Growth and Employment Dynamics in Botswana: A Case Study of Policy Coherence

Working Paper No. 82

Happy K. Siphambe*

Policy Integration and Statistics Department
International Labour Office
Geneva

October 2007

Working papers are preliminary documents circulated
to stimulate discussion and obtain comments

* Department of Economics, University of Botswana.

ILO Cataloguing in Publication Data

Siphambe, Happy K.

Growth and employment dynamics in Botswana: a case study of policy coherence Working paper / Happy K. Siphambe ; International Labour Office, Policy Integration and Statistics Department. - Geneva: ILO, 2007
ca p. (Working paper ; No.82)

ISBN: 9789221204282; 9789221204299 (web pdf)

International Labour Office

employment / employment creation / economic growth / economic policy / labour policy / Botswana

13.01.3

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: www.ilo.org/publns

Printed in *Switzerland*

Abstract: Botswana has experienced a spectacular economic performance since gaining independence in 1966. While the foundation of its growth lies in the country's mineral wealth, the present paper argues that public expenditure has been the main conduit to channel mining revenues back into the economy. This, together with a strong capacity of the Botswana government to formulate and implement coherent national policies through various National Development Plans, has been the main factor behind its good growth performance. However, in terms of employment creation the picture is more nuanced: While formal sector employment grew almost in line with GDP until 1991, employment growth de-linked from output growth in the early 1990s and fell behind population growth. As the paper details, this de-linking between growth and employment coincided with a number of policy reforms that where intended to deregulate the Botswana economy. The analysis of macro-economic policies is complemented by a discussion of Botswana's labour market policies, especially with respect to wage-setting, industrial relations and skills development, and their mutual coherence.

JEL classification: E24, J21, J48.

Résumé: Le Botswana a bénéficié d'une croissance économique spectaculaire depuis son indépendance en 1966. Bien que les fondements de cette croissance se situent au niveau de sa richesse minérale, la présente étude montre que ce sont les dépenses publiques qui ont permis de réinjecter les revenus de l'extraction minière dans l'économie. Ensemble avec la forte capacité du Gouvernement du Botswana à formuler et à mettre en œuvre des politiques nationales cohérentes à travers divers Plans Nationaux de Développement, cet élément représente le facteur principal qui explique la bonne performance économique du pays. Toutefois, en termes de création d'emplois la situation est davantage nuancée. Même si jusqu'en 1991 la croissance de l'emploi formel a suivi la croissance économique, depuis le début des années 1990, les tendances ont divergé et la croissance de l'emploi est tombée en deçà du taux de croissance démographique. La présente étude montre que cette divergence entre croissance économique et croissance de l'emploi, coïncide avec l'adoption d'un certain nombre de réformes visant à déréglementer l'économie du Botswana. L'analyse des politiques macro-économiques est ici complétée par une discussion sur le marché du travail au Botswana, en particulier les aspects ayant trait à la fixation des salaires, aux relations industrielles, au développement des compétences et à la cohérence générale des politiques dans ces domaines.

Classification JEL: E24, J21, J48.

Resumen: El Botswana ha beneficiado de un crecimiento económico espectacular desde su independencia en 1966. Aun que los fundamentos de este crecimiento se encuentren en los recursos mineros, este estudio indica que los gastos públicos han permitido canalizar los ingresos de la extracción minera en la economía del país. Junto con la fuerte capacidad del Gobierno de Botswana en la formulación e implementación de políticas nacionales coherentes à través de varios Planes Nacionales de Desarrollo, este elemento representa el factor principal que explica el buen funcionamiento de la economía. Sin embargo, en términos de empleo, el diagnostico es mas contrastado. Hasta el ano 1991 el crecimiento del empleo formal ha reflectado el crecimiento económico, pero después se ha observado una divergencia entre las dos tendencias, con una tasa de crecimiento del empleo aun menor que la tasa del crecimiento de la población. Este estudio argumenta que la divergencia entre crecimiento del empleo y crecimiento económico, coincide con al adopción de políticas de desregulación de la economía del Botswana. El análisis de las políticas macro-económicas se ve completado con una discusión sobre políticas laborales, en particular los aspectos relativos a los salarios, relaciones industriales, desarrollo de competencias, y las coherencias de estas políticas.

Clasificación JEL: E24, J21, J48.

The Policy Integration and Statistics Department

The Policy Integration and Statistics Department pursues the ILO's decent work and fair globalization agenda from an integrated perspective. It consists of the Bureau of Statistics and the Policy Coherence Group.

The central objective of the latter is to further greater policy coherence and the integration of social and economic policies at the international and national level. To this end, it works closely with other multilateral agencies and national actors such as Governments, trade unions, employers' federations, NGO's and universities. Through its policy-oriented research agenda, it explores complementarities and interdependencies between employment, working conditions, social protection, social dialogue and labour standards. Current work is organized around four thematic areas that call for greater policy coherence: Fair globalization, the global poor and informality, macro-economic policies for decent work, and emerging issues.

Labour statistics play an essential role in the efforts of member States to achieve decent work for all and for the ILO's support of these efforts. These statistics are needed for the development and evaluation of policies towards this goal, for assessing progress towards decent work, and for information and analysis of relevant labour issues. The ILO Bureau of Statistics works with integrity, independence and high professional standards to provide users within and outside the ILO with relevant, timely and reliable labour statistics, to develop international standards for better measurement of labour issues and enhanced international comparability, and to help member States develop and improve their labour statistics. It maintains strong professional relationship with national statistical systems and with statistics offices of other international agencies.

Director of the Policy Integration and Statistics Department: *Stephen Pursey*
Director of the Bureau of Statistics: *Sylvester Young*
Director of the Policy Coherence Group and Research Advisor: *Rolph van der Hoeven*

This paper was initiated by *Rolph van der Hoeven* and *Malte Luebker*.
It is part of a series of country studies that investigate the interaction and coherence of economic and social policies, and assess their outcomes in terms of growth and employment performance.

Growth and Employment Dynamics in Botswana: A Case Study of Policy Coherence

Contents

Growth and Employment Dynamics in Botswana: A Case Study of Policy Coherence

1. Introduction

Botswana was rated as one of the poorest countries in Africa at the time of independence in 1966. Within a period of three decades, it had managed to emerge as an upper middle-income developing country with an annual growth rate of per capita income of 8.4 per cent (Siphambe et al., 2005). In the 1980s and the 1990s, real GDP per capita grew at about 5 per cent per annum. In particular, during the 1980s annual growth in GDP per capita reached more than 7 per cent. However, it declined to around 3 per cent in the 1990s. Overall, Botswana's average growth has been quite high compared to its neighbouring countries in the African region. Botswana has also followed coherent policies since independence and has had democracy in the sense of having had elections every five years that were assessed as free and fair even though there has been no change of government.

While the country has had good performance in terms of growth, its record in terms of employment is not that exceptional. The country has had periods of sustained high unemployment of about 20 per cent for most of the 1990s and early parts of the new millennium. Unemployment has however started to decline, being estimated at about 17.6 per cent in 2005-06 (CSO, 2006, Preliminary Results from the LFS). This paper assesses Botswana's record in terms its employment dynamics and performance. The paper looks at the various macroeconomic policies and their coherence with labour market policies, and then evaluates their successes and failures. Finally, the paper assesses whether the policies behind the successes or failures in Botswana could be applicable to other countries in similar economic circumstances or not.

2. Growth performance and structural changes of the economy

The most comprehensive indicator of an economy's performance is that of national income or Gross Domestic Product. Embracing in its concept, GDP provides a broad view of the structure and functioning of the economy. The distribution of GDP according to the sectors in which it originates throws considerable light on the economy's state of development, intersectoral relationships and its structure. When we consider the classical model of economic development as a structural transformation of the economy, its process is a continuous movement of income away from the primary sector (agriculture and mining), although it may be geared to absorb increases in its output (Chenery, 1971). An essential feature of rapid economic development is thus the relative decline in the importance of agriculture or mining in the economy as a source of income and the simultaneous expansion of income from other sectors, primarily manufacturing and ultimately services. This entails a process of economic diversification over a period of time; the relative contribution of various economic activities or sectors to GDP undergoes change along with structural shifts within each sector of the economy (Kuznets, 1966).

Over the past three decades, the Botswana economy has recorded impressive growth rates. Table 1 shows that gross domestic product (GDP) growth may have averaged about 9.2 per cent per annum in real terms over most of the post-independence period, 1966 to 2005-06 However, much of this growth has been due to the sustained and rapid expansion of one sector – the mining sector – and of government, which has largely been financed by the proceeds of mineral revenues. Together, mining and government account for more than half of total value added (Table 2). As a result, the economy remains vulnerable to the fluctuating fortunes of the mineral sector, especially diamond mining.

Table 1: Sectoral distribution of Botswana's Gross Domestic Product, 1966 to 2005/06 (in 1993-94 prices, million Pula)

Economic Activity	1966	1975-76	1980-81	1985-86	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Primary Sector																				
Agriculture	388	431	385	322	481	492	488	467	459	490	453	480	443	405	445	433	441	454	404	389
Mining		365	1 333	2 819	3 957	3 946	3 766	3 956	3 899	4 076	4 305	5 537	5 874	6 620	7 753	7 489	8 285	8 308	9 812	9 385
Secondary Sector																				
Manufacturing	51	159	166	227	471	519	499	430	532	573	594	626	661	684	681	682	703	709	763	738
Water and Electricity	5	48	56	114	168	179	209	240	256	257	269	295	333	371	391	406	444	472	489	507
Construction	71	267	319	263	764	791	666	710	723	747	788	822	917	939	955	1 000	1 005	1 027	1 036	1 002
Tertiary Sector																				
Trade, Hotels & Restaurants	81	179	160	365	591	536	541	882	1 086	1 193	1 359	1 423	1 502	1 596	1 700	1 840	1 990	2 201	2 052	2 172
Transport & communications	39	24	58	143	324	365	390	407	436	438	456	498	579	596	605	625	631	610	606	716
Banks, Insurance & Business Serv.	183	97	183	371	885	920	1 049	1 144	1 232	1 352	1 368	1 501	1 636	1 707	1 795	1 922	1 973	2 015	2 115	2 151
General Government	89	305	466	738	1 355	1 556	1 621	1 707	1 762	1 855	2 009	2 196	2 333	2 474	2 641	2 861	3 267	3 434	3 591	3 736
Social and Personal Services		58	77	147	421	443	456	470	504	531	558	575	618	645	663	705	724	775	855	922
Total Value Added, Gross	908	1 933	3 203	5 510	9 417	9 748	9 687	10 414	10 889	11 511	12 160	13 952	14 898	16 038	17 629	17 963	19 465	20 005	21 722	21 718
Adjustment items		149	417	256	634	913	919	627	509	519	539	592	684	681	614	580	852	936	1 143	954
Total GDP at constant prices	909	2 083	3 584	5 708	10 010	10 634	10 612	11 041	11 398	12 029	12 699	14 544	15 582	16 719	18 242	18 544	20 316	20 941	22 866	22 672
Total GDP excluding Mining	909	1 718	2 251	2 889	6 053	6 688	6 846	7 085	7 498	7 953	8 394	9 007	9 707	10 098	10 489	11 054	12 031	12 633	13 054	13 287
GDP per capita (Pula)	1 683	2 862	3 917	5 175	7 584	7 858	7 658	7 781	7 844	8 073	8 314	9 290	9 710	10 165	10 812	10 807	11 674	11 894	12 868	12 673
GDP per capita, excl. mining (Pula)	1 683	2 360	2 460	2 619	4 586	4 942	4 940	4 993	5 160	5 337	5 495	5 753	6 049	6 140	6 217	6 442	6 913	7 175	7 346	7 427
Growth (%)		18.4	10.1	7.7	8.8	6.2	-0.2	4.0	3.2	5.5	5.6	14.5	7.1	7.3	9.1	1.7	9.6	3.1	9.2	-0.8
Growth, excl. Mining (%)		11.9	-0.8	12.4	8.5	10.5	2.4	3.5	5.8	6.1	5.5	7.3	7.8	4.0	3.9	5.4	8.8	5.0	3.3	1.8

Note: (a) Adjustment items include FISIM (financial intermediation services indirectly measured), taxes on Imports, taxes on products/production, and subsides on products/production. (b) The base year for constant prices has been changed from 1985-86 to 1993-94 by the Central Statistics Office. The re-basing makes the series 'non-additive' in some years prior to 1993-94, such that the estimate of total GDP does not equal the sum of its components. (c) Data for Note 1996-97, 1997-98 and 1998-99 are subject to change. (d) Botswana financial years are from 1 April to 31 March of the following calendar year.

Sources: (i) Bank of Botswana, GDP data-set as of January 2007. (ii) Ministry of Finance and Development Planning, National Development Plan (NDP) 9, 2003-04/2008-09.

