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COUNTRY PROFILE

2017



BOTSWANA





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Abbreviations and acronyms

AfDB	African Development Bank
ASEAN	Association of South East Asian Nations
ECA	Economic Commission for Africa
FDI	foreign direct investment
GDP	gross domestic product
ILO	International Labour Organization
SADC	Southern African Development Community
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund

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Botswana at a glance

General information		Index	Rank	Out of a total of	Year	Source
Subregion	Southern Africa	Human development index	108	188	2015	UNDP
Official language	Setswana, English	Gender inequality index	95	155		UNDP
Currency	Pula	Ibrahim index of African governance	2	54	2015	Mo Ibrahim Foundation
Capital	Gaborone	Ease of doing business index	81	190	2016	World Bank
Membership of regional economic communities and intergovernmental organizations	SADC, Southern African Customs Union	Corruption perceptions index	35	176	2016	Transparency International



Economic growth

The gross domestic product (GDP) of Botswana grew by 4.3 per cent in 2016 after contracting by 1.7 per cent in the previous year. Rising commodity prices and the growing services sector accounted for the upturn in the economy, especially in the last quarter of 2016. The GDP growth rate was expected to have declined marginally in 2017 to 4.2 per cent on account of a global slowdown, and then expand by 4.4 per cent by the end of 2018, on the back of expected investment in the water, energy and construction sectors and rising commodity prices.



Fiscal policy

The maintenance of a prescribed limit for public debt and debt guarantees of 40 per cent of GDP has enabled Botswana to avoid excessive national debt. Total public and public guaranteed debt increased from 29.72 billion Botswana pula (P) in 2012/13 to an estimated P 33.77 billion in 2015/16. Total external debt increased by 9.7 per cent from P 15.56 billion in 2012/13 to an estimated P 17.06 billion in 2015/16. The share of mineral sector revenue to total revenue is projected to have increased to 37.3 per cent in 2016/17, as compared with 30.4 per cent in 2015/16, aided by the expected stronger performance of the sector. The country's foreign exchange reserves, which totalled P 76.8 billion at the end of December 2016, represented 17 months of import cover, as compared with 19 months of import cover recorded in 2015.



Inflation and monetary policy

The domestic annual inflation rate in Botswana in 2016 remained within the target range of 3 to 6 per cent. This can be attributed to the low domestic demand resulting from the low growth in personal income and stable international oil prices. However, inflation declined marginally from the 3.1 per cent rate recorded in December 2015 to 3.0 per cent in December 2016. The bank rate has been held steady at 5 per cent since August 2016, as part of the country's accommodative monetary policy, which together with its expansionary fiscal policy, are required to stimulate domestic demand following the economic contraction experienced in 2015.



Current account

The country has continued to enjoy current account surpluses since recording a deficit of P 1.3 billion in 2012. The highest surplus recorded over the period 2011 to 2015 was P 22.2 billion, in 2014, bolstered by foreign trade (exports) and the transfer of earnings into the country. Lower export earnings in 2015 resulted in a contraction of the surplus to P 12.1 billion. The current account surplus in 2016 was expected to have increased, aided by the recovery of diamond prices and better economic conditions globally. Overall, the current account surpluses have been sustained by a higher growth in diamond exports values compared with imports, inflows of Southern African Customs Union revenue and the rise in the export of travel services boosted by an increase in tourism.



Capital and financial accounts

Inflows of foreign direct investment (FDI) to Botswana increased by 31.9 per cent to \$679 million in 2015 from the previous year and then declined by \$10 million in 2016, in line with the weaker world economy and uncertainty in commodity markets. FDI outflows have remained relatively modest, although over the period 2013-2016, they almost doubled from \$85 million to \$169 million. In 2015 and 2016, FDI outflows were adversely affected by developments in the copper and nickel sector. Generally, the trend for FDI in Botswana has been related to developments in the minerals sector and, more recently, in the energy sector. Overall, Botswana remains an attractive destination for foreign investors because of many factors including, among them, the abundance of investment opportunities in a stable macroeconomic and political environment.



Demographics

The country's population annual growth rate averaged 1.5 per cent in 2015 and 2016, compared with 0.7 per cent for the six years prior to 2014. The population increased from 1.68 million in 2001 to 2.267 million by the end of 2017. This can be attributed to several factors, including among them, increased education of females resulting in greater participation of women in the workforce at the professional level, and the successful implementation of a national family planning programme. Females account for 50.9 per cent of the population.



Poverty

Even though poverty and inequality has decreased in Botswana, it is still high; the national headcount poverty was estimated at 16.3 per cent in 2015/16, as compared with 19.3 per cent in 2009/10, with higher poverty levels recorded in rural areas despite the implementation of targeted State-supported initiatives to deal with this issue. The proportion of the population living in extreme poverty (below \$1.90 a day) also decreased, from 6.4 per cent to 5.8 per cent over the period 2009/10-2015/16. The Gini coefficient was 0.645 in 2017, however, the number of poor persons in Botswana decreased from 362,116 to 337,410 over the period 2009/10-2015/16.



Employment

The unemployment rate for persons aged 15 years and older stood at 17.7 per cent in 2015/16. For females the rate was higher at 19.1 per cent versus 16.3 per cent for males. The youth unemployment rate was estimated to have been 25.2 per cent, 26.9 per cent for female youth and 23.6 per cent for male youth.



Health

The infant mortality ratio in Botswana averaged 17 per thousand live births between 2011 and 2015; the rate was marginally higher for males. The maternal mortality rate fluctuated significantly over the period 2006–2014, from a high of 196 per 100,000 live births in 2008 to a low of 143 per 100,000 live births in 2014. However, in 2015, the rate was 149 per 100,000 live births. The country's HIV prevalence rate of 22 per cent among 15–49 year olds and the average national prevalence rate of 27.3 per cent in 2015 was among the highest in the world. However, as a result of the antiretroviral programme, Masa, introduced in 2002, HIV prevalence rates have declined steadily from 25.5 per cent in 2005 among 15 to 49 year olds.



Education

The net enrolment rates in 2014 were 87.5 per cent at the primary education level and 72.5 per cent at secondary education level. The rates among males and females were within two percentage points of each other; the rate for males was higher at the primary school level, while at the secondary education level, it was higher for females. The adult literacy rate in Botswana improved from 85.3 per cent in 2010 to 88.6 per cent in 2015, underpinned by government efforts to improve education standards through increased funding on education programmes and training, and the implementation of the education and training policy. Adult literacy remains lower among men. Notably, the improvement in literacy between 2010 and 2015 was higher for women. The greatest improvement in the literacy rate between 2010 and 2014 occurred in the 15 to 65 year-old age group with the rate increasing from 83.2 per cent to 90 per cent.



Gender equality

There appears to be gender parity (same number of males and females) observed for under-5 survival rate, the HIV prevalence rate and the youth literacy rate. Females are at an advantage relative to males in terms of enrolment in secondary and tertiary education and life expectancy at birth. There is significant gender disparity in favour of males with regard to political representation and access to land. According to data from the Inter-Parliamentary Union, in 2017 six women were parliamentary representatives compared to fifty-seven men. Furthermore, during the same year, out of the 18 ministers in the Cabinet, only three of them were women.

Overview

The economy of Botswana is highly dependent on the natural resources sector, mainly minerals. Accordingly, economic diversification is a priority in all national development programmes and initiatives. The eleventh National Development Plan (Botswana, Ministry of Finance and Development Planning, 2017), passed by Parliament in December 2016, is expected to anchor development Planning up to the first quarter of 2023. It elaborates the national endeavour to diversify the economy away from minerals and to tackle other development challenges. Based on the theme “Inclusive growth for realization of employment creation and poverty eradication”, the plan is aimed at tackling the high rates of poverty and unemployment and income inequality, which persist, even though the country recorded average real economic growth of 3.7 per cent over the period 2009-2016 (Statistics Botswana, 2017a). The objectives of the Plan are to be achieved through six priority areas: developing diversified sources of economic growth; human capital development; social development; sustainable use of natural resources; consolidation of good governance; and strengthening of national security supported by the implementation of an effective monitoring and evaluation system (Botswana, Ministry of Finance and Development Planning, 2017). In addition to national development challenges, the Plan is also informed by global, continental and regional initiatives, such as the 2030 Agenda for Sustainable Development, Agenda 2063, and the SADC Revised Regional Indicative Strategic Development Plan (2015-2020) (Botswana, Ministry of Finance and Development Planning, 2017). Botswana hopes to spur economic prosperity by supporting such sectors as tourism, financial services, education and health, while deepening the backward and forward linkages and beneficiation in the agricultural and minerals sectors and encouraging the meaningful participation of nationals in the economy (Botswana, Ministry of Finance and Development Planning, 2017; Statistics Botswana, 2017b).

The economy recovered in 2016 to grow at a rate of 4.3 per cent after contracting by 1.7 per cent in 2015. Stable commodity prices and the expanding trade, hotels and restaurants and banking and financial services sectors were factors behind the turnaround in the economy. Although those sectors are increasingly contributing more to value added in the economy, dependency on the mining sector, mostly diamonds, remains very high in Botswana (Botswana, Ministry of Finance and Development Planning, 2017). For example, the sector accounted for 19.9 per cent of GDP, 55.4 per cent of merchandise exports and 35.8 per cent of government revenue in 2016, as compared with 23.4 per cent of GDP, 50.0 per cent of export earnings and 32.4 per cent of Government revenue in 2011 (Botswana Statistics, 2017f). Accordingly, the economy remains extremely vulnerable to international growth patterns, which directly

affect diamond prices and the sale of diamonds and export volumes. On the other hand, the manufacturing sector is small, accounting for only 5.2 per cent of GDP in 2016. Dependency on public sector activities has also raised the vulnerability of the economy. The need for economic diversification is paramount for sustainability beyond the currency of diamonds.

Inflation remained subdued in 2016 and within the target of 3 to 6 per cent. Slow growth in personal income, moderate increases in credit and the resultant subdued demand and low foreign inflation levels (imported inflation) were factors that helped to contain inflation (Botswana Statistics, 2017b; Bank of Botswana, 2016). Headline inflation averaged 3.3 per cent during the first quarter of 2017 and 3.2 per cent during the second quarter after having risen to 3.5 per cent in March alone (Statistics Botswana, 2017b).

Poverty, unemployment, HIV/AIDS and inequality remain major socioeconomic challenges in Botswana. Unemployment among those older than 15 years of age was 17.7 per cent and 17.6 per cent for persons older than 18 years in 2015/16. The youth (15 to 35 years) unemployment rate was 25.2 per cent in fiscal year 2015/16 (26.9 per cent for female youths, 23.6 per cent for male youths) (Statistics Botswana, 2017g). The infant mortality rate in Botswana has declined, but it still is high; the rate fell to 11 per 1,000 live births in 2015 from 19 per 1,000 live births in 2011. Net school enrolment remains low; in 2014, the pre-primary net enrolment rate was 19.5 per cent, the net primary enrolment rate was 87.5 per cent and the net secondary enrolment rate was 72.5 per cent (Statistics Botswana, 2016). The national headcount poverty was estimated at 19.3 per cent in 2009/10, with the rural area recording higher poverty levels despite various targeted initiatives to address this issue. Furthermore, an additional 6.4 per cent of the population lived in extreme or abject poverty (Statistics Botswana, 2010). Accordingly, social safety measures need to be accelerated to close poverty and inequality gaps. Also, Botswana had the second highest AIDS prevalence rate in the world, at 22 per cent among 15 to 49 year olds, in 2015 despite ongoing initiatives, including free anti-retroviral treatment, to combat the problem.

National and subregional context

The economy expanded in 2016 despite unstable economic growth globally, a key factor behind the contraction of the economy by 1.7 per cent in 2015. The growth of GDP, which at current prices amounted to P 169.7 billion in 2016, was supported by a strong economic rebound during the last quarter of the year, in which the economy expanded by 16.3 per cent as compared with the same quarter in the previous year. This translated into a nominal per capita GDP of P 76,446.4, up from P 66,705.9 in 2015 (Statistics Botswana, 2017b). The country's nominal GDP has more than doubled over the last eight years, from P 73.5 billion in 2009, boosted mainly by prosperity in the mineral resources sector and more recently, by the expanding services sector. The positive upturn in the last quarter of 2016 was supported by an accommodative monetary policy in which the bank rate was held steady at 5.5 per cent (Botswana, Ministry of Finance and Development Planning, 2017). Despite the growing services sector (hotels and restaurants, banking and financial services)¹ during the last few years and concerted efforts to diversify the economy, the highly capital-intensive mining sector remains the anchor for economic prosperity in the medium to long-term; it accounted for an average of 19 per cent of GDP and 89 per cent of merchandise exports during the period 2012 to 2016 (Botswana, Ministry of Finance and Development Planning, 2017). On the other hand, the small manufacturing and agriculture sectors, which hold the key to job creation and enhanced domestic linkages remain constrained because of a multitude of structural challenges, including low and unreliable rainfall (for agriculture) and supply problems related to electricity and water (for manufacturing).

Botswana is a member of the Southern African Development Community (SADC)² and the Southern African Customs Union³. The country trades freely with the other member countries of the Union and enjoys the benefits of a common external tariff on all goods imported into the Union. Furthermore, as a member of the Union, Botswana receives customs and excise revenue collected by the Union in line with an agreed revenue-sharing formula.⁴ Trade within the SADC region is according to the SADC protocol on trade and

¹ The country's growing tourism sector has been identified as one of the contributory factors together with activities in the Diamond Hub (Botswana, Ministry of Finance and Development Planning, 2017).

² The other SADC member States are: Angola, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

³ The other members of the Southern African Customs Union are: Lesotho; Namibia; South Africa; and Swaziland.

⁴ Available at www.sacu.int.

