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Weathering the Storm: Botswana's Culture of Care

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Botswana, a semi-desert southern African state ranked among the poorest in the world in the 1960s and 1970s, has emerged as an upper middle income country in the new millennium and a beacon of democracy and good governance on the continent and in the world. Since the discovery of diamonds, Botswana has prudently utilised the ensuing wealth to improve the lives of her citizens. Through a succession of National Development Plans the state has provided social services that have addressed many of the needs of the population. This trend has continued into the challenging era of the world economic crisis of 2008-2009 that culminated in global financial meltdown. The country has weathered the storm but continues to face several challenges including unemployment, drought, economic diversification, an on-going HIV and AIDS-related crisis, and the restraints of a commodity-based economy. However, with a resilience which has characterised its post-independence performance, Botswana continues to display an aspect of African stoicism and care that defines this environmentally compromised land.

Key words: Botswana, poverty, democracy, Africa, youth, diamonds, economy, unemployment, HIV, AIDS

Botswana is a landlocked, semi-arid country with a small open economy, a population of just over two million, and an annual average rate of population growth at 1.2 percent (Republic of Botswana, 2009). It has an approximate area of 582,000 square kilometers and shares borders with Zambia in the north, Namibia in the northwest, Zimbabwe in the east, and South Africa in the southeast. It embraces most of the
Kalahari Desert, thus constituting a largely challenging and non-productive natural environment (Ulriksen, 2011).

Botswana gained independence in 1966 after being a British Protectorate for approximately 85 years and was to a large extent regarded as an outpost on the African continent with very little to offer, before diamonds were discovered. At the time of independence, Botswana was the second poorest country in the world (after Bangladesh) but has now emerged as an upper middle income country characterized by a relatively high standard of living (Republic of Botswana, 2009).

The country has also been recognized as one of the top performing economies in Africa, with relatively high per capita income and, since 2001, the highest sovereign credit rating on the continent (Bank of Botswana, 2012). Botswana is the largest producer (by value) of diamonds in the world. Until recently, this translated into a relatively high GDP growth rate compared to other resource-rich African nations. Prudent financial policy and institutional arrangements, foreign exchange control, and fiscal regulations are jointly responsible for the country’s success in economic management.

The Context

Observers of Botswana’s development point to a number of factors that account for the nation’s success, including the establishment of modern institutions of governance, adherence to the rule of law, and respect for human rights. Botswana has held free democratic elections every five years since independence (International Institute for Democracy and Electoral Assistance [IDEA], 2013). Furthermore, a strong foundation for effective fiscal management was laid by the country’s post-independence government which espoused the principle of budgetary self-reliance (before mineral wealth became apparent). Sound macro-economic policies were encapsulated in a series of national development plans and statutory measures. There has been a visible transformation of an exhaustible resource into a continuing investment in the economy and enhancement of living standards for the population as a whole, notably the disadvantaged.

The country is internationally recognized for its principles of free market enterprise and property rights. However,
despite advancing a neoliberal agenda, Botswana has also been forthright in developing the climate and policy framework and instruments that would lead towards welfare statehood. Specifically, this has included objectives of redistribution of national resources through pro-poor legislation, policies, and programs (Republic of Botswana, 2009).

Since independence, national service delivery in Botswana has been influenced by four guiding principles—democracy, development, self-reliance, and unity—which have been incorporated in all subsequent national development plans. With the adoption of the Long Term Vision for Botswana (Vision 2016) in 1997, a fifth strand, ‘botho,’ was added to the national principles (Republic of Botswana, 1997). This defines a process of acquiring respect and empowerment through demonstrating the principle to others in a spirit of social justice for all. The principles are derived from Botswana’s cultural heritage and are designed to promote social harmony, or ‘kagisano.’ At the same time, the state has focused on ensuring economic freedom, creating competitive markets, and attracting foreign direct investment to the extent that the World Bank (2009) rated Botswana as the third best country in Africa in which to conduct business.

