Why Botswana is a Deviant Case to the Natural Resource Curse

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Abstract

The resource curse thesis generally considers the profusion of natural resources as an anti-thesis to development. This correlation is based on empirical evidence from countries that are resource endowed (such as Angola, Nigeria, the Democratic Republic of the Congo, Sierra Leone, and South Sudan) but have faulted in realizing economic development as they were and continue to be predisposed to unrelenting socio-economic and political ills than countries that are less endowed with natural resources (i.e Singapore). Yet, there are a few countries that are glutted with high value extractive resources but deviated in the way they used those resources. Botswana is one such a country that has demonstrated that ‘the resource curse’ is avoidable. This paper argues that Botswana is a deviant case of success in the way it has managed its natural resources. Its deviance has become a conundrum for researchers and policy analysts who seek to understand how this was achieved. This paper seeks to explain why this was possible for Botswana when equally endowed countries faulted.

Introduction

The question this article seeks to answer is why did natural resources not lead to a ‘resource curse’ in Botswana when equally endowed countries in Africa faulted. Many countries in Africa are glutted with high value extractive resources yet most of them have failed to use these resources productively to stimulate development. Instead, the profusion of natural resources in these countries became an anti-thesis to development because most of them were predisposed to unrelenting socio-economic and political ills, compared to countries that are less endowed with extractive resources, such as Singapore. Evidence from resource rich countries, such as Nigeria,

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Sierra Leone, The Democratic Republic of the Congo and South Sudan, supports this line of argument. An assessment of Africa suggests that most failed states are found within this continent (from Somalia to the Democratic Republic of the Congo (DRC), and to Zimbabwe in the Southern part).

The utility of natural resources to a country’s development prospects has been a matter of intense debate and research, with two dominant and contradictory arguments being presented and advanced in the literature. Case studies and cross country studies have been used to try to advance and support the two contending positions. Earlier studies presented a positive correlation between the profusion of natural resources and development. In the period preceding the late 1980s, the dominant position in the literature was that the abundance of natural resources was considered beneficial to a country’s development (Rosser, 2006; Collier and Hoeffler, 2012).

The foregoing argument has since faded following the advent of an alternative dominant but contradictory argument from the 1980s. This contradictory argument, which gained wide prominence in the literature, associates natural resources with developmental challenges such as poor economic performance, conflict and dictatorship (Collier and Hoeffler, 2005; Rosser, 2006; Torvik, 2009; Mahler, 2010; Dougherty, 2011; Sebudubudu, 2011; Collier and Hoeffler, 2012). According to Collier and Hoeffler (2012:299) “one obvious potential of the link between natural resources and conflict is that natural resources constitute a valuable honeypot over which interest groups might fight”. Coutinho (2011:43) states that several studies have accentuated that “in general resource-rich countries grow more slowly than their resource-poor neighbours, rather than growing faster as would be expected. [It is for this reason that] this literature has been labelled the ‘resource curse’, since it suggests that natural resources have been a curse more than a blessing to many countries, creating social tensions, governance problems, and economic distortions, that have hampered rather than facilitated growth”. This is supported by Mahler (2010:8) who argued that in terms of the resource curse theoretical reasoning “resource-dependent countries are more likely to experience internal instability and violent conflict than non-resource countries”.

Equally, Rosser (2006:7) noted that “Rather than a blessing, [the] literature has suggested that natural resource abundance increases the likelihood that countries will experience negative economic, political and social outcomes including poor economic performance, low levels of democracy and civil
war”. This situation of a negative correlation between resource abundance and development has played itself more prominently in developing countries, particularly African countries. In his review of studies that advance the resource curse thesis, Coutinho (2011:44) clustered explanations for this into six, and these are “(i) the ‘Dutch disease'; (ii) deterioration of governance; (iii) over-investment in physical capital; iv) under-investment in human capital; (v) under-developed financial markets; and (vi) increased macroeconomic volatility”. An assessment of the resource curse literature as well as of countries afflicted suggests that bad governance is at the core of explaining the resource curse.

