Botswana

key figures

• Land area, thousands of km²	582
• Population, thousands (2007)	1 882
• GDP per capita, USD at constant 2000 prices (2007)	4 439
• Life expectancy (2007)	35.7
• Illiteracy rate (2007)	17.2

Botswana

ZAMBIA
ANGOLA
Caprivi Strip
Kasane
Chobe
Windhoek
Okavango
ZIMBABWE
NAMIBIA
Nata
Bulawayo
Maun
Lake Ngami
Sua
Francistown
Ghanzi
Lake Xau
Selebi- Phickwe
Shashi
KALAHARI DESERT
Limpopo
Sekoma
GABORONE
Jwaneng
Kanye
Johannesburg
Tshabong
Cape Town
SOUTH AFRICA
0
100 km
town > 1 million inhabitants
500 000 - 1 000 000
100 000 - 500 000
< 100 000
major road
secondary road
railway
track
main airport
secondary airport
commercial port
petroleum port
fishing port

Botswana

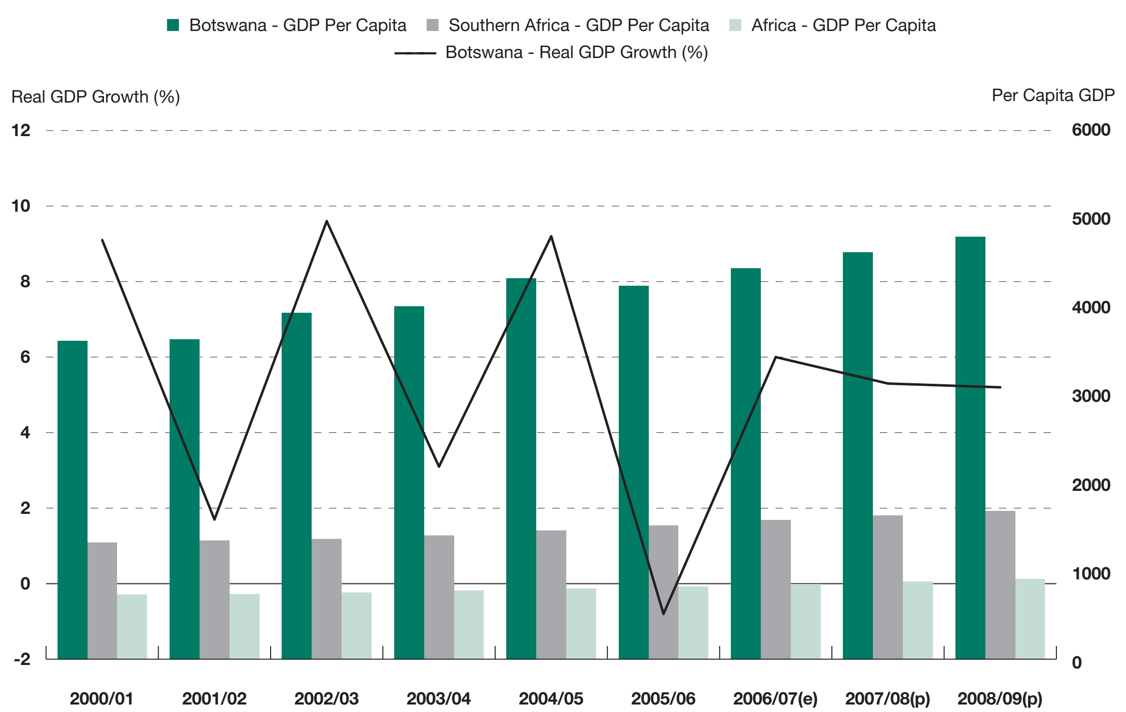
BOTSWANA HAS BEEN AMONG the fastest-growing economies in Africa over the past 40 years. Sound macroeconomic policies and good governance have parlayed the country's diamond resources into a remarkable transformation from one of the poorest countries in the world at independence to upper middle-income status. These impressive achievements have earned Botswana the highest sovereign debt ratings and best Transparency International anti-corruption rank in Africa. GDP growth is estimated to have been 6.0 per cent in 2006/07 and is expected to remain buoyant at over 5 per cent in 2007/08 and 2008/09.

Botswana's development process has been guided by the six-year National Development Plans (NDP), which set the government's development strategy. The current plan is NDP 9, covering the period 2003-09; preparations are already under way for NDP 10, which will cover the period 2009-15. The country continues to enjoy political stability, and in 2008 Vice President Ian Khama Seretse Khama is expected to take over the reins from the incumbent President Festus Mogae.

Diversification of the economy is an urgent imperative.

In recent years, however, economic growth has slowed considerably due to the erratic performance of the diamond mining sector, which is the main driver of the economy. To date, Botswana has been unable to achieve significant diversification in exports, despite considerable efforts.

Figure 1 - **Real GDP Growth and Per Capita GDP**
(USD at constant 2000 prices)



Source: IMF and local authorities' data; estimates (e) and projections (p) based on authors' calculations.

