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Poverty Assessment and Poverty Alleviation in Botswana

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Abstract

This paper examines the nature and extent of poverty using the Household Income and Expenditure Survey 1984/85 and 1993/94, and goes on to give a synoptic view of Government's poverty alleviation strategies in which six policies and programs are reviewed. The paper draws heavily on the study of *Poverty and Poverty Alleviation in Botswana* 1996 commissioned by the Ministry of Finance and Development Planning

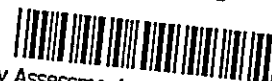
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Poverty Assessment and Poverty Alleviation in Botswana

I. Introduction and overview

Much of the literature on development has tended to equate economic growth with economic development, expecting the incomes generated as the economy grew to trickle down to the poor. Experience has shown otherwise. Development is not just about material and financial needs of individuals, it also carries with it social and cultural changes. Development does not only involve improvements in incomes and output, it entails redirection and reorganisation of whole economic and social system of a country. Institutional, administrative, and societal beliefs and customary structures change as concomitant parts of development.

The developing world is beset with problems of low income levels, unemployment, poor basic social services. At the individual level all these factors will lead to income as well as capability poverty. Not all of the dimensions of development outlined above can be quantified, but value judgements can be made about them. This, however, does not mean that development cannot be assessed and evaluated objectively. Improvements in poverty, reduced levels of unemployment and reduced income inequality can be objectively appraised.

This paper is divided into three parts. Firstly it deals with the concept and measurement of poverty, then follows poverty assessment for Botswana then follows the review of existing policies and programmes geared towards poverty alleviation.

II. Concept and Measurement of Poverty

A. Definitions

The World Bank (1990) defines poverty as the inability of an individual to attain a minimal standard of living. From this definition emerges some two other questions. What is meant by *minimal standard of living*? How is the standard of living gauged? Indeed personal well-being is quantitatively difficult to measure. Household incomes and expenditure can be used to approximate the standard of living of a household but has the shortcoming of leaving out social services such as education and health which are normally provided by government.

A broader definition, championed by the UNDP (1996) states that poverty is about abilities and is closely related to availability of choices. Poverty is the inability to meet basic nutritional, health, educational, shelter, social and recreational needs. Individuals who are in poverty lack the ability to participate in economic, social and cultural activities of the society of which they form a part. Thus those in poverty lack the means to meet their biological and social needs to survive. Biological needs include adequate food, clothing and shelter, and social needs include recreation and social commitments.

Lack of capacity of an individual to maintain his or her basic human needs is closely related to a lack of choice. The lack of choice emanates from low incomes and low human capabilities. Individuals with low incomes are forced to spend most of their income on food and other necessities whereas individuals who are not poor can spend on non-necessities. Lack of education and poor health can preclude individuals from participating in social and economic activity of the community within which they live.

B. Measuring Poverty

Notwithstanding difficulties pointed out above about the difficulty of measuring poverty, absolute and comparative measures of poverty have been developed. These include the poverty datum line, the most used and widely abused measure, poverty head count index, poverty gap, and the most recent measures capability measure and human development index.

Poverty Datum Line (PDL)

The Poverty Datum Line is the income level below which an individual is considered poor. The PDL is an imaginary/ subjective income line or consumption basket, which is supposed to reflect the minimum amount of goods and services needed by an individual person or household to support a certain minimum standard of living considered acceptable by the community within which the individual or household lives. PDLs differ from country to country according to the state of economic development, income, and society's view on well-being. It also differs among individuals, thus there is a PDL for every member of a household. The PDL also differs between households depending on the size and age/ sex composition of the household and on the geographical location of the household.

Poverty Head-count Index

The head-count index measures the number of people who fall below their poverty datum line. From the measure, the proportion of the population that is poor can be determined.

Poverty Gap

The poverty gap measures the amount of money needed to bring every person who falls below their poverty datum line up to an income equivalent to the line. The poverty gap can be used to indicate the severity of poverty.

Capability poverty measure (CPM)

In order to capture the capability dimension of poverty the so called Capability Poverty Measure (CPM) has been developed. The CPM as defined by the Human Development Report (1996) is the average of under-five malnutrition rate, the rate of unattended births, and the rate of female illiteracy.

Human development index (HDI)

The Human Development Index (HDI), like the CPM, is an indicator of relative socio-economic progress of a country. It thus reveals a profile of human deprivation in a country. HDI measures well-being by combining measures of life expectancy, literacy and GNP per capita.

III. Poverty Assessment for Botswana

A. Characteristics of the Income Poor

This section explores the nature and extent of poverty using the Household Income and Expenditure Survey (HIES) results of 1985/86 (CSO, 1988), and 1993/94 (CSO, 1996). In order to identify the number of poor households (income poor) the poverty datum line (CSO, 1991) was used. On the whole, poverty decreased between 1985/86 and 1993/94. In 1985/86 about 47% of households fell below their poverty datum line. In 1993/94 the prevalence of poverty has reduced noticeably to 38%.

Age/ Sex Composition of the Income Poor

In both the 1985/86 and 1993/94 HIES the average age of household heads varies with settlement type, rising as one moves from towns to urban villages to rural villages. The 1993/94 HIES indicate that in rural areas the average age of the household head among the very poor was 58 years for MHH and 52 years for FHH. This compares with a national average age of 38 for MHH and 35 for FHH non poor urban households.

According to the 1985/86 and 1993/94 HIES, between 1985 and 1994, dependency ratios declined overall. The ratios however tended to rise with the severity of poverty. The poor and very poor households have more members of household than the non-poor. The 1993/94 HIES indicates that the poor and very poor households tend to have 50% larger households than the non-poor. Female headed household have even larger household dependency ratios than male headed households. Variations by settlement types are considerable. As one moves from towns to urban village to rural areas the household sizes increase. High dependency ratios for the poor is indeed a poverty trap for many rural and urban village households.

Coupled with high rates of dependency is shortage of income earners in many poor households. In poor families high dependency rates prevail and bread winners are mostly women. In 1993/94 very poor households had an income earning dependency ratio of around 8, the poor category had 4, and the non-poor category had a ratio of 2.17.

Geographical distribution of poverty

A high proportion of poor people tends to be concentrated in rural areas. In 1985/86 448,900 people in rural areas were the poor as opposed to 140,000 in urban villages, and 62,000 in towns. In 1993/94, 384,400 persons in rural areas were the poor as compared with 150,000 in urban villages and 89,000 in urban areas.

