



UNITED NATIONS  
BOTSWANA



**BOTSWANA**

**COMMON COUNTRY  
ANALYSIS**

**2023 Annual Update**

## Introduction

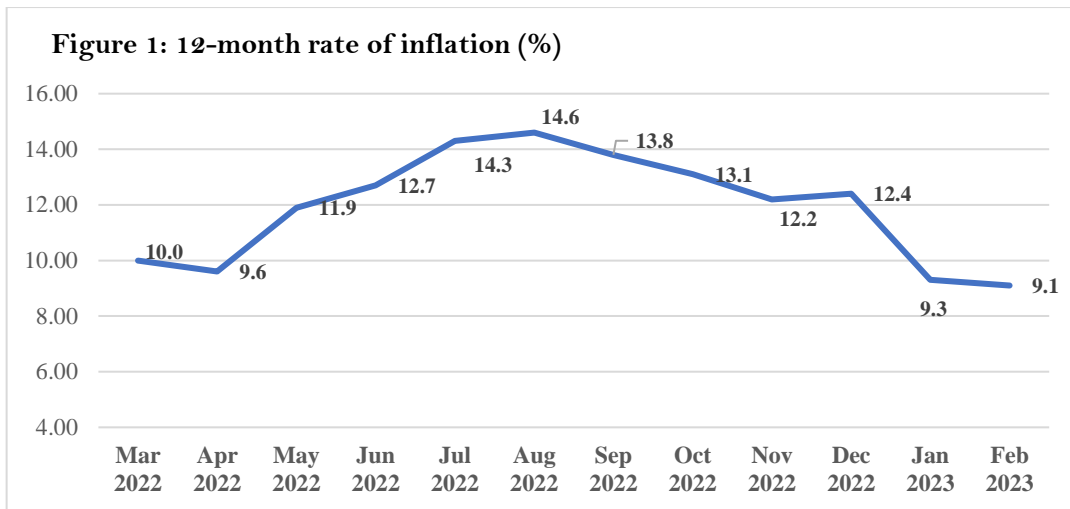
1. This document supplements the 2020 Botswana Common Country Analysis (CCA). It therefore serves as an update to the 2020 CCA. It is the first in a series of short papers that shed light on Botswana's development context, by focusing on the current development priorities as revealed through the most recent budget. Botswana's critical and longstanding development challenges still stand, including poverty, social and economic inequality, and high unemployment, food insecurity, as well as the slow progress on the environment and climate change front. New challenges have also emerged, such as high inflation and the socio-economic impact of the Russia-Ukraine conflict. These emerging issues coupled with the lack of overall development progress have reinforced existing development deficits and has implications for SDG progress.
2. The country's current upper middle-income country (UMIC) status presents a paradox, as it belies enormous development challenges. Botswana's socio-economic indicators lag far behind its UMIC peers. To better understand this inconsistency between UMIC status and serious development deficits, it is critical to look at Botswana's dependence on a single natural resource and the persistence of high inequalities across society. These issues are taken up in this CCA update.
3. Finally, it is worth noting that the CCA or CCA updates do not posit policy prescriptions. That is not their purpose. They are focused on highlighting the development context and is to be used as a source of knowledge.

## Macroeconomic Update and Budget Analysis

4. Botswana is experiencing high levels of inflation. This has been attributed to several factors, including fiscal/quantitative easing<sup>1</sup> by central banks across the globe, but especially by central banks in US, Europe, UK, and Japan; the Russia-Ukraine conflict, and its associated impact on the supply of essential grains and prices of energy; and the supply-side constraints faced during the COVID-19 pandemic. Together, these factors had driven price levels progressively higher. While inflation has come down from a high of 14.6% in July 2020 to 9.1% in February 2023, it remains high compared with the current medium-term Bank of Botswana target of between 3% to 6% (see Figure 1 below). This has led to a cost-of-living crisis and increased vulnerabilities, especially as wages of workers have not increased at the same rate. Poor and vulnerable households are disproportionately impacted by increased inflationary pressures as they often adopt coping mechanism such as reducing food purchases, spending less on education and healthcare. Such reductions in expenditure have multiplier effects on health and education outcomes and exacerbate existing inequalities, including gender inequality.

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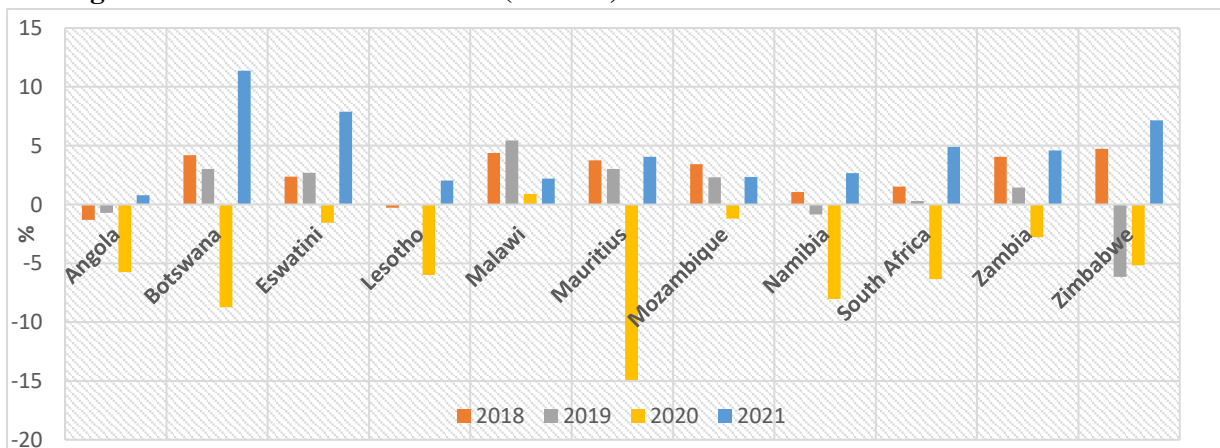
<sup>1</sup>Quantitative easing—QE for short—is a monetary policy strategy used by central banks like the Federal Reserve. With QE, a central bank purchases securities to reduce interest rates, increase the supply of money and drive more lending to consumers and businesses. Central banks across the world, especially in US, UK, Japan, and Europe, used QE measures during the COVID-19 pandemic, which complemented cutting interest rates, and expanding lending operations.



