

CHECK AGAINST DELIVERY

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OPENING REMARKS

His Excellency President Khama, President of the Republic of Botswana, Honourable Cabinet Ministers, Governor of the Bank of Botswana Kgosi Bringle Dithapo, the President of BOCCIM, Mr Lekwalo Mosienyane, BOCCIM delegates and speakers, ladies and gentlemen.

All protocols observed.

I am honoured that BOCCIM has invited me, an Aussie, to share my insights on your country. I have been asked to speak to you today, ostensibly in my capacity as Chief Executive of Anglo American and as Chairman of De Beers. Since I know there are many who are more qualified than me to opine on Botswana and what has made it successful, I can only hope you find my comments honest and constructively objective. Given that I have lived on 4 continents and had line responsibilities in business across more than 30 countries; I can at least argue that I have seen more than most. And while experience is not a guarantee of knowledge or wisdom, at least I have some objective points against which I can make my personal judgements.

Botswana is more than a country – it is a successful nation state with a leadership legacy that most developing countries – let alone so called First World countries – would aspire to under almost any circumstances.

INTRODUCTION

As a Mining Engineer I appreciate practical achievements. So, let me start with a short resume for the country's leadership team.

When Botswana gained independence in 1966, I'm told it only had a few kilometres of tarred roads. Today, as you all know, it is possible to traverse the country by road end-to-end, in multiple directions. Furthermore:

- Since 1990, Botswana's GDP per capita in US\$ terms has more than tripled at 1990 constant prices (from ~\$5,000/capita in 1990 to over \$15,000/capita by 2013¹);
- Botswana continues to rank amongst the most competitive countries to do business in Africa (ranking 4th in the sub-Saharan Africa region), and
- The country is blessed with an impressive political risk rating reflecting:
 - Stable democracy with free and fair elections,
 - Reliable and transparent institutions,
 - Efficient government spending,
 - Low levels of corruption,
 - Adherence to the independence and the rule of law, and
 - Responsible fiscal management with balanced budgets.

Whilst we all know that historical statistics do not perfectly predict future performance, I believe they show that the brave and visionary decisions that the country has taken in the past provide a firm foundation upon which to build for the future.

Botswana's public and private business sectors have grown exponentially since independence in 1966. This growth has been dependent on government, parastatal investment programmes, and on the revenues from the partnership the Government

¹ Current GDP of \$7,136/capita in 2013, based on 2013 prices (PPP basis)

of the Botswana has with De Beers through Debswana, in mining most (but not all) of Botswana's diamonds and the associated diamond trading activities of the De Beers Group's global production. As a result, Botswana has increasingly become part of the wider economic, political and reputational context that shapes the global diamond mining industry, symbolised by the new Diamond Trading Centre in Gaborone as the site for all De Beers global sightholder sales.

THE CASE FOR DIVERSIFICATION

I know there has long been a desire to diversify the economy beyond dependence on diamond mining. Despite the growth achieved, the country arguably remains vulnerable to shifts in the global diamond market. On this basis it is understandable that the leadership would like to make more progress towards having a more vibrant manufacturing, services and export economy. This is what we are gathered here to think through over the next few days.

The key question that follows is straight forward: Based on what we all believe is possible, how should Botswana best leverage its enviable strengths to continue the growth trajectory established in the half-century since independence?

For me, Botswana needs three key ingredients to drive the depth and breadth of its primary growth path:

1. You have to build off your natural resources.

There are very few economies which have not begun their growth path outside of the mining and agricultural sectors – most products in the world come from two sources: **If you cannot grow it, you have to mine it.** Botswana is in a fortunate position to not only have the mineral endowment but, contrary to some other developing nations, to have used it well. As you know, mineral resources are like any other natural resource, you can either use them well, or squander your endowment through short-sighted and inadequate policy frameworks and approaches. As ever, Anglo American stands ready to partner with the Government of Botswana in

evaluating the economic viability of natural resource projects, across a range of commodities. At the same time we also understand resource development is a partnership that must benefit society in its broader context if we are to avoid a resource blessing becoming a resource curse.

Diversification beyond extractives in general – and diamonds in particular – is crucial as proven resources will eventually deplete. There is therefore no room for complacency in thinking that “we will always have diamonds”. Alternative economically viable industries need to be created and nurtured in anticipation of that day eventually arriving.

