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Introduction

This issue of the BIDPA Briefing gives a discussion of the bond market in Botswana. We note that the shortage of domestic high-return, low-risk investments, especially for the Public Officers Pension Fund, is one of the reasons that led to the launching of the first three Government bonds, namely BW001. BW002 and BW003. While this is a welcome move, there is still a need to encourage a greater supply of securities to the capital market through more bond issues, particularly by parastatals and private institutions. Also, to further stimulate the growth of the bond market and the capital market at large, a reduction of transaction costs for participants in the bond market, investor protection programmes, with incentives and penalties, as well as a conducive legal and regulatory environment, are imperative.

A detailed analysis of the 2001 Population and Housing census statistics, as well as a comparison to the 1991 Census, is also given in this Briefing. We highlight significant changes and their implications for Botswana's economic and social development. We note that some of these changes, such as changes in the structure of employment and the rising educationaltraining qualifications of the workforce, reflect positive processes that are contributing to rising standards of living. Other processes, such as the rising mortality rates for the sexually active population and the falling life expectancy at birth, due to the HIV/AIDS pandemic, reflect serious deterioration in the quality of life of Batswana.

An Overview of the Bond Market

The role of capital markets, in channelling funds from surplus units to deficit units that have more productive uses for such funds, is unquestionably very important in the economic development of any country. Globally, there has been a shift from the use of financial institutions and intermediaries towards the use of capital market instruments to finance investment. The main capital market instruments are bonds and equities. A bond is a debt instrument in which the issuer promises to pay back to the bondholder the principal amount of the bond and interest according to the terms and conditions of the bond. On the other hand, equities are used by companies to raise funds by selling shares of their companies. In return shareholders receive a share of the net income of the firm

Issuer	Par Value P million	Coupon Rate	Maturity	
Botswana Building Society	100	14.25	2005	
Botswana Development Corporation	50	14.00	2004	
Botswana Telecommunications Corporation	50	13.75	2008	
Stanbic Bank Botswana	30	Floating at the prevailing 91 day BOBC rate of interest plus 1.5% before 2009 and plus 2% afterwards	2013	
Barclays Bank Botswana	100	Floating at the prevailing 91 day BOBC rate of interest plus 0.85% before 2009 and plus 1.5% afterwards	2014	
Standard Chartered Bank Botswana	75	Floating at the prevailing 91 day BOBC rate of interest plus 0.70%	2012	
Government of Botswana, BW002	750	10.75	2005	
Government of Botswana, BW002	500	10.25	2008	
Government of Botswana, BW003	500	10.25	2015	

as dividends. However the amount received is subject to the firm's dividend policy. Although equities have been widely used, there has also been a move towards bonds as investors have been reducing their reliance on short-term instruments.

The origins of the Botswana Bond Market can be traced back to the establishment of the Botswana Stock Exchange in 1994. Although small, the market has become one of the larger bond markets in Africa, after South Africa. This market currently consists of six bonds issued by parastatals and financial institutions, five commercial papers issued by the Botswana Telecommunications Corporation and the recently launched Government bonds. The Bank of Botswana also issues short-term securities as well (Bank of Botswana Certificates), with the aim of influencing domestic liquidity and short-term interest rates. Details of these bonds are given in the above table.

The table indicates that the more recent bonds issued by the financial institutions have maturity rates of 10 to 12 years and are pegged to the Bank of Botswana Certificate (hereinafter referred to as BOBC) interest rate. The reason for pricing these bonds with reference to BOBCs is to increase their competitiveness and lure lenders from investing in BOBCs on a recurring basis.

One of the major developments that has had an important impact on the capital market was the introduction of a defined contribution pension scheme for public officers. This development led to the transfer of P4.9 billion of pension funds

> from the Government to the Public Officers Pension Fund in 2001. In order to absorb the excess liquidity in the banking system that this caused, the Bank of Botswana undertook expanded open market operations. However, much of the pension fund money has been invested abroad due to a shortage of local high-

return, low-risk investment opportunities and a shortage of available instruments to enable the diversification of the investment portfolio.