Source: Statistics Botswana (2023) <https://www.statsbots.org.bw>

- In terms of GDP growth, Botswana outperformed all countries in the sub-region. Botswana bounced back from the COVID-19 pandemic recording a growth rate of 11.4% in 2021 (Figure 2). Its average growth rate for 2022 was 6.7%. However, Botswana’s projected growth rate is 4% for 2023 and 5.1% for 2024, which is below the 6.1% annual average growth needed to achieve the policy targets set out in Botswana’s vision 2036 document.<sup>2</sup>
- The strong recovery from the pandemic during 2021 and 2022 can be attributed to high growth in diamond trading, and mining and quarry. Diamond trading grew at 85% and 41.8% during 2021 and 2022, respectively. Of interest to note is Botswana was also one of the hardest hit economies (second to Mauritius) by the COVID-19 pandemic. The economy contracted by 8.7% during 2020. This level of fluctuation in growth is a feature of Botswana’s reliance on diamonds and tourism. Demand for both had dwindled during the pandemic.

**Figure 2: Real GDP Growth Rates (2017-21)**



Source: World Bank data (2023) <https://data.worldbank.org>

<sup>2</sup> For Botswana to achieve high income status by 2036 (as set out in the vision 2036 document), its growth rate needs to be 6.1% per annum until 2036 (World Bank 2023).

7. Botswana's key national priorities as outlined in the recent budget speech<sup>3</sup> with proposed budgetary allocations for FY 2023-24 are: (i) *achieving digital transformation objectives* with a proposed budget of BWP 2.62 billion; (ii) *undergoing business environment reforms* with a proposed budget of BWP 420.90 million; (iii) *further strengthening and developing value chains* (proposed budget of BWP 540.89 million); (iv) *infrastructure development* (proposed budget of BWP 12.73 billion); (v) *sustaining livelihoods* (proposed budget of BWP 5.35 billion); and (vi) *climate change reforms* with a budgetary allocation of BWP 1.36 billion.
8. Several among the six priority areas listed above are likely to have a positive multiplier effect. That is, progress in one priority area will likely spur progress in other areas. For example, aspects of the digital transformation agenda such as boosting digital connectivity, leveraging smart technologies, and moving government services online (e-gov) will lead to overall efficiency gains, especially in delivering public services. Similarly, modernizing physical and energy-related infrastructure will draw in foreign investment, boost connectivity, and facilitate trade. While these priority areas are a step in the right direction, progress hinges upon the capacity of the government to implement as well as monitor progress.
9. The proposed budget does not adequately mainstream gender and is therefore unlikely to address socio-economic gender disparities effectively. While women are mentioned in the context of the Wealth Creation Programme, details are scant. Participatory processes for development of the budget included students and persons with disabilities, but women are not specifically mentioned as having been consulted. The Committee on the Elimination of Discrimination Against Women (CEDAW) has called on Botswana to "recognize women as the driving force of the sustainable development of the State party and to adopt relevant policies and strategies to that effect".<sup>4</sup> In order to address persistent gender inequalities while catalyzing sustainable development, there is a pressing need for gender budgeting and the adoption of special measures<sup>5</sup> to address the economic exclusion of women that leads to disproportionate levels of poverty amongst women, women's limited access to land and housing, and low levels of participation in economic development projects.<sup>6</sup>
10. The government's poor implementation capacity is not constrained by the number of people employed in the public sector. On the contrary, the bloated public sector has been a well-recognized and longstanding issue that remains to be addressed, despite several attempts by successive governments to 'right-size' the public sector.<sup>7</sup> There are other issues that also need attention, including frequent changes of responsibility of personnel in key roles and positions,

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<sup>3</sup> Delivered on February 6<sup>th</sup> 2023 by the honourable Minister of Finance, Ms. Peggy Serame. [https://www.finance.gov.bw/index.php?option=com\\_content&view=article&id=585&catid=22&Itemid=108](https://www.finance.gov.bw/index.php?option=com_content&view=article&id=585&catid=22&Itemid=108)

<sup>4</sup> Committee on the Elimination of Discrimination against Women, Concluding observations on the fourth periodic report of Botswana CEDAW/C/BWA/CO/4 para 7.

<sup>5</sup> In 2019, CEDAW noted government's "limited understanding of temporary special measures and how they are used to achieve substantive equality between women and men". Committee on the Elimination of Discrimination against Women, Concluding observations on the fourth periodic report of Botswana CEDAW/C/BWA/CO/4 para 21.

<sup>6</sup> Committee on the Elimination of Discrimination against Women, Concluding observations on the fourth periodic report of Botswana CEDAW/C/BWA/CO/4 para 39.

<sup>7</sup> Hope, K.R. (1995), "Managing the public sector in Botswana: Some emerging constraints and the administrative reform responses", *International Journal of Public Sector Management*, Vol. 8 No. 6, pp. 51-62.

and lack of clarity in terms of accountability. Moreover, the role, function, efficiency, and value-add of state-owned parastatals has also been a point of contention and an area where reforms toward privatization have been slow.<sup>8</sup> There are currently over 50 active parastatals in Botswana and only a couple of them are profitable.<sup>9</sup> In the case of some parastatals their regulatory function needs to be separated from carrying out commercial activity. In general, poor capacity to implement and follow through on policies and reforms rests upon developing institutional mechanisms to monitor progress as well as a clear framework for accountability.

11. Identifying priorities, by definition, means that some issues will be left out. Nonetheless, addressing Botswana's toxic mix of very high inequality (social, spatial and economic), high unemployment, especially among women, and relatively high poverty rate (with disproportionate poverty levels affecting women) should be high on the policy agenda.<sup>10</sup> Given that the most recent data on poverty and inequality are from 2015/16, it is likely that current situation is even worse considering the added vulnerabilities created by high food price inflation, the lasting negative impact of the COVID-19 pandemic, the digital divide, and persistently high unemployment.
12. Based on the development success of the east Asian 'tiger' economies (South Korea, Thailand, Malaysia, Hong Kong (PoC), and Singapore), addressing these longstanding issues requires a longer-term time horizon.<sup>11</sup> Through adopting a policy mix aimed at fundamentals, such as, quality healthcare, education and skills development, and economic diversification and export-led growth, east Asian economies overcame high poverty and inequality over a period of three decades. Adopting a rights-based approach to development as well as toward the allocation of resources will also help ensure that inequalities and poverty affecting marginalized groups in situations of vulnerability are adequately identified and targeted.

