

ECONOMIC REVIEW

fourth quarter october-december 2018

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COMMENTARY

Green shoots of recovery, but much remains to be done

Introduction

As we enter 2019, there has been a range of positive economic developments that point to an improving economic climate. Key developments include a broadly-based upturn in economic growth, as well as an improvement in the rate of job creation, along with some positive policy changes. At the same time, there have been a few badly thought-through policy proposals, particularly with regard to taxation, that run the risk of undermining these welcome developments.

Growth and Employment

GDP data for the period to the end of the third quarter 2018 show an improvement in economic growth to 5.1% over the 12 months to September. This partly reflects a revision of historical GDP data (now showing that real growth in 2017 was actually 2.9%, not the 2.4% previously reported). But more positively, it reflects a broad-based improvement in growth, across most

economic sectors, between Q2 and Q3 2018. Our preferred measure of economic activity from the perspective of future sustainability – the output of all sectors excluding diamonds and government – shows growth at 5.2% year-on-year in Q3, compared to only 0.6% a year earlier. So there are clear signs that economic growth is improving.

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There has also been a welcome upturn in employment, with the number of jobs increasing by 1.6% in the year to September 2018, compared to a contraction of 0.8% in the previous year. Although the rate of employment creation is still far too low, and is driven more by the public sector than the private sector, it remains the case that the number of jobs created in the economy over the past year has more than compensated for the number lost over the previous year, following the closure of the BCL copper-nickel mine.

Finance, Inflation and Exchange Rates

Conditions have also improved in the banking sector. The growth of lending to the private business sector has picked up, and that to households have fallen. Arrears on lending are down, and profitability is up. Bank liquidity had been declining since 2016, raising concerns about a potential credit squeeze; however, the trend seems to have been reversed now and liquidity has improved, due to a welcome growth in bank deposits.

Inflation has risen slightly, mainly due to higher fuel prices, but still remains modest and within the lower half of the Bank of Botswana's (BoB's) inflation objective range. As a result, interest rates have been maintained at historically low levels, with the commercial bank prime lending rate at 6.5%. Nevertheless, the results of BoB's latest Business Expectations Survey show that, on balance, firms expect interest rates to rise in 2019. The same survey shows that firms, on average, expect inflation next year to be between 3.5% and 4%. This is in line with our own forecasts of inflation over the next year.

The Pula exchange rate has continued to be buffeted by instability in the SA rand/US dollar exchange rate, given that these are the two main currencies in the basket to which the Pula is pegged. This resulted in a small depreciation of the Pula against the US dollar over the fourth quarter, and a small appreciation against the rand.

The regular annual exchange rate review at the end of the year resulted in a marginal change in the rate of crawl of the Pula against the basket, from -0.3% to +0.3% on an annual basis. Given that the rate of crawl is so small, the impact of the change is unlikely to have a significant impact.

However, it is disappointing that the review did not result in a change to the basket weights. As we noted in our review of Exchange Rate Policy and Diversification in the

Economic Review of 2017, Q2, the current basket weights are not supportive of diversification, export-led growth and job creation. In particular, the weight for the SA rand (45%) is too low, and causes the Pula-Rand exchange rate to fluctuate excessively. Given that most of Botswana's non-mineral exporters are exporting into South Africa, and hence competing with imported rand-denominated products, and similarly for firms selling domestically in competition with South African products, stability in the BWP-ZAR exchange rate is essential. It is also important to prevent the Pula from strengthening too much against the rand, which the current basket weights do not do. So, as before, we propose that rand weight in the basket is raised to 55%-60% to support exports and job creation.

Diamonds

The global diamond market has been performing reasonably well in overall terms, but with stress in particular segments that may reflect structural change and potential volatility going forward. Total sales of rough diamonds through De Beers Global Sightholder Sales were up marginally in 2018, driven mainly by higher rough prices, which rose about 7% on average over the year. Sales during the 2018 holiday season (November/December) were reasonably good, supporting improved sentiment in the industry. However, the price increase for rough has squeezed profit margins for dealers and cutters, as polished prices have not increased commensurately. The problem has been particularly acute for small, low value diamonds, perhaps due in part to pressure from increasing supplies of synthetic diamonds.

Policy Changes

The new government that has been in place since April 1st 2018, when President Masisi took office following the end of former President Khama's 10 year term, has been making improvements to the policy environment from a business and growth perspective. The availability of work permits for foreign investors and skilled workers has improved, and the announcement that entry visas will soon be made available on arrival at the main airports and border posts is very welcome. President Masisi has been making determined efforts to engage with the domestic and international business community to boost investment. A range of business environment reforms have been promised, including deregulation and improved co-ordination between different government departments. However, many of these require new or amended laws, which is an extremely slow process.

Some policy changes still need to be better thought through from the perspective of their impact on the private sector. A couple of recently proposed tax changes show this clearly. A proposed change to the Transfer Duty Act will raise the rate of transfer duty on property transactions for sales to non-citizens (both individuals and firms) from 5% to 30%. This punitive change runs the risk of undermining the positive developments mentioned above with regard to reaching out to attract foreign investors. It will also undermine the domestic property market, reduce property prices, and reverse recent efforts to expand mortgage lending by banks. The definition of a citizen firm applies only to those that are 100% citizen owned, which means that joint ventures between citizens and non-citizens are classified as foreign. This in turn penalizes such joint ventures, which is counter-productive as they are one of the most effective ways to promote citizen empowerment.

Coming on top of this, the Tax Amendment Bill makes changes that will effectively kill off one of the most important business structures in the property sector, the Variable Rate Loan Stock (VRLS) company. This structure enables (tax-exempt) institutional investors such as pension funds to invest in property funds, and has been an important driver of the listing of property companies on the Botswana Stock Exchange (BSE). Combined with the transfer duty changes – under which all BSE-listed property companies are classified as foreign – the negative impact could be substantial.

Outlook

Notwithstanding these mis-steps – which it is not too late to reverse – the third and fourth quarters of 2018 were generally positive from an economic perspective, with higher GDP and employment growth, and improvements to the policy environment. This has been supported by greater transparency from government, improved communication, and attempts to address the problem of rising corruption. There has been an improvement in business confidence, with a majority of firms having positive expectations about business conditions, according to the BoB's September 2018 Business Expectations Survey – although due to changes in the format of the survey and its reporting, it is no longer possible to be specific about the numbers or proportions of firms responding positively, in contrast to past surveys.

The main negative factor affecting business conditions in the BOB survey is concerns about the growth of government spending (or lack thereof). The forthcoming 2019

Budget – due on February 4th – will lay out the spending plans for the new fiscal year (2019/20). As we explained in our last Review (2018 Q3), the 2019 Budget Strategy Paper from the Ministry of Finance and Economic Development (MFED) envisages a 6% increase in total government spending in 2019/20, well ahead of inflation. There are also rumors of a substantial pay increase for public sector employees, although it is difficult to see how this can be accommodated within a sustainable budget framework.

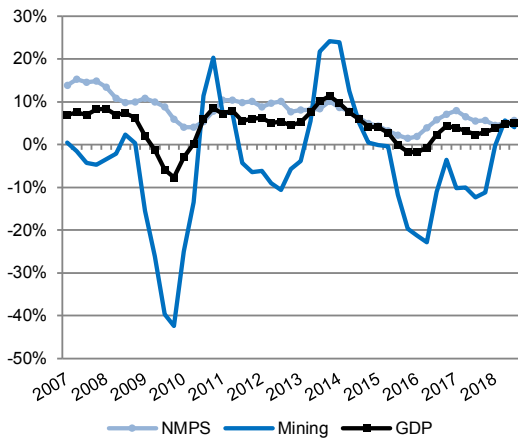
Increasingly, however, the problem with government spending is not availability of funds, but inefficiencies in (for instance) procurement, with many government departments unable to spend funds they have been allocated – which of course results in disruption to both firms that are suppliers to government (of which there are many) and the firms and households who depend on the services that should be provided. Improving the quality and efficiency of public service delivery is one of the major challenges facing the government, and is crucial to improving the quality of the business environment.

Finally, the external (international and regional) environment offers mixed prospects over the coming year. Internationally, the economic outlook is deteriorating, with lower growth prospects and increasing risks. The IMF has lowered its forecasts of global growth in 2019 from 3.7% to 3.5% in its latest (January 2019) World Economic Outlook. Economic growth in 2019 is expected to be lower than in 2018 in the USA, the Euro zone and China. Global economic risks are also increasing, due to the ongoing, unresolved trade dispute between the USA and China; the likely destabilizing impact of the UK's exit from the European Union; and uncertainty over the pace of the slowdown of economic growth in China. In the short-term there are additional risks to US growth from the ongoing US government shutdown and budget disputes, and in the long-term the unwillingness of the current US government to contribute to global efforts to combat global warming and climate change.

