

# ECONOMIC REVIEW

second quarter april - june 2016

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## COMMENTARY

# Deterioration contained as improvements seen in economic conditions

### Introduction

The second quarter of 2016 has seen some improvement in economic conditions, at least to the extent that the deterioration experienced towards the end of 2015 has been contained, and in some respects macroeconomic conditions have improved. This is largely the result of the stabilisation – albeit at a somewhat subdued level - of global commodities markets.

### Diamonds

As always, the global diamond market is of greatest importance for Botswana. After a dismal performance in the second half of 2015, the recovery in sales of rough diamonds that started in the first quarter of 2016 continued through the second quarter. The reduction of rough supplies in 2015 had the desired effect of unblocking the diamond pipeline – the downstream diamond traders, cutters, polishers and jewellery retailers – and restoring demand for rough. This recovery provided a major boost for export earnings and government revenues, such that the large balance of trade and fiscal deficits experienced towards the end of 2015 should have been eliminated, or at least significantly reduced.

This doesn't mean that the diamond market is out of the woods yet. Consumer demand for jewellery remains weak, especially in China, meaning that even a restored flow of diamonds through the pipeline is at lower levels than in recent years. The ability of mid-stream players to hold diamond stocks is also under pressure, especially with the announcement by Standard Chartered Bank that it is withdrawing from the financing of diamond firms, which will take around \$2 billion out of the global industry. Hence, even though the market has

stabilised, major producers are being extremely cautious, and Debswana has no plans at present to increase production above the revised target of 20 million carats for 2016. Other signs of weakness are reflected in the decision by one of Botswana's smaller diamond producers, Gem Diamonds, to reduce production at the Ghagoo mine. It may also be one reason why Lucara Diamonds' Lesedi La Rona gem from the Karowe mine – the largest rough diamond found in over 100 years – failed to reach its reserve price when put up for auction in London in late June. More positively, another small mine, Kimberley Diamonds' Lerala Mine, re-opened in Q2.

### Copper-nickel and BCL

The stabilisation of the global rough diamond market is also reflected in other commodities markets. By the end of June 2016, crude oil prices had risen by 85% from their mid-January lows, while copper and nickel prices have risen by 12% and 22% respectively.

The recovery in base metals prices, while welcome for Botswana, does not, however, fundamentally change the critical situation facing the country's largest copper-nickel producer, BCL. The company's costs of production are well

## COMMENTARY

above current price levels, even with the recovery, and it is facing problems of low-grade ore, overstaffing, and the constant expectation that it will operate as a social welfare provider as well as a commercial entity. It has high levels of debt, and as a loss-making fully government-owned entity, is dependent upon government's financial guarantees and cash injections for its survival. Undoubtedly, BCL's survival is critical for the town of Selebi-Phikwe and the surrounding region, given that - apart from government - BCL is the largest employer in north-east Botswana. But continuing "as is" is not an option, given the huge financial cost this is likely to impose on taxpayers. A hard-headed review is needed to determine whether the company has any chance of commercial viability, which is likely to require a fundamental restructuring to achieve a reduction in costs of around one-third, including a comparable reduction in staffing. Obviously such a large employer has important social and economic benefits to the region, including multiplier effects that support economic activity more broadly, but this does not mean that it is entitled to a blank cheque of indefinite or unlimited financial support from the taxpayer.

The ownership of BCL is being transferred from a direct government shareholding to an indirect holding through the new Minerals Development Company of Botswana (MDCB). The intention is that MDCB will operate on a commercial basis, and how it manages BCL, as the sole shareholder, will be a crucial test of its ability to ensure that government-owned mining companies operate efficiently in future.

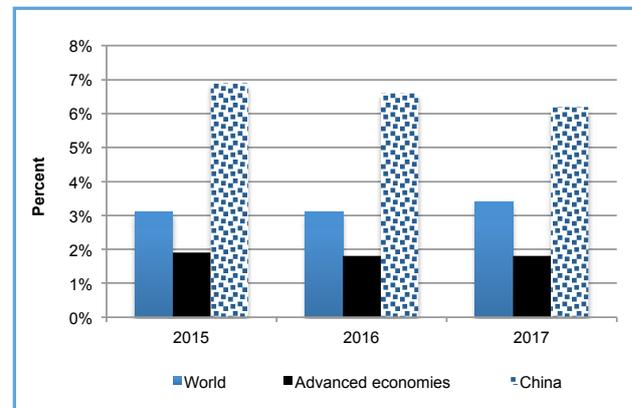
### Global Uncertainty

The stabilisation of global commodities markets removes, or at least reduces, one element of the spectrum of uncertainty that has affected the world economy over the past 12 months. But there are other risks that could yet be destabilising. The UK's "Brexit" vote to leave the European Union, which was unexpected by most commentators, shows that people are prepared to support something that is not in their economic self-interest, if other factors are perceived to be more important. Misinformation and scaremongering by the media and politicians may well be believed. But the result, as noted the following day by the respected commentator Martin Wolf in the UK's Financial Times, is "probably the most disastrous single event in British history since the second world war", and as a result, "the UK, Europe, the west and the world are damaged". Certainly, it has had a destabilising effect on the global economy, not to mention the UK economy; for instance, the proposed mega-merger between the brewers ABInbev and SABMiller may well fall apart, because it is no longer as attractive given that it is priced in devalued post-Brexit sterling. Even for Botswana, Brexit adds to uncertainty, given that Botswana's beef is exported to the UK under the recently-signed EPA trade agreement with the EU. This uncertainty will remain for quite some time, until the form of post-Brexit trade and economic relations between the UK, the EU and the rest of the world become much clearer.

Other events and developments contributing to global uncertainty include the US presidential elections in November, the pace of economic slowdown in China, stresses within the Chinese financial sector, the pace of monetary policy tightening in the US, and concerns about over-valuations in major financial markets.

Global growth forecasts have been revised downwards slightly, post-Brexit. Nobody knows how these will play out, but there is consensus that risk is on the downside. Nevertheless, the IMF's core scenario is that global growth will improve slightly, from 3.1% in 2016 to 3.4% in 2017, although still below long-term trend growth.

Figure 1: Global economic growth forecasts



Source: IMF World Economic Outlook, July 2016

### National Development Plan 11 and Vision 2036

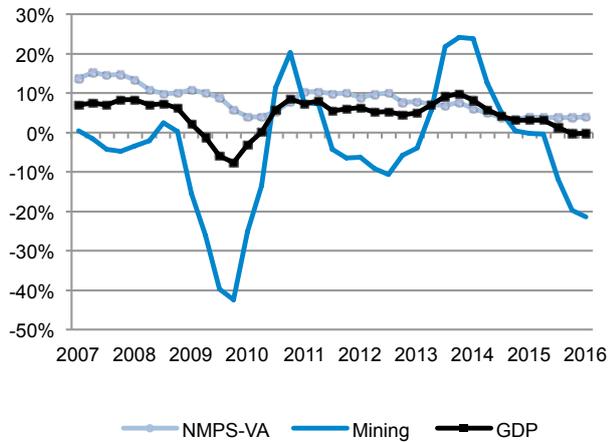
Uncertain global economic prospects provide the backdrop for two important medium and long-term planning exercises currently under way in Botswana. The 11th National Development Plan (NDP 11) is due to run from April 2017 to March 2023, and is currently being finalised. As with several recent NDPs, NDP 11 is focused on economic diversification, and has to do so in the context of declining fiscal revenues (relative to GDP) and continued expectations of high levels of government provision of infrastructure, services and social safety nets.

The exercise to prepare a new Long-term Vision for Botswana is also nearing completion. The new Vision 2036 will follow on from Vision 2016, which is coming to an end. Vision 2036 will provide the framework for NDP 11 and the next two NDPs.

Both NDP 11 and Vision 2036 contain commitments towards the transformation of the economy towards a more diversified, private sector-led, outward-looking open economy integrated into global markets, which is exactly what is needed to ensure sustained growth. The test will be whether policies and the related actions and decisions are consistent with these objectives.