In view of the current challenges, a program of fiscal reform has been developed which includes the rebalancing of government expenditure to focus on economic and social high return investment and more efficient and robust management processes. This approach has led Botswana to enjoy a fiscal policy formulated in the context of national development planning, the annual budgeting exercise, a development strategy, public finance legislation, and wide consultation (United Nations Development Programme [UNDP], 2013).

Social Development

When President Ian Khama assumed office in April 2008, he adopted a philosophy of the Five D’s: democracy, development, dignity, discipline, and delivery. Furthermore, all development activities have to reflect Vision 2016, which has now become a reference point for national development initiatives. Mwansa (2012) observes that although there are many African countries rich in natural resources, they are unable to fully benefit the population due to nepotism, corruption, and
mismanagement. He states that the situation in Botswana is refreshingly different in terms of what the United Nations Development Programme (UNDP, 2006) refers to as prudence, political will, and commitment to the delivery of essential services.

In its development efforts, Botswana is aided by the Millennium Development Goals (MDG) which were conceptualized by the United Nations in 2000 and adopted by all member states (including Botswana) for attainment by 2015. The National Development Plan 10 (2009-2016) poverty reduction strategy focuses on economic empowerment, sustainable livelihood, improved social functioning, and access to quality shelter. Key areas in which the state and civil society partners are collaborating include sustainable job creation (especially in rural areas where the incidence of poverty is highest); development of human resources that enable the poor to utilize job opportunities in their localities; and the provision of social protection to vulnerable groups through training, counseling, and other support services. Specific social protection programs have also been scaled up in regard to orphaned and vulnerable children with provisions in the Children’s Act of 2009 for a statutory foster care program, a national children’s council, a national consultative forum of and for children, and a bill of children’s rights, all of which are in the process of operationalization (Department of Social Protection and Childline Botswana Trust, 2013).

HIV and AIDS

Political stability and natural resources, primarily in the form of diamonds, prevented Botswana from falling prey to World Bank and International Monetary Fund policies on structural adjustment. This enabled the country to continue building its resource base, despite the threatening public health situation associated with the HIV and AIDS epidemic (Heald, 2006). Botswana has one of the highest HIV prevalence rates in the world, with statistics indicating a prevalence rate of 17.6 percent nationally and new infections at 2.9 percent. Prevalence rates for females are higher than those for males (20.4 compared to 14.2 percent) (Southern African Development Community [SADC], 2008), highlighting the need for program-specific interventions for different sectors of
the population.

The state acknowledged the seriousness of the HIV epidemic at an early stage, and international organizations were expeditiously called upon for help relatively soon after the first case was diagnosed in 1985. However, many donors withdrew after 1995 because of the relative economic and political stability of the country. The lack of relevant information and policies then became evident (Allen & Heald, 2004), forcing Botswana to take responsibility for its own strategic and operational HIV and AIDS planning. Initially, the state focused on providing surveillance and education and, in 2001, Botswana became the first country in southern Africa to pioneer antiretroviral therapy for its population, ahead of the World Health Organization’s (WHO) goal that three million people in the developing world would be provided with treatment by the end of 2005 (WHO, 2003). By September 2007, 84 percent of known cases of advanced HIV infection in Botswana were receiving antiretroviral therapy (ART) (Jacques, 2007).

**Botswana’s Economy**

The World Bank Institute Report on Worldwide Governance Indicators for 1996-2012 stated that Botswana was ranked number 16 internationally (and first in Africa) out of a total of 212 countries and territories in the category of political stability and the absence of violence, with a near perfect score of 92.8 percent. This ranking placed Botswana above all G8 nations, all but two of the member states of the EU, and all but three countries in Asia (Office of the State President, 2008). Botswana’s per capita GDP rose from US $70 at independence in 1966 to US $16,800 in 2012 (CIA World Factbook, 2013). The country’s Human Development Index (HDI) increased between 1980 and 2007 by 0.94 percent annually, placing it in the category of upper middle income countries internationally (Sebudubudu, 2010).

