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**Title: How do some countries avoid the natural resources curse? Lessons from Botswana and the Royal Bafokeng Nation**



The natural resources curse has been used to explain why resource-rich countries often have economic growth rates lower than the resource-poor countries. This phenomenon is often linked to the Dutch Disease which refers to the economic stagnation that happened in the Netherlands after the discovery of large natural gas reserves in the 1960s.

The resource curse occurs when revenues from natural resources are used unsustainably. Instead the income from such resources ought to be invested in other activities that generate extra wealth. Countries with high revenues derived from extractive activities tend to allocate insufficient funds to the development of the human capital required for long-term development. In addition, the high levels of revenues from the resources shifts labour from other sectors to the resources sector.

The failure of resources-rich countries to grow sustainably is associated with weak democratic government, corruption and civil wars. Unlike other sources of wealth, natural resources do not need to be made but simply extracted. Extraction of these resources does not in itself result in wealth creation but mere transformation of capital. Thus a government that spends all the revenue from these resources is effectively spending capital rather than wealth. Yet natural resources ought to be a blessing, if managed properly and this would discourage rent seeking and internal conflicts arising from the redistribution of the revenues. Thus resource abundance does not always result in it being a curse. Notable examples of countries that have been exceptions to this curse are Norway and Botswana.

In this paper I explore what lessons can be learnt from Botswana and the Royal Bafokeng Nation in the North West Province of South Africa. It is about the choices that countries make and the proper management of the revenues from the natural resources.