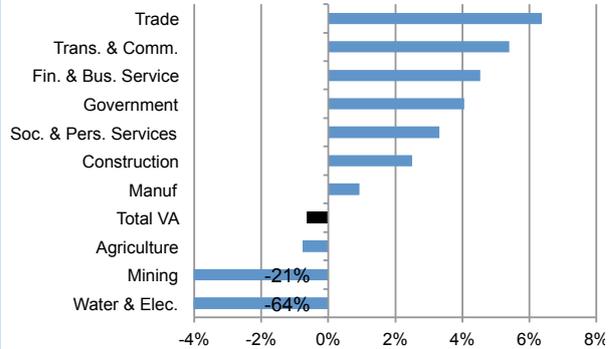
## KEY ECONOMIC VARIABLES

### Annual GDP Growth



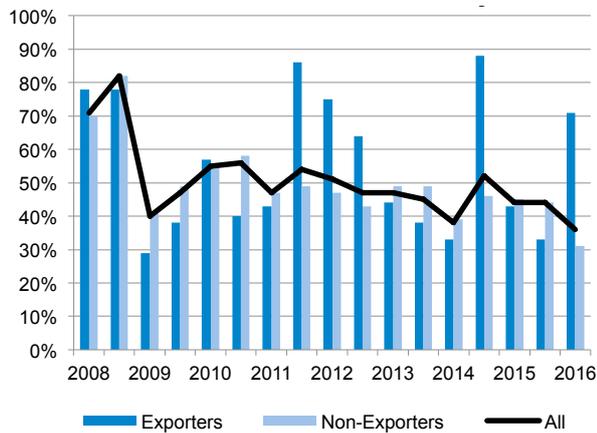
The economy showed signs of bottoming out in the first quarter of the year, after a deteriorating performance in 2015. Real GDP contracted by 0.2% in the 12 months to March 2016, a slight improvement from the 0.3% negative growth in 2015 but significantly lower than 3.2% growth in the period ending March 2015. Overall economic output is therefore flat. However, growth in the non-mining private sector (NMPS) was 3.9%, similar to its growth rate through 2015, but this was offset by still significant mining contraction.

### Sectoral GDP Growth



Services sectors continued to be the fastest growing sectors in the economy during year to March 2016, while the water & electricity, mining and agriculture sectors recorded negative growth. Finance and business services and government were the fastest growing sectors, at 4.5% and 4.1% in March, up from 3.2% and 3.3% recorded in Q1 2015 respectively. The subdued growth in agriculture sector is attributable to the contraction of crops and horticulture. The crops sub-sector had negative growth of 1.3% and horticulture contracted by 1.5% in the period.

### Business Confidence



The Bank of Botswana's Business Expectations Survey (BES) for the first half of 2016 showed that the overall rating of business confidence declined in the March 2016 survey when compared to the September 2015 survey. The BES measures the proportion of firms that are satisfied with current business conditions, which deteriorated from 44% in September 2015 to 36% in March 2016. While confidence among exporting firms improved drastically, from 33% in September 2015 to 71% in March 2016, it decreased by 13% to 31% for non-exporting firms during the period. Nevertheless, there is optimism that business conditions will improve in the next 12 months despite uncertainty surrounding the supply of key inputs, water and electricity, which contributed to overall decline in business confidence.

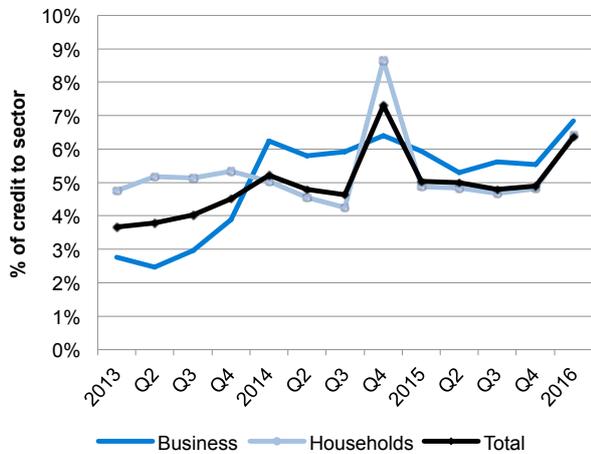
### Annual Credit Growth



Credit growth in the year to April 2016 increased to 9.5%, from 7.1% in December 2015, attributable to faster growth in lending to both households and firms. Credit to firms increased by 4.5% in the year to April 2016, up from 3.2% in December 2015. Household credit growth was 13.7%, up from 12.8% in December 2015. Rising household credit growth is due mainly to growth in unsecured lending, with slower growth in borrowing for property mortgages and vehicles.

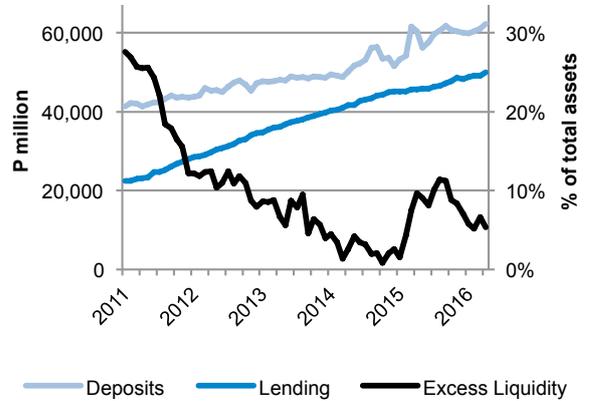
## KEY ECONOMIC VARIABLES

### Arrears on Bank Lending



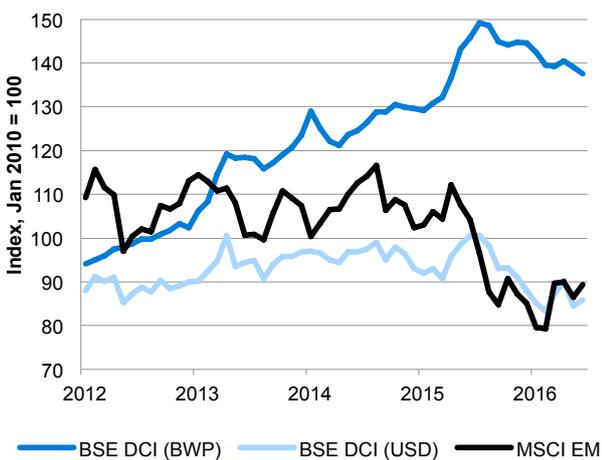
Total arrears as a proportion of outstanding bank credit increased to 6.4% in the first quarter of 2016 from 4.9% recorded in the last quarter of 2015. The sharp increase in arrears was driven by both households and businesses. Total arrears on household credit rose from 4.8% to 6.4% while total arrears on firms' credit increased from 5.5% to 6.8% from Q4 2015 to Q1 2016 respectively.

### Bank Deposits, Lending & Liquidity



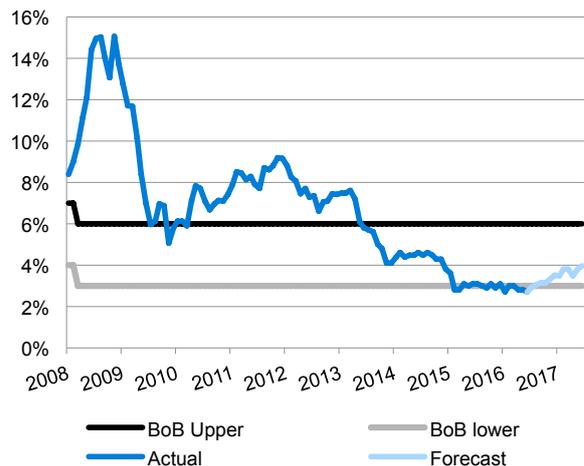
Banking liquidity has been stable at adequate levels in recent months, after having improved markedly in 2015 from the very low levels experienced earlier. In the first four months of 2016, both bank deposits and lending increased at similar rates. Banks as a whole have excess liquid assets equivalent to around 5% of total assets, which is a comfortable buffer to support lending demand, although there are significant variations across individual banks.

### Stock Markets



The domestic companies index (DCI) of the Botswana Stock Exchange performed poorly in the second quarter of the year, falling by 1.2% and 1.3% in Pula and US Dollar terms respectively. However, emerging stock markets were generally weak in Q2 and MSCI EM declined by 0.3%, largely attributable slow economic growth experienced in the emerging markets, while the MSCI World index, which mainly reflects larger developed markets, gained 0.3%.

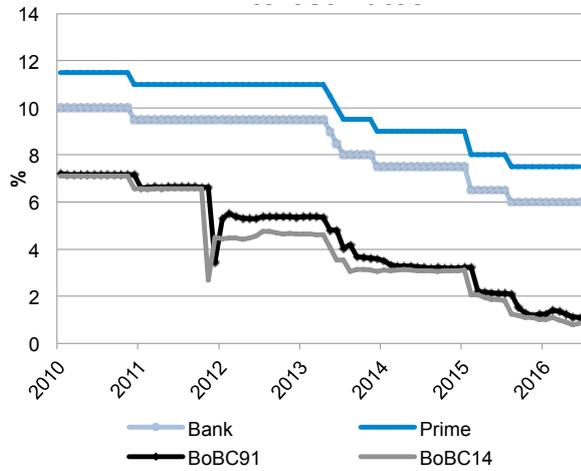
### Inflation and Forecast



Headline inflation in Q2 2016 decreased further below the lower limit of the Bank of Botswana inflation range of 3-6%, recording a new low rate of 2.7% in June, down from 3.0% in March. The downward movement in inflation is attributable to lower rates of price increase across most commodity groups, especially food and housing costs. It is expected that inflation will remain subdued before increasing towards the end of the year and rising to around 4% by mid-2017.