Regionally, the outlook is more promising, notwithstanding current instability in Zimbabwe. In the most important economy in the region, South Africa, there are prospects of improved growth in 2019 and further ahead, under the Presidency of Cyril Ramaphosa. This will have a positive spillover for Botswana and other SADC economies. Indeed, sub-Saharan Africa is one of the few regions of the world that is projected to experience higher growth in 2019 and 2020.

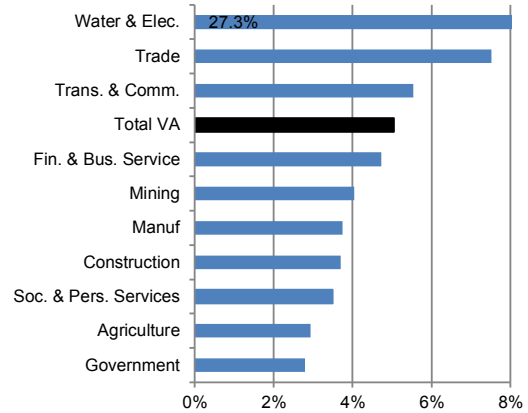
KEY ECONOMIC VARIABLES

Annual GDP Growth



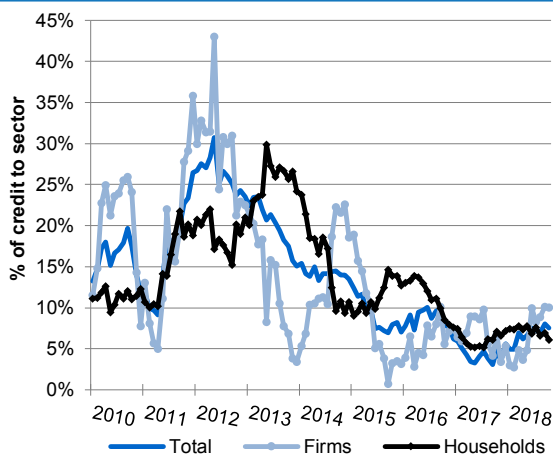
The Botswana economy continued to improve during the third quarter of 2018, with annual real GDP growth increasing further. Year-on-year GDP growth was 5.1% in Q3 2018, higher than the revised (higher) growth of 4.9% in Q2 2018 and 2.4% in Q3 2017. Growth in Q3 2018 was driven by the non-mining private sector (NMPS), where growth increased to 5.7% y-o-y up from the revised growth of 5.1% in Q2. Mining sector growth slowed during the period, with y-o-y growth of 4.0%, down from the revised growth of 5.6% in Q2 2018, but higher than the revised growth of minus 12.4% y-o-y recorded in the same period last year.

Sectoral GDP Growth



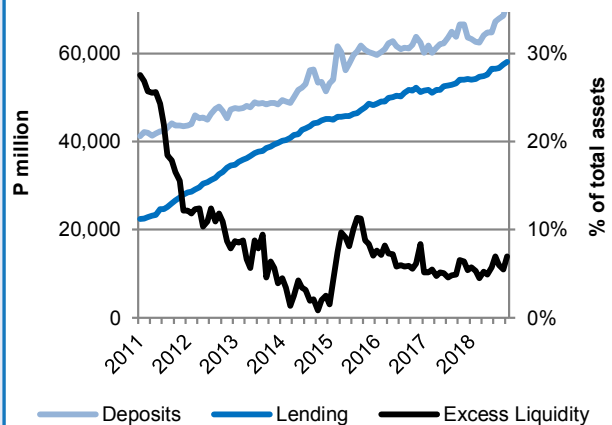
Improved performance was evident across most economic sectors, the exceptions being Mining, Manufacturing and Water & Electricity, which recorded lower growth rates in Q3 2018 compared to Q2. Trade was the fastest growing sector, recording year-on-year growth of 7.5% during the quarter, up from the revised growth of 6.0% y-o-y in Q2 2018. Growth in the Trade sector is mainly attributable to the Wholesale sub-sector, which grew by 16.3% y-o-y in Q3, compared to the revised growth of 9.5% y-o-y in the previous quarter. Other sectors of Agriculture, Government, Social & Personal Services, Finance & Business Services and Transport & Communication recorded growth rates of 2.9%, 2.8%, 3.5%, 4.7%, and 5.5% respectively, all higher than in Q2 2018.

Annual Credit Growth



Annual bank credit growth rose to 7.6% in the year to October 2018, compared to 7.3% in July, significantly higher than the 4.8% recorded in October 2017. This is attributable to faster growth in lending to private firms, which increased to 10.0% in October from 8.3% in July and 6.8% in October 2017. On the other hand, growth of credit to Households decreased for both periods, recording annual growth of 6.1% in October compared to 7.6% and 7.1% in July 2018 and October 2017 respectively. Within credit to the private business sector, there were notable increases in lending to agriculture, construction, trade, finance and business services.

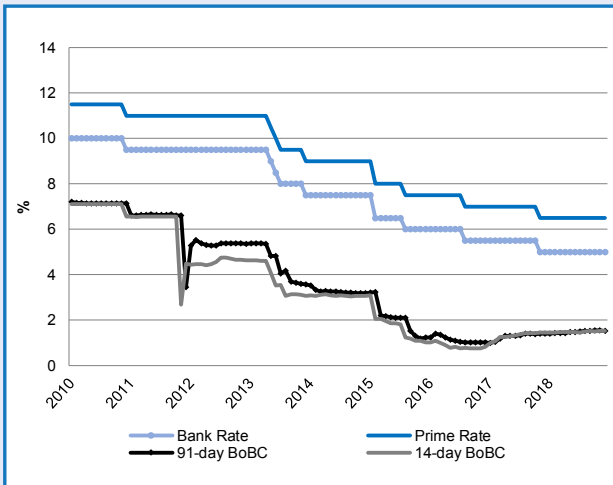
Bank Deposits, Lending & Liquidity



Bank liquidity improved further in October 2018 as a result of a sharp growth in bank deposits. Excess liquidity increased marginally to 7.0% of total assets in October 2018 from 6.9% in July, to reach the highest level since December 2016. Total bank deposits reached P71,418 billion in October 2018, increasing by more than P4 billion between July and October and passing P70 billion for the first time. This reduces concerns over deposit growth in the banking sector, which had been very weak in 2017 and early 2018. It also relieves some concerns about the negative impact of the proposed withdrawal of some government deposits from the banks.

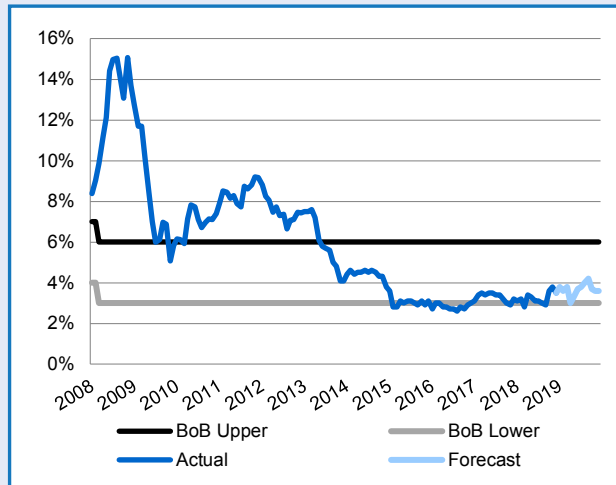
KEY ECONOMIC VARIABLES

Interest Rates



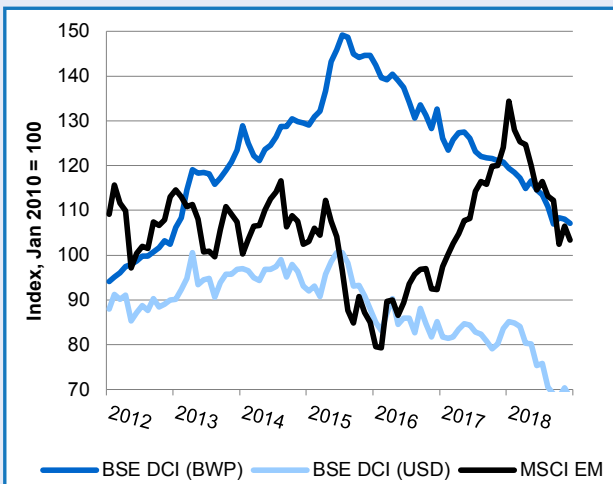
The Bank of Botswana's (BoB) Monetary Policy Committee (MPC) maintained its monetary policy stance and held the Bank rate constant at 5.0% at its meeting in December 2018, citing a positive inflation outlook. Money market rates were stable during Q4 of 2018, but have increased over the year even as policy rates remained unchanged; the 14-day BoBC rate increased from 1.45% in December 2017 to 1.52% in December 2018 and the 91-day BoBC rate rose from 1.41% to 1.53% during the same period. The commercial bank Prime Lending Rate remained unchanged at 6.5%.