Table 2: Sectoral distribution of Botswana's Gross Domestic Product, 1966 to 2005-06 (in % of total value added, based on 1993-94 prices)

Economic Activity	1966	1975-76	1980-81	1985-86	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Primary sector																				
Agriculture	42.7	22.3	12.0	5.8	5.1	5.1	5.0	4.5	4.2	4.3	3.7	3.4	3.0	2.5	2.5	2.4	2.3	2.3	1.9	1.8
Mining	0.0	18.9	41.6	51.2	42.0	40.5	38.9	38.0	35.8	35.4	35.4	39.7	39.4	41.3	44.0	41.7	42.6	41.5	45.2	43.2
Total, primary sector	42.7	41.2	53.7	57.0	47.1	45.5	43.9	42.5	40.0	39.7	39.1	43.1	42.4	43.8	46.5	44.1	44.8	43.8	47.0	45.0
Secondary sector																				
Manufacturing	5.6	8.2	5.2	4.1	5.0	5.3	5.2	4.1	4.9	5.0	4.9	4.5	4.4	4.3	3.9	3.8	3.6	3.5	3.5	3.4
Water and Electricity	0.6	2.5	1.8	2.1	1.8	1.8	2.2	2.3	2.4	2.2	2.2	2.1	2.2	2.3	2.2	2.3	2.3	2.4	2.3	2.3
Construction	7.8	13.8	10.0	4.8	8.1	8.1	6.9	6.8	6.6	6.5	6.5	5.9	6.2	5.9	5.4	5.6	5.2	5.1	4.8	4.6
Total, secondary sector	14.0	24.5	16.9	11.0	14.9	15.3	14.2	13.3	13.9	13.7	13.6	12.5	12.8	12.4	11.5	11.6	11.1	11.0	10.5	10.3
Tertiary Sector																				
Trade, Hotels & Restaurants	8.9	9.3	5.0	6.6	6.3	5.5	5.6	8.5	10.0	10.4	11.2	10.2	10.1	9.9	9.6	10.2	10.2	11.0	9.4	10.0
Transport & communications	4.3	1.2	1.8	2.6	3.4	3.7	4.0	3.9	4.0	3.8	3.8	3.6	3.9	3.7	3.4	3.5	3.2	3.0	2.8	3.3
Banks, Insurance & Bus. Serv.	20.2	5.0	5.7	6.7	9.4	9.4	10.8	11.0	11.3	11.7	11.2	10.8	11.0	10.6	10.2	10.7	10.1	10.1	9.7	9.9
General Government	9.8	15.8	14.5	13.4	14.4	16.0	16.7	16.4	16.2	16.1	16.5	15.7	15.7	15.4	15.0	15.9	16.8	17.2	16.5	17.2
Social and Personal Services	0.0	3.0	2.4	2.7	4.5	4.5	4.7	4.5	4.6	4.6	4.6	4.1	4.1	4.0	3.8	3.9	3.7	3.9	3.9	4.2
Total, tertiary sector	43.2	34.3	29.5	32.0	38.0	39.2	41.9	44.3	46.1	46.6	47.3	44.4	44.8	43.8	42.0	44.3	44.1	45.2	42.4	44.7
Total Value Added	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Value Added, excl. Mining	100.0	81.1	58.4	48.8	58.0	59.5	61.1	62.0	64.2	64.6	64.6	60.3	60.6	58.7	56.0	58.3	57.4	58.5	54.8	56.8

Note: (a) The base year for constant prices has been changed from 1985-86 to 1993-94 by the Central Statistics Office. The re-basing makes the series 'non-additive' in some years prior to 1993-94, such that the estimate of total GDP does not equal the sum of its components. (b) Data for Note 1996-97, 1997-98 and 1998-99 are subject to change. (c) Botswana financial years are from 1 April to 31 March of the following calendar year.

Sources: (i) Bank of Botswana, GDP data-set as of January 2007. (ii) Ministry of Finance and Development Planning, National Development Plan (NDP) 9, 2003-04/2008-09.

Tables 1 and 2 show the level and the sectoral distribution of Botswana's gross domestic product (GDP) in real terms (1993-94 prices) for the period from 1966 to the financial year 2005-06. As revealed in the table, in 1966, the country's real GDP amounted to 908.6 million Pula (valued at 1993-94 prices). Of this total, agriculture accounted for about 43 per cent of total value added, while bank, insurance and other business services, the second largest sector, contributed about 20 per cent. None of the other major sectors of the economy accounted for as much as 10 per cent of total value added in 1966: the share of manufacturing was only 5.6 per cent, while that of construction and general government was 7.8 per cent and 9.8 per cent respectively. This shows that on the attainment of independence in 1966, the country's economy was predominantly agricultural (cattle rearing and beef production in particular), and had a particularly weak industrial base.

In the post-independence period, the value added in virtually all the sectors of the economy grew rapidly, as shown in Table 1. This rapid growth of the economy was accompanied by important structural changes, the most significant of which was the dramatic decline in the relative size and contribution of the agricultural sector. By 1985-86, the contribution of agriculture to total value added was only 5.8 per cent, and this was to decline further to 4.1 per cent in 1995-96 and currently stands at just 1.8 per cent. A major factor in this structural shift in the economy moreover was the discovery of minerals, especially diamonds in the early 1970s. A diamond mine was opened in 1971 followed by a nickel-copper mine in 1973. More diamond mines have since become operational in the country, transforming Botswana into the world's largest exporter of diamonds. By 1985-86, real GDP has increased three-fold, and this impressive growth rate was maintained for the remaining part of the 1980s and the 1990s. Thus over the period 1974-75 to 2005-06, growth in the economy averaged 8.0 per cent in real times. The growth of non-mining over the same period, on the other hand, was 6.8 per cent. However, within the non-mining economy, it is obvious from Tables 1 and 2 that with the exception of agriculture, growth was spread fairly evenly across the other sectors, over the period 1975-76 to 2005-06 since their GDP shares remained more or less constant. Therefore while the wealth of the mining sector may have provided the impetus that allowed the economy to grow rather rapidly over the years, the resulting growth has *not* been broad-based, and in many senses *not* diversified.

Contrary to expectation of theory that as structural transformation takes place, the manufacturing share of output increases, Botswana's notable feature is the relatively low level of industrialization. This, as shown in Table 2, is reflected in the relatively small proportion of total value added originating from the manufacturing sector. In spite of the increased pace of modernization and diversification in recent years as occasioned by the multifarious government industrial policies, the share of manufacturing, which was 5.6 per cent in 1966 and 8.2 per cent in 1975-76 declined to 5.0 per cent in 1990-91 and further to about 3.4 per cent in 2005-06. Thus, this sector has certainly not matched the hopes and expectations of the people and government of Botswana that wanted to position it as a key to a successful diversification of the economy. Within the manufacturing sector itself, the extent of diversification has been very minimal. At the time of independence in 1966, the only significant manufacturing activity in Botswana was of meat and meat by-products (Bank of Botswana, 2000), mainly by the Botswana Meat Commission (BMC). The next major addition to manufacturing was the commencement of brewery activities in the 1970s, the Hyundai Motor plant in the mid-1990s (which has since folded up), and more recently textile and garment production.

In addition to manufacturing, the performance of the financial services sector (banks, insurance and business services), and the Trade, Hotels and Restaurants need to be highlighted. Table 2 shows that these two sectors have consistently witnessed a rising trend in their contribution to total value added since the early 1980s – a reflection of the widening and deepening of these sectors in response to the needs of the business sector.

This development may also have been consequent upon the increasing household real incomes in the country, which similarly have continued to stimulate the demand for services from the two sectors.

Apart from increase in mineral production and the contribution of such to the development of the other sectors of the economy, the growth of the government sector has also played a very key and important role in this transformation of the Botswana economy. Even though the government sectors may be seen to have grown due to resources deriving from the mining sector, it has most significantly acted as a channel through which the wealth created by diamond mining has been reinvested in the economy. So in effect, over the period from 1966 to the present, the government has acted as the main link between the booming mining sector and the rest of the economy as a whole, a role that has spurred the rapid rate of overall development recorded during the period. As Tables 1 and 2 show, the direct contribution of the government sector to total value added has averaged about 16 per cent over the period from 1966. This is not a surprising development, since over the years the government has considerably expanded public services, especially in education, and thus also become an important source of wage employment in the country. In addition, it has undertaken numerous public investment and development programmes that were, however, often carried out by private sub-contractors and are therefore not included under the value added by general government (but rather in the respective sector, e.g. construction). This becomes apparent from the even larger size of the total government budget that ranged between 35 to 40 per cent of GDP for the past 15 years (see section 6), and thus is a significant factor in the overall economy: Through public investment, especially in infrastructure, the government budget thus directly created demand in other sectors of the economy, such as construction. The overall result of this is that the government-induced demand has been very significant for the growth and development of the domestic economy.

3. Employment growth and distribution

At independence, a large number of Batswana, especially unskilled, were employed in the South African mines. As noted in the previous section, diamond mining propelled the economy quite significantly since the early 1970s, leading to a fundamental structural change of the economy. Despite the key role played by diamonds in terms of both contribution to exports and government revenue, this has not been matched by equally significant employment creation in the sector. This is largely because diamond mining was capital intensive and there was also absence of beneficiation from diamonds as no industries were set up to process the diamonds further before exporting them.

The most detailed data source for employment currently is the 1995-96 Labour Force Survey, as a detailed analysis of the 2005-06 Labour Force Survey is not yet available. Looking at the distribution of employment by institutional sector on the basis of the 1995-96 Labour Force Survey, the largest employer is government with 33.4 per cent of the total, followed by the private sector with 32.4 per cent. The informal sector is the third largest employer with 57,240 employees (16.6 per cent of the total). Traditional agriculture and parastatals employ 14.1 and 3.5 per cent respectively. Of the 57,240 informal sector employees, 47 per cent were paid employees, 49 per cent were self-employed and 4 per cent were unpaid family workers. Women account for 70 per cent of informal sector employees (CSO, 1998). For most countries especially in Africa and Latin America, mainly due to structural adjustment, the informal sector is a major employer of labour, often accounting for more than 40 per cent of the total. Unlike in other countries in Africa, where the informal sector is well developed and well researched on a regular basis, there is very little information about this sector in Botswana. A major survey by the Central Statistics Office (CSO) is to start in June 2007, which will give us some indication of the nature of the informal sector in Botswana. Casual observation, especially in places like

Gaborone and Francistown, indicates that the informal sector has grown over time. Thus, more people are likely to be dependent on informal sector activities than before. Because of the lack of government policy focused directly on the informal sector, the sector seems to have been used more as a sector for survival by those who could not find employment in the formal sector. The growth in unemployment, in recent years, may thus have stimulated the development of the informal sector in Botswana.

Table 3 shows the sectoral distribution of formal sector employment between 1980 and 2005 on the basis of enterprise surveys. The share of agriculture in total formal sector employment declined from 5.2 per cent in 1980 to 1.9 per cent in 2005. Currently, the mining sector has the largest share of output (about 35 per cent of GDP), but its contribution to employment has fallen from 8.6 per cent in 1980 to about 3.1 per cent in 2005. The small share of mining in employment reflects its capital-intensive nature, and, therefore, the limited opportunities for employment creation in this sector. The shares of manufacturing, commerce, finance and business services as well as education by non-government providers in total employment increased substantially between 1980 and 2005. The highest annual growth rates in employment over the period from 1980 to 2005 where achieved in education (7.6 per cent), manufacturing (6.4 per cent) and finance and business services (6.0 per cent). Other than agriculture, mining had the lowest annual growth rate in employment, at about 0.7 per cent, during the period from 1980 to 2005 – which contrasts with the above-average performance of the sector in terms of output growth.

Table 3: Number of paid employees in the formal sector by economic activity, 1980-2005 (selected years)[a]

Economic Activity	Number of Persons Employed [Percentage Share] 1980	1985	1990	1995	2000	2005	Annual Growth Rate (in %)†
Agriculture [b]	4 300	4 000	6 400	4 500	5 800	5 554	0.7 n/s
	[5.2]	[3.4]	[3.1]	[1.9]	[2.2]	[1.9]	
Mining and Quarrying [b]	7 200	7 300	8 100	8 100	7 900	9 270	0.7**
	[8.6]	[6.3]	[3.9]	[3.5]	[3.0]	[3.1]	
Manufacturing [b]	5 600	9 900	24 300	24 200	29 800	32 397	6.4**
	[6.7]	[8.5]	[11.6]	[10.4]	[11.2]	[10.8]	
Electricity and Water [b]	1 500	1 900	2 100	2 500	2 900	2 430	2.1**
	[1.8]	[1.6]	[1.0]	[1.1]	[1.1]	[0.8]	
Construction [b]	13 400	11 500	31 000	22 400	27 300	24 364	3.5**
	[16.1]	[9.8]	[14.8]	[9.6]	[10.3]	[8.2]	
Commerce [b]	10 400	18 300	38 300	45 500	47 600	55 979	5.9**
	[12.5]	[15.7]	[18.3]	[19.5]	[17.9]	[18.7]	
Transport and Communication [b]	3 400	5 700	8 500	8 700	9 900	12 608	4.5**
	[4.1]	[4.9]	[4.1]	[3.7]	[3.7]	[4.2]	
Finance and Business Services [b]	4 300	6 800	14 700	17 700	18 300	21 763	6.0**
	[5.2]	[5.8]	[7.0]	[7.6]	[6.9]	[7.3]	
Community and Personal Services [b]	2 400	3 900	8 200	9 800	4 300	5 137	1.3 n/s
	[2.9]	[3.3]	[3.9]	[4.2]	[1.6]	[1.7]	
Education [b]	1 300	1 900	2 100	3 800	6 200	7 850	7.6**
	[1.6]	[1.6]	[1.0]	[1.6]	[2.3]	[2.6]	
Government (local and central)	29 500	45 600	65 100	86 200	105 200	121 364	5.6**
	[35.4]	[39.0]	[31.1]	[36.9]	[39.7]	[40.6]	
Total	83 400	116 800	209 000	233 400	265 300	298 715	4.9**

Notes: (a) Based on surveys of formal sector employment. Estimates are from surveys carried out in August (1980 to 1984), March (1996, 2003 to 2005) and September (remaining years). They exclude working proprietors, unpaid family workers and own small businesses with less than 5 employees. (b) includes private sector and parastatal (excludes government). (c) Central Government figures exclude Botswana Defence Force (BDF); coverage improved in 1985 when approximately 2,800 government employees where included for the first time. †: based on regression estimates using annual data for the period 1980-2005. n.s.: statistically not different from zero. **: statistically significant at the 1%-level, * statistically significant at the 5 per cent-level.