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Although limited progress has been achieved in privatisation, the government remains committed to making the private sector the main engine of growth. The latest Business Expectations Survey by the Bank of Botswana also shows a high level of optimism about business conditions in the country. Progress on privatisation is expected to unleash private sector initiatives and further promote economic growth.

Like many countries in southern and eastern Africa, Botswana continues to suffer from high HIV/AIDS infection rates, unemployment (including among university graduates) and poverty. Although the official unemployment rate has fallen from 21.5 per cent, it remains high at 17.6 per cent. It is currently estimated that 30 per cent of the population is living on less than USD 1 a day.

Recent Economic Developments

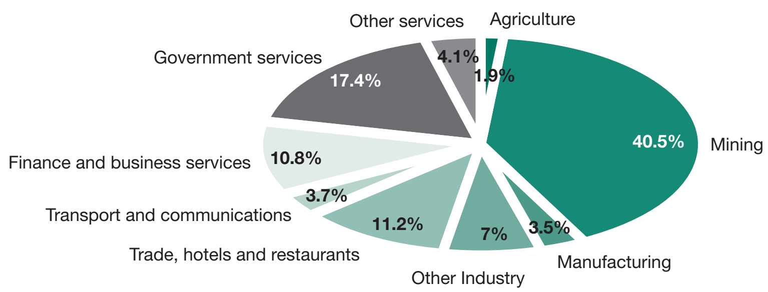
After slightly negative growth in 2005/06, real GDP is estimated to have grown by 6.0 per cent in 2006/07, thanks to massive government investment in mining, power generation and irrigation. Total investment, which had declined in 2005/06, picked up in 2006/07, growing by 18 per cent. In the mining sector, the diamond beneficiation project, aimed at polishing diamonds locally, is expected to boost diamond exports and add impetus to economic growth. The Mmamabula Export Power Station is expected to increase exports of electricity and reduce the country's dependence on imported power from South Africa. The Glen Valley irrigation project is intended to boost horticulture and fodder production. Real GDP is projected to grow by 5.3 per cent in 2007/08 and by 5.2 per cent in 2008/09.

The mining sector is estimated to have increased by 5.2 per cent after a decline of 3.8 per cent in 2006. In 2005/06, it remained the largest contributor to GDP at 40.5 per cent. Growth in the non-mining sectors surged to 6.8 per cent in 2006/07, up from 3.9 per cent in the previous fiscal year. The impressive performance of the non-mining sector augurs well for the country's diversification efforts. The non-mining sectors that recorded significant growth rates are transport and communications (20.3 per cent); trade, hotels and restaurants (16.3 per cent); manufacturing (12.0 per cent); and banks, insurance and business services (6.6 per cent). The rest of the non-mining sectors registered real growth rates of less than 2 per cent.

During the first three years of NDP 9, the economy has grown at an average annual real rate of 4.7 per cent, which is less than the average growth rate of 5.5 per cent set out in the plan. The mid-term review of NDP 9 had envisaged a growth rate of 6.3 per cent for the last three years of the plan, subject to the implementation of a number of reforms. The reforms will need to be scaled up, however, if the target for real per capita income set in Botswana's Vision 2016 policy paper is to be achieved.

Tourism (trade, hotels and restaurants) is the third-largest sector in the economy. Although it currently

Figure 2 - **GDP by Sector in 2005/06** (percentage)



Source: Authors' estimates based on National Institute of Statistics data.

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Table 1 - **Demand Composition**

	Percentage of GDP (current prices)		Percentage changes, volume			Contribution to real GDP growth		
	1998/99	2005/06	2006/07(e)	2007/08(p)	2008/09(p)	2006/07(e)	2007/08(p)	2008/09(p)
Gross capital formation	**34.7**	**26.2**	**18.0**	**12.9**	**9.6**	**5.0**	**4.0**	**3.2**
Public	14.0	7.7	19.6	15.0	8.8	1.6	1.4	0.9
Private	20.7	18.5	17.3	12.0	10.0	3.4	2.6	2.3
Consumption	**64.9**	**46.9**	**4.0**	**4.3**	**4.4**	**2.0**	**2.1**	**2.1**
Public	27.7	20.6	4.8	5.7	7.2	1.0	1.2	1.5
Private	37.2	26.3	3.4	3.2	2.3	1.0	0.9	0.6
External demand	**0.4**	**26.9**				**-0.9**	**-0.7**	**-0.1**
Exports	42.3	56.2	2.9	2.2	1.1	1.6	1.1	0.6
Imports	-41.9	-29.3	8.0	5.9	2.0	-2.5	-1.9	-0.7
Real GDP growth						**6.0**	**5.3**	**5.2**

Source: IMF and National Institute of Statistics data; estimates (e) and projections (p) based on authors' calculations.

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generates only 11.2 per cent of GDP, tourism remains one of the most important avenues for achieving Botswana's somewhat elusive diversification goals. The Botswana Tourism Board, which is now in place, will be crucial in achieving a globally competitive tourism sector. While government retains the regulatory functions, the Board is responsible for all operational functions of the sector such as marketing, investment promotion and grading of tourism facilities.