### **Debt and Debt servicing**

13. Botswana's debt owed or guaranteed by the government is expected to remain below 25% of GDP for the foreseeable future, which is a sustainable level and well below the 'statutory' limit of 40% of GDP.<sup>12</sup> In this respect, Botswana outperforms all countries in the sub-region (Figure 3 below). However, there is limited fiscal space to draw from Government savings and further deficits will lead to increased borrowing—a situation the government has clearly expressed it would like to avoid.<sup>13</sup> A longer-term view of the fiscal position reflects a worrying trend as highlighted in the recent budget speech: in 2008, the government's net financial assets (i.e.,

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<sup>8</sup> Reforming Botswana's parastatals has also been a longstanding issue. Recommendations for reform stretch as far back as at least 1992. For instance, Mukandala, R. (1992). Small Is Not Always Beautiful: The State Enterprise Sector in Botswana. *The African Review: A Journal of African Politics, Development and International Affairs*, 19(1/2), 124–144. <http://www.jstor.org/stable/45341592>

<sup>9</sup> For a list of parastatals see: <https://www.gov.bw/parastatals?page=0>

<sup>10</sup> See further Committee on the Elimination of Discrimination against Women, Concluding observations on the fourth periodic report of Botswana CEDAW/C/BWA/CO/4 paras 35, 36 and 39.

<sup>11</sup> Stiglitz, J. *The East Asian Miracle: Economic Growth and Public Policy: Summary*. Washington, D.C.: World Bank, 1993.

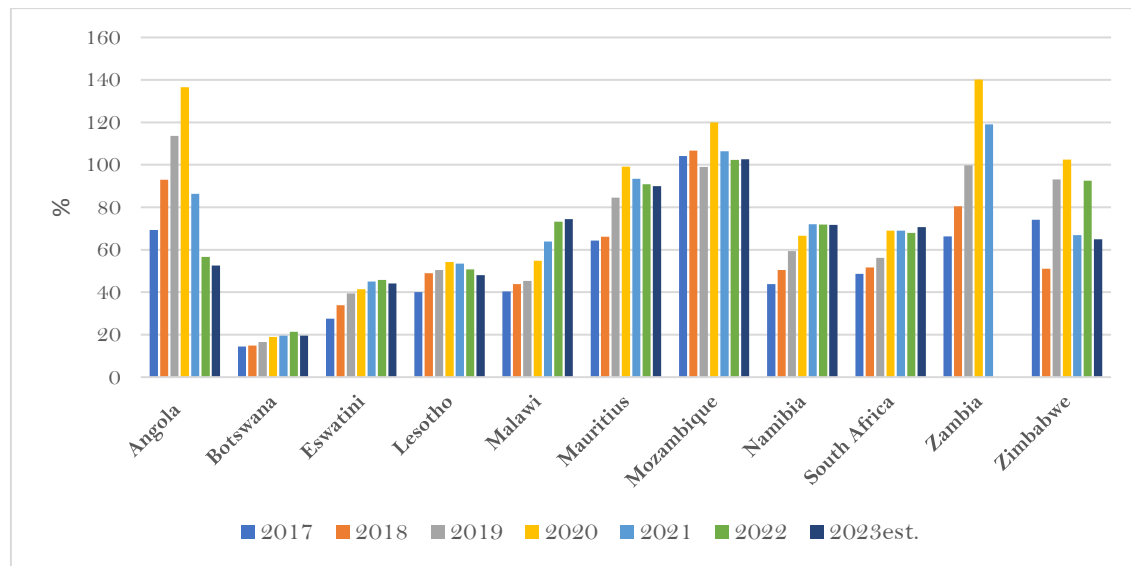
<sup>12</sup> Economist Intelligence Unit. [www.eiu.com](http://www.eiu.com) Last accessed June 27, 2023

<sup>13</sup> National Budget speech February 2023.

[https://www.finance.gov.bw/index.php?option=com\\_content&view=article&id=585&catid=22&Itemid=108](https://www.finance.gov.bw/index.php?option=com_content&view=article&id=585&catid=22&Itemid=108)

accumulated savings minus public debt) were equivalent to 40% of GDP. By 2021, after running budget deficits for several years, net financial assets were equivalent to -20% of GDP. That is a net change of 60 percentage points of GDP, reflected in the dramatic drawdown of Botswana’s Government Investment Account (GIA).<sup>14</sup>

**Figure 3: Total Government Debt, 2017-2023 (% of GDP)**



Source: World Bank data (2023). <https://data.worldbank.org>

14. Botswana’s debt servicing has increased given the hike in interest rates. USD denominated borrowing is on a variable interest rate, which carries risks likely to materialize in 2023 and onwards. For 2023-24 debt servicing constitutes a high share of total expected budgetary spending. This has led to cost-cutting measures elsewhere in the budget. For example, the share for Ministry of Education and Skills Development was reduced from 19.4 % to 15.4% of total planned Government outlays for 2023/24.<sup>15</sup>
15. The current financial year (2023-24) is an important one with elections due in 2024. However, with high interest rates, current debt service obligations, and no room to draw upon government savings (without further borrowing) has put the country in a tight fiscal position. At the same time, Botswana has re-negotiated its longstanding agreement with De Beers, with has brought some promise of gains, but also potential risks of financial instability given the heavy reliance on revenues from diamonds. The latest issue of the *International Merchandise Trade Statistics* report (February 2023)<sup>16</sup> shows that diamonds consistently account for between 80-90% of the country’s exports.

<sup>14</sup> Ibid.

<sup>15</sup> Data gathered from Government sources. Government of Botswana, Statistics Botswana: *Financial Statements, Tables and Estimates of consolidated and development funds revenues 2023/2024*. Gaborone, Botswana (2023).

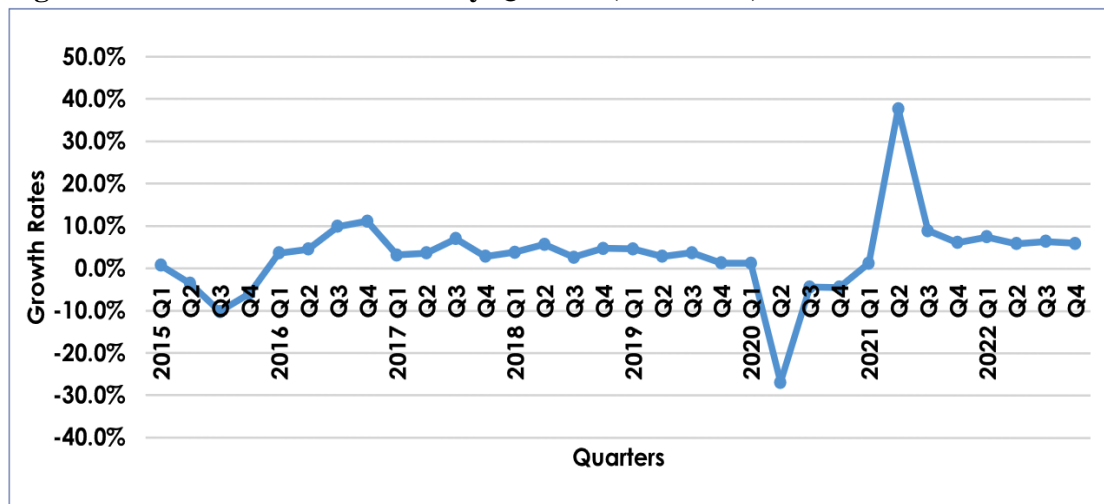
<sup>16</sup> Statistics Botswana. <https://www.statsbots.org.bw>