Source: Central Statistics Office, Labour Statistics (various issues), Statistical Yearbook 2003 and CSO web-site.

In Table 4, we estimate sectoral employment elasticities, just to try and measure how much employment creation is associated with output growth (i.e., the average percentage change in employment in a sector divided by the average percentage change in the sector's value added over the same period). Employment elasticities can be useful in identifying where initiatives can be focused to accelerate the growth of jobs and incomes: the higher the employment elasticity of a sector, the greater will be the proportionate increase in jobs that is prompted by increasing output in a sector. Table 4 shows the percentage changes in employment and output for various sectors over the periods 1980 to 1991 and 1991 to 2005, and the estimated employment elasticities they give rise to. Looking at the total economy first, average annual output growth was 10.3 per cent in the first period, which was almost matched by an annual growth in employment of 9.1 per cent – giving rise to a high employment elasticity of 0.89. This performance, however, was not replicated in the second period: output growth slowed to 6.3 per cent and employment creation declined even sharper to 2.2 per cent, resulting in a low employment elasticity of only 0.34.

However, while employment elasticities declined in each sector from the first to the second period, there remain large differences between the sectors with respect to the degree to which growth resulted in employment creation. For example, the mining sector was growing robustly at 8.9 and 7.8 per cent in the two periods, respectively, but at the same time recorded only minimal employment growth at 0.8 per cent and 0.1 per cent annually. The corresponding elasticity figures of 0.09 and 0.01 are the lowest of all sectors in both periods. The mining sector was thus hardly creating jobs, even as it was growing substantially. What these elasticity figures indicate is that, as a whole, there is a lack of connection between the output growth in mining and employment growth in the sector.

Table 4: Sectoral employment elasticities, 1980-1991 and 1991-2005

	1980-1991			1991-2005		
	Annual Output Growth in %[b]	Annual Employment Growth in %[b]	Employment Elasticity[c]	Annual Output Growth in %[b]	Annual Employment Growth in %[b]	Employment Elasticity[c]
Agriculture	3.6	4.2	1.18	-1.3	1.0	-0.78
Mining	8.9	0.8	0.09	7.8	0.1	0.01
Manufacturing	11.0	14.3	1.30	3.4	3.0	0.87
Water and Electricity	12.8	3.2	0.25	7.3	0.7	0.10
Construction	12.0	9.5	0.79	3.2	-0.2	-0.07
Trade, Hotels & Restaurants	15.6	11.6	0.74	9.5	2.2	0.23
Transport & communications	17.9	9.6	0.53	4.5	1.9	0.41
Finance & Business Services	16.0	12.4	0.78	5.9	1.2	0.20
Social and Personal Services[a]	17.5	9.2	0.53	5.1	0.2	0.04
General Government	11.5	8.0	0.70	6.7	3.5	0.52
Total economy[d]	10.3	9.1	0.89	6.3	2.2	0.34

Note: (a) Includes education (private). (b) Calculated by applying the logarithmic growth function $\ln(Y_i) = c + \beta(\text{year}_i)$ respectively $\ln(E_i) = c + \beta(\text{year}_i)$ to the full period, where Y_i and E_i stand for Value added and Employment in year i. (c) Calculated as Annual Employment Growth over Annual Output Growth. (d) The data for the total economy refer to GDP, the remaining data refer to the value added in a sector.

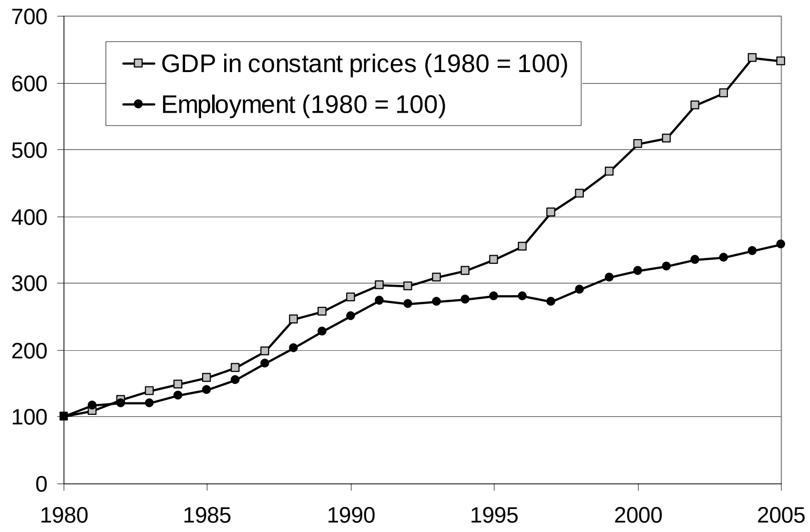
Source: (1) For employment: Central Statistics Office, Labour Statistics (various issues), Statistical Yearbook 2003 and CSO web-site; (2) for output data: Bank of Botswana, GDP data-file January 2007.

By contrast, in the manufacturing sector, which recorded an annual output growth of 11.0 and 3.4 per cent in the two periods, employment was increasing by 14.3 and 3.0 per cent respectively. Thus, the sector was increasing employment by almost 1.3 per cent and 0.87 per cent for each per cent increase in output, respectively, indicating very high employment elasticities. This could be explained by the nature of industries in manufacturing that included textile that were highly labour intensive in nature. Other sectors with consistently relatively high employment elasticities included government (0.70 and 0.52), transport and communications (0.53 and 0.41) and hotels and restaurants (0.9 and 0.23), while social and personal services (0.53 and 0.04) and construction (1.3

and -0.07) did not repeat the employment-creation they achieved between 1980 and 1991 during 1991 to 2005. The water and electricity sector had a relatively low employment elasticity, with each percentage increase in value added giving rise to a 0.25 per cent increase in employment during 1980-91 and 0.10 during 1991 to 2005.

Therefore it follows logically that tackling Botswana's unemployment problem could focus attention on removing the impediments to growth in those sectors with relatively high employment elasticities, especially manufacturing. Thus, manufacturing if properly supported to grow, would as per theory take a leading role in terms of contribution to employment. It follows that if manufacturing were much bigger as a proportion of output, it would lead to a significant increase in employment and therefore reduction in unemployment (for further reading on unemployment in Botswana refer to Siphambe, 2003).

Figure 1: Indices of GDP and employment, 1980-2005



Source: Central Statistics Office, Labour Statistics (various issues); Bank of Botswana (GDP series).

Figure 1 plots indices of GDP and employment for the period from 1980 to 2005. As indicated, although growth in GDP has been impressive during the review period, such growth has not been able to create enough employment for the economy. This is because the mining sector has been a major source of the growth, whereas its nature of work is capital-intensive and, thus, it has limited opportunities for employment creation. However, while this is true for the entire period under review, the difference in employment performance in the other sectors before and after 1991 can explain why employment growth almost matched GDP growth up to 1991, but then de-coupled from it and shifted to a much lower trend growth rate in the 1990s. As has been seen in Table 4, employment in such sectors as manufacturing and finance and business services grew strongly at annual growth rates of 14.3 and 12.4 between 1980 and 1991, but at a much slower rate thereafter. Therefore, employment growth in these sectors has not been large enough to absorb those who are newly entering the labour market. This is supported by the results revealed from Figures 1 and 2.

The trend in the employment-to-population ratio, presented in Figure 2, suggests that employment relative to population was growing sharply in the 1980s but it has been falling since 1991. In other words, formal sector jobs were initially created at a rate higher than population growth, but from 1991 job creation in the formal sector lagged behind population growth. This can also explain why unemployment has been on the rise in Botswana after 1991. Indeed, during 1991-2005 the labour force has been growing at around 3 per cent per annum, whilst the annual growth rate of formal sector employment was only 2.2 per cent.

Figure 2: Employment-to-Population Ratio, 1980-2005

Source: Central Statistics Office, Labour Statistics (various issues) and Statistical Yearbook 2003.

4. Unemployment

Table 5 shows that the rate of unemployment in Botswana was recorded at about 14 per cent in 1991. The unemployment rate then rose to about 22 per cent in 1994 and remained almost stable at that level until 1996 (CSO, 1997). Unemployment, however, fell slightly to 21 per cent in 1998 and fell further down to 16 per cent in 2000 (Table 5). Recent estimates from the 2005-06 Labour Force Survey reveal that unemployment has declined again from the 24.6 per cent estimated in 2002-03 to 17.3 per cent in 2005-06. Even though unemployment has fallen to the current estimate, the current level is quite high and a major challenge for the economy.

Table 5: Trends in total labour force and unemployment, 1991-2006

Year	Unemployed	Employed[a]	Total Labour Force[a]	Unemployment Rate (%)
1991	61 300	379 900	441 200	13.9
1993-94	107 700	391 800	499 500	21.6
1995-96	94 500	345 400	439 900	21.5
1998	115 700	441 200	556 900	20.8
2000	90 700	483 400	574 200	15.8
2001	109 500	453 400	562 900	19.5
2002-03	144 500	462 400	606 800	23.8
2004	185 800	570 300	756 100	24.6
2005-06*	114 400	548 600	663 000	17.3

Note: (a) Includes employment in the informal and household sector. (b) Provisional figures; includes 38,000 children aged 7 to 17 as employed. All figures are rounded.

Source: Calculated from HIES, Census, MIS, BAIS and LFS, as published in CSO (2006: 8).

In terms of distribution of unemployment by gender, the 2005-06 Labour Force Survey indicates that the majority of the unemployed, 55.5 per cent, were women. Despite a lower female labour force participating rate of 50 per cent (compared to 65 per cent for men), women had an unemployment rate of 19.9 per cent, while men had an unemployment rate of 15.3 per cent. Female youth (12-29) had an unemployment rate of 31.8 per cent, while that of males was 23.3 per cent. Unemployment is therefore concentrated among women and the youth. The youth are obviously unemployed because they have lower on-the-job-experience. Some of the issues could also be due to their late entry into the labour market compared to the older cohort (CSO, 2006).

A more detailed breakdown of unemployment rates is available from the 2001 Census, as displayed in Table 6. The data show again that unemployment among females is more severe: unemployment rates for males and females were 16.4 and 23.9 per cent, respectively.[1] Again, unemployment among females was much higher even though the labour force participation (LFP) rate for females is far lower than for their male counterparts. This indicates that if the LFP rates were equal for both male and female, the rate of female unemployment would be much worse than the current situation. By area types, unemployment is highest in urban villages (24.6 per cent), followed by rural areas (17.7 per cent) and lowest in urban towns (15.6 per cent).[2] Thus, although unemployment is a social concern across the country, it is more problematic in urban villages compared to other areas.

Table 6: Unemployment and labour force participation rate by gender, areas and youth, 2001

	Unemployment Rate	Labour Force Participation Rate
Total	19.6	47.0
By gender		
Male	16.4	56.0
Female	23.9	38.8
By area types		
Urban town	15.6	64.6
Urban village	24.6	46.6
Rural	17.7	37.9
By youth (15-24) and gender		
All youth	40.9	36.5
Male youth	34.6	40.5
Female youth	48.0	32.9

Source: Calculated from the 2001 Census

Although the statistics show unemployment to be a serious problem in Botswana, it does not seem to be a major social problem compared with the situation in other countries. For instance, until recently, the informal sector appears to have been less developed in Botswana compared with other African countries. Illegal migrants from other countries, especially Zimbabwe, fill many of the lower paid jobs, such as gardeners and domestic workers. This could also be a result of the relative strength of Botswana's currency, the Pula, against the Zimbabwean dollar, as well as the desperation of the Zimbabweans, given the dire economic situation in their country. The fact that the Botswana population generally maintains high reservation wages (minimum wages below which labour chooses not to participate), despite high unemployment, seems to suggest that there must be something missing from the picture. One explanation is that many of those who declare themselves as being unemployed probably have family support, which allows them to continue looking for a suitable job without revising their reservation wage downwards in the face of unemployment. Many workers are not willing to work for anything

[1] The total labour force here is significantly higher than in Table 3 because it includes the informal sector employees and own-account workers.

[2] In 1991, 19 of Botswana's villages started to be classified as urban villages. These were defined as villages with fewer than 25 per cent of their workforce working in traditional agriculture. These are however different from the more established urban areas such as Gaborone or Francistown. Examples of urban villages are Molepolole and Mahalapye.

significantly below the minimum wage, even if they are unemployed. This has also been exacerbated by the existence of government relief programmes and social safety nets in general. Workers can afford to remain unemployed and not take up work in agriculture because government programmes are enough to sustain their day-to-day living. The high reservation wages may also be linked to the fact that a large number of labour force participants see themselves as too educated for some of the available jobs. The demonstration effect provided from past experience was that, with a junior certificate, one could easily have worked in a white-collar job, given that the country started from a scarcity of human capital (Siphambe 2004). But given the relative abundance of educated graduates, this is no longer the case and therefore more and more of the youth labour is beginning to accept these jobs though after some lag and unsuccessful search for a white-collar job.

5. Changes in wages in the formal labour market

Apart from stagnant growth in employment, there has been a slow growth in real wages in the labour market in Botswana. Table 7 shows the changes in average real wages between 1980 and 2003 by economic sector. As seen, the highest average real wages in 1980 were in Electricity and Water, followed by Finance and Business Services. By 2002, Electricity and Water had the highest average monthly wages, followed by Transport and Communication. In agriculture, wages were far exceeded by those of other economic activities throughout the period. The highest growth in real wages was in the (private) Education sector (3.9 per cent per annum), followed by Water and Electricity (3.11 per cent). Real wages in manufacturing fluctuated over the review period, with a temporary peak of 779 Pula in 1985 and a low of 500 Pula in 1997 (all in constant 1995 Pula). The resulting growth rate, calculated using a regression method in order not to give undue weight to the two end-points, is actually negative (although not significantly different from zero). On aggregate the average real wages in Botswana have been growing at an annual rate of 1.27 per cent over the 1980-2003 period.