In 1985/86 about 451,900 people were the very poor. Of these, 339,200 lived in rural areas, 91,400 lived in urban villages and 21,300 lived in urban centres. The percentage of the very poor by settlement type was 51 % in rural areas, 38% in urban villages, and 10% for urban centres. In 1993/4 very poor people amounted to 398,000 in Botswana. Of this number 275,500 lived in rural areas, 93,200 in urban villages, and 29,300 in urban centres. Percentage wise, 30% of the total population were the very poor, and 40% of these were found in rural areas, 29% in urban villages and 9% in urban centres. The evident reduction in extreme poverty was due to a reduction in severe poverty in rural areas.

The 1993/94 HIES indicates that the Central and North East districts have a very high prevalence of poverty. The poverty head-count rate for the two districts combined was 56% in 1993/94. Prevalence of poverty was even worse in Ghanzi, Kgalagadi, and western parts of Kweneng and Ngwaketse districts. For these south-western parts of Botswana an estimated 71% of people lived in poverty and 59 % of these were in the very poor group. It is suspected that a large fraction of people who are extremely poor in the western parts of Botswana are the Remote Area Dwellers (RADs) of whom the Basarwa constitute a high proportion. The situation of the RADs is characterised by poverty, insecurity, inadequate education and training, weak institutions and leadership, and negative public attitudes. Many RADs are believed to have survived on government famine relief throughout the 1980s and into the 1990s, (Norway Royal Ministry of Foreign Affairs, 1996).

Gaborone and other towns have the lowest rates of poverty. In 1985/86 21% of the Gaborone population was poor. Poverty rate in the other towns was almost double that for Gaborone at 41%. The 1993/94 HIES shows some improvements, Gaborone had its poverty rate reduced to 18% whereas in the other towns the rate reduced to 37%. The prevalence of poverty in rural and remote areas is attributable to the weak economic base in those areas. In towns and villages near major urban centres the prevalence of poverty is lower because of stronger economic base. Between 1984/5 and 1993/4 poverty in the towns seems to have stayed more or less the same.

In the rural south-east poverty has fallen, reflecting close proximity of the area to towns where employment and other economic opportunities increased considerably during the 1980s. In Central and North East districts less improvements have been achieved. The rural south-western parts of the country seem to have experienced worsening poverty.

Economic Activities of the poor

What one does as a way of life can be an important indicator of poverty or non-poverty. The proportion of household members with cash employment in the non-poor group was twice as high as in the poor group and thrice as high as in the very poor group in 1993/4. MHH had typically higher proportion of members who had a paid job than FHH. In male headed rural households many members who were not in paid employment or self-employed worked in the lands or cattle posts.

Children from poor households have to start working at an early age as compared to those coming from non-poor households. In 1993/94 about 2 % of non-poor children were working, the figures for poor and very poor were 3% and 5% respectively.

Access to Basic Amenities and Social Services

Botswana has made great strides towards social service provision. The 1993/4 HIES indicates that all households in urban towns and urban villages had access to safe water; as did 90% of poor and very poor households living in rural areas. Children of poor people, are also poor and unless helped to move out of poverty, through provision of education, recreation, and health services, will remain poor for many years to come.

The HIES 1984/5 and 1993/4 analyses indicate that lack of education is highly correlated with poverty. The lack of education is particularly high for the very poor and poor households in rural areas. Generally, the proportion of the poor that did not attend school rises as one moves from urban areas to rural areas. Many poor people are illiterate. Children of poor people do not get much chance of going to school because they have to start fending for themselves and other members of their household at an early age. They lack the money to pay for school fees, and pot fees and cannot buy school uniforms. Generally children from poor families do badly in school because of their poor health and home environment, and negative attitudes towards life. The poor spend very little money on education and other recreational services. Whereas non-poor households spent P77.57 on average per month the poor spent P11.40, and the very poor spent P7.78 in 1993/94.

Remote area dwellers of whom the Basarwa constitute the majority, live in remote areas far away from basic human necessities such as health and education facilities. The way of life of the Basarwa has for many years past made it difficult for government to provide them with social infrastructure. The decline in wildlife, environmental degradation and Botswana's conservation strategies have locked these indigenous people in poverty.

Surveys conducted for the study of *Poverty and Poverty Alleviation 1996* indicated that poor people tended to be poor in health and are the most vulnerable to diseases. Poor diet and, poor work and home environments make the health of poor households poorer in life outlook and productivity.

Consumption patterns

There are consumption differences among the different income groups. The very poor and the poor households have very little at their disposal to spend. The average monthly consumption of a non-poor male headed household living in a town was P1 842 whereas a very poor male headed household in a rural area consumed P103 per month in 1993/4. The poor and very poor spend between 50% and 60% of their income on food and the rest goes to essentials such as clothing and footwear.

Spending on food by the poor is more on energy giving foods (which are cheaper) than on food with essential nutrients (which are more expensive). In urban villages and rural villages poor and very poor households expenditures on food is less than the PDL estimate of 70% in total consumption. This can partly be explained by in-kind transfers and own produce consumed by the poor. Own consumption ranged between 7-11% of disposable income in urban villages and 18-29% of disposable income in rural areas in the poor and very poor households.

The poor and very poor spend less on transport and communications, education and health than the non-poor do. Little spending on transport and communications by poor people is likely contributing to their isolation, lack of information and lack of access to opportunities.

B. Extent of Poverty 1984 to 1993

The study of *Poverty and Poverty Alleviation in Botswana (1997)* identified the purchasing power that an individual household has at its disposal to be one of the most important determinants of standard of living. Many problems are encountered in trying to measure income at the household level. In the PDL (CSO, 1991), household consumption was used as a proxy for household income. This measure of income is limited because it does not take into account savings and hence tends to underestimate incomes of households which save (i.e. non-poor households), but for poor households income and consumption expenditures tend to converge.

Income Poverty

The study of *Poverty and Poverty Alleviation in Botswana (1997)* identified three income groups in its analysis of income poverty. The three income groups used included non-poor, poor and very poor households and individuals. "Non-poor" households have incomes above the PDL (1991), the poor have incomes below the PDL but are able to purchase their basic food requirements. The very poor include households with incomes below the food component of the PDL. Analysis was done by three settlement types. The urban areas included Gaborone and other towns. The urban villages were villages with less than 25% of their labour force engaged in traditional agriculture. The remaining villages, lands and cattle posts formed the rural areas.