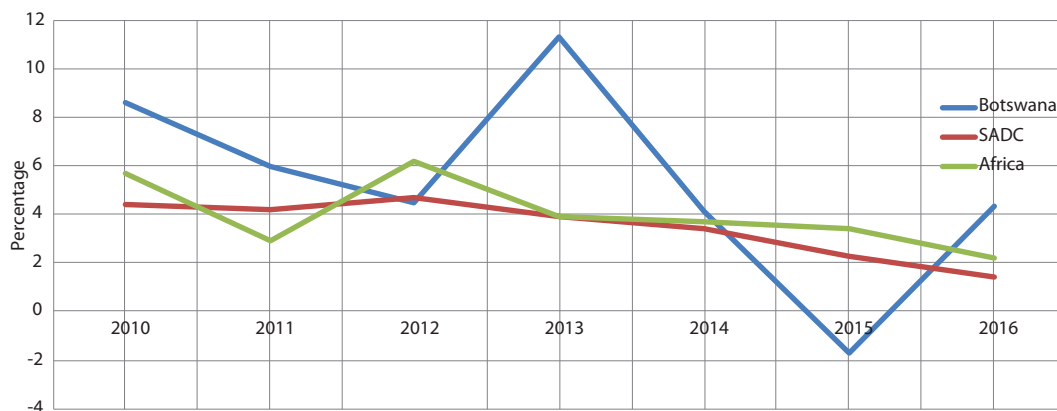
other bilateral or interregional trade arrangements among the member States, including the SADC economic partnership agreement with the European Union (Bank of Botswana, 2016).

The country's annual real GDP growth rate of 4.3 per cent in 2016 against a SADC regional average of 1.4 per cent and a continental average of 2.2 per cent (figure 1) placed it as the second most rapidly growing economy within SADC after the United Republic of Tanzania, which expanded by 7 per cent (table 1).

Botswana accounted for 39 per cent of the SADC region's average nominal GDP in 2016, despite its relatively small size in terms of population. This is an increase of five percentage points from its share in 2015 of 34 per cent and eight percentage points from its 2009 share of 31 per cent (table 1). In addition, the country's GDP per capita of \$7,013 in 2016 was the third highest in SADC after that of Seychelles (\$15,144) and Mauritius (\$9,633), while the regional average was only \$1,834 (SADC, 2016). However, the share of the country's manufacturing sector to GDP remains among the lowest in the region, at 5.7 per cent, compared with the regional average of 11.1 per cent in 2016 (table 1). Botswana has maintained a low debt-to-GDP ratio. In 2016, it recorded the second lowest ratio, 9.5 per cent, among the SADC member States, in which the regional average was 41 per cent. Swaziland was the region's best performer, recording a ratio of 8.7 per cent in 2016. The low debt-to-GDP ratio is contrary to the general trend in the region of a rising share of external debt as a proportion of GDP.

Regional and international trade are particularly important for Botswana. The country accounted for 78 per cent of intra-SADC imports of goods as a percentage of total imports in 2016 against a regional average of 21.2 per cent and its share of intra-SADC exports was 26.5 per cent against a regional average of 24.9 per cent (SADC, 2017).

Figure 1: Real GDP growth, 2010–2016



Sources: SADC (2017); Statistics Botswana (2017b).

Table 1: Botswana in the Southern African Development Community: selected economic indicators, 2009–2016

Selected indicators	2009	2010	2011	2012	2013	2014	2015	2016
Botswana Current GDP at market prices (millions of US\$)	10 267	12 787	15 438	14 420	14 902	16 251	14 448	15 568
SADC average (millions of US\$)	33 095	40 652	46 849	47 443	46 933	47 131	42 009	39 993
Botswana GDP per capita (US\$)	5 263	6 433	7 624	6 971	7 062	7 561	6 610	7 013
SADC average (US\$)	1 820	2 176	2 441	2 411	2 322	2 267	1 976	1 834
Botswana annual real GDP growth rate (%)	-7.7	8.6	6.0	4.5	11.3	4.1	-1.7	4.3
SADC average (%)	0.5	4.4	4.2	4.7	3.9	3.4	2.3	1.4
Botswana imports of goods and services as % of GDP	51.9	51.3	53.6	61.4	61.4	53.9	53.6	42.2
SADC average (%)	37.3	34.1	36.1	36.8	38.4	37.7	35.6	32.2
Botswana external debt as % of GDP	2.8	10.7	12.5	13.4	12.4	10.8	10.9	9.5
SADC average (%)	28.4	27.4	25.6	29.7	30.7	34.1	35.6	41.0

Source: SADC (2017).

Box 1, which contains a summary of the performance of Botswana in the various dimensions of the Africa regional integration index, shows that, overall, the country ranked second to South Africa in the SADC region with a score of 0.56 and was the region's top performer regarding infrastructure, with a score of 0.82. The best performing country in each category received a score of 1. Botswana has performed particularly well in terms of regional infrastructure, financial integration and trade integration and not so well with regard to the free movement of persons parameter. To improve the country's overall policy environment, Botswana should consider waiving visa requirements for nationals of a larger number of African countries and implement measures to boost intra-regional trade.

Box 1: Africa regional integration index

The Africa regional integration index is designed to measure the extent to which each country in Africa is meeting its commitments under the various pan-African integration frameworks, such as Agenda 2063 and the Abuja Treaty. The index, a joint project of the African Development Bank (AfDB), the African Union Commission and ECA, covers the following dimensions: free movement of people; trade integration; productive integration (development of regional value chains); regional infrastructure; and financial integration and macroeconomic policy convergence. The following section provides analyses of the five dimensions and their respective indicators. A technical description of the indicators is available at <https://www.integrate-africa.org/>.

Overall rank

Second in SADC (score 0.56). The best performer in SADC is South Africa (score 0.74).

Free movement of persons	Trade integration	Productive integration	Infrastructure	Financial integration and macroeconomic policy
Eighth in SADC, (score 0.60). Top performers are Seychelles and Swaziland (score 0.70).	Fourth in SADC (score 0.61). Top performer is South Africa (score 1).	Fourteenth in SADC (score 0.18). Top performer in SADC is Zimbabwe (score 0.74).	Top performer in SADC (score 0.82).	Third in SADC (score 0.59). Top performer is South Africa (score 0.92).

Source: <https://www.integrate-africa.org/>.

The country's performance varies markedly across the four dimensions of the Africa regional integration index.

Free movement of persons: Botswana is among the average performers in this dimension. At the time of the calculation of the index, Botswana had not yet ratified the protocol on free movement of people in SADC. The country allows 86 per cent of SADC member States' citizens to enter visa free.

Trade integration: Botswana performs well in this dimension within SADC. This performance is mainly supported by the country's low tariffs on intra-regional imports, less than 1 per cent at the time of the calculation of the index. In terms of regional trade (percentage of total regional trade), Botswana is among the low performers within SADC (8 per cent). Although the competitive intraregional tariffs provide a conducive environment to boost intraregional trade, Botswana has not fully tapped into its potential in this area.

Productive integration: Botswana is among the lowest performers in this parameter. This can be partially attributed to the low complementarity in the trade structure between Botswana and other members States of SADC (the UNCTAD Merchandise Trade Complementarity Index score was 0.12 on a range from 0 to 1, in 2013). Moreover, the country's shares of intraregional intermediate goods imports and exports are low, 11 per cent for exports and 15 per cent for imports.

Infrastructure: Botswana is the top performer in terms of infrastructure development. Although its average infrastructure development, based on the African Development Bank Infrastructure Development Index, was a value of 34 over the period 2010-2013, Botswana has performed relatively well in terms of total intraregional electricity trade (net imports) per capita, average cost of roaming and intraregional air-connectivity during the period of the calculation of the index.

Financial integration and macroeconomic convergence: Botswana is among the top performers in this dimension, mainly because of its low inflation rate, as compared with other SADC members, which averaged 7 per cent during the period 2010-2013. However, it should be noted that the national currency, the pula, is convertible in only one country within SADC, South Africa, and this curtails integration.

Economic performance

3.1 Economic growth

The economy of Botswana rebounded strongly in the fourth quarter of 2016 after contracting in 2015. The weak performance of the minerals sector in which the production of diamonds and copper declined by 15.6 per cent and 35 per cent, respectively, was a key factor behind the economic contraction. Furthermore, lower-than-expected growth of the non-mining sector of 1.7 per cent in 2015, compared with 4.9 per cent growth in 2014, also contributed to the decline in economic growth experienced in 2015 (Botswana, Ministry of Finance and Development Planning, 2017).

The strong recovery of the economy during the fourth quarter of 2016 was buoyed by the performance of the mining sector and the upturn in the construction, water and electricity sectors. Despite the contraction in 2015, the country's real annual GDP growth rate averaged 3.7 per cent during the period 2009–2015, which was higher than the SADC average of 3.1 per cent during the same period (SADC, 2017).

The mining sector expanded by 2.4 per cent in 2016 after declining in 2015 (figure 2). Lower growth in the mining and trade, hotels and restaurants sectors, by 19.6 per cent and 3.9 per cent respectively, dampened overall economic growth in 2015. For the mining sector, the weak recovery of the global markets along with low diamond prices and the associated low exports was a key factor behind the slower growth, which was further compounded by the closure of copper and nickel mines in 2016.

The trade, hotels and restaurants sector was the second largest contributor to GDP in 2016. It expanded by 2 per cent of GDP and accounted for 18.3 per cent of GDP. The services sector (trade, hotels and restaurants, and banking and financial services) continues to increase in overall importance to the economy. It comprised 36 per cent to GDP and accounted for 27.4 per cent of the total formal employment in 2016 (Bank of Botswana, 2016).

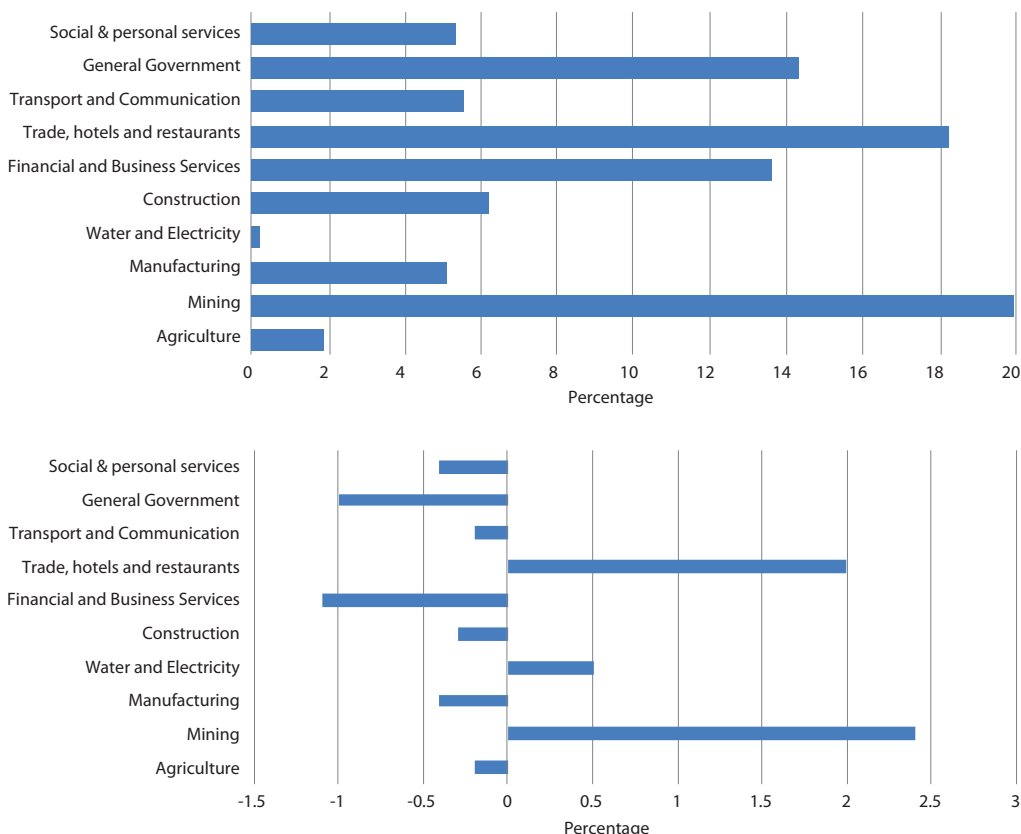
The manufacturing sector remains small in Botswana despite Government efforts to accelerate value addition to minerals and agricultural products. It accounted for 5.2 per cent of GDP in 2016, a decline from the share of 5.8 per cent in 2011. This decline can be

attributed to challenges related to water and electricity supplies. The sector accounted for 9.2 per cent of total employment in 2016 (Bank of Botswana, 2016).

The agriculture sector remains equally small in Botswana, contributing a mere 3 per cent to GDP and generating 15 per cent of total employment in 2016. Those figures have remained low despite the potential of the sector to contribute to efforts to tackle poverty and inequality, especially in rural and peri-urban areas (Bank of Botswana, 2016). Adverse weather conditions (low and unreliable rainfall and droughts) and limited uptake of modern farming technologies are factors behind the sector’s constrained growth and low productivity.

Overall, mining continues to overshadow all other sectors of the economy in terms of contribution to value added. Consequently, the performance of the economy of Botswana remains intricately linked to that of the mining sector and to trends in diamond prices and export volumes. One of the objectives of the country’s eleventh National Development Plan, which runs from 1 April 2017 to 31 March 2023, is to reduce this dependence through economic diversification and broaden the sources of Government revenue. In addition to the promotion

Figure 2: Sector shares and growth, 2016 (percentage)

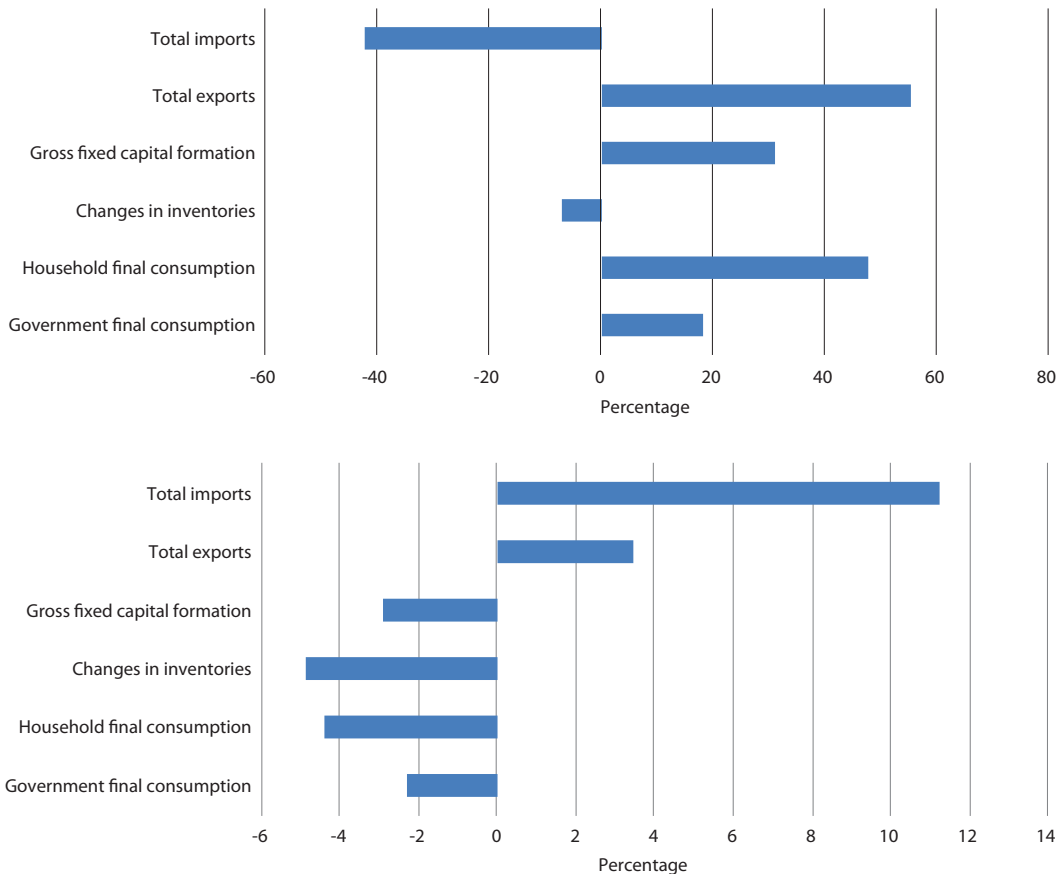


Source: Statistics Botswana (2017b; 2017c).

of other sectors, such as tourism, other development strategies elaborated in the Plan, include: the beneficiation of minerals and agricultural products; development of economic clusters; establishment of special economic zones; promotion of local economic development; and pursuit of export-led development strategies focused on a broader range of finished products.

