

BOTSWANA

2015

George J. HONDE / g.honde@afdb.org
Principal Country Economist, Southern Africa Resource Center (SARC), AfDB

Fitsum G. ABRAHA / fitsum.abraha@undp.org
Economic Advisor, UNDP Botswana





BOTSWANA

- Botswana's GDP growth slowed down in 2014, reflecting modest overall growth in non-mining activities.
 - The fiscal position is projected to remain strong on account of higher mineral revenue and the government's commitment to fiscal discipline.
 - Botswana's growth prospects look promising, but downside risks emanating from a decline in global mineral prices, particularly for diamonds, remain elevated.
-

Overview

Botswana's economy has recovered from the global economic crisis. Real GDP registered robust growth in 2013, underpinned by buoyant activity in the mining sector, particularly diamond production, in spite of bottlenecks in the power and water sectors. According to our estimates, the economy, however, slowed down in 2014, reflecting modest overall growth in non-mining activities, mainly the water and electricity sector which contracted sharply.

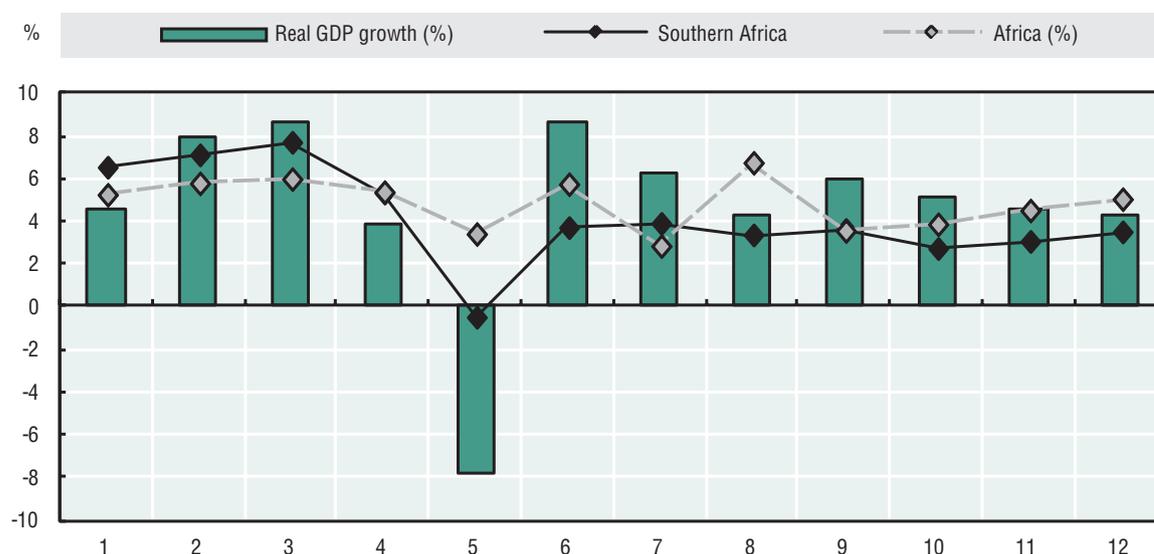
Botswana's growth prospects look broadly favourable. Real GDP growth is projected to moderate slightly during 2015-16. Growth will primarily be driven by the non-mining sectors including trade and tourism, as well as financial and government services. Medium-term growth prospects also depend crucially on the expansion in diamond cutting and polishing activities and the commissioning of a steel manufacturing plant and a horticultural processing plant in 2015. However, the uncertain external environment, particularly the potential slowdown in emerging markets, exposes Botswana's narrow export base to significant downside risks.

After a fiscal deficit in the aftermath of the global economic crisis, a budget surplus is projected in the 2015/16 financial year, for the fourth consecutive year. This positive fiscal outturn is the result of higher mineral revenue and efforts by the government to rebalance some spending priorities, including reigning in unproductive elements of current expenditure.

Inflationary pressures continued to ease in 2014. On an annual basis, inflation was much lower in 2014 than in the previous year. Key factors that have helped to drive down inflation include the general slowdown in the costs of food and transport. Inflation is expected to remain within the Bank of Botswana's objective range of 3-6% in the medium term.

Elections are held every five years in Botswana. In the last elections held in October 2014, Botswana Democratic Party President, Ian Khama, was re-elected the country's president for a second and last five-year term after his party maintained its majority in Parliament winning 37 out of the 57 elected seats. The prudent macroeconomic management and political stability are expected to continue during his tenure.

Figure 1. Real GDP growth



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p)

Table 1. Macroeconomic development

	2013	2014(e)	2015(p)	2016(p)
Real GDP growth	5.9	5.2	4.5	4.3
Real GDP per capita growth	5.0	4.3	3.6	3.4
CPI inflation	5.8	4.4	4.3	4.2
Budget balance % GDP	0.7	5.2	3.2	3.8
Current account % GDP	10.4	7.9	7.1	7.6

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Recent developments and prospects

Botswana has recovered strongly after a significant setback following reduced demand for diamonds in the wake of the impact of the global economic crisis. The recovery was led by a rebound in diamond exports and supported by solid growth in the non-mining sectors boosted by timely countercyclical policies pursued by the government. Real GDP grew by a strong 5.9% in 2013, underpinned by buoyant activity in the mining sector, particularly diamond production, arising from improved global demand, in spite of persistent problems with electricity and water supply. The economy however, slowed down, with real GDP growth estimated at 5.2% in 2014. This growth was attributable to both mining and non-mining sectors of the economy.

