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KEYNOTE ADDRESS

**The roles of agriculture and mining
in pro-poor sustainable development in Africa**

Festus G. Mogae

Paper prepared for presentation at the “Mining, Agriculture And Development: Bread from stones?” A joint conference conducted by the Crawford Fund and the Africa Australia Research Forum, Perth, Western Australia, 26-27 August 2013

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KEYNOTE ADDRESS

The roles of agriculture and mining in pro-poor sustainable development in Africa

His Excellency Festus G. Mogae

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Abstract



Africa has an abundance of energy and mineral assets and agricultural land. In spite of the variety of outlooks across its numerous countries there is a common understanding that these natural resources need to be used carefully and thoughtfully if there is to be sustainable development across Africa as a whole, especially pro-poor sustainable development. Botswana has poor soils and climate for agricultural production, but it has developed some of its other resources. That development, combined with far-sighted policy, has taken Botswana from being one of the world's least developed countries in 1966

at independence, to a middle-income economy now. Agriculture makes a small contribution to economic growth, while mining, manufacturing, construction, trade and hotels contribute much more. Botswana currently has mines for diamonds, copper, nickel, coal, gold and various industrial minerals used in the construction industry. Its mineral policies enable many international companies to prospect for and mine these minerals. Competitive mining laws, low sovereign and social risks, relatively good infrastructure and easy access to land, security of tenure, and low levels of corruption, are among reasons for Botswana having a favourable reputation with international investors. Still, the country's climate and soils make agriculture challenging, and Botswana focuses on food security rather than food self-sufficiency. It remains heavily dependent on mineral revenue.

This is an important forum on mining and agriculture — particularly because of the variety of stakeholders present from all over Australia and from at least 20 different African countries. The different perspectives and different approaches present here should enrich our dialogue and our understanding and can also inform our policy-making and our practice.

Within that variety of perspectives we are also united in the common understanding that careful and thoughtful utilisation of Africa's natural resources will be a critical component of sustainable development on the continent. This applies equally whether that natural resource is the fertility of the soil, the health of the forests, the quality of the waterways or the vast mineral deposits and energy resources. I also know that the experiences of many African countries with regard to the exploitation of their mineral and energy resources, in particular, have historically not led to sustainable development and have certainly not been pro-poor.

We are absolutely:

determined to put an end to that history so that Africa's endowments can become a source of developmental transformation that benefits its peoples.

That is what we said with one voice at the Eighth African Development Forum (ADF-VIII) in Addis Ababa last year on 'Governing and Harnessing Natural Resources for Africa's Development'. I both addressed the assembly and listened very hard to my African brothers and sisters as we worked together to frame a vision for the use of our natural resources. I was also very pleased that Australia was present formally at the meeting and spoke of the Australian experience of mining and expressed a strong desire to partner and to contribute lessons learned here.

We discussed at some length the Africa Mining Vision and Action Plan and the creation of the African Minerals Development Centre (which Australia is supporting); we spoke about the Comprehensive Africa Agriculture Development Programme (CAADP); we talked about fisheries, land use and forestry. We also crafted a consensus statement from which I quoted above.

In grand African tradition we finished with a concert. There was even a song written for the forum which was played at the concert. It captured the mood of that forum and the theme of this one. The song goes like this:

In the midst of plenty the people are suffering;
In the midst of plenty my people are hungry.
We have iron, gold, diamond and aluminium,
And we don't utilise these resources to full economic development.

I am sure that it might be the only song in all of history to have the phrase 'full economic development' as part of the lyrics! It does, however, have a great catchy, very African tune.

Africa is a continent of plenty — an abundance of mineral and energy assets, an abundance of agricultural land. Yet in this land of plenty there is enormous need, and some would say we have been cursed by this abundance of resources. I would say I do not believe in curses and I especially do not believe in a resource curse. I gave a speech in 2008 to the African Development Bank and some of the ideas from that talk have been picked up more recently in a publication from the Chief Economist Complex of the African Development Bank, where they asked this question: How did Botswana escape the pitfalls of the resource curse, ensure stable growth, and save its wealth for use by future generations?

In trying to answer that question, I will also explore the role of natural resources (in this case, agriculture and mining — bread and stones) in sustainable pro-poor development.