Pension fund managers currently hold approximately P13.1 billion in funds under management. Pension investment guidelines require that the asset allocation for cash is a minimum of 5%, leaving the balance for investment in other assets. with a limit of 70% for offshore investment. This implies a total minimum domestic asset pool, excluding cash, from the pension funds of approximately P3.7 billion. At the moment P2.7 billion of the pension fund portfolio has been invested by pension fund managers in commercial papers, bonds and BOBCs, as opposed to P6 billion invested offshore, of which P1.1 billion has been invested in offshore bonds.

The shortage of domestic high-return, lowrisk investments, which means there is a shortage of debt instruments to enable efficient portfolio diversification, especially for the Public Officers Pension Fund, is one of the reasons that led to the launching of the first three Government bonds, namely BW001, BW002 and BW003. These bonds were targeted to raise between P2 billion to P2.5 billion. Although





the Botswana equity market seems to be developing fast with 18 companies listed on the Botswana stock exchange, developments in the bond market have rather lagged behind. Therefore, one of Government's reasons for the issue of the bonds is to foster the development of the domestic bond market, as opposed to raising revenue. Such revenue has not been seen as necessary, as Government has recorded budget surpluses in most of the past 20 years, and accumulated substantial savings (the Government Investment Account) at the Bank of Botswana. Government is also aware of the fact that a viable and active Government bond market will assist in the establishment of a relatively risk free vield curve, which can serve as a benchmark for other private sector and parastatal bond issuers. The Government bonds will further add to the choice of financial instruments available in the market.

The three bonds issued have managed to raise a total of P1.750 billion. The 2 year bond, BW001, was auctioned on 21 May 2003. Total bids received amounted to P1107 million, against an auction amount of P750 million, with an effective rate of interest of 13.0%. The five-year bond, BW002, auctioned on 26 March 2003. received a total of P812 million in bids. against the amount auctioned of P500 million. The effective rate of interest for BW002 was 12.65%. The twelve-year bond, BW003, was auctioned on 30 April 2003. It received total bids amounting to P841 million, against the auction amount of P500 million. The effective rate of interest for this bond was 11.5%. All three bonds have been oversubscribed by more that 50%, which shows the interest of domestic investors in these bonds. However, BW003 was more oversubscribed than the other 2 bonds, demonstrating the desire of institutions such as pension funds and insurance companies to maintain a well-balanced domestic investment portfolio in terms of liquidity, security, yield and maturity.

Government has further indicated its intention of introducing other bonds denominated in both Pula and foreign currency. Future demand for Government, parastatal and private sector bonds is expected to be derived from both international and domestic sources. A significant component of the domestic demand will be derived from funds currently invested in BOBCs. The largest holders of these certificates are domestic pension funds, asset managers and banks. However, the propensity to switch out of BOBCs into bonds would be a function of pricing, maturity and secondary market liquidity. The banks' ability to further switch out of BOBCs to bonds will further be constrained by the mismatches in their assets and liability schedules, as well as the Bank of Botswana's prudential guidelines for liquid assets relative to deposit liabilities. At the moment, banks are estimated to hold up 10% to 20% more BOBCs than are needed in order to comply with the required liquid asset ratio.

The other source of demand for future bonds, as mentioned earlier, comes from foreign portfolio investment, which has increased by approximately 50% between 2000 and 2002. This demand is likely to increase further, especially given the high, investment grade, credit ratings awarded to Botswana's sovereign bonds by Standard and Poor's and Moody's.

Botswana has managed to maintain an investor-friendly environment characterised by low inflation rates in comparison to other African countries, no exchange controls, positive real interest rates, fiscal soundness and low corruption. Through the issue of the Government bonds, it has recently established a long term vield curve, which serves as a benchmark for other issuers. Nevertheless, there is a need to encourage a greater supply of securities to the capital market through more bond issues, particularly by parastatals and private institutions. There is a need to reduce the transaction costs for participants in the bond market as these costs are currently high and discourage the supply of bonds. It is also important to improve financial reporting and establish a regulatory authority (e.g., a securities commission), with oversight over trading practices to ensure full, accurate and timely disclosures.