Botswana has experienced decades of high economic growth based largely on diamond sales, although traditional beef rearing and a small manufacturing sector have contributed to the financial stability of the society. Over the last three decades diamond mining and tourism (in particular) have made a considerable contribution to the country’s economy (Siphambe, Narayana, Akinkugbe, & Sentsho, 2005). The
decline in diamond revenues resulting from the global recession led to the reduction of foreign exchange revenues and a cumulative budget deficit of US $2.1 billion from April 2009 to May 2012. (This deficit was considerably less than the projected US $4.4 billion at the commencement of National Development Plan 10). Before beginning a slow recovery, the declining economic scenario resulted in a 6.3 percent economic contraction in 2008 and a further 20.5 percent during the first quarter of 2009 (Republic of Botswana, 2010). Policy debates in Botswana in the recent past, and up to the present, have centered on improving international competitiveness and ensuring efficiency and sustainability around social spending. This was expressed by the Minister of Finance and Development Planning in the 2010 Budget Speech, as the need to find “innovative solutions that are consistent with the changed environment” (Republic of Botswana, 2010, p. 2).

Botswana has, however, made dramatic progress in socio-economic growth, resulting in significant improvement in human development indices in a relatively short period of time. Unlike other countries with similar endowments, what has been most remarkable is the country’s comparatively effective escape from the so called ‘Dutch disease,’ ‘resource curse,’ and ‘blood diamonds.’ This success has been attributed, in part, to prudent macroeconomic management, efficient use of commodity revenues for national development, attainment of redistributive justice, constant economic growth, committed leadership, judicious management of wealth, and avoidance of ethnic conflicts. This is in contrast to many other underdeveloped, resource-rich countries where there has been national strife, instability, and civil war (Mills, 2012). Furthermore, the pre-recession growth in diamond revenue ensured large government reserves, a budget surplus, and little external debt (Republic of Botswana, Budget Speech, 2013).

Each of Botswana’s national development plans since independence has pursued four objectives: economic growth, social justice, economic independence, and sustained development. During the past three decades, the government has specifically incorporated philosophies surrounding gender equality, environmental conservation, and assistance for remote area dwellers (RADs) into its development goals. (Republic of Botswana, 2009). The country is also rated highly for its
democratic governance and rule of law. The Institute for Economics and Peace, working with the Economist Intelligence Unit, has again ranked Botswana “as one of the world’s most peaceful and best governed” countries. In fact, according to this ranking, Botswana is placed above half of the European region countries surveyed, as well as all five of the Permanent Members of the United Nations Security Council (the United Kingdom, France, the United States of America, China, and Russia) (Institute for Economics and Peace, 2013).

Botswana’s Response to the Global Financial Crisis

Pro-cyclical fiscal policy increases spending and tax cuts in boom times and reduces spending and raises taxes in response to economic downturns. Countercyclical or Keynesian economic policy is the reverse, with governments saving up for a rainy day when the markets are in positive territory. The former has been observed in recent years in the United Kingdom and other Eurozone nations where large fiscal deficits were racked up during economic expansion, followed by fiscal contractions in response to an economic downturn or recession. In contrast, Botswana took advantage of the boom period (2003 to 2007) to strengthen its budgetary position and thus had available resources when the recession hit in 2008 and 2009 (Frankel, Vegh, & Vuletin, 2013). By so doing, the country managed to achieve a measure of success with a countercyclical fiscal policy precisely during the time when many developed economies in the world failed to do so!

