

An elegantly written treatise on Botswana's economic history

David Magang, *Delusions of Grandeur: Paradoxies and Ambivalences in Botswana's Macroeconomic Firmament, Volume 1*

Print Media Consult, Gaborone, 2015

538 pp

ISBN 978-99968-0-278-4

BWP249.00

David Magang is a former cabinet minister and one of the most successful indigenous entrepreneurs in Botswana. His extensively researched and elegantly written treatise on the economy of Botswana since independence from British colonial rule in 1966 can be described as macroeconomics made simple for the general reader. Just as he does in his voluminous autobiography, *The Magic of Perseverance* (2008), in this new publication the fearless Magang does not mince his words. Even though he is a lawyer by profession and not a trained economist, he demonstrates erudite understanding of both the Botswana economy and the global economy. He provides helpful historical background on political developments in Botswana and on key local and international financial institutions that feature in the book.

Magang acknowledges that Botswana has made huge strides in economic development since 1966 when it was rated as the second poorest country in the world. He attributes this to the leadership qualities of the country's first president, Seretse Khama (1966-1980), who followed sound economic and democratic principles instead of the populist programmes that have ruined many other African economies. Some economic commentators have described Botswana as the "African miracle", but Magang strongly questions this label. "Developmental state" and "indigenous developmental state" are concepts that have been employed by some scholars to describe Botswana's development trajectory, but Magang himself subscribes to Ellen Hillbom's (2012) description of Botswana as a "development-oriented gate-keeping state". Magang points out that this phenomenon is "signified by limited state ambitions; natural resource dependence; dual society (that is, one of extreme inequalities); limited social development; the state sector dominating the economy; and the state being controlled by economically and politically strong elites" (p 96). In his review of the literature Magang queries the use of gross national product (GDP) as a measure of a country's economic development. For Magang, and others, GDP distorts the economic reality on the ground. He gives the examples of Dubai, South Africa and Singapore which have far more remarkable and robust economies, yet for decades their GDPs have been less impressive than that of Botswana.

The author argues that Botswana may not have experienced the mineral "resource curse" experienced by many other African states blessed with mineral wealth, but the country's overdependence on non-renewable diamonds, and its failure to diversify the economy meaningfully, has led to what he terms the

Book Reviews

"diamantine curse". He gives examples of Australia and Chile as mineral-dependent states that have managed to diversify their economies substantially. He also strongly argues against the sentiment that Botswana is a prosperous society, and quotes a recent international study which reported that the Batswana are among the unhappiest people in the world. To Magang this unhappiness is the result of the country's high unemployment (17.5%) and poverty levels, huge economic disparities - said to be among the worst in the world - and the excessive domination of Botswana's economy by foreigners. He writes that for the impoverished indigenous Batswana, the "African Miracle" that is their country is actually the African Mirage" (p 13).

Magang is not only critical of the country's economic shortcomings, but also provides thoughtful solutions employed by hugely successful economies such as Malaysia, Singapore and the United Arab Emirates, all of which attained independence at about the same time as Botswana. The author is particularly scornful of De Beers which he accuses of being responsible for "arrested development" in Botswana, having deliberately prevented diamond beneficiation for decades, and thus preventing grassroots economic progress and employment creation (p 133). He observes that beneficiation would have generated significant wealth and employment through downstream activities which have more value than merely exporting rough stones. He goes on to maintain that as a member of parliament from 1979 he ploughed a lone furrow campaigning for diamond beneficiation because he received no support on this from the country's leadership.

Whereas he acknowledges the importance of the welfarist role of government, he argues that the portion of the national budget (more than 10%) devoted to welfare is far too high and unsustainable. He opines that "Even the very paragons of welfarism [Western countries], with their apparently seamless material might, are now feeling the weight of the social services albatross" (p 121). He suggests that the resources the government of Botswana directs to welfare should instead be used to create gainful and sustainable employment. Magang states that efforts by the Botswana Export Development Agency (BEDIA) and the International Financial Services Centre (IFSC) in attracting the desperately needed foreign direct investment (FDI) was nothing to write home about in comparison to their far more successful counterparts in the Kwazulu-Natal Province of South Africa and Mauritius:

The IFSC has now been merged with BEDIA under a new umbrella called the Botswana International Trade Centre. One hopes that this is not a merger simply of two white elephants to form an even bigger white elephant but a high-impact step with unambiguous, demonstrable synergies (p 173).

Nor is he impressed by government's attempt to drive economic development through SMMEs financed by the Citizen Entrepreneurial Development Agency (CEDA) due to the extremely inadequate seed capital it lends.