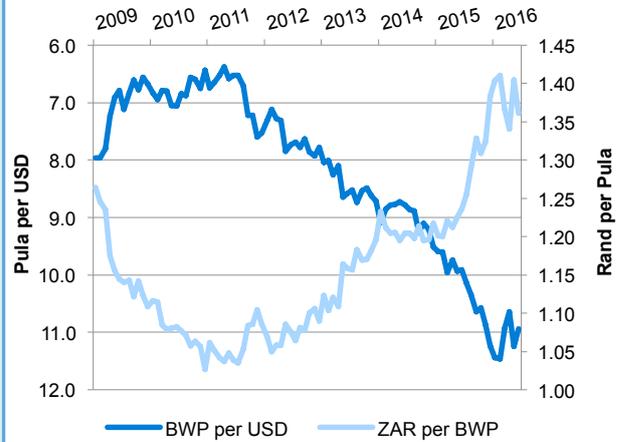
## KEY ECONOMIC VARIABLES

### Interest Rates



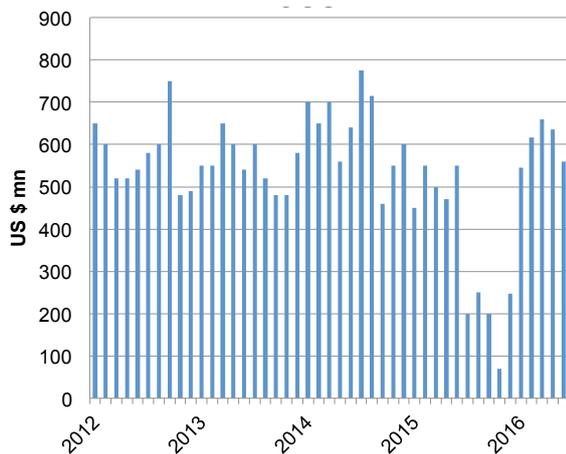
The Monetary Policy Committee (MPC) maintained its monetary policy stance and held the Bank Rate at 6% in June 2016, due to a positive price stability and inflation outlook. The BoBC 14-day and BoBC 91-day yields have continued to move slowly downward, with yields of 0.84% and 1.09% respectively when compared to the 1.00% and 1.36% prevailing in Q1 2016. The commercial bank prime lending rate remained constant at 7.5%.

### Exchange Rates



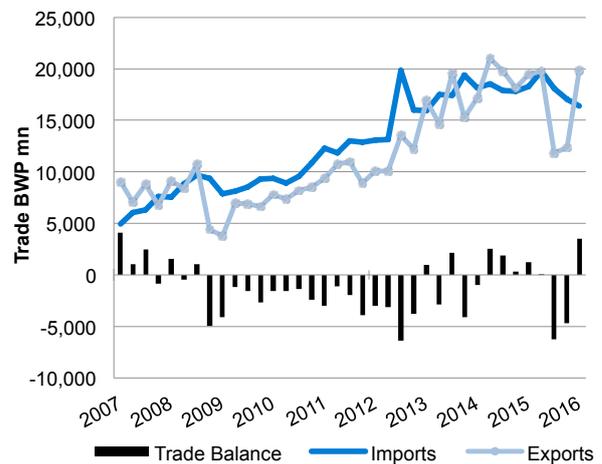
Exchange rates continued to be volatile during Q2, although in the event the Pula ended the quarter little changed against both the SA rand and US dollar compared to the end of Q1. Currency market volatility followed changing investor sentiments in foreign exchange markets, with the possible credit rating downgrade of South Africa, and the United Kingdom's vote to leave the European Union. The Pula-US Dollar exchange rate was 10.94 at the end of June 2016, compared to 10.93 at the end of Q1, while the Pula depreciated by 0.4% against the SA Rand during the quarter, from ZAR1.37 to 1.36.

### Diamond Sales



The global market for diamonds in the second quarter of the year has been generally stable, with demand for rough diamonds and corresponding rough prices reflecting demand from consumers and diamond cutting and polishing firms. Sales by De Beers Global Sightholder Sales (DBGSS) in Q2 improved when compared to the same period in 2015, from USD1,520 million to USD1,856 million. De Beers' fifth sightholder and auction sale was successful and rejections were made only on lower quality goods. However, sales at the fourth and fifth sights of the year were slightly below those of the third sight, and the industry remains cautious of market developments.

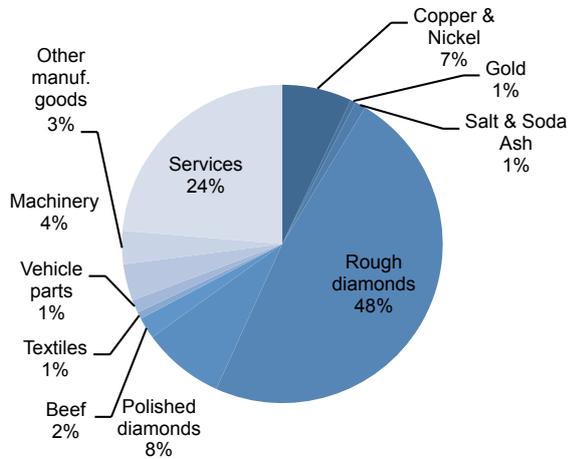
### International Trade



As expected, total trade improved in the year to March 2016, consistent with improved global demand for diamonds. Total goods exports went up from 4.4% quarterly growth in Q4 2015 to 61% growth in Q1 2016, due to improved diamond sales which contributed 86% of total exports in the year to March. Imports moved from a contraction of 5.6% in Q4 2015 to a contraction of 4.1% in Q1 2016, attributable to a lower value of diamonds imported during the period. This resulted in a trade surplus of P3,512 million. This compares with a trade deficit of P4,713 million in the final quarter of 2015.

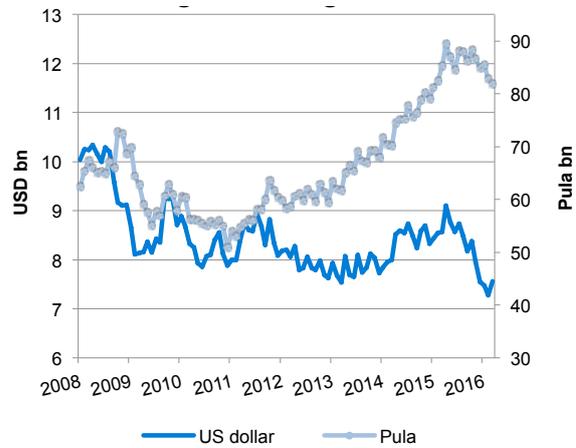
## KEY ECONOMIC VARIABLES

### Exports of Goods & Services



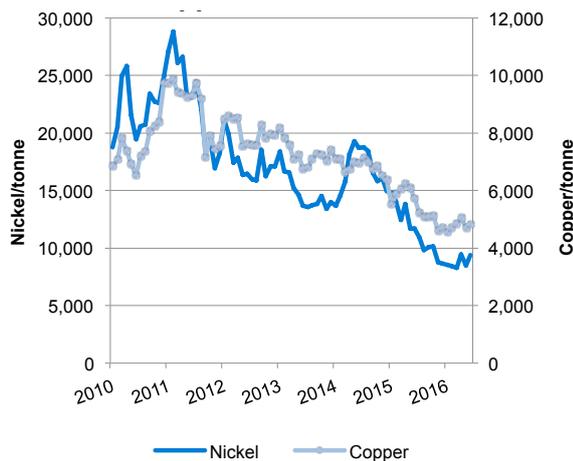
In 2015 Botswana's exports were, as in the past, dominated by diamonds. Excluding re-exports of aggregated diamonds imported from other countries, total exports of goods and services amounted to P53.6 billion (approx. US\$5.3bn). Of this total, rough diamonds mined in Botswana accounted for almost half, 48%. Polished diamonds accounted for a further 8%. As previously reported, 2015 was not a good year for diamonds, so exports were somewhat lower than normal. A striking result is large contribution of services exports, at 24% of the total; the majority of this was tourism. The third largest export was copper-nickel, at 7%. The remaining 13% was spread across gold, soda ash and manufactured products.

