Botswana's formal economic structure as a possible source of poverty: Are there any policies out of this economic impasse?

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Abstract

This paper seeks to analyse the structure of Botswana's economy and the degree of success in economic diversification. We note that the economy of Botswana has not made any significant success in diversifying the economy away from minerals, particularly diamonds. The failure of the economy to diversify away from minerals has meant that the capital-intensive diamond sector, with its low employment capacity, did not help in reducing the high levels of unemployment. It is unsurprising that the country, despite its widely acclaimed economic success, continues to have high levels of poverty. The paper further analyses the recent economic initiatives geared towards employment creation and poverty reduction such as the Ipelegeng public works programme and Integrated Support for Arable Agricultural Production (ISPAAD). The paper proposes policies which have the potential to diversify the economy, create employment and, ultimately, reduce poverty.

Keywords: Botswana's economy, diamonds, diversification, unemployment, poverty reduction.

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Introduction

At the time of independence in 1966, Botswana was one of the poorest countries in the world, with a predominantly agrarian economy. The agriculture sector, in particular cattle rearing and beef production, accounted for 43 percent of Botswana's Gross Domestic Product (GDP) (Iyanda et al 2005:3). The country had a five kilometre tarred road in Lobatse from the train station to the British High Commission. The subsistence agriculture sector was the mainstay of the economy, and was virtually deficient as a source of employment and economic production. The Government had to rely on foreign aid to meet its expenditure obligations.

The discovery of minerals, particularly diamonds, brought a ray of hope to the economy. As a result, Botswana broke African records, as it became the fastest growing economy in the world for over a decade. While this record breaking is worthy of praise, it has to be borne in mind that it had a lot to do with the fact that the Gross Domestic Product (GDP) at the time was significantly low. It therefore followed that an increase in GDP translated into high economic growth rates, hence the record setting trends that were observed. As the economy expanded in terms of GDP, the mining sector became the dominant sector in terms of its contribution to GDP. The fact that the country had a democratic form of Government, with elections held every five years and unprecedented rates of economic growth, by African standards, earned the country a variety of accolades (Malema 2010: 103). However, despite the globally acclaimed economic success that followed the discovery of minerals, poverty remained a cause for concern in the country. Botswana's vision of a diversified economy and poverty free society by 2016, which calls for new engines of economic growth, is well documented (Kapunda 2003: 51; Iyanda et al 2005:3, 11). In spite of this noble vision, the economy remains diamond dependent even though the Government has, for more than two decades, endeavoured to diversify the economy away from diamonds. The recent Global Financial Crisis (GFC) crystallized beyond doubt the limitations of this diamond dependence, as the economy was catapulted into its worst public debt to date. It was no surprise that in his maiden 2010 budget speech, the Minister of Finance and Development Planning had for his theme "Transforming our economy after the crisis: 2010 and beyond", thereby making a repeated call for economic diversification. This paper seeks to investigate the economic structure and the extent to which the diversification drive has succeeded. It culminates in analysing the extent to which the current economic structure could be a possible explanation for the enduring poverty in the country. To this end, an analysis of the average monthly earnings of employees by economic activity and citizenship is undertaken. We further undertake an analysis of the mining sector's share of contribution to both employment and GDP to calibrate the extent of its contribution to these economic aggregates.

The paper confines itself to the formal sector in endeavouring to explain poverty in Botswana, but acknowledges that poverty has been declining gradually over time. It is highly likely that the informal sector, as has been the case in many developing countries, is a significant source of livelihood for many outside the formal sector in Botswana. Whereas the informal sector was estimated at a little less than two percent of national output in 1999/2000 (Central Statistics Office, 2003), Malema (2009) estimated the sector to be around 5 percent of GDP between 2000 and 2006. This clearly shows that the sector is growing and is thus likely to be instrumental in reducing poverty levels in the country. However, the paper interrogates only the formal economic sector to explain poverty in the country and the omission of the informal sector, though deliberate, may be the key to explaining the declining poverty levels. However, that is the subject of a different study.