The 1993/94 HIES indicates that 38% of the households in Botswana were living in poverty whereas 47% of the individual household members of households had their incomes falling below their PDLs. The difference between the household based figure and the poverty head-count is due to the fact that poor people live in larger households than the non-poor. Severe cases of income poverty are more frequent in rural areas than in urban villages and urban areas. 62% of the income poor lived in rural areas, 24% in urban villages, and 14% in urban areas. 55% of the people living in rural areas were income poor, as compared with 46% for urban villages and 29% for urban.

Female headed households (FHH) were found to be more prone to income poverty than male headed households (MHH). The 1993/4 HIES indicates that 50% of female headed households were income poor as compared with 44% for male headed households in 1993. A larger number of poor people lived in female headed households as compared to male headed households. The 1993/94 HIES indicates that 41% of income poor people lived in FHH and 34% in MHH.

An analysis of the 1993/94 HIES shows that the average monthly income per capita among the poor and very poor ranged from P51 for rural very poor FHH to P146 for the urban poor MHH. Incomes in MHH were higher than those in FHH in all settlement types. For the urban non-poor households disposable income per capita was P768.70. In 1993/4 the poor and the very poor categories got almost all of their income from cash income and cash transfers. The

1993/94 HIES shows that a large number of rural and urban households obtained income support from drought relief. 15% of the poor and very poor households in Botswana declared that they received drought relief support in 1993/94.

Like income, assets play an important role in determining the welfare of an individual household. Asset ownership may determine the income level of a household or individual. When a household owns few or no assets, such as livestock, land or cash savings, the household is likely to be poor. The HIES 1984/85 and HIES 1993/94 analyses showed that the non-poor households hold significantly more assets than the poor and very poor. Most poor and very poor households owned bicycles, donkeys and radios whereas non-poor households owned motor vehicles, tractors, electric cookers, fridges and cattle. MHH tended to own more assets than female headed households across all the income groups. Lack of employment and inability to save may have contributed towards the low ownership of assets by poor and very poor households. A Rapid Poverty Profile (1996) conducted for the study of *Poverty and Poverty Alleviation* indicates that more than three quarters of poor FHH interviewed did not own cattle, and more than half of poor MHH owned no cattle.

The 1993/94 HIES indicates that home ownership rises with the severity of poverty. At the national level 91% of very poor MHH, and 92% of FHH owned homes. Among the poor however, 68% of the MHH, and 82% of the FHH owned homes. For urban centres 57% of poor MHH and 32% very poor MHH rent their housing. The percentage of poor and very poor FHH living in an urban areas and renting a house was 42% and 21% respectively.

Non-income Poverty

As already mentioned above, poverty is not only about incomes and assets it is also about human capabilities. To measure non-income poverty the study of *Poverty and Poverty Alleviation (1996)* used the capacity poverty measure (CPM) and the human development index (HDI).

The CPM for Botswana was calculated to be 22. In urban areas the CPM is low because of high quality public services. The CPM ranged between 4.4 in small towns, a figure that compares with that for Trinidad, to 8.5 in Francistown. For rural areas the CPM ranges from 13.5 in South East District (comparable to Colombia) to 36 in Kgalagadi (comparable to The Gambia).

The national HDI was found to be 0.74. In rural areas it is 0.53, a ranking that compares with Zimbabwe's. Urban villages have an HDI of 0.68 comparable to the figure for Peru, and towns have a figure of 0.81, a ranking that compares with that of Poland.

C. Causes of poverty

There are several factors that cause poverty. The factors outlined below as causes of poverty are closely tied to each other and are often consequences as well as causes of poverty.

Economic factors

The majority of poor people live in rural areas and rural people depend very much on agriculture for a living. The performance of the agricultural sector is poor in Botswana. The analysis of the sector by the study of *Poverty and Poverty Alleviation in Botswana (1997)* suggests that rural poverty is not just caused by drought but is determined by the structure of the economic system of which the poor performance of agriculture is one of the determining factors.

Between 1981 and 1991 the unemployment rate doubled from 10% of the labour force to 20% and it is estimated that about 100 000 people were without jobs. The movement of labour from agriculture to the formal sector has been too big for the sector to absorb. Between 1966 and 1995 agricultural contribution in GDP fell from 40% to 4.2%. In 1981 about 47% of the labour force was engaged in agriculture but by 1991 it declined to 20%. The decline in importance of the agricultural sector indicates the low and unreliable agricultural incomes, and low wage rates that pervades the sector. Urban villages and rural areas rely very much on agriculture and the weak, high cost, and unproductive agricultural sector render many people poor in these areas, (Duncan T. et al, 1989; Harvey and Lewis, 1994).

The dependence of the economy on mining is in itself a cause of poverty. Although the sector generates large amounts of cash for government it does not provide linkages with the rest of the economy. The high wage rate that prevails in the sector has tended to push wages in government and in the rest of the economy higher than can be justified on the basis of productivity. The effect of higher wages may have contributed to massive movement of labour from traditional agriculture and at the same time led to higher unemployment and inequality.

Lack of cash income is identified as the most important determinant of poverty in Botswana. Closely related to a lack of cash income is a lack of employment opportunities. Low income levels limit the capacity of families and individuals to purchase necessities such as food, medicine, clothing, houses, and meeting the education expense of their children. Poor people mostly find employment in sectors which require very little skill such as in the informal sector which is itself characterised by low levels of productivity and wages, and underemployment.

The poor spend very little on education and health. Illiteracy or semiliteracy and poor health limit individuals' capabilities and reduce the chances for employment. Low consumption of food with essential nutrients lowers the capabilities of poor people. In the area of transport and communications the poor spend little and this may contribute to their failure to take up public services such as health and education, and to take up employment opportunities in far away places from their home areas. One area that poor people are keen to spend on is on drinks which is suspected to be alcohol.

Lack of assets at the individual and household levels causes poverty. Lack of ownership of land and livestock impoverishes the rural populations. Very many households own small pieces of land and can barely satisfy their subsistence needs. Lack of ownership of livestock for draught power limits many families who have access to land to plough their lands.

Livestock such as cattle, donkeys, horses, sheep and other livestock can be used as draught power as well as insurance against any unforeseen necessary expenditure.

