no longer do that. They don't have the capacity to do that and they are not allowed to do that but diamonds don't, don't go bad. So they can be stockpiled, but as you say, you are skeptical about the percentage. Well, I, I don't blame you. I don't vouch for any spurious accuracy of about 1 percent or less than 1 percent, but that indicating only a order of magnitude, but I would hope that we would not eh, uh, destroy the whole trade because of a small percentage like that.

That is not to say I minimize the evils of conflict, but it must be acknowledged by us here that conflict is not exclusively associated with diamonds or even with the resources. The genocide in Rwanda was not associated with any resource that one is aware of. The continuing conflict, ethnic conflict in Burundi area, the conflict in the failed state of Somalia, the, the wall between our sister republics of **** and uh, and, and Ethiopia um, there are deep-seated historical factors that have nothing to do with the exploitation of resources. And yet, there is conflict. There was long, long conflict in the south of Sudan long before Sudan discovered oil, and now, there is the Darfur, which is making us all Africans look bad. And -

Next Speaker: And there is no diamonds there and no resources involved in Darfur.

Next Speaker: Uh Mr. President, I'd like to ask you a question um, take us away from diamonds and conflict for a moment and ask you a little bit about the way apparently, the good way that you all have been handling the HIV/AIDS pandemic. Um, I know uh, from earlier discussion that you have been delivering ARVs to, I think you told, told me 68,000 out of some over 70,000 people who have the HIV infection and um, what I'd like to ask about is um, the challenge you face going forward when more of these people will require the second generation medicines. Uh, the first generation medicines have become much less expensive.

Next Speaker: Yes.

Next Speaker: And, I understand that you are not using generics, you have benefited tremendously from the AIDS Foundation and Merck Foundation partnership with, with the government so most of the costs we know have been taken up by the government to the public sector. When the sec, when it is time for the second generation medicines where the costs have not yet been brought down, there is going to be I think at, at the global level, another round of battling about the pricing and the property rights associated with that second generation and then in the U.S., many patients are now on what might be called third

generation. So, I'm curious about how in your government, you're seeing this, the future, in terms of the treatment acknowledging the tremendous uh, gains you've made in prevention um, but how to handle going forward with the fiscal burden associated with the treatment.

President Mogae: Well, that's why we plead special consideration for ourselves that we still face such a big challenge. But some of the third generation drugs are, are part of the treatment even now. They are used as a, a first generation to and some of the first generation rights. In fact, some of the third generation are improvements of the first generation. So the, the, it's not as though there are totally, totally different rights in some cases, and in other cases, there are combinations -

Next Speaker: Mm hm.

President Mogae: -and uh, second and third generation treatment consists of cocktails of first generation and second and third generation rights so, so the cost would be higher but not as high as when **** were first introduced.

Next Speaker: Mm hm, mm hm. Okay. Any other, yes -

Next Speaker: Gary ****. I'm a fellow at the American Association for the Advancement of Science and I thank you, Mr. President, for coming and giving us this talk today about development and resource management in Botswana. Uh, my question uh, ask you to give your assessment of the future of democracy in Botswana, and a continuation of the policies that you have implemented for the management of diamonds and for social development. Thank you.

President Mogae: I am the third President of Botswana, and I am have uh, amended the constitution. I'm entitled only the equivalent of two terms. I have to retire the 31st of March, 2008, less than two years from now, and therefore, the fourth President would take over. My hope is that the democratic practice are now established more than institutions and our democracy is partly derived from our traditionalist pre-independent systems which to some extents, to some extent, explains our relative success.

I therefore would hope that since the stability and progress in, in, in political practices was not based on one man, now that I am a soon-to-be outgoing President, but being the third President and, and we have celebrated 40 years of independence, I would hope that uh, these practices uh, are now well-established. Some of the, some of the constitutional provisions I've spoken about such as the integument of the anti-corruption agency the appointment of the ombudsman are new developments, term limits.

The term limits did not apply to my two first predecessors. Our first President died in office after 14 years, our second President retired on his own after 18 years. I will be retiring after ten years whether I like it or not. But I'll tell you that I'm looking forward to retirement before I lose all my hair. Even now we are still discussing constitutional amendments eh, you know, we have the so-called first parcel to post system. The simple majority system that used by the British. Now among our citizenry at the University and the **** opposition parties, they, they, there's a demand for proportional representation. Of course, that's diluted by the women saying okay, they also want proportional representation, that they're 52 percent of the population, and so the members of Parliament should be 50 percent women so that's debate going on.

The opposition parties are talking about proportionality, not in terms of gender, but in terms of party political representation, and there is demand that um, political parties must be funded by, partially funded by the state. I am personally opposed to that but I'm surprised some of our supporters in Sweden and Germany and even here, seems to subscribe to that. My own perception is that if in an African setup, if you pay for political parties it will tend to – it will tend to encourage and um, and um, perpetuate fragmentation.

Next Speaker: Mm hm.

President Mogae: Uh, because fragmentation of political parties is a problem in an African situation. Here in my country, Botswana, we're here. We're a small country. During election time, we normally have 11 political parties. Of course, in non-election years, we have about five, five permanent parties, but during election year, there are 11. In the RC during the election time there are 500. Uh, in Kenya for a long time, there was a minority government because the opposition was so fragmented and so, I don't know, but anyway, that – that's what is taking place uh, in Botswana. The Frederick Ebert Foundation **** of, of, of Germany has come and given lectures and has uh, funded studies on electoral systems and then there is the ally institution called something in Sweden. What is it called, Mr. ****?

Next Speaker: ****.

Next Speaker: IDEA. That stands for what?

Next Speaker: ****.

President Mogae: Institute for Electoral Assistance and so on, but of course, the **** system British colonial and therefore they are telling us about the other systems such as applied in Sweden and Norway and then they German system which is quite complicated. Now, we took part in restoring democracy in Lesotho and they, Lesotho, they have uh, they elect half of or at least a percentage of the members of Parliament on the single constituency system, on a simple majority and then they distribute the remaining one on a proportional basis.

Next Speaker: Now that's interesting.

President Mogae: Therefore the people – the opposition in Botswana say, ah, you imposed proportional representation on Lesotho. Why are you not doing it here at home? Well, it's not we didn't impose the – it was what was practicable in Lesotho but therefore I hope that um, the situation will continue to evolve. I am hesitant to speak categorically because until recently, um, Ivory Coast had been also very, very stable and look what is now happening so I can't it'll never happen in Botswana. All I would say that in Botswana, um, this democracy has been tended to be consolidated by different generations of Parliament and different generations of presidents because in 1999 we will be going to elections in 1999 with a different president with respect to my party. Of course, the opposition parties, the leadership, they change more frequently because they lose. When you lose you also lose your power that uh -- **** note.

Nancy Birdsall: Mr. President, I think we should stop on this high note of your, not only being smart, which is clear – clearly the case, but the leadership you are and will show including by stepping down, uh, as is constitutionally demanded. I have a feeling that when

you do step down, there will be substantial global demand for your advice, your thoughts, your views on very large range of issues that you have so ably covered today. Uh, I thank all of you for joining us and uh, let us give a hand to the President.

President Mogae: I hope former ambassadors and former advisors to Botswana will hang on so we can shake hands.

Nancy Birdsall: Yes, very nice.