To further stimulate the growth of the bond market and the capital market at large, investor protection programmes, with incentives and penalties, as well as a conducive legal environment, should be created. This should be complemented with a more favourable tax system for investors and the privatisation of stateowned enterprises.

Demographic and Socio-Economic Changes from 1991 to 2001

The 2001 Population and Housing Census has begun to provide some very interesting

statistics regarding the demographic and socio-economic changes that have been occurring in Botswana. These changes reflect long-term processes that are underway which are dramatically altering the structure of the economy and the social fabric of the nation. Some of these changes, such as changes in the structure of employment and the rising educationaltraining qualifications of the workforce, reflect positive processes that are contributing to rising standards of living. Other processes, such as the rising mortality rates for the sexually active population and the falling life expectancy at birth, due to the HIV/AIDS pandemic, reflect serious deterioration in the quality of life of Batswana. This note presents just a few of the preliminary 2001 Population Census statistics and compares them to the 1991 Census, highlighting what appear to be especially significant changes and their implications for Botswana's economic and social development.

Birth, Death and Life Expectancy

The de facto population of Botswana (the number of persons resident in Botswana) increased from 1,326,796 in 1991 to 1,680,863 in 2001, an increase of 2.39 percent per annum over the decade. The birth rate (the number of live births per thousand people) declined from 39.3 in 1991 to 28.8 in 2001, reflecting the continuing changes in fertility patterns that have been occurring in Botswana over the past 20 years. The total fertility rate (the average number of children born during a woman's reproductive years) dropped from 4.2 children per woman in 1991 to 3.3 children per woman in 2001. Over the same period, the crude death rate (the number of deaths per thousand of the population) increased from 11.5 per thousand in 1991 to 13.5 per thousand in 2001. As a result of the changes in the birth rate and the death rate, the rate of natural increase in the population declined from 2.78 percent per annum in 1991 to 1.53 percent per annum in 2001. This is in sharp contrast to the projected rate of natural increase of 2.2 percent per annum for 2001 that was estimated on the basis of the 1991 Population and Housing Census.

On the basis of the census results, life expectancy at birth declined from 65.3 years in 1991 to 55.7 years in 2001, a decrease of 14.7 percent. Along with the sharp decline in life expectancy came a fall in the average age of persons who died. Based on the age specific death rates and



the enumerated population by age (and assuming deaths are evenly distributed within each age cohort), the average age of the people who died during the census year is estimated to have declined from 42.58 years in 1991 to 38.06 years in 2001, a decrease of 10.6 percent (see Chart 1).

However, the overall decline in the life expectancy and average age at death figures mask some important differences in mortality, and changes in mortality, by both age and gender.

While the overall mortality rate was deteriorating, rising from 11.5 deaths per thousand of the population in 1991 to 13.5 per thousand in 2001, the mortality rate for males increased by 8.3 percent, from 13.4 deaths per thousand in 1991 to 14.5 per thousand in 2001. For females, the mortality rate increased much more sharply, from 9.7 deaths per thousand in 1991 to 12.6 per thousand in 2001, an increase of 29.6 percent. While the mortality rate for males exceeded that of females, the gap between the two narrowed sharply over the decade.

Between 1981 and 1991, the overall infant mortality rate (i.e., the number of infants, out of every 1000 babies born in a given year, who die before reaching one year of age) deteriorated from 48.0 deaths per thousand live births to 56.0 deaths per thousand. However, the infant mortality rate for male infants rose from 47.9 deaths per thousand in 1991 to 60.0 deaths per thousand in 2001, an increase of 25.3 percent. In contrast, the infant mortality rate for females rose 10.6 percent over the same period, from 46.1 deaths per thousand to 51.0 deaths per thousand.



As shown in Chart 1, for males the average age at death declined from 43.17 years in 1991 to 38.91 years in 2001, a decrease of 9.9 percent. In contrast, the average reported age at death for females declined from 41.84 years in 1991 to 37.15 years in 2001, a decrease of 11.2 percent.