Table 7: Average monthly real wages by economic activity, 1980-2003 (in constant 1995 prices)

Economic Activity	1980	1985	1990	1995	1997	2002	2003	Annual growth rate†
Agriculture	238	189	269	250	266	599	542	1.61*
Mining and Quarrying	921	1 032	1 517	1 185	1 482	3 176	3 362	2.38*
Manufacturing	683	779	695	582	500	889	944	-0.71 (n.s.)
Electricity and Water	1 124	1 041	1 599	1 350	1 597	4 438	5 569	3.11**
Construction	594	590	615	633	552	979	1 050	0.74*
Commerce	525	549	635	580	672	1 282	1 253	1.45**
Transport and Communication	1 000	808	1 167	1 206	1 404	3 632	3 597	1.43**
Finance and Business Services	1 045	1 088	1 321	1 265	1 301	3 114	3 080	1.98**
Community and Personal Services	787	723	780	776	1 062	1 967	1 965	0.90*
Education	985	997	1 372	1 618	1 563	3 359	2 830	3.91**
Government	n.a.	1 676	1 789	2 015	1 987	2 822	2 502	1.39*
National Average	970	941	1 062	1 022	1 067	2 359	2 781	1.27**

Note: (i) The exchange rate between the Pula and the US Dollar was P5.40 = USD1 in 1995. It is currently P6.20 = USD1. †: based on regression estimates using data for the period 1980-2002. n.s.: statistically not significantly different from zero. **: statistically significant at the 1 per cent-level; * statistically significant at the 5 per cent-level.

Source: BIDPA, 2004.

6. Botswana's macroeconomic policies towards growth and employment

The previous sections have shown the historical trend in growth and employment in Botswana. The clear picture from that analysis is that while the growth has been impressive, employment did not match the growth performance, especially in the latter period since 1991. This section deals with Botswana's macroeconomic policies and how they might have influenced employment outcomes. We look at the conduct of monetary policy, fiscal policy, trade policy, policies towards financial openness, and labour market policies. But we first discuss the policy-making environment.

At independence, Botswana chose to have an active government role in the form of national development planning. The government of Botswana, from the onset had made clear its belief in the need to plan the social and economic development of the country (Republic of Botswana, 1968, p. 7). The rationale for planning as stated by the government in 1970 was that the country's available resources were few and the problems facing the country were so great that it was only by careful planning that these resources could be put to their most effective use. Decisions in the plan, according to the government, could affect the quality of life in Botswana for generations and therefore it was imperative that the right decisions were made in the allocation of resources for effective economic development. With the discovery and profitable exploitation of diamonds, this belief was strongly reinforced. But it was always made clear that in future the government should give way to the private sector, even though in reality this has not happened. For instance, the privatisation agenda – even though adopted in 2000 – has not been implemented. In the process of formulating these national policies, including the National Development Plans and the "Vision 2016", government has always followed a consultative process that involved every sector of the economy. It is part of the consultative nature of the policy formulation that has enhanced ownership to most of the policies by most stakeholders.

Given the dominance of diamonds in terms of output, government revenue and exports, it became obvious that the growth of the economy will have to be heavily state-led. The state took an active role in terms of formulating policies and programmes meant to encourage private sector led growth. Change to letting the market-led determination of prices in any sector was only made after careful assessment. In fact, it is only in the 1990s that there were regime changes in a number of policies including wage-setting, interest rates, etc. – and hence at a point in time when the private sector had grown to allow for some of these changes to take place. The important point is that Botswana carefully chose to have a state-led growth by investing the diamond revenue, and did not blindly follow orthodox policies as advocated by the IMF and the World Bank. Botswana only chose to liberalise some of its markets, and only when the government thought conditions did allow for such a change. We elaborate more on these policy regime changes later in the paper.

Monetary policy

At independence, Botswana was a member of the Rand Monetary Area and used the South African Rand as its currency until 1976 when it introduced its own currency, the Pula. It is then that Botswana began to have an independent monetary policy. As a long-term goal, the monetary authorities in Botswana use monetary policy as a strategy to promote economic growth and development by using it to control inflation to reasonable levels.[3]

[3] For a developing country like Botswana, reasonable levels of inflation are between 3 and 7 per cent, as outlined in the Bank of Botswana Monetary Statements. Even though 3 per cent is provided as a lower bound, it is almost impossible to achieve it in a developing country without harming growth and employment extensively.

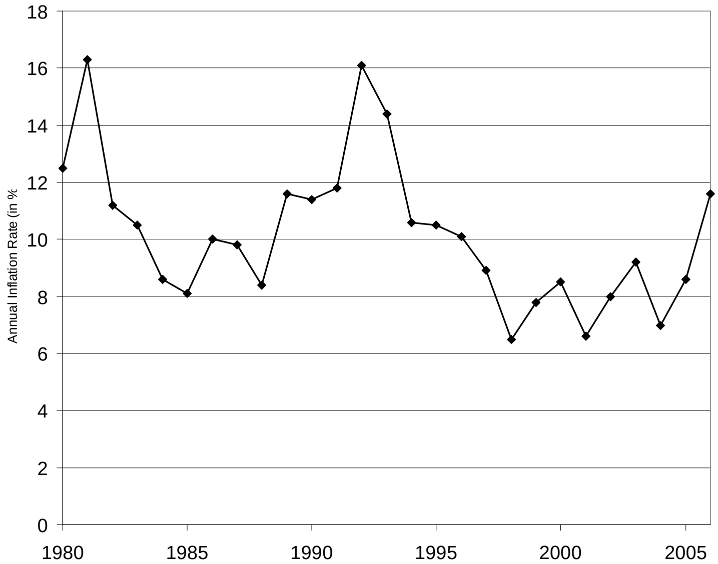
High and variable inflation distorts price signals and creates uncertainty about the future value of money (causing economic agents to hold their wealth in the form of physical assets, and not financial assets). The effect of these is a negative impact on saving and investment decisions, and hence economic growth. The control of inflation obviates the need to hold financial savings mainly in the form of physical assets as a hedge against inflation. In this case, savings become available to finance investment. In addition, by maintaining a low and stable inflation rate, monetary policy contributes to the promotion of domestic and external monetary and financial stability.

As part of its mandate in terms of conduct of monetary policy, the Bank of Botswana has used both financial and monetary policies to promote economic growth and development. Prior to financial liberalization in 1989, monetary authorities pursued a low interest rate policy in order to mop up excess liquidity by encouraging investment in the banking system and also to influence the supply of domestic credit in order to achieve faster economic growth (see Ablo and Hudson, 1983; Clarke, 1992; Hermans, 1996; and Moloi, 1996). In 1989, the monetary authorities started on the process of financial liberalization. The reform package was mainly implemented between 1989 and 1991 (Bank of Botswana Annual Report, 2001, Chakrabarty and Santi, 2004). The package entailed the removal of controls on interest rates; licensing of additional commercial banks; the introduction of a financial instrument, the Bank of Botswana Certificate (BoBC) to conduct open market-type operations; and the removal of exchange controls. In addition, monetary authorities embarked on a strategy of increasing interest rates to levels that will achieve positive real interest rates.

The policy of positive real interest rates was adopted in order to achieve two goals: (i) to mobilise greater volumes of saving, particularly by the household sector, thereby reversing the negative effects of the low interest rate policy; and (ii) to encourage productive investment. In the process of mobilising savings, the financial sector promotes investment and hence, economic growth (Bank of Botswana Annual Report, 2001). Recently, the central bank has moved towards inflation targeting. The monetary policy framework sets out a target range for inflation. The monetary policy can generally be described as a tight monetary policy regime: For 2005, the target range was between 3 and 6 per cent. Due to the double-digit levels of inflation for most of 2006, the Bank of Botswana was forced to revise its medium term inflation target to between 4 and 7 per cent, while maintaining a long-term goal of 3 to 6 per cent – a target that has also been maintained for 2007.

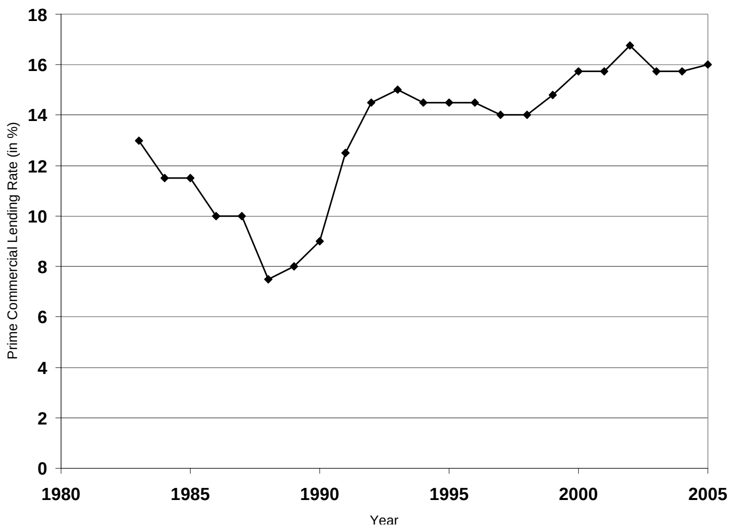
It has been argued that Botswana’s monetary policy has performed well in controlling inflation to around 10 per cent. For about a decade in the 1980s, the economy experienced an unparalleled boom. But in spite of this boom, policymakers managed to avoid chronic inflation (Setlhare, 2004). Annual inflation in Botswana has never exceeded 20 per cent since 1976. Figure 3 shows that inflation has in general been trending downward for most of the period from 1976 to 2001 (with a brief spike in the early 1990s), and was at single digit levels in the last part of the period. Due to the introduction of Value Added Tax in 2001 and a series of devaluations of the national currency to enhance competitiveness of the non-traditional exports, the inflation rate has been increasing since 2001. However, a comparison of the inflation performance of Botswana with that of other developing countries in general, as has been done in Cowan (1998) for the 1976-95 periods, shows that Botswana is better than a broad range of African countries. He finds that within SACU, Botswana has had one of the lowest average Consumer Price Index (CPI) inflation during 1976-85. Cowan (ibid.) also finds that Botswana has had the lowest average CPI inflation during 1986-95 and the lowest average inflation in the whole period. In addition, Botswana has had the most stable average CPI inflation, compared to the rest of the SACU countries (Setlhare, 2005).

Figure 3: Annual inflation rate, 1980-2006



Source: Central Statistics Office, Statistical Yearbook 2003, Bank of Botswana, Financial Statistics March 2007.

Figure 4: Prime commercial lending rates, 1983-2005



Source: Bank of Botswana, various BoB Bulletins.

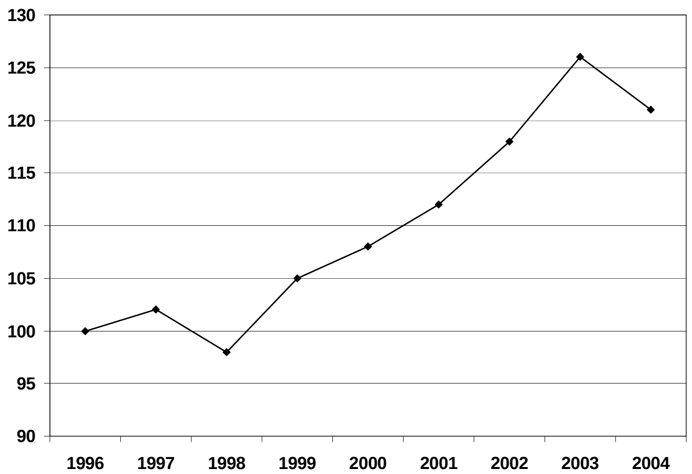
Given the need to promote private sector development in Botswana, initially interest rate policy was based on the desire to maintain a low cost of borrowing. There was also a limited range of financial instruments for that period. For most of the period prior to 1989, real interest rates were therefore negative. To try and deal with the excess liquidity, Bank of Botswana began to issue short-term financial instruments in 1990, and eventually in 1991 the Bank of Botswana Certificates in the domestic money market. This was a shift to a policy of positive real interest rates meant to encourage savings and mop out the excess liquidity in the commercial banks. Another measures introduced were open market operations as a way of improving the market determined interest rate structure, enhance returns to savers, and encourage financing of more productive investments (Bank of Botswana Annual Report, 2005). As shown in Figure 4 above, interest rates were trending downwards prior to 1989 reflecting the then policy of operating a negative real interest rate, which was meant to increase investment. After 1989 when financial reforms were introduced, interest rates started to rise and stabilize around between 15 and 16 per cent. It is interesting that employment and growth were disconnecting precisely at the time of these reforms. It may be that the high interest rates after liberalization may have led to some fall in investment and therefore employment.

Exchange rate policy

Botswana has maintained an active exchange rate management since the introduction of its currency, the Pula, in 1976. The main objective of the exchange rate policy in Botswana has been and continues to be to maintain and enhance international competitiveness of domestic producers by ensuring that the real exchange rate is not misaligned. The competitiveness of traded goods and in particular non-traditional exports is maintained through a stable real exchange rate against the Rand and other foreign currencies. Initially in 1976 the Pula was pegged to the United States dollar (US$) at the same rate as the Rand. This arrangement continued until 1979 when the South African authorities took the Rand off the US$ peg and changed to a system of managed floating. In June 1980 the Pula was pegged to a basket of currencies consisting of the Rand and Special Drawing Rights (SDR), with approximately equal initial weights.

