

**2015 AFRICA PROSPERITY SUMMIT: Dar Es Salaam,
Tanzania.**

PROMOTING WEALTH & WELLBEING



2015

2015 AFRICA PROSPERITY SUMMIT: Dar Es Salaam, Tanzania , May 20-21

PROMOTING WEALTH & WELLBEING

Lessons from Botswana: An African Success Story

Introduction:

We have all listened to Nathan, presenting the highlights of the 2014 Africa Prosperity Report. The report itself was launched at the annual conference of the Africa Leadership Network in Kigali last November.

The Prosperity report has ranked my own country, Botswana, at the No 1 position, (for 3 years running), and I have been asked to provide a sense of some real-life experiences that will help to explain Botswana's journey from relative poverty and underdevelopment 49 years ago, to a middle income economy today, as well as the challenges experienced along this path.

2. Achievements:

Botswana's relative prosperity, from the bleak days soon after independence, is rooted in the vision and decisions taken by the leadership, later endorsed by the wider population (after extensive consultations in villages and hamlets), on the political and economic direction, the country would follow.

The First vision, was that of **UNITY AND NATION BUILDING**. Ingrained in this vision would be the spirit of self reliance, utilizing the meager resources at our disposal first, before turning to international donors for economic and budgetary support.

Second, was to adopt a democratic, pluralistic , and inclusive political dispensation, rooted in our traditional values and norms. An open society, embracing the full respect for the rights of all who live in Botswana irrespective of race, colour or nationality. The adoption of a multiparty democratic political system.

Third, and most the most critical, was the decision that the ownership and management of natural resources would be constitutionally enshrined, and public finances would be managed collectively and prudently. Thus the decision to cede all mineral revenues to the nation, to be managed by the Ministry of Finance & Development Planning, under the direction of Cabinet, and allocated

to all districts, for national development. Botswana's economy is largely mineral driven, buttressed by a strong public financial system and tax regime. It is also a mixed economy, in which both State and the private sector play a significant role, particularly in the exploitation and beneficiation of minerals; in tourism and infrastructure development; and in the services sector.

Fourth was the decision to put development at the forefront of the national agenda, and thus allocate a larger cake of the budget to invest in the key social sectors: education, health and social security. Today Botswana offers free education at primary, secondary, and tertiary levels.

A national health system offering free treatment at public health facilities. For the current Financial Year 2015/16, from a Budget of P36.70 billion, (approx \$3.75 billion), Education and Skills Development has received the largest allocation of P10.31 billion or 28.09%; followed by the allocation for Health - P5.67 billion or 15.5%; and third, Local Government and Rural Development - P5.20 billion or 14.2%.

Fifth, the spirit of self reliance and nation building, coupled with the urgent need to improve the poor national infrastructure to allow accessibility to all parts of the country, pushed Government to invest heavily in the transport infrastructure; power supplies and water works; and a modern telecommunications and ICT network, spread over two Five year National Development Plans.

Sixth: A Foreign policy based on the principles and values outlined above, but which sought to partner with the international community, at both bilateral and multilateral level, to achieve the goals set for economic and social development. From early on the foreign policy understood the link between peace and security and development. Hence Botswana's very strong commitment and prominent role it played in the liberation struggle and regional integration, i.e. SADC.

A few indicators below, should illustrate what these Six pillars of the vision have achieved:

- (a) Botswana is a mineral dependent economy, mainly on diamonds, copper, nickel and coal, which are mined and marketed through a unique partnership between the State and the global mining majors, with Government either acquiring free ride shareholding of 15%, or buying equity directly into some of the ventures. The partnership with De Beers is a case in point, in which GOB is in a 50/50 equity in the DEBSWANA Mining Company, and holds a 15% stake in De Beers itself. Government receives royalties, fees for mining leases, and levies taxes on mining companies. Botswana has thankfully been spared the African "resources

curse” , which has afflicted a number of countries. A curse which as we have witnessed in recent years, has led to armed civil conflict and gross violations of human rights of citizens as political leaders and warlords fight over control of revenues from minerals and other resources like timber, and from which the national economy derives no benefit, and by extension citizens remain impoverished in a land endowed with rich resources.

Botswana diamond revenues have been the key source for development of the country from the beginning. The figures below illustrate the contribution of mining to GDP in 2013/2014:

- Diamonds: \$6.15 billion
- Copper Nickel - \$428.3 million
- Soda Ash - \$41.6 million
- Gold - \$428, 285.00

(b) **Education:** Investment in education and health has yielded positive results, though challenges still remain.