Inflation and Forecast



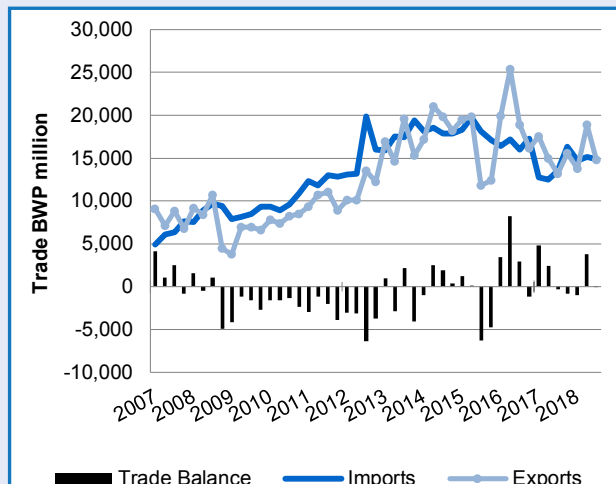
The headline inflation rate in December 2018 was 3.5%, higher than the 2.9% inflation rate recorded in September 2018 and 0.3% higher than inflation in December 2017. Group indices had marginal changes during the year except for Transport, which rose by 10.1% y-o-y as a result of changes in Operation of Personal Transport following increased fuel prices. Core inflation (trimmed mean) was 3.6% in December, while the alternative measure of core inflation (excluding administered prices) was 1.8%. Inflation is forecast to increase gradually in the first half of 2019 but remain within the lower half of BoB's medium-term objective range of 3-6%.

Stock Markets



The Botswana Stock Exchange (BSE)'s Domestic Companies Index (DCI) weakened marginally in the fourth quarter of 2018. The DCI declined by 1.2% and 0.2% in Pula and USD terms respectively. The BSE has performed poorly throughout 2018, falling by 10.2% and 19.9% in Pula and USD terms respectively over 12 months. It has, however, outperformed the MSCI Emerging Markets Index, which declined by 23.0%, over the year, but not the MSCI World Index, which declined by 14.9%.

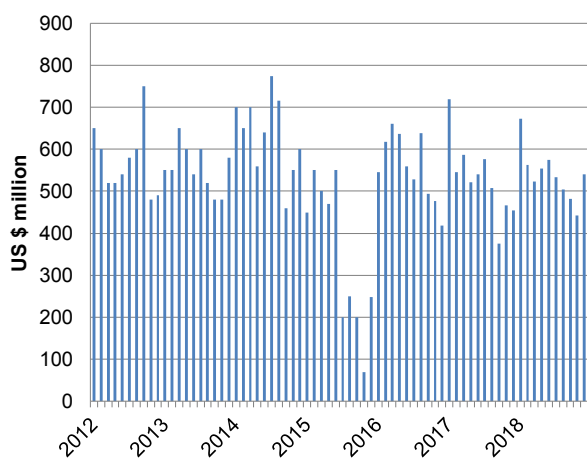
International Trade



The latest data from Statistics Botswana show that trade slowed in the third quarter of 2018, decreasing for all categories of imports and exports. Total exports fell by 21.6% to P14.8 billion in Q3 2018 from P18.9 billion in Q2 2018 while total imports decreased by 1.9% to P14.9 billion during the same period. This resulted in a trade deficit of P29.2 million, down from a surplus of P3.8 billion in the previous quarter. Exports decreased for all categories except for Machinery & Electric Equipment and Salt & Soda Ash.

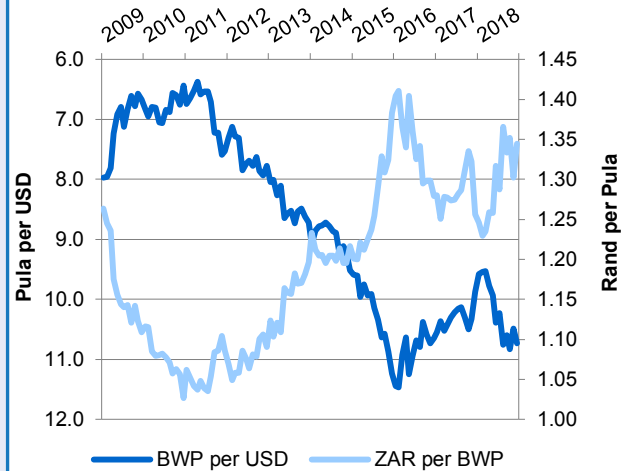
KEY ECONOMIC VARIABLES

De Beers Diamond Sales



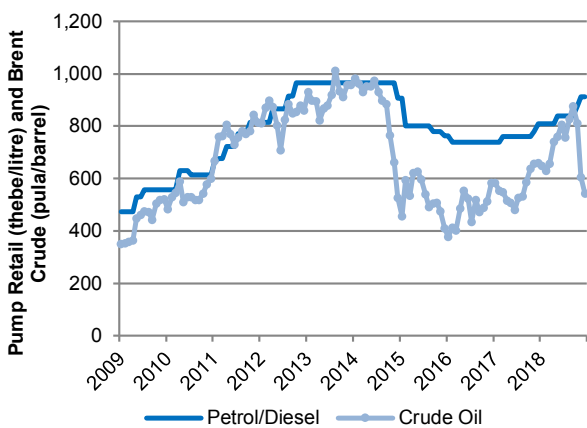
The global market for rough diamonds was fairly stable through the year, and recorded higher sales in 2018 compared to 2017. In line with increased output during the year, De Beers Global Sightholder Sales (DBGSS) increased sales by 1.2% in 2018, up from USD5,294 million in 2017 to USD5,390 million in 2018. During the holiday season in Q4, sales increased by 12.9% to USD1,464 million from USD1,235 million in Q3. De Beers holds ten sightholders sales each year and there were three sightholder sales in Q4 compared to two sightholder sales in Q3.

Exchange Rates



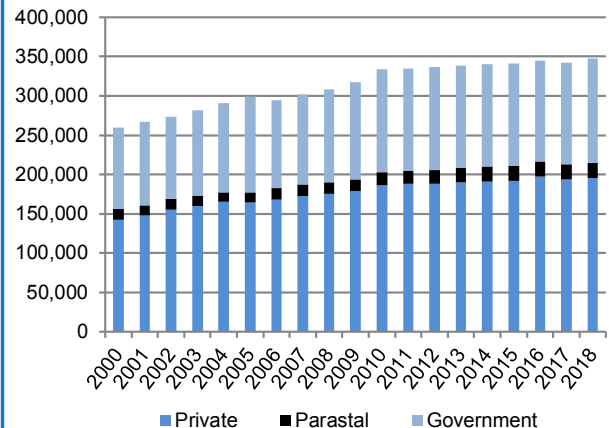
The Pula continued to weaken against the US dollar in Q4 2018. The Pula-US dollar exchange rate was 10.73 at the end of December, compared to 10.59 in September, reflecting a depreciation of 1.3%. During the period, the Pula appreciated against the SA rand to end the year at ZAR 1.3441, up from ZAR 1.3339 during the quarter, an appreciation of 0.8%. The Pula exchange rate policy has also been reviewed in January 2019, and the rate of crawl against the basket adjusted upwards to 0.3% per annum, while the Pula basket weights were maintained at 45% for the South African Rand and 55% for the Special Drawing Right (SDR).

