

Commentary on the Bench Marks Foundation Report:

‘Corporate Social Responsibility in the Diamond Mining Industry in Botswana: De Beers, Botswana and the Control of a Country’

EXECUTIVE SUMMARY

As a member of the De Beers Family of Companies, Debswana regularly undertakes external evaluations of its performance as a corporate citizen and values the views and insights of civil society on issues of mutual concern.

Debswana and De Beers broadly support the generic Principles for Global Corporate Responsibility developed by the Bench Marks Foundation in 1999 which are by and large aligned with the De Beers Family of Companies Principles (see appendix). We consider these principles relevant and appropriate and believe that they provide a worthwhile benchmark for mining and other industries to aspire to.

We are however concerned by the distorted and inaccurate depiction of the diamond industry’s contribution to community development in Botswana presented in the Bench Marks Foundation’s report **Corporate Social Responsibility in the Diamond Mining Industry in Botswana: De Beers, Botswana and the Control of a Country**.

The Bench Mark Foundation’s report neither reflects our experience in Botswana nor the findings of numerous reputable independent studies by academics and bodies ranging from the United Nations Development Program to the World Bank. In contrast to the Bench Mark Foundation’s report, these highlight Botswana’s unique success in using its diamond wealth to drive sustainable development at both a community and national level as well as the role played by Botswana’s exceptional governance record in this process.

We can only speculate that the Bench Marks Foundation’s disregard for the views of organisations like the UNDP and the World Bank is based on their belief that “structures like the IPPC [sic] [The Intergovernmental Panel on Climate Change (IPCC)- a division of the United Nations]. . . and the World Business Council on Sustainable Development (WBCSD) *are part of that category of structures and networks which serves elite political and economic interests*”.

Regrettably, due to the scale and number of errors in the Bench Marks Foundation’s report on Botswana, neither Debswana nor De Beers have gained any significant insights from it in terms of our performance as corporate citizens or in terms of defining our role as a development partner in Botswana.

Among the most pervasive of the many distortions in the BMF report, the following stand out:

- The key criticism made by the BMF is that Debswana’s operations have not generated benefits at a community level in Botswana. This is not the case. Debswana is widely recognised as one of the most successful Public-Private Partnerships in the world in terms of its contribution to national and community development with in the region of 80% of all gross profits realised by Debswana going into government revenues. As such Debswana’s direct contribution to community development in Botswana vastly exceeds even the most stringent benchmarks for social investment.
- The BMF base key elements of their critique of Debswana on the strength of the assumption that in the “last two months of 2008” Debswana “retrenched half its head office staff in Gaborone [sic]” (p28) and that Debswana plans to “**retrench workers at all its operations**” (p41). The assumption of mass retrenchments having taken place

is then frequently invoked in the report as a point of reference for a range of criticisms (see for example pages 40,41,45,60,67,70,71). Debswana did **not** retrench any staff at head office in Gaborone in response to the recession and moreover retrenched **NO** staff at its operations.

- The BMF offer a stinging critique of conditions within Debswana's mining towns. They do so primarily through invoking an historical anthropological study of a South African mining town during some 2000km away during the apartheid era. The BMF claim they did not visit any of Debswana's mining towns on the grounds that these towns are "closed" to the public. Jwaneng Township, adjacent to Botswana's most important mine is "open" and freely accessible. Orapa is accessible with appropriate permissions and is home to many non-Debswana employees.

Over and above the broader unsupportable conclusions in the report, the BMF also make numerous basic factual errors. These are indicative of the overall rigour of the research undertaken. Some examples include:

- Asserting that "*all* lands except for a small portion of free-hold land which under colonialism was in the hands of the white minority, mostly farmers, is owned by the government" when only 24% of land in Botswana is State land
- Criticising Botswana for the "complete absence" of a "Ministry of Environment" and asserting that "conservation falls under the Ministry of Local Government, Lands and Housing and under the Ministry of Agriculture when Botswana does have a Ministry of Environment Wildlife and Tourism with complete accountability for environmental and conservation matters.
- Asserting that Botswana has no legal safeguards for "heritage issues" when in fact heritage issues have been protected under the Monuments and Relics Act since 1970
- Asserting that the Factories Act regulates safety on Mines when in fact safety on mines is regulated under the Mines, Quarries, Works and Machineries Act.
- Asserting that Debswana workers have to walk through "endless passages of X-rays" on leaving secure areas when Debswana does not utilise X-ray screening for security at its operations
- Asserting that Boteti river dried up because of mine-pit dewatering at Orapa when the Boteti is flood fed, and dried up a number of years before pit-dewatering began at Orapa

The BMF report's value is further undermined by a number of basic methodological failings.

- Beyond a handful of reportedly anonymous interviews and a lower than 5% response rate to their questionnaire, the authors of the report did not interview De Beers or Debswana management or indeed Government officials. They also do not reference any company documentation other than annual reports. In view of the topic of this report, and the weight afforded to what could best be described as eclectic individual sources, this is a critical omission.
- The BMF fail to meaningfully reference the findings of the significant number of studies conducted by reputable organisations ranging from the United Nations to the World Bank that highlight the vital role of the diamond industry in Botswana's development.
- The BMF fail to engage with or reference any of large number of Government planning, review and policy documents dealing with the main subject areas of the report (community development; poverty alleviation) or indeed the substance of these programmes.
- The BMF researchers seem content to draw broad conclusions based on a wholly impartial review of data. Thus for example the BMF critique Debswana's multi-billion Pula citizen procurement programme solely on the basis of the views of a single citizen contractor that entered into a contractual dispute with Debswana.

Debswana and De Beers have prepared a detailed response to the BMF report. This response focuses on providing a more accurate picture of Debswana's performance as a corporate citizen rather than systematically rebutting the numerous errors in the BMF report.

An appendix of relevant data and third party references is appended to the response.

Contribution of the Botswana Government/ De Beers Private-Public Partnership to Development in Botswana

The most significant of the many errors and omissions in the Bench Marks Foundation's Report on Botswana is its failure to engage substantively and meaningfully with Debswana's contribution to community development throughout Botswana.

As a Private-Public Partnership between De Beers and the Botswana Government, over 80% of all income realised by Debswana goes into government revenues, making it the single most important source of financing for Government-led development efforts in Botswana. Put in these terms, Debswana's contribution to social development in Botswana vastly exceeds the global benchmark for Corporate Social Investment of 1% of pre-tax profits.

The success of this Private-Public Partnership in driving development in Botswana has won numerous plaudits. The tone of these is captured by US Secretary of State Hillary Clinton who, on her recent African tour, pointed out:

'Botswana, as you may know, has a very vibrant democracy. . . And it has used the revenues from its natural resource, which, in its case, happens to be diamonds, and put it into a fund, protected that fund from exploitation by foreigners and exploitation by citizens. So for example, when you buy a diamond from De Beers, part of that money still today goes to help build and maintain roads and clean water systems in Botswana. You can drive anywhere in that country and you can see services that have been paid for by a legal framework, strong regulations, and a national consensus that the money from the earth and its riches should be spent on the people of Botswana'

Abuja August 12 2009

The Diamond Mining Partnership in Botswana

The notion that the diamond mining partnership between De Beers and the Botswana Government has not benefitted communities in Botswana is the dominant theme in the Bench Marks Foundation Report.

This view is not corroborated by the facts which demonstrate that:

- The Private-Public Partnership model developed by De Beers and Botswana Government has realised benefits for communities throughout Botswana at a level that vastly exceeds even the most stringent of benchmarks for effective Corporate Social Responsibility or Corporate Social Investment.
- The effectiveness of this model has been underwritten by Botswana's exceptional record of economic good governance and the sustained investment of diamond revenues in education, infrastructure, healthcare, training, welfare, poverty reduction and economic development to benefit all Botswana.
- The Botswana Government's efforts to enable the effectiveness of the natural resources sector in Botswana have been driven by its clear imperative of utilising natural resources to drive sustainable development throughout Botswana.

The De Beers/ Government Partnership and Debswana

The Bench Marks Foundation implies that De Beers exerts an improper level of influence over Botswana Government through its involvement in Debswana. This does not accord with De Beers' experience of Botswana Government as a partner, nor with Debswana's Corporate Governance framework through which the Government of Botswana exercises its clear mandate to ensure that Debswana operates in the national interest. It also does not represent popularly held views in Botswana. The broad ranging and detailed Afrobarometer survey of Botswana undertaken in 2008 asked respondents for their views on the influence of

international investors of Government. 25% of the respondents said that they had too little, 30% said they had the right amount and only 15% said they had too much.

Debswana is an independently-managed 50/50 joint venture between De Beers and the Government of Botswana. Debswana has an independent board, comprised of six appointees representing the Botswana Government (including the Governor of the Bank of Botswana and the Attorney General) and six representatives of De Beers. In addition to the shareholder appointees, the Debswana Managing Director, Blackie Marole, a former Permanent Secretary in the Ministry of Minerals, Energy and Water Affairs also sits on the board. The Debswana board is currently chaired by Mr Eric Molale, Permanent Secretary in the Office of the President.

In line with the Family of Companies' focus on ensuring that individual operating companies are "localised", Debswana, is very much a "local" company with, by the end of 2008, 93% of all staff positions being filled by "citizens". De Beers, for its part maintains only a small office in Botswana to represent its shareholder interests, comprised of four permanent staff, all of whom are citizens.

The Bench Mark Foundation report frequently, and erroneously, conflates De Beers and Debswana, using the terms interchangeably.

As importantly, the Botswana Government is also a 15% shareholder of De Beers SA, which generates additional revenues for Government from De Beers' global business activities. The Government of Botswana also holds two seats on the De Beers Board.

De Beers approach to Partnership

In every country and community in which De Beers operates, experience has shown that the most prudent and sustainable commercial model, must be most prudent and sustainable community model. Diamond mining is a difficult and long-term endeavour, stretching over decades. De Beers' focus on training and hiring local citizens, providing proactive healthcare, and preserving our working environment, contributes to a sustainable and prosperous state, which, in turn, protects and maximises our sizeable investment. What makes this philosophy work – what drives it – is a belief in the power of partnerships. De Beers' commitment to working in partnership with African governments and other agencies, to utilise diamond wealth as a platform for broad-based development, is one of our Principles.

Diamonds and Development in Botswana

The Bench Marks Foundation report queries the value of the diamond partnership in Botswana to local communities, and asserts that "CSR is not currently experienced by community members in Botswana". We, by contrast, are unaware of any mining enterprises in sub-Saharan Africa that have delivered more sustained value, to either a local or national community over such a long period of time, than Debswana. The value of the Debswana model from a development perspective was highlighted in a recently published case-study by the Open Society Initiative in 2009 which states:

'The Debswana model presents a window of hope through which Southern Africa can identify some of the basic requisites for attaining sustainable development through. . . the use of natural resources'.¹

Contributions to Public Funds

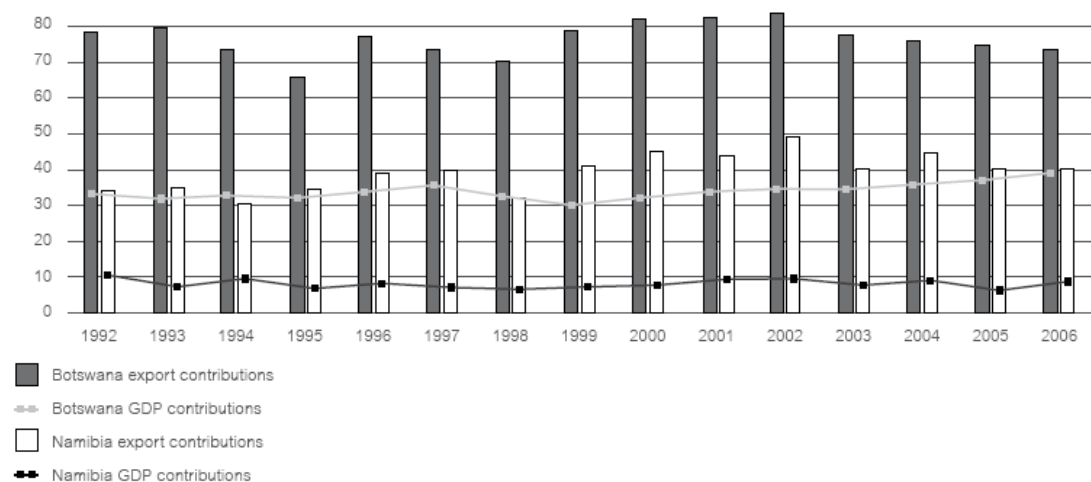
As a Private-Public Partnership between De Beers and the Botswana Government, Debswana's primary contribution to broader social development is through its contribution to government revenues.