The changes in the age specific death rates over the decade to 2001 also tell a chilling story. Table 2 and Chart 2 show the age specific death rates in 1991 and 2001. For children under five years of age, the age specific death rate increased 7.7 percent, from 14.8 per thousand in 1991 to 15.9 per thousand in 2001. For the age cohorts 5-9 years, 10-14 years and 15-19 years of age, the age specific death rates decreased by 11.6 percent, 28.9 percent and 32.4 percent, respectively, reflecting the kinds of improvements in health that would be expected in a developing country with rising levels of income, education and provision of public goods and services, including social safety nets such as orphans' allowances, destitutes' allowances and school feeding programmes. However, starting with the cohort 20-24 years of age, all the way up to the cohort 50-54 years of age, the age specific death rates are substantially higher in 2001 than they were in 1991. The reason for this, of course, is strongly believed to be due to the impact of HIV/AIDS on the sexually active population. In contrast, for the cohorts above age 59, one finds age specific death rates significantly lower in 2001 than in 1991, again reflecting the kinds of improvements in health that would have been expected given the economic development Botswana recorded and the introduction of social safety nets such as

For those persons aged 25-29, the age specific death rate increased from 7.3 per thousand in 1991 to 16.0 per thousand in 2001, an increase of 118 percent. For the cohort aged 30-34, the age specific death rate increased by more than 178 percent, from 8.5 per thousand in 1991 to 23.6 per thousand in 2001. While for the 35-39 years age group, the increase in the age specific death rate was 131 percent, with the rate rising from 10.4 per thousand in 1991 to 24.2 per thousand in 2001.

the old age pension.

For both males and females, the changes in the age specific death rates over the decade to 2001 are somewhat similar. However, the age specific death rate for females rises sharply for the age cohort 20-24, from 4.1 per thousand in 1991 to 8.8 per thousand in 2001, an increase of 114 For the corresponding male percent. cohort, the age specific death rate declines from 6.0 per thousand in 1991 to 5.4 per thousand in 2001. For all the other age cohorts, up to those aged 50-54, the age specific death rates rise much more sharply for females than for males. For females in the cohorts age 30-34 and 35-39, the age specific death rates more than tripled over the decade to 2001. The deteriorating mortality and life expectancy statistics will have a variety of negative impacts upon Botswana economy, and will pose serious challenges for the nation. Government and co-operating partners have initiated a number of efforts to combat the scourge of HIV/AIDS and mitigate its effects through the National Strategic Framework for HIV/AIDS, including the introduction of programmes such as the Prevention of Mother to Child Transmission Programme, the establishment of Voluntary Counselling and Testing Centres, the introduction of Anti-Retro Viral Therapy, Community Home Based Care, Orphans programmes, the distribution of condoms, and information, education and communication programmes aimed at getting vulnerable groups to adopt key HIV prevention behaviours. Despite these efforts, the worsening health status of the population gives rise to a "disease burden," which reduces lifetime earnings and well-being, and slows economic growth. Incomes are reduced due to lower productivity while ill, absenteeism from work and premature death. The wellbeing of the population is also reduced by the additional medical and other costs associated with being ill. As a result of their poor health status, many households will likely slip into poverty, in the process depleting their assets, or pushing them further into debt, having increased difficulties raising working capital, etc.

The worsening health status of the population will have macroeconomic impacts on labour markets, human resources development systems and the public finances. Shortages of skilled labour, which are already constraining development, will get worse. As a result of deteriorating health, businesses will face higher labour costs. There will be extra training costs for skilled labour, higher labour turnover, higher recruitment costs, higher labour absenteeism, etc. This will act to erode the country's international competitiveness and the profitability of