Natural resource endowment plays a very important role in economic development of a country. Natural resources provide the necessary inputs to industries which generate employment. In rural areas and remote areas where natural resources are limited, complete lack of job opportunities confine families to poverty.

Recurring and protracted droughts relegate people who depend mainly on arable agriculture to poverty. Drought impoverishes many rural households by eroding their productive assets such as livestock, and agricultural produce. During drought years the rural poor families become vulnerable to under-nutrition and starvation. (Food Studies Group, 1995)

Demographic factors

People with disabilities are among the poorest in our society. They have very limited access to education, health care and medical facilities. Within poor households, the presence of a person with a disability increases demands on the household's already limited resources.

Old people, the disabled and children are among the group of people who cannot work. Traditionally people who could not work because of their age, health status or simply because they had no job were provided for by the extended family. With the breakdown of the extended family many old people, children, people with disabilities and the unemployed have been left vulnerable to poverty.

High fertility rates at the household level leads to high population growth rates at the national level which lead to over-stretching of the available and limited resources. Associated with high fertility rates is high mortality and illiteracy rates.

Population in Botswana is widely dispersed and it makes providing social services per person square kilometre more expensive. The take up of social services by the poor is limited by this factor because most poor people are found in rural and remote areas.

Botswana has undergone rapid urbanisation over the thirty years after independence and societal norms and values have changed during the period. Migration of young and able bodied people from rural areas to towns has left rural areas with a lack of labour for the agricultural sector support the aged and children.

Socio-cultural factors

Certain groups of people in Botswana are poor because of their culture, ethnicity, and/ or gender. Women in Botswana face many disadvantages that prevent them from helping themselves move out of poverty. Various Tswana beliefs, laws and customs discriminate against women. This may have caused the high number of female headed households to be poorer than male headed households. One of the many cultural disadvantages that women

have to face include the custom that it is the son that inherits assets such as livestock and tractors, and the daughter gets very little from inheritance if she gets anything at all.

The RADs of whom Basarwa constitute a significant proportion of registered destitutes are regarded as low in social, political as well as economic standing by many Batswana. Because of the decline in the Basarwa's traditional hunting livelihood some of them have begun to abandon their traditional way life. Because of this change the Basarwa face many difficulties, one of them being adaptation to working for an income as a way life, (Norway Royal Ministry of Foreign Affairs, 1996; NDP 7).

Man-made and natural disasters

Poor people are more vulnerable to man-made and natural disasters. Fires, floods and droughts when they strike leave little margin for survival for those who could just make ends meet before a disaster struck. The most common natural disaster in Botswana is drought.

D. International Comparison

Botswana's rapid economic growth was accompanied by major improvements in social service provision. However the improvements in social service provision were not to the same extent accompanied by improved household incomes for the poorer households. The degree of income poverty is very high in Botswana compared with other countries at the same level of per capita income. Botswana stands out as the one country that has achieved high economic growth rate with a poverty head-count significantly above 20%. This level of income poverty in Botswana is comparable with that of South Africa and Sri Lanka.

However Botswana has done fairly well in terms of combating capability poverty and in fact comes fourth in Africa after Mauritius, Zimbabwe and Tunisia in terms of the CPM. It should not be surprising that Botswana comes fourth in Africa since substantial investments have been made in social services provision such as in education and health. Gender Development Index (GDI) also shows that Botswana has done well in gender development. Botswana comes third in Africa after Mauritius and Algeria in terms of the GDI.

Botswana has one of the most skewed income distributions in the world with 40% of the population getting 10% and the other 60% getting 90% of income. The explanation for the high inequality in Botswana is poor resource base and poor climatic and soil condition that are not favourable to arable agriculture, and the very poor linkages the mining sector provides.

IV. Poverty Alleviation Strategy

The policy of Government to improve the standard of living of Batswana dates as far back as the early 1970s when the Accelerated Rural Development Programme was launched. NDP 3 noted then that more than 90% of Batswana resided in rural areas of which a significant proportion made a living out of traditional agriculture. Hence the thrust of ARDP strategy was to improve social services and infrastructure, and create jobs and income generating

activities for the rural majority, (MFDP, 1973; 1977). Over the years that followed Government was to put in place a number of other policies and programmes that were geared towards improving the standard of living of people not only living in rural areas but also in towns.

This section reviews six policies and programmes that have a bearing on poverty alleviation. The policies and programmes include the Arable Lands Development Programme (ALDEP), Financial Assistance Policy (FAP), basic education, preventive health, labour based public works and the destitutes policy. These policies and programmes may generally be categorised into three broad groups. The FAP and ALDEP can be grouped under support for livelihoods, basic education and preventive health under basic social services, and labour based public works and destitute policy under safety nets.

A. Support for livelihoods

Arable Lands Development Programme

ALDEP started in 1982 with the objectives of increasing arable production, enhancing rural development, improving welfare, and creating productive and remunerative employment in rural areas. Through ALDEP it was hoped that food self-sufficiency would be achieved in the long run, incomes from arable agriculture would be improved, rural underemployment would be reduced, and rural-urban migration curbed. ALDEP divided the target population into three groups. The poorest farmers without cattle, farmers with inadequate draught power (owning between 1 and 20 cattle) and farmers with adequate draught power (owning 21 to 40 cattle).

During the time of its inception it was generally felt that the poor performance of arable farming was due to low productivity in the sector. In order to improve productivity, modern farming methods were introduced to farmers, on-farm investment packages and seasonal farming inputs were provided. Agricultural extension was strengthened and credit and marketing services were reinforced.

The overall participation of farmers in ALDEP since its inception has been impressive. Since it started 39 541 farmers out of 44 000 representing 90% of targeted farmers participated in ALDEP. Before the switch in 1983 from loan/ subsidy scheme to grant/ down-payment scheme farmer participation was poor because farmers could not afford the requisite down-payment. Progress in uptake of ALDEP packages was slow during the first two years of the scheme because of drought. ALDEP managed to assist poor resource farmers with farm investment packages.

Before the introduction of ALDEP poor farmers were heavily dependent on rich farmers for draught power. The average output of farmers assisted by ALDEP is higher than before they were granted assistance under the scheme. After the introduction of ALDEP poor farmers could plough in time using their own draught power and they could also fence their fields to protect them from livestock and game. Provision of water tanks enabled farmers to stay longer at the lands areas.