Taking into account dividends from their 50% shareholding in Debswana, and additional revenues generated through royalties and taxation, the Botswana Government and, by extension, the people of Botswana are the primary beneficiaries of diamond mining in Botswana, with over 80% of the profits realised by Debswana disbursed into the public purse.

¹ Silibaziso Mtunzi, *The Private-Public Partnership Mode: The Debswana Case* The Open Society Initiative for Southern Africa 88-92.

Over the past decade, Debswana has contributed in the region of:

- ➔ Between 70% and 80% of Botswana's total export earnings;
- ➔ 30%-40% (est. US\$4 Billion in 2008) of GDP and
- ➔ Around 40% of government revenues year on year



Source: Botswana Government

Since the state is the primary beneficiary of Debswana it is insufficient to evaluate community benefits emanating from Debswana's operations solely in terms of "direct benefit" or measures like Corporate Social Investment that are appropriate to many other business entities. Rather, as a Private Public Partnership, Debswana's conduct should be evaluated more broadly against what the partnership has achieved in development terms. This entails understanding how diamond revenues have contributed to the development of communities throughout Botswana.

Despite the overwhelming importance of the revenues generated by Debswana to financing Government development programs, the Bench Marks Foundation largely ignores this contribution.

Taken together with its independent CSI programs; direct investment in healthcare; education and infrastructure in mining communities; its scholarship schemes and ARV programmes (see below); Debswana's contribution to social and economic development in Botswana (see below) vastly exceeds *all standard benchmarks* for corporate social responsibility and public benefit.

Diamonds and National Development

The partnership between De Beers and the Botswana Government has helped empower the latter to achieve an "extraordinary record of development success" (UNDP 14) in transforming Botswana from one of the "ten poorest countries" at the time diamonds were discovered in 1967 to a "medium development", middle income country by the end of the millennium.² According to the OECD's economic outlook assessment for Botswana:

Sound macroeconomic policies and prudent use of diamond revenues have made Botswana one of the fastest-growing countries in the world over the last 25 years, and it has now achieved middle-income status.³

Botswana is now rightly recognised among sub-Saharan African resource-rich countries for its unique record of success in transforming its natural resources wealth into sustained economic

² OECD, 2007, African Economic Outlook; Botswana 2005/6 www.oecd.org/dev/publications/africanoutlook; Acemoglu, D., S. Johnson, and J. Robinson, 2002, "An African Success Story: Botswana," MIT Department of Economics Working Paper No. 01-37. Available at SSRN: <http://ssrn.com/abstract=290791>.

³ OECD, 2007, African Economic Outlook; Botswana 2005/6 www.oecd.org/dev/publications/africanoutlook

growth and human development, and for having “one of the strongest and best managed [economies] in the developing world.” (UNDP 2005:15).

The United Nations Development Program echoes the findings of many analyses⁴ of Botswana’s economic and social development in its Botswana Human Development Report when it ascribes this success to:

Five interrelated factors: mineral wealth; a disciplined, if not cautious approach to macroeconomic management; democracy and good governance; international goodwill; and policy activism towards priority development goals, were decisive in shaping Botswana’s development trajectory. Mineral wealth conferred fiscal capacity on the state and with it the ability to drive the development process by, for instance (a) developing capable state institutions to provide public goods such as law and order, foreign policy and macroeconomic management and management of externalities; (b) investing in infrastructure, human resource development and agriculture; and (c) providing incentives for economic diversification and employment creation.

This suggests that the De Beers/Botswana Government Public Private Partnership has delivered more effectively on the stated goals of the Bench Mark Foundation - “advocating for equitable distribution of wealth and development benefits at a grass-roots emanating from extractive industries [in southern Africa]”(p10) - than any other enterprise in the region and, possibly, the world.⁵

Remarkably, for an analysis on the impact of diamonds in Botswana, the Bench Marks Foundation’s Report neither invokes nor engages substantively with the findings of the significant corpus of detailed research on the role of diamonds in Botswana’s economic development. We can only speculate that the Bench Marks Foundation’s failure to engage with the perspectives of organisations like the UN is based on their stated belief that “structures like the IPPC [sic] [The Intergovernmental Panel on Climate Change (IPCC)- a division of the United Nations]. . . and the World Business Council on Sustainable Development (WBCSD) are part of that category of structures and networks which serves elite political and economic interests”.

Diamonds and Development- Key Facts

Botswana is the largest producer of diamonds in the world by volume and by value, contributing about 25% of the global output of rough diamonds. Diamonds account for 33% of GDP, 80% of foreign earnings and 39% of public revenue.

- Since independence in 1966 [diamonds were discovered in Botswana in 1967], Gross Domestic Product (GDP) growth rate has averaged 7%
- In Botswana poverty has been reduced from 47% in 1994 to 30.6% in 2007.
- Prior to independence there were only three secondary schools in Botswana and today we have more than 300 secondary schools.
- In 1966, adult literacy was estimated at 10% and in 2006 it stood at 88%.
- In 1966, Primary school enrolment was less than 25% and by 2008 it was 92.9%.
- Life expectancy at birth rose from 48 years in 1966 to 54.4 years in 2006.
- In 2001 life expectancy declined to 56 years, largely as a result of the HIV/AIDS epidemic.
- The death rate has now declined as a result of proactive efforts in HIV/AIDS prevention, treatment, care and support.
- Nearly 7,000 miles (10,000 km) of road now exist in Botswana compared to six miles (nine km) in 1966, before diamonds were first discovered.

⁴ UNDP Botswana Human Development Report 2005 p 16

⁵ Acemoglu, D., S. Johnson, and J. Robinson, 2002, “An African Success Story: Botswana,” MIT Department of Economics Working Paper No. 01-37. Available at SSRN: <http://ssrn.com/abstract=290791>.

Governance and Development

The Bench Marks Foundation alleges that Botswana's Governance record raises concerns about its ability to deliver sustainable development within Botswana. This contradicts the views and the findings of numerous reputable external assessments which suggest that Botswana has the best Governance record in Africa and, moreover, that this has underwritten Botswana's success in translating its natural resources into sustained national development for over 40 years.⁶

For companies like De Beers, it is the Botswana Government's exceptional governance record that makes Botswana an attractive country to invest in and the Government of Botswana an ideal Public-Private Partner.

Governance- 3rd Party references

- **Transparency International**, the global coalition against corruption, has evaluated Botswana as the least corrupt African country for 7 consecutive years.
- In 2007, the **World Bank Institute's** Worldwide Governance Report ranked Botswana higher for political stability than all of the G8 member countries which include the US, UK, Japan, France, Germany, Russia etc www.govindicators.org; www.worldbank.org
- Botswana has been singled out by **World Bank** researchers as being among a select group of developing countries that score higher on key dimensions of governance than a number of leading industrialised countries. Botswana is the only African country to be so singled out in the statement. The full-title of the report is: "Governance Matters, 2007: Worldwide Governance Indicators 1996-2006" www.moody.com
- In 2001 a trio of **MIT and Stanford University** Professors reported that for 35 years consecutively Botswana had had the highest economic growth rate in the world. <http://66.102.9.104/search?q=cache:wst1GIXuL5EJ:econ-www.mit.edu/files/284+An+African+success+story:Botswana&hl=en&ct=clnk&cd=5&qI=bw>
- At 92% Botswana is amongst the top four out of the 134 countries which were surveyed whose citizens believe that elections are held honestly. **Gallup Report, Botswana Second in the World for Honesty of Elections, November 3, 2008** <http://www.gallup.com/Home.aspx>
- The **World Bank Institute's** "Worldwide Governance Indicators 1996-2006" report, ranked Botswana number one in Africa, followed by Mauritius and Cape Verde. This measures such broad areas as human rights and accountability, political stability, public service delivery, regulatory quality, rule of law and control of corruption. **World Bank Institute's "Worldwide Governance Indicators 1996-2006" report**
- **In the World Economic Forum, Global Competitiveness Index, 2008-09** Botswana emerged as the world's most improved performer in this year's Global Competitiveness Index (GCI). According to the WEF "the country regains its position this year in the top half of the rankings, moving up a remarkable 20 places, the largest improvement this year."
- Botswana scored highest in the overall category of Legal and Political Environment, where the country was ranked 1st in Africa and 26th in the world. **2009 International Property Rights Index (IPRI)** <http://internationalpropertyrightsindex.org/>

Sustainable Development Post Mining

The Bench Marks Foundation rightly raises the very real challenge of the sustainability of the Botswana economy post-mining and some of the economic challenges faced by the Botswana Government as it looks to the future. They are also correct to point out that Mine Closure Plans themselves focus primarily on environmental and labour issues but often "fail to address the broader socio-economic implications" (p63).

⁶ Alfaro, L., Dev, V., Allibhoy, F., and Spar, D, 2003, "Botswana: A Diamond in the Rough." Harvard Business Review; Coakley, G, 2002, "The mineral industry of Botswana," <http://minerals.usgs.gov/minerals/pubs/country/2002/bcmyb02.pdf>; Mtunzi, S, "The Private-Public Partnership Model: The Debswana Case": Open Society Initiative for Southern Africa etc.

In doing so, however, they fail to recognise that while the management of local social and economic implications of closure is clearly the responsibility of the mine, the mitigation of the broader socio-economic consequences of closure falls primarily under the planning remit of Government. The Government of Botswana is well aware of this challenge and economic policy is explicitly focussed on utilising existing diamond wealth and Botswana's position within the diamond pipeline to build a sustainable, diversified post mining economy.⁷

Present estimates suggest that Botswana's existing major diamond reserves are likely to last a further 15-20 years if appropriately managed. With diamonds contributing so conspicuously to Government Revenues and GDP the challenge of developing a sustainable post-mining economy defies quick-fix solutions. This task is further complicated by:

1. A weak resource endowment outside of mining
2. Small internal market
3. A lack of direct access to sea ports
4. Low population density making service provision costly
5. A high gini-co-efficient indicating an ineffective distribution of financial wealth

Despite invoking the problem of post-mining economic sustainability, the Bench Mark Foundation fails to reference or evaluate any of the many, mainly Government-led programmes and initiatives aimed at addressing it.