Methods and materials

This article uses data from Bank of Botswana annual reports. The data is presented in graphs and figures to capture the trends over time on variables which are central to the analysis. The graphs and figures form the basis of our methods of data analysis and presentation.

The structure of Botswana's economy

Botswana's economic structure has transformed from one that was heavily dependent upon agriculture to one in which the mining sector is the mainstay of the economy. Botswana is currently mining diamonds, gold, coal, copper, nickel and soda ash and this renders it a mineral resource rich country. Whereas the agriculture sector contributed around 40 percent to GDP at independence, the rate is currently around three percent of GDP (Kapunda 2003:53 and African Development Bank 2009:2), thus rendering agriculture the smallest sector in terms of contribution to GDP. The diamond sector has been pivotal in this transformation. Mining has, since the discovery of diamonds, contributed on average 40 percent to total GDP. The mining of diamonds is under the auspices of Debswana, a joint venture between DeBeers and the Botswana Government. It is an equal venture in which the two institutions are equal partners at 50 percent shares each. Within DeBeers itself, the Botswana Government has a 15 percent stake. It is not surprising that the Government is the second largest player within the Botswana economy after mining in terms of its contribution to GDP. The Government sector contributes on average in excess of 15 percent of GDP. This can be attributed to the mining revenues which have enabled the Government to embark on a number of initiatives, particularly infrastructural development, investment in human capital and the provision of services such as communication, water and health, among others. As a result, the literacy rate in Botswana was in excess of 80 percent according to the second national literacy survey which was jointly conducted by the Department of Non-Formal Education and the Central Statistics Office in 2003 (Botswana Press Agency 2007). The telecommunications system is one of the best in the sub-region, while health facilities are within a reasonable distance for 85 percent of the population. The development of other sectors from mineral revenues through the "trickle down" approach as a developmental strategy of Government is noted by Buthali (1997: 3 and 8) as dating as far back as the dawn of independence.

Both the mining and Government sectors account for more than 55 percent of GDP. The link between the two sectors has been elucidated above, where we have tried to demonstrate the dependence of Government on mining as a source of revenue. The private sector is also largely dependent on the Government sector for its survival. The dependence of the private sector on Government means that it is dependent, by extension, on the mining sector. This points to the centrality of mining to the economy and serves to illustrate that the 40 percent share of mining to GDP undermines the role of mining within the economy. This is largely because the private sector and the Government are largely dependent upon the mining sector and this dependence is not explicitly captured in GDP calculations. If it were captured, the share of mining would have been above 40 percent. The dominance of mining in the economy is a major cause for concern, which the Government has, in the past thirty years or so, tried to address, but with little success. The attempts by the Government to diversify the economy away from minerals, to other economic sectors such as manufacturing and tourism, have borne minimal success. The concept of diversification is widely used in Botswana, and the recent Global Financial Crisis (GFC) has added an element of urgency to the need for the Government to diversify, following the economy's vulnerability to external shocks. It is highly likely that the Botswana economy could be in a deep recession in the face of a booming global economy, particularly if the demand for diamonds was to decline.

However, in spite of the great consensus among many who argue for the diversification of the economy, the meaning of diversification seems to be assumed rather than defined. It is not clear what diversification really means save to say it emphasises the need to reduce the economy's reliance on mining. Whether this entails the mining of minerals only or is inclusive of processing is unclear. Kapunda (2003: 51) defines it in terms of investment distribution. He refers to it as the distribution of investment across different economic sectors to improve the economic spread and minimize overdependence on one or a few sectors. He considers it as the distribution of investment to non-mining sectors in order to minimize risk and uncertainty. In this article we wish to modify this definition. One or two factors inspire this modification. Firstly, while investment is a precursor to economic growth, it does not always follow that it will lead to such growth. In other words, investment is necessary but not sufficient for economic growth (Todaro and Smith 2009:115). Investment is therefore a means and not an end in itself and is inappropriate as a diversification measure. Secondly, rates of investment returns differ for different investment initiatives. A larger amount of investment injected into sector X may not translate into greater income than a relatively smaller amount invested into sector Y. This means that the smaller investment into sector Y has higher returns than the bigger investment into sector X. It is on this basis that we redefine diversification as an increase in the shares of other economic sectors to total GDP relative to the dominant sector. In the case of Botswana, it refers to the increased shares of the non-mining sectors to GDP relative to the mining sector. We need to be cautious in this case. A shrink in the dominant sector, *ceteris paribus* (holding all other things), will enhance the non-dominant sectors' contribution to GDP and this will not be in the best interest of economic diversification and any such interpretation deserves caution. A contraction of the dominant sector will be a cost to the economy, both in terms of employment and output and that is not desirable.