Botswana's development

For those of you who are not familiar with Botswana's story I will quickly share with you Botswana's background which I think will help you appreciate why we are so proud of our achievements, and also why we acknowledge that our transformation is an on-going and continual challenge.

Most African countries had agriculture as the mainstay of their economies, especially before independence, and Botswana is no exception.

Botswana is a land-locked country sandwiched between South Africa to the south, Namibia to the west, Zambia to the north and Zimbabwe to the north-east. The country relies heavily on South African seaports for its access to the sea. The country has a total area of 582,000 km² divided into three main land tenure systems. These are the communal or customary, the State, and the freehold land, which occupy 70%, 25% and 5% of the country's surface area respectively. Its location in the subtropical high pressure belt means low rainfall and long dry spells, mostly influenced by the Kalahari type of climate — which is desert. Botswana has thus been disadvantaged in terms of agricultural production because of its Kalahari type of climate where three-quarters of the country is in fact covered by the Kalahari sands.

At independence, in 1966, Botswana was one of the poorest countries in the world with its gross domestic product (GDP) per capita well below the regional average at \$70. The country relied on the British Government for its development expenditure and to some extent the recurrent expenditure. Agriculture contributed 40% of total GDP and it was mostly subsistence. During that era agriculture was the dominant economic activity, contributing 96% of total exports. Exports from the agricultural sector were dominated by beef, mainly to South Africa and the United Kingdom and later the European Union.

The majority of the population, which was estimated at 600,000 people, relied on subsistence agriculture for their livelihood. The major food crops at the time were sorghum, maize, millet, beans and peanuts. These still comprise the most-consumed food crops in the country. The yields from these crops are, however, far from satisfying the country's food needs. Although sorghum and maize constitute 90% of the country's cereal production, the country produces only 30% of its cereal needs in a normal year.

The contribution of agriculture to economic growth has been stable but very low compared to the other sectors such as mining, manufacturing, construction, trade and hotels. It should be noted however that the low performance of agriculture compared to other sectors does not translate into the dismissal of agriculture as less important in value-addition to human livelihoods. The agricultural and pastoral sector is an important area where a significant percentage of people make a living. We continue to invest in this sector even though we know the returns are low. Through this sector we are able to reach even the most remote and poor households.

The mineral sector is one of the important drivers of the economy in Botswana, with strong dominance from diamond mining. Mining commenced in the 19th Century with the discovery and subsequent mining of gold in the north-eastern part of Botswana. Modern mining of copper, nickel, diamonds and coal began in the early 1970s. Botswana currently mines the following minerals: diamonds, copper, nickel, coal, soda ash, salt, gold, and various industrial minerals to supply the construction industry.

Diamond mining in Botswana started in the early 1970s and Botswana became a significant world producer after 1982 following the opening of the Jwaneng Mine.

One of Botswana's mineral policies is to create a competitive environment to stimulate private sector investment in mineral exploration and exploitation, through efficient administrative services and provision of geological information to investors, free. This policy has yielded positive results; many international companies have discovered mineral deposits, some of which have resulted in mines being opened. This has called for the enactment of laws and regulations to provide for the granting, renewal and termination of mineral concessions, to provide for the payment of royalties and for matters incidental and connected thereto.

As a result, the right to prospect for, retain and mine minerals may be acquired and held only under and in accordance with the provisions of the Mines and Minerals Act. The mining licence is valid for a period not exceeding 25 years and is renewable. Upon issuing of a mining licence the Government has an option to acquire up to 15% interest in the equity of the proposed mine.

The Mines and Minerals Act further provides for, among other things, restrictions on acquisition of mineral concessions, power of entry by certain officers to enter upon prospecting areas, and the recovery of fees, dues, rents, royalties or payments which may become due in respect of any mineral concession or as provided for under the Act.

As I have indicated above, all revenues from minerals are for the Government of Botswana and are appropriated into public revenues by Parliament, together with revenues from other sectors of the economy, and spent equitably and in accordance with the National Development Plan.

Botswana has for many years been rated favourably by various international institutions, due to factors such as competitive mining laws, low sovereign and social risks, relatively good infrastructure and easy access to land, security of tenure, low levels of corruption, upholding the rule of law and honouring agreements. This favourable investment climate is not limited to the minerals sector but prevails in the wider economy. For instance, Botswana continues to receive very favourable sovereign-risk ratings by both Standard & Poors and Moody's investment agencies for the general economy, and Fraser Institute of Canada and Resource Stocks in mining.