They, nevertheless, assert that Botswana's dependency on diamonds is an "untenable situation" and that this is demonstrated by the impact of the current economic crisis. Notwithstanding the bizarre implication that Botswana would be better off without diamonds, the current economic crisis has, by contrast, demonstrated the effectiveness of Botswana Government economic policy. While Botswana's growth in 2009 will certainly be curtailed and the loss of diamond revenues will have a deleterious impact on GDP and Government revenue, Botswana has proved to be better prepared to handle the effects of what is after all a *global* recession than many other resource-dependent developing countries. Most notably Botswana's US\$9 billion foreign currency reserve fund, generated primarily through husbanding diamond revenues, has helped insulate the country from the impact of fluctuations in diamond demand and enabled Government to maintain a relatively consistent level of service delivery despite a sudden decline in diamond revenues in 2009.⁸

Botswana's record of sustained and effective investment in infrastructure, education, healthcare, capacity building, welfare, rural development, welfare systems, agriculture, tourism and training all point to the Government's concerted and broad-based initiatives to generate the physical infrastructure and social capital base to stimulate local economic activity; attract foreign direct investment and develop a more diverse economic base. Botswana Government's plans in respect of reducing poverty are set out in Botswana's **Vision 2016 and the National Strategy for Poverty Alleviation** which outlines their plans to reduce the number of Botswana living under the poverty line to zero by 2016.

Economic Diversification

The Bench Marks Foundation rightly raises the economic challenge of creating a diversified post-diamond economy in the context of Botswana's level of dependency on diamond resources, and suggests that this has been an issue that Botswana has been "complacent" on (p63).

This is not the case. Economic diversification has been Government's economic priority for well over a decade, and its importance is outlined in Botswana Vision 2016; National Development Plan 10, and numerous budget speeches and policy documents. Of equal concern, the Bench Marks Foundation fails to engage with the content of any of the significant structural reform measures implemented by Government to this end. While the specific economic and structural changes needed to effectively diversify an economy like Botswana's

⁷ This focus is clearly outlined in among other things, Botswana's Vision 2016; *Toward Prosperity For All* <http://www.vision2016.co.bw/> , and Botswana National Development Plans

⁸ The foreign currency reserve fund is the equivalent of a total of 38 months of good and services as outlined by the the Hon Baledzi Gaolathe Botswana Budget Speech for 2009, Feb 2nd 2009

remains a topic of ongoing debate among development economists, there can be no doubt about Botswana's commitment to economic diversification.

The Botswana Government has been particularly proactive in terms of harnessing the specific capabilities of partners like De Beers to engage with this economic challenge. Over and above contributing to Government revenues, De Beers and Debswana contribute directly to the challenge of economic sustainability post-mining through:

- **Beneficiation**- Support for beneficiation and the development of a post-mining diamond economy in Botswana
- **Human Capital Development**
- **Direct Support for the development of Small and Medium Enterprises**
- **Procurement and Support for Citizen Companies**

Beneficiation

Beneficiation is the process whereby diamond producers are empowered to add value to locally-mine rough diamonds through downstream activities including local sorting and valuing; local cutting and polishing and local manufacture of diamond jewellery. Contrary to the Bench Marks Foundations analysis of beneficiation, diamonds cannot, by definition, be beneficiated outside of the country in which they originate.

The recent drive towards diamond beneficiation in Botswana represents a concerted effort by both the Government of Botswana and De Beers to generate greater local value from existing diamond reserves and leverage Botswana's position in the diamond pipeline to build a local downstream diamond industry that will endure beyond the life of existing diamond reserves. This, in turn, generates new local employment, develops local skills and capabilities and acts as a catalyst for a range of related secondary and tertiary enterprises.

The beneficiation programme comprises two key elements. Firstly, the transfer of the majority of De Beers sorting, valuing and aggregation activities from its historical centre in London to Gaborone and, secondly, assisting in the development of a local diamond cutting and polishing industry in Botswana.

Diamond Trading Company Botswana

With the launch of Diamond Trading Company Botswana - an independently managed 50/50 Joint-Venture between De Beers and the Botswana Government- the infrastructure was put in place to achieve the first element of the beneficiation programme, and Gaborone is now on track to be "the world's largest rough diamond sorting and distribution centre. . . . taking over the role historically played by London."⁹ To ensure that the Botswana Diamond Trading Company was able to hit the ground running in 2008, De Beers financed the construction of the new US\$83 million sorting and valuation facility in Gaborone.

Local Supply

In addition to this, a local supply agreement was concluded in 2006 with the aim of developing a viable cutting, polishing and jewellery manufacturing sector in Botswana. By the end of 2008 3000 new jobs had been created through this process and US\$366 million worth of supply was provided to local Sightholders. Key to the success of this latter initiative is the provision of appropriate support to local cutting, polishing and jewellery manufacturing facilities so that they are able to compete effectively with established downstream diamond cutting and polishing centres in Belgium, India and Israel.

While the short term success of the local cutting and polishing sector has been hampered by the current economic crisis, De Beers' commitment to beneficiation in Botswana remains undiminished.

Local Procurement and Foreign Direct Investment

Local procurement and capacity building is one of the De Beers Family of Companies' Principles. In Botswana, this takes the form of providing preferential terms to citizen-owned companies and working, wherever possible, with Botswana based suppliers. It also takes the

9 Chaim Evans Zohar 2007 From Mine to Mistress: corporate Strategies and Government Policies in the International Diamond Industry, Mining Communications Ltd London, p235

form of using Debswana's powerful position in the diamond pipeline to leverage foreign-direct investment through the expansion of existing businesses into Botswana. These goals are captured in the objectives of Debswana's Business Development Division, and its Citizen Economic Empowerment policy adopted in May 2006.

Debswana Business Development Division – Objectives

- To promote and facilitate development of **commercially viable** citizen owned or joint venture businesses in Botswana
- To attract and assist proficient foreign investors/suppliers to Debswana to establish commercially viable enterprises in Botswana
- To develop and maintain required cooperation with other business development agencies and relevant Government departments that will enable Debswana to achieve the objectives of this policy
- To ensure that the development of private enterprises within the Debswana lease areas take place in a controlled manner within the parameters set by the company

The Bench Marks Foundation asserts that Debswana's procurement program has done little to support local businesses and citizen suppliers (p41). They do not however reference the facts of Debswana's procurement programme or the policies and processes of the company in respect of awarding tenders. Instead they critique the program *solely* on the strength of the views of a single citizen contractor that was involved in a dispute with Debswana. Basing an analysis of a procurement program worth P11.5 Billion over the period 2005-2008 on the views of a single contractor does not give cause for confidence in the analysis.

De Beers and Government of Botswana both recognise the vital role that procurement can play in developing sustainable secondary and tertiary economic activities on the back of primary resource extraction, and hence its value as platform for creating competitive self-sustaining businesses that endure beyond mining in producer countries. To this end, and in line with Government policy, Debswana has a Citizen Empowerment Policy in place which offers preferential terms in tender adjudication to citizen owned companies. Starting from a close to zero- base line at independence, Debswana has supported the growth and ongoing success of a many citizen owned companies. It has also stimulated considerable foreign direct investment as key international contractors have set up local businesses from which to operate.

Procurement spend by Debswana from citizen –owned and local companies was worth an average of P2.4 Billion per year between 2005 and 2008. Over this period the total value of goods sourced form citizen owned companies increased from P206 million in 2005 to P318 million in 2008.

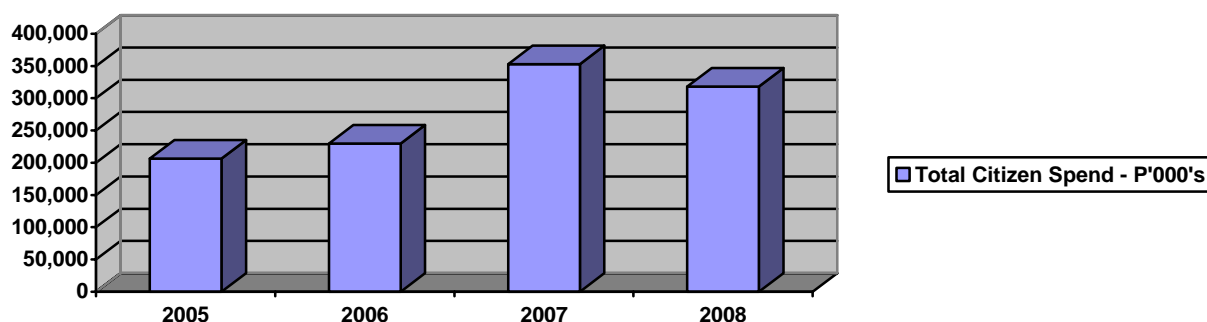


Table: Procurement spend from citizen companies 2005-2008.

Of further concern in this context is the Bench Marks Foundation's apparent confusion of the function of Peo Venture Capital, a dedicated SME fund (see below), with Debswana's significant procurement programme.

SME Support

The growth of local small and medium sized commercial enterprises (SMEs) in countries like Botswana is one of the most effective means of ensuring continued economic growth, generating new employment and creating greater economic diversification.

Providing support for SME development, however, does not fit comfortably with the more philanthropically focussed objectives of traditional Corporate Social Investment nor, in many instances, with the provision of support through preferential procurement programmes. To address this gap, De Beers, in partnership with Debswana, set up Peo Venture Capital Ltd in 1997 specifically to provide specialised support to SMEs as a venture capital partner.

To date, Peo Venture Capital has invested a total of P36.5 million (US\$5.5 million) in establishing and supporting 60 individual citizen owned businesses in Botswana.

The Bench Mark Foundation dismisses this significant contribution to SME development in Botswana by reference to the contractor dispute between Geoflux and Debswana mentioned above which, of course, was a procurement issue and has no direct connection to Peo at all.

By the end of 2008 Peo had achieved the following:

- **P36.1m** Invested in new projects
- **P27.9m** Invested in loans to SME's
- **P8.2m** Invested in SME equity
- **60** New businesses created
- **1 362** New Jobs created
- **P9.2m** Disbursed in Salaries
- **P2m** Income tax paid
- **86%** Profitability in equity investments
- **65%** Successful divestments

Human Capital Development

Assisting in the development of a strong human capital base in the countries in which we operate is a further vital component of De Beers approach to sustainability. Across the De Beers family of Companies, considerable effort is placed on developing local capacity, in the first instance, to operate and manage local operations and, in the second, to expand the overall human capital base. This is very much the case in Botswana where Debswana has consistently invested in developing and upgrading the capacity of its workforce and, more broadly in supporting citizens in their efforts to develop the skills necessary to build a diverse and sustainable economy. As the second largest employer after Government in a small country, the direct impact of Debswana's role in the development of a strong skills base cannot be underestimated.

Starting from a very low human capital base at the time diamonds were discovered in 1967, now 95% of Debswana's 6000 employees are citizens. Moreover many former Debswana employees have taken the skills they developed in Debswana into other industries in Botswana.

In addition to this, Debswana also supports a major international scholarship program that has supported more than 1000 students between 1992 and 2009 at a total cost well in excess of P243 million (US\$35 Million).

Community

Mining Rights in Botswana are structured on the basis of a model of national benefit. Mineral resources are vested in the state which, in turn licenses operators, like De Beers or Debswana, to explore or mine mineral resources. This system of "nationalising" rights for valuable minerals is universal in southern Africa as it is widely considered the most effective in ensuring that both local and national communities are able to benefit from mining enterprises.