### Foreign Exchange Reserves



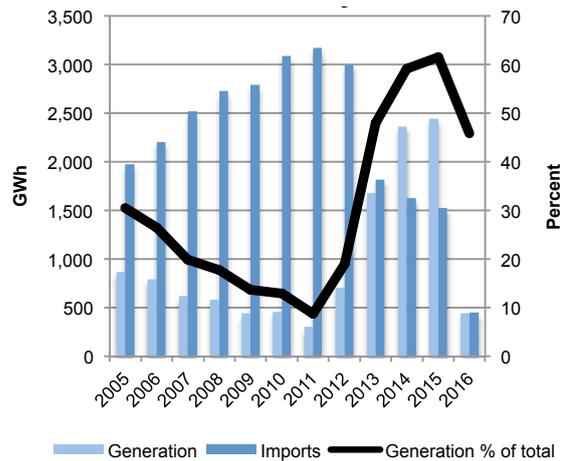
Foreign Exchange Reserves decreased by 3.5% from P84.9 billion in December 2015 to P81.9 billion in March 2016. Besides exchange rate effects, the decline is driven by drawing down on government savings, which has an indirect impact on the foreign exchange reserves. Reserves increased in US Dollar terms by 0.2% to USD7.6 billion while decreasing by 1.4% in SDR terms to SDR5.4 billion.

### Copper & Nickel Prices



The international commodities market for base metals, copper and nickel, continues to be sluggish; however there is some sign that the bottom has been passed as demand from major importers is improving, albeit slowly. Compared to Q1 2016, copper prices softened marginally in the second quarter, falling by 0.6% from USD4,855 to USD4,826 per tonne. On the other hand, nickel prices improved substantially, by 13.7%, to USD9,412 up from USD8,275. There is some hope that prices will recover further as market imbalances between supply and demand improve with China's increasing demand.

### Electricity



During the year to March 2016, electricity generated declined 14.5% year on year from 518.8GWh in March 2015 to 443.6GWh. Correspondingly, the volume of imported electricity during the period increased by 16.1% to 451.1GWh. This translated to total electricity consumption in the first quarter of 967.4GWh, down from 969.9GWh in Q1 2015, a decrease of 0.3%. Electricity consumption fell in the period as a result of slowing economic growth, reduced mining demand, and power rationing due to continued plant failures at Morupule B power station combined with power shortages in South Africa.

## NEWS HIGHLIGHTS

5th April	Botswana makes progress in MDGs. (Daily News)	According to the Millennium Development Goals (MDGs) Status Report for Botswana, the country has achieved nine out of twelve MDG targets. This was made possible through a combination of prudent macroeconomic policies and good governance. Botswana was able to make commendable progress in the 15 years of MDGs as demonstrated by sustained economic growth and strong social and development programmes, which had been positive for Botswana.
11th April	Kimberley starts mining at Botswana's Lerala diamond mine. (Mining Weekly)	Kimberley Diamonds has started operations at its Lerala open-pit diamond mine, and first production is scheduled for April 2016. The Lerala mine's life span is estimated at least seven years, and it is projected to produce an average of 357,000 carats of diamonds per year.
13th April	Fiscal boost as De Beers' rough sales rebound. (Mmegi)	De Beers' rough diamond sales in the first quarter of the year showed signs of market rebound, a development that will be a boost for the government, anticipating a P6 billion deficit for the 2016/17 financial year. The first three sightholder rough diamond sales recorded sales of USD545 million, USD617 million and USD660 million respectively, significantly higher than in the same period in 2015. The improved diamond sales are a fiscal boost to Botswana - through royalties, dividends and taxes the country receives about 80% of the income generated by Botswana's sales to De Beers.
15th April	Three suitors bid for Mowana mine. (Mmegi)	At least three companies have expressed interest in purchasing the Mowana copper mine. The mine was placed under liquidation last year when it could not pay its creditors. It is expected to go on sale in August 2016.
18th April	Lucara's first exceptional tender of year fetches USD51 million. (Rapaport News)	In its first exceptional stone tender of the year, Lucara Diamond Corporation sold rough diamonds with a value of USD51.3 million. Out of the seven diamonds sold, the company sold two stones for more than USD10 million each (USD10.49 million and USD12.19 million for 245.4 carat and 296.7 carat diamonds respectively).
19th April	Botswana nickel producer starts massive worker lay-off. (Mining Weekly)	Botswana's top nickel and copper producer, Bamangwato Concessions Limited (BCL), issued workers with retrenchment notices in an exercise that is aimed at cutting operational and salary costs to save the company from collapse. It is estimated that at least 2,000 workers will be affected in the retrenchment process. Meanwhile, the Government has approved a USD100 million loan to BCL for recapitalisation.
21st April	De Beers reduces Q1 output by 10%. (Rapaport News)	De Beers' diamond production slid 10% to 6.9 million carats in the first quarter of 2016, as the miner reduced output in response to market conditions. Production at Botswana mines fell in the period by 5% to 5.3 million carats.
22nd April	Another 300MW extension for Morupule B. (Mmegi)	The Public Procurement and Asset Disposal Board (PPADB) approved a request from government to expand Morupule B by another 300MW, a few months after the awarding of a tender to expand the station from 600MW to 900MW. The approval allows the government to directly appoint an Independent Power Producer (IPP) to construct additional two units (unit 7 and 8) at Morupule B. This will increase total electricity generation to 1200MW, above the current national demand of 610MW.
28th April	Botswana retains A-/A-2 credit rating. (Sunday Standard)	Standard and Poor's (S&P) Rating Service maintained Botswana's sovereign credit rating, reaffirming an "A-/A-2" rating for 2016. S&P's review took into account the impact of commodity price shocks on Botswana's fiscal position and economic activity, including also the accumulated buffers which have enabled absorption of trade shocks. However, Botswana's credit rating is constrained by the narrow economic base and the dominance of the diamond sector in the economy making it vulnerable to external shocks.

## NEWS HIGHLIGHTS

29th April	Botswana gets USD76.2 million AfDB support to help economic diversification. (Public Finance International)	The African Development Bank (AfDB) will lend Botswana USD76.2 million to support economic diversification efforts. According to AfDB, Botswana needs to invest in sectors such as agriculture and manufacturing and support entrepreneurship development, with the aim to reduce dominance of mining and government in the economy. The line of credit will assist the Botswana Development Corporation (BDC) to expand its investment funding options.
3rd May	African Energy Resources' Botswana projects aimed at SA's IPP coal programme. (Mining Review)	Development work has started on African Energy Resources' two coal projects in Botswana, the Mmamabula West and Mmamantswe projects, for submission into South Africa's cross border IPP programme. The two coal projects are owned 100% by African Energy, and the company is collaborating with two other companies at each site to develop the power projects. Mmamabula West and Mmamantswe projects are expected to each produce 600MW of electricity, should the company be successful in the South African IPP tender.
8th May	Botswana Diamond raises USD722 thousand for Orapa project. (Rapaport News)	Botswana Diamonds managed to raise up to USD722,000 through share issuance to fund the ongoing diamond exploration at its joint venture project with Alrosa in the Orapa area. The funds will be used for drilling, sampling, geophysics programme as well as providing additional working capital.
9th May	Lucara sells its 813 carat diamond. (Lucara Diamond Corporation)	Lucara sold its 813 carat rough diamond named "The Constellation" for USD63.1 million, the highest price ever achieved for the sale of a rough diamond. The type IIa diamond was recovered from the company's Karowe mine in Botswana.
10th May	Modest economic growth seen in NDP 11. (Mmegi)	The government projected a modest average growth rate of 4.4% for the next six years under its medium term socio-economic framework, the 11th National Development Plan (NDP11), higher than the 3.8% growth recorded during the NDP10 period. However, the projected growth will not be enough to address Botswana's development challenges of unemployment, poverty and income inequality. NDP 11 covers the period from April 2017 to March 2023.
11th May	Botswana Diamonds to start drilling at PL 186. (Rapaport News)	Maibwe Diamonds will begin drilling for diamond within the Gope area. The programme is part of the Maibwe block of licenses in Gope region which holds a high potential for diamond discoveries. It is stated that the drilling will establish the grade and quality of diamonds found in the area. Maibwe Diamonds is owned 15% by Botswana Diamonds and 51% by Bamangwato Concessions Limited (BCL).
13th May	Government proposes P370 billion NDP 11 budget. (Mmegi)	According to the draft NDP 11 document, the government proposed a P370.2 billion budget for the NDP 11 period, including P90 billion for development spending. Revenues during the period are forecast at P372.3 billion over the entire Plan period, resulting in a slight budget surplus of P2.1 billion. The government intends to keep total expenditures at 30% of GDP and maintain a 70% to 30% allocation between recurrent and development spending.
13th May	Stronger Pula stifles SA bound exports. (Mmegi)	The appreciation of the Pula against South Africa's Rand is putting Botswana's economic growth at risk, making exported goods and services expensive compared to imported goods and services. Thus, a strong Pula against its major trading partner's currency erodes the competitiveness of domestic products which in turn hurts local manufacturers, and their ability to create employment opportunities.

