

# Botswana's Strategy for Graduation to MIC: Lessons for Angola

Prof Happy Siphambe (PhD)



# Presentation Format

- Introduction
- Botswana's Economic Changes
- Human development Trend
- Poverty and Income Inequality
- Education and Health
- Gender Equity
- Business Environment and Competitiveness
- Botswana's graduation Strategy
- Recommendations and Lessons for Angola



# Introduction- Graduation Criterion

- The graduation criterion has evolved over time with the current criteria emphasising three areas; gross national income per capita, human asset index and economic vulnerability index.
- The criterion has always be based on the need to ensure that graduation of an LDC is based on significant improvements in the country's development prospects while providing for flexibility in terms of rules especially for those countries that are very close to meeting the graduation thresholds(UNDP, 2013).



# Botswana's Case

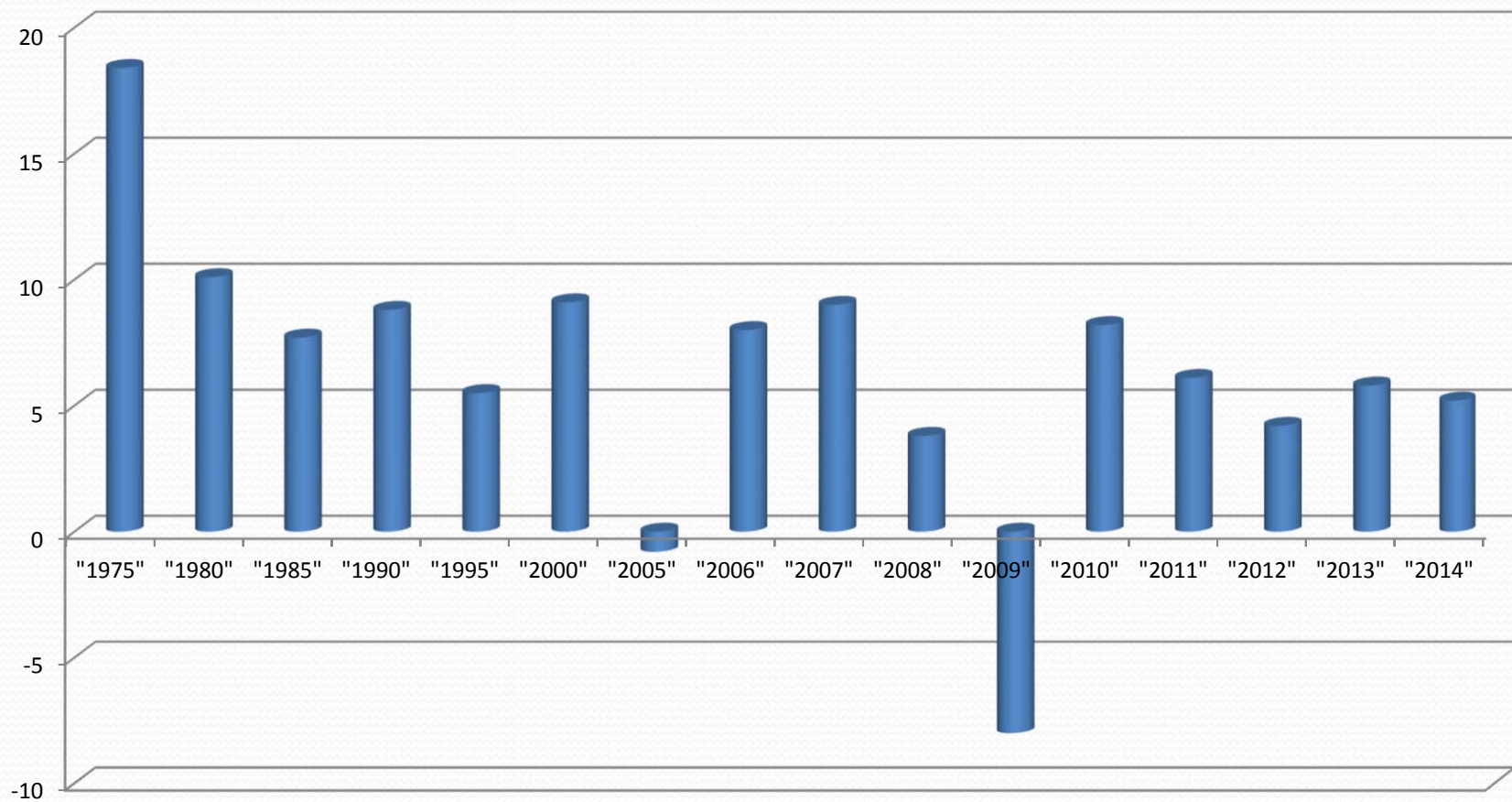
- Botswana among the poorest in 1966- GDP per Capita USD91
- About 95 percent of the population was rural and over a fifth of the total population was dependent on famine relief
- The country had just 7 km of paved roads, 2 secondary schools, 22 Botswana had graduated from the university and only 100 from secondary school
- The only significant “manufacturing” activity at independence was the Botswana Meat Commission abattoir that was built in 1954.