Botswana's particular development success on the back of its resources wealth, relative to that of its neighbours suggests that the De Beers/Botswana Government Private Partnership Model operating within a framework of nationalised resources rights has been particularly effective in terms of achieving Bench Mark Foundation-stated goal of ensuring "equitable distribution of wealth and development benefits at a grass-roots emanating form extractive industries".

Part of the Bench Mark Foundation's failure to engage accurately with community rights and benefits stems from its erroneous understanding of community land rights in Botswana. The Bench Mark Foundation asserts that (p19, p30) "all lands except for a small portion of free-hold land which under colonialism was in the hands of the white minority, mostly farmers, is owned by the government." This is quite simply incorrect.

State land is comprised mainly of urban land and conservation areas and comprises 24.9% of the total land surface in Botswana. The majority of land (70.9%) in Botswana is "tribal land" administered under the Tribal Land Act and Tribal Land Amendment Act which directly affords local communities a whole range of rights and interests in land and empowers Land Boards with the right to allocate land to citizens.¹⁰ Local social licenses to operate are negotiated with Land Boards, traditional leaders and individual leaseholders of lands in question.

Community Relations

As with all entities within De Beers Family of Companies, Debswana operates in accordance with the De Beers Principles on Communities and Community Policy. These reaffirm the commitment of all Family of Companies' entities to securing "a social license to operate" *directly* from local communities regardless of the national legislative framework.

A social license to operate typically takes the form of a consensual agreement with local communities impacted by a mining operation. This consensus can only be achieved through extensive and direct consultation with mining affected communities and relevant community authorities and in Botswana's case involves engagement with local land-boards, local tribal authorities, and individuals whose rights or interests are materially impacted by mining operations.

Clear examples of this include the ongoing Social Impact Assessment consultation process that is being undertaken by De Beers and its Joint Venture partners in preparation for the now-delayed AK06 Mining Project near Orapa, and the ongoing Social Impact Assessment consultation process undertaken by Debswana in preparation for the Cut 8 expansion project at Jwaneng.

The sizeable communities in the immediate vicinity of Debswana's mining operations all formed following the initial discovery of diamonds. Before the mines were established, the Jwaneng and Orapa areas were utilised as cattle-posts and seasonal grazing. All traditional users of the area were offered alternative grazing land and appropriate compensation for any infrastructure.

Expanding on the community rights line, Bench Marks Foundation also contends that "San Communities have been relocated to make way forthe exploitation of minerals". This is not the case. It was alleged by Survival International that the San were relocated from the Central Kalahari Game Reserve in 1997 and 2002 to make way for diamond mining but this notion was comprehensively discredited firstly through numerous studies including an International Finance Corporation Ombudsman's Report investigating the relocations and subsequently in the High Court of Botswana where the relocations were ruled "unlawful".¹¹

¹⁰For a useful overview of land tenure in Botswana see MARTIN ADAMS, FAUSTIN KALABAMU, RICHARD WHITE Land tenure policy and practice in Botswana -Governance lessons for southern Africa Journal für Entwicklungspolitik (Austrian Journal of Development Studies), XIX, 1, 2003, 55-74.

¹¹ Office of the Compliance Advisor/ Ombudsman/ International Finance Corporation/ Multilateral Investment Guarantee Agency June 2005, ASSESSMENT REPORT _ Complaint Regarding IFC's investment in Kalahari Diamonds Ltd, Botswana

Community Perspectives

The Bench Mark Foundation report frequently invokes “community” views and perspectives without providing any details as to exactly which communities were consulted or providing any specific data as to the nature of these engagements.

The Bench Marks Foundation has also only published critical community commentary on the Botswana diamond partnership and appears to have written off positive views of many Batswana concerning Debswana and De Beers. Making reference to a 1994 anthropological study of a west coast South African mining town, they do so on the grounds this “sizeable portion of the Botswana population” appears to have an “obligated loyalty” to De Beers and that this manifested itself as a form of “paranoia”.

This contradicts the far more extensive and detailed interviews conducted in the course of the 2008 Afrobarometer Survey on Botswana. These suggest that Batswana are generally confident in their democratic right to express their views. The Afrobarometer survey suggests that 83% of Batswana described themselves as “completely free” and, moreover, that 92% of Batswana said they felt completely free to join any political organisations, while 94% said they were free to choose who to vote for without feeling pressured.

Based on the Afrobarometer survey findings (see appendix) another interpretation of the “obligated loyalty” of Batswana to Debswana would simply be that many Batswana are proud of Debswana and its contribution to national development.

Community Investments

Over and above Debswana’s contribution to Government revenues, Debswana makes a range of additional social investments in local communities. These take the form of philanthropic grants, investments into social infrastructure, the provision of healthcare services for local communities, and support for education initiatives.

Philanthropic Spend

Both Debswana and De Beers operate distinct Corporate Social Investment Funds in addition to a joint fund in the form of the recently created Diamond Trust.

Debswana’s Corporate Social Investment (CSI) Programme, has made a significant contribution to the improvement of the socio-economic welfare of the country’s various communities. The driving factor behind Debswana’s CSI philosophy is that the company does not direct the communities towards projects, but rather creates smart partnerships in which communities initiate and “own” development projects on a sustainable basis. Debswana has a CSI committee which is a sub-committee of the Debswana Board, whose role is to consider and approve projects as well as recommend large projects to the Board for approval. This is done in order to ensure accountability and transparency in CSI activities.

CSI Key Facts

- ➔ **Professionally Managed**
- ➔ **Focussed on community support and partnerships**
- ➔ **Total Expenditure**
- ➔ **2008** Botswana (Debswana and De Beers Botswana): US\$3,480,890
- ➔ **2008** De Beers Group: US\$13,563,460
- ➔ **2007** Botswana (Debswana and De Beers Bots): US\$2,143,000
- ➔ **2007** De Beers Group: US\$19,005,620

CSI Professionalism

Debswana recently hired a full time development professional as a CSI manager. This was done to aid the professionalization of its grant-making function in line with a review of CSI across the Family of Companies. The Bench Marks Foundation is critical of this individual appointment as the CSI Manager appointed was formerly the head of one of Botswana’s most important NGOs. The Bench Mark Foundation asserts that this is wrong because “the independence of NGOs and civil society structures should at all times be maintained and respected”.

Neither Debswana, nor De Beers, shares the Bench Mark Foundation confrontational perspective of the relationship between NGOs and Business. Rather, we take the view that the most effective means of solving problems of mutual concern is through proactive collaboration and honest engagement. Thus throughout the Family of Companies' employees are actively encouraged to be socially engaged both within and beyond the workplace. It is no surprise therefore that many staff in the De Beers Family of Companies are actively engaged with many different NGOs, charities, religious groups and other civil society organisations at many different levels from board members to volunteers.

All entities within the De Beers Family of Companies will always seek the best talent available in all functions of the business. In terms of community development support and sustainability matters top talent is critical if we are to deliver top-quality programs that provide maximum benefit to communities and other stakeholders. Unsurprisingly, many of those most skilled on community and sustainability issues have worked in civil society or the public sector.

Mining Towns

The Bench Marks Foundation paints a bleak picture of Debswana's Mining Towns - Orapa, Jwaneng and Letlakhane - without apparently having set foot in these towns. Using an historical anthropological study of Kleinsee (a west coast mining town some 2000km distant in south Africa) during the apartheid era as a point of reference, they describe Orapa as a "prison". Invoking an analysis of mental asylums by Erwin Goffman (p37) assert that when the residents of Orapa eventually leave the town they are "incapable" of managing certain features of daily life on the outside". This is perhaps the most bizarre assertion of this report and is not only demeaning to the many men and women that live and work in Orapa, it is quite simply wrong.

The Bench Marks Foundation furthermore assert that "the 'closedness' of mining towns increased intensity as the research team approached mining operations... the team were refused entry into any of these operations and were informed by former employees interviewed that the team would only be allowed to enter any Debswana mining towns on invitation from someone inside..." (p59). This assertion once again calls into question the integrity of the research process. While Orapa is a "closed" town requiring permission for access, Jwaneng is an "open" town- accessible to anyone in Botswana who wishes to visit.

The Bench Marks Foundation is correct in asserting that Orapa is divided into different security zones. This is not, as the Bench Marks Foundation implies, part of a draconian system of social control, it is simply a measure to, firstly, prevent theft and smuggling of diamonds and secondly to ensure compliance to the various commitments De Beers has made to ensure diamonds are not used for illicit purposes. The red-zone is a "high security zone" because it is where rough diamonds are sorted. It is worth noting that while Orapa is a "closed" town, it is home to many non-Debswana employees including Government officials, contractors and private sector suppliers of various services.

The credibility of the Bench Mark Foundation's research on mining towns is called into further doubt by statements such as their assertion that on leaving mine sites workers are forced to pass "through endless passages with x-ray machines" (p37). Despite X-ray screening within safe-levels to be a common security practice at diamond mines, Debswana workers are not subject to X-ray screening at any Debswana operations.

Healthcare Provision

Healthcare represents Debswana's most significant ongoing social expenditure on local communities. Jwaneng and Orapa Hospitals are both fully funded by Debswana at a collective cost of P85 million per annum and provide primary health services (including satellite clinics) to a catchment areas with a total population of around 75 000 people.

All of these communities benefit from the local mining operations in terms of service provision and support. Thus for example Jwaneng Hospital which is fully funded by Debswana at an annual average cost of P37 Million per annum, serves as the district hospital, runs a series of satellite clinics and provides health services for some 20 000 people including the role out of ART treatments. Orapa Hospital is also fully funded by Debswana and provides a similar

service accommodating the greater Boteti catchment area with a population coverage of 54 000 people at a cost of P48 million per annum in 2007 and 2008.

The effectiveness of this service and also the delivery of the ART programme (see below) stems in part from the fact that Orapa and Jwaneng Hospitals work in partnership with Botswana's Ministry of Health.

Debswana Healthcare Key facts

- Hospitals and satellite clinics 100% funded by Debswana
- Total annual cost of around **P85 Million (2008)**
- Service both mine communities and district catchment areas
- Jwaneng Hospital catchment circa **20 000** people
- Orapa Hospital catchment circa **12 000**(Orapa town) + **54 000** (Boteti catchment area) people
- Government/ Debswana ART programme nominated as Best Public Private Health Partnership by Pan African Health Awards for Excellence and Innovation

HIV and AIDS

Debswana has won numerous plaudits around the world for its groundbreaking Anti-Retroviral Treatment programme for its workers. It was the first company in Africa to do so.

Contractors and ART

While broadly complimentary of Debswana's HIV/ AIDS programme, The Bench Marks Foundation questions the exclusion of contractors and local communities from the program labelling this "medical apartheid". The Bench Mark Foundation also raises concerns generally about mining companies not treating HIV/AIDS as "an occupational disease".

Debswana does not provide ARVs to contractors all of who are employed by different companies and hence fall under the policies of those companies. Nevertheless contractors have full access to all other services of Debswana's comprehensive HIV programmes which include prevalence testing, VCT campaigns and all prevention initiatives including education and communication campaigns. ARVs are accessible to them though, either through the National Programme clinics that we run in partnership with Ministry of Health or, if they are private patients with medical aid, through our mine hospitals. As such, there is no "medical apartheid" for contractors at Debswana's operations simply a different framework for accessing ARV's. The effectiveness of the integration of Debswana and Government led HIV/AIDS programmes has been widely praised and in 2006 the Government/ Debswana ART programme was nominated as Best Public Private Health Partnership by Pan African Health Awards for Excellence and Innovation

HIV/AIDS as an occupational disease

The Bench Marks Foundation is critical of mining companies not classifying HIV/AIDS as an occupation disease.