Botswana's success in capturing mineral wealth to convert it into economic development is facilitated by the fact that all mineral rights vest in the State. This is intended to ensure that the utilisation of such resources is for the benefit of all the inhabitants of Botswana irrespective of the land on which the minerals are found.

Prudent management of minerals revenues over the years made it possible for Botswana to transform from one of the poorest countries to a middle-income economy. Revenue from mining has been used to develop physical and social infrastructure such as roads, water supplies, power supplies, telecommunications, health facilities, free education, and free health care including the provision of anti-retroviral drugs.

I would say that the transparent and accountable management of the mineral policy and practices has been the essential glue that has held the policy framework and its implementation together. We are mindful of the fact that diamonds — and indeed all minerals — are not forever. The only way we can sustain our national development and create employment is through economic diversification. We have provided a future generations fund, withdrawals from which have to be sanctioned by Parliament. Sovereign funds consisting of cash in the bank are a temptation to spend, even for Parliaments; in developing countries, I would say especially for Parliaments.

One of the initiatives we have taken to diversify the economy is some local processing of diamonds. We have licensed 18 cutting and polishing companies, two of which actually manufacture jewellery. We aspire to develop into a Diamond Trading Centre along the lines of Antwerp and Mumbai. The existing cutting and polishing activity, although it accounts for a small fraction of total diamond production, is currently providing around 3000 jobs. I would hope that as our people gain proficiency, the activity will expand and grow.

We have also established the Botswana Export Development and Investment Agency (BEDIA) to lead the campaign to lure investors to Botswana. We have seen some positive results particularly in the tourism industry where there is significant investment by foreign investors.

Although we have positive examples such as this, agriculture in Botswana is challenging. Our focus is not on food self-sufficiency but food security, and we are using economic diversification to ensure that people have the economic means to procure sufficient food of high nutritional value.

The journey from the least developed and one of the poorest countries of the world, to a developing middle-income country was not easy. Deliberate and sometimes painful decisions had to be taken, thanks to our principles of consultation, cooperation and accountability.

Previously I have indicated that the contribution of agriculture to economic growth has been very low. On the other hand, the contribution of mining to economic growth has been, and is, the largest. We are excessively dependent on mineral revenue. More than 50% of government revenues are derived from minerals, of which 95% comes from diamonds. Therefore mining has now become our bread. When we cannot produce enough for our daily needs, mining — or stones — becomes our food.

Our second President His Excellency Sir QKJ Masire said as much, and much more eloquently:

...our new nation, economically poor, but developing, with our four objectives of rapid economic growth, social justice, economic independence and sustained production. We are dedicated to improving the lot of our people in rural areas and we are dedicated to creating more employment for our people. But we intend to conserve our resources wisely and not destroy them.

Those of us who happen to live in the 20th Century are no more important than our descendants in centuries to come.

Keynote Address

His Excellency Festus Mogae is one of the world's few winners of the Mo Ibrahim Prize for Achievement in African Leadership. He trained as an economist at the Universities of Oxford and Sussex. His Excellency served in Washington, DC, as Alternate and Executive Director, International Monetary Fund for Anglophone Africa, then returned home to take up the position of Governor of the Bank of Botswana, and was Permanent Secretary to the President, Secretary to the Cabinet and Supervisor of Elections. He was appointed Minister of Finance and Development Planning in 1989 and became Vice President in 1992, until 31 March 1998 when he became the Third President of the Republic of Botswana. He was also a Member of the Commonwealth Parliamentary Association, Member of the Parliamentarians for Global Action and the Global Coalition for Africa. His Excellency was Governor for Botswana for the International Bank for Reconstruction and Development, Member of the Joint Development Committee of the World Bank and the International Monetary Fund on the transfer of real resources to developing countries. He was also involved in community oriented organisations which include the Kalahari Conservation Society, Botswana Society (Research Organisation), President of the Botswana Society for the Deaf and Patron of the Junior Achievement Botswana. He is also involved in a range of organisations involved in leadership, governance and the fight against HIV and AIDS, tuberculosis and malaria. His Excellency has received many awards including the highest honour of the Republic of Botswana, Naledi Ya Botswana — Gaborone, and the Presidential Order of Honour of Botswana.

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