

Botswana

Botswana grew 6.4% in 2010, rebounding strongly from 2009 when the global economic crisis saw the diamond-dependent economy shrink 3.7%.

Botswana is on track to meet most of the Millennium Development Goals (MDGs) by 2015 but HIV/AIDS remains a major challenge.

China continues to be a key donor in many areas while traditional aid partners no longer play such a role as Botswana has become wealthier.

Botswana has developed from Least Developed Country (LDC) status at the time of independence in 1966 to Middle Income Country (MIC) status within three decades, largely owing to the effective use of revenues from mineral resources following the discovery of large diamond reserves. Gross domestic product (GDP) per capita more than doubled, at current prices, from 3 180 US dollars (USD) in 2000 to USD 6 760 in 2008 but slipped to USD 6 215 in 2009, reflecting the impact of the global slump on demand for diamonds and other minerals. Despite the impressive progress in per capita income, rates of poverty and inequality are still high.

Botswana's reliance on diamond exports is a challenge for sustainable economic growth. The global economic and financial crisis of 2008 saw the economy shrink 3.7% in 2009, primarily because of a substantial fall in diamond demand, but it bounced back to growth of 6.4% in 2010. The economy should grow 6.9% in 2011 and 7.0% in 2012. The current account deteriorated sharply in 2009 and 2010 but should improve and return to surplus in 2011 and 2012. The budget came under pressure too, chalking up large deficits that will take longer to bring under control. Foreign exchange reserves have stabilised at around 17 months of imports.

Inflation fell to 7.0% in 2010 from 8.2% in 2009 but continued well above the central bank's medium-term target of 3.0-6.0%. Inflation should ease into the target range by second quarter 2011 as a hike in value added tax (VAT) and higher controlled prices fall out of the comparison. Lower inflation in South Africa, Botswana's major trade partner, should also help.

The government is promoting the diversification of the economy away from diamonds and Botswana's private sector should provide a solid foundation. Botswana has robust macroeconomic policies, an efficient financial sector, good governance and fairly well developed infrastructure after sustained investment. The result is that the country ranks favourably with its peers. The World Bank's 2011 *Ease of Doing Business* survey ranked Botswana 52 out of 183 countries. On the Corruption Perception Index compiled by Transparency International, Botswana was ranked 33 out of 178 countries in 2010, ahead of all its sub-Saharan African peers.

Botswana is progressing well with the implementation of reforms required to meet the Millennium Development Goals (MDGs) by 2015. Significant progress has been made in education and in health although HIV/AIDS remains a significant challenge despite proactive measures by the government. Botswana has one of the best Prevention of Mother to Child Transmission (PMCT) programmes in Africa where 96% of babies born under the programme are HIV negative.

Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	-3.7	6.4	6.9	7
CPI inflation	8.2	7	6.1	5.3
Budget balance % GDP	-5.2	-11.1	-6.9	-6
Current account % GDP	-5.7	1.5	1.9	2.7

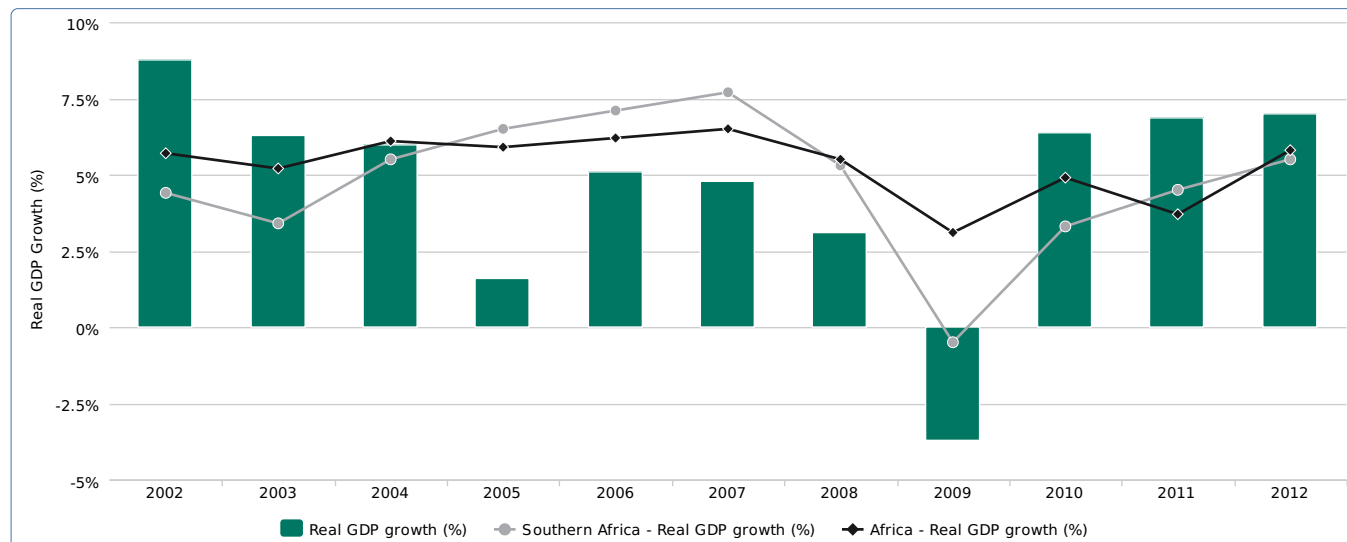
Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for budget balance refer to fiscal year April (n)/ March (n+1).

Figures for 2010 are estimates; for 2011 and later are projections.

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Figure 1: Real GDP growth (S)



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

Figures for 2010 are estimates; for 2011 and later are projections.

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