While HIV/AIDS is statistically more prevalent in areas with large, sometimes transitional workforces, it has never been considered an occupational disease mainly because the work place itself does not pose a risk of infection to employees. Debswana nevertheless deals proactively with HIV/AIDS as a material business risk and works to ensure that it is effectively managed in the broader work environment. In other words, while HIV/AIDS is not an occupational disease; in practice, Debswana treats it as such.

Benchmarking Performance: De Beers Family of Companies Principles

The Bench Marks Foundation recommends that De Beers' entities "conduct themselves at standards set at the level of best global practice and not be content to merely work within the local legislative environment". De Beers is already doing so.

The De Beers Family of Companies operates in accordance with a comprehensive set of Principles that are aligned with international standards of best practice. These principles prescribe our actions and frame our engagements on all key stakeholder matters. All De Beers Family of Companies entities have agreed to operate in accordance with these

Principles even where they may exceed the requirements of national legislation. All entities within the Family of Companies are subject to both external and internal audits in respect of its performance against key Principles through the De Beers Best Practice Principles Assurance Program (BPPs) that has been operating since 2003.

The De Beers Principles are a critical component of our shared commitment to “live up to diamonds”. Operating in accordance with these principles not only provides a framework to ensure that all members of the De Beers Family of Companies operates according to the highest standards, but also crucially ensures our consumer’s continued confidence in diamonds.

It is important to note that De Beers does not only require all Family of Companies entities to be BPP compliant. All Sightholders’ (DTC rough diamond customers) performance against the BPPs are externally verified during each contract period and likewise assurances are required from contractors and suppliers in respect of their commitment to the BPPs.

De Beers nevertheless recognises the importance of external verification of its performance on corporate citizenship issues. Externally verified performance is vital if diamond consumers are to have absolute confidence in the ethical provenance of their purchases. As a result De Beers is also a founder member of the Responsible Jewellery Council (RJC) (<http://www.responsiblejewellery.com/>), which is in the final stages of developing a comprehensive certification scheme based on compliance to a series of clearly defined commitments on ethics, human rights, labour, social and environmental performance. Like the De Beers Best Practice Principles Programme, compliance to the standard is 3rd party audited.

The RJC standard is the first such standard to apply to the diamond and gold pipeline and we believe will establish a new benchmark for **externally** verified performance in the mining industry and beyond. De Beers is currently in the process of integrating the requirements of this standard into its existing Best Practice Principles and other assurance and verification processes.

One of the more curious criticisms made by the Bench Marks Foundation is its claim that the efforts within Debswana to encourage workers to use an ethics hotline to report criminal activities such as corruption, theft, crime syndicate activities and fraud or breaches of policy and procedure as “reminiscent of East European countries at the height of the Cold War” (p72). It is an interesting point of critique given that the alternative would be to encourage workers to ignore criminal activity and ignore breaches of policy (particularly important in the safety context) and is suggestive, once again of the Bench Mark Foundation’s failure to offer balanced analysis.

Impact of the Global Recession: Debswana Employment

The Bench Marks Foundation base key elements of their critique of Debswana on the strength of the assumption that in the “last two months of 2008” Debswana “retrenched half its head office staff in Gaborone [sic]” (p28) and that Debswana plans to “**retrench workers at all its operations**” (p41). The assumption of mass retrenchments having taken place is then frequently invoked in the report as a point of reference for a range of criticisms (see for example pages 40,41,45,60,67,70,71). Debswana did **not** retrench any staff at head office in Gaborone in response to the recession and moreover retrenched **NO** staff at its operations.

While the production cuts taken between December 2008 and April 2009 to ensure Debswana’s cash position in the wake of a dramatic collapse in diamond sales impacted on orders with existing contractors, **Debswana retrenched no workers at either Orapa House or any of its operations in response to the recession**. None of those workers occupying the 600 positions impacted by these cash preservation measures were forcibly retrenched although, following a request by the Botswana Mine Workers Unions, voluntary separation packages were offered to those affected. Ninety workers accepted the voluntary separation packages they were offered.

Environment

The Bench Marks Foundation offers a critical analysis of Debswana’s environmental performance and the regulatory framework for environmental issues. While the analysis is

correct in identifying water issues as the key sustainability issue for Debswana, the analysis is largely inaccurate.

Water

The Bench Marks Foundation asserts that Debswana has a “tortuous history when it comes to the sustainable use of water resources” (p50). They make this broad assertion primarily on the basis of the proposal for and subsequent criticisms of the Southern Okavango Integrated Water Development Project which was abandoned by the Botswana Government during the planning phase some 17 years ago following an assessment of its potential impacts on the Okavango water system and its users.

As already noted, water is a critical sustainability issue for Debswana. As such, both Debswana management and its shareholders have placed considerable emphasis on reducing its water consumption. Debswana has enjoyed some success in this regard and its total consumption of water has now been reduced by some 35%. Ore processing plants at all Debswana mines were designed such that water is reused many times over. Each plant has large thickeners, which are pieces of equipment that contribute nothing to the ore recovery process, but recycle the water used in the process.

Debswana has moreover spent hundreds of millions of Pula on research into water conservation. This has included work on maximizing the amount of water that can be recovered from the ore treatment process and changing the ore treatment process to use less water. Into the future there are plans to do research on amending the ore treatment process to use more saline water which is unsuitable for human consumption. In an effort to reduce water abstraction from the ground, at Orapa Debswana has installed facilities to capture storm water from the town area for use in the mine. As importantly, sewage water is also treated and reused in the mine

The extraction of water from the various well fields is moreover carefully managed and an externally monitored on a regular basis. This noted Debswana remains acutely conscious of water as an enduring challenge and will continue to focus its resources on finding innovative methodologies to reduce water consumption and ensure that local communities access to water remains unaffected by our mining operations.

Mine Dewatering

One of the report’s informants, “a former geologist at Debswana claimed that open cast mines require dewatering of the surrounding areas to effect a drop in the water table that will allow the mining operation to operate in dry conditions”. All mining operations require dewatering for safety reasons. If the rocks in the side walls of a mine are wet and saturated with water they will collapse and bury the workers and equipment. Dewatering is required to reduce the presence of water in side wall formations which then reduces pore pressure. The lower the pore pressure, the higher the resultant factor of safety in the mines. Also, this water is not wasted. It is used in the mining process, thereby reducing the amount of water required from other areas where different users may need the water. It is also important to note that the De Beers Family of Companies places considerable emphasis on the safety of its employees and works towards a zero-harm target.

The Boteti River

The Bench Marks Foundation make reference to the drying of Boteti River as “a case in point” of the negative environmental impacts of Debswana’s operations that put local communities at risk. They allege that the diversion of the Boteti River (which historically emptied into the Makgadigadi Pans) into the Mopipi Dam to support the water requirements for the mine at Orapa significantly impacted on local communities. They also assert that Debswana’s use of ground water contributed to the drying up of the river “in the 1990s” (p53).

They base their assertion on a number of false assumptions that would have been easily resolved with a little further research.

Key to the Bench Mark Foundation’s argument is that the Boteti River flowed year round before the mid 1990s. This is not the case. The Boteti river flowed only intermittently before the 1990s and is dependent on the size and duration of the flood from the Okavango Delta.

The best approximation of recent flood frequency one can make probably comes from looking at the modelled flows down the Boro River – near Maun. These indicate low flows in 1933 to 1950, 1960 to 1968, and 1983 to 1986. High flows were recorded on the Boro river in 1955 to 1958 and 1975 to 1981 (SMEC- SOIWDP vol 1 pg 97). However, by the early 1980's the inflow from the Okavango declined significantly, and by 1984 the reservoir at Mopipi had dried up. In 1989 the Boteti flood reached Mopipi again, but was insufficient to fill the reservoir. No water has reached Mopipi since then and Debswana has dismantled its infrastructure at Mopipi and rehabilitated the area so that when the flood returns , it will follow the same path it followed before the reservoir was built.

The Bench Mark Foundation assert that increased flows down the Boteti River were a benefit to adjacent riverine communities (p53), but not those downstream from the Mopipi reservoir to which floodwaters had been diverted. This is incorrect as there are no “riverine communities” downstream from Mopipi. The Boteti River terminates at Mopipi, running into the barren Makgadikgadi salt pans, where no communities live. In 2003 Debswana initiated a full environmental impact assessment on the Mopipi reservoir area, and has since then spent in excess of P3 million restoring the flow regime around the reservoir area to what it was before the reservoir was built. The Mopipi community was consulted fully on this.

The Bench Marks Foundation also assert that “the [Boteti] river did not only suffer from the diversion of its water to the mining at Orapa and Letlhakane, but also from the dropping of the water table to ensure optimal working conditions in the pits at these diamond mines” (p53. This is not supported by the facts which show that:

- ➔ The nearest mine to Mopipi is at Orapa, more than 60 kms away. There is therefore no possibility that pumping water out of the pit would affect the water table at Mopipi.
- ➔ The Boteti River is fed by surface water that comes down from the Okavango delta; it is not fed by seepage from underground.
- ➔ Water from Mopipi (which was last used in 1983) was only ever used at Orapa, and never at Letlhakane as the Bench Mark Foundation contends, which is more than 100 km away from Mopipi.
- ➔ Dewatering at Orapa started many years after the last flood reached Mopipi. This means that dewatering could not have played a role in the drying up of the river. The Boteti River, along with a number of other “dry” outflow channels of the Okavango including the Ngami, Toteng and Boro have recently begun to flow following good rains in the Okavango catchment in Angola.

External Assurance and ISO14001

The Bench Marks Foundation report is critical of third party assured environmental reports and management systems such as ISO 14001 to which all Debswana operations have been fully compliant since 2002. They state that “there are short-comings associated with these globally agreed standards. Assessment by third party ISO 14001 auditors do not really demonstrate environmental compliance where third party services are paid for by the corporation”. (p52)

It is beyond the scope of this commentary to engage in a debate about the credibility of third party audits on environmental and other matters. Suffice to say that De Beers and Debswana have no doubts as to the rigorousness and objectivity of its auditors and indeed rely on them to help identify areas of material risk that need to be addressed. It is however worth noting that that Debswana's training for ISO 14001 environmental management system was provided by the University of the North West in South Africa, the institution from which the Bench Mark Foundation's lead researcher hails.

The Bench Mark Foundation also claims that “Structures like the IPCC, the ECCPG and the World Business Council on Sustainable Development (WBCSD) are part of that category of structures and networks which serves political and economic interests as far as environmental issues are concerned”. While it is beyond the scope of this report to defend reputable institutions such as the IPCC it is revealing to note that the Bench Mark Foundation mistakenly considers the Energy and Climate Change Peer Group (ECCPG) to be an entity of a similar status to the IPCC or WBCSD. The Energy and Climate Change Peer Group (ECCPG) is an internal De Beers Family of Companies working group to facilitate the flow of information on climate change issues across the Family of Companies.

Environmental Incidents

The Bench Mark Foundation report asserts that “nothing is said in Debswana’s 2007 report about negative environmental incidents, whether such incidents impacted on production, or placed workers, residents of mining towns or neighbouring communities at risk” (p53). Quite simply, diamond mining is a largely physical process, and environmental incidents are mostly limited to small fuel spillages, which can be completely cleaned up in a short time period. No major negative environmental incidents have been reported by Debswana because there weren’t any.

All environmental incidents relating to the Family of Companies are captured in the Environmental Reporting System and reported on annually in the Family of Companies’ Report to Society.