Table 2: Age Specific Deaths Rates (ASDR) per 1000 Population										
Age	Age Spe	cific Death Rat	e 1991	Age Specific Death Rate 2001			% Change in ASDR			
Group	Male	Female	Total	Male	Female	Total	Male	Female	Total	
0-4	15.1	14.5	14.8	16.6	15.3	15.9	9.9%	5.3%	7.7%	
5-9	3.3	2.6	3.0	2.7	2.5	2.6	-17.6%	-4.3%	-11.6%	
Z10-14	2.1	1.7	1.9	1.2	1.5	1.3	-41.4%	-13.7%	-28.9%	
15-19	3.4	3.0	3.2	2.0	2.3	2.1	-39.7%	-24.6%	-32.4%	
20-24	6.0	4.1	5.0	5.4	8.8	7.2	-8.7%	113.7%	45.1%	
25-29	9.3	5.7	7.3	13.3	18.6	16.0	42.9%	225.7%	118.0%	
30-34	11.0	6.4	8.5	25.3	22.0	23.6	129.6%	245.4%	178.3%	
35-39	14.1	7.3	10.4	28.5	20.3	24.2	101.7%	178.6%	131.4%	
40-44	16.7	9.4	12.9	29.1	18.9	23.6	73.8%	99.7%	82.1%	
45-49	20.6	11.5	15.8	31.0	17.4	23.7	50.4%	50.8%	49.9%	
50-54	23.1	13.9	18.3	27.6	15.9	21.5	19.4%	14.1%	17.3%	
55-59	29.5	16.7	22.6	29.9	16.3	22.7	1.2%	-2.6%	0.4%	
60-64	43.2	24.2	33.0	32.5	18.7	25.2	-24.9%	-22.6%	-23.6%	
65+	93.2	63.3	76.7	57.3	40.0	47.2	-38.6%	-36.8%	-38.4%	
Total	13.4	9.7	11.5	14.5	12.6	13.5	8.2%	29.6%	17.8%	
Source: Central Statistics Office										

business investment in Botswana. Diseases, such as HIV/AIDS, will have negative effects on tourism and other potentially productive income generating activities in Botswana. At the same time, diseases, such as HIV/AIDS, put serious pressure on government finances. In order to cope with the disease, substantial increases in AIDS-related health expenditures will be required. While along with that, the worsening health status will lead to lower growth in

government revenues by reducing incomes and profitability. As an indication of what the disease burden might amount to, the World Health Organisation's Commission on Macroeconomics and Health estimated that the cost of malaria in Africa could be as high as 17 percent of gross national product, while the cost of AIDS could be a staggering 35 percent of gross national product. It is for such reasons, that investing in health should be a high priority. Botswana's health expenditures have grown from P158 million in 1992/93 to P1131 million in 2002/03, an increase of 21.7 percent per annum.

The long-term prospects of the country will be adversely affected as the poor health of parents gets transmitted to children in several ways, not just in the medical sense.

Higher mortality rates amongst the sexually active, working age population will result in greater numbers of orphans and vulnerable children. As a result, there will be less parent knowledge given to children, less caring for children, less investment by parents in the human capital of children, more children growing up in poverty, more children dropping out of school and higher child mortality rates.

Economic Activity, Employment and Unemployment

The 2001 Population and Housing Census recorded a labour force of 558,752 persons; an in crease of 26.9 percent over the labour force of 440,333 persons enumerated in the 1991 Census (see Table 3). Labour force growth over the decade was very similar to that of the population (26.7

percent increase); thus, the overall labour force participation rate (i.e., the proportion of the population classified as economically active) of 0.3324 in 2001 was very similar to the 0.3319 rate recorded in 1991. However, that similarity apart, there were marked differences in the economic activities of the labour force in 2001 compared to 1991. The Census classifies economic activity into five broad categories: those persons working as paid

Table 3: Econom	ically Acti	ve Popula	tion, 1991	-2001						
				Percent	Rate of Growth	Share of Labour Force	Share of Labour Force			
	1991	2001	Change	Change	p.a.	1991	2001			
Employee	275,750	371,613	95,863	34.8%	3.0%	62.6%	66.5%			
Self-Employed	28,647	53,956	25,309	88.3%	6.5%	6.5%	9.7%			
Sub-Total	304,397	425,569	121,172	39.8%	3.4%	69.1%	76.2%			
Lands-Cattle Post	67,613	17,603	(50,010)	-74.0%	-12.6%	15.4%	3.2%			
Family Business	7,938	5,981	(1,957)	-24.7%	-2.8%	1.8%	1.1%			
Sub-Total	75,551	23,584	(51,967)	-68.8%	-11.0%	17.2%	4.2%			
Seeking Work	60,385	109,599	49,214	81.5%	6.1%	13.7%	19.6%			
Unemployment Rate	13.71%	19.61%								
Total Labour Force	440,333	558,752	118,419	26.9%	2.4%	100.0%	100.0%			
Population	1,326,796	1,680,863	354,067	26.7%	2.4%					
Labour Force										
Participation Rate	33.19%	33.24%								
Source: 1991 Populati	on and Housi	ng Census; S	iphambe (20	03)						
Note: Unknown econo	Note: Unknown economically active population of 413 persons distributed proportionately to the other									