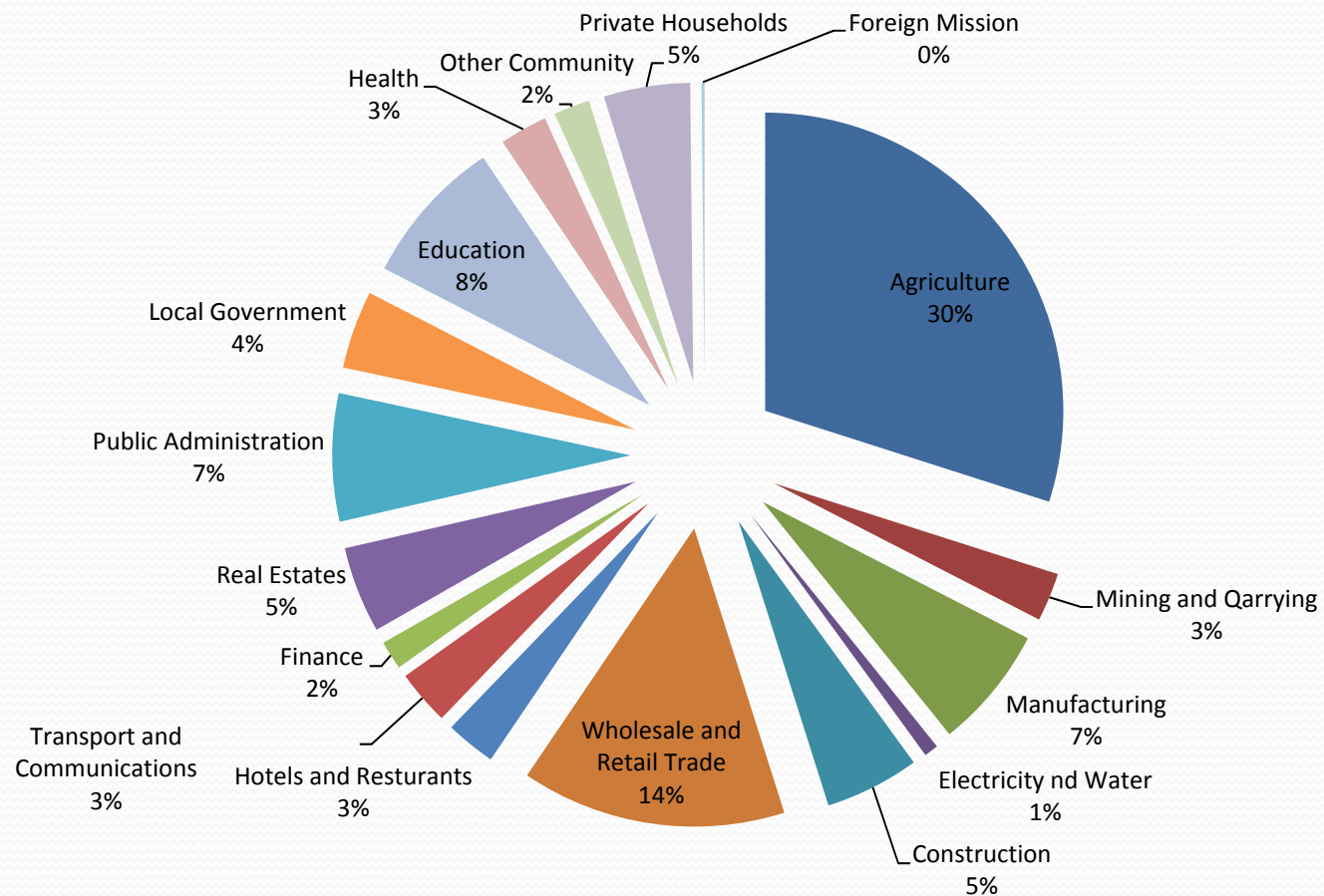
# Botswana's Case Cont

- With discovery of diamond the country experienced high economic growth estimated at 9 percent per annum
- Low growth in current period though
- Country graduated to MIC in 1994 and UMIC in 2004
- Some countries in that status are South Africa, Namibia, Algeria, Gabon, Libya, Seychelles and Mauritius.