## Dependence on Diamonds and the lack of diversification

16. Diamonds have been a very lucrative enterprise for Botswana. It is the world’s leading producer of diamonds by value. Earnings from minerals and customs and excise revenue account for around 50% of government revenues and over 80% of exports. This has been the trend in successive national budgets, with two budget items— (i) mineral revenue, and (ii) customs and excise revenue—being the two largest contributors to the total revenues and grants. Given the dependence on diamonds as a source of government revenue, policymakers from current and previous governments have emphasized diversifying the economy, especially toward non-mineral sectors. Policies, strategies, and national development plans have been developed with diversification being one of the priority objectives.<sup>17</sup> Despite these efforts, Botswana has not been able to diversify its export base.
17. Botswana was severely impacted by COVID-19 pandemic when demand for diamonds was significantly curtailed. In fact, the year-on-year output contraction during the second quarter (Q2) of 2020 was a staggering -24.8% (see Figure 4 below), with the mining sector alone shrinking by -60.2 % during the Q2 of 2020. During this period, retail trade, hotels and restaurants shrunk by -40.3%; manufacturing by -31.3%; construction by -36%; transport and communication by -16.9%; and financial and business services by -11.9%. The non-mining GDP decreased by -20.7 % during the same period.<sup>18</sup> While neighboring countries also experienced economic contraction, it was not as severe. GDP contraction during the same period for South Africa and Namibia was -17.1% %, -11.1% %, respectively.

**Figure 4: Real GDP Growth Rate by Quarter (2015-2022)**



Source: Statistics Botswana. <https://www.statsbots.org.bw>

18. The downside of the reliance on diamonds is that its performance is closely tied to global demand (as witnessed by the significant negative impact it had on Botswana’s economy during

<sup>17</sup> For instance, refer to 10<sup>th</sup> and 11<sup>th</sup> National Development Plans as well as *Botswana Excellence Strategy for Economic Diversification and Sustainable Growth*. The government also created Special Economic Zones with the aim of diversifying its economic base.

<sup>18</sup> Statistics Botswana.

<https://www.statsbots.org.bw/sites/default/files/Gross%20Domestic%20Product%20%20Q2%202020.pdf>

the COVID-19 pandemic). Even prior to the pandemic, the volatility in the global diamond market was well recognized and felt. The demand for diamonds is based on taste, which relies on marketing and advertising, while on the supply side, the production of synthetic diamonds threatens to undermine the intrinsic “scarcity” value of the product. The two main disruptors to mined diamonds are lab-grown diamonds, and consumers’ growing demand for environmental and social responsibility.<sup>19</sup> The sale of lab grown diamonds is increasing steadily. The global lab grown diamonds market size was valued at \$22.3 billion in 2021 and is projected to reach \$55.6 billion by 2031.<sup>20</sup>

19. It would be prudent for Botswana to strongly consider and plan for a future where diamonds are not the main source of government revenue. Botswana can learn from the experience of other historically single resource economies that were able to diversify and thus create a more resilient economy. Under the current trajectory, Botswana remains dependent on the global demand for diamonds and therefore extremely vulnerable.
20. Diamond mining is to a large degree a capital-intensive endeavor and as such Botswana’s unemployment rate has consistently hovered above 20 %. Most recently (quarter 4, 2022), the unemployment rate stood at 24.5%, while the youth employment rate (15-24) was 38.5% (ILO estimate). The average unemployment rate for all upper-middle income countries (including Botswana) is 6.7% while the UMIC average youth unemployment stands at 16.9%. Moreover, the share of youth in Botswana not in education, employment and training is 37% (2020).
21. Greater emphasis needs to be on reducing unemployment, especially given the persistently high levels of unemployment. Unemployment among women is even higher. In response, skills development, school to work transition, further strengthening the TVET system, as well as investing in employment intensive sectors will help boost employment. Given Botswana’s relatively small population (2.3 million), the absolute number of unemployed is not an unsurmountable challenge even though in percentage terms the unemployment figure is high. Well-planned, sequenced, and structured steps to address the unemployment issue are currently missing among the list of priorities. Even a longer-term plan for greater investment toward pre-primary and primary education is missing. In the current budget (2023-24) pre-primary and primary education remain largely underfunded being allocated a meagre 0.2%<sup>21</sup> (P39 million) of the Ministry of Education and Skills Development total budget.

### **Botswana’s Quest for High-Income Status and the Upper Middle-Income Paradox**

22. Botswana's Vision 2036 is a long-term development plan that envisions the country as a high-income, knowledge-based society by the year 2036. The aspiration is to be an ‘export-led economy underpinned by diversified, exclusive and sustainable growth driven by high levels

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<sup>19</sup> Bain and Company. *Strong Origins: Current Perspectives on the Diamond Industry*. Boston, USA. December 2019. <https://www.bain.com/insights/global-diamond-industry-report-2019/>

<sup>20</sup> <https://www.alliedmarketresearch.com/lab-grown-diamonds-market-A13694>. Accessed June 27, 2023

<sup>21</sup> This excludes the salary of teachers



of productivity'<sup>22</sup>. Botswana's modest population of 2.346 million coupled with strong revenues from diamonds, prudent fiscal policy management, and strong macro-economic fundamentals have propelled it to the UMIC status.