The budget deficit of 2009-2010 and borrowing from the African Development Bank for the first time since becoming a self-sustaining economy were momentous indicators of the impact of the global recession on Botswana. During the same period, the mining sector declined by 12.5 percent, reflecting global uncertainties, especially for the gemstone diamond industry (the mainstay of Botswana’s economy). Consequently, foreign exchange reserves declined by 8.6 percent to US $7.4 billion, while the Special Drawing Rights fell by 9.4 percent to US $4.8 billion. Although mining continues to be the largest sector in the Botswana economy, its contribution to GDP decreased by 30.3 percent in 2011 due to the aforementioned depressed global demand (Bank of Botswana, 2012).
The weak performance of the diamond sub-sector continues to sound a warning bell to the country’s dependence on its diamond industry, indicating the essential need for economic diversification through employment creation and sustained growth and development. On the other hand, domestic demand was strong in 2012, with a growth of 13 percent in consumption and investment (Republic of Botswana, Budget Speech, 2013). The financial year 2012-2013 saw a balanced budget for the first time since the 2008 crisis. Furthermore, the International Monetary Fund (IMF) projects that the country’s real GDP growth rate will pick up to 4.5 percent in 2015, supported by increased electricity production and a mining sector recovery. The IMF welcomed the government’s promotion of diversification (an on-going challenge to Botswana) through a multipronged approach leveraging the country’s areas of competitive advantage (IMF, 2013).

Although there has been noticeable economic recovery in 2013, the situation is fuelling the fears of another global economic crisis that may be triggered by unresolved financial issues in southern Europe. The unfolding situation of the U.S. government shutdown in 2013 remains unresolved, as in 2014 the same situation will likely have to be confronted again. This poses fears for long term recovery, as global financial markets are adversely affected and world consumer confidence is challenged. For a country like Botswana this has serious fiscal policy implications. In general, however, the domestic economy, based on current indicators, appears to have weathered global volatilities and achieved a budgetary surplus. Time will tell whether it has been sufficient to “ride out” the storm.

Social Programs

Botswana has developed social policy initiatives focusing on expanding human capital through high spending on, and universal access to, education and health services. There is no comprehensive national social security legislation in the country, and generally provision is means tested (such as the Destitute Policy of 2002) and relatively small (even in the case of the universal old age pension scheme) (Ntshomang et al., 2007). However, the Government of Botswana has underlined its commitment to achieving a dignified life for all citizens.
to ensure the uplifting of the economically marginalized as well as the socially vulnerable. The two focus areas are social development and health (including addressing the HIV and AIDS epidemic and related issues). The primary goals in this regard are the eradication of poverty, adequate social protection, youth empowerment, affordable quality health care services, and the prevention of new HIV infections. In order to achieve these goals, a multi-sectoral approach that promotes sustainable livelihoods and socio-economic empowerment has been adopted (Republic of Botswana, 2009).

One of the priority areas of government budgets since 2008, including 2013-2014, is sustaining social programs that ensure human dignity. The Ministry of Education and Skills Development has the largest budgetary allocation to continue building human capital. This is followed by the Ministry of Local Government and Rural Development to cater for the majority of the needy. The third largest allocation is for the Ministry of Health whose remit is, inter alia, HIV and AIDS planning and programming. The Development Budget prioritizes water resources (a problem area in this drought affected country), educational infrastructure, and social development programs such as Ipelegeng (a public employment creation project). It also addresses village water supply, sewage disposal, and municipal services (Republic of Botswana, Budget Speech, 2013).

Botswana’s Domestic Development Fund has been created for development projects and for external financing organizations, thus seamlessly integrating foreign aid into annual budgets. This process prevents delays in the implementation of development-funded projects, thus allowing them to proceed smoothly through reimbursement arrangements. Furthermore, Botswana’s long established sustainable budget index rule protects and steers mineral revenues into investment in physical and human capital (Bank of Botswana, 2012).

The 2002 National Policy on Destitute Persons emphasized rehabilitation as a people-centered philosophy behind the destitute program. This included the provision of income generating projects ranging from beadwork to laundry, shoe repair, and basketry. However, it was still viewed largely as a social safety net for the deserving poor and thus, in 2007, a
government review of all relevant programs was conducted. The conclusion was that there was need for measures to ensure policy sustainability and more relevant identification of those in need. The recommendations were accepted apart from the introduction of means testing for the old age pension (Seleka, 2007).