In recent years, Botswana's finance and business services sector has been increasing in importance. In 2005/06 its share of GDP was 10.8 per cent. The performance of the sector has been boosted by the establishment of the Non-Bank Financial Institutions Regulatory Authority, whose aim is to ensure the soundness, sustainability and global competitiveness of the non-bank financial sector.

The share of manufacturing in GDP was estimated to be 3.5 per cent in 2005/06. Although there is considerable scope for expansion, the contributions of the sector remain low in comparison to other middle-income countries. It is expected that the share of manufacturing would increase with a successful diversification effort.

The agricultural sector continues to play a vital role in Botswana and retains the potential for economic diversification. Unfortunately, it also continues to be plagued by its dependence on rainfall. In 2005/06, its share of GDP was less than 2 per cent, and the drought of 2006/07 reduced the total area planted by 51 per cent and seriously affected yields. The substantial deficit for domestic consumption was met by food imports. However, the National Master Plan for Arable Agriculture and Dairy Development, in particular the Glen Valley irrigation scheme, is expected to boost the sector's performance. The projects being implemented under the programme are expected to increase commercial horticulture and fodder production.

As may be seen from Table 1, GDP growth in 2006/07 was mainly driven by public and private investment, which increased by 19.6 per cent and 17.3 per cent respectively. The projections for 2007/08 and 2008/09 indicate that this will continue to be the case, although these very high growth rates will moderate to some extent.

Macroeconomic Policies

Botswana is generally praised for its pursuit of sound economic policies, which have enabled it to use its diamonds wisely. Its policy stance has been guided by Vision 2016, which sets a broad policy agenda for poverty reduction and macroeconomic stability.

Fiscal Policy

The key objective of fiscal policy in Botswana is careful management of expenditure to achieve social objectives without crowding out the private sector. The fiscal strategy for NDP 9, which comes to an end in March 2009, is to ensure budget sustainability and restrain the growth of government expenditures. The budget outturn for the 2006/07 financial year was an overall surplus of BWP 7.66 billion (Botswana pula). This substantial budget surplus was due to a combination of slightly higher than anticipated revenue and significant under-spending of the total budget. The under-spending was due to capacity constraints in project implementation.

For fiscal year 2007/08, mineral revenues are expected to account for 40 per cent of revenue; customs revenue, 27 per cent; non-mineral income tax revenue, 13 per cent; value added tax revenue, 9 per cent; and other sources, 11 per cent. During 2006, the government made several changes to the income tax and value added legislation. The amendments to the income tax include tax deductions and allowances for businesses that offer unemployed youth approved training in formal institutions or that provide on-the-job training to their staff.

The share of tax revenue in GDP continued its upward trend. Although the increase was marginal in 2006/07, to an estimated 39.6 per cent as against 39.4 per cent in 2005/06, it is projected to maintain this level in 2007/08 and increase again in 2008/09. The upward trend in the share of tax revenue can be attributed largely to the efforts of the Botswana Unified Revenue Service in tax collection and to a reduction in tax arrears.

Total expenditure has also continued its upward trend from 31.3 per cent of GDP in 2005/06 to an estimated 32.6 per cent in 2006/07. In 2007/08 and 2008/09, it is projected to rise to 34.2 per cent and 37.9 per cent respectively. Current expenditure is estimated to have been about 24.6 per cent in 2006/07, slightly lower than the 24.7 per cent recorded in 2005/06. Capital expenditure is estimated at 8 per cent of GDP in 2006/07, up from 6.7 per cent in the previous year.

The prudent management of Botswana's budget is reflected in the overall budget profile. The primary balance as a percentage of GDP is estimated to have been a surplus of 7.5 per cent in 2006/07, a slight decline from the 8.7 per cent recorded during the previous year. The surplus is projected to decline to 5.4 per cent and 3.3 per cent in 2007/08 and 2008/09 respectively. The overall balance is estimated to be a 7.1 per cent surplus in 2006/07, a decline of one percentage point from the previous year. The surplus is projected to continue its decline for the next two years.

Table 2 - **Public Finances** (percentage of GDP)

	1998/99	2003/04	2004/05	2005/06	2006/07(e)	2007/08(p)	2008/09(p)
Total revenue and grants[a]	**32.3**	**37.9**	**35.9**	**39.4**	**39.6**	**39.6**	**41.2**
Tax revenue	23.7	33.2	32.7	35.2	35.4	35.9	37.5
Grants	0.6	0.1	0.7	0.5	0.5	0.0	0.0
Total expenditure and net lending[a]	**37.7**	**38.2**	**35.0**	**31.3**	**32.6**	**34.2**	**37.9**
Current expenditure	25.9	30.4	27.7	24.7	24.6	25.2	27.2
Excluding interest	*25.5*	*29.9*	*27.1*	*24.1*	*24.2*	*25.2*	*27.2*
Wages and salaries	9.1	9.7	10.3	9.2	8.4	8.0	7.9
Interest	0.4	0.5	0.6	0.6	0.4	0.0	0.0
Capital expenditure	12.4	10.0	7.9	6.7	8.0	9.0	10.7
Primary balance	**-5.0**	**0.1**	**1.5**	**8.7**	**7.5**	**5.4**	**3.3**
Overall balance	**-5.4**	**-0.4**	**0.9**	**8.1**	**7.1**	**5.4**	**3.3**

a. Only major items are reported.
Source: IMF and domestic authorities' data; estimates (e) and projections (p) based on authors' calculations.