employees; those persons self-employed; unpaid helpers in family businesses; those working on their own lands and/or cattleposts; and those persons unemployed and actively looking for work.

In 1991, 60,385 persons were counted as unemployed; thus, resulting in an unemployment rate of 13.7 percent of the labour force. In 2001, 109,599 persons were estimated to be unemployed and actively looking for work, which represented an unemployment rate of 19.6 percent. The economically active population looking for work the number of persons unemployed - had grown over the decade at an average rate of 6.1 percent per annum, more than two and a half times faster than the labour force had grown.

The rest of the labour force was classified

As either being a paid employee (paid in cash or in kind), self-employed, an unpaid worker in a family business or working at their lands or cattleposts. Table 3 shows the breakdown of the economically active population in 1991 and 2001.

In 1991, 275,750 persons were classified as employed and 28,647 as selfemployed. These economically active groups increased, respectively, by 3.0 percent per annum and 6.5 percent per annum over the decade to 2001, increasing their combined share of the labour force from 69.1 percent in 1991 to 76.2 percent in 2001.

In contrast, those persons engaged on the lands or at cattleposts declined from 67,613 in 1991 to 17,603 in 2001, a decrease of 74 percent; while those engaged as helpers in family business declined from 7,938 in 1991 to 5,981 in 2001, a decrease of 25 percent. The combined population working as helpers in family business or at the lands-cattleposts declined by more than 68 percent over the

period from 1991 to 2001, with their combined share dropping from 17.2 percent of the labour force in 1991 to just 4.2 percent in 2001. Very interestingly, that drop in the number of persons engaged in family business or at the lands-cattleposts, of 51,967, almost matches (is actually slightly larger than) the increase in the number of the unemployed, of 49,214.

The corollary of that observation is that the increase in the number of persons working either as employees or

self-employed, of 121,172, is very similar to, but slightly larger than, the growth of the labour force, of 118,419. The point being that while the growth in paid employment opportunities was more than enough to cater for the growth in the labour force, it was not enough to cope with the exodus of workers from other activities, especially from the lands and cattleposts. That exodus served to swell the ranks of the unemployed.

While the growth in the level and rate of unemployment over the decade to 2001 is disappointing, there is a positive note to this development. With so few people remaining engaged in family business and at the lands-cattleposts, employment growth on a scale comparable to the 3.4 percent per annum recorded over the





decade to 2001, will make significant inroads into reducing unemployment over the next decade, especially if the growth in the labour force slows down in line with the expected growth in the population.

The percent of each age cohort that was economically active in the labour force increased as the population moved up and out of the normal ages for schooling and vocational education and training, reaching a peak labour force participation rate of 0.745 for the age cohort 30-34 (see Table 3). The labour force participation rate by age cohort declined steadily thereafter, with only 41 percent of the population aged 55-64 being economically active. For those cohorts in the school going ages (12-14 and 15-19), the labour force participation rates were quite low, as were those for the population over 64 years of age.

Unemployment rates in 2001 decreased with age, with 38.0 percent and 20.6 percent of the cohorts age 20-24 and 25-29, respectively, being unemployed (see Table 4). Those two cohorts accounted for over 55 percent of the total number of persons unemployed. Unemployment rates for those cohorts over the age of 39 were less than 10 percent.

The unemployed are not only predominantly the youth, they are increasingly also persons with junior and senior secondary levels of education. As Botswana continues to produce an excess supply of labour with secondary education qualifications, the minimum educational requirement for jobs will escalate. In essence, the labour market will devalue education qualifications; and people with higher levels of educational attainment will end up having to accept lower level jobs than their predecessors with the same qualification. However, as this occurs, political pressure will build up for government to create and finance more places at the senior secondary and tertiary education levels.