Creating opportunities through **investments in infrastructure** is also critical: without infrastructure sustainable growth and a truly diversified economy cannot be achieved. Speaking as a mining industry CEO, a big part of what we have to do as an industry is facilitate and build infrastructure that supports other industry opportunities. This is both in terms of access through road and rail but also energy and information technology services. Botswana has the opportunity to build off what mining has achieved so far to support a much broader strategy that ensures the country’s true connectivity to the world.

As we have also seen across the world, climate change is increasingly an issue and weather patterns have been changing; I hardly need tell you of this here in Botswana, but **water** – and investment in infrastructure around it – remains essential to sustainable growth, and I’m pleased to hear that your new pipelines bringing water from north to south will be finished and operating next year.

Looking beyond mining, of course **tourism** will continue playing a key role in promoting Botswana to the rest of the world. Tourist centres must be supported with complementary attractions and superior service that will be competitive with your target customer base’s choices for high quality vacation experiences. I’m also aware that Botswana has identified additional clusters to support further diversification of the economy, including Botswana’s famous beef, which I’ve had the privilege of sampling since my arrival yesterday.

2. Your strong institutions and sound policy frameworks remain critical.

Modern public governance best practice indicates that **progressive, consistent, transparent and business-friendly policy environments** are needed for business and economies to flourish. This is no different for Botswana. The country must continue to strengthen its public institutions to develop standards and norms compatible with the most successful democracies in the world.

As a country, to decide to truly play on the international stage is a choice, and success in this arena requires a hard and honest look at yourselves and a readiness to make changes where necessary to the country's way of life, norms and customs. As we reflect on this choice, I encourage you to be confident in what you bring to the world but at the same time realise that you are competing for capital against the likes of Singapore, Brazil, Tanzania, Italy and South Africa. Make it easier for businesses to operate in Botswana. Reduce red tape. Support entrepreneurs and small enterprises, as amongst them are the future success stories that will drive Botswana's economy forward. As Anglo American we are proud to partner with the Government of Botswana, Debswana, and De Beers through the Tokafala Enterprise Development initiative to promote and mentor small-scale start-ups in Botswana, and believe that more of such initiatives are needed for the country. Your institutions and sound policy environment place you ahead of the curve on many countries – including your neighbours. Use this to your advantage.

3. You must develop and include all of society in the growth plan.

Botswana has been blessed in that the world's greatest and most destructive sources of social divisions and strife – **ethnicity, religion, language and class** – have had relatively minimum impact on the country's social fabric in the period since the country's independence. Instead, Botswana can look back on a proud recent history of peace and benevolence, many times a place of refuge for those seeking shelter in times of great instability across your borders. In fact, many of those seeking freedom of speech and liberty have walked their own long walks through

Lobatse or Francistown. It is certainly encouraging that **democracy, development, dignity, discipline, and delivery** continue to be upheld as the country's moral code through the 5D's Roadmap. This is an essential ingredient to maintaining peace, the rule of law and stability in the country.

Health and physical well-being is at the heart of a nation. Much of Botswana has had to deal with the challenges of a subsistence economy; and in more recent times there has also been the extra daunting challenge of HIV/AIDS which has been a test the nation's collective leadership and vision. The journey of changing behaviour and attitudes is not easy, and neither can it be achieved overnight; it is an ongoing process that requires constant attention and the inclusion of all parts of society, including business.

Education and skills development are not only essential for human development; they also dictate the fortunes of societies and nations. While attracting diamond grading expertise and research activities into Botswana will generate some economic activity in the short term, the real long term value will lie in retaining the intellectual property generated by attracting the world's young high potential talent and a highly skilled workforce to this country. Examples provided by countries where practical and transferable skills are rewarded and respected in society at least as much as a traditional modern academic education are worth studying and emulating. The world has become one workplace, and we in Africa must claim our place in it – wherever the growth opportunities may be – or someone else will get the job. In this respect, Anglo American is proud to sponsor the Bokamoso program, in partnership with the Ministry of Education. Bokamoso identifies talented Botswana graduates, secondments them to Anglo American's operations for a period of two years, before returning them to Botswana. We are confident that this initiative will bear fruit both for the Government of Botswana and Anglo American over the longer term.

It has been almost exactly one month since Botswana has held yet another successful, free and fair election. With over five decades of regular democratic national elections and a historically participative and responsive electoral culture, Botswana has established a global profile second to none in **the engagement of its**

people in the political process – treasure this, as it opens important doors to the world of reputable business. Botswana can and should take pride in the level of participation, the vigour of electoral contestation and in the vibrancy of social commentary that characterises the country’s electoral process. You have an obligation to yourselves as a nation to jealously safeguard this legacy.