Fuel prices



Local retail prices for petrol and diesel rose by 12.6% in the twelve months to December 2018, in contrast to the decline in international fuel prices. International fuel prices had risen steadily during the year, before falling sharply in Q4. The spot price of Brent crude fell by 24.2% and 17.5% in US dollar and Pula terms respectively in December 2018. Local prices were adjusted upwards three times during the year in May, October and November, by 23t, 65t and 33t for petrol and 45t, 73t and 36t for diesel. Retail fuel prices are regulated and reviewed every month by the Botswana Energy Regulatory Authority (BERA) and the increase in local prices was necessary towards bringing the National Petroleum Fund (NPF) to cost recovery levels.

Formal Sector Employment



Recent data (to September 2018) on formal employment showed an overall increase in the number of formally employed persons in Botswana. The number of new jobs created between September 2017 and September 2018 was 5,458, an increase of 1.6%, which was the highest growth rate since 2011. Formal employment increased across all sectors; however, growth was driven by the government. Employment rose by 2.7%, with 3,436 (net) new persons employed by the government between September 2017 and September 2018. Parastatal and private sector formal employment growth was 1.6% and 0.9%, representing 304 and 1,718 new jobs respectively, during the same period.

NEWS HIGHLIGHTS

03 October	Africa's Pulse (World Bank)	Economic growth in Sub-Saharan Africa is estimated to have risen to 2.7 percent in 2018 from 2.3 percent in 2017. This is a downward revision of 0.4 percentage points from the initial growth forecast of 3.1 percent for the region published in April. The downward revision was due to sluggish expansion in the three largest economies within the region, namely South Africa, Nigeria and Angola.
03 October	Alcohol levy cut by 20 percent (Mmegi)	The government has cut the alcohol levy by 20 percentage points, down to 35 percent for both locally brewed and imported products.
05 October	Blue Train revenues inch forward to P15 million (Mmegi)	The BR Express, the passenger rail service of Botswana Rail, recorded revenue of P15 million and transported 134,702 passengers in 2017. Botswana Rail's goods haulage business managed to amass a total of P289 million in 2017, down from P323 million in 2016.
08 October	Bank Gaborone Loan Book Balloons (Mmegi)	Bank Gaborone's loan book grew by 15 percent to P3.5 billion, up from P3 billion in the previous year. Individual loans, commercial loans and mortgage loans rose by 8.9 percent, 42.7 percent and 4 percent respectively.
12 October	IMF slashes Botswana 2019 growth forecast to 3.6 percent (Mmegi)	The International Monetary Fund (IMF) has revised down Botswana's 2019 growth projection from an initial 4.5 percent to 3.6 percent. The revision comes as part of the World Economic Outlook (WEO) publication, which is released in April and reviewed in October.
14 October	Financiers Pledge USD125 million to Botswana Trade (Rapaport)	The US government-owned Overseas Private Investment Corporation (OPIC), along with Botswana Finance and Stanbic Bank, have agreed to guarantee a loan worth USD125 million to Botswana's diamond manufacturing industry. The loan is aimed at diversifying Botswana's economy, developing its financial sector and providing local companies with access to financing.
15 October	Moody's "Okays" Botswana's debt level (Sunday Standard)	In a report titled "Government of Botswana – A2 stable, Annual Credit Analysis", Moody's have given a positive outlook on Botswana's credit position. The report states that Botswana's low susceptibility to event risk is due to its low government borrowing, strong net external position, healthy banking sector and overall political stability.
15 October	BDC takes over Transport Holdings (Weekend Post)	Botswana Development Corporation (BDC) has bought out Imperial Group in a transaction worth P149 million to become the majority shareholder of Transport Holdings (TH). Furthermore, BDC's investment will finance the acquisition of Imperilog Botswana; a subsidiary of TH. The takeover deal is also set to raise capital for TH's African expansion strategy.
28 October	De Beers rough production down 5 percent in Q3:2018 (Sunday Standard)	The Anglo-American Corporation third quarter production report has stated that De Beers' rough diamond production has slowed over the third quarter. This was due to expected lower grades and the shutdown of various mines as they transition from open cut to underground mining.
29 October	Alrosa Joins De Beers Blockchain (Rapaport)	De Beers has signed up Alrosa to its blockchain pilot project. The collaboration between the two leading diamond producers is aimed at building a source-verification project which will track diamonds on their journey from mine to retail. The project was launched earlier in 2018 with diamond manufacturers Diacore, Diarough, KGK Group, Venus Jewel and Rosy Blue alongside retailer; Signet Jewelers.

NEWS HIGHLIGHTS

02 November	BoB expects low inflation to persist for two years 'or longer' (Mmegi)	The Bank of Botswana (BoB), in the October Monetary Policy Report (MPR), has projected inflation to remain close to the lower, 3 percent end of their inflation threshold over the next two years or longer. BoB have highlighted modest trading partner inflation, the relative strength of the pula against the rand, along with limited oil and food inflation as factors that will keep headline inflation low in the coming months.
09 November	BPOPF ups stake in Minergy as 2019 production nears (Mmegi)	Botswana Public Officers Pension Fund (BPOPF), has bought 23.3 million more shares in Minergy Limited, bringing its total stake in the company up to 34.4 percent, up from 30.8 percent last year. This follows news that Minergy has begun construction of the Masama mine, with the first coal sales expected in February 2019.
12 November	Air Botswana re-fleets and rebrands (Mmegi)	Air Botswana (AB) has added two ATR72-600 Turbo propeller aircraft to its fleet. The new aircraft are set to replace a pair of older ATR72-500 models. The airline has also decided to adopt a new logo, which has been inspired by Botswana's diamonds, as it celebrates thirty years in operation.
12 November	De Beers is offering big discounts on low-quality diamonds (Bloomberg)	De Beers is said to have made steep cuts in the price of low-quality stones at their most recent sale (as of 12 November). Prices are rumoured to have been cut by as much as 10 percent. This is the latest sign of turmoil at the bottom end of the market due to the oversupply of low-quality diamonds. As a result, cutting centres such as Surat in India have been squeezed by lower profit margins and currency depreciation.
14 November	Another fuel hike tonight (Mmegi)	Government, through the ministry of Mineral Resources Green Technology and Energy Security in collaboration with the Botswana Energy Regulatory Authority (BERA) announced another fuel increment that will take effect from midnight November 15, 2018. Retail prices for petrol grades, diesel and illuminating paraffin will rise by 33t, 36t and 31t respectively.
14 November	BancABC to list (The Patriot)	BancABC Managing Director, Kgotsi Bannalotlhe, has stated that the bank's decision to list on the Botswana Stock Exchange (BSE) is an attempt at consolidating the bank's market position. The bank has made available for purchase, up to 180,525,000 ordinary shares at a cost of P2 per share. He further added that 82.3 percent of the shares on offer have already been allocated to institutional investors through pre-listing commitments.
14 November	Cene, BOFINET offer free Wi-Fi zones (The Patriot)	Cene Media, in partnership with Botswana Fibre Networks (BOFINET) has launched new Free Wi-Fi Zones. Speaking at the launch, Cene Media CEO, Nial Downey, highlighted the fact that the product gives local businesses and aspiring enterprises the opportunity to market their products and services on a new media platform.
21 November	Debswana appoints new MD as Bonyongo retires (Mining Weekly)	Debswana Diamond Company has appointed Albert Milton as Managing Director (MD), effective December 1, 2018, following the retirement of Balisi Bonyongo. Bonyongo, who had been with the company for 26 years and served as MD since January 2014, will stay on for three months to ensure a smooth transition.
22 November	Shumba Energy strikes deal with ESKOM supplier (Gazette)	Shumba Energy Ltd. and Lurco Group South Africa have reached an agreement for the establishment of a 50/50 joint venture partnership between the two. The deal is set to help Shumba supply export coal into the region, as Lurco is already a supplier to ESKOM for thermal coal.