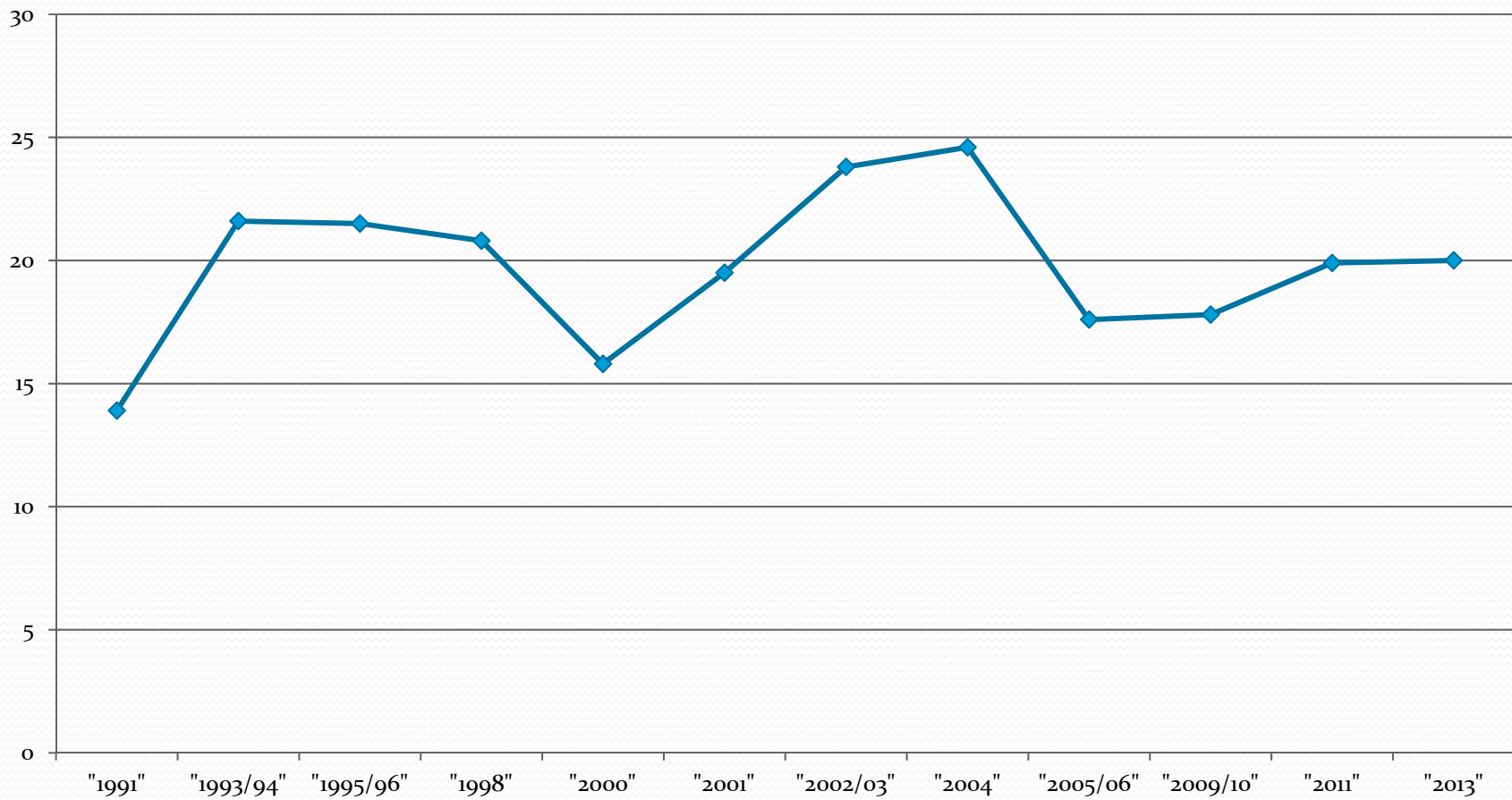
# Growth rates- Selected Years



# Employment Distribution by Sector

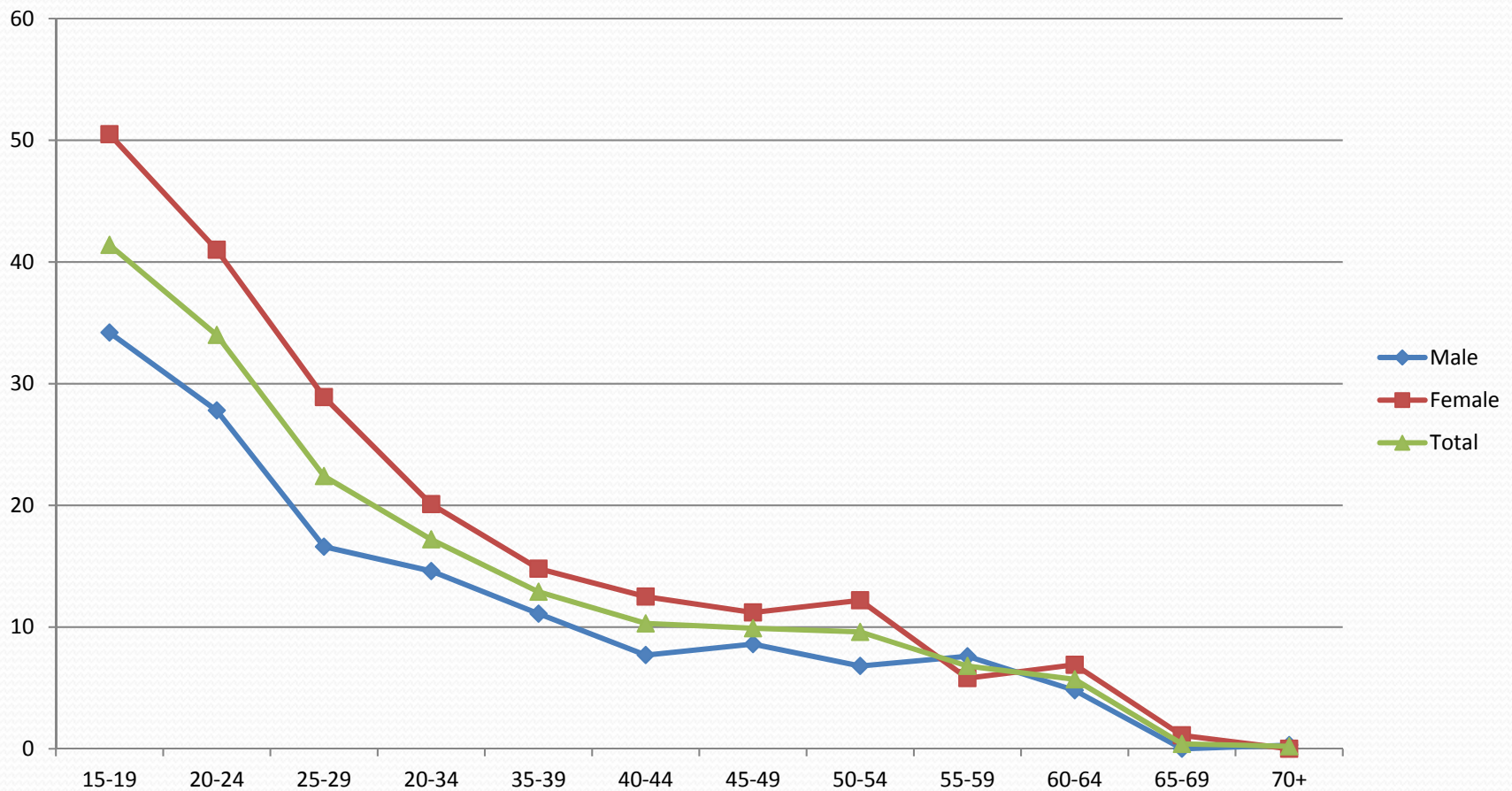


# Unemployment Trend

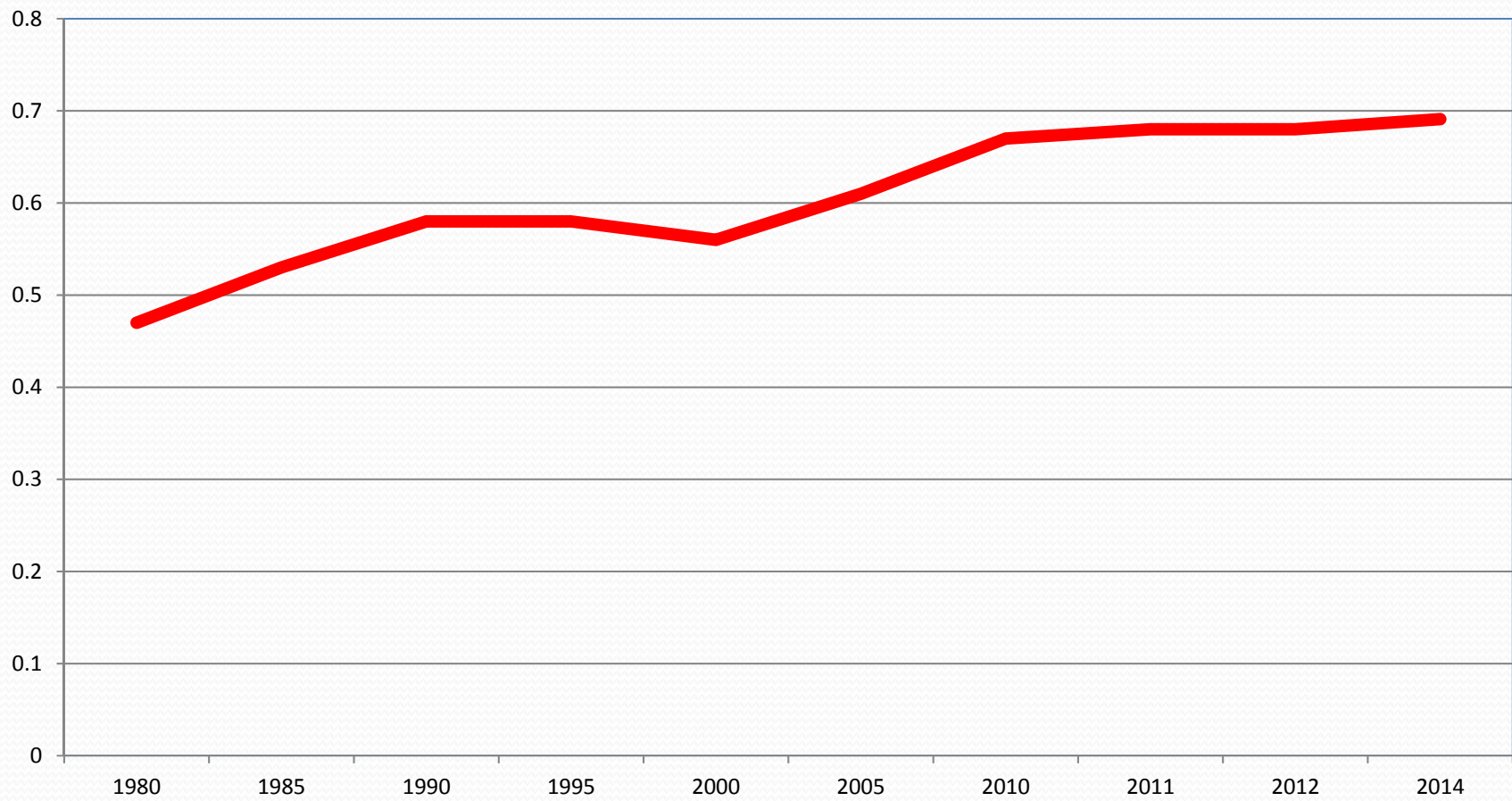




# Unemployment by Gender



# HDI



# Botswana unequal income distribution





# Education and Health

- Botswana has met most of the MDG targets in health and education
- High enrolment at all levels, high literacy rates rising from 34% in 1996 to 83% in 2010.
- Supported by key inclusive education policies and prioritisation of the education sector in both development and recurrent expenditure- spending about 25% of total budget on education.
- More schools including tertiary schools
