

## **Introduction - Special issue on Botswana economy**

*Nettimi Narayana<sup>1</sup>*

Botswana's economic performance from the 1970s has been one of the best in Africa, comparable with the performance of some East Asian countries. This is mainly because of the development strategies and policies adopted by the Government of Botswana, and the focus laid by the National Development Planning on the objective of achieving rapid economic growth with social justice.

During the last three years, and similar to many others, the Botswana economy has been experiencing slow growth. The slow growth can be attributed mainly to the decline in diamond exports. Botswana's high dependence on diamond income has a major influence on the economy's slowdown, which has also adversely affected the Government's spending on major projects. Manufacturing and tourism sectors have also been hard hit during the current recession, resulting in an increase in the rate of unemployment. Despite this somewhat gloomy backdrop, there are signs of recovery as the diamond market is slowly improving. Several macroeconomic indicators have also taken a turn for the better.

This special issue of PULA represents an overview of Botswana's economy, with articles contributed by colleagues in the Department of Economics of the University of Botswana. It discusses the current state of Botswana's economy and the challenges that it faces. The articles cover various aspects of the economy, ranging from broad areas such as sources of aggregate macroeconomic fluctuations to narrow areas such

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<sup>1</sup>. Professor in the Department of Economics, University of Botswana. e-mail: narayana@mopipi.ub.bw

as transformations within the agriculture sector, the ongoing economic reforms, poverty dynamics, the role of information communications technologies in trade facilitation and the dynamics of the nursing labour markets. These issues are pertinent to Botswana's current state of economic development and the challenges brought by the changes in the country's strategic direction.

In the first article, "Macroeconomic fluctuations in Botswana", Obonye Galebotswe analyses the sources of fluctuations in the principal macroeconomic variables. The article shows that Botswana's aggregate output is more volatile than in industrialised countries, but is in sync with emerging economies. Consistent with evidence from mineral-based economies, exports are found to be the most volatile component of aggregate spending. The paper also shows that both external and internal conditions contribute to the observed macroeconomic fluctuations. The results suggest that the main sources of macroeconomic fluctuations are world oil prices, monetary aggregates, prices and the nominal exchange rates. World oil prices and inflation are strongly counter-cyclical, suggesting that the supply-side determined business cycle models are more relevant to Botswana than the conventional demand-driven models.

Galebotswe's article is followed by Jonah Tlhalefang and Kagiso Mangadi's analysis of the agriculture sector's performance. In their article, "Potential welfare benefits of agricultural transformation in Botswana: A computable general equilibrium model analysis", they show that the sector witnessed an upward trend in growth during the 2006-2011 period. The results from the quantitative analysis indicate that the main reason for this upward trend may be good rainfall. The thrust of the quantitative insights emanating from simulations of advances in farming technologies supports the policy stance that transforming agriculture by raising its productivity levels would lead to improvement in aggregate welfare. These findings suggest that the improve-agricultural-productivity policy needs to include a component that will allow farm-workers' incomes to increase and prevent inequalities in the distribution of income from increasing as agricultural output expands.

Malebogo Bakwena's article "The recent economic reforms in Botswana: A critical assessment" highlights the significant economic reforms that have been adopted in Botswana since 2008 when the economy faced a global financial economic recession. The assessment reveals that most of the policies that were adopted were neither intense

nor coordinated enough to bolster economic activity to ease the economic slowdown. Furthermore, the paper contends that the changes in the economic policies give mixed signals as to what their intended outcomes were.

Brothers Wilright Malema's article "Botswana's formal economic structure as a possible source of poverty: Are there any policies out of this economic impasse" analyses the structure of Botswana's economy and the failure of the economy to diversify away from minerals. It points out that it is unsurprising that despite its widely acclaimed economic success, the country continues to have high levels of poverty. The article further analyses the recent economic initiatives geared towards employment creation and poverty reduction such as the Ipelegeng public works programme and the Integrated Support for Arable Agricultural Production (ISPAAD). The article proposes that there should be policies which have the potential to diversify the economy in order to create more employment opportunities and ultimately reduce poverty.

Lesego Sekwati, Netimi Narayana and Mpho Raboloko's article "Understanding the nature of household poverty in Botswana" argue that poverty is largely a structural problem arising from the pattern of economic growth. The analysis is at two levels – the policy level and household level. It argues that while it is not wrong to base the success of poverty reduction initiatives on private sector development, the stark reality is that little has been achieved to date. In addition to the policy environment, this article examined household characteristics that contribute to poverty in Botswana. A logistic regression model was estimated using urban food security baseline survey data from Gaborone to examine demographic, social and economic factors that determine household poverty status. The estimation results show a positive and significant relationship between household size, total household consumption expenditure and household poverty status. This article also argues for the design of specific programmes targeted at addressing poverty.

The article "Trends in economic growth and poverty reduction in Botswana: A corruption control perspective" by Stephen M. Kapunda and Boitumelo D. Moffat examines the trends in economic growth and poverty in relation to corruption indices in Botswana relative to other SADC countries. Using Botswana and cross-country data, the study shows that there is a negative correlation between economic growth and corruption, but a positive correlation between poverty and

corruption. It also shows that Botswana has consistently been the least corrupt in Africa, and that economic growth has been impressive and poverty levels low. It is suggested that other countries in Africa can learn from Botswana as this is important in enhancing economic growth and contributing to poverty reduction.

The article “Information and Communication Technologies (ICTs) enabled trade facilitation in Botswana” by Patricia M. Makepe, Kgomotso Montsi and Chidozie Njoku explores the use of Information and Communication Technologies (ICTs) in the facilitation of trade in Botswana. Its aim is to improve the understanding of the role that ICTs can play in enhancing trade through better trade facilitation, which is defined here as the simplification and harmonization of international trade procedures. The main findings of this study show that Botswana is still in the early stages in the use of ICTs in trade. Several factors were found to be responsible for this, including low internet and broadband penetration, high computer prices, the high cost of services, and low IT literacy in the country.

Narain Sinha and Gothusamang Onyatseng’s article “The nursing labour market in Botswana - An economic analysis” considers nursing as one of the largest and, the most critical component of the medical and health care profession in any country. The article examines the demand for and supply of nursing labour in Botswana. It shows that nurses are likely to be paid low wages because of the monopsonic nature of the nursing labour market. The study concludes that it is caused by resignations due to increased workload, low pay and poor working conditions in the country resulting in a situation of a high propensity to migrate to other countries.