23. Botswana graduated from the Least Developed Country (LDC) status in 1994. The United Nations Committee for Development Policy (CDP) reviews the LDC category every three years and makes recommendations for countries to be added or removed based on specific criteria such as per capita income, human assets, and economic vulnerability. Botswana's graduation from LDC status was driven by its sustained economic growth, largely due to the diamond industry, as well as improvements in human development and infrastructure.
24. Botswana now boasts one of the highest gross national income per capita (in Purchasing Power Parity terms) in Africa.<sup>23</sup> Botswana transitioned from a lower-middle-income country (LMIC) to an upper-middle-income country (UMIC) in 2005. The World Bank classifies countries based on their Gross National Income (GNI) per capita,<sup>24</sup> and in 2004-5 Botswana's GNI per capita exceeded the threshold for upper middle-income status. This allowed it to join countries in the UMIC bracket. Botswana's latest GNI per capita income figure is USD 6430, while the threshold for upper middle-income status is USD 4096.<sup>25</sup>
25. The use of World Bank's methodology for classifying countries by GNI per capita stretches back to the late 1980s. While equating a country's level of development with average per capita income is convenient, it can conceal income and non-income-based disparities. It is generally assumed (as well as backed up by data) that this way of classifying countries by GNI per capita is reflective of a certain level of development.<sup>26</sup> For example, low-income countries are expected to lag lower middle-income countries on social and economic indicators. Similarly, lower middle-income countries are expected to lag upper middle-income countries in terms of level of development. However, in the case of Botswana and several other countries (for example, South Africa, Namibia, and Brazil) that have extremely high inequality, the logic of equating GNI per capita to a country's level of development breaks down.
26. Development aid decisions are also made based on a country's income status.<sup>27</sup> Generally, countries that are classified as low-income or lower-middle-income receive more development aid and/or incentives than upper-middle-income. For example, low-income countries are eligible for concessional loans and grants from the International Development Association (IDA), while middle-income countries typically borrow from the International Bank for

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<sup>22</sup> Government of Botswana. *Vision 2036: Achieving Prosperity for All*. Gaborone, Botswana (2016).

[https://www.statsbots.org/bw/sites/default/files/special\\_documents/Vision%202036\\_0.pdf](https://www.statsbots.org/bw/sites/default/files/special_documents/Vision%202036_0.pdf)

<sup>23</sup> "GNI per capita, PPP (current international \$)". *data.worldbank.org*. World Bank. Retrieved 20 June 2023.

<sup>24</sup> For a detailed explanation of calculating income status of a country please refer to

<https://datahelpdesk.worldbank.org/knowledgebase/articles/378833-how-are-the-income-group-thresholds-determined>

<sup>25</sup> <https://blogs.worldbank.org/opendata/new-world-bank-country-classifications-income-level-2021-2022>

<sup>26</sup> Kabir, M. Adnan, and Ashraf Ahmed. "An empirical approach to understanding the lower-middle and upper-middle income traps." *International Journal of Development Issues* (2019).

<sup>27</sup> Glennie, Jonathan. "The role of aid to middle-income countries: a contribution to evolving EU development policy." *London: Overseas Development Institute* (2011).

Reconstruction and Development (IBRD) at market/commercial rates.<sup>28</sup> Donor organizations and institutions, including the UN funds and agencies are expected to ‘do more with less’ and focus on ‘upstream policy support’ in MICS and UMICS.<sup>29</sup> In effect, this leads to a clear shift away from large-scale donor-funded projects in these countries. Thus conceived, a country’s per capita income status determines the level and type of development aid it is to receive.

27. As per internationally determined rules and in practice, a change in income status from low or middle-income to upper middle-income leads to an abrupt end to concessional financing and donor support. Many countries find it difficult to adjust to the new set of circumstances, and while the literature on the economic and social impact of this transition is relatively thin (and differs from one country to another), the negative impact can be significant and long-lasting.<sup>30</sup> It needs to be recognized that the graduation criteria do not capture many of the underlying weaknesses of countries making the transition. These include embedded structural weaknesses, weak industrial base, low skills-endowment, low productivity of capital and labour, slow penetration of the digital economy and weak capacities to take advantage of the Fourth Industrial Revolution (4IR), to name only a few.<sup>31</sup> Botswana is still grappling with precisely such issues coupled with extremely high levels of socio-economic inequalities that threaten to leave marginalized and vulnerable groups including women, children, youth, and people with disabilities behind.
28. The latest data on poverty shows that an estimated 15.4% of the population lives below the poverty line, compared to just 1.5% on average for all UMICs. The maternal mortality ratio in Botswana is around 140 deaths per 100,000 live births compared to 41 deaths per 100,000 live births in all UMICs. Figure 5 below provides a snapshot of the divergence between the UMIC average level (which also includes Botswana) and Botswana across several indicators for which data are available. The difference between UMIC average levels and Botswana would be even starker with Botswana excluded from the UMIC cohort of countries.

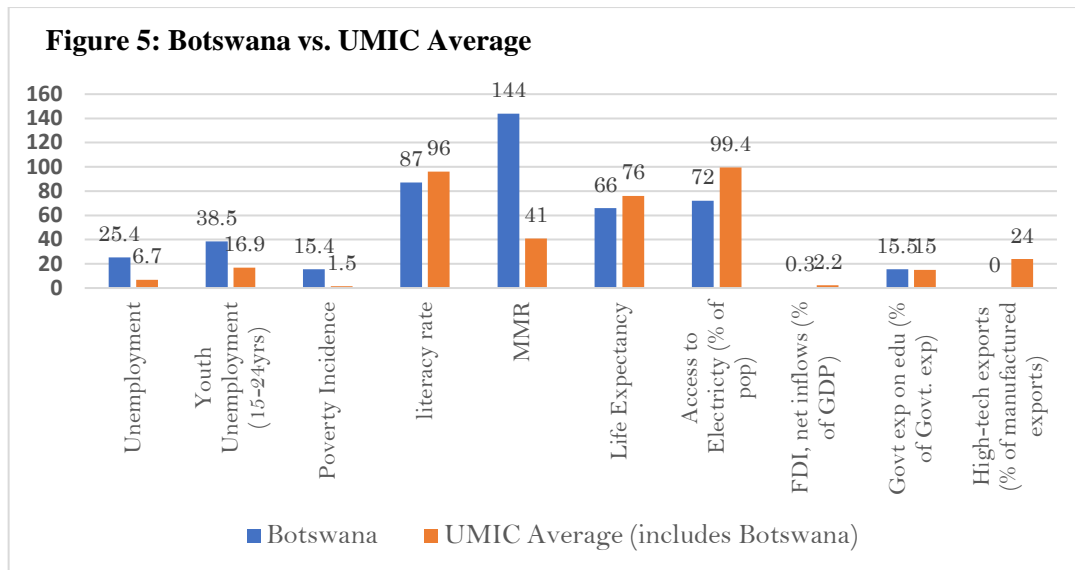
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<sup>28</sup> Eligibility criteria for loans based on per capita income level: <https://ida.worldbank.org/en/financing/ida-lending-terms>. Accessed June 24, 2023

<sup>29</sup> For example refer to UNDP. Middle-income countries: *The role and presence of the United Nations for the achievement of the Internationally Agreed Development Goals*, pp. 5-6 (2012) <https://www.undp.org/sites/g/files/zskgke326/files/undp/library/corporate/Executive%20Board/2012/first-regular-session/english/Final%20version%20E%20-%20>

<sup>30</sup> Carbonnier, Gilles, and Andy Sumner. *Reframing aid in a world where the poor live in emerging economies*. No. 3. Institut de hautes études internationales et du développement, 2012.