With the forecast that the country's diamonds will be depleted by 2030 the country's hope is said to be on its coal reserves which, however, would yield far less

revenue than diamonds. Magang blames the government's notoriously slow pace for the country's missed opportunities, and notes that the same could happen with coal exploitation. He demonstrates how government finally became firm on De Beers leading to the two entities signing the landmark Debswana Sales Agreement (DSA) in January 2011, which demanded that the De Beers-owned Diamond Trading Company International (DTCI) entirely relocate its sights and sales operations from London to Gaborone by the end of 2013. "It is small wonder some analysts have described the relocation of DTCI to Gaborone as the biggest transfer of assets from the developed world to the developing world", celebrates Magang (p 206). He reckons that had government heeded his advice more than 30 years ago it is possible that Botswana would today be more like Singapore. However, he decries the very limited participation of indigenous Batswana in the new diamond dispensation which he blames on the government.

Magang laments the fact that the government is going against current global trends by rejecting a parliamentary motion calling for a law on beneficiation on the grounds that it would scare investors away: "When I learnt of the rejection of the motion, I wondered where the allegiance of the political leadership lay - whether it was with its own people or their cronies within the transnational fabric" (p 212). While championing the intensification of diamond beneficiation in the country he is acutely aware of the factors that work against the movement. He cites these as the Batswana's "awful" work ethic, a worryingly slow and unreliable Internet which hampers business, an acute shortage of water and prolonged electricity outages.

The author mocks Botswana's belated citizen economic empowerment (CEE) policy saying it is shambolic and falls far too short of its South African and Malaysian counterparts. He praises Zimbabwe's controversial indigenisation and economic programme as exemplary. However, he acknowledges that these citizen economic empowerment programmes are almost everywhere hijacked by already better-off citizens conniving with the ruling elites. He acknowledges the role of the Botswana Stock Exchange in the country's economic development, but worries that it is dominated by institutional investors. The almost inconsequential participation by individual citizens in a society where a saving and investment culture is limited, concerns Magang. He explains that a small internal market of just two million people, a difficult regime of issuing resident and work permits to expatriates, and a lack of a sense of urgency among Batswana, all work against attracting FDI. Perhaps he should have noted that these very factors also hindered BEDIA and IFSC in attracting FDI. He refers to government bureaucratic inertia as "Kafkaesque Bureaucracy" (p 385). Magang cautions that this Kafkaesque Bureaucracy and harassment of street vendors by bye-law officials could be a time bomb waiting to explode, particularly in the light of the fact that the country's struggling street vendors face similar circumstances to those that triggered the Arab Spring revolution in North Africa (pp 389-390).

Magang argues that the location of the country's capital - Gaborone - on the south-eastern edge of the country as opposed to the middle of the country has led to major economic developments being concentrated in the poorly planned city.

Book Reviews

Consequently, large parts of the country are overwhelmingly undeveloped, particularly the far western portion. There is an established tradition that government departments lack implementation capacity and Magang sees this as a result of government's practice of deficit-reduction. In just the 2012/13 financial year, a whopping four billion pula was returned to government by various ministries. "Imagine what that P4 billion would have done to the economy had it actually been spent. How many jobs would have been created or maintained as a result?" quips Magang (p 447) to whom this equates to economic sabotage by cabinet ministers.

Whereas Botswana is routinely described by Transparency International, the global anti-corruption civil society organisation, as the least corrupt country in Africa, similar to a growing number of its citizens, Magang is worried about massive corruption that is regularly reported in government with the perpetrators not being held to account, particularly when they are people of economic muscle or political influence. In decrying a lack of government support to businesses of indigenous Batswana, which includes his Phakalane empire, Magang should also have noted government's frustration with some local companies' notoriety for failure to deliver on government projects. Surprisingly, in this wide-ranging book, he does not dissect Botswana's tourism sector which could help significantly to diversify the economy and boost employment creation.

Hopefully, in the second volume of the title, Magang will take into account the impact of a dominant-party system (one political party has ruled Botswana since 1966) and the attendant presidentialism in entrenching personal and sectarian interests over national interests, leading to corruption and economic stagnation or decline. He concludes that several African countries, including genocide-scarred Rwanda, have now surpassed the "African miracle".

Magang is not an economic alarmist, but a deeply concerned patriot demanding of his country meaningful prosperity for all the citizens and future generations. His publication may not excite the country's rulers and economic policy makers whom he says have been afflicted by delusions of grandeur. Nevertheless, it will be of immense value to the next generation of political leadership and policy makers.

Christian John Makgala
University of Botswana