Although there is a lot of research to support the resource curse theory, Rosser (2006) cautions that the evidence that has been presented so far is not categorical. Rosser (2006:7) laments researchers who advanced this argument for being “reductionist in their approach – that is they have explained development performance solely in terms of the size and nature of countries’ natural resource endowments. A consensus is emerging that various political and social variables mediate the relationship between natural resource wealth and development outcomes …”. In terms of Rosser’s argument, researchers should ask what “political and social factors enable some resource abundant countries to utilise their natural resources to promote development and prevent other resource abundant countries from doing the same” (Rosser 2006:8). Rosser is therefore urging for recognition of these factors in trying to understand the correlation between resource abundance and development outcomes.

Basedau and Lay (undated) also noted that there are other conditions to be considered in explaining the resource-conflict correlation. They argued that this correlation is perhaps intricate than often theorised in the literature. Furthermore, although evidence ordinarily supports this correlation, “beyond averages, one finds that one resource abundant or dependent country affected, two are spared from violence. As a result, the debate has begun to take into account the complex set of context conditions, as well as the exact causal mechanisms determining whether or not the resource curse strikes, and the manner in which it does so” (Basedau and Lay undated:4). Likewise, Torvik (2009:241) states that as much as countries that are endowed in natural resources experienced “a worse economic development than countries poor in resources”, he advises that “we still simply do not know to what extent resource abundance causes slow growth” (Torvik 2009:254).
Thus, further research is required to try to explain and understand the dynamics of this correlation.

Writing on the case of Nigeria, Mahler (2010) authoritatively urged for a reconsideration of the prevailing general conjecture regarding the resource curse thesis, noting that as much as oil in Nigeria played an important part in promoting conflict, it does not adequately account for eruption of violence. Furthermore, Mahler (2010) argued that documented conjectural approaches disregarded contextual conditions yet they have been found to have been critical. These factors, “initially independently of the factor oil, have constituted central root causes of violent conflicts and stem from the “pre-oil era”: the low level of socio-economic development, interwoven cultural and political cleavages, weak political institutions, and unconsolidated statehood” (Mahler 2010: 29). In this way, the case of Nigeria suggests that “oil and oil rents have explicitly served as an additional conflict-triggering factor, but only in a complex interplay with a broader set of resource-specific as well as non-resource-specific contextual factors” (Mahler 2010:29). The foregoing discussion suggests that a one-dimensional explanation of the resource-conflict correlation can be misleading for two reasons. First, there are other factors that predated natural resources, as seen with the case of Nigeria and other countries, which form the basis for violence. Second, there are countries that are resource rich in Africa and beyond yet did not go this route. To this extent, there are other significant factors that should be taken into account in explaining this correlation.

The foregoing discussion suggests that natural resource endowment has hampered development in a number of countries in Africa. This is based on evidence from case studies and cross country studies. Yet, there are countries where such resources did not inhibit development, and Botswana is one such a country. Considering the number of countries in Africa and beyond that are rich in natural resources yet failed to use them productively, Botswana can be considered as an aberrant case in terms of the way it used its natural resources, and thus a prime example of a country that has not been plagued by the resource curse in Africa – that has been extensively acknowledged in the literature. Having said this, the next section considers Botswana’s deviance in its management of natural resources.

Resource Extraction in Botswana
It is an established fact that Botswana is rich in minerals, and that it is heavily reliant on minerals, particularly diamonds. For instance, the government
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reported that mineral revenues made 35.2% of total revenue for the 2016/2017 financial year (Republic of Botswana, 2016). In 2013, it was estimated that mining contributed 25% to the country’s Gross Domestic Product (GDP) while diamonds made over 80% of the total export value in the last decade (Honde and Abrahah, 2015). Contrary to what has been experienced in most resource endowed countries, Botswana has in the main been spared from the troubles endured by natural resource endowed countries such as conflict, corruption, rent-seeking and poor economic growth, amongst others. In fact, the academic literature and policy analysts widely acknowledge Botswana as an unusual case of success in its usage of proceeds obtained from its natural resources, particularly diamonds. This makes it one of the few well-known inimitable cases in Africa that used its minerals positively, and avoided the stigma of resource curse. Botswana did not only defy the resource curse thesis but it also shows that the presence of natural resources does not always lead to political and economic problems for a country, as seen elsewhere. Botswana’s progressive and positive usage of its mineral rents is unprecedented and unheard-of in Africa. Writing on how Botswana shared its mineral wealth and also ensured economic growth, Sebudubudu (2011:i) states that

Unlike many countries in a similar situation of a rich resource endowment which gave rise to political instability, political strife and conflict that has destroyed lives, property and ruined society all due to sectional interests over such natural resources, Botswana is one of the few countries that extracted minerals and used them successfully to promote development and in the process managed to avoid conflict.