Under the current Bank of Botswana Act, the responsibility for the exchange rate policy rests with the President of Botswana, on the recommendation of the Minister of Finance after consultation with the Bank. Thus, the exchange rate is determined by the government, but implemented and administered by the Bank of Botswana under a managed peg exchange rate system. For example, to help foster monetary and macroeconomic objectives in Botswana, the Bank of Botswana changes the exchange rate on recommendation. The Pula was devalued several times in the 1980s as a way of enhancing the competitiveness of the non-traditional exports. In 2005, the country introduced a crawling peg, which allows for automatic change of the exchange rate should there be a misalignment. Given that the economy has remained undiversified, and therefore with less employment creation capacity, it was deemed appropriate that the exchange rate should not be overvalued and therefore stifle the development of the potential sectors for economic diversification. Given that Botswana has a small domestic market it was deemed important that the exchange rate should be outward looking in terms of being able to encourage exports of non-traditional merchandise.

Figure 5: Real effective Pula exchange rate, 1996-2004 (Index, 1996 = 100)



Source: Bank of Botswana, Annual Reports.

Figure 5 shows the change in the real effective exchange rate over time. Since 1996, the Pula was generally appreciating to major currencies. While in general the nominal exchange rate against major currencies depreciated for most of the period from 1990 to 2004, the real exchange rate however appreciated mildly since the mid-1990s, before falling in 2004. This has made it very difficult for Botswana exporters to compete in foreign markets and for domestic producers to compete with imported goods and services. Government reacted by devaluating the currency by 12 per cent in May 2005 as a way of promoting the competitiveness of producers, especially of non-traditional exports. While Botswana has been successful in terms of avoiding an overvalued exchange rate that usually results from a booming sector such as diamond as has happened in other countries like Zambia during the copper boom, it is quite evident that there was some mild "Dutch Disease". That is quite evident from the lack of economic diversification and therefore the increase in unemployment over time, even though it has started to decline.

Fiscal policy

In compliment to other macroeconomic policies, fiscal policy in Botswana has been conducted pursuant to the country's two main underlying objectives of sustainable economic growth and the diversification of the economy. The current National Development Plan (NDP) adds another objective, viz., enhancing Botswana's competitiveness in global markets. Government's strategy has been to avoid overspending (using its large diamond export revenue), that is, expenditure in a manner that is not consistent with the capacity of the economy. Botswana's policy approach has been to accumulate foreign exchange reserves and government cash balances with the intention of depleting them in bad years. The defining idea behind fiscal policy has been to maintain a fairly constant growth in real expenditures from year to year, independent of what is happening to the real growth of the government's domestic revenue. This policy strategy means that the government can insulate the growth rate of real expenditures from the cyclical behaviour of its real domestic revenues.

For many developing countries, an increase in government revenues from the mineral sector has led to problems of unsustainable public expenditure, which have been termed the 'resource curse' (Auty, 1993). To avoid this pitfall, Botswana followed a planning system to define the fiscal rule for its expenditure. The national development planning ensured that all projects implemented have to be viable and there was political support to not allow any projects that were not viable. Since 2006, the country has established an explicit fiscal rule that stipulates that government spending should not exceed 40 per cent of GDP. Despite some limitations, Botswana has institutions that are able to effectively enforce agreed rules.

As Botswana recognized that the booming diamond sector could not create employment directly, it became obvious that employment generation had to come from government through the creation of parastatals and also through programmes meant for private sector development. Several parastatals were established in the 1970s, some of which are now being discussed as possible candidates for privatization. In terms of the government expenditure, the general priority of government was to provide an enabling environment through provision of infrastructure and development of human capital through education and health. Indeed, the share of the budget going to the social sector was for most of the years more than 40 per cent; education alone has been absorbing more than 25 per cent of the budget for most of the years.

The other alternative was to provide funding for private sector development through programmes and policies. Examples of such cases were the Financial Assistance Policy, (FAP) which was a programme for subsidizing labour for firms engaged in production. Some programmes were geared towards enhancing productivity in the agricultural sector, and therefore indirectly create sustainable employment for Batswana. Examples here are the Arable Lands Development Programme (ALDEP) and the Accelerated Arable Rain-fed Programme (ARAP). Most of these programmes have had a limited success in terms of employment creation and, because there was little monitoring and evaluation, they were subject to fraud and abuse. The Financial Assistance Policy (FAP), for instance, was discontinued in 2001 and replaced by a new programme, Citizen Economic Development Agency (CEDA) upon the recommendation of its fourth evaluation. Unlike the previous schemes, CEDA is not a grant but a subsidized interest scheme that is accessible only to citizen entrepreneurs. The change in the spirit shown in CEDA is to instil a business practice and move away from the philosophy of handouts from government. CEDA's success in creating sustainable employment lies on its ability to transform the culture of handouts among other things and being able to address some of the weaknesses that were inherent in FAP.

Table 8: Government Revenue and Expenditure, 1979/80 to 2005/06 (millions of Pula)

Financial Year	Total Revenue	Recurrent Expenditure	Development Expenditure	Total expenditure in % of GDP	Overall Surplus/ Deficit (-)
1979-80	213.4	128.6	99.4	16.5	n.a.
1980-81	270.7	170.3	121.4	19.3	-12.0
1981-82	282.8	205.9	121.3	20.2	-22.6
1982-83	370.1	233.6	160.4	20.9	71.0
1983-84	511.4	297.9	140.7	20.9	57.5
1984-85	755.9	378.0	209.7	20.5	133.5
1985-86	1 085.3	472.4	247.5	29.7	330.6
1986-87	1 461.0	608.3	407.4	36.1	204.5
1987-88	1 757.5	723.7	558.1	33.8	324.5
1988-89	2 432.6	933.8	797.3	29.7	472.5
1989-90	2 672.4	1 190.0	827.6	30.9	127.4
1990-91	3 560.8	1 473.1	1 090.1	34.3	195.2
1991-92	3 973.6	1 862.5	1 098.0	35.4	857.0
1992-93	4 369.2	2 273.9	1 207.0	38.1	190.6
1993-94	5 351.4	2 800.0	1 558.3	39.2	1 272.4
1994-95	4 312.8	3 097.7	1 377.8	35.7	-433.3
1995-96	5 282.8	3 550.8	1 672.0	36.8	257.0
1996-97	7 164.0	4 117.0	2 239.6	36.4	1 365.0
1997-98	7 991.4	4 974.8	2 695.5	37.7	374.1
1998-99	7 422.2	6 369.8	2 934.5	40.0	-1 909.6
1999-2000	1 1632.3	7 711.4	3 869.2	41.0	361.9
2000-01	12 808.7	8 581.9	3 627.2	35.1	891.8
2001-02	13 398.0	9 673.9	4 709.4	40.3	-1 435.9
2002-03	14 318.3	11 591.1	4 200.2	40.8	1 391.8
2003-04	16 197.3	12 934.8	4 256.4	40.4	-78.3
2004-05	17 736.2	12 982.0	3 728.4	34.3	-1 185.2
2005-06	21 477.3	15 796.0	4 450.2	39.5	1 575.0

Notes: (i) Negative values reflect a deficit. (ii) Revenue less expenditure does not add up to the deficit/surplus because revenue does not include grants. (iii) Financial years begin on 1 April and end on 31 March of the following calendar year.

Source: Statistical Bulletins, Central Statistics Office, various years.

Table 8 shows the government's revenue, recurrent expenditure from revenue, development expenditure, and government budget surplus/deficit for each financial year in the period 1979-2006. The evidence shows that over time, as government revenue increased, the government did not respond by increasing its expenditure at the same rate. Rather, the government responded by increasing its savings. As can be seen in Table 8, out of the whole period of 27 years, the government budget experienced a deficit only on seven occasions – i.e., in the financial years 1980-81, 1981-82, 1994-95, 1998-99, 2001-02, 2003-04 and 2004-05. This means that in these seven years, although the government's revenues were more than sufficient to cover recurrent expenditure (hence recurrent budget shows a surplus in each of the seven years), the revenues were not sufficient to finance the level of development expenditure desired by the government. Thus, the government had to run down the cash balances that it had build in the past in order to sustain steady expenditure levels, consistent with a steady development programme. It is also worth noting that the amount of the deficit was quite small.

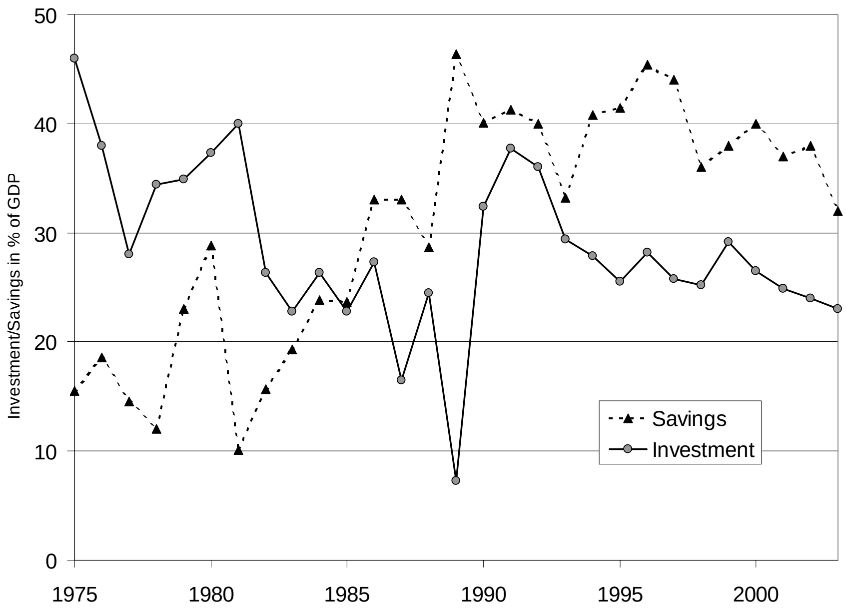
Unlike most countries that spent the revenue from the booming sector, Botswana's government chose to sterilize the surplus by putting the income into a Revenue Stabilisation Fund that is managed by the Bank of Botswana. By statute, the Bank of Botswana is responsible for managing the country's international reserves. However, the Bank of Botswana has decided to manage only part of the reserves internally, and external fund managers appointed by the Bank of Botswana manage the other part. The funds managed by the Bank of Botswana are invested in six markets or foreign currencies, viz., the United States, Germany, Canada, the United Kingdom, Japan and South Africa. The total foreign exchange reserves are divided into two segments: the Liquidity Portfolio and the Pula Fund. These funds are held in various financial instruments that range from demand deposits to time deposits. The liquidity portfolio is used by the central bank as a buffer against short-term trade and capital account (investment) fluctuations. On the other hand, the Pula Fund portfolio is a long-term investment fund (invested in longer-term assets) to generate revenues for future generations (Bank of Botswana, 2000).

The policy followed by government of saving the extra diamond revenue for most years achieved at least two outcomes: (i) it has avoided the occurrence of severe Dutch disease and (ii) it has avoided emergence of white elephant structures. The former occurs when the appreciation of the real exchange rate caused by one booming (usually a natural resource) sector makes the goods of other sectors uncompetitive in international markets. It should be noted that if the government had gone into excessive spending, domestic costs would have risen faster than in Botswana's trading partners. If not offset by exchange rate devaluations, this would have caused an appreciation of the real exchange rate. A real exchange rate appreciation would harm the manufacturing sector and reduce export diversification (see Harvey and Lewis, 1990). White elephant projects occur when the boom condition lead to the construction of structures that cannot be sustained after completion, and thereby turn out to be useless sunk cost items. The other part of government's role in economic diversification is to ensure continued existence of a conducive macroeconomic environment in terms of low tax rates.

Figure 6 shows investment and savings as a percentage of GDP from 1975 to 2004. Savings have generally been rising over time, with the lowest having been 10.1 in 1981 and a peak of 46.4 per cent of GDP in 1989. The country has on average achieved savings to GDP ratio of 30 per cent of GDP, which is quite high by international standards (most industrialized countries for instance have savings to GDP ratios of between 20 and 25 per cent). The SADC long-term target for its members is for instance 25 per cent of GDP, and currently very few countries are able to meet this target. The worrisome issue about Botswana savings is that a big proportion of its savings are government savings from the diamond revenue. Household savings as a percentage of GDP have been less than 10 per cent, while that of the private sector was between 10 and 15 per cent for most of the period.

Starting from a very high level of 46 per cent of GDP in 1975, investment has generally been on the decrease between 1975 and 1989 before rising again and reaching a peak of about 37 per cent of GDP in 1991. Prior to 1985, investment exceeded domestic savings. The shortfall of savings over investment during that period was financed from real net capital inflows. The country has invested on average just under 30 per cent of its GDP per annum, which is significantly higher than for most developing countries that invest between 20 and 25 per cent (Bank of Botswana, 1997). However in the later years after 1991, investment as a percentage of GDP has generally been declining and averaged 25 per cent from 1994 to 2003. It is therefore not surprising that during this period, unemployment was also stagnating at very high levels of more than 20 per cent reaching 23.8 per cent in 2002-03. Again, as argued earlier, this may reflect the policy shift in 1990 as discussed earlier, but could also be explained by the higher growth of labour force than the employment growth (that, as detailed above, fell from 9.1 per cent in 1980-91 to 2.2 per cent in 1991-2005).

Figure 6: Investment and savings as a percentage of GDP, 1975-2004



Source: Bank of Botswana Annual Reports.

Trade policy and current account balance

Botswana's trade policy and trade structure over the years were influenced largely by her membership of the Southern African Customs Union (SACU) since 1910, as well as her participation in different bilateral and multilateral trading arrangements. Some of these are her membership in the Southern African Development Community (SADC); the Botswana-Zimbabwe Trade Agreement; ACP and the Cotonou (formerly Lomé) trade agreements with the European Union and more recently the United States' African Growth and Opportunity Act (US-AGOA) and the free trade agreement between the United States and SACU. However, it should be mentioned that even in light of these different arrangements, Botswana's trade policy over the years sought to achieve the broadest possible free and dependable access for Botswana's industrial products and services. The policy also aimed at improving Botswana's access to industrial raw materials through the reduction of tariffs on imported raw materials.