Table 1 below shows the distribution of GDP by the mining and non-mining sectors. It is clear that the mining sector has been the dominant sector in the economy. The non-mining sector is inclusive of all other sectors within the economy except for mining.

Table 1: Shares of mining and non-mining sectors to GDP

Year	GDP (millions)	Mining (millions)	Non - mining (millions)	Mining (%)	Non - mining (%)
1992	10634.1	3935.2	6698.9	37.0	63.0
1993	10612	3766.9	6845.1	35.5	64.5
1994	11041.3	3956.1	7085.2	35.8	64.2
1995	11397.6	3899.5	7498.1	34.2	65.8
1996	12029.5	4076.3	7953.2	33.9	66.1
1997	12703.7	8393	8393	66.1	66.1
1998	13728.6	4721.8	9006.8	34.4	65.6
1999	14295.6	4588.4	9707.2	32.1	67.9
2000	15451.1	5142.4	10308.7	33.3	66.7
2001	16865.8	6149	10716.8	36.5	63.5
2002	19624.7	8250.4	11374.3	42.0	58.0
2003	20856.2	8800	12056.2	42.2	57.8
2004	22102.2	8962	13140.2	40.5	59.5
2005	22462.9	9 134.2	13328.7	40.7	59.3
2006	23613.2	9854.8	13758.4	41.7	58.3
2007	24748.2	9661.7	15086.5	39.0	61.0
2008	25520.8	9308.7	16212.1	36.5	63.5
2009	23989.8	6787.4	17202.4	28.3	71.7

Source: Bank of Botswana Annual Reports

Table 1 shows that the share contribution of mining to GDP has been between 35 and 41 percentage points most of the time. The lowest share of the sector to GDP was in 2009 at 28.3 percent. In the same year the share of non-mining shot to an all-time high of 71.7 percent, courtesy of the GFC. The growth of mining was -27.1 percent. This means that the sector contracted very significantly, thereby giving the non-mining sector's share to GDP a boost from 63.5 percent in 2008 to 71.7 percent in 2009. It is worth noting that the GFC has had a negative impact on the economy through the mining sector. Mining experienced negative growth rates for the years 2007 to 2009, the periods that coincided with the GFC and exposed the vulnerability of Botswana's economy to external shocks. Over these periods, the non-mining sector grew in spite of the recession. The overall economic growth was positive save for 2009 in which it registered a -6.1 percent growth rate, a clear product of the impact of the declining mineral sector. The mining sector has been a major export earner for Botswana, accounting for over 70 percent of total exports between 1980 and 2004 (Iyanda et al 2005:4). The contraction of the dominant sector reduces foreign exchange earnings, Gross Domestic Product and unemployment creation.

