



KEYNOTE PRESENTATION

BY

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ON

**“The Role of Agriculture and Mining
in Pro-Poor Sustainable Development
in Africa”**

**Perth – Australia
27th August 2013**

Thank you for your kind words of introduction and welcome.

It is truly an honour and a privilege to be here with you at this important forum. I find it most heartening that we have such a variety of stakeholders present from all over Australia and by my count from at least 20 different African countries.

I believe that the variety of different perspectives and different approaches present here today will enrich our dialogue, 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 utilization 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 African Mining Vision and action plan and the creation of the African Minerals Development Centre (which Australia is supporting), we spoke about the Comprehensive African Agriculture Development Programme (CAADP), we talked about fisheries, land use and forestry. We also crafted a consensus statement from which I have quoted.

And in grand African tradition we finished with a concert. There was even a song written for the forum which was played at the concert. I will quote from it as well - but not sing it - 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 aluminum
And we don't utilize 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 don’t believe in curses and I especially don’t 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 Africa Development Bank: where they asked the question:

“how did Botswana escape the pitfalls of the resource curse, ensure stable growth, and save its wealth for use by future generations?”

I would like to use some of my time with you today to try and answer that question – and in doing so hopefully also explore the role of natural resources (in this case agriculture and mining - bread and stones) in sustainable pro-poor development.

For those of you who are not so 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 582000 km² **divided into three main land tenure systems**. These are the communal or customary, 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 due to 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. Again at independence, 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. To date 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 the country's 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 were 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. However, modern mining of Copper Nickel, diamonds and coal began in the early 1970's. 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 1970's and Botswana became a significant world producer after 1982 following the opening of the Jwaneng Mine.

One of Botswana's mineral policy, 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 for free. This policy has yielded positive results as we have seen many international companies discovering mineral deposits some of which have resulted into mines being opened. This 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 others, 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 favorably 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 utilization 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, 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. But sovereign funds consisting of cash in the bank are a temptation to spend even by Parliaments. In developing countries, I would say especially by Parliaments.

One of the initiatives we have taken to diversify the economy is some local processing of diamonds. We have licenced 18 cutting and polishing companies, two of which actually manufacture jewelry. We aspire to develop into a Diamond Trading Centre along the lines of Antwerp and Mumbai, etc. The existing cutting and polishing activity, although it accounts for a small fraction of total diamond production, is currently providing around 3,000 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.

But while 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 doing this through 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 contrary, the contribution of mining to economic growth has been, and is the largest. We are excessively dependent on mineral revenue. More than 95% of government revenues are derived from diamonds. Therefore mining has now become our bread. When we cannot produce enough for our daily needs, mining, or stones become 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."

I thank you for your attention.