NEWS HIGHLIGHTS

23 November	CEDA funding reached P4.9 billion since inception (Sunday Standard)	The Citizen Entrepreneurial Development Agency (CEDA) has financed 7,286 projects amounting to P4.9 billion since its establishment in 2001. 5,221 of the projects valued at P3.6 billion, representing 76 percent of their portfolio, are reported to be performing well. The Minister of Investment, Trade and Industry, Bogolo Kenewendo, further stated that 2,844 loans valued at P1.4 billion had been fully settled.
27 November	Minergy's Botswana opencast coal mine project springs to life (Mining Weekly)	Botswana's first opencast coal mine, Masama, has begun operations after being awarded a mining license in August 2018. The first soil was dug on September 9 and the mine is expected to start selling thermal coal in the first week of February 2019. According to Minergy CEO, Andre Boje, the mine is projected to initially produce 1.2 million tons of coal a year before increasing annual production to 2.4 million tons. He stated that the mine has 390 million tons of coal reserves and a life-of-mine in excess of 100 years.
30 November	SEZA targets P200 million+ investments (The Patriot)	The newly established Special Economic Zones Authority (SEZA) has made a commitment to attract investors, bringing Foreign Direct Investment (FDI) in excess of P200 million. Thatayaone Ndzingo, CEO of SEZA, has said that the core objectives of the authority are to create an environment that is friendly to investors, increase competitiveness and to target value adding sectors that offer market and cost driven investment opportunities aligned to the needs of the investors.
03 December	PEEPA to unveil BMC privatization strategy in May 2019 (Sunday Standard)	Public Enterprises Evaluation and Privatisation Agency (PEEPA) has set a target of May 2019 for the release of a strategy paper that will outline how the government will sell part, if not all, its stake at the Botswana Meat Commission (BMC). According to Obakeng Moumakwa, CEO of PEEPA, the privatisation of BMC is set to take place in three stages, the first of which entails converting BMC into limited liability company. The second stage will be the development of a privatisation strategy and the third will be the implementation of the strategy.
04 December	Monetary Policy Committee Meets (Bank of Botswana)	The Monetary Policy Committee (MPC) of the Bank of Botswana (BoB) has decided to maintain the Bank Rate at 5 percent. The MPC reports a positive outlook for price stability, with the inflation rate forecast to be within the Bank's objective range of 3-6 percent in the medium term.
05 December	Bank profits soar even higher (Mmegi)	Local commercial banks have recorded profits that rose to P1.33 billion in the third quarter. Total bank profits over the first six months of 2018 were nearly 64 percent higher than those recorded in the same period in the previous year, whilst nine-month profits were approximately 59 percent greater in 2018 than in 2017.
06 December	Cut 9: Jwaneng mine lifeline (The Patriot)	The Jwaneng Cut 9 project, which is scheduled to begin construction in December 2019, is set to extend the lifespan of the diamond mine to as far as 2034. However, production volumes are set to fall as the mine transitions from Cut 8 to Cut 9.
06 December	Orange constructs P70 million data centre (Gazette)	Orange Botswana will construct a new data centre located at the Botswana Innovation Hub and Technology Park. The construction is set to take place over 12 months and will include office space, equipment space, 2 redundant energy centres and a tower for backhaul and transmission. The Orange Data Centre is set to provide coverage to 81 percent of the country's population with 2G technology, 62 percent with 3G technology and 45 percent with 4G technology.
06 December	Lab-grown production rising 15 percent per year (Rapaport News)	At its current growth rate, the production of lab-grown rough diamonds could increase to between 10 million and 17 million carats per year by 2030. The growth in output is being driven by an increase in consumer demand for synthetic diamonds along with a large drop in their cost of production.

NEWS HIGHLIGHTS

10 December	President 'thumbs-up' mobile money (Guardian)	President Masisi has praised local mobile network operators for helping to close the financial divide through mobile money. The President also praised Orange Botswana for helping create employment and supporting Small Medium and Micro-sized Enterprises (SMMEs) by engaging 14,000 hawkers to distribute their services nationwide. Statistics from the Botswana Communications Regulatory Authority (BOCRA) show that Orange has the greatest number of mobile money subscriptions with 356,938 subscribers followed by Mascom with 167,356 and BTCL with 2,496.
11 December	Botswana's Mowana copper mine suspends operations over working capital (African Reuters)	Botswana's last operating copper mine, Mowana Mine, has suspended operations due to working capital constraints. This has led to failures in paying both salaries and suppliers. Even though copper prices have recovered on the international market, Mowana Mine has been unable to take advantage of these due to frequent equipment breakdowns. The mine currently employs 411 individuals.
12 December	De Beers raises production outlook (Rapaport News)	De Beers has revised production forecasts up for 2018 and subsequent years. This is due to the miner's anticipation of solid consumer demand. The miner expects output for 2018 to reach between 35 million to 36 million carats, its highest level since 2008. Recovery is expected to dip in 2019 due to the movement from open-pit to underground mining in Venetia mine in South Africa and the closure of Victor mine in Canada. However, following that, production is expected to steadily rise through to the year 2021, whereby in which output within the range of 35 million to 37 million carats is expected.
14 December	MOD granted renewals on all its Botswana prospecting licences (Mining Weekly)	MOD Resources has had all its prospecting licences across the Joint Venture (JV) landholdings along Botswana's copperbelt extended by two years. Additionally, the miner has been granted a new three-year license. This brings the joint coverage of MOD Resources' licences to 8,163 km ² along the Kalahari copperbelt.
18 December	De Beers' final sales cycle for 2018 ends on a high (Mining Weekly)	De Beers sold USD540 million worth of diamonds in its tenth and final sales cycle of the year 2018. This represents the strongest sales for the final cycle of a year for the past 3 years, with the 10 th cycle in 2017 and 2016 recording sales valued at USD455 million and USD422 million respectively. The latest cycle brings total sales for the year 2018 to USD5.376 billion.
19 December	Botswana's Mowana copper mine applies for provisional liquidation (Mining Weekly)	Cradle Arc has applied for the provisional liquidation of its 60 percent owned Leboam Holding subsidiary which owns the recently suspended Mowana copper mine, whilst alternative funding arrangements are being made. Mowana mine has been facing significant working capital constraints and was unable to pay both salaries and suppliers.
21 December	Big step for BBS (The Patriot)	Parliament has approved the Building Societies (Amendment) Bill which paves the way for the commercialisation of the Botswana Building Society (BBS). The bill proposed the raise of the shareholder protective cap from 15 percent to 25 percent for societies. This will allow the Society, once it is a commercial bank, to raise capital by allowing existing shareholders the opportunity to buy additional shares in BBS beyond the current 15 percent cap. This will allow the Society to meet the minimum capital adequacy ratio requirement of 15 percent for all banking institutions in Botswana.
21 December	Botswana rebases CPI, adds new items (Mmegi)	Statistics Botswana is rebasing its Consumer Price Index (CPI), the most commonly used measure of inflation, to reflect the changes that have taken place in consumer consumption patterns over recent years. The new CPI measure will monitor the prices of the 400 goods and services in its basket as compared to the 393 in the previous basket. The base year for the series (CPI) will also change from September 2016 to December 2018. The first inflation data using the new basket is set to be released in March 2019.