Turning the tide on unemployment will require greater employment creation through improved employment policies. Botswana's high rate of unemployment is mainly due to inadequate growth in the demand for labour. While growth in output, especially non-mining output, is associated with substantial employment growth, that growth has not been able to absorb all the potential workers in the labour market. Economic diversification, especially in labour-intensive sectors, such as manufacturing, tourism and commerce, has not progressed as fast as anticipated or needed for full employment. There is, therefore, need to encourage greater investment in such sectors by improving the business climate through initiatives to make sure the requisite infrastructure is in place, is operated and maintained to a high standard, and is complemented with efficient public administration.

In addition, providing for the higher levels of education and training needed for a skilled

labour force is a crucial ingredient for private sector development and solving the unemployment problem. But, such human resources development has to be directed at remedying the mismatch between the available skills in the labour force and the skills demanded by firms. The continuing shortages of many types of professional, managerial and technical manpower, alongside the growing numbers of unemployed educated youth, provide a

strong indication that better alignment of skills development with the requirements of the economy is needed.

Human Resources Development



The Census statistics on the percent of the population that never attended school reveal the remarkable human resources transformation that Botswana has undergone in just two generations. For those persons age 75 years of older, 70 percent had never been to school (see Chart 3). While for those persons aged 15-19 years, only 3.3 percent had never been to school. Each successive cohort below the age of 75 had a greater proportion of its population that had attended school, and attained higher levels of educational qualification.

In a similar manner, over 94 percent of those persons aged 70 years or older had never had any formal training (training that led to a certificate, diploma or degree). That percentage decreased steadily with age down to the age cohort 30-34, reflecting that greater proportions of the population were getting trained with each successive age cohort. Below the age of 34, the percent that had never had training was lower, reflecting that people in those age cohorts were still likely to be participating in, or candidates for future, training programmes.

Table 4: Labour Force by Age

					Labour
	Actively	Econom-	Population	Unemploy-	Force
Age	Looking	ically	Age	ment	Participa-
Cohort	for Work	Active	Cohort	Rate	tion Rate
20-24	38,478	101,185	170,614	38.0%	0.593
25-29	22,206	107,946	147,766	20.6%	0.731
30-34	11,135	84,765	113,755	13.1%	0.745
35-39	7,458	68,101	95,343	11.0%	0.714
40-44	4,635	51,404	76,373	9.0%	0.673
45-54	4,745	64,104	108,580	7.4%	0.590
55-64	1,574	25,400	61,920	6.2%	0.410
Other	19,287	55,848	415,337	34.5%	0.134
Total	109,518	558,753	1,189,688	19.6%	0.470

Source: Siphambe (2003)

Note: Other includes the age cohorts 12-14 and those 65+, along with those whose age was classified as unknown.

This pattern of improved human resources development is also reflected in the percentage of each age cohort that has completed some formal training programme. Very young cohorts, which had yet to participate much in the labour force, had relatively few persons that had completed training (e.g., only 0.8 percent of those aged 15-19 had completed training) That percent increased steadily up to age 34, by which point most people have attained whatever formal training they are going to get. For the older age cohorts, successively smaller percentages had completed training. For those aged 75 years or older, only 4.1 percent had completed training, while for those aged 70-74, just 5.1 percent had completed training. For those persons aged 50-54, representing the cohort a generation later, the percent that had completed formal training had grown more than four-fold, to 20.6 percent of the population. While for the next generation, those aged 30-34 years, the percent that had completed formal training had risen further to 34.4 percent of the population.