Indicators for universal and continuing Education for 2012:

- enrolment in primary education (6-12yrs) - 93.1%;
- junior secondary (13-15 yrs)- 53.1%;
- senior secondary (16-17 yrs) - 29.8%; kindergarten (1-5 yrs) 91%.
- adult literacy rate 85.9%.

(c) **Health:** A public health network in every district, with most villages and settlements within 5 kms of a clinic. Botswana is well on the way to achieving some of the UN Millennium Development Goals by 2015.

- Maternal health: e.g. births attended by skilled professionals 94%;
- Maternal mortality rate (per 100,000)147.9;
- HIV: prevalence: 15-19 yrs -10.0%; 20-24 yrs: 19.0%.
- National HIV prevalence rate in 2013 18.5%.
- Access to anti-retroviral treatment – universal and free.
- Mother to Child transmission rates less than 4%.

3. **Challenges:**

Botswana like all countries on the African Continent, and despite its relative success, faces economic, political and social challenges that are beyond the ability of one country to tackle. The end of the Cold War, was hailed as opening a new era for

peace and development in Africa. Instead it has brought new types of conflicts, wars and economic mismanagement, that challenge every single country and region.

- 1) Economy. Botswana is now faced with the next stage of a mature mineral economy, but whose resources are non-renewable. The challenge is economic diversification. This requires that Botswana must:
 - (a) Diversify exports
 - (b) Create Jobs
 - (c) Alleviate poverty
 - (d) Invest even more in Infrastructure

Current policies and their pace of implementation have not effectively addressed these emerging and more complex challenges. Thus diversification from a mineral led economy remains elusive. Unemployment, especially among a growing, young and educated population is quite high at 20%. Government has thus far been the largest employer- 40% of workforce, but opportunities in this sector are now saturated. Future job creation is really only now possible through diversification and growth of the private sector. The economy needs to diversify more into trade and services, which are increasingly becoming important in the economy. A large number of companies, outside the mining sector, have tended to be too dependent on tenders for Government projects, and not invested enough in the productive sectors. This level of high unemployment will in the long term have a negative effect on social cohesion, and exacerbate income inequality. It is thus a crisis which requires urgent and robust solutions.

- 2) Ministries and other state institutions have remained complacent over the years, assuming everything is under control. As the economy has grown bigger and more sophisticated, they are struggling to live up to its demands. The best examples are power and water sectors. Botswana faces a massive deficit in power generation, and load shedding has become almost a norm. The power utility company, Botswana Power Corporation is unable to cope, and is scrambling to make up for the deficit, through a combination of building its own new power stations, or through IPP agreements; or importing power from countries in the region. New plants have a long time lead, and often experience engineering, procurement and technical delays before completion. Power imports are no longer an obvious option. South Africa as we all know faces an even bigger power deficit; Mozambique needs to modernize its hydro power plants to increase export of power; Namibia can

only offer a limited amount of power. Botswana is therefore faced with a major power crisis, for the next two to three years.

- 3) Water is another challenge, due to drought in 2014 into 2015 , causing some water reservoirs to dry up. Water pumped from north of the country to the Capital and surrounding towns and villages, has been challenged by constant pipe bursts on the North/South Carrier Pipeline spanning a distance of 400 kms.
- 4) The impact of power outages and water rationing on industry and commerce is already having serious effects , both in terms of reduced production and delayed exports; and will soon affect the workforce directly.
- 5) Investment in and expansion of the education and health sectors over the past years, now poses its own challenges. On infrastructure, rehabilitation and maintenance of school buildings and hospitals, neglected over time, is now urgent, and at considerable cost to the exchequer. Free education has led to rapid expansion of the education sector both public and private, and there is even greater demand for college education. But there are now serious questions being asked in public and in Parliament about the quality of education, and the falling standards that are beginning to manifest themselves. There are also serious concerns about the curriculum, which in some courses and programmes does not prepare high school or university graduates with job skills, thus seriously undermining Botswana's competitiveness on the global market.

Conclusion

One has attempted to balance the narrative between Botswana's achievements, and success, and the many challenges it faces as a middle income country. How does one explain the paradox of a country whose fundamentals seem well in place, but which in 2014, still has 19.3%* of its population living in poverty.

The answer in my view, lies in part, in the need for continued intervention and international assistance and cooperation to:

- (a) Sustain the gains and achievements made
- (b) Bridge the economic gaps and income disparities that have been identified in Botswana's economy.

Finally, one cannot overemphasize the importance visionary leadership and good governance as fundamental to stability and prosperity.

AMD
Gaborone
May, 2015