## NEWS HIGHLIGHTS

18th May	Botswana grants A-Cap environmental approval for uranium mine. (Mining Weekly)	The government has approved the Environmental Impact Assessment (EIA) of the Letlhakane uranium project, to be developed by A-Cap Resources. This would be Botswana's first uranium mine, with an estimated 18 years of operation. A-Cap has identified a deposit with approximately 365.7 million pounds of uranium oxide, and the mine would produce 3.75 million pounds each year for the first 5 years.
20th May	Production halved at Ghaghoo mine. (Mmegi)	Production from Gem Diamonds' Ghaghoo mine in the CKGR halved in the first quarter of the year as the company downsized operations to reduce costs. In a production update, Gem Diamonds stated that output at Ghaghoo stood at 11,029 carats in the first three months of 2016, down by 55% when compared to the last quarter of 2015. Reducing production at the mine is in line with Gem Diamonds' strategy for 2016 to keep production in line with market conditions.
27th May	Bruce Cleaver is new De Beers CEO. (Mining Weekly)	Bruce Cleaver will with effect from July 2016 be the new De Beers Chief Executive Officer (CEO), succeeding the outgoing Philippe Mellier, who is stepping down after five years.
27th May	Peregrine Diamonds starts core drilling at Botswana prospect. (Mining Weekly)	Core drilling has started at Peregrine Diamonds' 100% owned Sikwane project, which comprises of nine kimberlites. Diamonds have already been recovered from surface samples and from down hole samples.
31st May	Bank of Botswana doubles on weaker Pula. (Mmegi)	The depreciation of the Pula against most major currencies, particularly the US Dollar, has seen Bank of Botswana (BoB) income for 2015 doubling from the previous year, largely due to currency revaluations. Net income for the Bank amounted to P9.1 billion, significantly higher than the P4.1 billion realised in 2014. Total assets rose by P5.7 billion to P85.4 billion, of which foreign exchange reserves were P84.9 billion in 2015.
3rd June	Banks' profitability sinks to new lows. (Mmegi)	Profitability among commercial banks contracted to a new low in 2015 as the sector suffered the effects of low interest rates, a freeze in bank charges and negative economic growth. According to the 2015 Bank of Botswana (BoB) Annual Report, banks' profitability as measured by Return on Equity (RoE) and Return on Assets (RoA) was subdued in 2015, with one bank recording a loss. The maximum RoE and RoA achieved by individual banks were 21.4% and 2.6% down from 27.7% and 3.8% respectively. However, the situation is considered "normal" by the BoB, as banks in Botswana were making large profits in previous years.
7th June	Analysts cast down NDP 11 Growth forecasts. (Mmegi)	According to the Standard Bank Group's Africa Markets Revealed report, Botswana's economy is expected to grow by no more than 4% a year during National Development Plan 11 (NDP 11), lower than the 4.4% forecast by government officials. Thus, government revenue in NDP 11 may likely to be lower than the estimated P372.3 billion prompting the government for further fiscal consolidation by either increasing borrowing or drawing down on its savings.
8th June	Kimberley to sell first diamonds from Botswana mine. (Mining Weekly)	Following the commencement of production in April 2016, Kimberley Diamond's Lerala diamond mine is ready for its first sale of diamonds. The first sale will be conducted through an online auction at the end of June 2016.

## NEWS HIGHLIGHTS

11th June	Slow growth hurts job opportunities – BoB. (Business Weekly & Review)	The slow economic growth experienced in recent years is limiting the creation of job opportunities in Botswana, as evidenced by sluggish employment growth. Formal sector employment statistics from Statistics Botswana (StB) showed that only 1,008 new jobs in all sectors were created between 2013 and 2015, growth of 0.3%. According to the Bank of Botswana, factors such as the skills gap and slow economic diversification contribute to high unemployment levels and negatively impacts productivity, thus, undermining the ability to create jobs. As a result, there is need to rethink development strategies and create sustainable employment.
12th June	Botswana's electricity index at the lowest in 16 years. (Sunday Standard)	The Africa Infrastructure Development Index of 2016 by the African Development Bank revealed that Botswana's electricity index in 2016 is 80.98, the lowest in 16 years. The country is placed at position 38 in Africa, down from positions 34 and 27 in 2015 and 2014 respectively. This reflects the country's electricity supply problems.
13th June	Informal sector critical for employment creation. (Weekend Post)	A review in Bank of Botswana's Annual Report for 2015 stated that the high unemployment rate is perpetuated by the small informal sector in the country, which also has its own challenges. Factors such as lack of access to infrastructure and services, insufficient skills, and rigid trade and land use regulations hinder growth of the sector despite its potential to create more jobs. According to the Bank, there is a crucial need to create an enabling environment and accommodate growth of informal enterprises.
15th June	Protea Hotels expands into Botswana. (Mmegi)	Protea Hotels has announced the conclusion of an agreement to enter into Botswana's hotels industry. Protea Hotels has footprints in different African countries and Botswana would be the ninth country for their brand. Facilities at the hotel will include 160 rooms (different sizes), business centre, bar, restaurant, fitness centre, conferencing rooms and an outdoor pool. The decision to enter the Botswana market was cemented by economic and political stability in the country as well as a positive economic outlook in the long-term.
15th June	Botswana mine closures highlight need for low cost production. (Mining Weekly)	The closure of mines in Botswana had placed emphasis on the absolute necessity for low-cost mining production in Botswana. According to Econsult Botswana Managing Director Dr. Keith Jefferis, mining companies in Botswana need to rethink their strategies and adopt low cost production strategies to survive, even in unfavourable market conditions, as this will help prevent mine closures and loss of employment.
16th June	Government buys Debswana shares in MCM. (Business Weekly & Review)	Government has moved to acquire 100 percent shareholding in Morupule Coal Mine Limited (MCM) through the newly established Minerals Development Company Botswana (MDCB), buying out Debswana Diamond Mining (Pty) Ltd in the process. Through Debswana, the Government and De Beers previously each held 50% of MCM indirectly.
17th June	EPA: A window for Botswana to boost exports. (Mmegi)	The Economic Partnership Agreement (EPA) signed between the European Union (EU) and six of Southern African Development Community (SADC) countries including Botswana, known as the SADC EPA, provides an opportunity for the country to increase its export base and increase exports to the EU market. The EPA eliminates tariffs and barriers and guarantees 100% free access to the EU market as a way of promoting seamless and efficient trade.