Formal employment

The conventional economic production function has often assumed that the amount of output is dependent upon the two inputs: capital and labour. This could be mathematically, expressed as

$$Y = f(K, L)$$

Where Y is the total output, inclusive of goods and services, K is the capital stock which subsumes all other inputs, save for labour, f is an operative function and L is labour, which is assumed to be homogeneous. Labour does not distinguish between human capital and any other form of labour, be it unskilled or skilled. Labour contributes significantly to wealth generation through the production of goods and services. It follows therefore that employment creation is at the centre of income distribution, particularly to non-owners of capital, among whom are the poor majority. It is on this recognition that Table 2 below shows the total formal employment and its share in the mining and non-mining sectors. It is evident that the contribution of mining to formal employment is significantly low, particularly when compared to its contribution to Gross Domestic Product. The share of mining to total formal employment ranged from 2.6 percent to 3.4 percent during the period 1994 to 2009. The bulk of employment is within the non-mining sector. The decline in the share of mining to total formal employment in 2009, as shown in table 2 below, is a product of two important factors. It is due to a decline in the number of people employed in the mining sector from 11623 to 10592, which represents a 9.26 percent decrease as given by Table 3. It is also due to an increase in the non-mining employment from 296944 to 374041 employees. The increase in the non-mining employment was 25.96 percent and it was largely due to the *Ipelegeng* public works programme.

Table 2: Shares of mining and non-mining sectors to formal employment

Year	Mining	Non-mining	Total employment
1994	3.4	96.6	231324
1995	3.6	96.4	231387
1996	3.6	96.4	234116
1997	3.5	96.5	237550
1998	3.6	96.4	239501
1999	3.2	96.8	257066
2000	3.1	96.9	264355
2001	2.6	97.4	266679
2002	2.7	97.3	274782
2003	2.8	97.2	281990
2004	3.0	97.0	290715
2005	3.1	96.9	298715
2006	3.6	96.4	294891
2007	3.9	96.1	301978
2008	3.8	96.2	308617
2009	2.8	97.2	384633

Sources: Bank of Botswana Annual Reports

Fluctuations in employment growth rates were observed within the mining sector. The greatest loss in employment was in 2001, when employment declined by almost 17 percent. Despite the decline in employment within mining, employment in the overall economy increased by 0.88 percent, while employment in the non-mining sector increased by 1.45 percent. The reason behind the increase in overall employment within the economy, in the phase of a significant decrease in employment within the mining sector was, perhaps, a result of the insignificant share of mining employment to the total formal employment, which stood at its lowest of 2.6 percent.

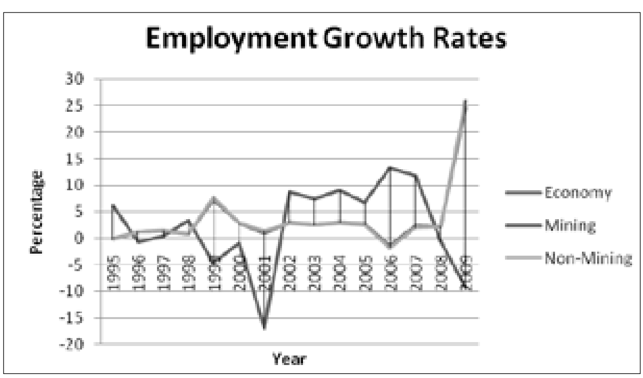
Table 3: Growth gates in employment (%)

Year	Economy	Mining	Non-mining
	%	%	%
1995	0.03	6.20	-0.19
1996	1.18	-0.69	1.25
1997	1.47	0.42	1.51
1998	0.82	3.38	0.73
1999	7.33	-4.52	7.78
2000	2.84	-0.88	2.96
2001	0.88	-16.96	1.45
2002	3.04	8.78	2.89
2003	2.62	7.44	2.49
2004	3.09	9.04	2.92
2005	2.75	6.78	2.63
2006	-1.28	13.29	-1.75
2007	2.40	11.75	2.06
2008	2.20	-0.54	2.31
2009	24.63	-9.26	25.96

Source: Bank of Botswana Annual Reports

The rates of employment growth in the non-mining sector and the economy follow a similar pattern as shown in Figure 1 below. This is justifiable bearing in mind that the non-mining sector contributes in excess of 96 percent to total formal employment. There seems to be no clear correlation between growth rates in the mining sector on the one hand and the non-mining sector and the economy on the other. In some cases, they move in opposite directions.