The mining sector is an important engine of growth in Botswana, contributing 24.5% to the country's GDP in 2013. Mining output expanded by 5.5% in the 12 months to September 2014. The growth in mineral production is attributed to a recovery in diamond mining activities, which registered a strong growth of 14.1% during the same period. This was due to a strong performance at the Jwaneng mine where higher grade carats were produced attracting higher prices as a result of the strong demand in the global economy for diamonds. The sharp contraction in copper-nickel-cobalt, which declined by 52% during the same period, however, countered the buoyant performance of diamonds. The decline was due to a smelter shutdown, which led to zero production in July and the first week of August 2014.



The non-mining sectors expanded by 4.7% in the 12 months to September 2014. The increase was mainly attributed to hotels and restaurants, and the transport and communications sectors, which registered significant expansion. The strong performance of these sectors outweighed the sluggish performance in agriculture, manufacturing and construction. Agricultural output, which contributed 2.6% to GDP in 2013 (primarily through beef exports), remained subdued during the period as crop production continued to be hampered by traditional farming methods, recurrent drought, erosion, and disease. The manufacturing sector, which contributed 5.7% to GDP in 2013, recovered moderately. This sector continued to be adversely affected by persistent problems in electricity and water supply due to power generation challenges and poor rainfall, respectively. The water and electricity sector contracted sharply in the 12 months to September 2014. The continued underperformance of the sector is of major concern given the importance of water and power in the economy. To address the challenges facing the sector, the government continues to undertake regulatory reforms and has allocated a substantial development budget in 2015/16 financial year to the sector.

On the expenditure side, GDP growth was based on sustained expansion of all major expenditure components. Total final consumption expenditure recorded an increase of 4.4% in the 12 months to September 2014, while household final consumption, government final consumption and fixed capital formation recorded an increase of 4.4%, 4.5% and 4.0%, respectively. The continued growth rate of all major expenditure components was consistent with the accommodative stance maintained by the Bank of Botswana (BoB) to support domestic economic growth against the backdrop of sluggish global economic performance. Taking advantage of prevailing low inflation and the need to support domestic economic growth, BoB has maintained the bank rate at 7.5% from December 2013 to support domestic economic growth.

Botswana's growth prospects look broadly favourable. Real GDP growth is projected to moderate slightly, averaging about 4.4% during 2015-16. Growth will mainly be driven by the non-mining sectors including trade, tourism, as well as financial and government services. The economy is generally expected to benefit from the ongoing measures being pursued by the government to resolve the protracted electricity constraints. Medium-term growth prospects also depend crucially on the expansion in the diamond cutting and polishing activities, following the launching of the diamond trading company in Botswana in September 2013. The commissioning of a steel manufacturing plant and a horticultural processing plant in 2015, and the rolling out of the postal and banking services to rural areas will also play a vital role. These activities, in turn, are expected to contribute to growth and economic diversification, thus creating employment opportunities, and empowering citizens. However, Botswana's growth prospects continue to be clouded by the country's relatively high poverty, unemployment and inequality.

Downside risks to the positive medium-term outlook associated with the global and South African economic outlook remain elevated. The fragility of the global recovery and the potential slowdown in emerging markets expose Botswana's narrow export base to significant downside risks. A prolonged lacklustre growth in South Africa would have outward negative spillovers to Botswana as the strength of South Africa's recovery will largely determine demand for Botswana's manufactured exports. The main domestic risks relate to the current shortages of electricity and water, which could further delay private investment. Over the medium term, potential growth remains constrained by supply side factors. The risks underscore the need for Botswana to intensify efforts to reduce its heavy dependence on the mining sector and to set its economy on a more diversified growth path in order to achieve high levels of sustainable economic growth in the long term.



Table 2. GDP by sector (percentage of GDP at current prices)

	2009	2013
Agriculture, forestry, fishing & hunting	3.3	2.6
of which fishing
Mining and quarrying	15.9	24.5
of which oil
Manufacturing	7.4	5.7
Electricity, gas and water	0.5	-0.2
Construction	7.1	6.9
Wholesale & retail trade; repair of vehicles household goods; Restaurants and hotels	17.6	16.3
of which hotels and restaurants
Transport, storage and communication	6.3	6.0
Finance, real estate and business services	15.3	15.2
Public administration and defence	19.4	16.3
Other services	7.2	6.6
Gross domestic product at basic prices / factor cost	100.0	100.0