MACRO-ECONOMIC DATA

Key Economic Data										
	unit	2013	2014	2015	2016	2017	2018Q1	2018Q2	2018Q3	2018Q4
Annual Economic Growth										
GDP	%	11.3	4.1	-1.7	4.3	2.9	3.8	4.9	5.1	..
Mining	%	24.2	0.5	-19.6	-3.7	-11.1	-0.3	5.6	4.0	..
Non-mining private sector	%	10.1	4.9	1.4	7.1	5.6	4.5	5.1	5.7	..
GDP current prices	P mn	125,158	145,868	146,066	170,564	180,102	45,820	46,967	48,912	..
GDP 2006 prices	P mn	84,081	87,569	86,083	89,787	92,398	23,484	24,064	24,174	..
Money & Prices										
Inflation	%	4.1	3.8	3.1	3.0	3.2	2.8	3.1	2.9	3.5
Prime lending rate	%	9.0	9.0	7.5	7.0	6.5	6.5	6.5	6.5	6.5
BoBC 14-day	%	3.06	3.07	0.97	0.84	1.45	1.47	1.47	1.52	1.52
Trade & Balance of Payments										
Exports - total goods	P mn	66,404	76,261	63,484	80,336	61,093	13,795	18,899	14,823	..
Exports - diamonds	P mn	55,367	65,328	52,730	70,781	54,384	12,345	17,253	12,990	..
Balance of payments	P mn	1,340	11,404	-57	2 843	61	-1 470	-972
Foreign Exchange										
Exchange rate BWP per USD	end	8.718	9.515	11.236	10.650	9.872	9.533	10.395	10.593	10.730
Exchange rate ZAR per BWP	end	1.196	1.217	1.383	1.279	1.256	1.235	1.317	1.334	1.344
FX reserves	\$ mn	7,726	8,323	7,546	7,189	7,502	7,383	7,147	7,146	..
FX reserves	P mn	67,772	79,111	84,881	76,804	73,693	70,582	74,297	75,781	..
Financial Sector										
Deposits in banks	P mn	48,512	51,492	59,961	62,438	63,581	62,495	64,838	68,517	..
Bank credit	P mn	39,763	45,116	48,307	51,316	54,181	54,695	56,531	57,582	..
BSE index		9,053.4	9,501.6	10,602.3	9,727.7	8,860.1	8,589.6	8,402.7	7,837.3	7,853.5
Business Indicators										
Diamond production (a)	'000 cts	23,134	24,658	20,732	20,880	22,961	5885	6,360	5,825	6,307
Copper production (b)	tonnes	49,448	46,721	23,050	16,878	1,239	135	547	625	155
Nickel production	tonnes	22,848	14,958	16,789	13,120	0	0	0	0	0
Business confidence index		45%	52%	44%	43%	46%	58%
No. of companies formed		14,190	16,300	19,134	17,133	20,707	5,327
Electricity consumption	GWh	3,502	3,990	3,974	3,929	3,772	960	992	1,004	..
Crude oil (Brent)	\$/bar	109.95	55.27	36.61	54.96	66.73	69.02	77.44	73.16	50.57
Employment (formal)										
Government		130,175	129,918	130,220	129,216	129,009	129,118	130,817	132,386	
Parastatals		18,838	18,790	19,411	19,008	19,444	19,491	19,566	19,773	
Private sector		189,894	191,399	191,484	194,202	193,745	194,162	194,564	195,198	
Total		338,907	340,107	341,115	342,426	342,198	342,771	344,947	347,357	
Govt Budget										
		2014/15	2015/16	2016/17	2017/18 Actual	2018/19 Proposed				
Revenues	P mn	55,904	47,420	57,398	58,154	58,113				
Spending	P mn	50,564	54,411	56,275	57,934	62,688				
Balance	P mn	5,340	-6,991	1,123	220	-4,575				
Public debt & guarantees	P mn	33,131	35,342	36,864	38,000	38,539				
Govt deposits at BoB	P mn	41,680	33,916	29,819	30,094	30,596				
GDP	P mn	147,920	149,134	174,630	182,223	203,175				
Revenues	%GDP	37.8%	31.8%	32.9%	31.9%	28.6%				
Spending	%GDP	34.2%	36.5%	32.2%	31.8%	30.9%				
Balance	%GDP	3.6%	-4.7%	0.6%	0.1%	-2.3%				
Public debt & guarantees	%GDP	22.4%	23.7%	21.1%	20.9%	19.0%				
Govt deposits at BoB	%GDP	28.2%	22.7%	17.1%	16.5%	15.1%				

Sources: Bank of Botswana; MFED; Statistics Botswana; Department of Mines; Registrar of Companies; BSE; Econsult
Notes:

- (a) From 2013, figures include production from Lucara Diamonds (Karowe mine) and Debswana. From 2016, figures also include production from Gem Diamonds (Ghagoo) and Lerala mines, which ceased in February 2017 and April 2017 respectively
(b) Copper production starting Q2 2017 for Mowana mine
(c) Numbers in Italics reflect revisions from the previous review

SPECIAL FEATURE

Botswana's Performance on Major International Economic Rankings

Ease of Doing Business

The World Bank's Doing Business (DB) Reports are a well-established annual series of assessments of the business environment in participating countries. The DB assessment measures business regulation and the protection of property rights across countries (190 in 2019) based on quantitative indicators covering the life cycle of businesses. It focuses on factors that have been shown to be supportive of business development, or constraints to it. The DB indicators cover 11 aspects of the business life cycle: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency and the labour market regulation. The results provide a measurement of country performance in each area and overall (the DB score), and a comparative ranking against other countries included in the survey. The 2019 DB report is based on information gathered in mid-2018.

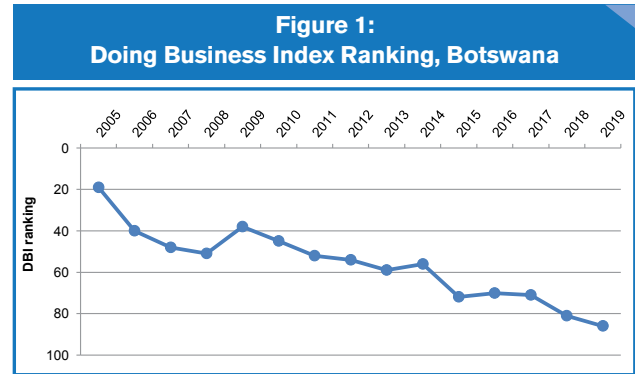
Doing Business Rankings

Botswana has not been doing well in the Doing Business rankings in recent years. The general trend indicates a deterioration in the ease of doing business. In the latest (2019) report rankings, Botswana moved five places downwards from 81 out of 190 countries in 2018 to 86 (position one is the best), the lowest ranking Botswana has ever had. At position 86, Botswana is below Mauritius (rank 20), Rwanda (29), Kenya (61), and South Africa (82), and just above Zambia (87). It is interesting to compare this with the ranking ten years ago (DB 2009): Mauritius (24), Rwanda (143), Kenya (84), South Africa (32), Zambia (99). Botswana was then ranked number 39.

The highest rank Botswana has ever achieved was 19 (out of 155 countries) in 2005. There was another improvement in 2009 where Botswana was ranked among the top 10 countries in Africa for implementing essential reforms in 2007/08, but the general trend has been (unfortunately) consistent.

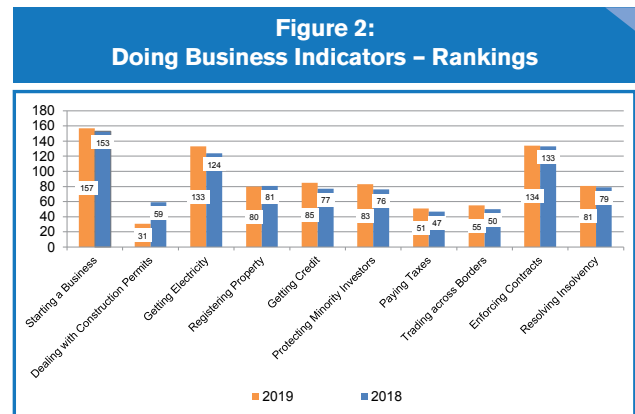
An analysis of the 2019 DB indicators shows there was a big improvement in dealing with construction permits. This was achieved by reducing the time taken to process permit applications and streamlining procedures by allowing third party engineers to do some of the work. Out of 190 countries, Botswana was ranked number 39 in 2019, up

from 59 in 2018. This is the best ranking across any of the indicators. Improving the timeliness of construction permits is important also to improve project delivery of projects included in National Development Plan (NDP) 11.



Source: Doing Business reports, various

Other indicators where Botswana performs relatively well include trading across borders and paying taxes. However, the direction of change is worrying, as the ranking on these two indicators has fallen. Trading across Borders was ranked 55 out of 190 countries in 2018 down from 50 out of 190 countries in 2017, while Paying Taxes was ranked 51 out of 190 countries in 2018 from 47 out of 190 countries in 2017. The three indicators which had the lowest rankings were Starting a Business, Getting Electricity and Enforcing Contracts at 157, 133 and 134 out of 190 countries in 2019 from 153, 124 and 133 out of 190 countries in 2018 respectively.



Source: Doing Business report 2019 and 2018

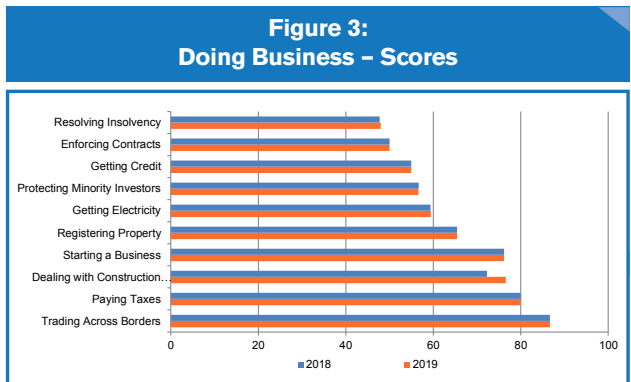
SPECIAL FEATURE

Doing Business Scores

The DB rankings are based on a country’s DB scores, in relation to other countries. The DB score measures how well a country is doing relative to the best-performing country in each indicator category. Botswana’s DB score improved from 64.94 out of 100 in 2018 to 65.40 out of 100 in 2019, where 100 is the highest score possible. This implies that even though some aspects of the business environment improved (higher score), other countries improved faster (lower ranking).