Figure 1: Growth rates in employment (%)



The growth rate in the labour force was three percent for the period 1991 to 2003 and the growth in formal employment was one percent (Iyanda et al 2005:4). This indicates a deficiency in the economy's absorption capacity of additional job seekers, a factor which aggravates the unemployment problem. It is not surprising that we have observed an increasing trend in unemployment from 14 percent in 1991 to 22 percent in 1994 to 1996. However, unemployment fell to 21 percent, and further to 16 percent in 1998 and 2000 respectively before picking up to 24 percent in 2002/03.

Poverty in Botswana

The measurement of poverty in Botswana calls for the identification of a market basket of goods and services for individuals and households. Such a basket comprises food, clothing, personal items, shelter, household goods, among other items (Buthali 1997:4). The monetary value of such a basket determines the poverty datum line.

Poverty levels in Botswana are quite high, even though there has been a tendency for the incidence of poverty to decline. In the period 1985/86 to 1993/94 poverty as a percentage of the population living under poverty datum line fell from 59 percent to 47 percent (Iyanda et al 2005:10). We note a further decline in the percentage of the population living under the poverty datum line to a further 30 percent as per the 2002/03 HIES data and 33.3 percent as per the 2003 United Nations Human Development report. The figure is said to have declined further to 20.7 percent as per Botswana Core Welfare Indicators (Poverty) Survey of 2009/10 (Matambo 2012). Despite the declining poverty levels over time, we are of the view that poverty levels are still unacceptably high, calling for concerted efforts by policy makers and other stakeholders to act, if the vision 2016 objective of zero poverty is to be realized. Kapunda (2003: 55), who laments that despite the high rate of economic growth and per capita income, the vision of poverty free Botswana by 2016, is nothing more than a theoretical nicety.

Poverty is also more profound among female-headed households than male-headed households. It is also more prevalent in rural areas than urban villages and it is least prevalent in towns (Kapunda 2003:54 and Iyanda et al 2005:10).

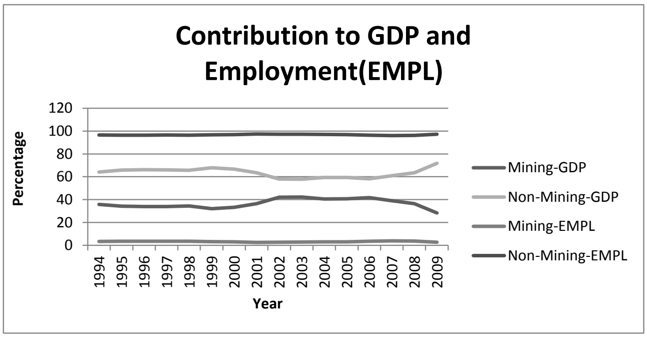
Explaining poverty

While we are fully aware that there are many ways of distributing the benefits of economic growth, it is beyond doubt that employment is the most effective way of distributing the national cake and fighting poverty. It is due to this recognition that this paper focuses on formal employment as a possible explanatory variable in analysing the possible sources of poverty. To this end, the paper investigates the contribution of the mining and non-mining sectors to total employment in Botswana's economy. This is done through a comparison of the two sectors to employment. The comparison interrogates the income distributional effects of the two sectors' contribution to employment *vis-a-vis* their contribution to GDP. We further attempt to analyze the likely impact of monthly earnings of different workers according to economic activity and citizenship.

Sectoral contribution to GDP and employment

The figure below shows disparities between the contribution of mining to GDP and to employment. Whereas the sector's contribution to GDP has been around 40 percent, its contribution to employment has been around three and half percent. Given that employees are remunerated on the basis of their productivity, it means that three and half percent of formal employees will be paid on the basis of the 40 percent of GDP which they have produced. The remaining 96.5 percent of the total formal employees have to get their share of remuneration from the remaining 60 percent of GDP. The reason behind the low levels of employment in the mining sector, despite its substantial contribution to GDP and the subsequent high remuneration levels, can be explained by the high capital intensive nature of the sector. This is consistent with economic theories which posit that the abundance of capital is considered pivotal to the enhancement of labour productivity and the subsequent higher wages (McConnell and Brue 2008; Todaro and Smith, 2009). This has serious implications for income distribution, a factor which may impact on poverty levels.