The subsequent three years saw the state attempting to transform the public sector through conducting a review of expenditure in collaboration with the World Bank. At the same time, the National Policy on Destitute Persons was reviewed as government considered the growing—and non-sustainable—numbers of recipients not necessarily representative of the deserving poor. As a result, only the eligible became beneficiaries and the able-bodied were to be enrolled in the Ipelegeng program on a permanent basis. This was formerly the Labour Intensive Public Works Programme, a drought relief initiative originally designed to create temporary employment and a supplementary income level for the able-bodied poor using substantial governmental funding (Republic of Botswana, 2009; Ulriksen, 2011).

Poverty still persists in Botswana, and the government has thus adopted a National Strategy for Poverty Reduction. In addition, a poverty initiative, the Community Resilience Project, was set up and has been piloted in various districts in the country. The philosophy behind this program is community empowerment for self-development, which is being planned to be extended to other areas in the country (Republic of Botswana, 2010).

Demographic Challenges

With a limited industrial base, the country has been challenged to diversify its commodity-based economic activities. This has impacted employment creation, especially for the youth (15-35 age group), who are the largest proportion of the unemployed. While overall unemployment stands at 17.8 percent, youth unemployment is 69 percent (largely in rural areas) (International Monetary Fund [IMF], 2013). This is likely to be another issue that the country will have to address in the near future.

Every year, thousands of students graduate from the country’s tertiary institutions. However, many remain
unemployed. Based on the principle of social justice and parity (one of the national development objectives), there is need to give young people special consideration in terms of social investment. Meredith (2011) points to reasons for this approach, including sheer numbers and the peculiar situation of the youth in safeguarding the future of the nation and ensuring national development. The large numbers of young people immersed in poverty, despite their level of education, do not participate in the process of national development. This exclusion is a challenge that the country is attempting to resolve, as the numbers of unemployed youth continue to grow to unprecedented levels, leading to distorted development and social inequality. In an ironic twist of fate, the increasing inability of the free market to provide adequate opportunities for young people makes it difficult (in an era of global economic crisis) to involve the youth in development (Mills, 2012).

Unemployment and a relatively high GINI coefficient of 0.6 percent are worrisome elements of the nation’s social kaleidoscope. Thus, despite sustained economic growth, the country’s wealth has not been evenly distributed. Although the Botswana Core Welfare Indicators Survey (BCWIS) 2009-2010 shows a decline in poverty from 47 percent in 1997 to 20.7 percent in 2009-2010, the issue of youth unemployment remains a substantive challenge to national development and individual and family well-being. Rural areas have been the worst affected due to the fragility and vulnerability of the rural economy, which has been largely dependent on rain-fed production. The country has historically suffered prolonged periods of drought, heightening the incidence of poverty in those areas categorized as Remote Area Development Settlements (RADS), considered to be marginalized and on the fringes of society. High levels of unemployment and adverse climatic conditions in these areas have contributed to correspondingly high levels of poverty (Central Statistics Office [CSO], 2010).

According to the 2008 Botswana AIDS Impact Survey (CSO, 2009), the overall unemployment rate was 16.8 percent with 78 percent of the unemployed being less than 30 years of age. The 2011 census revealed that nearly half (47 percent) of all households were female-headed. About 50 percent of people in female-headed households were living below the poverty line,
compared to 44 percent of male-headed households. Moreover, the severity of poverty experienced by female-headed households was greater than for male-headed households. The main reason for this disparity is that, on average, female-headed households have more dependants and fewer income earners than male-headed households. This was more pronounced in urban areas, where both the mean and the median incomes of female-headed households were less than half that of their male counterparts (CSO, 2011). This level of poverty is likely to make people, especially women and children, more vulnerable to HIV infection.

Botswana’s high public sector wage bill is a cause for some concern, especially in comparison to other similar countries. However, this issue has to be viewed in relation to the fact that Botswana is a large country (similar in size to France and Texas) but sparsely populated, necessitating the duplication of infrastructure and some social and extension services. Desert-like conditions in much of the country are a threat to human and natural resource sustainability, which adds further weight to the contention that Botswana is, in many ways, an extraordinary society (IMF, 2013).