<sup>31</sup> Ndlovu, Lindani B. "Expert Meeting of LDCs Challenges and Opportunities for LDCs: Graduation and Structural Transformation." (2012).



Source: World Bank (WDI 2023)

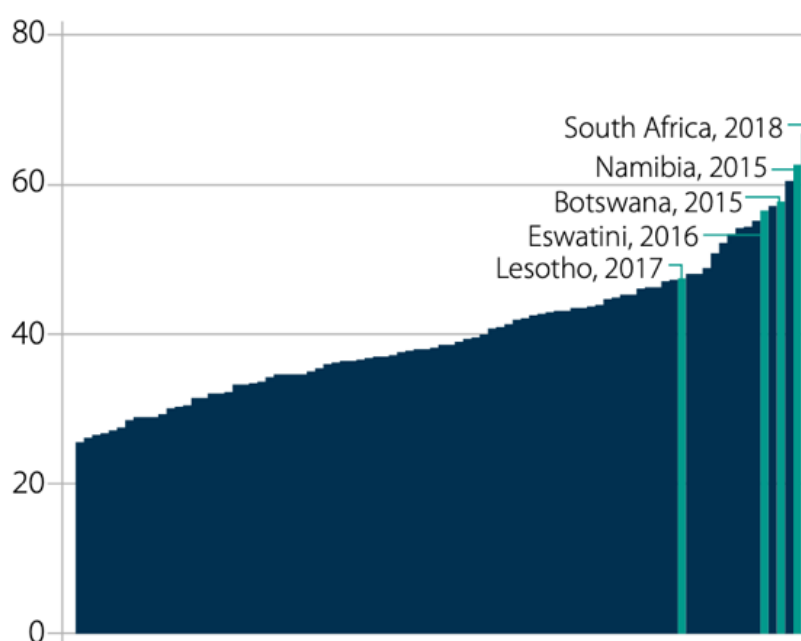
29. As is evident, Botswana lags the UMIC average on most development-related indicators presented in Figure 5 above. This divergence in performance across development indicators points to the larger issue of inequalities within Botswana, which will be analyzed in greater depth in the next section. Botswana most recent Gini coefficient is 54.9 (calculated in 2015). In 2009, the Gini value was 60.5. These figures rank among the highest in the world and Botswana is currently ranked as the 10th most unequal country.
30. An upper middle-income country shouldn't typically have such high levels of unemployment and poverty. For all intents and purposes Botswana development performance and status is more akin to lower middle-income and low-income countries even though the average per capita GNI propels it to the UMIC category. Therefore, Botswana's quest for attaining high-income status should be supplemented by an equally strong emphasis on (i) reducing inequalities, and (ii) improving performance against a range of development indicators/goals.
31. The UMIC status in Botswana's case questions the value of using a country's income-status as a yardstick for development. Botswana is not the only country in the UMIC category where development levels fall far below what one would expect from a UMIC. The positive correlation—between GNI per capita and development level—would likely not hold in the case of countries that exhibit extreme levels of inequality.

### Inequality in SACU

32. The issue of high inequality is a sub-regional one, and not just limited to Botswana. Countries in SACU are among the most unequal in the world (see Figure 6). South Africa is in fact the most unequal country in the world, with a Gini value of 67 (2018). The average gini coefficient value across the SACU sub-region is 59. Although Lesotho is the least unequal within SACU with a gini value of 47 (2017), it is still among the top 20% of most unequal countries in the world.

33. As mentioned earlier, the socio-economic impact of the pandemic would have likely increased vulnerability, worsened outcomes for the poor, and thus increased inequality. For example, women are overrepresented in pandemic-affected occupations, such as the retail, travel, and hospitality industries, as well as in the informal sector.<sup>32</sup> Poor and vulnerable people also have limited access to clean water, sanitation, and healthcare, underscoring the need to adopt a rights-based approach to development. In urban areas, they are more likely to live in densely populated housing, which exposes them to greater health risks. On the other hand, more affluent households are better prepared and have stronger coping capacity to whether economic and financial shocks.

**Figure 6: Gini Coefficients in SACU region (from lowest to highest)**



Source: Based on data from the World Development Indicators database and PovcalNet, World Bank, Washington, DC, <http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx>.

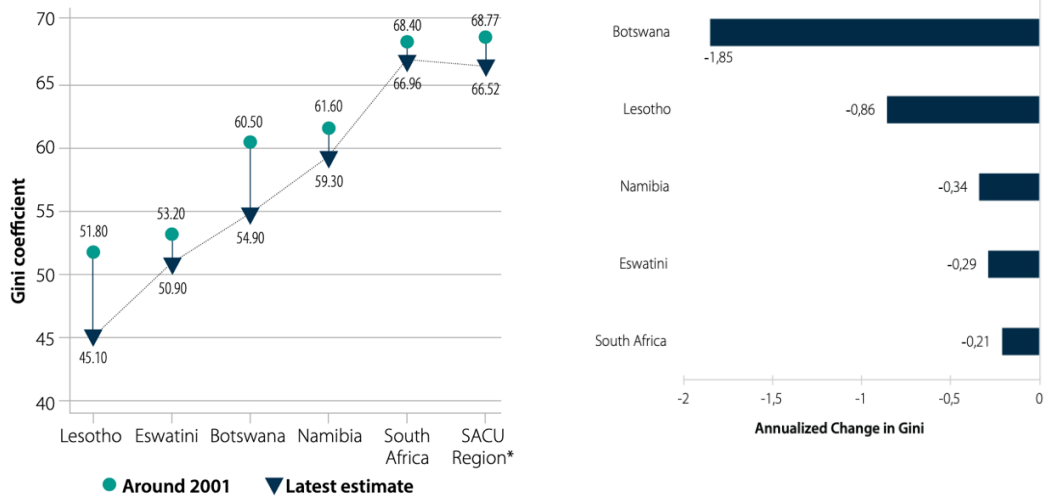
34. While inequality within SACU has come down from record levels, it still remains very high for all countries (Figure 7a).<sup>33</sup> Botswana and Lesotho recorded the most rapid declines, while Eswatini and South Africa were the slowest and in South Africa’s case the decline was marginal (from a Gini coefficient value of 68 to 67 over the course of a decade). It is worth noting that the latest estimates are based on data prior to the pandemic. As argued above, inequalities and poverty would have likely worsened since then. Analyses suggest that events of this kind are associated with higher income inequality.<sup>34</sup>

<sup>32</sup> Committee on the Elimination of Discrimination against Women, Concluding observations on the fourth periodic report of Botswana CEDAW/C/BWA/CO/4 paras 35-36.