Source: Data from domestic authorities

Macroeconomic policy

Fiscal policy

Botswana's fiscal policy aims to ensure macroeconomic stability. The government abides by a fiscal rule that, *inter alia*, does not allow its expenditure to exceed 40% of GDP. However, the ratio of expenditure to GDP exceeded the limit in 2009/10 against the backdrop of adverse external shocks arising from the effects of the 2008 global economic crisis. Total expenditure has since been contained and consistently declined to an estimated level of about 31% in 2014/15, reflecting efforts by the government to rebalance some spending priorities, including reigning in unproductive elements of current expenditure. Similarly, the country's fiscal position turned around to a surplus from a huge deficit recorded in the aftermath of the global economic crisis. The 2015/16 financial year is projected to result in a fourth consecutive budget surplus, of 3.8% of GDP, up from 3.2% for 2014/15, attributable to higher mineral revenue and further expenditure restraint. Total government revenue (including grants) is projected at 33.9% of GDP in 2015/16. Mineral revenues will account for 34.4% of total revenue, Southern African Customs Union (SACU) for 29.5% and non-mineral income tax for 17.5% in 2015/16. Mineral revenues are projected to increase on account of a more positive outlook for diamond exports.

Further measures being pursued by government to achieve fiscal consolidation include restraining the size of the wage bill (about 11% of GDP), broadening revenue, streamlining the large-scale discretionary tax incentives to minimise losses, and continued privatisation and merger of some of the state-owned enterprises. The government is also working on a fiscal rule aimed at enhancing expenditure prioritisation towards productive investments. With regard to tax administration, efforts are being made by the government to modernise and simplify the income tax system in order to lower administration costs and achieve higher compliance. The Botswana Unified Revenue Services (BURS) has already introduced an integrated taxpayer management system to reduce queues and has established a new and exclusive office for high tax payers. Amendments to the Income Tax Act, the VAT Act and the Transfer Duty Act are also scheduled to be tabled in Parliament during the 2014/15 financial year.



Table 3. Public finances (percentage of GDP at current prices)

	2005/2006	2010/2011	2011/2012	2012/2013	2013/2014(e)	2014/2015(p)	2015/2016(p)
Total revenue and grants	37.7	30.4	34.7	33.6	35.1	34.2	33.9
Tax revenue	34.1	28.1	32.4	31.3	32.1	31.7	31.4
Grants	0.2	0.3	0.5	0.4	0.2	0.3	0.3
Total expenditure and net lending (a)	29.8	36.6	34.9	32.8	29.9	31.0	30.1
Current expenditure	23.9	25.8	26.1	26.2	24.1	24.1	23.1
Excluding interest	23.4	25.3	25.6	25.6	23.6	23.4	22.4
Wages and salaries	8.8	11.3	11.7	11.7	11.0	11.3	11.0
Interest	0.5	0.5	0.5	0.5	0.5	0.6	0.7
Capital expenditure	6.4	10.8	9.0	6.7	6.4	7.1	7.1
Primary balance	8.4	-5.7	0.4	1.3	5.7	3.8	4.5
Overall balance	7.8	-6.2	-0.2	0.7	5.2	3.2	3.8

Note : a. Only major items are reported.

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations

Monetary policy

The overarching objective of Botswana's monetary policy is to achieve price stability, keeping inflation within the medium-term objective range of 3-6%, as well as to safeguard financial stability. Botswana's inflation tracks that of South Africa because of the strong trade ties between the two countries, South Africa being the source of about two-thirds of Botswana's imports. Inflationary pressures have eased significantly since 2012. Annual inflation closed at 4.4% in 2014, lower than 5.8% in 2013. Key factors that have helped to drive down inflation include the general slowdown in costs mainly of food and transport, as well as base effects of the increase in some of the prices dictated by the government in 2012. Inflation is expected to remain within the BoB's objective range of 3-6% in the medium term owing to weak domestic demand and favourable foreign price developments.

With inflationary pressures easing, monetary policy has been accommodating with a view to stimulate economic activity. Since December 2013, the BoB has reduced its policy rate by 200 basis points bringing it down to 7.5%. Consequently, credit to the private sector continued to grow at a high rate of about 14% at the end of June 2014. The growth was driven by sustained expansion in borrowing from individuals, for mortgages and personal loans, which rose by 18.6%. Annual credit to the corporate sector increased by 8.7%. The credit growth is considered to support economic activity and does not pose any significant risks to the stability of Botswana's financial system. However, although the household credit expansion has essentially been driven by secured lending, mainly to real estate (residential property), it calls for a close monitoring of the financial system's exposure to mortgage loans and consumer welfare.

Consistent with the crawling-peg regime being pursued by the authorities and the prevailing low inflation, the real value of the Botswana currency, the Botswana pula (BWP), has remained stable and competitive against major currencies. In line with the policy objective of maintaining a stable-inflation-adjusted exchange rate of the pula against a trade-weighted combination of currencies of trading partner countries, the BoB implemented a modest downward crawl of the pula exchange rate in 2014. Trends in bilateral nominal exchange rates show that on an annual basis (12 months to December 2014), the pula depreciated against the US dollar (8.4%) and the pound sterling (3.0%) while it appreciated against the South African rand (1.7%), the euro (4.0%) and the yen (4.5%).