On the demand side (figure 3), in 2016, exports were 55.6 per cent of total aggregate demand, followed by household final consumption (47.8 per cent) and gross fixed capital formation (31.2 per cent). In terms of growth, the components of aggregate demand declined in 2016 except for total exports, which increased by 3.45 per cent and imports which grew by 11.23 per cent during the same period. Diamonds dominate both exports and imports trade.

Figure 3: Demand shares and growth, 2016 (percentage)*



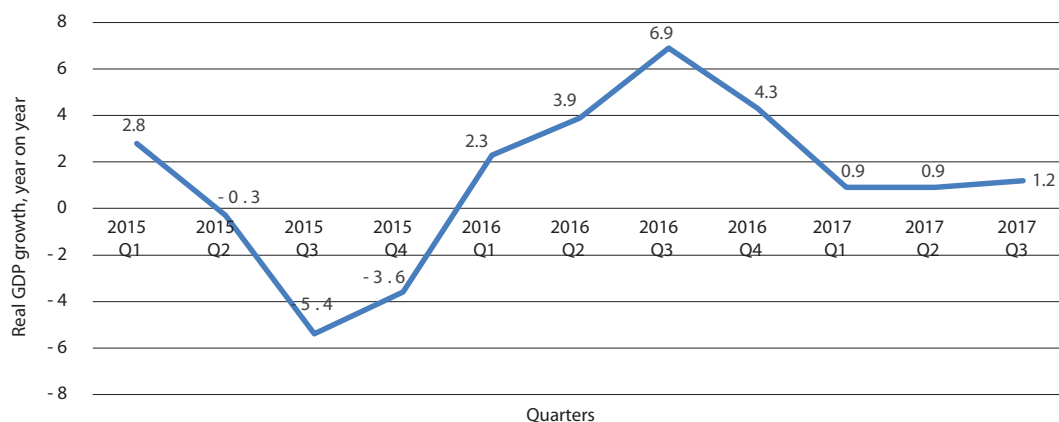
Source: Statistics Botswana (2017b; 2017c).

* Excluding errors and omissions.

After recording year-on-year growth of 3.9 per cent during the second quarter of 2016, the country's economy continued to expand during the first quarter of 2017, increasing by 0.9 per cent (figure 4). Although this rate of growth was much lower than the 2.3 per cent recorded during the first quarter in 2016, it has continued to be positive, buoyed by increases in the value added of the trade, hotels and restaurants and finance and business services, which was driven by output from the aggregation and sales of diamonds (Statistics Botswana, 2017a). Furthermore, all other sectors experienced positive growth during the first quarter, except water and electricity, mining and manufacturing, which decreased by 32.2 per cent, 28.9 per cent and 0.3 per cent, respectively. For the mining sector, the contraction can be attributed to the closure of copper and nickel mines⁵ and the provisional liquidation of Bamangwato Concession Limited (BCL)⁶ during the last quarter of 2016. In addition, low international diamond prices, a direct result of sluggish world economic growth, resulted in lower diamond production during the quarter. However, non-mining GDP grew by 5.6 per cent, buoyed by the overall positive growth of the economy during the first quarter of 2017 (Statistics Botswana, 2017a).

The economy was expected to have further expanded in 2017 despite the slight dip in the first quarter compared to 2016 with the impetus emanating from the reasonably stable global economy, which is expected to grow by 3.4 per cent, and rising growth of the non-mining national sectors, especially trade, hotels and restaurants and transport and communication (Statistics Botswana, 2017b).⁷ Real economic growth was expected to have averaged 4.2 per cent by the end of 2017. In the medium to long-term, the economy is projected to grow by 4.4 per cent over the period 2017/18-2022/23, with the mining sector expected to expand by 4.6 per cent and the non-mining sector by 4.9 per cent. The water and electricity sector is expected

Figure 4: Real GDP growth rates per quarter, 2015–2017



Source: Statistics Botswana (2017d).

⁵ Toteng, Matsitama, Mpwana, Tati and Selebi-Phikwe were closed between 2015 and 2016 because of a slump in copper prices and resulted in the loss of over 6,000 jobs.

⁶ Operated Selebi-Phikwe and Tati mines.

⁷ Budget speech of Ministry of Finance and Development Planning, February 2017.

to be the largest contributor to the projected growth amid investment in infrastructure related to water and electricity, which is being prioritized and scaled up (Botswana, Ministry of Finance and Development Planning, 2017).

3.2 Fiscal policy

The maintenance of a prescribed limit for public debt and debt guarantees of 40 per cent of GDP has enabled Botswana to avoid excessive national debt. The limit is applied equally to external and domestic debt, at 20 per cent for each component. Table 2 shows that the total public and publicly guaranteed debt increased from P 29.72 billion in 2012/13 to an estimated P 33.77 billion in 2015/16. The proportion of total external debt increased by 9.7 per cent from P 15.56 billion in 2012/13 to an estimated P 17.06 billion in 2015/16. However, the proportion of domestic debt to total public and publicly guaranteed debt increased from 22.4 per cent to 23.1 per cent.

The country's foreign exchange reserves amounted to P 76.8 billion at the end of December 2016, a decrease of about 9.5 per cent from P 84.9 billion in 2015. The reserves represented 17 months of import cover,⁸ slightly lower than the 19 months import cover in 2015. However, because of the depreciation of the pula against the United States dollar and the special drawing rights, the reserves decreased by 4.7 per cent and 1.9 per cent, respectively, in 2015 and 2016 (Bank of Botswana, 2016).⁹

Table 2: Public and publicly guaranteed debt, as at June 2017
(in millions of Botswana pula)

Category	2012/13	2013/14	2014/15	2015/16(P)
Total external debt:	15 556.4	15 776.1	17 981.3	17 059.7
Loans from government	1 094.4	912.8	772.7	664.9
Loans from organizations	14 456.8	14 859.0	17 204.6	16 391.5
Suppliers credits and other loans	5.2	4.3	4.0	3.3
Total domestic debt:	6 643.9	7 226.7	7 600.0	7 814.4
Treasury bills	679.0	680.0	538.0	840.0
Bonds	5529.0	6194.0	6791.0	6843.0
Debt participation	435.9	352.7	271.0	131.4
Total government debt	22 200.3	23 002.8	25 581.3	24 874.1
Total public and publicly guaranteed debt	29 721.2	30 184.8	33 533.3	33 770.0

Source: Bank of Botswana (2017a).

⁸ Excludes the imports of rough diamonds as these are mainly for re-export.

⁹ Budget speech of Ministry of Finance and Development Planning, February 2017.

Table 3: Summary of Government accounts, 2011/12–2015/16
(in millions of Botswana pula)

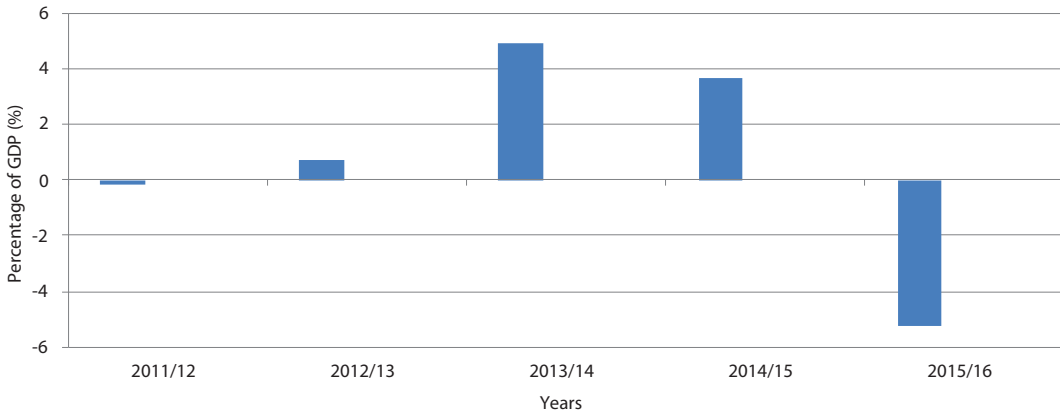
Category	Financial year				
	2011/12	2012/13	2013/14	2014/15	2015/16
Total revenue and grants	38 486	41 657.9	48 951.3	55 904.3	47 420.3
Grants	532.8	506.8	325.7	379.7	145.7
Tax	35 533.1	38 606.3	44 306.3	51 655.1	34 858.6
Non-tax	2 420.1	2 544.8	4 319.3	3 869.5	12 400
Total expenditure and net lending	38 543.1	41 086.6	41 330.9	50 472.9	55 636.1
Total expenditure	38 667.5	40 736.1	41 729.7	50 563.9	54 411.2
Recurrent expenditure	28 836.2	32 106.0	33 219.8	37 582.9	40 413.4
Development expenditure	9 955.7	82 79.6	8 908.7	13 072.0	12 772.9
Net lending	-124.4	350.5	-398.8	-91.0	1224.9
Overall balance	-181.5	921.8	7221.6	5340.4	-6990.9

Source: Botswana, Ministry of Finance and Development Planning (2017).

Table 3 shows that a budget deficit of P 6.99 billion, or 4.7 per cent of GDP, was recorded in 2015/16 compared with a surplus of P 5.34 billion, or 3.7 per cent of GDP, in 2014/15.¹⁰ In 2015/16, total revenue and grants amounted to P 47.42 billion, comprising P 34.86 billion in tax revenue and P 12.40 billion in non-tax revenue. The weak global diamond market, which resulted in a reduction in mineral royalties and dividends, was the main factor behind the 24.3 per cent decline in non-tax revenue, as mineral royalties and dividends were lower in 2015/16 compared to the previous year. Total expenditure and net lending during the same period stood at P 54.41 billion, of which recurrent expenditure of P 40.41 billion and P 12.77 billion was development expenditure, with the balance of P 1.23 billion being an equity injection and net lending to State-owned enterprises. However, the preliminary balance of payments projections for 2016/17 pointed to a surplus of P 5 billion, compared to a deficit of P 57 million in 2015/16. The larger surplus would mainly be the result of the positive current account balance of P 25.7 billion in 2016 compared to P 10.5 billion in 2015, underpinned by a trade surplus, as exports are expected to have grown by 21 per cent while imports are expected to have decreased by 9 per cent because of depressed demand domestically. Despite the deficit (figure 5), the Government is committed to maintaining fiscal sustainability by restoring a positive balance to enhance economic growth, which is necessary to create jobs and reduce poverty and inequality.¹¹

¹⁰ Ibid.

¹¹ Ibid.

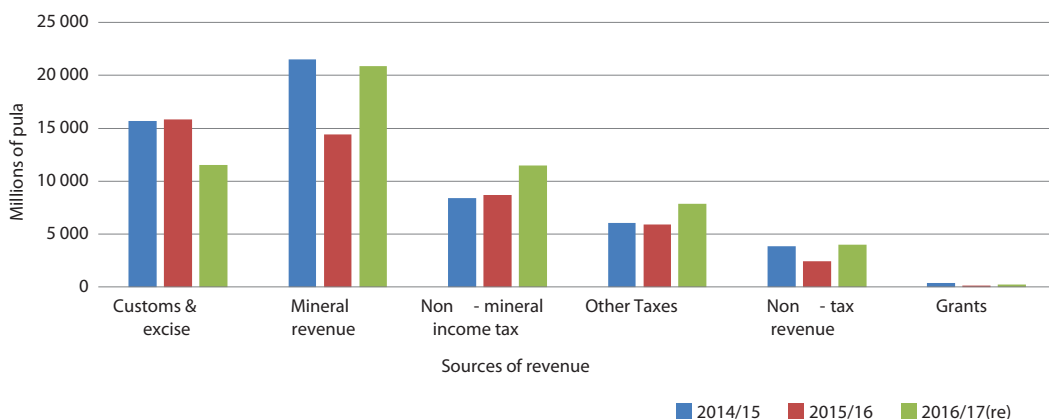
Figure 5: Overall fiscal balance, 2011/12–2015/16 (percentage)

Source: Bank of Botswana (2017b).

In the revised budget for 2016/17, revenue and grants are projected to increase by 15.6 per cent to P 55.93 billion, primarily on the back of an increase of P 3.82 billion in mineral revenue. Non-mineral tax and value-added tax are also projected to increase, by P 1.20 billion and P 1.55 billion, respectively, aided by improved collection. Projected total expenditure in 2016/17 was projected to have increased to P 57.03 billion, supported by funding for the Agriculture Credit Guarantee Scheme and food purchases. The revised budget balance for 2016/17 included a deficit of P 1.11 billion, or 0.7 per cent of GDP. The deficit is expected to widen further in 2017/18 to P 2.35 billion, or by 1.43 per cent of GDP, because of provisions for power and water projects and the implementation of an economic stimulus package that includes education and health-care services.¹² Customs and excise revenue is expected to account for 29.83 per cent of total revenue and grants, followed by revenue from minerals (28.6 per cent), non-mineral income tax (21.59 per cent), value-added tax collections (14.18 per cent) and other revenue and grants (5.8 per cent).