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Despite the prudent management of the budget, inadequate capacity is the biggest problem hindering project implementation. This lack of capacity manifests itself as annual under-spending of the budget.

Monetary Policy

The principal objective of monetary policy in Botswana is to achieve a low and stable level of inflation that will spur growth and competitiveness. A burst of inflation in early 2006 was due to the reintroduction of school fees in government schools as well as a large increase in the price of meat products. In the first half of 2007, inflation continued the downward trend begun later in 2006, falling to 6.4 per cent for the 12-month period ending in June 2007. The Bank of Botswana reduced the bank rate in June by 50 basis points, from 15 to 14.5 per cent, reflecting the country's positive outlook for its inflation path.

Inflation rose in the second half of the year, however, mainly due to a combination of higher world prices for petroleum and some food products, which have a high weighting in the consumer price index basket. Nevertheless, it fell within the target range by September. Overall, inflation averaged 7.1 per cent in 2007, compared to 11.6 per cent in 2006.

External Position

During 2007, stability of the real exchange rate was achieved through the introduction of a crawling band exchange framework. The pula appreciated in nominal terms by a little over half a percentage point against the US dollar and by less than 2 percentage points against the South African rand. The new exchange rate mechanism is clearly supporting Botswana's international competitiveness, which is essential for accelerating progress towards the Vision 2016 targets through NDP 10.

Table 3 - **Current Account** (percentage of GDP)

	1998/99	2003/04	2004/05	2005/06	2006/07(e)	2007/08(p)	2008/09(p)
Trade balance	0.0	4.9	10.8	20.7	17.8	13.6	6.1
Exports of goods (f.o.b.)	36.0	33.3	39.4	45.0	44.2	42.3	40.2
Imports of goods (f.o.b.)	36.1	28.4	28.7	24.3	26.4	28.6	34.0
Services	-3.6	-0.3	0.0	0.7	0.4	-0.2	-0.3
Factor income	-1.5	-9.8	-9.0	-7.0	-5.5	-4.8	-4.6
Current transfers	**4.6**	**4.6**	**6.0**	**6.3**	**5.5**	**4.9**	**4.8**
Current account balance	**-0.5**	**-0.7**	**7.7**	**20.7**	**18.1**	**13.6**	**6.0**

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

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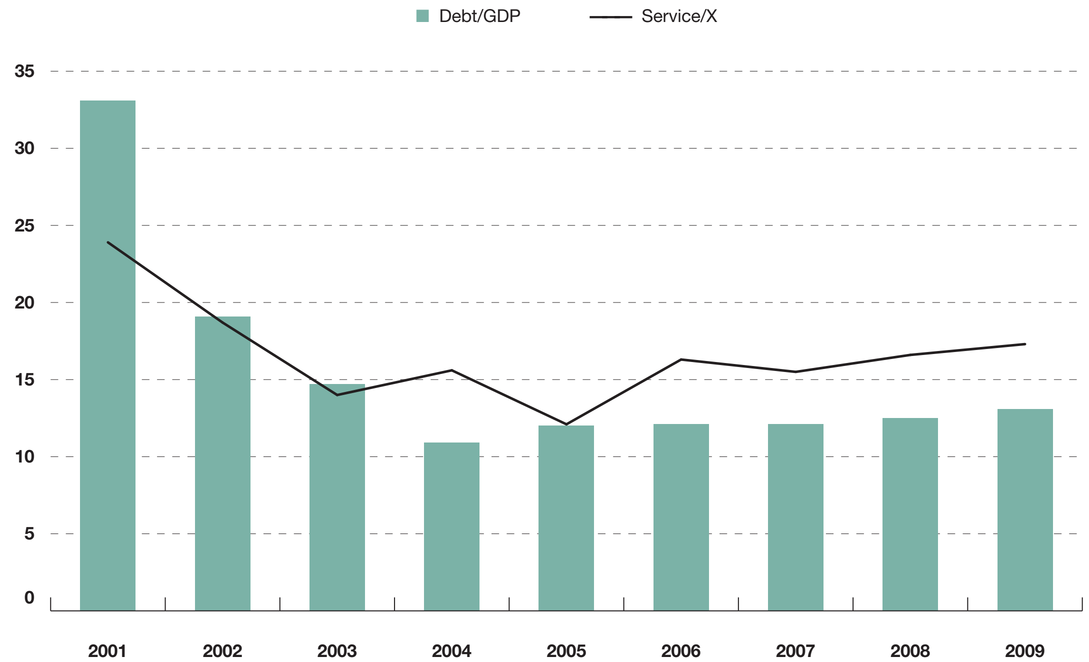
Diamond exports continued to have a favourable impact on the trade balance. The trade surplus for 2006/07 is estimated at 17.8 per cent of GDP, and the resulting current account surplus at 18.1 per cent. These surpluses are projected to decline in the next two years as a result of the projected fall in exports and surge in imports. The balance on capital account is estimated to have increased from a surplus of BWP 142 million in 2005/06 to BWP 493 million in 2006/07. The overall balance of payments is expected to show a surplus of about BWP 11.3 billion in 2006/07, compared to a surplus of BPW 10.3 billion in 2005/06.