Economic co-operation, regional integration and trade

As a land-locked country with a small domestic market, Botswana has taken many initiatives to foster bilateral and regional economic integration in order to spur economic growth. It is a



member of the Southern African Development Community (SADC) and SACU and is participating in the negotiations to create the Common Market for Eastern and Southern Africa (COMESA), East African Community (EAC) and SADC tripartite trade-free area. The country has also taken initiatives aimed at facilitating international trade and transport in southern Africa. The Trans-Kalahari Highway was completed in 1998 to provide easy access to Namibia, the Kazungula Bridge is under construction to create an important regional transit route for Botswana, South Africa, Zambia and the Democratic Republic of Congo, and the leasing of part of the Walvis Bay Port in Namibia will facilitate Botswana's export and import of goods through the shorter Namibian seaport route.

Exports of mineral products dominate Botswana's external trade, with diamonds accounting for more than 80% of total export earnings in 2013. The United Kingdom was the most important destination of Botswana's exports accounting for nearly 50% of total exports in 2013, followed by South Africa at 11%. In its efforts to diversify the industry's products and export markets as well as encouraging downstream cutting and polishing activities, Botswana launched its own diamond trading company, Diamond Trading Company Botswana (DTCB), in September 2013. The creation of the DTCB, a joint venture between De Beers and the Botswana Government is bringing to an end the practice of sending rough diamonds to De Beers' London-based main Diamond Trading Company for sorting and marketing. It will also boost local business and create jobs. Reflecting the increase in processed diamond exports, the value of Botswana's exports to the United Kingdom fell sharply from 59% of total exports between January and October 2013 to only 1% between January and July 2014 while exports to Belgium increased from 9% to 30% between the two periods. While about 94% of Botswana's exports to the European Union (EU) comprise diamonds and nickel, which are already duty-free, the Economic Partnership Agreement (EPA) with the EU is particularly important for Botswana's beef industry. The country, together with Lesotho, Swaziland and Mozambique (as the SADC group), is confident that the EPA negotiations will be concluded in 2015 to ensure uninterrupted market access to the EU.

Table 4. Current account (percentage of GDP at current prices)

	2006	2011	2012	2013	2014(e)	2015(p)	2016(p)
Trade balance	17.2	-4.7	-13.3	1.6	3.0	4.1	5.0
Exports of goods (f.o.b.)	44.6	42.0	41.4	51.4	52.6	50.2	50.5
Imports of goods (f.o.b.)	27.5	46.7	54.7	49.8	49.6	46.1	45.6
Services	1.9	-2.2	-2.8	-1.7	-1.8	-2.0	-2.0
Factor income	-7.6	-0.7	0.2	-0.7	-0.6	-0.5	-0.5
Current transfers	7.8	7.1	12.1	11.2	7.4	5.5	5.2
Current account balance	19.3	-0.6	-3.9	10.4	7.9	7.1	7.6

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Debt policy

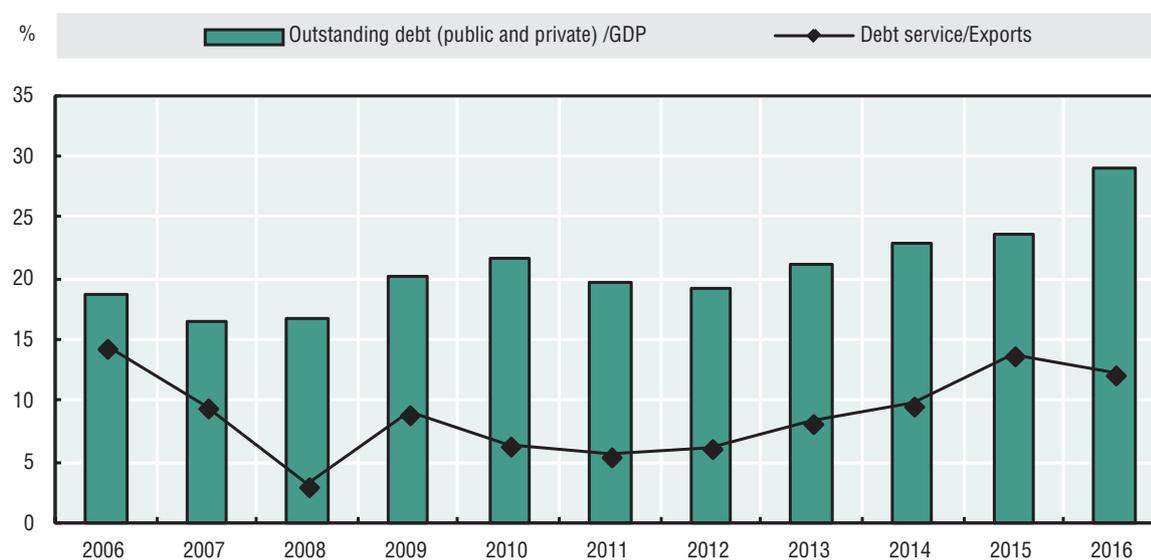
The overall objective of Botswana's debt policy is to ensure that public debt remains affordable and at low risk to ensure fiscal sustainability. The government has consistently adhered to its prudent debt policy and fiscal benchmarks, which statutorily limit public domestic and foreign debt (including government guaranteed debt) to 40% of GDP (20% external and 20% domestic). The statutory ceiling is, however, far below the SADC convergence level of 60% of GDP and has translated into limited appetite to borrow and a risk-averse stance.