Revenue from the mineral sector and customs and excise duty, the primary sources of revenue for the Government, were expected to have contributed P 32.37 billion to total revenue in 2016/17, up from P 30.26 billion in 2015/16, on the back of higher mineral prices (figure 6). The share of mineral sector revenue is projected to be 37.3 per cent in 2016/17, as compared with 30.4 per cent in 2015/16, aided by the expected stronger performance of the sector (figure 6) (Bank of Botswana, 2016).

¹² Ibid.

Figure 6: Sources of Government revenue, 2014/15–2016/17*

Source: Bank of Botswana (2017b).

* Revised estimates.

The Government of Botswana is implementing measures to improve tax collection and expand the revenue base (Botswana, Ministry of Finance and Development Planning, 2017; Bank of Botswana, 2016).¹³ For example, the planned simplification of the Income Tax Act and the Value Added Tax is expected to make related tax collection more efficient and result in optimal revenue collection. Furthermore, the intended introduction of transfer pricing rules in the Income Tax Act will further curb tax avoidance by business entities and accordingly increase revenue collection by the Government. Overall, the Government is committed to diversifying revenue sources and ensuring that collections are optimal by plugging any leakages (Bank of Botswana, 2016). However, transfers from the Southern African Customs Union, which have averaged about 30 per cent of total revenue¹⁴ during the last five years, are expected to remain low because of slow growth of the South African economy (Botswana, Ministry of Finance and Development Planning, 2017; Bank of Botswana, 2017a). As a result, the lower revenue is expected to keep the fiscal balance in the red in the medium term.

3.3 Inflation and monetary policy

The domestic annual inflation rate in Botswana in 2016 remained within the target range set by the Bank of Botswana of 3 to 6 per cent (figure 7) (Bank of Botswana, 2017a). Low domestic demand stemming from low growth in personal income and stable international oil prices contributed to a marginal decline in the inflation rate from 3.1 per cent in December 2015 to 3.0 per cent in December 2016. However, headline inflation averaged 3.3 per cent during the first quarter of 2017 after rising to 3.5 per cent in March. A positive inflationary outlook was projected for 2017. The rate is projected to remain within the target range in the medium term (Botswana, Ministry of Finance and Development Planning, 2017). Upside risks to inflation in

¹³ Budget speech of Ministry of Finance and Development Planning, February 2017.

¹⁴ In 2015/16 an estimated P 16.3 billion was collected as Southern African Customs Union revenue.

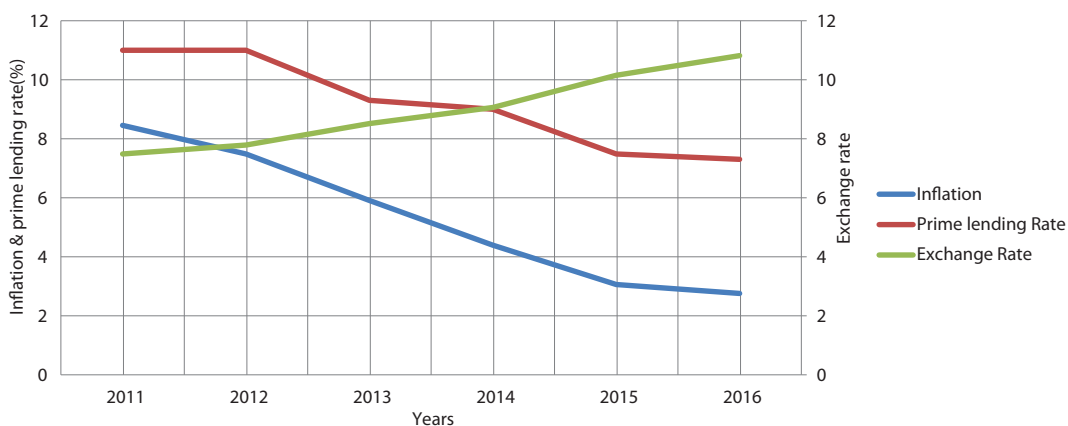
the medium term include increases in international oil and food prices, and higher administered prices and levies or taxes, while the downside risks include restrained global economic activity and any fall in commodity prices, especially those for diamonds.

The positive medium-term inflation outlook in 2016 enabled the Bank of Botswana to maintain an accommodative monetary policy stance and reduce the bank rate to 5 per cent in August 2016 from 5.5 per cent, resulting in the lowering of the prime bank lending rate from 7.5 per cent to 7 per cent (figure 7). Deposit rates also declined as a result (Botswana, Ministry of Finance and Development Planning, 2017; Bank of Botswana, 2016). That policy stance helped to stimulate the economy during the latter part of 2016 through higher domestic borrowing for productive investment. Furthermore, the low and predictable inflation environment fostered savings and enhanced the international competitiveness of the domestic producers and products. This provided the required support to job-creating industrial development during the latter part of 2016 and into 2017 (Botswana, Ministry of Finance and Development Planning, 2017). Furthermore, to encourage productive commercial lending and market efficiency and alleviate the cost of liquidity absorption, the Bank of Botswana suspended the issuance of the Bank of Botswana Certificates and the use of reverse purchases agreements (repos) (Bank of Botswana, 2016).

The pula remained reasonably stable despite the depreciation of the currency by 1.2 per cent against the South African rand and 2.6 per cent against the United States dollar in the fourth quarter of 2016 and appreciation of 13.0 against the Japanese yen, 3.3 per cent against the pound sterling and 3.6 per cent against the euro. The annual depreciation of the pula against the South African rand in 2016 was 7.5 per cent and a further depreciation against the rand of 2.3 per cent occurred in the first quarter of 2017.¹⁵ However, the pula appreciated against the euro by 2.7 per cent, the pound sterling by 2.2 per cent, the United States dollar by 1.8 per cent and the Japanese yen by 1.8 per cent during the first quarter of 2017 (Botswana, Ministry of Finance and Development Planning, 2017). The pula basket weights were maintained at 50 per cent each for the United States dollar and special drawing rights in 2016. They were adjusted in early 2017 to 45 per cent for the United States dollar and 55 per cent for special drawing rights in the light of movements in the pula against the two baskets.

The depreciation of the real effective exchange rate by 0.4 per cent for the twelve months up to February 2017 after a depreciation of 0.6 per cent in 2016 enhanced the international competitiveness of domestic exports and accordingly, helped to propel economic growth during the first quarter (Botswana, Ministry of Finance and Development Planning, 2017).

¹⁵ Inflation rate differentials, trade and the relationship between the South African rand and the United States dollar contributed to the depreciation.

Figure 7: Inflation, prime lending rate and exchange rate

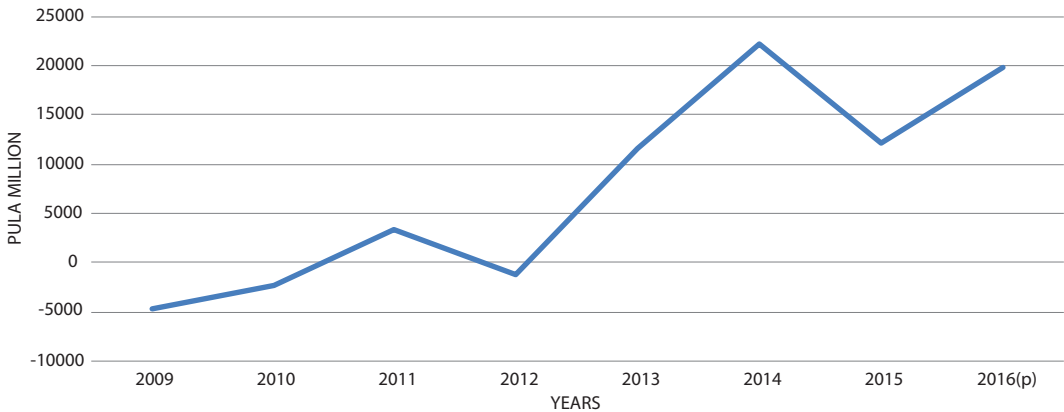
Source: Bank of Botswana (2016).

The bank rate has been reduced to 5 per cent since August 2016 as part of the country's accommodative monetary policy, which together with the expansionary fiscal policy was necessary in 2016 to stimulate domestic demand following the economic contraction in 2015. In the medium to long-term, maintaining the bank rate within the target will further boost economic growth through the direct impact on private sector borrowing and investment in productive sectors, leading to job creation.

3.4 Current account

Botswana has continued to enjoy current account surpluses since the last deficit of P 1.3 billion was recorded in 2012 (figure 8). The highest current account surplus between 2012 and 2016 was P 22.2 billion recorded in 2014. The main factors behind that surplus was foreign trade (exports) and the transfer of earnings into the country (Bank of Botswana, 2016). The current account surplus dipped to P 12.1 billion in 2015 because of lower revenue from diamond exports, a direct result of the sluggish world economy. The recovery of diamond prices and the strengthening and stable world economy is expected to have led to an increase in the surplus to P 19.9 million in 2016. Over the years, the current account surpluses have been sustained by increases in diamond exports values compared with imports, inflows of Southern African Customs Union revenue and the rise in the export of travel services (Bank of Botswana, 2016). As diamond revenue accounts for the largest share of deposits into the current account, the balances in the account fluctuate with diamond prices and export volumes.

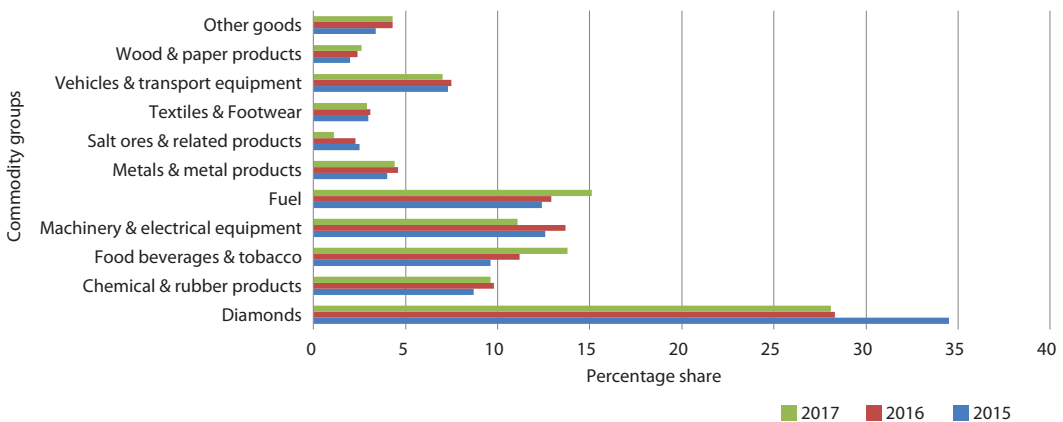
Diamonds alone accounted for 28.3 per cent of total merchandise imports, valued at P 66.9 billion in 2016, down from a share of 34.5 per cent in 2015 (figure 8). Food, beverages and tobacco and machinery and electrical equipment accounted for 24.9 per cent of imports during the same year. However, merchandise imports totalled P 25.7 billion for the first six months of 2017, down from P 33.6 billion during the first quarter of 2016. Diamonds accounted for 29.8 per cent of total merchandise imports, valued at P 11.8 billion, during the first quarter of 2017 and 31.9 per

Figure 8: Current account balance, 2009–2016

Source: Bank of Botswana, Financial Statistics, June 2017.

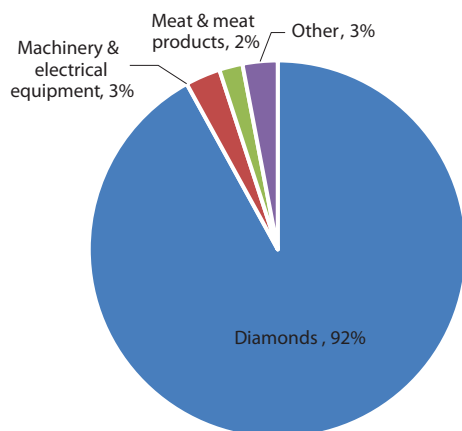
cent of imports, valued at P 13.9 billion, during the second quarter (Statistics Botswana, 2017e). The value of diamond imports was P 3.5 billion during the first quarter and P 4.4 billion during the second quarter of 2017. In June 2017, the principal import commodity groups were; diamonds, chemical and rubber products, machinery and electrical equipment, food, beverages and tobacco and fuel, which together accounted for 78.7 per cent of total imports (figure 9). Diamonds alone accounted for 33.3 per cent of the value of imports¹⁶ in June 2017.

African countries, mainly South Africa, accounted for 57.7 per cent of the volume of imports in June 2017, followed by Canada (24 per cent), Belgium (3.7 per cent), Germany (2.7 per cent), India (1.8 per cent), and Israel (1.3 per cent) (Statistics Botswana, 2017e).

Figure 9: Principal import commodity groups, 2015–2017 (percentage)

Source: Statistics Botswana (2017e).

¹⁶ Mainly imports from Namibia and Canada.

Figure 10: Principal import commodity groups, June 2017 (percentage)

Source: Statistics Botswana (2017e).

Diamond, copper-nickel matte, and machinery and electrical equipment accounted for a large share of the value of merchandise export products for Botswana in 2016. Diamonds alone accounted for 88 per cent of the total export value in 2016 of P 80.3 billion, which was up from 83.1 per cent in 2015. Copper and nickel matte accounted for 3.3 per cent of exports in 2016, down from 5.97 per cent in 2015. The closure of the copper and nickel mines in 2015 and 2016, a result of lower prices, accounted for the reduced copper-nickel production and exports.