Year	Major¹²	Moderate¹³	Minor¹⁴
2004	0	4	184
2005	0	4	120
2006	0	2	118
2007	0	2	83
2008	0	18	22
2009	0	2	12

Table: Environmental incidents at Debswana mines 2004- 2009

Environmental Regulation

The Bench Marks Foundation make a number of erroneous assertions regarding the regulatory framework for environmental issues within Botswana.

- The Bench Mark Foundation asserts that there is no government ministry responsible for environmental issues. This is not true. The Ministry of Environment Wildlife and Tourism has overall accountability for the regulation of environmental affairs within which there is a separate Department of Environmental Affairs.
- The Bench Mark Foundation furthermore alleges that there is no legal safeguard for “heritage” issues in Botswana. This again is untrue as the Monuments and Relics Act serves this function and has been in place for many years. Each EIA report has to have an archaeological section attached. The National Museum is the custodian of the legislation.
- The Bench Mark Foundation is also critical of the apparent absence of an “independent department of water affairs” in Botswana. This is a curious assertion given that there are separate regulatory structures for water and mines in Botswana- the Department of Water Affairs and Department of Mines respectively.
- The Bench Mark Foundation alleges that the environmental impacts of mining activities in Botswana are not assessed. This is not the case. Debswana complies with the Environmental Impact Assessment Act. This Act includes a requirement for public participation, which is driven by the regulator. Community members have a

12 A reportable environmental incident associated with widespread, long-term, irreversible negative ecological or social impacts with a high risk of legal liability. All of the following aspects should apply:

- Complete disruption of natural systems
- High degree of irreversibility (5+ years)
- Non-compliant with legislation and a likelihood of prosecution

13 An incident associated with a widespread or localized, medium-term, reversible significant ecological or social impact and/or has a risk of legal liability. All of the following aspects should apply:

- An impact on the natural system
- Reversible impact within 5 years
- Non-compliant with legislation and a potential for prosecution, fines or regulatory orders
- Potentially negative public perception
- Incidents may be reportable to the authorities in terms of the relevant legislation or legal requirements

14 An incident limited to the immediate area of occurrence associated with a short-term ecological disturbance or environmental nuisance or a transgression of an internal standard (incl. complaints from interested and affected parties) that does not result in any environmental impact after a once-off internal intervention.

legally mandated right to consultation in this process. More importantly, Debswana developed its formal environmental management programmes more than 10 years before the EIA Act was promulgated, and has conducted EIAs for many years prior to the Act coming into force. The Environmental Impact Assessment Act makes provision for fines up to P100 000 for non-compliance. Debswana is also committed to operating within the framework of De Beers principles and policies on the environment (see appendix 1).

Mining in Conservation Areas

Neither De Beers nor Debswana mine in conservation areas.

The BMF assert that mining and exploring in conservation areas is “simply unethical”. While it is the prerogative of Governments to determine the different activities permissible in different categories of protected areas within their national jurisdictions, the De Beers Family of Companies has a clear policy regarding operating in protected and important conservation areas:

- ➔ Aiming to have no net loss of biodiversity over the operating lifetime collectively for the Family of Companies by minimising the negative impacts through responsible planning and stewardship of biodiversity, from exploration through to the closure of operations and making a contribution to biodiversity conservation in the regions within which we operate.
- ➔ Respecting legally designated Protected Areas and key biodiversity areas and not operating within World Heritage Sites.

It is important to note that diamond mining also has a small footprint relative to many other natural resource extraction enterprises.

Of the total land area under licences to Debswana’s mines 30 600ha is utilised by Debswana for biodiversity conservation purposes- an area roughly seven times the size of the total footprint of Debswana’s mining operations (4600ha). This land provides a secure habitat for many key species and hosts a range of important research and conservation initiatives including the globally renowned Cheetah Conservation Botswana. As outlined in our Reports to Society from 2006 onwards, the Family of Companies manages a total of over 188 000ha of land for conservation purposes housing a number of vital biodiversity research and conservation initiatives.

Debswana/ De Beers Reporting

While the Bench Mark Foundation praises De Beers overall reporting, it is critical of Debswana’s annual review, and recommends that standardised reporting initiatives such as GRI and SA 8000 be adhered to.

All entities within the De Beers Family of Companies report collectively through the De Beers Report to Society as their primary sustainability reporting vehicle. De Beers Report to Society has consistently been graded A+ by the Global Reporting Initiative indicating that it meets the highest possible standard of disclosure on relevant and material issues. Over and above the De Beers Report to Society, individual entities within the Family of Companies frequently publish their own reports for distribution within their markets. These reports are however supplementary in terms of formal reporting requirements to the main Report to Society and focussed on specific local needs.

Having noted this, as a result of the Bench Marks Foundation’s apparent confusion regarding the reporting scope of individual reports, we will undertake a collective review of the materiality of data provided in individual Business Unit Report and consider this an area that needs improvement.

Bench Marks Foundation Report Methodology

The Bench Marks Foundation Report includes many methodological weaknesses that have clearly impacted on its accuracy. These fall into four broad areas:

- ➔ Balance
- ➔ Consultation

- Analysis
- Methodology

Report Balance

The most conspicuous weakness of the report is that it fails to engage directly with the contribution of diamonds to what the United Nations refers to as Botswana's "extraordinary record of development success" since independence in 1966.

In doing so the authors of the report ignore the findings of the significant corpus of well resourced and reputable third party organisations and individuals including the United Nations Development Program, the International Monetary Fund and leading figures in development economics. Given the number and thoroughness of these reports we can only speculate that the Bench Marks Foundation did not set out to produce a balanced or accurate assessment of the diamond mining industry in Botswana.

Consultation

Beyond a handful of reportedly anonymous interviews and a lower than 5% response rate to their questionnaire, the authors of the report failed to engage in any meaningful way with De Beers or Debswana staff and with Government officials. In view of the topic of this report, and the weight afforded to what could best be described as eclectic individual sources, this is a serious enough omission to raise doubts about the credibility of the report as a whole. It was likewise reported that the Bench Marks Foundation also struggled to get responses from local NGOs.

The Bench Marks Foundation encountered real difficulty in securing responses from Debswana or De Beers employees on the questionnaires they sent through. This is a serious concern as all entities in the De Beers Families of Companies routinely assist external assessments by journalists or researchers. An internal investigation has been launched to establish the reason for this error.

In following up with the Bench Marks Foundation following the receipt of copies of the first draft report, De Beers offered to provide those interviews to assist the authors of the report in ensuring a more balanced view. The offer was declined although the Bench Marks Foundation did kindly reaffirm their commitment to publishing this commentary on the report.

Analysis

The analytical approach taken in some sections of the report is highly questionable. Over and above the numerous basic factual errors contained in the report, the authors appear comfortable in drawing grand conclusions on the basis of loose inference and speculation. Some of these, such as the assertion that "De Beers through the dependency on Debswana has established a hegemonic grip over its employees it also has over the population in general" (p59) are based on little more than wild speculation.

Examples of this include:

- Basing a large proportion of its analysis on assumed mass- retrenchments in response to the current global recession that did **not** take place.
- Basing an analysis of a multi-billion dollar procurement program on an interview with a single citizen contractor who had a contractual dispute with Debswana.
- Basing an assessment on the internal conditions of Debswana's mining towns Orapa and Jwaneng on a historical anthropological study of a South African mining town Kleinsee during the apartheid era without actually visiting any of these towns.
- Criticising Government for its ineffectiveness in dealing with poverty without assessing or making reference to any of the major government programmes aimed at dealing with this or indeed Government Goals in respect of poverty.
- Writing off the findings of 3rd party auditors on social performance issues as "innocent fraud" without engaging in the specific substance of such audit findings or, in the case of De Beers and Debswana, its externally evaluated Best Practice Principles Programme.

Errors

- Asserting that “all lands except for a small portion of free-hold land which under colonialism was in the hands of the white minority, mostly farmers, is owned by the government” when only 24% of land in Botswana is State land.
- Criticising Botswana for the “complete absence” of a “Ministry of Environment” and asserting that “conservation falls under the Ministry of Local Government, Lands and Housing and under the Ministry of Agriculture when Botswana does have a Ministry of Environment Wildlife and Tourism with complete accountability for environmental and conservation matters.
- Asserting that Botswana has no legal safeguards for “heritage issues” when in fact heritage issues have been protected under the Monuments and Relics Act since 1970
- Asserting that the Factories Act regulates safety on Mines when in fact safety on mines is regulated under the Mines, Quarries, Works and Machineries Act.
- Asserting that Debswana workers have to walk through “endless passages of X-rays” on leaving secure areas when Debswana does not utilise an X-ray screening for security at its operations.
- Asserting that Boteti river dried up because of mine-pit dewatering at Orapa when the Boteti is flood fed, and dried up a number of years before pit-dewatering began at Orapa.

Peer Review

In their outline of the report’s methodology the Bench Marks Foundation assert that the report will be peer reviewed by the The European Centre for the Study of Migration & Social Care at Kent University a centre that specialises in undertaking “ research and evaluation studies of the impact of social care, health and mental health policies and practices on migrants and refugees.” This is a curious choice for an external review of a document that deals with mining and complex issues of development economics. It would seem more appropriate for the document to be peer reviewed by parties expert in development economics in particular vis-à-vis resource extraction with a credible knowledge of Botswana and extractive industry.

FOR FURTHER INFORMATION ON DE BEERS AND DEBSWANA SUSTAINABILITY PERFORMANCE PLEASE REFER TO The De Beers Report to Society: <http://www.debeersgroup.com/en/Sustainability/>

Appendices

Appendix: De Beers Family of Companies Principles

1) Sustainable development through partnership

The Family of Companies is committed to operating in accordance with national legislation and towards the goal of sustainable development. This means ensuring that we consider and take responsibility for the longer term economic, social and environmental implications of the decisions we make today – not only for our own business but also for the broader societies in which we operate. We will work with our partners in government to ensure that diamonds, a finite resource, are transformed into economic wealth and improved quality of life and wellbeing for all those stakeholders touched by our business along the diamond pipeline.

2) Diamond dreams and development

We will work to address the poverty and socio-economic deprivation that affects many of the communities where we operate. We will work with African governments to help realise their long term visions and, through education, training and shared decision making, to ensure the success of programmes that help build the capabilities of their citizens. In particular, we will partner with our stakeholders to address the priority of HIV/AIDS. We will also work meticulously through the Kimberley Process, the industry's System of Warranties, and our Principles to ensure conflict diamonds are eliminated from world diamond flows.

3) Accountability and “living up to diamonds”

The Principles Assurance Programme translates our Principles into practice and provides a framework for measuring continuous improvement in performance over time. Through peer review across the Family of Companies, we will help each other achieve this goal. The implementation, monitoring and reporting of these Principles through the Assurance Programme, including a willingness to open up our performance to third party scrutiny, will ensure that our stakeholders are able to rely on our high standards and know that we are “living up to diamonds”.