## NEWS HIGHLIGHTS

19th June	National Development Bank (NDB) shows signs of financial recovery. (Sunday Standard)	The 2015 financial results of the National Development Bank (NDB) showed an improvement, with losses reduced significantly from P86.4 million in 2014 to P48.4 million in 2015. The bank's impairment charges also declined. Loans and advances increased from P1.3 billion to P1.37 billion while assets decreased marginally by 1.7%. Its turnaround strategy to return to profitability and operational efficiency has worked well for the bank to reduce losses.
20th June	Bank Rate remains unchanged at 6%. (Weekend Post)	The Monetary Policy Committee (MPC), at the meeting held on the 15 June 2016, maintained the Bank Rate at 6%, due to a positive price stability outlook. Inflation is forecast to remain within the Bank of Botswana medium-term objective range of 3-6%, and the prevailing monetary policy stance is also consistent with maintaining inflation within the Bank's medium-term objective range.
20th June	Revenue pool under pressure. (Weekend Post)	Econsult Botswana Managing Director, Dr Keith Jefferis, emphasised the need to expand the government revenues from domestic sources as Botswana's other revenue sources are under pressure. The 2016/17 budget estimated revenues at P48.4 billion, a reduction of P3.36 billion from the revised 2015/16 budget estimates on revenues of P51.76 billion. Thus, there is need to mobilise revenues as dependency on mineral and customs and excise revenues is not sustainable.
21st June	Botswana: Posco and Marubeni to develop 300MW coal plant. (African Energy)	A consortium of South Korea's Posco Energy company and Japan's Marubeni company has been selected as preferred bidders to develop the 300MW units 5 and 6 at Morupule B coal power station. The expansion of the power station will cost USD800 million which will be financed by the Export-Import Bank of Korea and Japan Bank for International Cooperation. Construction is scheduled to commence in the second half of 2016 and be completed in 2020.
23rd June	Botswana records further decline in business confidence. (Sunday Standard)	The Business Expectations Survey (BES) by Bank of Botswana showed an overall decline in the level of optimism among businesses. Measured by the Business Confidence Index, the overall confidence in the first half of 2016 (H1:2016) is at 36% down from 44% in 2015. The subdued levels of confidence particularly reflect the water and electricity challenges in the country.
24th June	Economic growth target too optimistic – Bank of Botswana. (Mmegi)	According to the central bank's BES, the economy is unlikely to expand by the projected 4.2% this year as the country continues to encounter multiple challenges. On average, businesses' sentiments on real GDP are that the economy will grow by 3.3% and 3.5% in 2016 and 2017 respectively. Problems experienced in the water and electricity sectors are at the top of challenges for growth prospects.
30th June	Lesedi la Rona diamond fails to sell at auction. (Rapaport News)	The 1,109 carat Lesedi la Rona diamond shocked the market when it did not sell at the long awaited London auction sale. Bidding failed to reach the anticipated higher price than that of The Constellation (the previous record), and did not go higher than USD61 million. Prior to the auction sale, the rough diamond was estimated to sell for more than USD70 million (a world record price for a rough diamond).
30th June	Lucara to evaluate alternative market options for 1,109 carat Lesedi la Rona. (Mining Weekly)	Lucara Diamond Corporation will pursue alternative market opportunities for sale of the 1,109 carat Lesedi la Rona rough diamond, after it failed to sell at the Sotheby's London auction. Options include increasing exposure of the diamond to the market by placing it on display at various museums for a period of more than a year. In a company statement, Lucara said they are not in a rush to sell the diamond.

## MACRO-ECONOMIC DATA

Key Economic Data									
	unit	2012	2013	2014	2015 Q2	2015Q3	2015Q4	2016Q1	2016Q2
<b>Annual Economic Growth</b>									
GDP	%	4.8	9.3	4.4	3.1	1.2	-0.3	-0.2	..
Mining	%	-4.6	23.9	4.5	-0.4	-11.8	-19.7	-21.4	..
Non-mining private sector	%	8.0	6.8	4.1	3.8	3.9	3.8	3.9	..
GDP current prices	P mn	112,705	125,810	142,466	37,267	37,319	34,912	39,239	..
GDP 2006 prices	P mn	75,786	82,961	85,619	21,450	20,707	21,730	22,120	..
<b>Money &amp; Prices</b>									
Inflation	%	7.4	4.1	3.8	3.1	2.9	3.1	3.0	2.7
Prime lending rate	%	11.0	9.0	9.0	8.0	7.5	7.5	7.5	7.5
BoBC 14-day	%	4.6	3.1	3.1	1.9	1.18	0.97	1.0	0.84
<b>Trade &amp; Balance of Payments</b>									
Exports - total goods	P mn	45,719	66,402	76,208	19,773	11,830	12,355	19,875	..
Exports - diamonds	P mn	36,143	55,367	65,328	16,618	9,609	10,026	17,003	..
Imports - total goods	P mn	62,112	70,210	72,394	19,760	18,077	17,068	16,363	..
Balance of visible trade	P mn	-16,393	-3,808	3,814	13	-6,247	-4,713	3,512	..
Balance of payments	P mn	-862	1,340	11,404	942	-468	-5,529	..	..
<b>Foreign Exchange</b>									
Exchange rate BWP per USD	end	7.776	8.718	9.515	9.911	10.638	11.236	10.929	10.941
Exchange rate ZAR per BWP	end	1.090	1.196	1.217	1.237	1.329	1.383	1.366	1.361
FX reserves	\$ mn	7,628	7,726	8,323	8,572	8,179	7,546	7,559	..
FX reserves	P mn	59,317	67,772	79,111	84,536	86,190	84,881	81,891	..
<b>Financial Sector</b>									
Deposits in banks	P mn	47,216	48,512	51,492	57,628	61,780	59,961	61,078	..
Bank credit	P mn	34,555	39,763	45,116	45,866	47,209	48,307	49,040	..
BSE index		7,510.2	9,053.4	9,501.6	10,690.1	10,624.3	10,602.3	10,202.6	10,081.3
<b>Business Indicators</b>									
Diamond production (a)	'000 cts	20,619	23,134	24,658	5,999	4,176	4,836	5,429	5,294
Copper production (c)	tonnes	57,916	49,448	46,721	7,530	2,518	3,349	5,777	2,747
Nickel production	tonnes	17,942	22,848	14,958	6,439	1,194	3,987	7,303	3,770
Business confidence index		47%	45%	52%	..	44%	..	36%	..
No. of companies formed		16,561	14,190	16,300	4,904	5,071	3,921	4,592	..
Electricity consumption	GWh	3,703	3,502	3,990	1,006	956	1,041	967	..
Crude oil (Brent)	\$/bar	110.80	109.95	55.27	60.31	47.29	36.61	36.75	48.05
<b>Employment (formal)</b>									
Government		131,033	130,175	129,918	..	130,220	..	..	..
Parastatals		17,484	18,838	18,790	..	19,411	..	..	..
Private sector		188,531	189,894	191,399	..	191,484	..	..	..
Total		337,048	338,907	340,107	..	341,115	..	..	..
<b>Govt Budget</b>									
		2013/14	2014/15 Outturn	2015/16 Revised					
Revenues	P mn	48,951	55,904	51,764					
Spending	P mn	41,730	50,564	55,961					
Balance	P mn	7,222	5,340	-4,197					
Public debt & guarantees	P mn	29,481	32,991	33,670					
Govt deposits at BoB	P mn	31,745	41,680	36,752					
GDP	P mn	129,425	145,435	153,844					
Revenues	%GDP	37.8%	38.4%	33.6%					
Spending	%GDP	32.2%	34.8%	36.4%					
Balance	%GDP	5.6%	3.7%	-2.7%					
Public debt & guarantees	%GDP	22.8%	22.7%	21.9%					
Govt deposits at BoB	%GDP	24.5%	28.7%	23.9%					

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

Notes: (a) 2013 figures include production from Boteti Diamond and Debswana  
 (b) Numbers in Italics reflect revisions from the previous review  
 (c) Copper production figures in Q2 2016 are for the months of April and May. Data for June is not yet available

## SPECIAL FEATURE

# The Botswana Economy at 50 - Achievements and Challenges

## An Economy and Society Transformed

The run-up to Botswana's 50th anniversary of independence on September 30th provides an opportunity to highlight some of the key economic developments that have occurred over the past half-century. It also provides a good opportunity to highlight some of the key challenges that we face entering the next fifty years, and to identify how the second fifty years of independence may (or may not) be different from the first.

The broad outline of Botswana's economic development history is well known. The economy has grown rapidly over the period since 1966, and has indeed been one of the fastest-growing economies in the world. The result has been rising per capita incomes, and a transformation of one of the world's poorest economies in 1966 to an upper-middle income country. Furthermore, a country that was in a precarious macroeconomic position at Independence – with substantial balance of payments and fiscal deficits, heavily dependent upon foreign aid to balance these deficits – has achieved prolonged macroeconomic stability with, in many years, balance of payments and fiscal surpluses. The country has long moved on from dependence on foreign aid. Substantial net asset positions have been built up, in terms of both government's investment account and the nation's foreign exchange reserves.

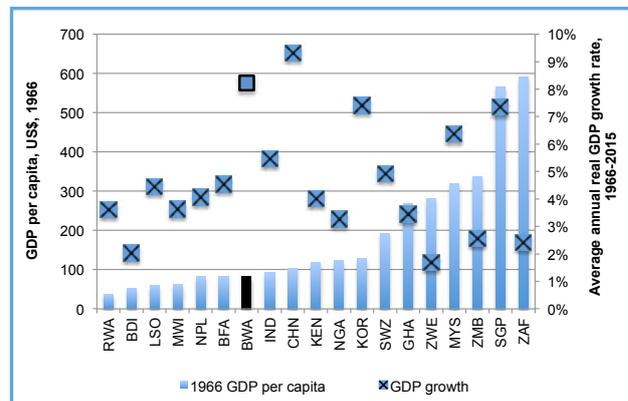
At Independence, GDP per capita (average income) was US\$84 (then R60). As is widely noted, this made Botswana one of the poorest countries in the world at that time. Of the 113 countries for which data is available from the World Bank for per capita income in 1966, Botswana was the 7th poorest, with only Rwanda, Burundi, Lesotho, Malawi, Nepal and Burkina Faso having lower per capita income. Botswana was just below India (\$92), China (\$103), Kenya (\$119), Nigeria (\$124), and well below other African countries such as Zimbabwe (\$281) Ghana (\$270) Zambia (\$337) and South Africa (\$591).