Figure 2: Sectoral contribution to GDP and employment



Average monthly earnings according to citizenship

There are evident inequalities in earnings according to citizenship and economic activity from as way back as 1990. There have been disparities between citizens and non-citizens in terms of monthly earnings. In 1990, non-citizens earned more than five times what the citizens earned at P2548-00 and P448-00 respectively. In fact, non-citizens have been earning more than citizens in all industries.

As indicated in Table 4 below, non-citizens have, in all the years surveyed, earned far more than what the citizens earned in the public, private and parastatal sectors. For the 15 year period of this study, non-citizens have on average earned at-least three times more than what citizens earned. Given that citizens are the majority in the country, these wage differentials are most likely to have adverse effect on the citizens and worsen poverty. If the majority earned relatively more than the minority, the standard of living within the country would be relatively higher than the current scenario.

Table 4: Employee average monthly cash earnings by sector and citizenship in Pula

Year	Citizens				Non-citizens				Total
	Loc. Gov.	Cent. Gov.	Private/ Parastatals	Total	Loc. Gov.	Cent. Gov.	Private/ Parastatals	Total	All Sectors
1995	877	1 067	678	878	2 657	2 646	3 311	3 180	1 004
1996	947	1 134	815	923	2 915	2 808	3 531	3 405	1 076
1997	964	1 170	871	969	3 207	3 303	3 779	3 680	1 121
1998	1 190	1 566	1 067	1 251	3 927	3 623	4 906	4 627	1 430
1999	1 496	1 733	1 243	1 428	5 091	5 292	5 257	5 260	1 680

2000	1 732	2 001	1 605	1 546	4 968	5 391	5 424	5 410	1 742
2001	1 948	2 232	1 414	1 723	6 018	6 073	5 865	5 907	1 945
2002	1 866	2 804	1 560	1 973	7 538	6 342	6 655	6 601	2 217
2003	2 502	2 781	1 719	2 119	6 888	6 755	7 518	7 387	2 396
2004	2 362	3 335	1 771	2 759	7 532	7 838	6 764	6 909	2 584
2005	2 545	3 489	2 141	2 600	6 564	7 888	7 100	7 163	2 885
2006	2 656	3 686	2 588	2 923	9 861	8 385	7 421	7 558	3 206
2007	3 294	3 928	2 942	3 275	8 364	5 479	8 894	8 584	3 417
2008	3 183	4 322	3 158	3 558	11 158	9 506	8 882	8 993	3 841
2009	3 700	5 230	3 287	3 939	14 633	10806	9 344	9 584	3 990

Source: Bank of Botswana Annual Reports

Figure 3: Earnings by citizenship and sector

Fighting poverty

The Government introduced *Ipelegeng*, a labour-intensive public works programme, which is a social safety net mechanism for the poor (see also Bakwena, this volume). The programme was conceptualised as a poverty eradication strategy spearheaded by the state President. Whereas the programme was initially allocated a vote of BWP60 562 500 .00, the figure was later revised to BWP320 562 500. 00 (US$ 1 roughly equals 7 Botswana Pula), perhaps due to the presidential directive that able-bodied destitute people should be removed from the destitute programme and be enrolled in the *Ipelegen*g programme (Lute, 2009: 1). The *Ipelegeng* programme is reported to have substantially increased national employment by 68 842 persons from 315 791 to 384 633 from September 2008 to March 2009. During this period, the local

Government sector within which *Ipelegeng* falls, experienced a 233.5 percent (66 488 persons) increase in employment, largely due to the programme. The programme employed 38 000 persons per month since its inception in July 2008 and by October 2009 it had cumulatively employed 397 494 persons. The programme's target is to employ 40 000 persons at any one time (Benza, 2010). The central Government only realised 2.2 percent (2,046 persons) growth in employment, while the private sector employment remained constant.