ECONOMICS

- Long term wealth creation through investment in economic development and delivery of enhanced shareholder value
- Transparency in financial payments to governments and relevant and meaningful reporting
- Local procurement and capacity building that contributes to local and national development goals
- Strong relationships with government and constructive participation in policy dialogue relating to mineral development plans
- No political donations to individuals but legitimate support for the democratic process in emerging multi-party democracies in Africa, guided by policy criteria that, on the basis of disclosure, allow exceptional political donations to eligible registered political parties
- Impact assessment, monitoring and management strategies that are comprehensive, involve those affected by our activities and are regularly undertaken, including prior to new projects and mine closure

ETHICS

- Good corporate governance and high ethical standards in compliance with legislation and relevant codes of practice, including the UN Global Compact and other UN, OECD and industry agreements
- Free and fair competition and compliance with national and regional competition/antitrust legislation
- Disclosure of transactions and relationships that could reasonably be expected to give rise to illegalities or conflicts of interest

- Anti-corruption programmes that reject giving or accepting bribes and that require the disclosure of facilitation payments
- Zero tolerance for money laundering plus an active commitment to combat the financing of terrorism
- Compliance with privacy and data protection legislation relating to employees, partners, Sightholders and customers
- Risk mitigation relating to consumer confidence in the diamond pipeline through audited adherence to the DTC Diamond Best Practice Principles and the “system of warranties”, as well as audited adherence to, and support for, the Kimberley Process to prevent conflict diamonds
- Transparent relationships with consumers based on adherence by the DTC and its Sightholders to the accurate description of diamonds, the full disclosure of any treatments to diamonds and full disclosure in respect of synthetics and simulants
- Respecting the fundamental rights of all peoples as outlined in the Universal Declaration of Human Rights, ensuring there is no complicity if others infringe the rights of our employees or local communities
- Recognising and respecting the legal authority of governments in the countries in which we operate, we believe that we have the right and the responsibility to make our position known to them on any matters that affect our employees, shareholders, Sightholders, customers or local communities

EMPLOYEES

- Compliance with the core labour standards of the International Labour Organization including freedom of association, the right to collective bargaining, non-discrimination and the responsible prevention of child labour and forced labour within our sphere of influence
- The highest security and human rights standards for employees at our operations and in our exploration activities, ensuring our security services, or those subcontracted by us, do not violate the human rights of our employees or local communities
- The integration of best practice safety and occupational hygiene standards into planning and management systems to enable a supportive and accident-free safety culture
- Employee health and wellbeing rooted in the moral obligation to “do no harm” and help prevent ill health
- Comprehensive HIV/AIDS management programmes in our principal operations where the need exists, and can be provided for in a responsible and sustainable manner, for employees and their life partners based on the principles of education and prevention, care, confidential treatment and support
- The promotion of diversity and inclusiveness; and, in line with our Values, developing the human potential of employees, promoting respect and reciprocity in working relationships and harnessing the richness of different ideas, cultures and perspectives to enable us to better serve the markets and producer countries in which we operate

COMMUNITIES

- Lasting positive contributions to local community livelihoods during and beyond the lifetime of our mines
- Respecting the cultural integrity of all peoples, their spiritual and religious beliefs, their traditions and their traditional knowledge systems
- Respecting community governance and a community’s rights to consultation with a view to securing their free, prior and informed consent for any significant operations that have substantial impact on their interests and livelihoods
- Treating neighbours with understanding and dignity, taking seriously the issues that concern them to ensure that our operations neither prejudice nor infringe on their rights or interests
- Sensitive to the difficulties encountered by some indigenous or tribal minorities and other vulnerable populations in the areas in which we operate, we aim to be responsive to their needs and concerns
- Stakeholder dialogue to ensure that concerns are treated with respect, actions are taken to address concerns, and that meaningful reporting is undertaken in the public domain

- Social investment programmes to alleviate poverty and address socio-economic deprivation through capacity building and enterprise development, harnessing the passion of employees to “show we care”
- Partnering with relevant stakeholders where we can to deliver or support comprehensive community health management programmes and facilities, such as those for HIV/AIDS, including a focus on prevention and access to treatment as well as on vulnerable groups such as women and children
- Partnerships to help transform small-scale informal diamond digging activities, where feasible, into flourishing sustainable businesses that benefit diggers and their families by alleviating poverty and accelerating sustainable socio-economic development around diamond mining areas

ENVIRONMENT

- Proficient and responsible environmental management integrated into all aspects of the business and supported by management systems, impact assessments and risk management programmes
- Responding proactively to emerging societal concerns by developing systematic ways to prevent or minimise the negative impacts of our operations
- Efficient use and management of energy resources and emissions that contribute to climate change, and the use of market based emission reduction mechanisms where appropriate
- Stewardship of terrestrial and aquatic ecosystems, and of resources on land that we own, lease or manage
- Programmes to conserve biodiversity, protect endangered fauna and flora and promote sustainable use of the ecosystems that we manage in partnership with, and for the shared benefit of, our stakeholders

Facts, Figures & Statistics

Botswana, Democracy, Diamonds and De Beers

“Since they were first discovered by De Beers geologists 53 years ago, diamonds have helped develop Botswana from one of the poorest countries on earth to a country that today has one of the fastest growing economies in the world. Revenue from diamonds has helped build roads, schools and hospitals.”

His Excellency, Mr. F.G. Mogae, The former President of the Republic of Botswana, (2000)

DE BEERS
A DIAMOND IS FOREVER

Development

- Since they were first discovered by De Beers Geologists 50 years ago, diamonds have helped develop Botswana from one of the poorest countries on earth to a country that today has one of the fastest growing economies in the world. Revenue from diamonds has helped build roads, schools and hospitals.
- At independence, Botswana was one of the poorest countries with GDP Of \$100 per capita. In the early 90s, Botswana attained middle income status with GDP in excess of \$6000 .
- Botswana is the largest producer of diamonds in the world by volume and by value, contributing about 22% of the global output of rough diamonds. Diamonds account for 33% of GDP, 80% of foreign earnings and 39% of public revenue.
- Since independence in 1966 [diamonds were discovered in Botswana in 1967], Gross Domestic Product (GDP) growth rate has averaged 7%
- Today, Botswana is the largest producer of gem diamonds at 34m carats which equates 22% of global production by value and uses the revenue to improve the lot of its citizens,
- In Botswana poverty has been reduced from 47% in 1994 to 30% in 2004.
- In 2009 poverty reduction is projected to fall to 23%.
- A total of 270 villages have been electrified.

Budget Speech 2008 by the Minister of Finance and Development Planning Hon. Baledzi Gaolathe

- Diamond production for year 2008 was 32.6 million carats compared to 33.8 million carats in 2007. Total sales volume is estimated at 28.9 million carats which is 17 percent lower than that of 2007.
- Mineral revenue mineral tax and royalties and dividends recorded P12.33 billion which was 43.08 of total revenue and grants.

Honourable Baledzi Gaolathe, Minister of Finance and Development Planning, Budget Speech 2009, February 03, 2009

www.gov.bw

Doing Business in Botswana

- In their perception of the influence of international investors on government 25% of the respondents said that they had too little, 30% said they had the right amount, while only 15% said they had too much.

Botswana Results 2008 Afrobarometer Survey, www.afrobarometer.org

- **World Bank Global Investment promotion Benchmarking (GIPB) 2009** report ranked Botswana as Africa's leader as a potential investment destination.
- Botswana is the second most improved country in the three years that the GIPB has been done.
- In 2009 Botswana was ranked 23rd in the world in the Investment Promotion Intermediaries (IPI's) making it the highest in Africa and placing the country among the 25 elite in the world.

World Bank- Global Investment Promotion Benchmarking (GIPB) 2009 report, <http://www.ifc.org/ifcext/fias.nsf/Content/GIPB2009>

- Botswana traded stocks were ranked as Number Seven (7) in the world on the basis of their average rate of return on investment according to the **Survey of World Stock Exchanges, Birinyi Associates, 2006**
- **The World Bank Institute's "Worldwide Governance Indicators 1996-2006"** report, ranked Botswana number one in Africa, followed by Mauritius and Cape Verde. This measures such broad areas as human rights and accountability, political stability, public service delivery, regulatory quality, rule of law and control of corruption.
- Botswana emerged as the world's most improved performer in this year's Global Competitiveness Index (GCI). According to the WEF "the country regains its position this year in the top half of the rankings, moving up a remarkable 20 places, the largest improvement this year." -**World Economic Forum, Global Competitiveness Index, 2008-09 report**

- The WEF report also states that Botswana is rated as the country with the lowest corruption in Africa and 22nd in the world.- **World Economic Forum, Global Competitiveness Index, 2008-09 report**
 - Botswana ranked among the top 5 Information Communication Technology (ICT) performers out of a total of 134 countries, along with Tunisia, Mauritius, South Africa, and Egypt.-**World Economic Forum (WEF) 8th Annual Global Information Technology Report 2008-2009**
 - Botswana progressed one rank to come out 77th in the overall index and 3rd in sub-Saharan Africa.-**World Economic Forum (WEF) 8th Annual Global Information Technology Report 2008-2009.** <http://www.weforum.org/en/index.htm>
 - Botswana, Mauritius, South Africa and Tunisia stand out as the leaders on the African continent in the protection of property rights.
 - Botswana scored highest in the overall category of Legal and Political Environment, where the country was ranked 1st in Africa and 26th in the world.
 - Under Gender Equality, Botswana was ranked 9th in the world and 1st in Africa for its respect for Social Rights.
 - Botswana was ranked 56th in the world and 5th in Africa for loan access.
- 2009 International Property Rights Index (IPRI)** <http://internationalpropertyrightsindex.org/>

- 2009 thus marks the fourth year in a row Botswana has been ranked the preferred mining destination in Africa, starting from the 2005/06 survey.
- All respondents who commented on Botswana said it had the most favourable policies towards mining.
- Botswana, with an index score of 64.9, was ahead of other African states such as Mali (53.6), Namibia (52.5), Ghana (51.3) and Burkina Faso (45.1).
- According to the survey, mining companies throughout the world ranked Botswana first in Africa in terms of political stability and labour regulations/employment agreements.
- Botswana was ranked second in Africa, behind South Africa, for its geological database, which includes quality and scale of maps, ease of access to information and others.
- The country was also ranked first in Africa in terms of security, which includes the threat of terrorism, criminal attacks or guerrilla groups disrupting mining activities.

Fraser Institute Annual Survey of Mining Companies, 2008/2009
<http://www.fraserinstitute.org/>

Economy

- Debswana- Procurement spend from citizen –owned and local companies increased from P1,8 billion (US\$ 293 million) in 2007 to P3.1 billion (US\$478 million) in 2008.About 24.9% (P778 million or US\$ 119 million) of this was spent with citizen – owned suppliers.
- US\$1.1 billion is the value of diamonds supplied for manufacture in Africa in 2008
- DTCB made US\$ 366 millions worth of rough diamond sales to sight holders in Southern Africa
- Peo is a 50/50 joint venture between Debswana and De Beers Botswana. Since inception Peo has assisted in the establishment of 60 businesses and has invested a total of P36.1 million(US\$5.5 million)

De Beers Family of Companies, 2008 Report to Society

Education

- Prior to independence there were only 3 secondary schools in Botswana and today we have more than 300 secondary schools.
- In 1966, adult literacy was estimated at 10% and currently it stands at 87%.
- In 1966, Primary school enrolment was less than 25% and by 1991 it was 90%.
- Northside Primary School, a private English Medium School in Gaborone in which De Beers has debentures has an enrolment of 460 pupils.
- Broadhurst Primary School, a private English Medium School in Gaborone in which De Beers has debentures has an enrolment of 520 pupils.
- Acacia Primary School in Jwaneng has obtained a 98% pass rate for the schools PSLE results in seven consecutive years.

- Debswana spends about P612 000 annually on the government schools development programme.

www.gov.bw

- For the year 2009 /2010 provisions for the ministry of Education and Skills and Development budget is P7.57 billion (US\$ 946 million) or 29.4 percent.
- The largest increase over the revised budget of the previous year was of the ministry of Education and Skills and Development with P1.14 billion.