The composition of public debt was balanced between external and internal sources until 2009/10 when external debt reached 70% of total debt due to increased borrowing, including a budget support loan for the sum of 1.5 billion United States dollars (USD) from the African Development Bank (AfDB), to absorb the shock from the global financial crisis. Reflecting high borrowing, total public debt rose from 8.8% of GDP in 2008/09 to 25.3% GDP in 2012/13. While public external debt



rose sharply from 5.1% of GDP in 2008/09 to around 10.7% in 2009/10, it remained around this level until 2012/13 when it rose to 17.5%. Public external debt, therefore, remained below the country's ceiling of 20%. The bulk of external debt is from multilateral institutions, which accounted for 94.8% of the debt in 2012/13, with the AfDB being the major creditor accounting for 80% of the total. Domestic debt has been maintained well below the statutory limit in line with efforts to improve revenue collection and expenditure restraint, although it increased from 2.4% of GDP in 2008/09 to 7.5% of GDP in 2012/13. In terms of instruments, bonds remain predominant and accounted for 68% of domestic debt in 2012/13, reflecting the role played by the government to help develop the local capital market. Total debt stock decreased to 24.3% of GDP in 2013/14, of which 17.6% was external and 6.8% domestic. Botswana's debt levels remain sustainable and comfortably within the statutory ceiling of 40% of GDP, despite increased borrowing in the aftermath of the global economic crisis. The authorities are committed to keeping the public debt in check and intend to use the budget surplus to continue towards rebuilding the country's net financial assets in order to provide a cushion in the event a future shock. The government, with support from the World Bank, the IMF and Macroeconomic and Financial Management Institute (MEFMI), is also currently developing the Medium Term Debt Management Strategy.

Figure 2. Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source : IMF (WEO & Article IV)

Economic and political governance

Private sector

Botswana performs well among African countries in terms of business environment indicators, reflecting the government's commitment to policies and a regulatory environment that foster private sector development. The World Economic Forum, *Global Competitiveness Report* (GCR) 2014-2015 maintained Botswana's ranking at 74th out of 144 countries, the fourth position in sub-Saharan Africa. The GCR rates Botswana highly in the macroeconomic environment, labour market efficiency, reliable and legitimate institutions, and developed financial market. Botswana continues to rank among sub-Saharan Africa's best performers in the World Bank report, *Doing Business 2015*, even though it slipped 18 positions to fifth best performer in the region (from 56



in the previous year to 74). The decline is explained by the absence of improvements rather than worsening of policies compared to other fast-reforming countries in Africa. The country has efficient mechanisms for resolving insolvency (49), registering property (51), and paying taxes (67).

Notable areas where the country needs to improve include procedures for registering property (slipped to 149 from 96 in the previous year), trading across the borders (ranked 157) and getting electricity which continues to be difficult (ranked 103 compared with 107 in the previous year). The GCR also notes that the main challenges facing the country include its small market size, infrastructure bottlenecks as evidenced by the recent electricity shortages, and inadequate basic healthcare and education. Sustained reform efforts aimed at further improving the business environment, therefore, remain important if Botswana is to reduce its heavy dependence on the mining sector and set its economy on a more diversified growth path. Hence the government is pursuing an active reform programme to improve the business climate. It established the National Doing Business Committee (NDBC) in 2011 to spearhead reforms. As a result, a number of bills have been approved by parliament since 2012, targeting various aspects including electronic filing of tax returns and e-payment, online registration of companies and online applications for visas. The Botswana Investment and Trade Centre also became a one-stop shop in 2012 for investing and setting up business in Botswana. The government is also currently working toward implementing the Public Private Partnership (PPP) policy and establishing a PPP Unit.

Financial sector

Botswana's financial sector is fairly developed in sub-Saharan Africa. In terms of financial market development, the 2014/15 GCR ranked the country 57th out of 144 economies. Commercial banks exhibited remarkable resilience during the 2008 global economic and financial crisis and remain strong, well-capitalised and profitable. The robustness of the financial sector is demonstrated by a number of prudential indicators pertaining to asset composition and portfolio quality, although recently there has been an increase in non-performing loans to households. The ratio of non-performing loans (NPLs) increased substantially from 2.6% in 2012 to 3.6% in 2013, an indication of a deterioration of asset quality in the domestic banking sector. The increase in NPLs was essentially a reflection of a sharp increase in Past Due Loans (PDLs) by 62% from BPW 1.3 billion in 2012 to BPW 2.1 billion in 2013 even though the PDLs to Total Loans and Advances ratio remained unchanged (3.6% in 2013 compared to 3.7% in 2012). The sectors that accounted for the highest NPLs ratio were community, personal services, trade, restaurants and bars.

Access to financial services remains low. It is estimated that about 33% of adults do not have access to such services, despite the large number of banks in operation in the country. This poor access is a reflection of weaknesses including low financial literacy, lack of collateral and limited demand for services, due to high levels of rural poverty and unemployment. Most bank products are focused on individuals who are employed and have incomes. To address the shortcomings in the financial sector, the government launched the 2012-2016 Financial Sector Development Strategy (FSDS) in 2012. The NFSDS aims to introduce various reforms, including a niche bank with a strategic focus on small-scale clients and improving access through use of technological developments, such as mobile money. Consequently, mobile financial services, such as mobile money transfer and mobile banking, are being introduced in the country. Furthermore, the government announced in the 2015 Budget Speech that it intends to carry out a Making Access to Financial Services Possible diagnostic analysis with a view to developing a comprehensive financial inclusion roadmap, to lead to a more accessible, inclusive and robust financial system.