Foreign exchange reserves increased from USD 2.3 billion to USD 10.2 billion between November 2006 and November 2007. Reserves represent 28 months of cover for imports of goods and services in 2007, a one-month decrease from 2006.

The total external debt as a percentage of GDP was 12.1 per cent in 2007, far below the important benchmark of 50 per cent. The ratio of debt service to goods and services exports was 15.5 per cent in the same year, which is also well below the HIPC threshold of 30 per cent. This impressive debt record coupled with international reserves amounting to USD 7.8 billion has been facilitated by a cheaper loan portfolio, proper management of the debt and use of domestic resources where cheaper financing cannot be procured to finance development. As a result, the country is projected to

Figure 3 - **Stock of Total External Debt** (percentage of GDP) **and Debt Service** (percentage of exports of goods and services)



Source: IMF.

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enjoy a comfortable cushion against external shocks in the near to medium term despite its high structural dependence on diamonds.

Structural Issues

Recent Developments

Unemployment has been persistently high and is rising both for the unskilled and for university graduates. According to the 2005/06 Labour Force Survey, total employment grew at an annual rate of 4.7 per cent between 1995/96 and 2005/06. The annual Formal Sector Employment Survey also showed that formal sector employment grew by 2.2 per cent in 2007, up from 1.8 per cent over the 2002-06 period. The government is the largest formal employer of labour, accounting for 40 per cent of employment. The informal sector is also important in Botswana, having contributed about 33 per cent of GDP in 2002, although this is a lower share than in countries such as Zimbabwe, Tanzania and Nigeria. In terms of employment, it is estimated that about 60 000 enterprises in Botswana operate mostly in the informal sector, employing one or two people. More than 80 000 people (about 5 per cent of the population) are self-employed or work in the informal sector. Most informal sector enterprises are in retail trade.

Government strategy for employment creation is part of a larger National Poverty Reduction Strategy, which emphasises, among other things, economic diversification, export growth and private sector development. In terms of implementation, the government has established the Multi-Sectoral Sub-Committee on Poverty Reduction to co-ordinate implementation of the poverty reduction strategy and to carry out the relevant monitoring and evaluation of poverty alleviation programmes. The sub-committee also monitors social safety nets and other social security systems, links district- and community-level poverty reduction initiatives with national-level initiatives, and analyses options that can provide employment opportunities to address the needs of the poor and enable them to engage in sustainable livelihoods.

In order to ensure that all citizens share in the fruits of economic growth, the government provides a number of social safety nets, which include the destitutes' allowance, orphan care programme and old age pension scheme. A review of the social safety net programme has been carried out, and the government has accepted most of its recommendations. The latter include creation of a risk and vulnerability database and accelerated outsourcing of the provision and distribution of food commodities.

One of the goals of Vision 2016 is to eradicate absolute poverty by 2016. To this end, implementation of the 2003 National Poverty Reduction Strategy is continuing in earnest with a review of the selected programmes to establish their consistency with the overall poverty reduction strategy, institutionalisation of an improved poverty reporting mechanism and the development of core welfare indicators as part of a comprehensive monitoring system.

Despite the country's stable macroeconomic environment and its place among the top third in the global competitiveness ranking, foreign direct investment (FDI) is low and largely confined to mining. In 2005/06, FDI accounted for about 10 per cent of GDP, down from 28 per cent in the previous year. In this respect, Botswana has lagged behind other Southern African countries such as South Africa, Angola and Lesotho, pointing to the need to improve the business climate.

A number of initiatives have been undertaken to attract FDI, such as the review and enactment of new laws, regulations and policies with a view to promoting investment, employment generation and wealth creation. It is expected that the Industrial Development Bill, which was approved by Parliament in 2006, will reduce the time required for registration of industrial licenses from the current one month to about a week. The computerisation of the Office of the Registrar of Companies is nearing completion and will facilitate the implementation of the Companies Act regulation. Although these measures are aimed primarily at boosting domestic private investment, to the extent that they improve the general climate for investment, they could also facilitate FDI inflow.

In 2006, the Botswana Export Development and Investment Authority started co-ordinating the development of a new strategy to promote the country at both local and international levels. In early 2007, the Ministry of Trade and Industry finished drafting a Foreign Direct Investment Strategy to enhance Botswana's attractiveness as an investment location. As part of its efforts to attract FDI, the government has signed six bilateral investment agreements which will protect the investments of citizens and/or companies originating in the contracting state parties. Two of these agreements were signed in 2006, with Belgium-Luxembourg and Mauritius.