- Declining quality of education a major concern – performance declining in the last 5 or more years



# Gender Equity

- Botswana ratified most of international conventions which led to review of many laws- but still not signed the SADC Protocol on gender and development
- Progress in terms of enrolment of girl children even though low in Science and Technology.
- Women occupy key positions such as PS, CEOs etc-40% in the public service.
- But low participation in politics-8% in current parliament-5 women In parliament- lowest in SDAC
- Results of multiple roles of women and expensive electoral campaigns
- Challenges-GBV- prevalence estimated at 67% in 2011
- Also occupational segregation in the labour market

# Business environment and Competitiveness

- World Bank's Doing Business 2015 rank Botswana as number 71st out of the 189 countries which is a fall from 59<sup>th</sup> in 2013
- performers in Africa in 2015 on this rank are Mauritius (46), South Africa (49), Rwanda (58)
- It takes 149 days to start a business in Botswana, 93 days to deal with construction permits, 103 days to get electricity, 51 days to register property, etc. (World Bank, 2014)
- Comparable countries such as Mauritius, Seychelles and even lower income countries such as Mozambique require fewer procedures and days to start a business than Botswana



# Botswana's Strategy for Graduation

- When Botswana graduated from upper LDC to MIC in 1994 the country did not develop an explicit graduation strategy
- What the country rather did was to leverage on its national development planning and later its first vision document, Vision 2016
- Two years after graduation, the country developed its national vision based on an aspiration for prosperity for all by 2016
- The vision had 7 pillars to lead the country to the overall aspirations of the vision



# Seven Pillars

- *Vision Pillar 1: Educated and Informed nation*
- *Vision Pillar 2: A prosperous, productive and innovative nation*
- *Vision Pillar 3: Compassionate, Just and Caring Nation*
- *Vision Pillar 4: A safe and secure Nation*
- *Vision Pillar 5: An Open, Democratic and Accountable Nation*
- *Vision Pillar 6: A Moral and Tolerant Nation*
- *Vision Pillar 7: A United and Proud Nation*