Public sector management, institutions and reform

Botswana has consistently ranked at the top of African countries in governance and transparency indices. The Constitution of Botswana provides for a number of internal



accountability mechanisms in the operations of the three branches of government. The country's civil service is well organised and well paid and emphasises political neutrality and impartiality. It has benefited from a number of initiatives including the introduction of a code of conduct and a merit-based hiring system to ensure professionalism. However, reflecting the fact that the public sector employs about half of the formal labour force, the public sector wage bill is relatively high by regional standards, accounting for 11% of GDP in the 2013/14 financial year. As part of the effort to enhance public service delivery, the government is currently developing a comprehensive Public Sector Reform Coordination Programme aimed at, *inter alia*, enhancing capacity of implementing agencies, improving monitoring and evaluation, and improving decision-making on prioritisation and funding of programmes. With regard to privatisation, the Initial Public Offering of the Botswana Telecommunications Corporation Limited is expected to be completed in 2015 while the transformation of the National Development Bank into a commercial bank is currently underway.

Oversight institutions continue to undergo reforms intended to enhance their capacity and efficiency. Following the entry into force of the Corruption and Economic Crime (Amendment) Act in July 2013, the Directorate on Corruption and Economic Crime completed the drafting of the National Anti-Corruption Policy in 2014. This aims to promote accountability and provide a framework against which the anti-corruption legislation will be implemented. As part of the effort to improve the legal system, following the successful conclusion of the Legal Aid Pilot Project in March 2013, the government has promulgated the Legal Aid Act and amended the Legal Practitioners Act in order to provide cost effective legal services to disadvantaged citizens on a wide range of civil law issues.

Natural resource management and environment

Botswana recognises the importance of natural resources since they support the country's key sectors, such as mining, manufacturing and tourism. Accordingly, the country accords high priority to environmental protection in order to take advantage of the opportunities presented by natural resources, thereby ensuring sustainable economic development. The Kalahari Desert occupies 77% of Botswana's land mass, leaving the country with limited supplies of fresh water. Over a third of the country's total land area is under some form of conservation, with 17% designated as national parks and game reserves, 20% as wildlife management areas and 1% as forest reserves. Botswana is prone to drought and is highly vulnerable to the impact of climate change. Climate change is expected to adversely impact agricultural production and water resources.

Environmental sustainability is central to many of Botswana's key development issues including the exploitation of mineral resources, the use of scarce water resources, and the development of the cattle industry and arable agriculture. The future of tourism is also dependent upon the maintenance of the considerable wildlife resources and finely balanced ecological zones. Conservation and sustainable management of natural resources are fully integrated in the development planning process. The government has put in place a national environmental policy framework that covers all the relevant sectors. Further policy initiatives, legislation and regulations are being reviewed or formulated, including the National Strategy for Sustainable Development and the National Climate Change Policy and Strategy. The latter will facilitate effective implementation of adaptation and mitigation actions in the country to help mainstream climate change considerations into national policies, planning and budgeting.

Political context

Botswana continues to enjoy political stability as a multiparty constitutional democracy. The country is a parliamentary republic and the Constitution of Botswana vests legislative power in a parliament, comprising the National Assembly, the President, a Speaker, the Attorney General



and four specially elected members nominated by the President. The Botswana Democratic Party (BDP) has dominated politics since the country gained independence from Great Britain in 1966, winning 11 consecutive election victories. Elections are held every five years. President Ian Khama was re-elected for a second and last five-year term on 24 October 2014. This was after his party, the BDP, maintained its majority, albeit a reduced one, winning 46.5% of the popular vote and 37 out of the 57 elected seats. Although the BDP retained its rural support, the opposition parties were most successful in urban areas, attracting younger voters. The Umbrella for Democratic Change party (a political coalition of three opposition parties formed in 2010, comprising the Botswana National Front, the Botswana Movement for Democracy and the Botswana People's Party) came second after winning 30.0% of the popular vote and 17 seats, while the Botswana Congress Party won 20.4% and 3 seats. The prudent macroeconomic management and political stability are expected to continue during President Khama's tenure.

Social context and human development

Building human resources

Botswana has made strides in social and human development as evidenced by significant progress towards achieving MDG targets on education and health. With regard to education, the country achieved gender parity in primary and secondary education in 2011. The female to male ratio of gross enrolment in primary and secondary schools in 2012 reached 95.3% and 94.9%, respectively. According to International Futures (IFs) forecasting system and the Center for International Futures at University of Denver,¹ the net primary school enrolment will reach 91.1% in 2015, while gross enrolment in lower and upper secondary school as well as tertiary education institutions will reach 97.3%, 70.8% and 9.5%, respectively (IFs 2015 forecast). The overall literacy rate for people age 15 and older is also expected to reach 86.6% by end of 2015. The key policies that contributed to these outcomes include allocation of significant budget to the sector, provision of free basic education, adoption of the Inclusive Education Policy in 2011, and an ongoing literacy programme that mainly benefited women.