Merchandise exports totalled P 32.0 billion for the first six months of 2017, down from P 45.2 billion during the first six months of 2016, primarily on the back of declining copper and nickel exports. Diamond exports accounted for 93.4 per cent of the total exports, valued at P 17.21 billion, during the first quarter of 2017 and 92.5 per cent of total exports, valued at P 14.82 billion, during the second quarter. The value of diamond exports was P 16.08 billion during the first quarter and P 13.71 billion during the second quarter. In June 2017 the principal export commodity groups were diamonds, machinery and electrical equipment and meat and meat products, which accounted for 96.7 per cent of total exports (figure 11). Diamonds accounted for 92.1 per cent of the value of exports during June 2017. Overall, since the relocation of the De Beers aggregation and sales functions from the United Kingdom to Gaborone in 2012 and 2013 respectively, the share of diamonds in exports has increased on account of the re-export trade for rough diamonds. The relocation has generated business for the local diamond cutting and polishing sector, which despite the challenged competitive position, has provided local business opportunities in related activities. For example, De Beers subsidiaries in Namibia, South Africa and Canada are exporting diamonds to Botswana for aggregation. This has also helped to improve the country's terms of trade, buoyed by the increase in foreign exchange. However, to further accelerate value addition and strengthen the international competitiveness of value-added diamonds from Botswana, a holistic approach to deal with the shortage of skilled personnel in the sector and the high cost of local labour is needed. Otherwise, the local

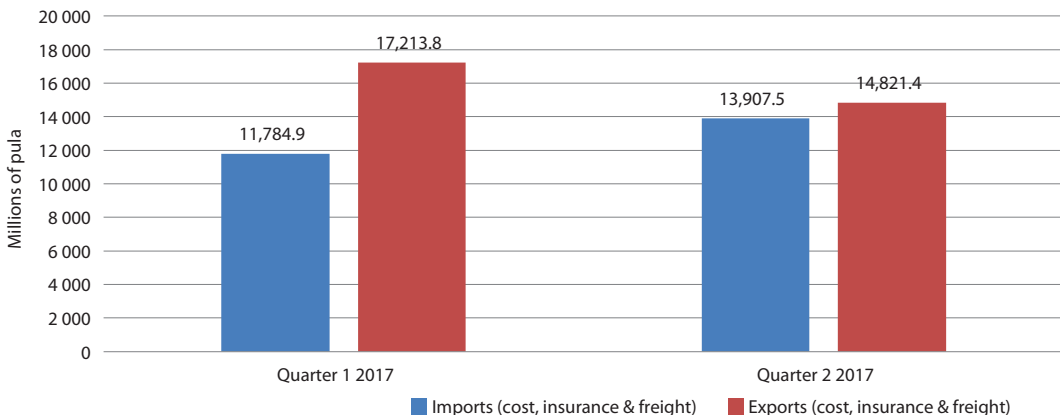
sector will remain uncompetitive compared to the cutting and polishing centres in India, China, Belgium and Israel, for example.

The principal destinations of exports (mainly diamonds) from Botswana in June 2017 were Belgium, which accounted for 26.2 per cent of exports, India (19.8 per cent), United Arab Emirates (13.2 per cent), Singapore (9.7 per cent), South Africa (8.7 per cent) and Israel (6.3 per cent). Regionally, Botswana trades more with Southern African Customs Union and SADC member States than with non-member States. Within the Union, South Africa is the largest trading partner because of the size of its economy and its level of development (Statistics Botswana, 2017d).

Overall, Botswana recorded a merchandise trade surplus of P 6.34 billion for the first six months of 2017 on account of the high value of diamond exports against the low value of imported diamonds (figure 11).

Botswana continues to benefit from access to local, regional and international markets through bilateral agreements, the Southern African Customs Union and SADC agreements. The country is a member of the SADC Free Trade Area, the Southern African Customs Union and is party to the SADC EC Economic Partnership Agreement, the SACU-EFTA Agreement, and the Preferential Trade Agreement between the Common Market of the South (MERCOSUR) and the Southern African Customs Union Agreement. The economic partnership agreement, signed between the European Union and the SADC Economic Partnership Agreement Group, guarantees access to the European Union market for Botswana goods without duties or quotas, opening up opportunities for trade (Statistics Botswana, 2017b). Furthermore, the regional markets of SADC and the Southern African Customs Union and the international markets of Europe and the United States of America provide Botswana with a market for its exports, which is helping the country overcome the limitations of its small domestic market.

Figure 11: Merchandise imports and exports, January 2017–June 2017



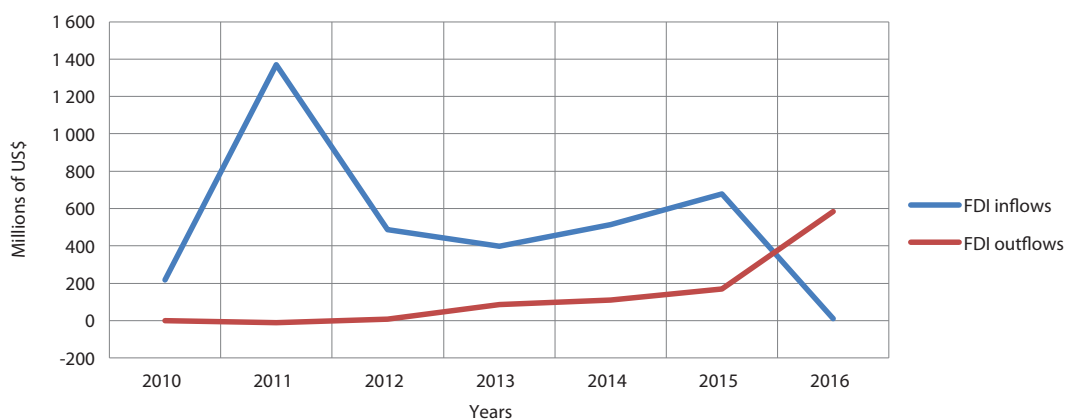
Source: Statistics Botswana (2017e).

3.5 Capital and financial accounts

The largest amount of FDI inflows to Botswana occurred in 2011 and was valued at \$1.37 billion. This peak in FDI inflows coincided with the peak in the commodities price super cycle. The FDI inflows were mainly directed to the minerals sector, primarily diamonds, copper and nickel. They declined significantly to \$487 million in 2012 as commodity prices began to retreat and then declined again by 18 per cent to \$398 million in 2013, before increasing to \$515 million in 2014 (UNCTAD, 2017). Inflows of FDI into Botswana increased by 31.9 per cent to \$679 million in 2015 before declining to \$10 million in 2016 on account of the weaker world economy and uncertainty in commodity markets. FDI outflows remain relatively modest, although an increase in them was recorded between 2013 and 2016, when they almost doubled from \$85 million to \$169 million (figure 12). In 2015 and 2016, the outflows were aggravated by developments in the copper and nickel sector. Generally, the trend of FDI flows in Botswana is related to developments in the minerals sector and, more recently, in the energy sector.

Overall, Botswana remains an attractive destination for FDI when compared to other countries in Africa. This can be attributed to many factors including, among them, an abundance of investment opportunities in a stable macroeconomic and political environment. In 2016, Moody's Investor Service and Standard and Poor's retained the Botswana credit ratings of A2 and A-, respectively, which implies that the country continues to be an attractive business option. Similarly, the country was ranked fourth in Africa behind Mauritius, South Africa and Rwanda in the 2016-2017 Global Competitiveness Index ranking and sixty-fourth out of 138 countries worldwide. In the 2017-2018 Index, Botswana rose for the third consecutive year to a ranking of 63 out of 138 countries, but it still was ranked as the fourth most competitive economy in Africa. In the 2016-2017 Global Competitive Index, Botswana had the highest ranking in Africa in terms of macroeconomic environment parameters of inflation, interest rates and taxation

Figure 12: Foreign direct investment inflows and outflows 2010-2016
(in millions of US dollars)



Source: UNCTAD (2017).

and scored lowest in terms of health, market size and business sophistication criteria. Over the period 2007-2017, the average score of Botswana for the Global Competitiveness Index was 4.12 points. During that period its score ranged from 3.96 in 2008 to 4.29 in 2017.

Furthermore, the African Investment Index 2017, which is constructed from six parameters: growth; liquidity; risk; business environment; demographics; and social capital, also confirmed the premier position of Botswana in Africa. The country was ranked as the most attractive investment destination on the continent followed by Morocco, Egypt, South Africa and Zambia (Quantum Global, 2017). In the 2017 World Investment Report, Botswana was ranked as the fifth most attractive economy for FDI in Africa behind Angola, South Africa, Nigeria and Morocco (UNCTAD, 2017).

Some of the constraints that have impeded the country's effort to be competitive are: poor work ethics in the national labour force; limited access to finance; inadequately educated workforce (low relevant skills); inadequate infrastructure; insufficient capacity to innovate; and restrictive local labour practices (Quantum Global, 2017). The Government, through its eleventh National Development Plan, should focus on tackling skills-related issues under a theme that is based on human capital development in order to improve investor attractiveness, production and productivity.

4

Social developments

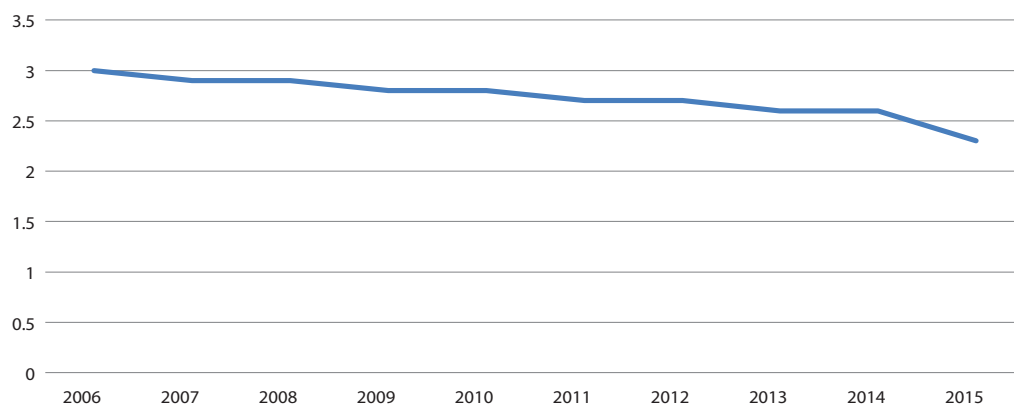
4.1 Demographics

The country's average annual population growth rate was estimated at 1.5 per cent in 2017, down from 2.4 per cent during the period 1991–2001. However, there has been a gradual increase in the average annual growth rate from 0.7 per cent experienced during the period 2009–2015. The population of Botswana was projected to reach 2.267 million by the end of 2017 comprising 50.9 per cent females and 49.1 per cent males (Statistics Botswana, 2017f). However, the sex ratio¹⁷ for the country has increased from 92 in 1991 to 95.5 in 2011.

The declining growth rate can be attributed to many factors, including, among them, declining fertility rates among women (the fertility rate declined from 2.7 children in 2006 to 2.3 children in 2017), increasing female education, leading to greater participation of women in the workforce at the professional level and the successful implementation of the national family planning programme (Botswana, Ministry of Finance and Development Planning, 2017). Consequently, the number of children per woman of bearing age in Botswana has declined from three in 2006 to almost two in 2015 (figure 13). The country's population is concentrated in urban areas and, in 2017, 70.1 per cent of the people of Botswana lived in urban areas. In terms of population distribution by age, 30.9 per cent of the population was between 0 and 14 years of age in 2017 and 64.4 per cent was between 15 and 64 years of age (Statistics Botswana, 2017g).

The country's score in the Human Development Index, a composite index measuring average achievement in three dimensions of human development: healthy life, knowledge and a decent standard of living, increased from 0.58 in 1996 to 0.698 in 2015. For the inequality adjusted Human Development Index, Botswana scored 0.433 and for the Gender Development Index, the country's score was 0.984, an indication of inequality (UNDP, 2017). The country was classified in the medium human development category in 2015 and ranked sixth in Africa and 108th globally.

¹⁷ The ratio of males to females. In 1991, there were 92 males for every 100 females, as compared with 96 males for every 100 females in 2011

Figure 13: Total fertility rate in Botswana, number of children per woman, 2006–2015

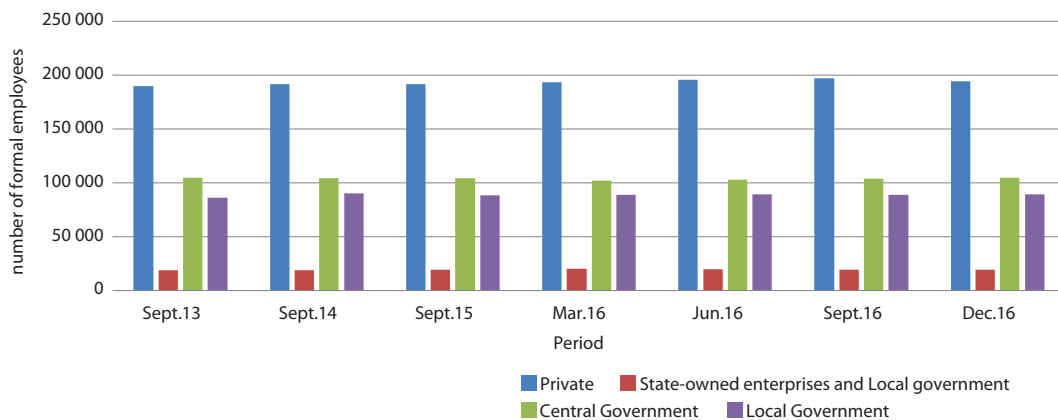
Source: SADC (2015).

* At the country level, the Inequality-Adjusted Human Development Index combines the average national achievements in health, education and income with how those achievements are distributed among the population by “discounting” each dimension’s average value according to its level of inequality. Under perfect equality, the Index is equal to the Human Development Index, but falls below the Human Development Index when inequality rises. Both the Inequality-Adjusted Human Development Index and the Human Development Index range between 0 and 1 with 1 showing the best outcome and 0 showing the lowest outcome. The percentage difference between the two shows overall loss of human development because of inequality.

4.2 Poverty and unemployment

As of December 2016, 406,982 people were formally employed in Botswana, of which 9.3 per cent worked in the manufacturing sector, 12.5 per cent in the wholesale and retail sector, 5.9 per cent in construction, 5.1 per cent in the real estate sector and 4.6 per cent in the hotels and restaurants sector (Statistics Botswana, 2017a). Employment levels in the mining and quarrying sectors declined the most between September 2016 and December 2016 because of job losses in the closed copper and nickel mines and reduced employment in the diamond hub (figure 14). Overall, the private sector was the largest employer, accounting for 47.7 per cent of the total formal employment in December 2016, followed by the national Government (25.7 per cent), local government (21.9 per cent) and State-owned enterprises (4.7 per cent). In terms of sex distribution, there were 5,000 more females formally employed than males in December 2016. However, more males were employed in the private sector and State-owned enterprises and more females were employed by the Government (national, central and local) compared to males (Statistics Botswana, Formal Sector Employment Survey, 2016).