ECONOMIC FACTS AND FORECASTS										
Quarterly										
		2001			2002				2003	
(end of period)		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Interest rates (%)										
BOBC (3 month)		12.87	12.65	12.51	12.51	12.51	12.54	14.03	13.99	13.92
Prime		15.75	15.75	15.75	15.75	15.75	15.75	16.75	16.75	16.75
Inflation (%)		7.1	6.1	5.8	6.1	5.9	10.1	11.2	11.3	12.8
Rand-Pula		1.421	1.502	1.719	1.687	1.667	1.675	1.580	1.540	1.520
US\$-Pula		0.176	0.167	0.143	0.148	0.161	0.159	0.183	1.940	0.204
BSE index		1399	1471	1435	1475	1454	1733	2037	2214	2455
					Annual					
		1996	1997	1998	1999	2000	2001	2002	2003	2004
Growth (%)										
GDP (real)	d	5.5	5.6	8.1	4.1	6.6	8.4	2.3	7.6 f	3.6 /
Non-mineral GDP (real)	d	6.1	5.5	7.3	7.8	4.0	4.0	5.5	5.0 f	5.0 1
Exports (nominal)	b	23.1	39.7	-15.4	41.2	11.0	-1.0	10.8	-10.0 f	0.3 f
Imports (nominal)	b	9.6	44.0	19.3	3.4	4.4	3.6	16.4	15.5 f	11.3 <i>t</i>
Govt. spending (nominal)	С	17.3	21.6	22.4	15.0	6.6	21.9	13.6	7.4 e	na <i>f</i>
Govt. revenues (nominal)	С	35.3	12.0	-7.2	55.8	18.0	-10.5	8.3	-3.2 e	na f
Formal employment	s	2.2	-4.5	6.1	6.2	2.3	1.5	3.4	3.4 f	3.4 f
Unemployment rate	а	20.9	20.4	19.8	17.8	15.8	19.6	19.3	19.1 f	18.8 <i>f</i>
Domestic (bank) credit	b	1.1	5.6	56.1	41.3	17.7	10.7	21.3	7.4 f	15.5 f
Interest rates (%)										
BOBC (3 month)	а	12.23	11.40	10.66	11.98	12.71	12.51	14.03	13.50 f	9.18 f
Prime	а	14.50	14.00	14.00	14.81	15.75	15.75	14.75	16.75	12.00 f
Inflation (average, %)		10.1	8.9	6.5	7.8	8.5	6.6	8.1	10.0 f	6.0 f
Rand-Pula	а	1.284	1.278	1.318	1.329	1.411	1.719	1.580	1.490 f	1.341 <i>f</i>
US\$-Pula	а	0.274	0.263	0.224	0.216	0.187	0.143	0.183	0.220 f	0.198 f
BSE index	а	352	709	947	1399	1454	2455	2497	2400 f	2772 f
Balance of Payments (Pm)										
Exports (diamonds)	b	5,272	7,675	6,004	9,843	11,420	11,395	12,499	10,700 f	10,483 f
Exports (other goods)	b	2,100	2,620	2,704	2,449	2,230	2,124	2,484	2,787 f	3,043 f
Imports (goods, cif)	b	4,879	7,026	8,380	8,664	9,047	9,370	10,905	12,596 f	14,019 f
Current account balance	b	1,644	2,634	860	2,859	2,782	3,492	3,153	19 f	-1,325 f
Foreign Reserves										
Pula m	а	19,076	21,619	26,485	28,852	33,880	41,182	29,926	23,408 f	22,338 f
US\$ m	а	5,234	5,675	5,941	6,229	6,317	5,897	5,474	5,150 f	4,423 f
Govt. spending (Pm)	С	6,092	7,406	9,065	10,428	11,113	13,547	15,384	16,519 f	17,451 f
Govt. revenue (Pm)	С	7,395	8,281	7,681	11,963	14,115	12,639	13,685	13,251 f	12,965 f
Budget surplus/(deficit) (Pm)	С	1,302	875	-1,385	1,536	3,002	-908	-1,699	-3,268 f	-4,485 f
Govt. balances at BOB	а	7,204	15,364	19,212	20,199	24,740	27,880	16,548	14,211 f	10,698 /

a end of period; b calendar year; c financial year (starts March); d statistical year (starts July) Notes: e BIDPA estimate; f BIDPA forecast; p preliminary data; s year to September Details of assumptions underlying the forecasts can be obtained from BIDPA.

Sources: CSO, Bank of Botswana, MFDP, BIDPA

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