Cost recovery (charging fees for services) helps to ensure the sustainability of government services. To that end, a Cost Recovery Unit was established in the Ministry of Finance and Development Planning in 2012. Variations of cost recovery exist across the spectrum of government services in areas such as health and education, but it has been found that, in most instances, these are provided at below cost. This issue is being addressed, in part, through improving the viability and participation of the private sector by provision of finance and infrastructure, promotion of domestic and external markets, and business skills development supported by a variety of institutions. Economic diversification is encouraged through organizations such as the Local Enterprises Authority (LEA), which provides development and support services to domestic small, micro, and medium size enterprises (the SMME industry) (Republic of Botswana, Budget Speech, 2012).

**Sustainability**

Without doubt, the economy of Botswana hinges on mineral production, especially diamonds, which form the
largest single component of national wealth, accounting for almost half of government revenues. However, Botswana has been a notable exception to the dismal performance of many resource-rich developing societies. It is for this reason that the country has been widely cited as an example of prudent management, given investor grade sovereign credit ratings as number one in Africa, and compared favorably to other countries internationally (Lange & Wright, 2002). However, it is somewhat doubtful whether mineral resources will continue to contribute as much to national wealth, given the often volatile nature of commodities. The recent global financial and monetary crisis provides a genuine lesson about the fragility of the country’s diamond-based economy. The IMF (2012) has expressed similar sentiments and urged the government to realize its full revenue potential, maximize the effectiveness of public expenditure, reduce public spending according to long-term revenue prospects, and control the public sector wage bill. This approach will also enhance Botswana’s capacity for macroeconomic monitoring and fiscal analysis. However, while these measures appear to be logical and reasonable, they are extremely difficult to implement.

Issues of HIV and AIDS continue to generate a great deal of controversy as the government endeavors to find solutions to this elusive problem. A recent study by the Ministry of Health (2013) of most at-risk populations (MARPS)—commercial sex workers (CSW) and men who have sex with men (MSM) (Republic of Botswana, Ministry of Health, 2013, July)—has given rise to recommendations for strategies suggestive of the abuse of the human rights of these marginalized sectors. As much as the spread of HIV infection by certain groups is a cause for concern, program design should incorporate an approach that taps into an appreciation of people’s varying needs and the availability of programs to address them in a positive manner.

There are possibilities in the values of community and cooperation to improve people’s quality of life without extra public spending. Relationships are considerably more important than the taxable portion of a human being’s income in terms of happiness and participation in community living (Frey & Stutzer, 2002; Helliwell, 2003; Layard, 2005). Thus the concept of high quality interactions in groups and associations
(as is customary in an African setting), rather than individual material consumption, should be promoted (Jordan, 2008, 2010).

Conclusion

Botswana has a mixed economy with emphasis on neoliberal, free market enterprise. At the same time, based on the principle of consultation, the country has managed to develop strong social welfare policies which guide the actions of government in resource distribution. The Government of Botswana is increasingly concerned with cutting public spending and making social policies more sustainable and efficient. It is dedicated to identifying strategies to resume accelerated economic growth and transform the economy into one that is globally competitive, more diversified, and resilient to external shocks, such as the recent economic crisis.

Despite rapid population growth and global economic meltdown, government has been steadfast in providing its citizens with a variety of institutional services. These include education, health, poverty eradication programs, infrastructure development, employment creation, and social security. In some cases, there has been an increase in resource allocation, such as the destitute allowance and old age and war veteran’s pensions. Perhaps what is most noteworthy is that there is exponential growth in resource distribution as the population grows.

The transformation of economic prospects in developed and developing countries has to be built on a foundation of activism, trustworthiness, virtue, and responsibility among citizens, and by a considerate government that espouses such qualities through social policies and education. Both capitalism and the state will require citizens of this nature, and governments have a responsibility for enabling their emergence. For the developed world facing an adverse economic outlook, active government policy in this direction is necessary. For developing countries, such as Botswana, it is vital.

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