On the individual components, Enforcing Contracts and Resolving Insolvency have the worst scores and are therefore the furthest from regulatory best practice. Starting a Business has a good score but a low ranking, which indicates that most other countries have even higher scores. It also indicates that it should be relatively easy to improve Botswana’s ranking on this indicator with some well-chosen reforms, such as the long-promised online business registration. However, it should be noted that regulatory improvements take a while to impact on the DB scores and rankings; not only does the change have to be made, but its impact must be felt by the private sector, as the scores are based on private sector (not government) responses to the survey questions.

Dealing with Construction Permits is the only indicator that has improved its score, from 72.3 out of 100 in 2018 to 76.6 out of 100 in 2019.



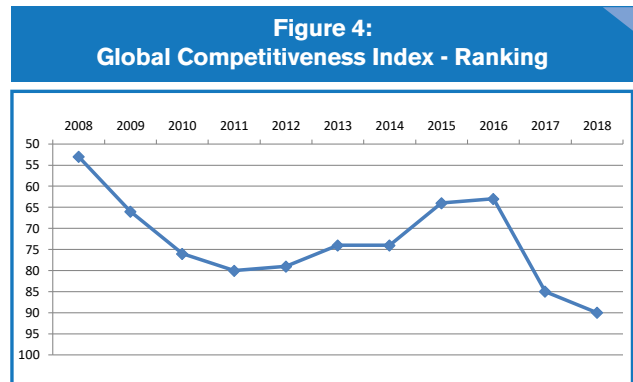
Source: Doing Business report 2019 and 2018

Conclusion

Botswana’s performance in the DB ranking is worrying. To improve, the country has to increase its scores across the 11 indicators, and do so faster than other countries. This implies that Botswana has to improve its score in relation to the best performer in the index and faster than other countries. This is because the DB rankings improve in relation to an improvement in DB score. However, an improved score does not guarantee an improved ranking if other countries are progressing faster. For example, out the ten indicators above, the scores of six indicators did not change, three had improved score and only one had a marginal decline - and the overall rank for Botswana was a movement of five places downwards in 2019. Simply put, Botswana’s performance in DB ranking in 2019 decreased because other countries were improving faster than us.

Global Competitiveness Index (GCI), 2018

Botswana continued its downward movement in global competitiveness rankings as revealed in the recently-released World Economic Forum Global Competitiveness Report 2018. Botswana ranked 90 out of 140 countries in 2018, the worst ranking since the GCI began in 2006. In 2017, it ranked 85 out of 135 countries - having dropped 11 places from 64 out of 137 countries in 2016. In Africa, Botswana ranked 6 after Mauritius (49), South Africa (67), Seychelles (74), Morocco (75) and Tunisia (87).

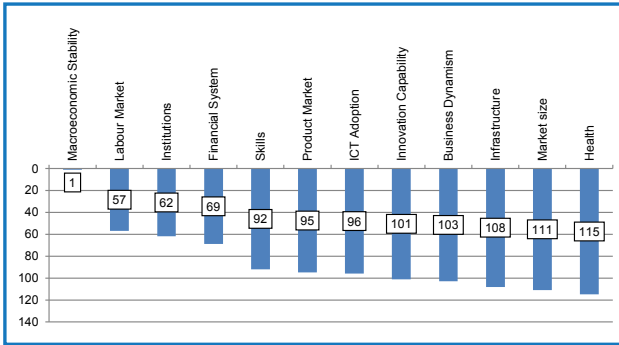


Source: GCI 2018

SPECIAL FEATURE

Indicators/Pillars

Figure 5: Indicators/Pillars Ranking - 2018



Source: GCI 2018

The GCI is based on indicators covering a number of pillars, of which the most relevant ones are as follows:

Institutions: Botswana is weighed down by inefficiency and the poor quality of some public institutions. This indicator ranked 62 out of 140 countries in 2018 compared to 45 out of 135 countries in 2017. For this indicator, Botswana does not do well in protection of property, property rights, and the quality of land administration, and there is a high burden of government regulation. However, the country does well in terms of the incidence of corruption, and has an independent judicial system.

Infrastructure: the infrastructure indicator ranks 108 out of 140 countries in 2018 down from 90 out 135 countries in 2017. The quality of roads, airport connections, and the efficiency of air transport services are indicated as the drivers of the low rankings. However, there was an improvement in electrification, reliability of water supply and low risk of exposure to unsafe drinking water.

ICT adoption: the rankings for the indicator dropped in 2018 compared to the previous year. Botswana ranked 98 out of 140 countries in 2018, down from 90 out of 135 countries in 2017. In this indicator, Botswana did best on mobile cellular subscriptions, and the percentage of people using the internet increased. However, other countries improved faster than Botswana, hence, a downward movement for Botswana on ICT adoption.

Macroeconomic stability: Botswana continues to do well under this indicator, where it is ranked number one alongside several other countries. The country does well in containing the level of public debt as a percentage of national output (GDP) and the level of inflation.

Health: the improvement in life expectancy in Botswana has led to an increase in the indicator’s ranking from 115 out of 135 countries in 2017 to 107 out of 140 countries in 2018.

Skills: Botswana did not perform well with this indicator, weighed down by the quality of vocational training which scored 3.8 out of 7.0, where 7 is the best. It is indicated that there is limited training of employees. In addition, the level of critical thinking in schools is low and it is not easy to find skilled employees. This may be exacerbated the fact that the number of work permits held by foreigners has fallen by approximately 71% in 2018 Q2 2018 from over 19,000 permit holders in 2009 to about 5,000 permit holders.

Product market: the extent of market dominance, tariffs and non-tariff barriers and competition in services are contributors to the low performance on the indicator, where Botswana ranks 95 out of 140 countries.

SPECIAL FEATURE

Labour market: Botswana performs better in observing workers' rights, hiring and firing practices, female participation in the labour force as well as pay and productivity. However, there are constraints such as redundancy cost, lack of flexibility in wage determination, lack of active labour policies, difficulty in internal labour mobility and the difficulty in hiring foreign skilled labour. Botswana ranked 57 out of 140 countries in 2018.

Financial system: there is limited availability of SME finance and venture capital. The soundness of the financial system has dropped and there are risks associated with rising non-performing loans. However, Botswana does well in terms of the credit gap and banks' regulatory capital ratio.

Market size: the Botswana economy is small and the resulting small market size hampers competitiveness. Botswana ranks number 106 in comparison of national output with other countries in the survey.

Business dynamism: even though the financial costs of starting a business in Botswana are low, the number of days required to start a business in Botswana are not. Businesses in Botswana are less dynamic compared to other countries as they are less innovative and able to embrace disruptive ideas. Business dynamism was ranked number 103 out of 140 countries.

Innovation capability: businesses in Botswana lack the capability to be innovative. There is limited diversity of the

workforce and restrictions on work permits for foreign workers are not helping the situation. Low levels of cluster development, multi-stakeholder collaboration and research and development expenditure (as % of GDP) contributes to the non-performance of the indicator. There was an improvement in trademark applications as businesses recognise the importance of protecting their creation.

Conclusions

Botswana's deteriorating performance on key global indicators of competitiveness and the business environment is worrying, and has been on a persistent downward trend over the past decade. It should not be surprising, as it mirrors declining performance across a range of economic indicators, notably real GDP growth, employment creation, and non-diamond exports. Reversing these trends is essential, to generate higher rates of export-led growth and job creation in future.

However, there is no easy answer or "magic bullet" to achieve this. Reforms and improvements are required across a wide range of policies and public sector activities, while the private sector needs to become more innovative, dynamic and outward looking. Although demanding, the task is not impossible, as the examples of Mauritius and Rwanda – as well as other countries outside of Africa – show. What is needed is a coherent reform agenda, focusing on better policies, public sector efficiency and private sector competitiveness, with consistent and speedy implementation.

SPECIAL FEATURE

Some results from the Botswana Multi-Topic Household Survey (BMTHS)

Introduction

Statistics Botswana released the full results of the 2015/16 Botswana Multi-Topic Household Survey (BMTHS) towards the end of 2018. Some of the highlights (e.g. poverty and unemployment rates) have been published previously. But there are many interesting details hidden in the main report, which runs to over 350 pages. Here we present a few of the highlights.