Most notable of all the trade arrangements in terms of the influence over Botswana trade policy is her membership of SACU. The SACU agreements provide for duty free trade with South Africa and other small economies in the region (Lesotho, Namibia and Swaziland), and a relatively high degree of protection against imports from the rest of the world. In recent years, SACU tariffs against the rest of the world have been progressively reduced, partly in response to membership in the World Trade Organization (WTO). This has increased competition from world imports in both Botswana and other SACU member countries. Additionally, the process of tariff reduction in the SACU area has been further reinforced by the free trade agreement between South Africa and the EU (the EU-SAFTA), under which barriers to imports into the SACU area from the EU are being progressively reduced. The SADC free trade agreement will also reduce barriers to imports into Botswana and the SACU area, as well as provide improved access for exports into the SADC market.

Botswana has enjoyed a healthy balance of payment position not found in most developing countries for most of the years with the foreign reserves with a balance of payment surplus for most of the diamond era, with the exception of 1982 when there was a temporary slump in the diamond market. The foreign exchange reserves have for most of the period been estimated to cover more than 30 months of imports of goods and services. This is far above the SADC long-term target of 6 months import cover by 2012. As mentioned in the earlier sections, Botswana’s exports have however been dominated by minerals, especially diamonds. On the other hand the country is also very highly dependent on South Africa for most of its imports, which constitutes more than 80 per cent of her imports.

Botswana’s exports have generally been rising since independence. The major export commodities are diamonds; copper-nickel; and meat and meat products. Meat and meat products were Botswana’s main exports until the late 1960s, whereas Diamonds are currently the main export. Botswana started exporting diamonds and copper-nickel in the early 1970s. Vehicle exports which began as recently as 1993 have since collapsed due to the relocation of the vehicle assembly plant to neighbouring South Africa. As Table 9 shows, exports as a percentage of GDP rose from 40 per cent in 1974 reaching a peak of about 80 per cent of GDP in 1988 before starting to decline again to about 50 per cent of GDP. In terms of percentage share, the traditional exports of diamonds, beef and copper made up about 80 per cent or more of the total exports, while the non-traditional exports have generally been making up about 20 per cent of total exports. The picture is generally that of lack of diversification from the traditional exports, which are also not employment intensive. It is therefore quite obvious why unemployment has remained high despite the impressive growth. The country has over the years not been able to diversify despite all the policy efforts in the past, and that has remained the greatest challenge for both the country’s development and employment creation.

Table 9: Percentage share of exports of principal commodities, 1980 to 2005

Year	Meat & Meat Products	Live Animals	Hides & Skin	Diamonds	Copper Nickel Matte	Textiles	Soda Ash	Vehicles & Parts	Other Goods
1980	7.2	0.03	0.8	60.6	20.8	4.0	0.0	0.0	6.6
1985	6.5	0.02	7.8	70.4	8.1	1.9	0.0	0.0	5.2
1990	3.2	0.01	0.6	78.7	8.2	3.4	0.0	0.0	5.9
1993	3.8	0.02	0.5	78.2	5.2	2.2	1.2	2.1	6.9
1994	3.7	0.05	0.6	74.9	5.2	3.6	0.7	6.1	5.3
1995	3.0	0.04	0.6	67.1	5.5	2.5	0.4	16.1	4.8
1996	2.5	0.02	0.4	70.4	5.5	2.4	0.9	14.1	4.0
1997	2.2	0.02	0.3	73.8	4.6	2.4	1.1	11.4	4.2
1998	3.4	0.03	0.4	69.5	5.0	3.5	1.1	11.1	6.0
1999	1.8	0.02	0.2	79.4	4.6	2.0	0.9	5.5	5.7
2000	1.9	0.01	0.3	82.3	6.0	1.8	0.7	2.0	5.1
2001	2.6	0.05	0.4	84.5	4.2	1.4	0.9	2.1	4.0
2002	1.6	0.01	0.2	85.8	3.4	1.3	0.6	2.5	4.6
2003	1.3	0.00	0.1	82.9	7.9	1.5	0.1	2.8	3.5
2004	0.3	0.00	0.1	80.0	8.8	3.1	0.0	3.6	4.2
2005	1.4	0.00	0.1	78.1	10.5	4.5	0.0	2.6	5.2

Source: Ministry of Finance and Development Planning (2005, 2006): Annual Economic Report, 2005, p. 35.

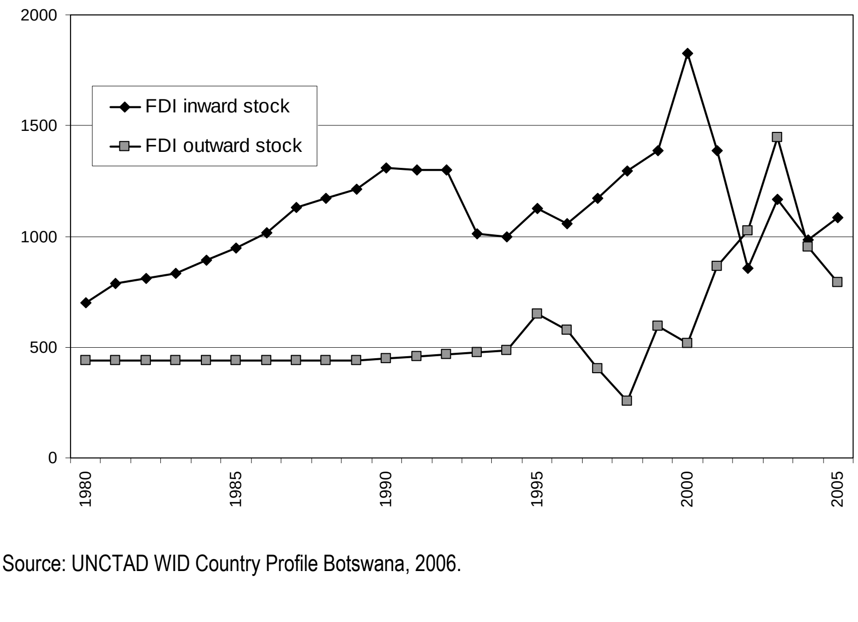
From an import side, Botswana is also highly dependent on international trade. Imports as a percentage of GDP have however been declining as a percentage of GDP showing that some import substitution did take place, even though marginal. Botswana’s imports are predominantly vehicles and transport equipment; machinery and electrical equipment; food, beverages and tobacco; and metal and metal products. As mentioned in the earlier section, Botswana has had a favourable balance of trade, and an accumulation of reserves.

Strictly speaking, Botswana does not have a separate trade policy, apart from its participation in different trade agreements and being a member of a major regional trade union, SACU. The absence of an independent trade policy may partly be responsible for the failure to diversify the economy as South African goods had free access to the market stifling the development of local industries. In future, a strengthened negotiating regime will be required, as will a very progressive and consistent trade policy agenda. These will not only pave the way for the attainment of the target of Botswana's Vision 2016 – sustained growth and global competitiveness, but also ensure a more diversified and vibrant economy is entrenched. Furthermore it could be expected that with the potentials for an expanded market in the Southern African region as envisaged by the SADC trade protocol, as well as for an expanded African export market to be occasioned by the NEPAD trade initiatives, ample opportunities exist for Botswana exporters that are able to compete with other exporters in these markets.

Botswana's Foreign Direct Investment (FDI) policies

At independence, Botswana hardly had any location advantages for FDI, given its small, poor and mainly rural population. It therefore chose to be open to FDI in terms of policies. When most African countries increased state control in the 1960s and 1970s, Botswana chose to adopt a pro-market economy. Yet, government still had a very central position in terms of planning economic activities, but it had always been understood that in time government should give way to private sector driven economy and allow the market to take a central role. Rather than to nationalize key industries, as was fashionable then, Botswana went into partnership with foreign investors for its diamond industry: The Debswana Mining Company was set up in 1969 as joint venture between the government of Botswana (which initially held 15 per cent in the company) and De Beers. In 1975, this was re-negotiated to a 50:50 partnership. This has not only allowed the country to increase its shares in diamond revenues, but has also given the country an opportunity to have direct representation in the board of the Debswana. This has the advantage of strengthening the country's bargaining position when negotiating with Debswana because this gives government negotiators first hand information on how the country's diamond mines are run. Botswana is one of the few, if not the only developing country to have this kind of representation in a strong multinational like De Beers (Kempton and Du Preez, 1997). The position of Botswana was further strengthened when the government acquired a 15 per cent stake in De Beers in 2001, which gives it a representation on the board of the De Beers.

Figure 7: Botswana's FDI position, 1980 to 2005 (in US$ millions)



Source: UNCTAD WID Country Profile Botswana, 2006.

The cross-shareholdings between De Beers and the government of Botswana are also the major determinant in Botswana's overall FDI position: The high outward stock of FDI is a reflection of the government's stake in De Beers (see Figure 7). Likewise, mining still accounts for the largest share in inward FDI stocks, although the change in ownership structure has reduced mining's share in inward FDI stocks from around 80 per cent in 2000 to around 60 per cent in 2005 (see Table 10). The second largest with 29 per cent is Finance, which is dominated by foreign-owned banks (Barclays, Standard Chartered and Stanbic). By comparison, FDI in manufacturing only accounts for 3.2 per cent of overall inward stocks and amounted to only 141 million Pula (or 33 million US$). This is a disappointing outcome, given that Botswana's macroeconomic environment has generally been very conducive for FDI given its liberal foreign exchange policy. It is cheaper for manufacturing companies to locate in South Africa where the transport costs are lower and they have a larger domestic market. It is therefore evident that Botswana may be loosing its competitive advantage as a foreign investment destination in the region.

Table 10: Inward FDI Stocks by Industry, 2000 to 2005 (Pula million)

Industry	2000	2001	2002	2003	2004	2005	% in 2005
Mining	7 792	7 714	2 957	2 688	2 494	2 648	60.4
Manufacturing	343	274	185	295	151	141	3.2
Finance	619	729	731	873	931	1 290	29.4
Retail and Wholesale Trade	773	651	609	826	239	92	2.1
Electricity, Gas and Water	0	0	9	37	39	0	0.0
Real Estate and Business Services	161	115	93	118	93	94	2.1
Transport, Storage and Communications	105	162	155	183	134	97	2.2
Construction	16	15	13	10	28	1	0.0
Hospitality	17	135	129	154	57	23	0.5
Other	0	1	1	1	38	1	0.0
Total	9 826	9 696	4 882	5 187	4 204	4 387	100.0

Note: Refers to the total amount (i.e., the stock) of FDI at the end of each year, not new investment (the flow) during the year. (ii) The last column refers to the percentage distribution of inward FDI stocks in 2005.

Source: Bank of Botswana Annual Report 2006, p. 97.

In terms of volumes, FDI inflows into Botswana were actually negative in the first half of the 1990s (reflecting the divestiture of foreign-held equity) and run at an annual average of only 27 million US$ for the second half of the 1990s. However, they have since increased and exceeded 300 million US$ annually from 2002 onwards (see Table 11). UNCTAD's 2006 World Investment Report lists Botswana among the countries with both a high FDI potential and a high FDI performance, and thus classifies it as a "front-runner" (UNCTAD 2006: 24). Inflows of this magnitude are also quite substantial in relation to the country's GDP, running at almost 5 per cent of GDP since 2002. Outward FDI flows (i.e. foreign direct investment by Botswana abroad) have been relatively minor over the past two decades, with a few exceptions such as in 2001 when, as detailed above, the government of Botswana acquired a 15 per cent stake in De Beers.

Table 11: Net Inward and Outward FDI Flows, 1975 to 2005 (in millions of US$)

	1980-84	1985-89	1990-94	1995-99	2000	2001	2002	2003	2004	2005
Net inward FDI flows	61	64	-43	27	57	31	403	418	391	346
Net outward FDI flows	0	0	9	3	2	380	43	206	-39	57

Note: (i) Five-year averages are simple, unweighted averages of the annual values. (ii) Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest in and control by a resident entity in one economy (foreign direct investor or parent enterprise) of an enterprise resident in a different economy. Inward flows refer to transactions by foreign entities with respect to FDI in Botswana, outward flows refer to transactions by Botswana entities abroad. All figures refer to net flows.

Source: UNCTAD, FDI/TNC database.

While domestic investment is not enough to create the needed quality jobs within the country, the low inflow of FDI into non-mining activities has made the problem of economic diversification and job creation more difficult. A number of policy reforms have been made including the creation of an institute, Botswana Export Development and Investment Authority (BEDIA), whose main mandate is to bring FDI into the country. So far, not a lot has been achieved by BEDIA, even though they have assisted some companies to locate in Botswana, especially those in textile, who are eager to take advantage of AGOA. Bringing FDI into the country remains a big challenge for the country (for further reading on FDI in Botswana refer to Siphambe, 2007).

7. Labour market policies

Evolution of Botswana’s incomes and wage policy

A major element of Botswana’s labour market policy framework has been the government’s wage and incomes policy. It is intended to cover areas where the market forces determining prices, wages and incomes may not result in efficient and/or equitable results. Thus, minimum wage regulations are intended to prevent exploitation and achieve other social policy objectives, while parastatals’ wages and salaries are kept aligned with government wages scales to forestall excessive wages and cost structures that could make the economy uncompetitive. Thus, the incomes policy aims at making the business climate attractive for investors, especially for investments in enterprises that could produce exportable goods and services.