In an attempt to diversify the economy away from minerals, the Government also introduced the Integrated Support for Arable Agricultural production (ISPAAD). The programme's aim was to boost production in the agriculture sector. It is a programme which assists farmers by providing them with free and subsidised seeds and fertilizers, free ploughing and planting implements, fencing materials, portable water for domestic use, and loans at reasonable interest rates (Botswana Gazette Online, 2008). In the year 2009, the agriculture sector experienced remarkable growth. Notwithstanding, crop production shrank by 14 percent despite the Government's heavy investment in this sector through ISPAAD (Jefferis, 2009). It is doubtful whether the programmes mentioned above, which are meant to fight poverty, are effective in view of their short comings. In the next section we discuss the shortcomings of the mineral dependent economy of Botswana and the limitations of these two programmes' ability to reduce poverty.

Discussions

Botswana has made very little progress in its endeavour to diversify the economy. The share of mining to GDP has remained significantly high at around 40 percent on average, post diamond discoveries. This could be due to different factors. The Government's commitment to promote Botswana as an attractive investment destination of choice seems not to have achieved the desired results as mining has continued to receive the greatest share of foreign direct investment into the country, courtesy of South African based mining giant DeBeers (Malema 2008:51). The failure of the economy to attract foreign direct investment into the non-mining sector calls for alternative strategies to realize the diversification dream.

Because mining is the main contributor to GDP and the least in terms of the employment of citizens, it is these ironies that can partly explain the skewed income distribution. This problem is likely to persist if diversification away from minerals is not realised. The capital-intensive nature of the mining sector further compounds the problem: relatively fewer employees are required for the efficient and effective production of minerals. This problem becomes clear when we discuss the remuneration rates of employees.

The observation made above that non-citizens earned more in all the classifications of employment in this survey is indicative of the skewed nature of income distribution which favours foreign citizens. The high remunerations for non-citizens may be a result of the matching of their income with their perceived expertise. It is commendable to note however, that over time the disparities have tended to decrease. The fact that the disparities are narrowing may be indicative of a developing pool of educated citizens who are now able to occupy lucrative positions which, before, might have been reserved for the apparently more skilled non-citizens. However, the disparities are likely to remain, especially if there are limited employment opportunities for low skilled non-citizen workers. The Government's conscious decision to give priority to citizens when jobs become available, with non-citizens considered only when suitable and qualified citizens are unavailable is most likely to perpetuate the disparity as the non-citizens will be skilled and highly paid. It is therefore likely that low paying unskilled jobs will always be availed to citizen job seekers. Reserving these low paying jobs for citizens will have the (unintended) effect of lowering the average earnings of citizens and thereby perpetuating income disparities between citizens and non-citizens.

There are disparities in monthly payments between the mining and non-mining sectors and citizens and non-citizens as indicated in Figure 3 above. The tendency of remuneration in mining to be skewed in favour of non-citizens compromises the equitable distribution of the national cake. The high average monthly earnings of miners are justified by their contribution to GDP. Given that the sector's contribution to employment was between 2.8 percent and 3.9 percent, it was always going to be the case that the sector wouldl be one of the highest paying. Because of mining's significant contribution to aggregate output and less to employment, it is within conventional economic thinking that miners are the most productive employees within our economy and deserve higher salaries.

The recent attempts by the Government to fight poverty through *Ipelegeng* and ISPAAD have serious shortcomings (see a similar discussion in Bakwena, this volume). The *Ipelegeng* public works programme is worse than the destitute programme because the payments from the *Ipelegeng* programme are not sufficient to meet the equivalent of the package provided under the destitute programme. This is more so for those who have been withdrawn from the destitute programme into *Ipelegeng*. Whereas they used to have a basket of goods and services they received from the Government, they are now worse off, as the remuneration from *Ipelegeng* cannot sustain them. The *Ipelegeng* programme subjects them to lower standards of living than they were under the destitute programme. In *Ipelegeng* they are paid P400-00 (US$59-00) a month for the three months they are enrolled. For subsequent months they receive nothing since they have to be laid off to pave way for others because of the rotational system of employment under this programme. With the destitute programme, those enrolled in the programme, and their dependants aged 18 or below, or are still in school, are entitled to a food basket a month. The children are also provided with school uniform, toiletry, clothes and other necessities. They are also given a cash allowance every month (Ministry of Local Government (MLG) 2012).