# Strategy for Botswana

- Since 1997 all NDPs have been guided by the Vision 2016 and they were also aligned to the extent possible with the MDGs
- The last recent development plan, NDP 10, was deliberately made to drive the Vision 2016 and was extended to have its end coincide with the Vision 2016
- The current vision just launched on independence day on 30<sup>th</sup> September 2016 is also made to be aligned and in fact be driven by National development Plan 11 which is also about to be discussed in parliament in October 2016 Parliament session
- Given that human and social development has always been the focus of Botswana's national development, the development plans therefore became the de facto vehicles for graduating the country from LDC to MIC and to some extent the Vision 2016 was the vehicle that took the country to graduation to Upper Middle Income status in 2004



# Strategy for Botswana

- Poverty Reduction Strategy
- Strategy for Excellence
- EDD
- TWG
- Policy making and implementation inclusive
- Most of these policies and strategies were developed with support and involvement of all key stakeholders
- Botswana developed a very effective stakeholder engagement system that made sure that all partners participated in terms of funding and providing technical assistance from the period of LDC to the present time when it is UMIC



# Weaknesses

- Weak policy implementation and M&E
- Result is late completion of projects and not on time and budget. Eg NDP only integrated to drive Vision 2016 more than 10 years after vision was approved and supposed to be implemented
- Major policy failures due to lack of effective M&E, eg FAP



# Recommendations for Angola

- Prudent Macroeconomic management
- Spending informed by strict planning system
- Save revenue during boom
- Instead of increasing the government expenditure when revenues from diamonds were increasing, the government chose instead to create a Revenue Stabilisation Fund in order to sterilise the mineral rents rather than allow them to affect government spending and the exchange rate
- Angola can emulate Botswana's experience in managing its oil and diamond revenue



# Recommendations for Angola

- Given that a large part of Botswana's revenue is derived from diamond mining, it became apparent that the different policies had to be coordinated in a coherent manner to avoid them moving the economy into conflicting directions. For most of the time, monetary, fiscal and exchange rate policies had to support each in achieving a stable economic environment, economic growth and diversification from the dependence on diamonds



# Recommendations for Angola

- Institutions in Botswana were effective in ensuring money was spent wisely and avoid any resource curse
- Angola can therefore take leaf from Botswana's case to make sure the spending from oil and other natural resources is directed towards worthy projects and that the key institutions are strong in terms of providing checks and balances and good governance in general.



# Recommendations for Angola

- Botswana also spent its resources on infrastructure and human resources which ensured that increases in revenue from minerals also led to improvements in livelihoods of citizens.
- The priorities of government spending have clearly been towards education and health, which are key to strengthening the human capital base
- Even though there are some current challenges with regards to quality of especially education in the last five years, the indices clearly show a positive outcome. There is need for Angola to make sure there is a clear bias in spending of the main resources towards human development to ensure that there is a clear link between the country's income levels and livelihoods of Angolan nationals.



# Recommendations for Angola

- Where property rights are not well defined, the solid mineral, which is especially more susceptible to being used unproductively
- Such has been the case in countries like DRC and Sierra Leone with the so-called blood diamond
- Botswana chose to have a property system where resources were not individually owned but owned by the state even though the state did not get into production but received mineral rent from those engaged in exploiting the resource
- When the country discovered the first diamond mine just after independence, they went into a partnership with DeBeers and formed a Company called Debswana.
- Botswana therefore has many lessons for the Angolan Government in terms of best contracts with private sector partners and best practice in terms of management of economic resources for development.





# Recommendations for Angola

- Botswana has developed a very strong social protection system that ensured the protection of the vulnerable and those without employment from poverty and other harsh economic conditions. The programmes were meant to cushion its citizens from hunger and starvation. Even though they are quite low in terms of value, they indeed acted to avoid extreme poverty and starvation even though they also led to high dependency of Botswana on Government
- There are a number of positive lessons for the Angolan Government in terms of how to make these social protection programmes effective.
- Some of the lessons are that they should be set with a view not to bring negative incentives to work effort by those who are able bodied and needed to be encouraged to stay in the private sector



# Recommendations for Angola

- Social Safety Nets (SSNs) in Botswana have for instance led to relative shortage of employees for the agricultural sector given that it is more attractive to be engaged in SSNs than being employed in the low wage agricultural sector. There is also need to develop programmes that have clear graduation strategies to avoid any possibilities of lifetime dependence on government.