Recurring droughts have greatly undermined the success of the scheme and crop production, income and employment fluctuate very much because of drought. Female farmers with no cattle lack the means to meet the down-payment required for getting ALDEP packages. When ARAP was introduced in 1986/87 conflict between ARAP and ALDEP led to slow up-take and implementation of ALDEP extension workers spent more time on ARAP than on ALDEP.

Financial Assistance Policy

FAP was introduced in 1982 with the objective of stimulating sustainable manufacturing growth and productive employment. The impact of FAP on poverty was to be through new employment creation. Under the scheme expanding or new manufacturing enterprises, medium and small scale mining, and non-traditional agricultural projects can be subsidised through provision of non-repayable grants.

The FAP consists of two schemes, one for small scale projects (only citizens are eligible) and the other is for medium and large scale projects (citizens and non-citizens are eligible). Eligible businesses may get an unskilled labour grant, a training grant and capital grant. Firms established by female entrepreneurs are also eligible for higher grants. The FAP training grant was meant to encourage firms to train Batswana and hence improve productivity. The capital grant on the other hand was meant to reduce the high cost of setting up business in Botswana such as Botswana's membership in SACU and the difficulty in raising finance from commercial banks. Firms that locate in rural areas are entitled to higher grants than those that locate in urban centres.

The FAP has been successful in creating job opportunities for those who might have been without a job. There are however factors that have limited the poor from taking full advantage of FAP. Firm managers want employees who are literate and healthy. Most poor people are illiterate and are of poor health. In applying for FAP funds one needs to be literate to complete application forms and knowledge of bookkeeping is essential for an entrepreneur. The 10% owner-contribution has also acted as a barrier to poor people to participate in FAP. (MFDP, 1996)

Institutional problems limit implementation of the scheme. Integrated Field Services (IFS) officers in some parts of the country are untrained and this leads to delays in processing applications. IFS officers lack business experience and hence their capability to give business advice to entrepreneurs is limited. The IFS division is under-staffed and this seriously limit the IFS office to monitor and advice businesses.

B. Basic Social Services

Basic education

People may be poor because they are illiterate. For example, if an individual has some education then the chances of him or her getting formal sector employment are higher than for an individual without education. Formal sector jobs are better paying and persons who can read and write have a better chance of getting employment than those who cannot. A person with some education can do many things better than a person without education.

In order to make education accessible to all Batswana, Government took major steps to universalise basic education. The move to make basic education universal started with the first National Education Commission (NPE1) and the later the National Policy on Education White Paper No. 1 of 1977. With the universalisation of education between 1979 and 1994 primary school enrolment rose by 97% and junior certificate enrolments rose by 343%. However the quality of the service has been questioned on several occasions.

Cancellation of primary and secondary school fees in 1980 and 1986 respectively benefited the poor. However, the cancellation of school fees did not remove all costs associated with education. The costs of school uniforms, pot-fees, school fund raising activities and transportation remain major obstacles to the poor and limit access to education by the poor people. The school feeding programmes act as incentives for poor kids to come to school. The programmes insures poor children of one nutritious meal a day and reduces the risks of malnutrition and starvation. The long distance that children sometimes have to walk to school has often been cited as a constraint to school attendance.

The education system does not specifically target the poor. Implicit in the basic education policy is that since basic education is provided for all children then the poor will benefit equally with the non-poor. However, empirical studies have shown that identical educational interventions have differential benefits for individuals and categories of individuals, and in this manner the students from poor families benefit least.

Botswana is yet to achieve universal basic education. About 17% of school going age were not enrolled in 1991. There is a wide variation around the 83% enrolment rate. Orapa, for instance, achieved a 95% enrolment rate and Kweneng district registered 66% at the other extreme. Poverty, cultural factors and distance away from school have been cited as explanations for the low enrolment rate in remote areas.

Preventive health

Good health plays a very important role in alleviating poverty, improving productivity and income earning capacity. Poor people are the most vulnerable to ill-health. They cannot afford the costs of going to clinics, they work and live in unhealthy and unhygienic environments. The poor are more prone to malnutrition than the non-poor.

The focus of this section is on preventive as opposed to curative health. Experience world-wide has shown that preventive health is a more effective and affordable way of bringing about improvements in the health status of the population than curative health. Preventive health is mainly concerned with family health, community health, vaccinations against preventable diseases (for example blindness), sexually transmitted diseases, oral health, rehabilitation of the disabled and environmental health sanitation. Like basic education, basic health needs are in principle, available to all Batswana.

The illnesses that are closely related with poverty are tuberculosis, respiratory problems and scabies. Lack of education, lack of income, poor attitudes and health practices are some of the explanatory factors that contribute to poor health. Superstitious beliefs, long distances to clinics and the P2 charge fee also limit access to health facilities of poor people.

There are differences in health outcomes for people in different locations in the country. Some other indicators too show that rural areas fare poorly and it would appear that the reason is not lack of access to services but poor take-up of service. Factors outside the domain of health like education have been identified to play an important part in access and use of the health services.

C. Social Safety Nets

In any society there is bound to be a section of the population that cannot provide for themselves because of their age, disability or lack of employment. The kind of support provided for each of the groups may differ according to individual group circumstances. The very old may need income transfers such as pension and special care (maybe in special homes). People with disabilities may need special care, special schools, and income transfers. Able-bodied unemployed people may need transfers in the form of unemployment benefits, or employment schemes such as labour intensive works. In Botswana social safety nets include labour intensive public works, destitute programme and a general government old-age pension scheme recently introduced.

Labour Based Public Works and Drought Relief

Labour based public works scheme comprises the drought relief programme and the labour intensive rural roads programme. It is estimated that between 2500 and 3000 people are employed under the labour intensive road works programme. The primary objective of the rural roads programme has been to build and maintain earth roads in rural areas using labour intensive methods. Another important objective was employment creation. For the 16 years since its establishment, nearly 2000 kilometres of earth road has been constructed. The scheme is permeated by low wage rate and poor working conditions.

The other labour intensive works scheme is the drought relief programme. It is estimated that over half of the rural population was directly or indirectly dependent on the drought relief in June 1996 before the programme was scaled down. The labour intensive public works scheme provides temporary income transfers to rural people whose incomes have been eroded by the effects of drought. The scheme is pervaded by low productivity, underemployment and low economic value of the projects carried out.