As a result of its positive usage of mineral resources, Botswana’s economy is considered among the most prosperous in the world (Lewin, 2011; Jefferis and Kenewendo, 2013). The country has also managed to catapult itself into a middle income category as per World Bank assessments, which is a major achievement, in light of the extent of poverty and the level of underdevelopment that prevailed at the time of its independence such that its feasibility as a country was disputed by the departing colonisers. The extent of poverty was affirmed by Charles King (1966) a few days before Botswana’s independence, noting that “Bechuanaland – An impoverished, arid and hungry land without hope of achieving economic stability makes its debut this week among the community of nations. ... Two years of disastrous drought and crop failure have brought havoc and hunger to its widely scattered agricultural inhabitants. More than one fifth of the population is
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literally being kept alive by emergency feeding and the numbers are rapidly increasing” (accessed 10th May 2016). The same cannot be held about Botswana fifty years later, when considering the transformation that has taken place – driven by mineral proceeds.

Furthermore, Botswana has endured viable peace and political stability under a multiparty democratic framework, albeit with some limitations. For instance, the country has not been at war with itself over its resources. It is therefore also considered a political success story in Africa - considering its sustained record as a democracy, in which there is a general respect for and protection of fundamental rights and freedoms of individuals, save for minorities such as the San. Where violations were recorded, as was with the case of the San, these were dealt with through the due process. These achievements made it an admirable, and a prime example of a country that has not been consumed by the resource curse. On the basis of its record, Botswana’s economic and political performance is contrary to Dougherty’s (2011:4) contention that “states for which mineral wealth is a significant percentage of their total economic production tend to underperform economically and politically”. Equally, Botswana has not suffered from evident corruption associated with misuse of natural resources that has consumed a number of African countries such as Angola and Nigeria. Why is that the case? This is the central question we seek to answer in the next section.

Why Botswana Deviated?
Botswana’s deviance to the natural resource curse remains a mystery despite several scholarly attempts being made to explain it. Botswana’s deviance, cherished success and undeniably its transformation cannot be explained without reference to the contribution of minerals to its development. Lewin (2011:81) had this to say about Botswana; “Botswana’s extraordinary growth was fuelled by minerals, particularly diamonds”. Certainly, natural resources have been a major revenue earner for the country, replacing beef immediately after independence. To this extent, minerals have been a pillar to Botswana’s success. However, it will be misleading to suggest that Botswana’s extraordinary success is a one-dimensional story of minerals. There are other contextual factors that are unique to the case of Botswana that propelled a positive use of its natural resources for the advantage of all its citizens as opposed to most countries in Africa where they advanced sectional interests and fuelled wars as was seen with the cases of Angola,
Nigeria, Sierra Leone, South Sudan and the DRC – thus affirming the resource curse.

Botswana’s deviance was influenced by a number of factors, some historical, which prevailed at the time of its independence. As former President Festus Mogae put it: “Our successes were informed by our colonial poverty, the semi-arid climate that shapes our environment, our cooperative and diligent efforts, the utilisation and mobilisation of both our human and mineral resources, and a desire to insure a higher standard of living for our children and future generations than that which we inherited at independence in 1966” (Edge 2012; accessed 10 May 2016). In particular, the startling poverty situation that prevailed during the country’s formative years challenged the new leaders to prove to the departing colonial masters who were pessimistic about the prospects of the country surviving as a viable entity. This made its leaders to coalesce and in turn make decisions and have a vision that would later benefit the country and its citizens.