Finally, any development must take people’s **current livelihoods** into account. As we know, South Africa is currently navigating a much more difficult debate in the country’s economic transformation based on inclusive and equitable growth. The conversation here in Botswana may be a little easier, but it is no less important. Anglo American has done extensive work in recent years, via its award-winning Socio Economic Assessment Toolkit (or “SEAT”), to actively involve all stakeholders as it develops and operates its operations around the world. We are very pleased that Debswana has adopted similar protocols in all its operations in Botswana.

CLOSING REMARKS

Over the next few days, as you outline Botswana’s blueprint for attracting Foreign Direct Investment (FDI) and ensuring the country’s global competitiveness, in the spirit of our partnership I will leave you with a few thoughts:

- In the interconnected world we now live in, **business has no boundaries**:
 - **Prices are global, not local.** States should not try and impose prices onto a producer or to cross-subsidise inefficient industries by distorting prices, as this compromises natural competitive advantages and opportunities and embeds inefficiency throughout an economy and society. All prices eventually come back to a global value.
 - **Costs are also arbitrated across boundaries.** Labour is globally mobile, foreign exchange drives cash costs, and energy, water and transport infrastructure networks now span across geographic borders.
 - **Intellectual capital is now your most important resource.** Your young people are more valuable than all of your diamonds. Nurture your emerging talent and do everything you can to keep them or sent

them abroad to learn and have them return to Botswana to be the architects of your future. The quality of your future will be determined by the quality of your leadership and the talent you develop and retain to take your country's challenges. Remember, when you buy goods and services from overseas you have to pay a market rate. If you do not find a way to make Botswana attractive to your brightest and most talented they will be lost to a world that owes Botswana very little. You must think of this challenge differently to how you have in the past. That is, **not from the usual paradigm of whether you can afford to keep them, but whether you can afford to do without them.**

In this same context, **productivity** becomes a critical success factor for any business's sustained global competitiveness in ensuring maximum value is generated for all stakeholders. Any businesses that do not factor this into account and continue to maintain an inward focus will be likely fail. For example, this is why I believe that over the long term public owned enterprises will struggle to be competitive and efficient in today's world as they do not adjust to external imperatives. South Africa is struggling with this challenge and it represents a major risk to the country's future economic growth prospects. Botswana has an opportunity to observe and adapt. Productivity may not be your most pressing issue today, but as you develop into the future better wages for all can only be delivered by improving productivity. That is, in the short term it may not be your most important challenge, in the long term it is your most important imperative to deliver a successful nation.

You need to plan for success. Part of successful change is in the vision and the collective will to achieve certain goals despite short-term stresses, part of it is in putting the building blocks in place to get there. I am a great believer in planning and process. Botswana's development strategy should be based on clear objectives that foster long-term infrastructure development, the generation of intellectual capital, enhanced access to markets, inbound investment competition and improved relationships for all stakeholders. None of these are easily achievable, and all will require real collaboration, trust and compromise in order to guarantee success.

We also know that Botswana cannot do it alone. It needs to attract foreign direct investment, to offer equitable returns to all parties and to build confidence in the investment potential of Botswana to Batswana (the people of Botswana). Anglo American and De Beers are wholeheartedly committed to building upon our existing partnership with the Government and people of Botswana as they progress on this journey.

As Botswana, the next step would then be to **invite the world to meet and get to know you.** Open up to global markets and be attractive to investment. Fully explore this country's potential for business opportunities beyond your borders. Think about what your neighbours around you are doing, and have the courage to act and hold onto your convictions. Throughout your history as a nation, you have shown that you have the will, the capability and the experience to succeed. **You have done this before; you can do it again.**

Botswana is a nation of a proud people with a line of great leaders, both in and outside Government. It is a nation where the voice of the people is still heard, where the Courts and Parliament remain an independent check and balance to Government. It is a nation where a difficult past has been replaced by peace and relative prosperity, which needs to remain vigilantly safeguarded. I am convinced that successful nations will be ones that harnesses the energy and creativity of all of their peoples and resources. History has shown that true wealth and prosperity is best created in an open society where business can fully exist conscious both of opportunities and responsibilities. For the wider common purpose and collective good in Botswana, I hope we can all put our shoulders to the plough and create the right fertile environment for growth.

Pula! Pula!