# Recommendations for Angola

- Botswana has relatively high unemployment rates income inequality and poverty for an UMIC
- In preparation for graduation, Angola should insure that its graduation strategy ensures that there is focus towards sustainable poverty reduction through employment creation and that income inequality does not worsen.
- The strategy should for instance develop a clear national employment policy with action plans and an effective monitoring and evaluation system.



# Recommendations

- Botswana has not been able to adequately diversify its economy away from the diamond natural resource
- Even though the country has initiated many policies towards economic diversification from mining including efforts towards beneficiation in the current period, this has proved not to be enough especially for sustainable employment creation and poverty reduction
- For sustainable development, the Angolan Government needs to diversify its economy from being resource driven so that it can sustain its economic development after graduation and also be able to avoid being in a middle income trap



# Recommendations

- While Botswana has good policies some of which are developed with support from international partners who have global knowledge, the country has been very weak in terms of implementation of such policies
- For Angola to be successful it needs to, as part of its strategy for graduation, clearly develop an effective implementation framework and monitoring and effective system
- It will need to develop with support of partners a strong data base and data analysis capacity to provide information for effective monitoring and evaluation.



# Recommendations

- When Botswana graduated from LDC to MIC its systems were not ready for working with partners at upstream level.
- Part of the reason was lack of planning and proper strategy for graduation
- For some time after graduation, Government of Botswana continued to request for support for downstream activities which were either not supported given the country's new status or supported inadequately.
- There is therefore need to have as part of the graduation strategy support and capacity development for the appropriate engagement upon graduation.
- The kind of engagement for middle income should be one aimed at shaping ideas rather than providing financial resources down stream activities that can be taken care by the Government of Angola's own resources given the improved financial position warranting graduation.



# recommendations

- The 2008 global financial crisis accentuated Botswana's vulnerability given its high dependence on a single commodity to drive the economy in terms of growth and revenue.
- This is because the country had not built macroeconomic resilience to withstand other emerging external shocks.
- This entails the use of resilience index to monitor the performance of the economy with respect to several economic dimensions (including the financial regulatory process) in order to take necessary remedial measures, if required.
- The graduation strategy for Angola should therefore include a resilience framework which helps contribute to early identification of areas needing remedial measures and hence, where assistance by development Partners would be needed, in the efforts to achieve sustainable growth and development.



# Recommendations

- In preparation for graduation, there is need to have policy makers and senior government officials operating at the level of middle income in terms of engagement.
- That requires strategic development of all stakeholders including the civil society organisations to operate in MIC level.
- The strategy towards graduation to MIC for Angola should therefore include capacity building for all key stakeholders and senior government officials and policy makers in terms of that shift in terms of engagement with the international partners.





# Recommendations

- Botswana's experience with civil society organisations at graduation was one where the civil Society Organisations were clearly not ready and began to see the graduation as a curse as it denied them resources they were used to getting when the country was classified as least developed country.
- Most closed or could not do all key activities due to the fact that they had become donor dependent.
- As a lesson from the Botswana case the graduation strategy should build financial and human resource capacity for the Civil Society Organisations to be ready to operate in a MIC level status.
- The strategy should provide for engagement of all stakeholders and provide a window of opportunity for preparedness for graduation to MIC both in terms of capacity and understanding of the changed environment.
- This requires some change strategy in terms of socio economic engagement between key stakeholders and understanding the kind of changes in terms of support that will come with a MIC status.



# Recommendations

- At a general level, the key to successful and sustainable transition and graduation lies with effective engagement of all key stakeholders in preparation for graduation.
- It also entails making sure all policies and programmes provide a sustainable link between income and other changes particularly around human and social development.
- This requires a framework that ensures inclusive engagement of all Angolans through a strategy that is clearly developed and owned by all.
- It has to have clear milestones and an effective monitoring and evaluation framework.