Over the fifty-year period since 1966, Botswana's economic growth has exceeded that of almost all other countries. Real

GDP growth averaged 8.2% a year from 1966-2015; this was faster than other rapidly-growing countries such as Singapore (7.3%), Malaysia (6.4%), and South Korea (7.4%). Only China, with growth of 9.3% a year, grew faster (at least amongst countries for which the World Bank reports data for the entire period).

As a result, per capita incomes in Botswana increased 13-fold in real terms (from \$483 in 1966 to \$7,080 in 2015, measured in constant 2010 US dollars). Only China and South Korea had larger increases over this period.

Figure 1: GDP per capita in 1966, and real GDP growth rates, 1966-2015 (selected countries)



Source: World Bank, World Development Indicators

## SPECIAL FEATURE

This growth has been translated into important advances in social indicators and the quality of life. On the health front, infant mortality has decreased by two-thirds, life expectancy has increased from 52 to 64 years – notwithstanding the devastating impact of HIV/AIDS - and the number of doctors per 10,000 population has increased tenfold. The provision of education has improved dramatically, with the number of students in primary education rising from 71,577 in 1966 to 340,000 in 2013, and the number of secondary students rising from 1,800 to 175,000 over the same period.

**Table 1: Key Economic and Social Indicators, 1966 and 2015**

Indicator	1966	2015
Population, total	575,000	2,262,485
GDP at market prices (current US\$ million)	51.5	14,390.9
GDP at market prices (constant 2010 US\$ million)	296.1	16,018.6
GDP per capita (current US\$)	84.0	6,361
GDP per capita (current Rand/Pula)	R60.2	P64,410
Mining value added (% of total)	0.0	20.2
Manufacturing, utilities, construction value added (% of total)	14.4	13.2
Services value added (% of total)	33.1	47.2
Agriculture value added (% of total)	39.3	2.4
Cereal yield (kg per hectare; 5 year average)	353.6	361.8*
Number of cattle	2,159,000^^	2,084,000**
Mortality rate, infant (per 1,000 live births)	97.0	34.8
Mortality rate, under-5 (per 1,000 live births)	139.5	43.6
Mortality rate, adult, female (per 1,000 female adults)	312.3	262.2*
Mortality rate, adult, male (per 1,000 male adults)	374.1	345.2*
Birth rate, crude (per 1,000 people)	46.2	25.0*
Death rate, crude (per 1,000 people)	14.5	7.5*
Life expectancy at birth, total (years)	52.6	64.4*
Fertility rate, total (births per woman)	6.7	2.8*
Population, ages 0-14 (% of total)	48.5	32.0
Urban population (% of total)	4.4	57.4
Enrolment in primary education, both sexes (number)	71,577	340,065**
Enrolment in secondary general education, both sexes (number)	1,854	174,853**
Physicians (per 100,000 people)	6.4^	33.6***
Tarmac roads (km)	7	6,616

Notes: ^1970; ^^1971; \*2014; \*\*2013; \*\*\*2010

Source: World Bank; Hartland-Thunberg, 1978; Econsult

Over the fifty years of independence, the population has not just become healthier and better-educated, but its demographic character has changed as well. In 1966, Botswana was almost entirely rural, with only 4% of the population living in urban areas; by 2015, this had risen to 57% (or even as high as 65%, depending on how an urban area is defined). The population is also aging; in 1966, almost half (49%) of the population was aged 14 or below, whereas by 2015 less than one-third (32%)

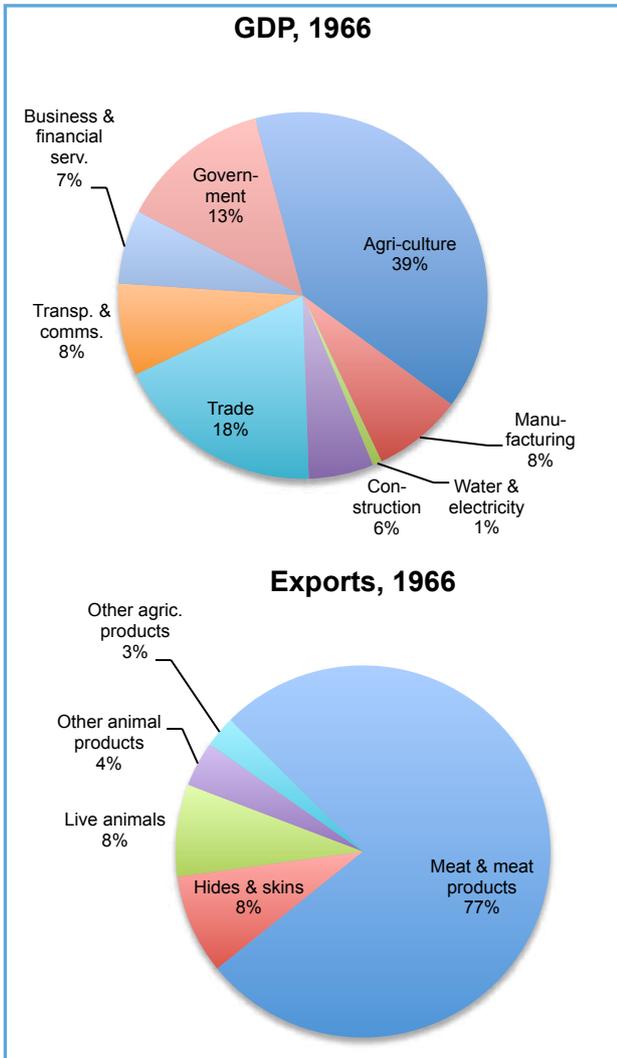
fell into this category. The population growth rate has fallen from a peak of almost 4% a year in the 1970s to under 2% currently. Although death rates have fallen and life expectancy has increased, the main driver of declining population growth has been a falling birth rate as the total fertility rate (births per woman) has dropped sharply, from 6.7 in 1966 to 2.8 in 2014. Total population has increased from 575,000 to 2.3 million.

## SPECIAL FEATURE

The character of the economy has also been transformed. In 1966, Botswana was predominantly a farming nation, with agriculture accounting for 39% of GDP (and beef production perhaps a further 5%). But agriculture has largely stagnated since then; over the period since Independence, the sector grew on average by 2.1% a year – far below the overall economic growth rate, and hence its share of GDP has fallen to only 2.4% in 2015. This stagnation can be seen in terms of crop yields; cereal yields per hectare averaged 354 kg per hectare in the five years to 1966, and were virtually unchanged at 362 kg nearly fifty years later. Cattle numbers and off-take rates have also stagnated. And while meat & other livestock products made up over 90% of goods exports in 1966, by 2015 they accounted for only 3% of the total.

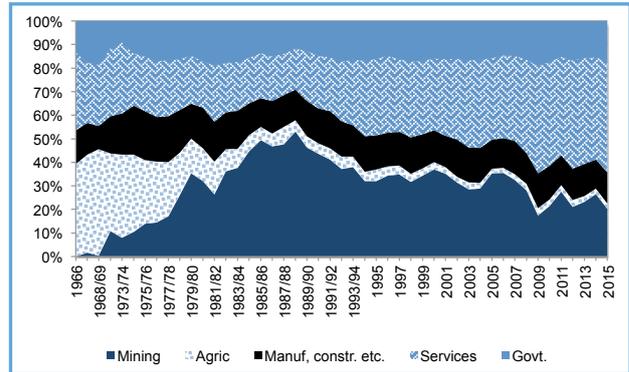
As is well known, the economy was transformed by mining, which grew from virtually nothing in 1966 to over half (51%) of GDP at its peak in 1988/89, although it has since dropped to only 20% in 2015. This has been largely driven by diamond mining, although copper-nickel mining has also played a significant role. Interestingly, in 1966 it was anticipated that mining would come play an important role in the economy of newly-independent Botswana. The first National Development Plan (NDP 1), published in 1967, placed a great deal of emphasis on the development of copper-nickel, diamonds, coal and soda ash as a key driver of economic growth. At that stage the viability of mining deposits was still uncertain; however, NDP 1 noted that “further feasibility studies are continuing and there is optimism that these will reveal that mining can be established on a scale that will make a dramatic impact on Botswana’s economy”. However, the main emphasis was on developing the Selebi-Phikwe copper-nickel deposits rather than diamonds. Despite these hopes for mining, it was nevertheless felt that “for many years to come, agriculture will remain the most important industry in Botswana”. In the event, mining overtook agriculture as the largest sector of the economy in 1978/9.