In the health sector, Botswana made commendable progress to meet its MDG 4 and 5 targets and to fight HIV/AIDS. Although the country still has a high HIV prevalence rate, the infection rate among adult population is expected to fall to 14.93% in 2015 (IFs 2015 forecast). Furthermore, Botswana has attained universal access to anti-retroviral therapy with 96% of those eligible receiving it by December 2012. This reflects the government's commitment to HIV/AIDS programmes as evidenced by significant domestic financing of about 77% of the programmes' total expenditure. But there are concerns that sustaining these improvements will be a challenge. Infant mortality rate per 1 000 live births reached 31.8% in 2014 and is expected to decline further in 2015.

The government is committed to contain and reverse the incidence of tuberculosis (TB) and is funding a programme in which communities contribute in terms of patient management and care. So far, more than 90% of districts are participating in the programme and there has been a reduction in TB notification rate from 511 per 100 000 people in 2006 to 330 per 100 000 in 2011. As for malaria, the country has made sound progress towards eliminating the disease by 2015. Notably, malaria incidence declined to less than 1% in 2014 from 10 per 1 000 population in 2007 to 0.56 per 1 000 in 2011. Botswana has an extensive network of health facilities, comprising hospitals, clinics, health posts and mobile shops. Over 95% of the total population and 89% of the rural population live within a radius of 15 km from a health centre. However, the goal to provide adequate health care for all is compromised by the high rate of infant and maternal deaths, caused by lack of efficient management services within the health facilities, as well as the prevailing high fertility and broadly young composition of the population, coupled with the high HIV prevalence rate.



Poverty reduction, social protection and labour relations

Botswana has made remarkable progress in its journey to eradicate poverty by the end of 2016 stated in the national long-term vision (Vision 2016). According to most recent information, the proportion of the population living below the poverty line declined from 30.6% in 2002/03 to 19.3% in 2009/10, while the share of the population in extreme poverty fell even more sharply from 23.4% to 6.5%. Despite the decline in poverty, inequality and exclusion are still serious issues in Botswana, whose Gini coefficient is 0.61. Poverty in Botswana displays a geographical and gender dimension, with 8.4% of the rural population living in extreme poverty compared to 2.7% in urban areas and female-headed households more likely to be poor than their male-headed counterparts. This reflects the disparities in quality of economic opportunities and services and underlines the need to ensure more inclusive development policies and programmes.

To counter the challenge, the government, in collaboration with the World Bank, developed the Social Protection Strategy for 2012-2022, which stresses the need to focus on targeted delivery of social services and on issues of good governance, efficient programme design and delivery as well as country-driven systems. To implement this, the government has dedicated a significant budget to finance social protection and a comprehensive social safety net programme, including the old age pension and destitute allowance. While the government's effort in implementing such programmes is laudable, concerns have been expressed that their effectiveness is hampered by inadequate co-ordination, absence of a clear exit mechanism, and lack of a comprehensive database of beneficiaries. Options for tackling the challenges range from policy measures such as family support grants to families in absolute poverty to programmes that address existing shortcomings associated with targeting, coverage and effectiveness. The combination of these measures is expected to allow the social safety nets to ensure the goal of lifting 16% of the population out of absolute poverty by end of 2016 (Vision 2016) is achieved.

Botswana has designed and effectively enforced labour market regulations that are in accordance with respective labour legislation acts such as the Employment Act, the Workers Compensation Act and the Trade Unions and Employers Organization Act, etc. These acts are prompted by the persistent high unemployment rate of 17.8%, reaching 34% among youth (20-24 years of age), reflecting the mismatch between the quality of education and labour market demand.

Gender equality

Botswana has a gender-neutral constitution that prohibits sex discrimination. It has ratified major international conventions and regional protocols aimed at eliminating discrimination against women and promoting gender equality. The Abolition of Marital Power Act enacted in 2004 made women equal to men in marriage, property holding, domicile and the guardianship of minor children. In 2012, in a landmark case, the High Court ruled the customary inheritance law that discriminated against women was unconstitutional. According to United Nations Development Programme (UNDP) *Human Development Report 2014* Botswana's Gender Inequality Index (GII) is 0.486, ranking 100th out of 149 countries.

As stated elsewhere in the report Botswana recorded significant progress on gender equality in education, leading to parity in female and male enrolment in primary and secondary education, as well as in adult literacy rates. About 73.6% of adult women had reached at least a secondary level education compared to 77.3% of their male counterparts by 2014. Although there has been an increase in the proportion of economically active women, with 71.8% of females participating in the labour market compared to 81.5% of males in 2014, their earned income is much less than that of men. Women also continue to have low access to property ownership and financial credit and their participation in politics is below the SADC threshold of 30%. The 2013 SADC Gender Monitor report shows there were only two female cabinet ministers and five female members



of parliament in 2012, translating to respective proportions of 12.5% and 7.9%. The 2014 election results show the number of seats held by women in parliament as 9.5%. This underlines the need for strong advocacy and progressive legislative reforms.