The other shortcoming of the *Ipelegeng* programme is its disassociation from the current economic realities. The national economy of Botswana is experiencing one of the highest levels of national debt ever. There has also been talk about scaling down the public sector by the Bretton Woods institutions, namely the International Monetary Fund (IMF) and World Bank, to deal with this problem. This calls for austere measures such as fiscal discipline and the need to get maximum returns on Government expenditure. That *Ipelegeng* does not conform to these economic basics is not in doubt. It would be prudent for the Government to redirect expenditures used in this programme into areas which will create sustainable employment opportunities and enhance the productive capacity of the economy. The allocation of Government funds to areas of possible greater returns is contained in what has come to be known as the Washington Consensus within economic circles (Williamson 2000:252). In an attempt to develop the agriculture sector, the Government has embarked on the ISPAAD programme. While the intentions of this programme are clear and necessary for employment creation, poverty reduction, economic diversification and growth, the means towards achieving these goals fail to identify the problems besetting agriculture. While the increase in the number of hectares cultivated over the last two years has been observed, the same is not true for the arable yield. That arable production has gone down at the time when the overall agricultural product increased bears testimony to the fact that all is not well in the sector. It is our contention that the ISPAAD programme is largely constrained by inadequate rainfall, as has always been the case with arable agriculture. The failure of the programme to address this shortcoming has been and will continue to be its constraining factor. It is important for the Government to address the problem of low rainfall by promoting irrigation through the use of underground water and the construction of dams.

Conclusion

In times of economic hardships like these, there is need for prudent spending to optimise the use of the available resources. If the Government is spending a certain amount, it is economically rational to get reasonable returns from such an undertaking. This, in our view, calls for the Government to invest in productive ventures which entail the ownership of the means of production. The attempt by the Government to market Botswana as a destination of choice, considering its powerful mining sector, has been a failure. In light of this failure, common sense dictates that other means of economic diversification other than foreign direct investment be sought. Failure to recognize this reality and hope for a miraculous FDI inflow will be a grievous economic blunder. The Government as a major player in the economy should consider utilizing the foreign reserves to diversify the economy by investing directly in the economy through the identification of profitable investment opportunities, which the private sector has been slow or unwilling to capitalise on and thereby create employment and fight poverty. Diversification will minimize the country's vulnerability to external shocks resulting from the over dependence on the mining sector. The recent financial crisis has exposed this vulnerability, which is a direct consequence of over-depenpendence on minerals.

It is also clear that just as with diversification, the Government initiative to make the private sector an engine of economic growth as espoused in the 1994 budget has proven elusive. The private sector remains largely dependent on the Government for the provision of jobs and tenders which are critical for its survival. The Government has devised different programmes over the years including the Financial Assistance Policy (FAP), Citizen Entrepreneurial Development Agency (CEDA) and others in this endeavour, with minimal success.

Poverty and unemployment are some of the socio-economic ills facing the nation and the need to address them is urgent. To depend on the goodwill of potential investors, who seem not to identify Botswana as an attractive investment destination amounts to gambling with the welfare of citizens, particularly the poor and the unemployed. To the economic enthusiasts and private sector fanatics who will see the Government's direct investment into the economy as being of a "crowding out" nature, we contend that you cannot 'crowd out' what has never been 'crowded in'. The need to diversify the economy and address poverty and unemployment is more paramount than our economic ideals and schools of thought, which either promote or discourage the Government's direct involvement in productive investment.

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