In July 2006, a Southern African Customs Union-European Free Trade Area (SACU-EFTA) Agreement was signed which will enable free trade between SACU and EFTA (comprising Iceland, Liechtenstein, Norway and Switzerland). In 2006, the members of the Southern African Development Community (SADC), including Botswana, also signed the Protocol on Finance and Investment to foster harmonisation of financial and investment policies. The protocol will facilitate regional integration, co-operation and co-ordination in the areas of finance and investment, with a view to diversifying and expanding productive sectors. It is expected to enhance trade within the region and strengthen Botswana's ability to compete regionally and globally.

In view of the limitations resulting from heavy reliance on diamonds for both export earnings and revenue, the government has embarked on strategies to diversify the production base of the economy. To this end, the Local Enterprise Authority (LEA) was set up in 2006 to spearhead the development and growth of small, medium and micro-enterprises (SMMEs). The LEA has formulated its strategic plan for implementation during 2007/08. Through this plan, the LEA will target SMMEs in agriculture, manufacturing, tourism and services in pursuit of the government's overall strategy of economic diversification. As part of its support and advisory service package, the LEA will open one-stop service centres in various locations in the country, through which standardised services will be provided to SMMEs.

Both NDP 9 and Vision 2016 attach considerable importance to diversification of the economy. Macroeconomic policies and policies relating to ownership, regulation and control are being made more investor-friendly. A number of initiatives have recently been taken to promote non-traditional exports such as garments, textiles, tiles and crafts, to introduce national brands, to address issues of standards and packaging, and to boost value added in the diamond industry by introducing local polishing of diamonds. The government is also looking into the recommendations contained in studies by the African Development Bank and the Business and Economic Advisory Council, both of which focus on diversification.

As a landlocked country with a small economy, Botswana has much to gain from regional integration. In July 2007, Botswana assumed the chairmanship of SACU. This development comes at a time when SACU members are poised for the implementation of the 2002 SACU Agreement, which envisaged more democratisation of SACU decision-making institutions, such as the Tariff Board, Secretariat and the management of the SACU Common Revenue Pool, as well as the adoption of common policies and strategies.

The provisions of the Cotonou Agreement ended in December 2007, but an interim agreement was reached with the European Union (EU) while negotiations on Economic Partnership Agreements (EPAs) are extended for another year. During this period there will be no duty or quota on Botswana's beef exports to the EU. Successful completion of the negotiations will accord African, Caribbean and Pacific (ACP) countries favourable treatment in trade with the EU.

The Southern African Development Community Free Trade Area (SADC-FTA) will be launched in August 2008. The FTA will allow free movement of goods and services produced within SADC, but each SADC member will still have its own external tariff with respect to non-members. The FTA will offer local producers of goods and services access to a larger SADC market with no internal tariffs. However, local producers will face competition from other SADC members. Botswana can enjoy the benefits of free trade under SACU as well. Opportunities for exports are also being enhanced through the African Growth and Opportunity Act, passed in 2000 by the United States Congress. Botswana can also take advantage of technology and capital flows as well as labour movements to push forward policies such as the diversification agenda.

Botswana faces serious problems as a SACU member, however. SACU currently requires common policies and strategies on industrial development and industrialisation, which leads to stiff competition on the industrial goods sector from the more industrialised South Africa and other countries within SACU or even SADC. Botswana is less competitive than South Africa in terms of transaction costs, cost of utilities and availability of manpower. The differing levels of development from one member state to another make it difficult to develop the manufacturing sector. Thus, consideration will systematically have to be given to the regional dimensions of any economic initiative in Botswana.

In December 2007, the financial sector received a major boost with the establishment of the Non-Bank Financial Institutions Regulatory Authority as part of the reform effort in this sector. By bringing the supervision of all non-bank financial institutions and services under one hat, this move is expected to improve the performance of the sector, enhance sustainable economic diversification and help achieve the goals of Vision 2016. The Botswana Stock Exchange continues to play a key role in the development of the financial sector. The value of the shares traded on the exchange in 2006 was PWB 414.7 million, a substantial increase over 2005 (PWB 238.6 million). The price of domestic shares grew by 74 per cent in 2006 compared to 22 per cent in 2005.

Historically, the government has played a leading role in the economic and social development of Botswana. It is the single largest employer of labour and a major driver of economic growth. Its share of capital formation in 2007 is estimated at 9.1 per cent of GDP, while its share of total consumption is estimated to have been 22.2 per cent in the same year (Table 1). It is now being recognised, however, that the government should gradually reduce its role and influence, transforming itself from a key participant in the economy to that of a facilitator. A step towards that end is the privatisation of enterprises hitherto managed by the government. The newly created Public Enterprise Evaluation and Privatisation Agency (PEEPA) is charged with the responsibility for developing a privatisation implementation strategy for Botswana. Although the Agency has since prepared a master plan for privatising state-owned enterprises, little progress has been achieved.