With regard to the findings for poverty, inequality and unemployment, preliminary results were released in August 2017 and January 2018. The full report entails only minor changes to those preliminary results. The key findings were that:

- The national headcount poverty rate 16.3% in 2015/16, down from 19.3% as recorded in the previous household survey in 2009/10, the Botswana Core Welfare Indicators Survey (BCWIS). Thus the poverty rate has continued to decline, but at a slower rate than in earlier periods. The household poverty rate (i.e. the proportion of households, rather than individuals, below the poverty line) is 9.0%.
- Inequality, as measured by the Gini coefficient, has risen. The consumption inequality Gini rose from 0.495 in 2009/10 to 0.522 in 2009/10, after falling from 0.571 in 2002/3. Hence the earlier trend of declining inequality has been reversed.
- The national unemployment rate was 17.6%, very similar to the 17.8% recorded in the 2009/10 BCWIS.

These earlier results were discussed in detail in our Economic Reviews of 2017 Q3 and 2018 Q1. Here, we concentrate on some of the newer information in the full BMTHS report.

Employment

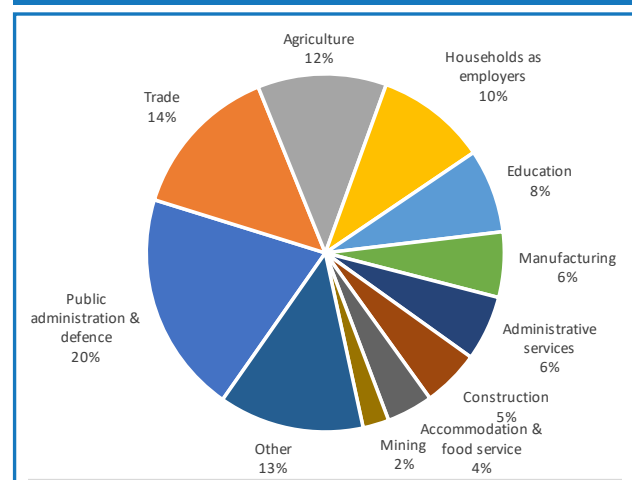
The BMTHS provides detailed information on the nature of employment, broken down by type of employer (public vs. private sector, formal vs informal etc.), occupation, and industry. Amongst the highlights relating to employment, we learn that the Botswana labour force (15 years and older) totals 836,734 individuals, of whom 689,528 are employed and 147,206 unemployed (17.6%). This excludes economically inactive adults, such as those in education, and those who are sick or retired.

Of those who are employed, 510,953 (74%) are wage earners. The remaining 26% are self-employed, including those in farming, or running informal or formal sector businesses. The informal sector employs 179,483 people, around one quarter of the total, in 105,445 different businesses. Some 71,645 people, around 10% of the total employed, work on their own farms or cattle posts.

One insight from these results is that the regular, quarterly formal employment survey only covers around half of those in employment. The intention of Statistics Botswana is that the new household survey will in future be conducted on a quarterly basis, at least for core modules, and will provide an enhanced, more comprehensive data source for the measurement of employment and unemployment.

Looking at the industries where people work, it will come as no surprise to learn that the largest, by far, is public administration, which accounts for 20% of total employment. Other large sectors are wholesale & retail trade (14%), agriculture (12%), and households as employers (10%), followed by education (8%) and manufacturing (6%). Despite being the largest sector of the economy, mining only accounts for 2% of total employment.

Figure 1:
Employment by Industry, 2015-16

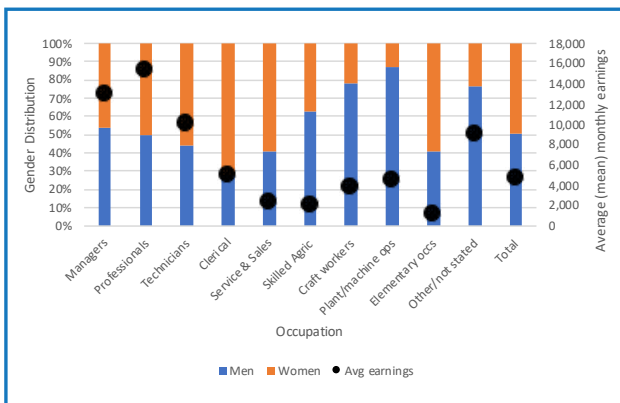


Source for all charts: Statistics Botswana, BMTHS

SPECIAL FEATURE

Another interesting result concerns the gender distribution of employment by occupation. Overall, the employed labour force is split almost equally between men and women. And in contrast to other countries where women are often under-represented in the more skilled, higher paid occupations, that is not true in Botswana. Amongst the categories of Managers, Professionals and Technicians – which are the highest paid in Botswana - women account for more than half of total employment. Nevertheless, women are also heavily represented amongst service & sales workers, and elementary occupations, which are not well paid.

Figure 2: Employment by Occupation, Gender and Average Earnings



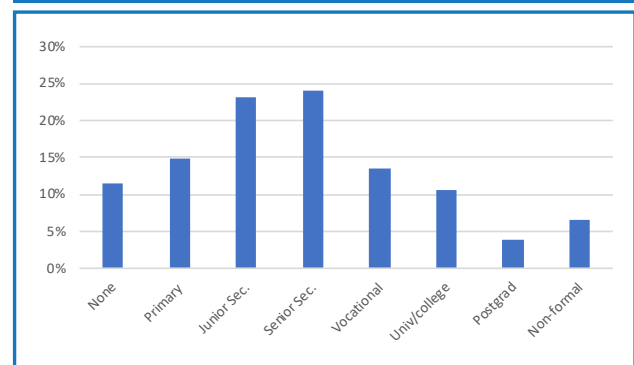
Unemployment

As noted above, the overall national unemployment rate in 2015/16 was 17.6% of the labour force. This follows international definitions of unemployment (from the International Labour Organisation), which covers those who are available and actively seeking work. A broader definition of unemployment also includes the “discouraged unemployed”, who may have given up looking for work, having been unsuccessful. On this broader definition, the total unemployment rate was 28.9%.

The BMTHS also reports on unemployment by a wide range of categories of the labour force: by age, location, training, gender, disability etc. The BMTHS data makes it possible to calculate unemployment rates by the level of education of those in the labour force (although for some strange reason these results are not included in the report directly). Our

calculations show that the main unemployment problems face those who have been educated to junior and senior secondary levels; both groups have unemployment rates of well over 20%. Despite concerns about unemployment amongst those with tertiary education, the unemployment rates there are not as high: 14% for those with vocational training, and 11% for those with university / college education.

Figure 3: Unemployment Rates by Level of Education



Household incomes

The BMTHS presents results on average household income and expenditure. One of the important measures is Household Disposable Income, which measures total household income in cash and in kind, minus income tax paid and transfers/gifts to other households. In 2015/16, the average (median) household income in Botswana was P2,132 per month. (The median is an important average, as in some sense it represents the “typical” household, in the mid-point of the income distribution, so that 50% of households earn less than this and 50% earn more). There are big differences between urban areas (median P3,587), urban villages (P2,480) and rural areas (P1,345).

Also worth noting is that any household with disposable income over P13,500 is in the top 10% of the income distribution in Botswana. Another illustration of the high level of inequality in Botswana is that mean household disposable income is P5,836 a month. Around 75% of households have incomes below the mean (showing why the median is a more useful average in these circumstances).

SPECIAL FEATURE

Savings

The BMTHS also records what households spend their income on. The bulk (60% of gross income, on average) goes on consumption; we will discuss household consumption patterns in more detail in a later issue of the Review. The remainder goes on other outlays, such as savings, insurance, income tax, loan repayments, loans paid out, cash transfers etc.

Savings are defined as pension contributions plus investments made. Interestingly, despite the pressure on household incomes, the level of household savings has risen between 2009/10 and 2015/16 – from 2.8% of disposable income to 5.1%.

Social safety nets

The government provides various social protection packages, which together make up Botswana's social safety net. The BMTHS gathers information on some of these, notably orphan care packages, school feeding programmes, the poverty eradication programme, destitute persons programme etc. In total, these programmes reach 177 569 households (representing 30% of Botswana's 590,000 households in 2015/16). Of the social care packages, school feeding is by far the most important.

However, the results raise important questions about the targeting and effectiveness of social safety nets. We learn that 22,008 poor households receive government assistance. However, this is only 41% of the total number (53,075) of poor households – so most poor households do not receive government social protection assistance. Furthermore, the bulk of social protection packages go to non-poor households – 87% of the households receiving social packages are non-poor.

While there is justification in some non-poor households receiving social protection packages – as many households have incomes above but very close to the poverty line – these results suggest that attention needs to be paid to the targeting and effectiveness of the social safety net, to focus more on the needy.

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