Figure 14: Formal employment by economic activity or sector, September 2013–December 2016

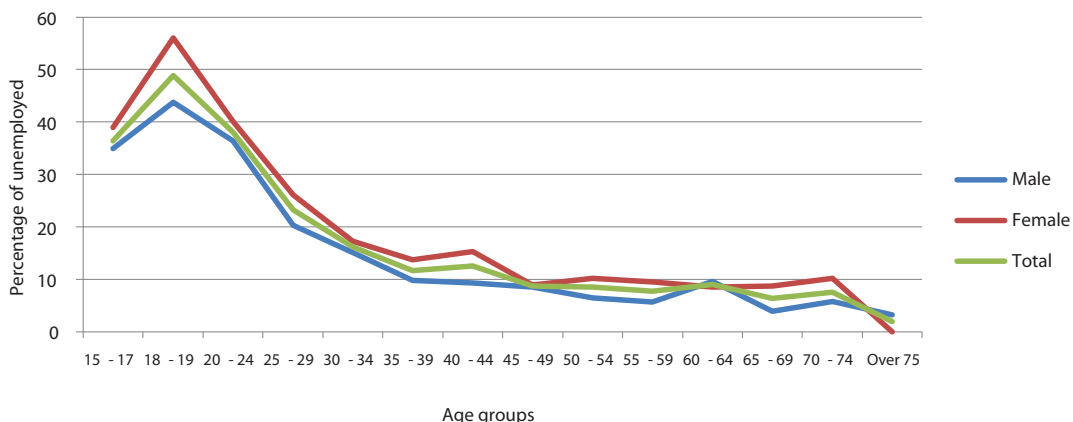


Source: Statistics Botswana (2017a).

The labour-force participation rate for the segment of the population 15 years and older was 61.3 per cent in 2015/16, up from 58.7 per cent in 2011 (figure 15). However, the participation rate was lower for young people (15 to 35 years old) at 57.3 per cent, in 2015/16, compared with 62.5 per cent in 2013/14, a result of lower skills among the youth population (Statistics Botswana, 2017g).

Unemployment among the segment of the population 15 years and older in 2016 was 17.7 per cent, with the female unemployment rate higher than that of males at 19.1 compared with 16.3 per cent. However, for those aged 18 years and above, the unemployment rate was estimated at 17.6 per cent with the unemployment rate for males at 19.1 per cent and females at 16.1 per cent (Statistics Botswana, 2017g). Unemployment among 15 to 35 year olds (the youth) was estimated at 25.2 per cent, with female youth unemployment higher than that of male youth (26.9 per cent for women compared with 23.6 per cent for males). For the segment of

Figure 15: Unemployment by age group and sex – 15 years and older



Source: Statistics Botswana (2017g).

the population aged 18–35 years, unemployment was estimated at 25.1 per cent with male unemployment estimated at 23.4 per cent compared to 26.8 per cent for females. After peaking at 26.2 per cent in 2008, the unemployment rate in Botswana has remained below 20 per cent based on estimates from censuses and surveys (Statistics Botswana, 2017g).

The high unemployment among young people is the result of the mismatch between the requirements of industry and the training from tertiary institutions. Accordingly, this calls for greater collaboration between training institutions, Government and private entities, and industry in developing curricula that produces graduates capable of meeting the requirement of industry. Through the Education and Training Sector Strategic Plan (ETSSP 2015–2020), the Government is hoping to reduce the number of inappropriately qualified people by ensuring a balance between academic pursuits and vocational and technical education.

Poverty and inequality remain high in Botswana despite the country's average positive economic growth experienced over the period 2006–2016. The national poverty headcount (national poverty incidence) was estimated at 16.3 per cent in 2015/16, down from 19.3 per cent in 2009/10 (Statistics Botswana, 2017f). However, higher poverty headcount levels still remain in rural areas. The proportion of those living in extreme poverty (below \$1.90 a day) declined from 6.4 per cent in 2009/10 to 5.8 per cent in 2015/16. Female-headed households (55 per cent) are more affected by poverty compared with those headed by men at 45 per cent (Statistics Botswana, 2017f).

Despite positive economic growth, which averaged 3.7 per cent between 2010 and 2016, the Gini coefficient for Botswana has worsened from 0.573 in 2006 to 0.645 in 2016 (SADC, 2015). Efforts by the Government through various social interventions, including increasing spending on social protection and through a family support grant introduced in 2016, are helping to reduce vulnerability. Other social welfare initiatives for the poor, vulnerable and excluded groups include: old age pensions; destitution allowances; the World War II veterans' programmes; primary school feeding programmes; community home-based care; orphans and vulnerable children programmes; remote area dwellers programmes; payment for participation in labour-intensive work (for example, road works); vulnerable group feeding programmes; and drought relief programmes.¹⁸

4.3 Health

The infant mortality ratio in Botswana averaged 17 per thousand live births between 2011 and 2015; the rate was marginally higher among males (figure 16) (SADC, 2015). However, the maternal mortality rate fluctuated significantly between 2006 and 2016, from a high of 196 per 100,000 live births in 2008 to a low of 143 per 100,000 live births in 2014. The rate was 149 per 100,000 live births in 2015. The crude birth rate was measured at 20.3 per 1,000 in 2017, down from 22.8 per 1,000 in 2015 while the crude death rate was 7.4 per 1,000 in 2017, down from 7.7 per 1,000 in 2015.

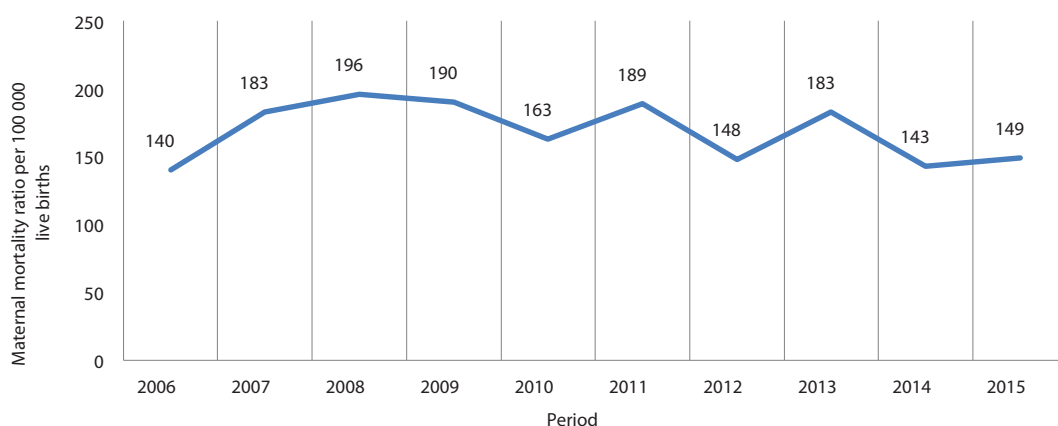
¹⁸ Budget speech of Ministry of Finance and Development Planning, February 2016.

HIV and AIDS remain a challenge in Botswana. The HIV prevalence rate of 22 per cent among the 15-49 year olds which was recorded in 2015/16 continues to undermine current and future development efforts. The average national HIV/AIDS prevalence rate is 27.3 per cent (30.6 for females and 23.9 for males). The higher rates for females could be attributed to early marriages and gender-based violence (Statistics Botswana, 2013a). The Government has rolled out various programmes to slow down infections and support the infected and affected, including the provision of universal free antiretroviral treatment through the Mass National Antiretroviral Therapy Programme, the Preventing Mother-to-Child Transmission Programme and the care of orphans and vulnerable children programme (Botswana, 2009). In fact, Botswana was the first country in sub-Saharan Africa to provide universal free antiretroviral treatment to people living with HIV, paving a path for many other countries in the region to follow. The country has shown that high-quality treatment and programmes to prevent mother-to-child transmission is effective in reducing the acceleration of HIV and AIDS.¹⁹ The antiretroviral programme, Masa, has resulted in a reduction in the prevalence rate and in new infections. However, the low testing rates and the low HIV knowledge among the population and the failure by those testing positive to join the programme, remain the main challenges to Government efforts to eradicate the scourge.

4.4 Education

In 2014, the net enrolment rates in Botswana were 87.5 per cent and 72.5 per cent at the primary and secondary education levels, respectively. Between males and females, the rates were within two percentage points of each other with the rate for males being higher at the primary education level and the rate for females being higher at secondary education level (Statistics Botswana, 2014; 2016).

Figure 16: Maternal mortality ratio, 2006-2015



Source: SADC (2015).

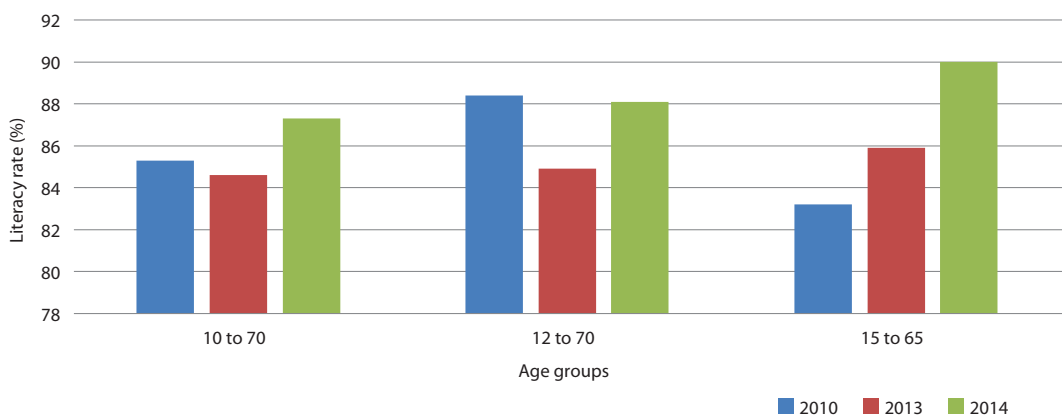
¹⁹See <http://evaw-global-database.unwomen.org/en/countries/africa/botswana/2015/the-national-policy-on-gender-and-development>.

The overall adult literacy rate in Botswana improved from 85.3 per cent in 2010 to 88.6 per cent in 2015, underpinned by government efforts to improve education through support for education-related activities and training, and campaigns to encourage families to send their children to school (figure 17). Adult literacy remains lower among men compared with women while the improvement in literacy between 2010 and 2015 is higher for women than men (SADC, 2015). During the period 2010-2014, literacy rates increased for most age groups, with the largest gain, from 83.2 per cent to 90 per cent, reported for the 15 to 65 years of age group. Public spending on education as a percentage of GDP averaged 9 per cent over the period 2005-2015. During the same period, public expenditure on education as a percentage of total government spending averaged about 20.1 per cent annually. In 2015/16, expenditure on basic and tertiary education was 17.3 per cent of total recurrent estimates of expenditure, with tertiary education financing accounting for 20.95 per cent and education and teacher service management (training, salaries and other benefits) accounting for 41.5 per cent of the allocation (Botswana, Ministry of Finance and Development Planning, 2017). The establishment of two separate ministries for education, the Ministry of Basic Education and the Ministry of Tertiary Education, Research, Science and Technology, is part of the effort set forth in the eleventh National Development Plan to make the education system in human capital development more effective and efficient.²⁰

4.5 Human exclusion

The scores of Botswana in the African Social Development Index, which assesses the depth of exclusion in five key areas: health; education; employment; income; and well-being, improved from 2.12 in 2006 to 1.85 in 2013 (box 2). This could be the result of increased pro-poor spending and the introduction by the Government of an efficient cash transfer system targeted

Figure 17: Literacy rate, 2010–2014*



Source: Statistics Botswana (2016).

* See <http://statsbots.org/bw/sites/default/files/Literacy%20Survey%202014%20%202.pdf>.

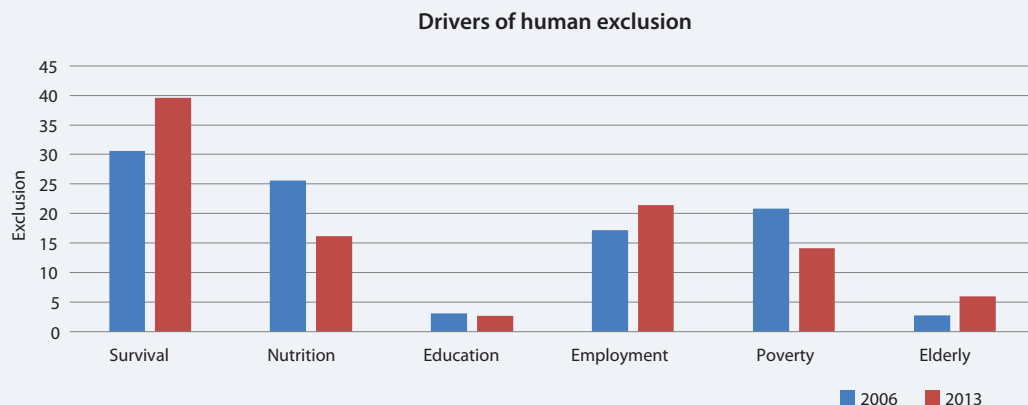
²⁰ Budget speech of Ministry of Finance and Development Planning, February 2017.

at reducing income inequality. Furthermore, the Government is committed to promoting inclusive growth by creating a conducive environment for productive economic opportunities, while ensuring that the benefits of economic growth are equitably shared among the citizens and that social safety nets are expanded.

Given that human exclusion in Botswana is predominantly the result of the high rates of infant mortality and youth unemployment (box 4), there is need for comprehensive and more targeted policy interventions and strategies that focus on those areas. For example, the Government should expand access to health services, particularly to neonatal and maternal services in rural areas, to lower morbidity and mortality rates among infants. Notably, health services are being improved in terms of access, quantity and quality across the country. This, in part, reflects the Government’s strong commitment to boost the well-being of its citizens through elaborate health policies and increased health expenditure.

Box 2: Measuring human exclusion

The major components of the African Social Development Index that are supporting human exclusion in Botswana are infant mortality and youth unemployment. Over the period 2006–2013, the neonatal mortality rate declined by 33 per cent while youth unemployment increased by 24.4 per cent. The contribution of male infant mortality to overall exclusion stood at 47.6 per cent while that for females was 41.1 per cent. Although the country has made steady progress in improving overall national health, a majority of child deaths continue to occur in the first months of life because of newborn complications, diarrhoea and pneumonia.