Figures 2a and 2b: Structure of GDP and Exports, 1966



Source: Republic of Botswana, 1967; Hartland-Thunberg, 1978

Figure 3: Structure of GDP, 1966-2015



Source: Econsult; Statistics Botswana; Hartland-Thunberg, 1978

Although there are no data on poverty rates in the early years of independence, it is evident that poverty has declined significantly. The first nationwide household income and expenditure survey was only carried out in 1985/86, with the result that 59% of Botswana lived in households with incomes below the poverty datum line (PDL). The headcount poverty rate declined subsequently to 47% in 1993/94, 30% in 2002/3 and 19% in 2009/10.

### The First Transformation

The process by which Botswana was transformed from one of the poorest countries in the world to an upper middle-income economy, with high levels of social provision and economic infrastructure, is of course due in large part to the growth of the diamond industry. However, this was not the first contributor to the process of achieving macroeconomic

sustainability (containing the twin fiscal and balance of payments deficits) and reducing aid dependence. The first significant development was the renegotiation of the Southern African Customs Union (SACU) Agreement. This was treated as a high priority by the new Botswana government, and the renegotiated SACU revenue-sharing agreement, which came into effect in 1969, was much more favourable to Botswana, Lesotho and Swaziland than the old (1910) agreement had been. The revenues received under the new agreement made a huge contribution to transforming the government budget and balance of payments during the 1970s.

The diamond industry took off during the 1970s. However it was only in 1983/4 that mineral revenues exceeded SACU revenues in the government budget. In the same year, the government budget shifted from structural deficit to structural surplus. This was driven by both the rapid increase in diamond production, which far surpassed initial expectations, and the favourable taxation and revenue arrangements that the government negotiated. Botswana was also fortunate that the diamond deposits were both very large and also highly profitable to exploit.

Also important in the early years of independence were the governance and public finance management systems that were put in place. These systems were designed for an environment where financial resources were very scarce, and had to be used prudently and productively. Fortunately, these systems endured, even when financial resources eventually became plentiful.

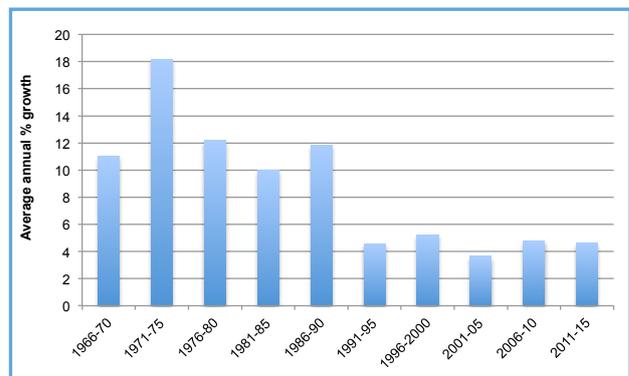
The growth of diamond production and exports, and the governance systems that were in place, underpinned Botswana's dramatic economic success over the fifty years of independence. In that sense, Botswana's economic development story can be characterised as "well-managed good luck". Both institutions and the natural resource endowment were essential to the success story. This is no mean achievement – many countries that are well-endowed with natural resources have not been well managed, and have suffered as a result.

Nevertheless, it is important to recognise that Botswana's upper middle income status, with GDP per capita around \$7,000 a year, is still largely generated on the back of the diamond industry – in a sense, we are "eating diamonds". Although the mining sector does not contribute as much to GDP as it once did, the crucial point is that it still dominates exports, and hence is the source of most of the foreign exchange that keeps the economy functioning.

With the declining contribution of mining to overall economic output, the structure of GDP is now dominated by services, which account for 47% of the total. And outside of tourism, services are not generally exported, unlike minerals, which are almost all exported. Diversification of the economy has largely involved the growth of non-exporting activities, which is why the diversification of exports has proceeded much more slowly than the diversification of GDP.

It is also clear that much of transformation of the economy occurred in the first 25 years of the period since Independence, and that in the second 25 years, momentum has slowed. As Figure 4 shows, average annual GDP growth rates over five year periods were very high – in double digits – from 1966 to 1990, but since that time growth has dropped to much lower levels around 4% a year – not bad, but hardly transformative. In that respect, the "diamond" engine of growth has run out of steam.

Figure 4: Average annual real GDP growth rates, 5 year periods



Source: Econsult; Statistics Botswana; Hartland-Thunberg, 1978

It is an interesting thought experiment to consider what Botswana might have looked like without diamonds, especially given that the anticipated benefits of copper-nickel mining were never fully realised. Would Botswana resemble Lesotho, with a similar population size, an environment that is also not very hospitable to agriculture, and the same relationship with SACU – and an income level per capita that is now only one-sixth that of Botswana?

### The Second Transformation?

Looking ahead to the next fifty years, what is in store? There is no immediate threat to Botswana's current "business model" – unless of course synthetic diamonds destroy the market – as diamond mining and exports should continue at something like current levels for the next couple of decades. However, it would be a mistake to assume that "business as usual" is a viable approach to the future growth of the Botswana economy, for several reasons. First, even if diamond production continues at current levels for many years, this represents an output plateau, which by definition entails zero growth. So diamond mining is unlikely to drive economic growth in future, as opposed to providing a foundation for current economic activity and income levels. Second, as mines get deeper and more difficult to exploit, costs of production go up and hence profits – and the sector's contribution to GDP and government revenues – will gradually decline. And third, the population is growing, so constant diamond production actually entails declining production (and income) per capita.

There are also various economic (and social) stresses apparent that require something other than "business as usual". Poverty rates have come down, but are still too high. Unemployment is high, because the rate of job creation is far too slow. Inequality is far too high, and the majority of households struggle to afford decent housing. Too many people are dependent upon government for their monthly incomes, mostly through various social safety net schemes, and this is unlikely to be sustainable. What all this means is that a second transformation of the Botswana economy is needed to meet the challenges of the next fifty years of independence. "Eating diamonds" will not provide the basis for Botswana to move from upper middle-income status to high-income status; indeed, it may not even provide the basis for maintaining current income levels. The hard truth is that Botswana did not, in general, reach upper middle-income status by being productive, competitive or efficient – although there are some pockets of economic activity that demonstrate all of those things. We reached it by consuming, and investing wisely, the proceeds of the natural resources under our soil. However, moving to a higher income level, and dealing with the problems of unemployment, poverty, inequality, dependence on government and low household incomes requires a fundamental change, so that productivity, efficiency and competitiveness become the basis for growth. This will be demonstrated in a diversification of exports, as Botswana firms produce goods and services that the rest of the world wishes to buy, and a much more prominent role for the private sector in creating jobs and driving growth.

A successful "second transformation" means that in 50 years the economy, and indeed society more broadly, will look quite different to that of today. It is likely that urbanisation will continue steadily, and will settle with more than 80% of the population living in urban areas – similar to that of high-income countries today. The country will be deeply integrated into global and regional markets for goods, services, capital and labour. There will be extensive FDI in Botswana, and local firms will be active investors around the region and around the world. Migration will be a two-way street, and many Botswana will live and work in other countries. The private sector will be larger, and government relatively smaller, than at present. Citizens will be empowered, but by competing successfully, not by being protected from competition. Botswana will have dealt successfully with the challenges posed by global warming and climate change, and will be a responsible global citizen by contributing to broader initiatives towards environmental sustainability.

Moving towards this vision will require many changes, and some of them will be difficult, uncomfortable, or a challenge to vested interests. The fact that "business as usual" is not an option going forward also means that "policy as usual" is also not an option. Government has to change its approach towards the private sector, towards facilitation rather than control. The private sector must drive productivity growth, and look for external markets rather than depend on government contracts. There has to be greater efficiency in government spending, and a prioritisation of claims on government resources; government

cannot do everything for everybody, which sometimes seems to be the expectation today. Policymaking must be rational, based on evidence, and implemented consistently and transparently in the national interest. Regulatory reform has to take place, promoting less, but better and more targeted, regulation. The fundamental approach must be outward looking, embracing global integration, vigorously promoting and supporting firms that export goods and services, attracting inward foreign investment, welcoming foreign firms and individuals who wish to invest in Botswana, work in Botswana, and trade with Botswana. The current tendency of putting up barriers to such regional and global integration will not lead Botswana towards high-income status.

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