<sup>33</sup> Latest data is pre-pandemic and inequality has come down from the 2000-2010 period.

<sup>34</sup> Furceri, D., P. Loungani, J. D. Ostry, and P. Pizzuto. 2020. “Will COVID-19 Affect Inequality? Evidence from Past Pandemics.” *Covid Economics* 12 (May): 138–57.

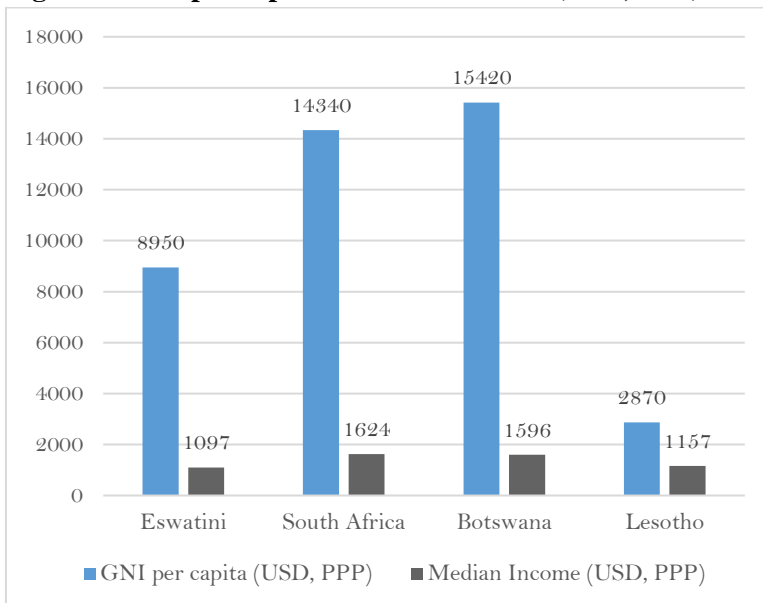
**Figure 7a and 7b: Inequality in SACU over time**



Source: World Bank calculations based on household survey data (per capita measures of welfare).

35. Calculating the median income provides a more accurate sense of economic status and reveals the level of income inequality present in society. What the median income shows is that half the population (of a given country) earns under the median income. GNI per capita is about 10 times higher than the median income for Botswana; about 9 times higher for South Africa; and about 8 times higher for Eswatini (Figure 8). Lesotho is an outlier in SACU as the GNI per capita is just twice the median income. A significantly higher GNI per capita value compared to median income value means that income is disproportionately concentrated among the wealthiest households. The median income provides a more accurate estimate of the income available to most of the population since its value is much less affected by the high-income segment of the population.

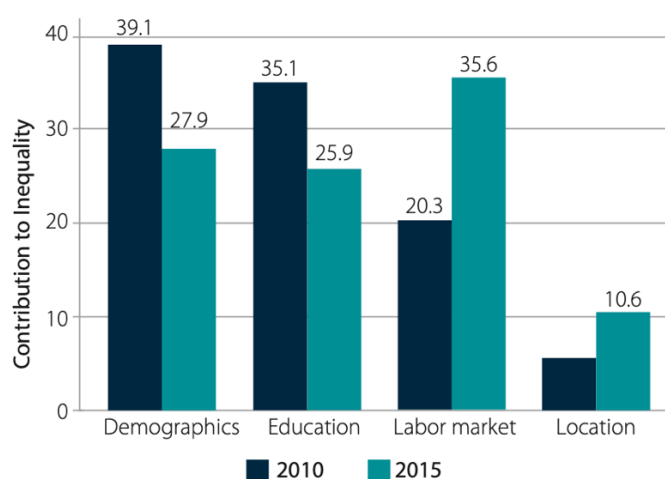
**Figure 8: GNI per capita vs median income (USD, PPP)**



Source: World Development Indicators and Statistics Botswana data.

36. Tackling inequalities, however, requires analyzing the variety of transmission channels that contribute to, as well as help reduce disparities. A recent study by the World Bank (2022)<sup>35</sup> highlights the key drivers of inequality (Figure 9). These drivers can differ from one country to another. For Botswana, employment/labour related outcomes (i.e. wage differentials, occupation types, skills, etc.) and demographics are the primary contributors to income inequality, contributing 36% and 28% respectively to overall inequality. In the labour market, differences in skills play a critical role in determining wage levels. Given the limited number of skilled workers, returns to post-secondary education are high, which in turn increase wage disparities.
37. The gender wage gap is also substantial. A closer look at the economic life cycle reveals significant differences in wages between genders, substantially favouring men at virtually all ages except for those under the age of 30. Male labour income increases tenfold to by age 25. By age 35, male labour income is nearly one-quarter (23.4 per cent) higher than peak labour income for women. The female labour income profile reaches its peak at just under 85 per cent of peak labour income at age 47. In combination, these labour income and consumption profiles also yield very different life cycle deficits for males and females. Men produce life cycle surpluses from age 31 to age 59. In contrast, women produce life cycle deficits at every age, so their per capita labour income never exceeds their consumption.<sup>36</sup>
38. Demographic differences (i.e., the age of household members) also drive inequality in Botswana. Households with more members of working age and fewer dependents, have a demographic advantage. The age and gender of the members in a household affects its ability or capacity to engage in economic activity. The impact of child-rearing responsibilities on labour force participation raises the key issue of unpaid care work compared to market-based work. Both are productive forms of labour, except that the former is often unpaid.