Plans to privatise Air Botswana, the first of the parastatals earmarked for privatisation, failed during 2007. The plan stalled after the breakdown of negotiations with the preferred bidder, Airlink of South Africa. To resuscitate its privatisation plan, PEEPA is exploring the possibility of having a management firm run the national airline on a contract basis. Another possibility is that of a franchise, whereby a company is given exclusive rights to provide an air transport service in Botswana. Other parastatals earmarked for privatisation include Botswana Telecommunication Corporation, Botswana Post, Botswana Agricultural Marketing Board and Botswana Building Society.

The main difficulty facing PEEPA is its lack of statutory authority to drive the privatisation process. This lack of authority enables public enterprises and certain government departments to ignore requests and initiatives made by PEEPA to jump-start the process. The other difficulty is the absence of an effective regulatory framework to protect consumers from the monopolistic tendencies of some enterprises.

Technical and Vocational Skills Development

The development of technical and vocational education and training (TVET) in Botswana has been influenced by the country's economic history. Before independence, the economy had very little formal economic activity, and most of its unskilled labour was exported to South African mines. At independence, there were few schools and few educated Batswana as a result of the colonial government's neglect of education. The few schools that existed were a result of local and missionary initiatives. Given the low level of human capital inherited from the colonial era, the Botswana government had to invest heavily in education, but severe shortages persisted, mainly due to the long time lags inherent in education and to rapid economic growth, which increased the demand for educated people. As in most countries without skilled manpower, TVET was neglected in favour of producing a workforce that could take over the white-collar jobs being vacated by foreigners. The first TVET centres in Botswana were community-based work crews which combined training with production. Their aim was initially to impart skills to primary school leavers who could not be admitted to secondary school due to their poor academic performance. There was therefore a perception, which has persisted over time, that TVET was for those less intelligent students who could not complete an academic education that would allow them to secure a white-collar job. As a result, there was no unified TVET policy and the provision of training was fragmented and of uneven quality. Co-ordination between the various bodies involved was minimal; curricula and teaching staff were weak.

Structured Work-based Learning: Botswana's Approach to Skills Acquisition

Structured work-based learning (SWBL), the vocational training system being developed and implemented in Botswana, represents a new concept of skills, knowledge and attitude acquisition for this country. This system has been benchmarked against the best in the world and includes quality assurance as a cornerstone. SWBL is vocational training that is based on requirements in the workplace and uses the workplace as a learning context. In this context, industry determines what learners and prospective employees need to know in order to be suitable for the working world. This involves various pathways employing mixes of on-the-job and off-job learning and assessment.

Following the recommendations of a 1993 national commission on education, the Botswana Training Authority (BOTA) was established in 2000 to oversee vocational training in Botswana. This organisation provides quality assurance, accreditation, policy advice, monitoring and evaluation within the National Vocational Qualifications Framework. There are no comprehensive data on private technical and vocational education.

Government vocational training centres known as "technical colleges" were first established in 1997 to operate alongside the numerous private vocational training institutions that had emerged earlier. The number of public vocational training institutions was estimated at 51 in 2004, with an enrolment of 12 780, an estimated 2.5 per cent of total enrolment in educational institutions. By 2005 there were about 202 vocational training institutions in the country.

Botswana's poverty reduction strategy has little to say about TVET, which therefore has not been given high priority. Before the establishment of BOTA, most private vocational institutions handled quality assurance through affiliation with external bodies. For most of these institutions, quality assurance is now being provided by BOTA. By July 2007, 62 training institutions were registered by BOTA, with a total of 331 programmes accredited.

The Botswana National Vocational Qualifications Framework (BNVQF) is an integrated system of nationally recognised qualifications and nationally endorsed standards for the recognition of vocational skills, knowledge and competencies. The Vocational Training Act of 1998 set out broad plans for a three-tier vocational qualifications framework (which will eventually link to a broader National Qualifications Framework). The BNVQF also facilitates the co-ordination of TVET provision in Botswana, assessment of learning outcomes and the awarding of credits and certificates. It sets quality standards for TVET provision in Botswana and provides modernisation across fields of learning and levels of qualifications. Following assessment based on unit standards, learners are awarded certificates of achievement. There are about a dozen broad fields of specialisation under the BNVQF: agriculture and nature conservation, business and commerce, culture, arts and crafts, education, engineering and manufacturing, health and social services, law and security, information and communications technology, services, planning and construction, generic skills, and mining and quarrying. Each field is further divided into sub-fields.

Botswana's TVET system is largely focused on the acquisition of certificates and diplomas. Until recently, there was no clear system of linkages that would provide for lifelong learning and progression beyond TVET. This is not surprising given that TVET was regarded as a dumping ground for failing students.