Botswana’s incomes policy was adopted in 1972 with a view to avoiding rapid wage escalation that could lead to growing income disparities and social discord. At that time, the incomes policy emphasised rural development and employment creation, which were viewed as key operational targets for achieving the national development goals and objectives. With most of the population living in rural areas and engaged in subsistence farming as their main livelihood, there was concern that the mineral developments underway and the urbanisation processes would lead to manpower shortages, rapid wage escalation, widening income disparities, urban migration, growing urban unemployment and social tensions. Government was concerned that the emergence of such problems could thwart its strategies for economic and social development. While government would develop skilled manpower as rapidly as possible, it viewed wage restraint as a crucial ingredient in its overall macroeconomic policy framework. Wage restraint was considered important for promoting employment creation and enabling government’s resources available for development to be spread as widely as possible. At the same time, government recognized the need to protect workers and consumers from monopolistic exploitation.

As part of the incomes policy, a number of institutions were developed as part of a tripartite system to bring together workers, employers and government. Some of these institutions are: the National Employment, Manpower and Incomes Council (NEMIC), the Wages Policy Committee (WPC) and the Minimum Wages Advisory Board. NEMIC’s terms of reference include monitoring and periodically making recommendations concerning the general levels of government wages, taking into account the wider impact on employment creation. In addition to NEMIC and in keeping with the undertaking to periodically review public sector wages and salaries, government has reviewed public sector wages and salaries through a series of Salary Review Commissions.

Towards the end of the 1980s, government began to realize that the incomes policy was not serving its purpose given the changes in the economic environment, especially the growth of the private sector. It therefore commissioned a review of the 1972 Incomes

Policy. The Revised Incomes Policy was adopted in 1990. Some of the main features of this policy are that the private sector was allowed to determine its wages guided by the need to become profitable. There was a recognition that the private sector had now grown and needed to be de-linked from the government pay structure to encourage its growth and competitiveness. The incomes policy, however, maintained minimum wages to protect unskilled workers from exploitation by private sector employers. The parastatal sector was and is still tied in terms of pay to the top and bottom pay of government, but unlike in the past it could determine its own pay structure in between the top and bottom of government pay.

The Revised National Policy on Incomes, Employment, Prices and Profits was reviewed again in 2003-04 with a view to aligning Botswana's incomes policy with best international practices, as well as with the country's Vision 2016 and other national policies. As a result of the review, parliament is still discussing the document, which has not become a public document yet. Some of the major proposals in the 2003-04 review are to introduce minimum wages for agricultural and domestic service workers who are currently not covered by the minimum wage legislation; the review also proposed to remove the tie to some parastatals in terms of being linked to government pay so that they can attract skilled personnel that can make them competitive globally (Tabengwa and Salkin, 2006).

Impact of incomes policy on industrial relations

The impact of these salaries review commissions on Botswana's industrial relations scene was far reaching. In formulating the wages policy, the government undertook to regularly review the wage and salary situation, whilst at the same time cautioning the private sector not to anticipate the outcome of such commissions. This meant that the private sector would have to wait for the recommendations of the salaries review commission before they could review their own wages and salaries. It was only after the government had released its White Paper on the agreed changes in the level of public sector wages that the private sector would respond, adopting the same percentage with little or no consultation with the workers' organizations (Mogalakwe, 1997). Since pay increases were not a result of either productivity or negotiations between the employers and the employees, collective bargaining was unknown. It was only at the beginning of the 1990s that the labour market was deregulated; and it is only now that collective bargaining is being institutionalised. As a result there is still a lot of mistrust between employers and employees, a mistrust that is compounded by the absence of a requirement on the part of the employers to disclose to the workers information relevant to collective bargaining. This is notwithstanding the fact that Section 50 of the Trade Unions and Employers Act compels an employer to recognize a legally registered trade union as bargaining partner.

The strategy of wage restraint actually worked for the early 1970s and some part of the 1980s but was certainly loosing relevance in the late 1980s as private sector firms found ways of undermining the policy to be able to attract skilled labour through offering generous fringe benefits. While the policy was to encourage the use of unskilled labour through low pay, firms were on the other hand looking for skilled labour, which was difficult to attract given the non-competitive wage. Just two years after the private sector was freed from the incomes policy, the share of factor payment of skilled labour rose for 36.6 per cent in 1985-86 to 41.7 per cent in 1992-93. That of unskilled labour fell marginally from 20.8 per cent to 20.3 per cent during the same period (Leith, 1998).

Freedom of associations and trade unions

In terms of labour law, Botswana made a deliberate attempt to curtail the activity of unions. Civil servants were for instance not allowed to form and belong to unions, except if they belonged to the industrial class. Unions were also run on a part-time basis and, as noted above, there was complete absence of collective bargaining, while government took the lead in wage setting as part of the incomes policy.

In December 1997, Botswana ratified ILO Convention No. 87 concerning Freedom of Association and Protection of the Right to Organize; Convention No. 98 concerning the Right to Organize and Collective Bargaining, and Convention No. 151 on the Protection of the Right to Organize and the Procedures for Determining Conditions of Employment in the Public Service. The two first mentioned are core conventions from the ILO Declaration on Fundamental Principles and Rights at Work. However, for workers in the public sector to start organizing, the government had to amend those aspects of the national laws that curtail the rights and freedoms of public sector workers to give effect to the spirit of Convention No. 151. The necessary amendments to law were only taken through parliament in 2005-06, and it was only in 2006 that some civil service associations were transformed fully into fully-fledged unions. Even then, labour unions in Botswana are still very weak compared to others in the region. This is partly due to the existence of the past structures that were consultative bodies and not negotiating bodies. It will take some time before labour can gain the necessary status to effectively negotiate its wages and terms and conditions of service. Apart from the historical aspect that weakened labour, unions are also very poorly resourced both in terms of human and financial resources.

While the expectation was that keeping labour unions weak would lead to more stable industrial relations with few industrial strikes, this approach has, as mentioned above, actually contributed to mistrust between workers and employers. Further, while the government hoped that weak unions should serve to attract more foreign direct investment in industries such as manufacturing, this has not materialized. Firms still prefer to locate in South Africa despite the militant labour movement there, with strikes being very frequent.

Skills development and education/training policy

When Botswana attained independence in 1966, lack of skilled and educated Batswana was one of the most important constraints on development. At independence, Botswana is believed to have had 40 Batswana who were university graduates and about 100 with senior secondary certificates. All of the university graduates had been trained outside the country, mainly in South Africa (Harvey and Lewis, 1990). Given the small human capital inherited from the colonial government, the Botswana government had to invest heavily in education, but there were still severe shortages mainly due to long time-lags inherent in education and the rapid economic growth, which in turn increased the demand for educated people (Harvey and Lewis, 1990). To meet most of these critical manpower shortages, the government had to rely on skilled workers from abroad, which was very expensive for the government.

In response to this scarcity of skilled labour, given the availability of revenues from diamond mining, the government began to expand schooling both in terms of physical facilities and increase in enrolment. The education sector has always received the lion's share of both the development and recurrent budgets of government. As a result of this effort there has been a large increase in the number of graduates from all levels of schooling, some of whom are unable to find jobs in the labour market. There is even now an increasing graduate unemployment, which was estimated at about 3 per cent. But despite the abundance of now relatively skilled labour, nominal wages have not declined.

Real wages should have declined though, given that for most years especially since 2000, wage increments have fallen short of inflation.

The training needs of the country were guided by a manpower plan, which was meant to match labour demand to supply of labour. What became clear as the economy developed is that the manpower plans were not able to guide the education sector adequately. It became clear that the country needed a human resource development strategy, which is just being developed. The country currently has no clearly articulated policies to facilitate redeployment of labour.

8. Analysis of policies and lessons for other countries

Botswana's policy-making environment is informed by the democratic environment that has always called for consultation between various stakeholders of the country. Government's approach to the sequencing of policy reforms has typically involved first undertaking comprehensive studies (often by consultants) to thoroughly analyse the issues involved, identify the relevant alternatives, their costs and benefits, and provide some initial recommendations on the preferred course of action. Extensive consultative processes followed this, sometimes involving presidential commissions and national symposia, to ensure they were widely understood and that a broadly supported consensus can be identified. Subsequent to that, the recommended actions are considered by cabinet and ultimately the national assembly. Associated with the introduction of coherent policy reform is the need to get the appropriate institutional structures in place, for actually doing the implementation, for supervising the implementation and/or regulating the operation of the reform, for monitoring and evaluating the implementation of the reform, and for being able to make any revisions that may be necessary.

Given that a large part of Botswana's revenue is derived from diamond mining, it became apparent that the different policies had to be coordinated in a coherent manner to avoid them moving the economy into conflicting directions. For most of the time, monetary, fiscal and exchange rate policies had to support each in achieving a stable economic environment, economic growth and diversification from the dependence on diamonds. Instead of increasing the government expenditure when revenues from diamonds were increasing, the government chose instead to create a Revenue Stabilisation Fund in order to sterilise the mineral rents rather than allow them to affect government spending and the exchange rate. The Botswana government followed an approach of managing the boom as if it were temporary. Botswana's macroeconomic environment, in particular the control of inflation and the setting of an appropriately valued exchange rate, contributed significantly to minimising the impact of the Dutch disease in the country. The policies were therefore mutually reinforcing rather than moving at cross-purpose. It is in this area of prudent macroeconomic management that other countries with abundant natural resources can learn some useful lessons from Botswana's own experience. Botswana's lesson therefore points to a conclusion that abundance of natural resources should not necessarily be a "curse", but can be a blessing. Botswana did not allow inefficient investments or for the real exchange rates to appreciate significantly through an active exchange rate management. The policy was also reinforced by relatively low inflation and low wage growth from the operation of the incomes policy.

While Botswana is highly applauded for its superior macroeconomic policies that have seen it getting high economic ratings over time, it still shares common problems with other developing countries that have not managed their economies so well. In particular, Botswana still has high unemployment, a growing informal sector, high levels of poverty, and an undiversified economy that is dependent on only one commodity. Economic growth has not been matched by employment growth because the economy remained undiversified. From the point of view of employment outcomes, Botswana's economic policy has not been very successful, especially since the early 1990s when employment growth de-linked from the growth of output. The figures for this trend break are quite striking: During 1980 to 1991, the economy grew at 10.3 per cent per annum, which slowed down to a growth rate of 6.3 per cent in 1991 to 2005. However, the fall in employment growth was far sharper, from 9.1 per cent in the first period to 2.2 per cent in the latter.

The stagnation of employment creation coincided with a number of policy reforms introduced since the early 1990s that were intended to liberalize the economy and to reduce the direct involvement of the state. For example, the labour market was deregulated and the centralized wage-setting mechanism was abolished. The reforms also included financial liberalization, and with it the abandonment of the previous regime of low or negative real interest rates that was meant to promote productive investments. While the step contributed to an increase in savings, investments stagnated at around 25 per cent of GDP since the mid-1990s and actually fell short of savings (implying that Botswana became a net exporter of capital, rather then an importer as previously).

A main problem has been, to our thinking, the neglect of a coherent approach to accompanying labour market policies, especially with respect to skills development, and lack of innovative thinking in terms of utilization of the diamond resources. The country should have started on the path of getting some beneficiation from diamonds a decade or so ago, which would have created some quality employment. The education system should also have been re-oriented towards lifelong learning so as to support private sector initiatives. It is quite absurd that the private sector still lacks some of the key skills that they need, which they have to get from outside, while the economy has a large pool of educated workers whose skills do not match the requirements of the labour market. Training was meant for fulfilling the skills demand for the public sector given the skills shortage at independence. The education system needed to have injected some element of quality by producing some competency skills rather than the current massive universal access whose quality from the point of view of potential employers is not that good. Reforms meant to deal with productivity issues also take a long time to implement. As a result productivity remains low, leading to some of the issues like high utility costs. Productivity issues need to be linked to training of labour in terms of quality. Fortunately, a number of these micro issues are being picked up in the current period and are being debated. If most of the recommendations about constraints coming from these micro issues could be implemented, Botswana could become a successful mineral-led economy and even be able to diversify in the long run. But, that remains a big challenge for all stakeholders.

References

Ablo, E.Y. (1983). 'Monetary Policy of Botswana', In M.A. Oommen, F.K. Inganji and L.D. Ngcongco, (eds.), *Botswana's Economy since Independence*, New Delhi: Tata McGraw-Hill.

Auty, R.M. (1994). 'Industrial policy reform in six large newly industrialized countries: The resource curse thesis', *World Development*, Vol. 22(1): pp. 11-26.

Bank of Botswana (BoB). *Annual Reports*, 1988-2005 (various issues): Gaborone: Bank of Botswana.

BIDPA (2004). *Diversification in Botswana's Agricultural Sector: Issues, Prospects and Challenges*. Unpublished Manuscript. Botswana Institute for Development Policy Analysis (BIDPA).

Central Statistics Office (CSO). *National Accounts* (various issues). Gaborone: Central Statistics Office.

Central Statistics Office (CSO). *Labour Statistics* (various issues). Gaborone: Central Statistics Office.

Central Statistics Office (CSO) (1997). *Labour Statistics 1997*. Gaborone: Central Statistics Office.

Central Statistics Office (CSO) (1998). 1995-96 Labour Survey. Gaborone: Central Statistics Office.

Central Statistics Office (CSO) (2001). *2001 Population and Housing Census*, Dissemination Seminar Papers. Gaborone: Central Statistics Office.

Central Statistics Office (CSO) (2004). Household Income and Expenditure Survey 2002/03, Stats Brief. Gaborone: Central Statistics Office.

Central Statistics Office (CSO) (2006). *Preliminary Labour Force Survey Results*. Stats Brief. No. 02/2006. Gaborone: Central Statistics Office.

Chakrabarty, K. and P. Santi (2004). *Recent Financial Reforms in Botswana: A Developing Economy with a Difference*, Draft Report. Gaborone: Bank of Botswana (Unprocessed).

Chenery, H.B. (1971). 'Growth and Structural Change', *Finance and Development*, Vol. 8, No. 3, September 1971.