**Figure 9: Factors contributing to Inequality in Botswana**



<sup>35</sup> World Bank., *Inequality in Southern Africa: An Assessment of the Southern African Customs Union*. Washington DC, 2022

<sup>36</sup> United Nations Population Fund., *Capitalizing on Botswana's Young People - An evidence brief*, 2021



39. Educational attainment is another major contributor to inequality, accounting for 24% of overall inequality. Those with post-secondary or tertiary diplomas earn significantly more than the others. A child born in Botswana in 2020 would on average reach only 41% of its potential productivity as an adult.<sup>37</sup> Geographical location plays a role as well, accounting for about 11% of inequality. Those living outside urban centers and are born in less affluent households are at a disadvantage as they lack opportunity, especially to avail better services (health, education, infrastructure, etc.). This inequality in opportunity affects outcomes later in life and perpetuates inter-generational poverty and inequality.
40. Wealth inequality is another factor that not only maintains the status quo but can likely worsen inequalities. In Botswana the top 10% of households in the income distribution own 57% of all assets and 61% of financial assets, while the bottom 50% own only 4.2% and 3.3%, respectively.<sup>38</sup> The more affluent accumulate wealth at a faster rate, which further widens the wealth gap between the rich and poor. Moreover, as wealth and assets are passed on from one generation to the next, inequalities become entrenched and further limit the scope social mobility among generations.
41. Unequal ownership of land preserves existing inequality including gender inequality in that women continue to face barriers in accessing land. According to the World Bank, over 70% of land is under customary tenure, ruled by traditional leaders (i.e., chiefs) or structures that are largely unregistered. There is widespread use of communal land, which suffers from overgrazing and is vulnerable to bush encroachment. Farmers on communal land are less likely to have land titles, which makes it difficult for them to access financing and contributes to low overall productivity.
42. Finally, and more pervasively, a lack of women empowerment and additional aspects of gender inequality also contribute toward maintaining the status quo. One in three women have experienced gender based violence (GBV) perpetuated by an intimate partner in their lifetime in Botswana with women with disabilities at an even higher risk of GBV. These high levels of GBV, including rape, are driven by entrenched gender inequalities and negative socio-cultural practices. Inequality arises from structural, social and cultural factors such as age-disparate relationships, as well as forced sex (9.3% adolescent girls under 18 years have experienced sexual violence compared to 5.5%<sup>39</sup> of boys).
43. Considering these transmission channels that perpetuate inequality, there are several measures the government could consider in response. While Botswana does spend a high percentage of GDP toward education and health services, the *quality* of spending can be improved to achieve better outcomes.<sup>40</sup> Second, better *targeting* is needed for Botswana's social protection and

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<sup>37</sup> This figure is based on World Bank's calculation using the Human Capital Index.

<sup>38</sup> World Bank. *Inequality in Southern Africa: An Assessment of the Southern African Customs Union*. Botswana Country Brief. Washington DC, 2022

<sup>39</sup> Ministry of Nationality, Immigration and Gender Affairs., *Botswana National Relationship Study, 2018*

<sup>40</sup> Committee on the Rights of the Child, Concluding observations on the combined second and third reports of Botswana CRC/C/BWA/CO/2-3 (2019) para 11.

social assistance programmes. The overall level of financing for social protection programmes is adequate and high by international standards. However, redirecting resources towards lower-income households would have a larger impact on inequality without requiring additional resources. Third, employment creation, removing barriers to jobs for disadvantaged populations, and creating a more favorable environment for local and international businesses to thrive will be critical. Relaxing regulatory constraints and simplifying legislation could help boost local entrepreneurship, self-employment, and small businesses, as well as draw in foreign investment. Fourth, for rural areas, addressing land titling issues will be important for improving productivity and boosting economic opportunities. Finally, given Botswana's geographical context, greater fiscal autonomy and planning capacity at the local/district level should help in assessing needs and priorities.

## Conclusion

44. Botswana is at a critical juncture in its development trajectory. Having recently weathered the negative economic shock of the pandemic and the knock-on effects of high inflation and interest rates, robust policies and programmes need to inform the next national development plan. Currently, Botswana has embarked on a two-year *Transitional National Development Plan* (TNDP) (2023/24 – 2024/25)<sup>41</sup> to bridge the gap between the 11<sup>th</sup> and 12<sup>th</sup> National Development Plan. The TNDP is titled, “*Towards a High-Income Economy: Transformation Now, Prosperity Tomorrow*” is predicated on the President’s ‘Reset’ and ‘Reclaim’ agendas and attempts to set the path for realizing the aspirations contained in the Vision 2036 document, especially the target of becoming a high-income country. It has a strong focus on institutional reforms and is aligned with Agenda 2030 and the UN Development Cooperation Framework. The TNDP puts forth eight priority areas:

- i) Supporting export-led growth and attracting inward Foreign Direct Investment;
- ii) Supporting the private sector through business environment reform and value-chain development;
- iii) Innovation and digital transformation;
- iv) Financial sector reform;
- v) Infrastructure development and spatial planning;
- vi) Green transition;
- vii) Fiscal sustainability; and,
- xiii) Education and Human Capital Development.

The priorities provide the basis for action across all the four pillars of the overall vision, which constitute the four thematic areas of the plan.

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<sup>41</sup> National Planning Commission, Government of Botswana. *Second Transitional National Development Plan: Towards a High-Income Economy: Transformation Now, Prosperity Tomorrow*. Gaborone, Botswana (2023)

45. While the TNDP has laudable aims, much will depend on ensuring planned initiatives are properly implemented and followed through on. Also, leveraging the potential inter-linkages across the priorities listed above will be critical in maximizing development impact. Inequality and poverty will be addressed through implementing initiatives under the eight priorities areas.
46. It is critical to point out the instrumental role data must play at every step of the development planning and implementation cycle. Lack of data has been a longstanding issue and is also brought up in the introduction of the TNDP. Moreover, various United Nations human rights mechanisms, including CEDAW, the CRC and recently the Committee on the Elimination of Racial Discrimination, have called on Botswana to improve its data collection system and disaggregate data according to sex, age, ethnicity, disability, geographical location, and socioeconomic background.<sup>42</sup> While Botswana has made significant progress in improving its statistical infrastructure over the years, data on SDGs is lacking. Data on poverty and inequality, particularly at the subnational level, are limited, and there is a need for more disaggregated data to inform policy and planning.
47. Without evidence-based analysis and data-driven policymaking, Botswana will fall short of achieving its development objectives. In the absence of comprehensive data, not only is it difficult to accurately gauge the capacity needs at the national, sub-national and local levels, policymaking becomes a less objective exercise and is liable to become politicized.
48. The current lack of monitoring and evaluation of policies and initiatives further limits the ability to learn, course correct, and assess and monitor progress over time. Moreover, without predicating policies on evidence and robust monitoring and evaluation, implementing critical social programmes becomes futile. And in the absence of needs assessment, costing, and the laying out milestones to achieve key objectives, policies and programmes remain incomplete and unrealized. Therefore, compiling and using policy-relevant and timely data needs to underpin current and future development processes.

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<sup>42</sup> Committee on the Elimination of Discrimination against Women, Concluding observations on the fourth periodic report of Botswana CEDAW/C/BWA/CO/4 para 49; Committee on the Rights of the Child, Concluding observations on the combined second and third reports of Botswana CRC/C/BWA/CO/2-3 (2019) para 13; Committee on the Elimination of Racial Discrimination, Concluding observations on the combined seventeenth to twenty-second reports of Botswana CERD/C/BWA/CO/17-22 (2022) para 5.



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