Destitute Policy

Under the policy the poorest people in Botswana are provided with basic necessities such as food, shelter, health care, and education. The policy distinguishes between permanent and temporary destitution. Permanent destitutes are those individuals whose age, or physical or mental condition render them completely dependent on outside resources; and temporary destitutes include those persons who are temporarily incapacitated due to either man-made or natural disasters such as drought, floods and fire.

Almost all of the registered destitutes live in rural areas. The western part of Botswana has the highest percentage of destitutes. In Ghanzi there are 60 destitute for every 1000 population, Kgalagadi has 46 per 1000, North West and Kweneng each has a ratio of 17 against a national average of 11, and rural and urban averages of 14 and 1 respectively.

Western Botswana has a high prevalence of destitution mainly because of unfavourable arable agricultural conditions, lack of economic opportunities, long distance from major towns and poor social infrastructure.

Supplementary feeding through schools and health facilities is carried out under the drought relief programme. The objective of the supplementary feeding programme was to protect the nutrition of destitutes, primary school children, malnourished children, lactating mothers, TB patients, RADs, and pre-school children are covered under the supplementary feeding program.

Pension Scheme

The pension scheme was introduced in 1996. People aged over 65 years of age are entitled to P100 a month. Destitutes of pensionable age receive both the pension and the destitute allowance. Those registered as destitute continue to get additional benefits available under the destitute policy such as support for medical expenses, burial, and the chance to be provided with shelter.

V. Conclusions and Recommendations

Between 1984/5 and 1993/4 poverty decreased. Much of the decrease can be attributed to a decrease in poverty rates on the very poor category living in urban villages and rural areas. The poverty rate in urban centres remained more or less the same. Increased job opportunities during the 1980s and changes in household structures have positively contributed to improvements in poverty captured by the household income and expenditure surveys.

Most poverty is structural rather than drought induced. Labour based public works schemes should be made a permanent feature of rural areas to alleviate poverty. The scheme should pay a fair pay for a fair day's work. The transfer of resources should be through jobs with some economic value. The labour public intensive works should be targeted towards the poor and very poor groups. The design of the project should be such that there is excess capacity to absorb more labourers during drought and less during "normal" years. Welfare considerations should therefore be made part of but secondary to the economic intentions. Contracting out by government of major public works to the private sector should help to reduce administrative and management time of local authorities and put wage rates and productivity at par with those prevailing in the private sector.

Individuals who, because of their age, mental and physical health, cannot take part in labour intensive public works should be registered as destitutes. The PDL should be used as a guide to determine the minimum level of destitute assistance.

Poverty is severe and widespread among the RADs. These people during their time of transition face many disadvantages and difficulties and government should continue to aid them taking into consideration their traditions and culture.

Female headed households constitute a higher proportion of households that are either poor or very poor. Laws and traditions that hamper women progress should be discouraged in all sectors of the economy. Poor and very poor female headed households face many disadvantages and government could uplift their status by recognising their needs as a group and strengthening policies that can empower them.

International comparisons of poverty show that Botswana has experienced greater difficulty than most countries in spreading the benefits of economic growth. Botswana has one of the most skewed income distribution compared with other countries. However, in terms of access to safe water, school enrolment and life expectancy, Botswana outperforms most of the countries with similar level of income. Also in areas of gender equality Botswana has performed relatively better than the countries of comparable income level.

The provision of social services is not sensitive to the needs of the poor. Basic education and preventive health for instance have been designed for the benefit of all Botswana. There is free access to health facilities but take up of the service by the poor is poor. The main explanation in unequal health outcomes between the poor and the non-poor is poor access to basic facilities in rural and remote areas, lack of education of the poor, lack of access to information and impoverished living environment. The Ministry of Health should develop a strong relationship with the communities so as to adequately monitor the health of the communities.

The most important poverty alleviation strategy in the long run is provision of basic education. In recognition of this the education system should be sensitive to the conditions of the poor. The quality of the service too needs to be improved. Assistance to poor students should be harmonised among different government departments. The link between council Social and Community Development departments and schools should be strengthened.

FAP has been successful in creating employment opportunities for Botswana who might have been without a job. It also helped to improve the level of income of people employed in FAP funded firms. However the nature and design of FAP act as obstacles for the poor to participate. The poor cannot meet the required down-payment in order to get funding (for both the FAP and ALDEP). The MCI should work towards strengthening the institution of IFS by training its officers and filling the vacant posts in the division. The MCI should carry out an education campaign about FAP.

ALDEP has not been able to significantly stabilise or even increase the incomes of poor arable farmers, either by way of food production or employment. The poor performance of ALDEP can be attributed to unfavourable climatic and soil conditions that prevail in Botswana. The conceptual basis on which ALDEP was based should be revised to reflect the programme's role as a safety net though the form of ALDEP should be retained. More effort should be put into technological change and commercialisation of agriculture.

VI. References

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BIDPA Publications Working Paper Series

BIDPA Working paper 1

Granberg, Per

A Note Concerning the Revision or rebuilding of the MEMBOT Model. Some Preliminary Observations and Suggestions. BIDPA, 1996. RESTRICTED.

The paper discusses the structure of the existing MEMBOT model (Macroeconomic model for Botswana). The limitations of the current model are identified and a need to revise it is noted.

BIDPA Working Paper 2

Granberg, Per

A Study of the Potential Economic Effects of AIDS. Some Preliminary Thoughts. BIDPA, 1996.

Given the current rate of HIV/AIDS infection in Botswana, there seems a need to analyse its economic impact. It is suggested that BIDPA may take an initiative towards this end. The paper presents some preliminary and tentative ideas about such a project.

BIDPA Working paper 3

Duncan, Tyrrell (ed.).

Study on Poverty Alleviation in Botswana: Inception report. BIDPA, 1996

This inception report sets out the various steps planned in completing the study, which comprises a statistical review of poverty utilising the 1985/86 and 1993/94 Household Income and Expenditure Survey. The study will focus six special areas: Basic Education, Preventative Health, Labour Based Public Works, Destitute Policy, Financial Assistance Policy and Arable Lands Development Programme.

BIDPA Working Paper 4

Isaksen, Jan.

Main Ingredients for a Public - Private Sector Strategy for Private Sector Employment Creation in Botswana: Prepared for the Fourth Private Sector Conference on Employment Creation, Francistown 26 - 28 May 1996.