The contribution of female youth unemployment to exclusion in 2013 was higher, at 28 per cent, compared with the contribution of male youths, which was 21 per cent. While the Government’s efforts to facilitate employment for the citizens are laudable, actual jobs, especially for young people, are still insufficient.

Overall, the African Social Development Index points to the need to tackle the main causes of exclusion: poverty; youth unemployment; and infant mortality (survival and nutrition).

Sources: ECA computations based on data of Statistics Botswana, and ECA (2016).

4.6 Gender

The status of gender equality and women's empowerment is measured in terms of the indicators discussed in box 3. These are important for the improvement of women's lives and their contribution to sustainable development in Africa.

In 2004, ECA introduced the African Gender and Development Index to measure gaps between the status of African men and women and assess the progress made by African Governments in implementing gender policies.

Scoring of performance is based on the Gender Status Index, one of the components of the African Gender and Development Index. The score for each key indicator is an unweighted arithmetic average: the female-to-male ratio of the indicator values is multiplied by 10 and the result is rounded to the nearest whole number. A score of zero represents the highest level of inequality; a score of 5, an average level of parity; and a score of 10, complete parity. Parity levels above 10 represent situations in which women have outperformed men, regardless of the development level of the area concerned.

Most of the data used to calculate the scores in box 3 were drawn from the most recent nationally available data sources. However, for a few indicators, in cases in which countries have no disaggregated data, international data are used. Those sources include the International Labour Organization (ILO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO) statistical databases, the United Nations Children's Fund (UNICEF) *State of the World Children's Report* for 2016, the World Bank Global Findex, the World Health Organization 2015 report on progress on sanitation and drinking water and the Inter-Parliamentary Union.

In Botswana, gender equality is seen in the under-5 survival rate, the HIV prevalence and the youth literacy rate. Females are at an advantage relative to males in terms of enrolment in secondary and tertiary education and life expectancy at birth. According to the UNESCO Institute of Statistics, gross enrolment in tertiary education for females was 28 per cent compared to 19 per cent for males in 2014.

There is significant gender disparity in favour of males in political representation and access to land. According to data of the Inter-Parliamentary Union, six women are represented in parliament compared to fifty-seven men. In the Cabinet, which is comprised of eighteen ministers, only three are women. The Food and Agriculture Organization of the United Nations (FAO) Gender and Land Rights Database reported that males owned 65 per cent of land in Botswana, resulting in a gender parity score of 5 for access to land. Data from the World Bank Global Findex gave a gender parity score of 8 for access to credit, while the gender parity score for labour force participation was 9. The country's National Policy on Gender and Development, approved in March 2015, which replaced the Women in Development Policy (1996) advocates equity and equality between sexes in all spheres (Botswana, 2015). Furthermore, as a Signatory

of the SADC Protocol on Gender and Development, Botswana is also bound by the 50:50 aspirations of the region.

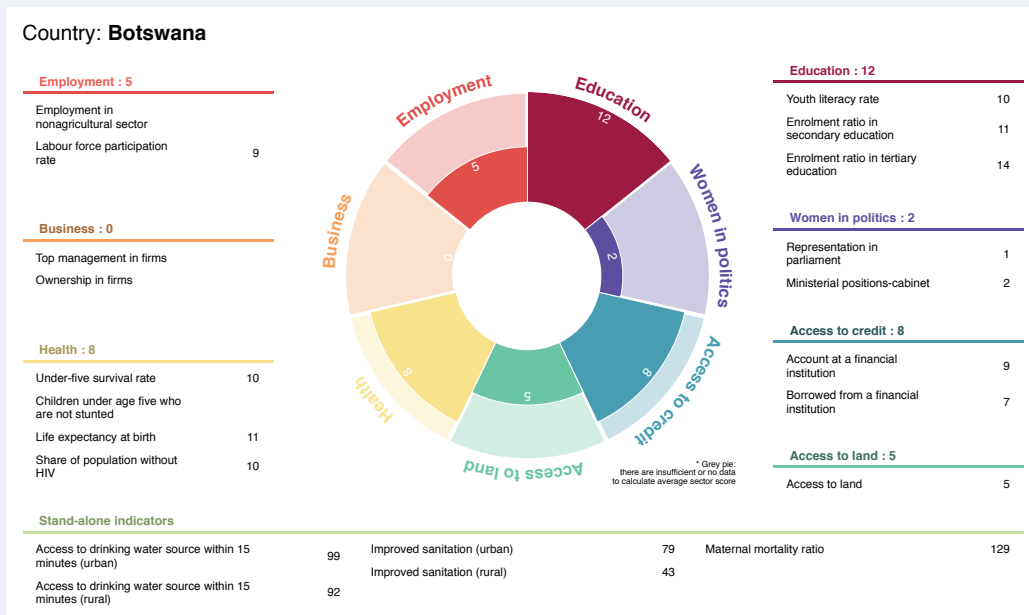
The maternal mortality ratio is 149 per 100,000 live births in Botswana (SADC, 2016). UNICEF estimates access to a drinking water source at 99 per cent and 92 per cent for urban and rural areas, respectively. Access to improved sanitation is 79 per cent for urban areas and 43 per cent for rural areas.

However, the country's achievements in addressing gender disparities, in line with the National Policy on Gender and Development, continue to be undermined by the capacity limitations of institutions and institutional mechanisms as well as the limited funding for gender research and enhancing the capacity of women.

Box 3: Gender equality and women’s empowerment

The African Gender and Development Index is a composite index made up of two complementary components: the Gender Status Index and the African Women’s Progress Scoreboard. Together, these indices provide data and information on the status of gender equality in countries and the effects of national gender policies in addressing women’s marginalization. As the quantitative dimension of the African Gender and Development Index, the Gender Status Index covers aspects of gender relations that can be measured through mathematical computation, and provides a quantitative assessment of gender equality. The Gender Status Index considers three aspects: social power (capabilities), economic power (opportunities) and political power (agency). Each variable in the Gender Status Index is given the same weight. For each variable, the indicator of gender equality is calculated in the same way. The Gender Status Index compares female achievement and male achievement and expresses this as a ratio. The closer the indicator is to 1 (one), the better the performance on gender equality is in the country.

The African Gender Development Index enables policymakers to assess performance in implementing policies and programmes geared towards ending women’s marginalization. Countries’ scores are calculated on the basis of Gender Status Index data. The Gender Status Index is one of the components of the African Gender Development Index. For each key indicator, the score is calculated by taking the female to male ratio of the indicator values, multiplying it by 10 and rounding the result off to the nearest whole number. A score of zero represents the highest level of inequality, 5 shows middle parity level while 10 represents perfect parity. Parity levels exceeding 10 represent situations where women have outperformed men, irrespective of the level of development of the area being assessed.



Source: ECA (2016).

5

Major policy challenges

The high national poverty incidence level of 16.3 per cent along with the high unemployment rate of 17.7 per cent, the high prevalence of HIV/AIDS of 22 per cent among 15 to 49 year olds and income inequalities as indicated by the score of 0.698 in the Human Development Index are the major challenges for Botswana (Bank of Botswana, 2016). Furthermore, vulnerability to global macroeconomic developments because of the country's narrow economic base, which is centred around minerals, especially diamond mining and exports, remains a major developmental risk, as demand and prices related to diamonds depend on exogenous global economic developments. The high proportion of diamonds in the country's export trade, despite the diversification efforts initiated under the tenth National Development Plan suggests the need for a more focused and robust strategy to increase the share of non-traditional exports to achieve export diversification and reduce the country's dependence on the mineral. Cognizant of that, in the eleventh National Development Plan, the need for accelerated economic diversification is re-emphasized and complimented by the development of economic clusters, the establishment of special economic zones in selected areas, the promotion of integrated local economic development and the pursuit of export-led development in the medium to long run anchored on value-added products. National budgetary allocations have been reconfigured to support this effort (Botswana, Ministry of Finance and Development Planning, 2017).

Efforts to increase local beneficiation and manufacturing in the diamond sector has been undermined by lack of competitiveness, a direct result of poor skills and the high wages compared with other established diamond polishing and manufacturing centres, in Belgium, China, India and Israel, which have developed and perfected diamond value addition. This calls for a strategy to improve the skills base in diamond cutting and polishing for higher productivity and development of further downstream value addition into jewellery manufacture.

Thematic analysis

Special economic zones and development in Botswana

The opportunities for diversification in Botswana anchored on the diverse natural resources base and the strategies outlined in the eleventh National Development Plan have the potential to create a sustainable economy beyond the currency of diamonds. The Economic Diversification Drive, launched in 2011, is intended to strengthen diversification in the economy and specifically reduce dependence on the mining sector and on diamond mining and exports, in particular. The negative growth experienced during the world economic downturn when diamond prices and exports declined, stressed the importance of diversification, which, in turn, has led to concerted efforts by the Government through the strategies outlined in the Plan. The creation of special economic zones is one of the strategies to promote export-led development, diversification and industrialization. Broadly, the objectives of this effort are to maximize use of local content in goods and services; promote technology transfer and innovation and management skills; develop a small and medium-scale enterprises sector and attract FDI. The intervention strategies encompass such areas as sectoral development, promotion of linkages, investment and finance, research, innovation and technology development and transfer, export development and promotion, entrepreneurship development, and quality control standards and production. The creation of a competitive environment for investment and the commitment of financial resources in the local manufacturing and service sectors will underpin those strategies.

The implementation of the special economic zone policy complements efforts to accelerate economic diversification. Under the leadership of the Special Economic Zones Authority, operationalized in 2016, the Botswana Special Economic Zones Policy, launched in February 2011, is intended to attract world class domestic and foreign investors. The Authority coordinates, promotes and facilitates special economic zone investments, identifies locations for special economic zones, ensures basic infrastructure is in place and licenses special economic zone investors (Botswana, Ministry of Industry and Trade, 2010). Experiences elsewhere have shown that special economic zones can be engines in efforts to accelerate industrialization, regional development and long-term planning. Special economic zones include export processing zones, industrial parks, eco-industrial parks, technology parks and innovation districts. It would be instructive to critically review progress in Botswana towards creating special economic zones to identify some of the potential challenges. The range of targeted incentives for the investors into the zones is provided in box 4.

Box 4: Botswana special economic zone incentives for foreign investors

- i. Corporate tax reductions or exemptions;
- ii. Duty-free importation of raw materials, capital goods and intermediate inputs;
- iii. No restrictions or taxes on capital and profit repatriation;
- iv. Exemption from foreign exchange controls;
- v. Exemption from local and indirect taxes.

Source: Adapted from Botswana, Ministry of Industry and Trade (2010).

The Authority is mandated to coordinate and implement all activities related to the development of the zones and develop special economic zones that are integrated into the domestic, regional and international markets through the acquisition of land, subleasing land to investors for a particular time period to undertake special economic zones licensed businesses and the development of primary infrastructure and utilities that will benefit the establishment of the special economic zones. The Authority is also mandated to create development opportunities for small and medium-sized enterprise suppliers and cluster business enterprises according to their trade and provide special economic zone incentive packages that are consistent with the domestic and international trade obligations of Botswana.

Table 4 contains a summary of the strategies to anchor the national programme on special economic zones, which are under the auspices of the Special Economic Zones Authority.

Work on one of the sites in the first phase of the special economic zone programme commenced in May, 2017. The Royal Haskoning DHV together with Haskoning Botswana were awarded the master plan review of the Sir Seretse Khama International Airport Special Economic Zone. The review, scheduled for completion by the end of August 2017, is intended to offer business enterprises the opportunity to develop in a modern and efficient environment. The plan is for this mixed-use economic zone to house the Civil Aviation Authority of Botswana and the Botswana Innovation Hub. In addition, the Botswana Investment and Trade Centre and the Integrated Investment and Trade Promotion Authority will also be housed in the mixed-use economic zone along with the Diamond Hub, which administers beneficiation activities in cutting and polishing, jewellery manufacturing and secondary trading of rough and polished diamonds.

The implementation of the special economic zones policy and the envisaged and planned projects, the allocation of financial resources to the manufacturing and services sector and the provision of incentives for other sectors to expand will fast-track economic diversification. However, the Special Economic Zones Authority must be cognizant of the potential challenges related to this effort. It should focus on transforming the comparative advantages of Botswana into competitive advantages and creating new competitive advantages as the country

Table 4: Strategies and objectives of special economic zones

Broad area, instrument and action	Specific content, aspirations and objectives
Industrial development and policy	To create a conducive environment for the growth of small medium and micro-enterprises and develop a business environment that is transparent, predictable, free and fair for all investors.
Small medium and micro-enterprises development	To facilitate the development of enterprises to occupy specific positions along the different production value chains that offer identifiable opportunities for small medium and micro-enterprises to produce and supply goods and services and incubation possibilities in the special economic zones.
Strategy for economic diversification and development: national excellence	To develop special economic zones in strategic areas, such as Francistown, Gaborone, Serowe/Palapye and Lobatse and introduce special incentive packages to attract FDI.
National export strategy	To develop export competencies, access financial resources and market information and accordingly achieve competitiveness and consequently the ability to penetrate world markets.
Private-sector development strategy	To develop a vibrant and global competitive private sector capable of taking advantage of the market access opportunities opened by the country's trade policies and strategies including opportunities for joint ventures in the special economic zones.
National land policy	To cover the different aspects of land management, land allocation and rights, land use and physical planning, land servicing and development and land information, which are highly significant in the development of strategic areas of the special economic zones.
Revision of national policy on income employment, profits and prices	To create a conducive business environment for special economic zones investors and protecting the rights of workers in the zones, including ensuring decent work and decent pay.

Source: Adapted from Botswana, Ministry of Industry and Trade (2010).

transforms its economy into one that is knowledge-based in order to be able to compete in the twenty-first century. The structural issues that need deeper consideration at the policy and operational levels include: location of the special economic zones; participation of the domestic private sector; regional approach to special economic zones and commodities value chains; and facilitating local entrepreneurship and skills development.