Realizing the extent of poverty that confronted the country in its formative years, the first major decision that has been influential to Botswana’s success is the declaration of minerals as a critical resource that later became pivotal to the country’s development. This decision ensured that mineral rights were surrendered to the state - making them a resource owned and controlled by the state through the Mines and Minerals Act of 1967 - from individuals with respect to freehold land, and various tribes following a lengthy and harmonious consultative process. According to Meyns (2010) minerals were declared a national asset. Masire (2006, 200-201) noted that “even before we understood our potential mineral wealth, we knew that vesting minerals rights in the state would be critical for both our overall economic development and our political unity and stability”. Although one of the chiefs, Bathoen II, was initially opposed to the idea of surrendering mineral rights to the state, he eventually settled for the idea. Seretse Khama was better placed to sell the idea to the different tribes because minerals were first found in his area, and therefore other tribes were deftly persuaded that indeed he was genuine in his efforts (Sebudubudu and Molutsi, 2011; Sebudubudu, 2011). This policy of centralising minerals irrespective of where they were discovered in the country ensured that they benefited all citizens of the country. Through this policy, minerals in Botswana became a ‘honeypot’ for everyone that was used to transform lives by investing in education, health and infrastructure, amongst others. It is in this sense that Sebudubudu and Botlhomilwe (2012:38) declare the entrusting of mineral
rights on the state as “one of the best policy decisions ever made by the Botswana state for an economy that is heavily reliant on minerals”. This is simply because this policy advanced national as opposed to sectional interests.

Second and related to the above, realising that the country at the time did not have the know-how and sufficient capital to extract its mineral resources, the country and its leaders did not scare private investors. Instead, the government entered into a critical and inimitable partnership with an international company, De Beers Diamond Mining Company, to establish De Beers - Botswana Mining Company (DEBSWANA), which has been central to the exploitation and management of diamonds in Botswana. Initially, De Beers and Botswana Government controlled 85% and 15% shares respectively, but this was renegotiated to 50 - 50% (Sebudubudu and Molutsi, 2011; Sebudubudu, 2011; Sebudubudu, Makepe, Montsi and Bodilenyane, 2014). This partnership turned out to be highly favourable for Botswana. As Dougherty (2011:10) stated, the country “was fortunate to have a productive and collegial relationship with DeBeers, the largest mining firm operating in the country”. This mutually beneficial relationship between the government of Botswana and DeBeers has been maintained to date. This relationship led to the establishment of Diamond Trading Company Botswana (DTCB), and subsequently the relocation of Diamond Trading Company International (DTCI) from London to Gaborone in 2013 to facilitate citizen involvement and skills transference, and diversification within the minerals sector.

The foregoing discussion leads us to the next and third factor that has been at the core of Botswana’s success in managing its mineral proceeds and thus separating it from most African countries that have been prone to conflict. This is the leadership factor. There is no doubt that leadership played an instrumental role to Botswana’s success, particularly during the country’s formative years, by ensuring good governance and making wise policy decisions such as the one on the relinquishing of mineral rights to the state as noted above. Samatar (1999:6) notes that a crucial factor that separates “successful from failed states is the social chemistry of the dominant class and the discipline of its leadership”. Equally, Ong’ayo (2008) contends that leadership is at the core of Africa’s problems.

Unlike most African countries, Botswana has since its formative years not been confronted with a challenge of what Rotberg (2003) described as a dearth of leadership, particularly under its first president, Seretse Khama,
Seretse Khama’s leadership qualities have been described as extraordinary (Rotberg 2003). Further, Botswana emerges as a prime example of an African country that displayed good and supportive leadership (Rotberg 2003). Thus, Sebudubudu (2011:22) notes that it was the ingenuity of Botswana’s political leadership and its lack of divisive and selfish tendencies which resulted in smooth management of mineral proceeds and effective distribution of mineral revenue to the development process of the country.

Maipose and Matsheka (2008: 535) state that;

Seretse Khama established a precedent for high ethical standards, a strong and relatively independent but accountable civil service, and a government focused on development. [Seretse’s] successors carried on and built on these attributes.

