

# BOTSWANA

How and why it is unusual

# Pre-colonial period

- Relevant points
  - Chiefs accountable to the people
  - Land available elsewhere for dissidents
  - Effective use of technical advice
  - Eg missionaries in 1885

# SA Act of Union 1909

- Three small countries (BBS) to be incorporated
- So UK and SA both did nothing
- SA used Bechuanaland as labour and cattle reserve
- BUT no incorporation without consent of the people
- Meaning all the people
- UK stood by this, the only good thing it did

# RESULT OF NEGLECT

- No capital city, administration in SA
- No tarred roads, no abattoir until 1955, almost no education, negligible health services
- Some started in mid 1950s
- But by 1964 **27** got to “Cambridge” (GSCE)
- Of which **13** grade 1 or 2 (Univ entrance)
- A railway (to link Cape with S Rhodesia)

# Initial high dependence on aid

- Aid for 50% of recurrent budget, all of development budget
- Huge dependence on expats
- Govt worked to get *more* aid initially
- Spent wisely to please the donor(s)
- Intention to build the economy and reduce need for aid eventually
- Careful planning of govt spending

# Basics of planning

- Never intended to plan the private sector
- To get in the Plan projects required
  - To fit with overall and sectoral policies
  - To forecast recurrent spending costs
  - To forecast skilled manpower needs
  - The totals had to be within forecast revenues, skilled people available and tolerance of expats

# From deficit to surplus

- Botswana got lucky
- Big copper nickel mine (project was 150% of GDP)
- This mine almost never profitable, but big boost to GDP and tax revenue from building it
- Diamonds – very profitable indeed
- Overall surplus by 1984
- Build-up of financial reserves

# Why was Botswana different from other mineral boom economies?

- Luck: Seretse Khama and Quett Masire
- Both were good at picking good people, and, crucially, not nervous of them (or each other)
- It helped when the President was an ex-minister of finance (it happened twice)
- The ruling class owned cattle (or acquired some)
- Recent finance ministers: ex-PSs finance

# Future prospects

- Reserves used up in 3 years
- But budget back in surplus next year
- Diamonds run out in late 2020s
- But if non-diamond private sector grows at 7% (currently 7.9%), and govt spending at 3%
- Budget surplus by 2030
- Huge investment in education creates service exports (essential in a land-locked country)