Selection of the location of special economic zones: Experience from East Asian countries that have developed successful special economic zones (Malaysia, the People's Democratic Republic of Laos, Thailand and Viet Nam, for example) has shown that an important prerequisite for such zones is the location and ease of access in relation to commercial or industrial activity (ASEAN, 2016). Generally, the zones should be developed in areas that have a commercial advantage for business operators, making the location pull factors for investors. Locational advantage in a commercial sense is key to selecting the location of a special economic zone. The natural attractiveness is further enhanced by incentives and concessions offered in those economic zones (box 4). Accordingly, the selection of the Sir Seretse Khama International

Airport precinct as the first special economic zone in Botswana has advantages in terms of access, proximity and transport costs for exports. One of the key lessons from the Association of South East Asian Nations (ASEAN) is that a special economic zone should be embedded in a wider development agenda, connected to wider national and regional development frameworks to generate stronger linkages so that it can promote structural change for economic growth as part of overall national development strategies.

Participation of the domestic private sector: Participation of the domestic private sector in the special economic zones as entrepreneurs and financiers supported by clear strategies to foster local capacity development is important for wealth creation. This can be stimulated and enforced through the implementation of the Botswana Local Content Policy supported by specific time-bound milestones during the tenure of the investment by both foreign and domestic investors in the special economic zone. Local content regulations facilitate the development of backward linkages and hence multipliers in the rest of the economy, and supply chain optimization. State support to small, micro and medium scale enterprises, which could occupy strategic positions along the supply chain, are required to enable them to partner with foreign investors in the special economic zones. Similarly, local capital markets also need to be incentivized to support activities in the zones, as that would provide the opportunity to raise capital locally and open doors for genuine local equity participation, local employment creation and the empowerment of the citizens. As a result of the zones, skills that are applicable to other sectors outside the economic zone can be nurtured.

Agriculture and mineral value chains and local content: targeting the development of agriculture and mineral commodity value chains within the special economic zones and ensuring that domestic enterprises occupy specific positions along those value chains is imperative. Progress has been made in deepening the incorporation of the diamond value chain. However, further support is needed in that regard to accelerate skills development in order to increase productivity and international competitiveness of polished stones from Botswana. Furthermore, the concessions given in the zones should have specific beneficiation milestones (if feasible) to help push local activities and entrepreneurs higher up the value chain into jewellery manufacture, for example. In addition, backward linkages with supplies of inputs, such as grinding media and protective clothing, into the diamond supply chain, could be facilitated through requirements for local procurement based on specific local shares, as elaborated in the Local Content Policy. Although Botswana has a very small agricultural sector, opportunities for value addition exist and could be promoted within the zones; this could be expanded to include other countries in the region.

Local skills development as an anchor for transformation: Overall, the emphasis of the special economic zones should be on the creation of linkages, forward, spatial and technological, and the transfer of technology, skills, and technical know-how to citizens. This is critical for domestic wealth creation, empowerment and structural transformation. The incentives offered to

foreign investors should include requirements for supporting skills development among locals and the diffusion of technology into the national economy. For example, the implementation of the country's Education and Training Sector Strategic Plan to match qualifications and labour market requirements through training and education in order to produce a more diversified and knowledge based economy should be accelerated and expanded with the participation of the foreign investors in the zone. This would ensure that relevant skills are churned from the training, which would be offered in collaboration with the private sector.

Economies of scale through a regional approach to special economic zones: A regional approach to special economic zones would enable Botswana to benefit from economies of scale, as has been the case in ASEAN countries that have developed harmonized guidelines for special economic zones. In a similar manner, and as part of the SADC industrialization strategy anchored on mineral beneficiation and value addition, the feasibility of using the Diamond Hub in Botswana²¹ as a regional special economic zone could be explored. Furthermore, given that all the countries in the region are currently developing special economic zones and guidelines, SADC should develop a regional special economic zones framework to guide member States to avoid intra-country competition for foreign investors. The framework should also include the extension of the local content requirements to facilitate regional sourcing, manufacturing and recruitment. Regional integration can pave the way for the creation of economic corridors to stimulate economic activities along the major roads or the transport corridors. Examples of such economic corridors include the establishment of industrial estates on the borders, the construction of telecommunication and electricity transmission infrastructure, and natural gas pipelines and tourism activities along those corridors. Stronger regional integration creates potential business opportunities that may be leveraged from cross-border business linkages between foreign companies established in the regional member States.

Prudent balancing of opportunity costs and benefits of special economic zones: The generous incentives offered to investors in the special economic zones need to be evaluated against the overall direct and indirect benefits to the economy. Those incentives reduce direct government revenue through taxes and levies from the economic activities in the economic zones. Accordingly, overly generous incentives need to be juxtaposed with the benefits from increased exports and other indirect benefits. The foregone tax revenue and the costs for providing infrastructure, land and subsidized utilities should be part of the overall evaluation of the benefits of the economic zones. A mismatch could compromise overall national benefits in cases in which there is no proper accounting of the benefits in terms of tangible development and wealth creation. Practices, such as transfer pricing, could undermine national benefits as investors could inflate import costs or lower export prices or both in their trade with associated companies outside the zones. Mechanisms to minimize such practices should be imbedded in the special economic zones framework.

²¹ Expanding the current framework which brings De Beers diamonds from Namibia and Canada for aggregation in Botswana.

Investor due diligence: Comprehensive due diligence should be carried by the Special Economic Zones Authority on the technical and financial capacity and history of investors into the zones to ensure that the incentives and concessions are given to deserving companies that plan to operate in the country for the long haul and share the same developmental vision with the Government. The Special Economic Zones Authority should develop criteria for foreign investors to avert the error of awarding opportunities related to the zones to speculators or short-term rent seekers, as this would undermine the objectives of the incentives scheme and the creation of the special economic zones. Furthermore, a clear, predictable and stable monitoring and evaluation mechanism with time frames and expected deliverables needs to be developed and enforced by the Authority.

In the medium to long-term, the success of the special economic zones strategy to contribute to the drive to diversify the economy of Botswana depends on the policy and operational issues elaborated in the previous section. Importantly, it should be noted that the participation of local entrepreneurs and the linkage of the special economic zone businesses with the local economy along the supply chain should underpin the strategy. In addition, the package of fiscal incentives, a stronger and independent Special Economic Zones Authority, an enabling legal framework, cheap factory sites, abundance of labour and institutional efficiency should be anchored by strong Government support at all levels. The exploitation of the potential regional links (through value chains) of the activities in the special economic zones will provide further impetus for growth through access to a larger market.

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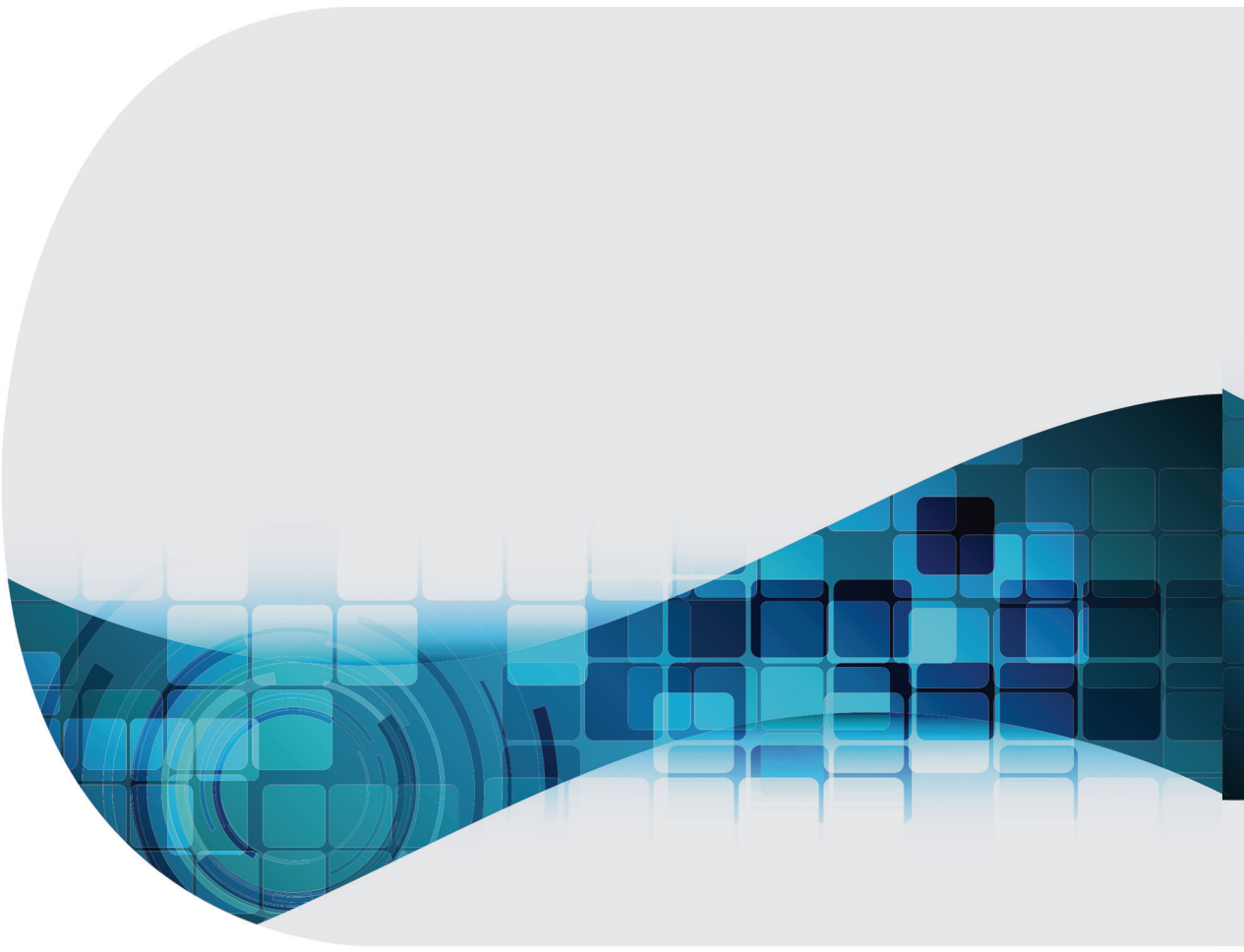
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7. Évaluation de la qualité des données nationales

Note méthodologique : La qualité des sources de données nationales pour les principaux indicateurs utilisés dans les profils de pays a fait l'objet d'une évaluation. Le résultat est présenté selon un code de couleurs: un disque vert indique une « bonne » source de données, un jaune une source « satisfaisante » et un rouge une source « à améliorer ».

Cette évaluation a privilégié la transparence et l'accessibilité de chaque source de données nationales. Elle a pris en compte la régularité et la périodicité de publication des sources de données, au vu de la périodicité de la publication et de la fréquence des mises à jour de données conformément aux normes internationales. La comparabilité des séries de données, leur durée dans le temps, les définitions et les unités de mesure standard ont été évaluées. L'accessibilité des bases de données a elle aussi été évaluée; plus précisément, la disponibilité des données et leur libre accès au grand public, leur format et la facilité de leur téléchargement et de leur partage. Ont également été évalués la citation des données, ainsi que les renvois à des sources primaires ou secondaires. Enfin, l'évaluation a considéré l'exhaustivité des métadonnées pour la communication de données, ainsi que l'exhaustivité et la clarté de la documentation et des notes.

Démographie	Valeur	Évaluation	Éducation et emploi	Valeur	Évaluation
Population (en millions)	1,54 (2016)	1	Taux d'alphabétisation (15-24 ans) (en %)	77 (2015)	1
Enfants (0-14 ans)	0,67 (2016)	1	Taux de scolarisation net dans le primaire (en %)	62,4 (2014)	1
Adultes (15-64 ans)	0,84 (2016)	1	Proportion des élèves qui finissent le primaire	73,4 (2014)	1
Personnes âgées (65 ans et +)	0,03 (2016)	1	Rapport filles/garçons dans le primaire	1 (2014)	3
Population urbaine (en %)	0,57 (2009)	1	Rapport filles/garçons dans le secondaire	0,8 (2014)	3
Croissance démographique (en %)	2,2 (2013)	2	Population active (en %)	33,7 (2009)	7
Taux de fécondité	4,9 (2014)	3	Population sous le seuil de pauvreté (en %)	69,3(2010)	1
Espérance de vie à la naissance (en années)	55,5 (2015)	4	Taux de chômage (en %)	10,5 (2009)	7
Taux de mortalité brut (décès pour 1 000)	11,9 (2015)	4	Taux de chômage des jeunes (15-24 ans) (en %)	30 (2010)	8
Taux de naissance brut (naissances pour 1 000)	36,6 (2015)	4	Santé	Valeur	Évaluation
Performance macroéconomique et sectorielle	Valeur	Évaluation	Taux de mortalité des moins de 5 ans (en %)	93 (2015)	1
Taux de croissance réel du PIB (en %)	5,8 (2016)	5	Taux de mortalité maternelle pour 100 000 naissances vivantes	549 (2015)	1
PIB, prix courants (en milliards de FCFA)	662,3 (2016)	5	Prévalence de l'insuffisance pondérale chez les enfants de moins de 5 ans (en %)	16,5 (2015)	1
Taux d'inflation (en %)	1,6 (2016)	5	Taux de mortalité infantile pour 1 000 naissances vivantes	60 (2015)	1
Solde du compte courant (en milliards de FCFA)	10,8 (2016)	5	Proportion de naissances assistées par du personnel médical qualifié	45,3 (2015)	1
Tendances économiques et indicateurs de performance	Valeur	Évaluation	Taux de prévalence de la contraception (en %)	16 (2014)	1
Flux entrants d'investissements directs étrangers (en milliards de FCFA)	-10,1 (2016)	6	Codes des sources des données		
Volume total des exportations (en milliards de FCFA)	180,3 (2016)	5	1. INE (2016) Boletim Estatístico da Guiné-Bissau « Guiné-Bissau em numeros 2015 »		
Volume total des importations (en milliards de FCFA)	186,7 (2016)	5	2. INE (2015) Guiné-Bissau em Numeros		
			3. Enquête MIX 2014-UNICEF – http://www.stat-guineebissau.com/publicacao/RELAT%C3%93RIO%20MICS%205%20FIN		
			4. ASYB 2017 (à partir des Projections Démographiques, INE 2009)		
			5. INE Guinée Bissau : Note de cadrage macroéconomique et budgétaire, Sept 2017		
			6. BCEAO (2016) Balance des paiements et de la position extérieure globale de la Guinée-Bissau au titre de l'année 2015		
			7. INE, RGPH 2009		
			8. BAD, OCDE, PNUD, 2012 – Perspectives économiques 2012-		



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