Honourable Baledzi Gaolathe, Minister of Finance and Development Planning, Budget Speech 2009, February 03, 2009 www.gov.bw

Employment

- Debswana a 50/50 joint venture between the government of Botswana and De Beers is the largest private sector employer in Botswana with approx. 6500 employees, of which 95% are citizens of Botswana. The diamond mining industry is the largest single employer in Botswana after the government.
- As at December 2008 the diamond industry employs about 10,000 people in Botswana, the vast majority of whom are citizens.
- DTC Botswana employs about 46 % of women and none are expatriates.
- Cutting and polishing factories employ about 3108 people.
- By the end of 2008 more than 3000 jobs had been created through Beneficiation in Botswana
- 73.8% of those in management and key roles at Debswana are local citizens.
- By end of 2008 , Debswana had achieved a 95.3% localization rate

DTC Botswana Human Resources Department (October 2008)

Environment

- By the end of 2008, Debswana had achieved a 35% reduction in its use of “raw” water measured against 2006 figures.

De Beers Family of Companies, 2008 Report to Society

Gender

- Women constitute about 23% of the Debswana workforce.
- Women constitute about 21% of the De Beers Group permanent workforce and about 18.56% of management roles.
- 22% of Debswana management are women
- 17% of Debswana senior management are women
- From a limited role in public life at independence, today women constitute 41% of senior decision makers in the public sector and one third of CEO's in the private sector.
- In 2007 in their Report on Gender, Grant Thornton a global firm of consultants reported that Botswana's position for women in senior corporate positions rated 7th in the world and higher than the United States.
- According to the 2007 Experian-Grant Thornton International Business Report, our private sector is making similar progress. The report ranked Botswana 7th in its Global Survey of Women in Senior Corporate Management.

Experian-Grant Thornton International Business Report, 2007

www.granthorntonibos.com

- Botswana has been ranked among the global top 20 in terms of the percentage of women occupying leadership positions in both the public and private sectors.
- Women make over half of those employed in the country in professional and technical fields.

H.E. Lieutenant General S.K.I. Khama. President of the Republic of Botswana delivering the State of the Nation Address, on November 4, 2008

"In the senior public sector women representation now stands at 41%. These include the Attorney General, Governor of the Reserve Bank, Director of Public Prosecutions, Permanent Secretaries, and Heads of Departments, Heads of Public enterprises and Ambassadors."

His Excellency, Mr. F.G. Mogae, The former President of the Republic of Botswana, Address On His Ten Years Of Leadership, Woodrow Wilson International Center For Scholars, Washington, D.C. on October 7, 2008

Good Governance

- Botswana has been voted the least corrupt African country by Transparency International, the global coalition against corruption, for 7 consecutive years.
- In 2007, the World Bank Institutes', Worldwide Governance Report ranked Botswana higher for political stability than all of the G8 member countries which include the US, UK, Japan, France, Germany, Russia etc www.govindicators.org www.worldbank.org
- Botswana has been singled out by World Bank researchers as being among a select group of developing countries that score higher on key dimensions of governance than a number of leading industrialised countries. Botswana is the only African country to be so singled out in the statement. The full-title of the report is: "Governance Matters, 2007: Worldwide Governance Indicators 1996-2006"
- Botswana is a country in the heart of Africa to the south. In the 1990s the New York based sovereign credit rating agency, Moody's Investors Service rated Botswana's capacity to service foreign debt higher than that of Japan, Germany, Israel and Greece. www.moodys.com
- In 2001 a trio of MIT and Stanford University Professors reported that for 35 years consecutively Botswana had had the highest economic growth rate (not in Africa, not in Europe, not in the American's, not in Asia) but in the entire world. <http://66.102.9.104/search?q=cache:wst1GIXuL5EJ:econ-www.mit.edu/files/284+An+African+success+story:Botswana&hl=en&ct=clnk&cd=5&gl=us>
- At 92% Botswana is amongst the top 4 out of the 134 countries which were surveyed whose citizens believe that elections are held honestly.
Gallup Report, Botswana Second in the World for Honesty of Elections, November 3, 2008 <http://www.gallup.com/Home.aspx>
- "I do not know what to expect but I was humbled when the judges took their time to visit the CKGR. I noticed that they wanted to listen to Basarwa's concerns and, from judgement it is clear that the judiciary is independent"
Fiona Watson, representative of Survival International
- H.E Former President Festus Mogae was named "Africa's Man of the year & face of good Governance 2008" by Africa Today Magazine in a release issued on 31/12/08. <http://africatoday.eh7.co.uk/cgi-bin/public.cgi>
- According to International Budget Partnership, Open Budget Index 2008 Report, Botswana ranked 16th out of 145 countries survey for the quality and type of information in the documents made available to the public. www.openbudgetindex.org
- MAN OF THE YEAR & FACE OF GOOD GOVERNANCE 2008 Festus Mogae AFRICA'S Man of the Year 2008" – text of full article, previously circulated to media, is now available <http://africatoday.eh7.co.uk/cgi-bin/public.cgi?>.

Health

- In 2003, Debswana entered into a partnership with the Ministry of Health to make its healthcare facilities available to the general public.
- Debswana was the first mining company in the world to offer free ART to HIV positive employees and spouses in 2001. In 2006 this was extended to include up to three children of employees under the age of 21.
- On 8 October 2008, Orapa Mine Hospital received a COHSASA accreditation.
- On 20 April 2007 Jwaneng Mine Hospital was accredited by COHSASA.
- In 2007, Debswana's HIV/AIDS fund was P60m.
- Life expectancy at birth rose from 48 years in 1966 to 65 years in 1991.
- In 2001 it life expectancy declined to 56 years, largely as a result of the HIV/AIDS epidemic.

- The death rate has now declined as a result of proactive efforts in HIV/AIDS prevention, treatment, care and support.
- Mother-to-child transmission has been reduced from 40% to 6%.
- The number of home-based care patients has reduced from 12 000 to 4 000 as of March 2007.
- Over 98% of pregnant women are tested for HIV.
- Over 90 000 people out of an estimated 100 000 people are treated and infection has been reduced.
- 1114 participants on the Botswana De Beers Family of Companies, ART programme in 2008.

Infrastructure

- Nearly 7,000 miles (10,000 km) of road now exist in Botswana compared to 6 miles (9 km) in 1966, before diamonds were first discovered.

Personal & Political Freedom

- Asked how much of a democracy is Botswana today, 91% of the respondents expressed satisfaction, with 56% describing the country as a full democracy, while 35% said it was "a democracy, but with minor problems." Only 1% said Botswana is not a democracy.
- Asked how satisfied they were with the way democracy works in Botswana 82% said that they were either very satisfied (44%) or fairly satisfied (38%).
- With respect to their own sense of empowerment, 83% of Botswana described themselves as "completely free", while only 6% characterised themselves as not very free or not free at all.
- 92% of Botswana said they felt completely free to join any political organisations, while 94% said they were free to choose who to vote for without feeling pressured.
- 73% of the survey agreed that the last, 2004, national election had been completely free and fair, while 13% said that it had been free and fair but with minor problems. Only 3% claimed that the election had not been free and fair.
- 66% said that the electoral process worked either well or very well in ensuring that Parliament reflected the will of the voters. Similarly 70% said elections enabled voters to remove office holders who do not do what the people want.
- With respect to the integrity of the electoral process, 70% expressed some or a lot of trust in the IEC, while only 9% expressed no trust in the institution.
- 82% of Botswana said they had no fear at all of becoming a victim of political intimidation, while 83% said it was very unlikely or not at all likely that powerful people could find out how they voted.
- The above Afrobarometer election findings are consistent with that of a 2008 Gallup public opinion poll in which Botswana was ranked number two among 134 surveyed countries in the world in term of public confidence in the integrity of elections.

Botswana Results 2008 Afrobarometer Survey, www.afrobarometer.org

Political parties

- With respect to confidence in political parties 49% of the respondents expressed a lot, and 25% some trust in the ruling party (BDP), for a composite figure of 74%, with 11% expressing mistrust.
- On the other hand only 13% of the public expressed a lot and 17% some, trust in the opposition parties, with 68% expressing little or no trust in the opposition.
- 78% of the respondents said that they felt close to a particular political party. Among these 55% identified themselves as supporters of the BDP, 14% as supporters of the BNF, 7% as supporters of the BCP and 1% each for BAM and BPP.
- Asked about the funding of political parties 53% agreed that political parties should be responsible for raising their own funds from their supporters, while 41% believed that they should be publicly funded to put all parties on an equal footing.

Botswana Results 2008 Afrobarometer Survey, www.afrobarometer.org

Public Sector Service Delivery

- In terms of service delivery 76% of the public said that Government was doing well or fairly well handling the economy, 75% in reducing crime, 80% in providing Health Services, 84% in providing education, 95% in combating HIV/AIDS, 72% in providing water and sanitation, 69% in fighting corruption, 66% in providing electricity 58% in maintaining roads and bridges and 60% in improving the living standards of the poor.
- On the opposite end, however, 66% believed that Government was not doing enough to create jobs, and 88% believed more should be done to control prices.
- In terms of gender relations, 77% of the public, both male and female, believed that Government was doing well or very well in empowering women.

Botswana Results 2008 Afrobarometer Survey, www.afrobarometer.org

Rule of Law

- 76% of the respondents agreed that people were rarely or never treated unequally under the law. Consistent with Botswana's commitment to zero tolerance for crime 73% agreed that officials who commit crimes would either never (56%) or only rarely (17%) go unpunished.
- 72% of Botswana expressed trust in both the courts and police service. With respect to Magistrates and Judges 68% believed that few or none were involved in corruption, with another 24% saying they were not sure.
- 93% of Botswana said they had never paid a bribe or given a gift to government officials to get a document or permit, while 92% said the same with respect to their dealings with the police. **Botswana Results 2008 Afrobarometer Survey, www.afrobarometer.org**

The President and Parliament

- Asked "do you approve or disapprove of the way President Ian Khama has performed his job since taking Office in April 2008?" a total of 88% said they approved, while only 8% said they disapproved of the President's performance. The President's domestic approval rating in this respect is the highest known figure of any current head of government.
- President Khama's approval rating is, moreover, consistent with his 76% public trust rating.
- 77% of the public further stated that the President never ignores the laws of the country, while only 5% said he often or always ignored the law.
- With respect to the question of the use of an election for the Presidency versus the automatic succession of the Vice President, 57% of respondents agreed with the statement that "the current practice where the Vice President automatically succeeds the President must be retained"; while 42% agreed that the system should be changed to allow the election of a successor.
- Asked if the current system where Parliament chooses the President should be changed to allow the direct election of the President or retained, 58% supported the status quo, while 41% favoured direct presidential election.
- According to the Survey if a Presidential election was held 69% of the public would vote for the BDP leader (Khama), compared to 13% for the leader of the BNF (Moupo) and 8% for the leader of the BCP (G. Saleshando).
- Members of Parliament came out less well in the Survey, with only 45% of respondents expressing both confidence and trust in their MP, while 50% expressed disapproval.
- 67% said that Members of Parliament only sometimes or never listened to what people had to say.
- Asked who should be responsible for making sure that, once elected, Members of Parliament did their jobs, 42% said the voters, 36% said the President, and 15% said Parliament or local councils, while only 3% said their political party. **Botswana Results 2008 Afrobarometer Survey, www.afrobarometer.org**

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