Thematic analysis: Regional development and spatial inclusion

According to government data² (accessed in December 2014) about 18% of Botswana's land is designated as protected areas, consisting of national parks and game reserves. An additional 21% which are stretches of land bordering protected areas are defined as Wildlife Management Areas. As a result, almost 90% of Botswana's human population lives along water lines of eastern regions and the north-south corridor, following the main road and rail routes linking South Africa, Botswana and Zambia. This stretch of land hosts the urban centers of Gaborone and Francistown as well as other major human settlement areas including Palapye, Serowe and Mochudi.

In Botswana wild animals are resources of tourism. They generate income and pride, which ultimately reinforce the protectionist paradigm in the human-animal relationship. However, protectionism accepts spatial exclusion as a necessary measure, delineating rigid boundaries segregating humans in settlements and animals in protected areas. The physical placement or fixing of wild animals in discrete spaces emerged largely from the country's conservation agenda. Traditionally, local chiefs held ownership and responsibility for wild animals primarily for hunting to satisfy their needs. The British colonial government installed in 1885 a "fortress" style of conservation, based largely on a state-owned and centralised resource management scheme. Under this scheme, wild animals were considered as exotic beings and government officials established bans, quotas and licenses to limit indigenous hunting practices, taking the hunting and gathering rights and the lands from local people. The preservationist policies led to the establishment of two Protected Areas during early the 1960s, i.e. Chobe and Central Kalahari Game Reserves in 1960 and 1961, respectively.

On independence in 1966, the Government continued the same agenda by establishing Chobe National Park (1967), Makgadikgadi and Nxai Pans in 1970 and 1992 and Khutse Game Reserve in 1971. In addition to protected areas aimed at wild animal conservation, Wildlife Management Areas were established in 1975 to serve as corridors for migratory species between protected areas. In 1989, the government attempted to decentralise its wild animal management scheme to include local communities living close to protected areas with the aim of community-based natural resource management as part of spatial inclusion. But the recent conservation route reinforced the importance of separating animals from humans, i.e. "spatial exclusion" in order to protect the former. As a result, land allocation for wild animal conservation continues.

In Botswana physical arrangement and delineation of animals from human zones is distinct. Most wildlife reserve areas originally hosted a large human settlement whose inhabitants were the San people (Basarwa). They were hunter-gatherers who lived by moving from one area to another in search of water, wild fruits and animals. The San were later joined by groups of the Basubiya people, and around 1911 by a group of Batawana led by Chiefs. When the country was divided into various land tenure systems early in 20th century, the larger part of the area that is now national park was classified as crown land. In 1932 about 24 000km² was declared a non-hunting area in Chobe District. The following year, the protected area was increased to 31 000km². It was gazetted as Chobe Game Reserve in 1960, and seven years later declared a national park (Botswana Environment Statistics). In 1975 the largest settlement based on the timber industry at Serondela gradually moved out and Chobe National Park was finally emptied of human occupation, thus spatial exclusion strengthened. Finally, in 1980 and 1987, the boundaries were altered to increase the park to its current size (Botswana Tourism Board). Chobe National Park is now home to variety of animal species, replacing humans.



Botswana's wild animal management strategy has long been grounded on environmental discourse that privileges "unspoiled nature". Instead of including the people living in and around in the strategy development, they are identified as "others". According to the Botswana Tourism Board, Parks and Reserves have been established for protecting wildlife. Hence, parks are socially constructed "wildlife places" existing beyond the realm of human occupation, intervention and control. The Botswana wild animal management strategy seems grounded on ethical discourse recognising the fundamental value of animals well beyond their use to humans.

Through the conservation agenda, humans are made to imagine wild animals in Botswana as part of untouched nature and as ecologically valuable beings with inherent value. The spatial implications of this agenda emerge from human containment of wild animals within fixed spatial boundaries of protection essentially for the good of the animals.

One of the most pervasive forms of inequality and exclusion is highlighted by the gender dimension, with a very strong link with gender and economic inequality. For instance the UNDP, Gender Inequality Index (GII, 2014) gives Botswana a GII value of 0.486, ranking it 100th out of 149 countries. Several studies show that in socio-economically unequal societies fewer women complete higher education, are represented in the legislature, and the pay gap between women and men is wider. These issues are clearly observed in Botswana. Therefore, the recent rapid rise in economic inequality in most countries is a serious blow to efforts to achieve gender parity around the world. Without solid policy interventions in the interest of both sexes the cascade of privilege and disadvantage will continue for generations.

Research findings confirm that reducing exclusion and income inequality leads to significant improvement in the duration of sustained growth from about 5 to 8 years, up to 15 years and over. Botswana's growth potential is largely driven by the length of the estimated growth period. That means even a marginal improvement in income distribution could result in a more prolonged growth period. In line with this the UNDP *Human Development Report 2014* emphasised Social Protection stating "...the majority of the world's population lacks comprehensive social protections such as pensions and unemployment insurance." It argued that such measures are achievable by countries at all stages of development. Providing inclusive and basic social security benefits to the poor and the excluded would cost less than 2% of global GDP.

Notes

1. www.ifs.du.edu accessed in January 2015
2. www.gov.bw/en/