The paper attempts to draw lessons from policy experiences in Eastern Asia. On the basis of such lessons, the paper suggests a number of practical policy steps which hopefully would be relevant to the policy debate in Botswana. It argues that a resumption of rapid economic growth through diversification and industrialisation are the most important contributions to the acceleration of employment creation in Botswana.

BIDPA Working Paper 5

Granberg, Per.

A Revised Poverty Datum Line for Botswana. BIDPA, June, 1996

The paper is part of a larger study of poverty and poverty alleviation in Botswana, undertaken by BIDPA for the Ministry of Finance and Development Planning. The paper presents revised estimates of the Poverty Datum Line (PDL) for Botswana, needed to analyse the household income and expenditure survey for 1993/94 and 1985/86 in terms of poverty.

BIDPA Working Paper 6

Gergis, Abdalla.

Regulation, Privatisation and Commitment in Botswana: Paper presented at BNPC's First Stakeholder Consultative Conference on Productivity: Productivity - Key to the future, November 6, 1996.

The paper notes the challenge facing Botswana, giving particular attention to the changing role of the state and the need to adjust the regulatory environment. Recent economic developments in Botswana are discussed, as are the questions of international competitiveness and the search for a new engine of growth for the economy.

BIDPA Working Paper 7

Fidzani, N.H., P. Makepe and J. Tlhalefang

The impact of trade liberalisation on Botswana's beef and maize sectors. BIDPA 1997

The paper examines the Botswana beef and maize sectors in terms of structure, main activities and market distortions. The origins and sources of these distortions are analysed to determine how their removal would bear upon the various stakeholders. The paper also attempts to sketch implications of regional integration.

BIDPA Working Paper 8

Isaksen, Jan.

Data Requirements and Methodologies for Multi-country Research.

The paper was presented at a workshop on developing a research agenda for accelerated development in Sub-Saharan Africa held in Harare, Zimbabwe, March 1997. It presents data and methodology for co-operation at national, regional and continental levels in research. It concludes that there is need for international co-operation build on national priority research.

BIDPA Working Paper 9

Gergis, Abdalla

"To Privatise", What is & How? Paper presented at seminar on "Competition, Productivity and Privatisation: Commonwealth Experiences and for Botswana" organised by BIDPA and BNPC under the sponsorship of the Commonwealth Secretariat, Gaborone 21-23 April, 1997 BIDPA, 1997

The paper was presented at a seminar on Competition, Productivity and Privatisation. It draws on lessons of experience as well as existing knowledge about privatisation, briefly addressing the main issues discussing how privatisation can be planned and implemented successfully.

BIDPA Working Paper 10

Greener, Robert

The Impact of HIV/AIDS and options for intervention: results of a five-company pilot study. BIDPA, 1997

The paper was written for the Botswana National Task Force on AIDS at the workplace. It presents results from a study of the impact of HIV/AIDS, based on a sample of five companies in Botswana. It concludes that the impact to date has been small, because the HIV epidemic is still too recent to have developed into an AIDS epidemic.

BIDPA Working Paper 11

Harvey, Charles.

The role of Africa in the global Economy: the contribution of regional co-operation, with particular reference to Southern Africa. BIDPA' 1997

The paper was written at the request of the Vice President and Minister of Finance and Development Planning. The paper notes that Africa's importance in the world economy has declined over the years and argues that this, and the extreme poverty in most of Africa, calls for analysis of ways to reverse the trend. Prospects for regional co-operation and integration are discussed as possible ways to accelerate economic growth in Southern Africa.

BIDPA Working Paper 12

Ditlhong, Molapisi.

Poverty Assessment and Poverty Alleviation in Botswana BIDPA 1997

The paper discusses the nature and extent of poverty in Botswana, drawing data from the Study of poverty and poverty alleviation in Botswana conducted by BIDPA for Ministry of Finance and Development Planning.

BIDPA Working Paper 13

Gergis, Abdalla

Competition, Productivity and Privatisation. BIDPA 1997.

A summary report of the proceedings of the Seminar on Competition, Productivity and Privatisation.

BIDPA working paper No. 14

Lisenda, Lisenda

Small and Medium-Scale Enterprises in Botswana: Their Characteristics, Sources of finance and Problem BIDPA, December 1997.

The study analyses the characteristics of Small and Medium-Scale Enterprises (SMEs) in Botswana highlighting the educational background of owners and exposure to business related training, geographic location of enterprises, premises of operation, age of enterprise, and size of enterprise by number of employees, sales and total investment and activity. Also considered are administration and financial sources of the enterprises. Record keeping is assessed by size of enterprise, gender of operator and source of finance of enterprise. Problems faced by SMEs are highlighted.

BIDPA Working Paper No. 15

Granberg, Per.

A simple formula for forecasting the Botswana urban population total. BIDPA, February 1998

The paper establishes a simple relationship between urbanisation and economic growth. The relationship is intended as a simple "annex" to the revised MEMBOT model (forthcoming), capable of providing quantitative estimates illustrating the likely nature of urban population changes under alternative economic scenarios.

BIDPA Working Paper No. 16

Sesinyi, Magdeline.

Minimum wages and employment: literature review and background on minimum wages in Botswana. BIDPA, 1998.

Gives a brief literature review on minimum wages and their possible effects on employment, with particular focus on the likely effects of minimum wage introduction on the two excluded sectors, namely the Domestic and Agricultural Sectors. It briefly outlines research results on minimum wages from past studies, highlighting their main recommendations. The paper concludes that minimum wage increases results in trade-off, and no matter how well intended come with a price in the form of lost jobs for some and increased benefits for others.

BIDPA Working Paper No. 17

Jefferis, Keith, Charles Okeahalam and Tebogo Matome

International Stock Market Linkages in Southern Africa. BIDPA, 1999

Stock markets are taking on an increasingly prominent role in financial development, and many developing and transition economies are establishing stock markets as part of financial reform processes. In theory stock markets can contribute to the mobilisation of savings and the allocation of investment, but there are questions as to whether this works in practice. One important issue is whether stock markets are efficient (in the financial sense), and a related question is whether share prices reflect economic fundamentals; both of these questions are important in addressing whether stock markets properly allocate capital. Another issue relates to the question of international linkages between markets: with greater integration of capital markets globally, financial market developments appear to be rapidly transmitted between markets around the world. While this can have beneficial impacts, in terms of improving the global allocation and pricing of capital, it may be disruptive if international capital flows are large relative to national markets and economies. This paper addresses pertinent issues in the context of stock markets in three southern African countries: Botswana, Zimbabwe and South Africa.