Seretse Khama’s leadership was influenced in part by his peculiar experiences when studying in South Africa, and his marriage to a white British woman; a marriage which the white minority government in South Africa and his uncle Tshekedi Khama were opposed to (Sebudubudu and Molutsi, 2011; Sebudubudu and Botlhomilwe, 2012). As a result, Seretse Khama emerged differently. According to Rotberg (2003:29), Khama was a remarkable leader as he “came from a family of Bangwato chiefs who were well regarded for their benevolence and integrity”. Further, it has been noted that he had: “an ethic of performance and good governance to which he adhered. Sir Seretse was conscious every day that he could do better than the leaders of next-door South Africa, where whites oppressed the majority and deprived most inhabitants of their human and civil liberties. For whatever set of personal and pragmatic reasons, Sir Seretse epitomized world-class qualities of leadership” (Rotberg 2003:30). This separated him and his successors from most African leaders who in the main used public resources to further sectional interests. Thus, Botswana had leaders who were dedicated to develop their country.

Moreover, Botswana built strong and effective institutions that ensured relative checks and balances, a workable ethnic compact and therefore minimised wastage of public resources. This is in part because Botswana’s leaders assumed public office not being poor and therefore did not perceive public office as the main source of wealth (Tsie 1998; Sebudubudu 2005;
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Botswana’s institutions also resonate with the country’s past. This relates to the Tswana culture of responsiveness, accountability and commitment to institutions. According to Acemoglu and Robinson (2013:83), “…the choice of institutions - that is, the politics of institutions - is central to our quest for understanding the reasons for the success and failure of nations”. In the case of Botswana, they state that “inclusive political institutions bred political stability and supported inclusive economic institutions” (2013:413).

Moreover, the country “already had tribal institutions that had achieved some amount of centralized authority and contained important pluralistic features”, at independence (2013:413). Through its tribal institutions, especially the Kgolna (traditional parliament), the country has been able to engrain a culture of consultation with members of the public as a way of soliciting for their input, and reaching a compromise before a policy can be approved. The Kgolna became a central pillar to the country’s policy and decision making process. This ensured responsiveness, and facilitated a culture of accountability over the years, and engineered a culture of respect of rule of law among citizens. Equally, there has been a general respect for institutions on the part of the country’s leaders. In most African countries, institutions do not function as effectively as in the case of Botswana.

Further, it is worth noting that democracy in Botswana facilitated “a peaceful exploitation and effective use of mineral revenue for successful development of the country rather than mineral resources determining whether or not the country would be democratic. However, indeed, the unexpected mineral wealth subsequently became a critical leverage resource for further democratisation and sustained development of the country” (Sebudubudu 2011:i). It is in this sense that Botswana deviated from the resource curse.

The foregoing discussion suggests that a blend of contextual forces at work came to the fore to ensure Botswana’s deviance and success. As a result, the country invested its resources in human capital, physical infrastructure, ensured stable macro-economic stability and relative good governance. For the purposes of this article, three most salient features that may account for its deviance were identified and discussed in detail, not suggesting that these are the only ones.

According to Sebudubudu (2011:22), “Botswana’s experience with minerals suggests that a complex of several political, social, cultural and economic factors, the skill and the ingenuity of the leaders combined to make the
exploitation of natural resource in favour of peace and development rather for conflict and strife”. To this extent, a replication of Botswana success elsewhere may not be possible as factors that account for its success are contextual and thus at best the country can only offer lessons to other resource endowed countries. However, it would appear Botswana’s developmental success astonished even the country’s leaders as they were equally not certain that it was going to develop the way it did, and survive as an independent entity.

Conclusion
Although natural resources have brought despondency to a lot of countries in Africa, this has not been the case for Botswana. The paper identified three critical factors for its relative success; the decision to centralise mineral rights from individuals and communities to the state, the ability to establish a successful and mutually beneficial partnership with an international company, De Beers, to form DEBSWANA, which has been central to the exploitation and management of the country’s diamonds, and the quality of its national political leadership. The country’s leadership, particularly in the formative and successive years did not only ensure good policy options but strong and effective institutions. It is in this context that Botswana became a positive and curious case of natural resource exploitation. However, the story of Botswana is not all rosy. The country has had its own fair share of developmental problems such as failure to diversify its economy from over-reliance on minerals, unemployment, poverty and HIV/AIDS - suggesting that Botswana remains vulnerable to economic, political and social challenges.

References


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