According to the results of the 2005/06 Botswana Labour Force Survey, more than 80 per cent of the unemployed had no training; similarly, the unemployment rate is highest (24.5 per cent) among those with no training. The unemployment rate among TVET graduates stands at 9.9 per cent. Government-funded vocational training centres focus mainly on pre-employment, technician and craft-level skills training for predominantly male primary and secondary school leavers. In the absence of any systematic human resource planning, the training system has been essentially supply-driven, with relatively limited involvement of employers in the development of course content and training standards. Some new initiatives, especially structured work-based learning (SWBL – see Box 1), are attempting to make training more relevant to employers' demand for skills.

Further efforts, such as doing tracer studies and providing apprenticeships, are required to make TVET relevant to the labour market. A BOTA tracer study in 2005 concluded that the vocational training system does not produce readily employable people mainly because of the absence of practical experience in the training programmes.

In Botswana, the government is the largest single source of TVET funding, through its support to public training institutions. It also subsidises some private institutions and provides tax incentives such as the double tax deduction scheme, which provides for a deduction of 200 per cent of the expenses incurred by an employer in providing approved training to Batswana employees. The incentive system is ineffective, however, because the information available to potential users is insufficient and because the system is complicated and cumbersome. To address some of the limitations, BOTA is establishing a Vocational Training Fund, with the aim of generating sufficient funds to support skills training by employers and increase skills in the workplace. Other objectives are:

- to motivate enterprises to train their staff;
- to share the financial burden of training activities more equally among enterprises;
- to help match the supply of training to the demand;
- to create new opportunities in the training market;
- to support the goal of cost sharing in skills development in Botswana.

One of the major challenges for TVET in Botswana is how to make TVET graduates employable. Steps taken include structured work-based learning, tracer studies and the implementation of the just-completed Botswana National Resources Strategy, which emphasises lifelong learning. Another challenge is how to encourage the private sector to participate in the financing of education, especially in the light of the new government policy of cost sharing.

Political Context

Botswana continues to enjoy a stable political environment, with peaceful general elections held every five years. The ruling Botswana Democratic Party (BDP) continues its dominance, as the opposition has failed to present itself as a credible alternative in the last few general elections. The most recent general elections, held in October 2004, returned President Festus Mogae and his party to power. The next elections are due in 2009, but Festus Mogae is expected to step down as president in March 2008 after two terms, as mandated by constitutional limits. The transition of power is expected to be peaceful. Vice President Ian Khama Seretse Khama was brought into the BDP to quell the growing rivalry between various factions within the party. In many political quarters, the rise of Khama to the presidency is expected to boost project implementation and productivity within government.

In recent years, opposition parties have been trying, with no visible progress, to join forces so as to form a credible opposition. The main opposition party, the Botswana National Front, has repeatedly failed to unite with other parties, particularly with the Botswana Congress Party, the second strongest opposition party. It remains to be seen whether any progress on collaboration will be made before the next general election in 2009.

Female participation in politics remains well below the 30 per cent target set by SADC, although some progress has been made. Of the 57 elected members of parliament, only four are women, which is about 7 per cent of the total. Significant strides are being made in establishing women in leadership positions in parastatals and government departments, with an average female representation of about 20 per cent.

Social Context and Human Resources Development

The latest Millennium Development Goals (MDGs) status report for Botswana indicated that reducing poverty levels was contingent on employment creation and fighting HIV/AIDS. Employment creation has been very sluggish, however, with an increasing number of unemployed university graduates. According to the report, HIV/AIDS has also made the battle against poverty very difficult, as it erodes the capacity to work, reduces savings and creates new groups of vulnerable people, at both the individual and household levels. The report further predicts that by 2011 the proportion of people living below the poverty line will have risen by 6 per cent owing to HIV/AIDS, and that by 2021 output will be 33 per cent less than it would have been without HIV/AIDS.

The 2005 Botswana AIDS Impact Survey estimates the national HIV prevalence rate at 17.1 per cent

(19.8 per cent for females and 13.9 per cent for males). People living in towns had a higher prevalence rate (21.3 per cent) than those living in cities (20.2 per cent) and in rural areas (15.6 per cent). Although prevalence rates remain high, there are indications that they are on the decline. Prevention of new HIV/AIDS infections remains the cornerstone of the government's strategy to combat HIV/AIDS. Significant progress has been made in terms of enrolling HIV/AIDS patients in anti-retroviral therapy (ART) programmes. As of October 2006, nearly 76 000 patients were enrolled in ART programmes, up from 54 000 in 2005, but still 39 per cent short of the government's target of 85 000 by the end of 2006. The Prevention of Mother to Child Transmission programme also continues to show high uptake, as about 90 per cent of women who are known to be HIV/AIDS-positive receive treatment at the time of delivery, while 91 per cent of HIV/AIDS-exposed babies receive infant formula (rather than breast feeding) and drug therapy.

Botswana has also made considerable progress on the other MDGs. The adult literacy rate increased from 69 per cent in 1993 to 83 per cent in 2007, and the school enrolment rate of girls is now at par with that of boys. The 2006 Demographic Survey indicates a slowdown in the population growth rate since 2001, with an estimated population in August 2007 of about 1.8 million people. Botswana has achieved universal primary education and continues to improve the relevance and quality of basic education.