BIDPA Working Paper No. 18

Dumcombe, Richard

The Role of Information and Communication Technology in Small and Medium Enterprise Development in Botswana. BIDPA, October 1998

The paper analyses the role of information and communication technologies (ICTs) in small and medium enterprise (SME) development in Botswana. It outlines the economic and policy background to SME development, and presents an analysis of the SME sector with regard to firm size, location and market sector. It presents the results of a pilot survey of firms in the SME sector examining the information and communication practices of a small sample of firms. Current developments in information and communication technologies are outlined, and some preliminary findings relating to ICT impact on SMEs are summarised. Finally, some policy considerations are mentioned and the objectives of the main fieldwork phase of the project are outlined

BIDPA Working Paper No. 19

By Harvey, Charles

The impact on Southern Africa of the financial crises in Asia and Russia BIDPA, June 1999

The countries of southern Africa have not suffered seriously from "financial contagion", which is the short-term and sometimes devastating impact of financial crises in other countries. The first stage of financial contagion occurs through the markets for foreign exchange, shares and bonds. The second stage, which can be even more devastating, occurs if trouble in financial markets causes a crisis in the country's banking system, as happened in several Asian countries. South Africa's economy is potentially the most vulnerable in Southern Africa to financial contagion, because it has highly developed financial markets which are open to inflows and outflows of foreign capital. However, the economic cost of financial contagion has been limited in South Africa because the country's banking system is sound. Zimbabwe has been similarly protected from the worst effects of financial contagion. Financial markets in the other countries of Southern Africa are very underdeveloped, which limits the first stage of financial contagion; this is fortunate, because some of them have unsound banking systems. All of these countries are actively trying to develop their financial sectors, however, so that their relative immunity to financial contagion may be reduced in the future. This will strengthen the case for maintaining macroeconomic balance, realistic exchange rates, and absolutely sound banking systems.

BIDPA Working Paper No. 20

Jeferris, Keith *The Long Term Impact of Structural Economic Change on Government Spending.* BIDPA, June 1999

Botswana's current economic objectives centre on diversification away from its historical dependence on diamonds and government. Such diversification will change the structure of the economy, and has important implications for the ability of government to raise revenue through taxation and therefore for its ability to finance its expenditure. This paper explores the likely impact of diversification on government's revenue raising ability and hence on the magnitude of its overall role in the economy. It uses projections over a 20-year period to simulate possible scenarios for taxation and the size of government. The key point is that any diversification will cause government revenues to fall, in relative terms. The diamond sector is extremely profitable, and those profits are taxed at a very high rate; as the economy diversifies, other sectors will emerge that will be less profitable and less highly taxed. The projections in this paper show that under a variety of different assumptions about sectoral growth rates, and taxation and spending, government will have to significantly reduce its role in the economy. Such a change will have major implications for choices to be made about the allocation of public expenditure.

BIDPA Working paper 21

Harvey, Charles *Macroeconomic policy convergence and a SADC Free Trade Area.* BIDPA, October 1999

Regional free trade areas fail because one member country is perceived as getting more than its share of the benefits. Most non-SACU SADC economies would not be able to export to a newly opened South African market, so their uncompetitive manufacturing sectors need new investment. Such investment will not occur in situations of extreme macroeconomic stability, and where there is lack of credibility that macroeconomic stability (if achieved) would be sustained. Unfortunately, the macroeconomic track record of some SADC member countries makes their credibility very low.

What is needed is an "external agency of restraint", to provide that credibility, quickly. The IMF and the World Bank are not suitable, because their programmes are often abandoned or fail. SADC governments must therefore create a regional agency of restraint, by voluntary negotiated agreement, with credible sanctions against breaking its rules. Without this, there will not be the investment in non-SACU members, which is necessary for all members to gain from a SADC free trade area. An attempt to establish a SADC free trade area, without making sure that all the member countries stand to gain in the short term, would condemn SADC to failure.

Publications Series

1. Gaoiathe, Ndaba "Botswana's booms and recession experience: a discussion" IN: Salkin J.S., E Mpbanga, D. Cowan, J. Selwe, M. Wright (eds.) *Aspects of the Botswana Economy*. Gaborone: Lentswe La Lesedi, 1997 pp: 37 - 52.

In the years around 1990, the Botswana economy experienced a period of "boom" conditions, eventually followed by a "burst". The paper sets out to analyse this experience, trying to explain the underlying factors and to draw out policy lessons.

2. Gergis, Abdalla (ed.)
Botswana's New Industrial Development Policy BIDPA/MCI. Gaborone: Government Printer, 1997.

The publication contains the proceedings of the joint BIDPA/MCI seminar held in September 1996. The volume includes the seminar report on group discussions of the draft industrial development policy and the background papers presented by speakers at the seminar. The report summarises the issues raised during the two days of discussions.

3. Gergis, Abdalla (ed.)
Prospects of EU/MCP relationship with particular reference to Botswana: Conference held at the Grana Palm Hotel, Gaborone 25 - 26 September 1997: Conference highlights Gaborone: Government Printer 1998.

This document presents highlights of the conference and of papers presented by speakers. The report captures the essence of the debate on the future of Lome Convention and highlights main issues that emerged from the consultation process.

4. Granberg, Per.

Exchange rate, inflation and competitive: an analysis of the relationship between Botswana's Exchange and Inflation Rates and its implication for the competitive strength of her producers

The publication contains findings of the project: Study of Botswana's exchange rate policy. The publication details simple input/output based model for analysing the exchange rate question, and employs it to draw out the implications for various sectors of the economy, under alternative exchange rate scenarios. It goes on to analyse the available statistical evidence, and draw comparison to model results. Finally, it discusses the rationale, and possible revision, of the current exchange rate policy for a broader perspective with special reference to the likely implications of following a significantly different policy.

Serials

1. *BIDPA Briefing*

A quarterly newsletter, with topical supplements, that provides regular comment and analysis on all aspects of Botswana economy.

2. *The BIDPA Newsletter*

A quarterly newsletter reporting on events, projects and general activities of the Botswana Institute for Development Policy Analysis (BIDPA).