Clarke, L.C. (1992). 'Inflation and Recession: Is a New Monetary Policy Necessary in Botswana?', unpublished paper to the seminar on: *Inflation and Recession: Which Way Out?*, Botswana Confederation of Commerce, Industry and Manpower.

Cowan, D. (1998). 'The Selibe-Phikwe Regional Development Project, a case study of the costs and benefits of Foreign Direct Investment'. In J.S. Salkin et al. (eds.), *Aspects of the Botswana Economy*, Gaborone: Lentswe La Lesedi.

Harvey, C. and S.R. Lewis (eds.) (1990). *Policy Choice and Development Performance in Botswana.* London: Macmillan.

Hermans, H.C.L. (1996). 'The History of the Bank of Botswana', *Bank of Botswana Research Bulletin* (Special Edition), Vol. 14, No. 2.

Kempton, D.R. and R.L. Du Preez (1997). 'Namibian-De Beers State-Firm Relations: Cooperation and Conflict', *Journal of Southern African Studies*, Vol. 23, No. 4, pp. 585-613.

Kuznets, S. (1966). *Modern Economic Growth: Rate, Structure and Spread.* New Haven: Yale University Press.

Leith, J.C. (1997). 'Growth and Structural Transformation in Botswana'. In J.S. Salkin, et al. (eds.), *Aspects of the Botswana Economy*, Gaborone: Lentswe La Lesedi.

Ministry of Finance and Development Planning (2002), *National Development Plan 9, 2003-04/2008-09*. Gaborone: Ministry of Finance and Development Planning.

Ministry of Finance and Development Planning (2005). *Annual Economic Report*. Gaborone: Ministry of Finance and Development Planning.

Mogalakwe, M. (1997) *The State and Organised Labour in Botswana: 'Liberal Democracy' in Emergent Capitalism*. Aldershot: Ashgate.

Mogalakwe, M. and H. Siphambe (2000). *Economic reform programmes, labour market institutions, employment and the role of the social partners in Botswana*. Harare: International Labour Office.

Moloi, C. (1996). 'Financial Liberalisation in Botswana', *Bank of Botswana Research Bulletin* (Special Edition), Vol. 14, No. 2.

Motlaleng, G.R. and O. Akinkugbe (2005). 'International Trade, Balance of Payments and Exchange Rate Policy'. In H.K. Siphambe, N. Narayana, O. Akinkugbe & J. Sentsho (eds.) *Economic Development of Botswana: Facets, Policies, Problems and Prospects*, Gaborone: Bay Publishing, Ch. 14, pp. 229-50.

Republic of Botswana (1968). National Development Plan 1968-73, Gaborone: Government Printer.

Setlhare, L. (2004). 'Bank of Botswana's Reaction Function: Modelling Botswana's Monetary Policy Strategy', *South African Journal of Economics*, Vol. 72, No. 2, pp. 384-406.

Setlhare, L. (2005). 'Macroeconomic Policies for Development in Botswana'. In H.K. Siphambe, N. Narayana, O. Akinkugbe & J. Sentsho (eds.) (2005) *Economic Development of Botswana: Facets, Policies, Problems and Prospects*. Gaborone: Bay Publishing.

Siphambe, H.K. (2003). 'Understanding Unemployment in Botswana', *South African Journal of Economics*, Vol. 71, No. 3, pp. 480-95.

Siphambe, H.K. (2004). 'Botswana's Economy and Labour Market: Are there any Lessons for SADC for Regional Integration?', *Development Southern Africa*, Vol. 21, No. 2, pp. 353-64.

Siphambe, H.K. (2007). 'Foreign Direct Investment in Africa: The Botswana Case Study'. In Ajayi. (ed.), *Foreign Direct Investment in Sub-Saharan Africa*. Forthcoming.

Siphambe, H.K., N. Narayana, O. Akinkugbe & J. Sentsho (eds.) (2005). *Economic Development of Botswana: Facets, Policies, Problems and Prospects*, Gaborone: Bay Publishing.

Tabengwa, G. and J. Salkin (2006). *Deepening Integration in SADC. Botswana – a Benchmark for the Region*. Gaborone: Friedrich-Ebert-Stiftung (Botswana Office).

United Nations Conference on Trade and Development (2002). *Investment Policy Review Botswana*. New York and Geneva: United Nations.

United Nations Conference on Trade and Development (2006). *World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development*. New York and Geneva: United Nations.

Policy Integration and Statistics Department

Working Papers*

No. 1 ILO activities on the social dimension of globalization: Synthesis report

No. 2 Measuring decent work with statistical indicators – *Richard Anker, Igor Chernyshev, Philippe Egger, Farhad Mehran and Joseph Ritter*

No. 3 Globalization and decent work: Options for Panama – *Philippe Egger*

No. 4 Globalización y trabajo decente: Opciones para Panamá – *Philippe Egger*

No. 5 Indicators of social dialogue: Concepts and measurements – *Lane Kenworthy and Bernhard Kittel*

No. 6 Assessing the impact of the attacks of 11 September 2001 on women's employment in the United States – *Gertrude Schaffner Goldberg and Helen Lachs Ginsburg*

No. 7 Decent work and the informal economy in Central America – *Juan Diego Trejos Solórzano and Miguel Del Cid*

No. 8 Poverty initiatives in the ILO: A review of past and present approaches – *Pat Holden and Dagmar Walter*

No. 9 Whither the International Standard Classification of Occupations (ISCO-88)? – *Debbie Budlender*

No. 10 Improving occupational classifications as tools for describing labour markets: A summary of recent national experiences – *Debbie Budlender*

No. 11 Recent developments in China's labour economy – *Thomas G. Rawski*

No. 12 The Impact of economic liberalization on employment and wages in India – *Sonia Bhalotra*

No. 13 The impact of trade liberalization upon inequality in developing countries – *Donald J. Robbins*

No. 14 The impact of liberalization and globalization on income inequality in developing and transitional economies – *Giovanni Andrea Cornia*

No. 15 The impact of technology transfer on employment and income distribution in developing countries: A survey of theoretical models and empirical studies – *Mariacristina Piva*

No. 16 International finance: Meeting the needs of people in developing countries – *José Guilherme Almeida dos Reis*

No. 17 The gender dimensions of globalization of production – *Stephanie Barrientos, Naila Kabeer and Naomi Hossain*

No. 18 Social exclusion in the context of globalization – *Jan Breman*

No. 19 Gender and globalization: A macroeconomic perspective – *Çağatay Nilüfer and Ertük Korkurt*

No. 20 Globalization, social exclusion, and work: With special reference to informal employment and gender – *Marilyn Carr and Martha Chen*

No. 21 Resources for social development – *Antony Clunies Ross*

No. 22 Does the new international trade regime leave room for industrialization policies in the middle-income countries? – *Alisa DiCaprio and Alice Amsden*

No. 23 Social dimension of globalization in Latin America: Lessons from Bolivia and Chile – *lvaro García Hurtado*

No. 24 The social dimension of globalization: A review of the literature – *Bernhard Gunter and Rolph van der Hoeven*

No. 25 The social dimension of global production systems: A review of the issues – *Susan Hayter*

No. 26 Reforming global economic and social governance: A critical review of recent programmatic thinking – *Jeremy Heimans*

No. 27 Corporate social responsibility: An issues paper – *Michael Hopkins*

∗ Working Papers 16-38 were prepared as background documents for the World Commission on the Social Dimension of Globalization.

No. 28 Upgrading in global value chains – *John Humphrey*

No. 29 Implications of globalization and economic restructuring for skills development in Sub-Saharan Africa – *Richard K. Johanson*

No. 30 The outcome and impact of the main international commissions on development issues – *Frédéric Lapeyre*

No. 31 Globalization and structural adjustment as a development tool – *Frédéric Lapeyre*

No. 32 Globalization and perceptions of social inequality – *Malte Lübker*

No. 33 The changing structure of international trade linked to global production systems: what are the policy implications? – *William Milberg*

No. 34 Corporate social responsibility: An overview of principles and practice – *Jill Murray*

No. 35 Inclusive development strategy in an era of globalization – *Ignacy Sachs*

No. 36 Social consequences of the globalization of the media and communication sector: some strategic considerations – *Seán Ó. Siochrú*

No. 37 Globalization, history and international migration: A view from Latin America – *Andrés Solimano*

No. 38 Towards a different kind of globalization, or how the anti-globalists view the world – *Gijsbert van Liemt*

No. 39 How do trade union rights affect trade competitiveness? – *David Kucera and Ritash Sarna*

No. 40 Statistics on the employment situation of people with disabilities: A compendium of national methodologies – *ILO Bureau of Statistics in collaboration with the In Focus Programme on Skills, Knowledge and Employability*

No. 41 Employment in the informal economy in the Republic of Moldova – *ILO Bureau of Statistics in collaboration with the Department for Statistics and Sociology of the Republic of Moldova*

No. 42 Decent work in a least developed country: A critical assessment of the Ethiopia PRSP – *Graeme J. Buckley*

No. 43 Unemployment and labour market institutions: The failure of the empirical case for deregulation – *Dean Baker, Andrew Glyn, David Howell and John Schmitt*

No. 44 Women's access to occupations with authority, influence and decision-making power: Women as legislators, senior officials and managers around the world – *Richard Anker*

No. 45 The world of work in the context of economic integration and trade liberalization – *Daniel Martínez*

No. 46 Poverty reduction in Pakistan: The strategic impact of macro and employment policies – *Moazam Mahmood*

No. 47 Trends in work stoppages: A global perspective – *L. J. Perry and Patrick J. Wilson*

No. 48 Generating decent work for poverty reduction in Cambodia: The voice of workers, employers and the Government – *Moazam Mahmood*

No. 49 The social dimension of regional integration in ECOWAS – *René Robert*

No. 50 Measuring trade union rights: A country-level indicator constructed from coding violations recorded in textual sources – *David Kucera*

No. 51 Patterns of job quality attributes in European Union – *Joseph A. Ritter*

No. 52 Child labour, education and export performance – *David Kucera and Ritash Sarna*

No. 53 Measuring the informal economy: From employment in the informal sector to informal employment – *Ralf Hussmanns*

No. 54 Indicators of labour standards: An overview and comparison – *Richard N. Block*

No. 55 The pattern of globalization and some implications for the pursuit of social goals – *Gerry Rodgers*

No. 56 Statistical indicators of social dialogue: A compilation of multiple country databases – *Anne Chataigner*

No. 57 Trade unions and informal workers' associations in the urban informal economy of Ecuador – *Catherine Vaillancourt-Laflamme*

No. 58 Decent work, standards and indicators – *Monique Zarka-Martres and Monique Guichard-Kelly*

No. 59 Social dialogue indicators: Trade union membership and collective bargaining coverage. Statistical concepts, methods and findings – *Sophia Lawrence and Junko Ishikawa*

No. 60 Informality and gender in Latin America – *María Elena Valenzuela*

No. 61 Labour developments in dynamic Asia: What do the data show? – *David Kucera and Anne Chataignier*

No. 62 Sources and Methods: Labour Statistics – Volume 5: Total and economically active population, employment and unemployment (Population censuses), Third edition

No. 63 Desarrollo local en América Latina: Oportunidades y desafíos para el trabajo decente – *Francisco Alburquerque*

No. 64 Bangladesh decent work statistical indicators: A fact-finding study – *Mustafa K. Mujeri*

No. 65 The impact of globalization on poverty in Bangladesh – *S. R. Osmani*

No. 66 International labour migration from Bangladesh: A decent work perspective – *Tasneem Siddiqui*

No. 67 Globalization and decent work: A report for the Decent Work Pilot Programme in Bangladesh – *Sukti Dasgupta and Amelita King Dejardin*

No. 68 East Africa reduction poverty and gender inequality: Selected strategies and issues

No. 69 Sources et méthodes: statistiques du travail – Volume 5: Population totale et active, emploi et chômage (Recensements de population), Troisième édition

No. 70 Fuentes y Métodos: Estadísticas del Trabajo – Volumen 5: Población total y económicamente activa, empleo y desempleo (Censos de población), Tercera edición

No. 71 The quantification of respect for selected core labour standards: Towards a social development index? – *Ludo Cuyvers and Daniel van den Bulcke*

No. 72 A new methodology for estimating internationally comparable poverty lines and living wage rates – *Richard Anker*

No. 73 Issues in macroeconomic and financial policies, stability and growth – *Yilmaz Akyüz*

No. 74 From liberalization to investment and jobs: Lost in translation – *Yilmaz Akyüz*

No. 75 Financial openness and employment: The need for coherent international and national policies – *Rolph van der Hoeven and Malte Lübker*

No. 76 Socio-economic security and decent work in Ukraine: a comparative view and statistical findings *Igor Chernyshev*

No. 77 Global Production Systems and Decent Work – *Stephanie Barrientos*

No. 78 Globalization and the illicit market for human trafficking: an empirical analysis of supply and demand – *Gergana Danailova-Trainor and Patrick Belser*

No. 79 Employment Creation, Real Wages and Job Quality: How Much Aggregate Economic Growth Delivers? The Case of Chile – *Andrés Solimano*

No. 80 Growth, Investment and Employment in Ghana – *Ernest Aryeetey and William Baah-Boateng*

No. 81 Globalisation, Industrial Revolutions in India and China and Labour Markets in Advanced Countries: Implications for National and International Economic Policy – *Ajit Singh*

No. 82 Growth and Employment Dynamics in Botswana: A Case Study of Policy Coherence – *Happy K. Siphambe*

Regional and Country Policy Coherence Reports

No. 1 Implementing the GPRGS in Vietnam through Decent Work – *Moazam Mahmood*

No. 2 Policy Coherence and Sequencing for Post-Conflict Recovery in Liberia – *Moazam Mahmood*

No. 3 Macro Policy Coherence for Decent Work in the Caribbean – *Moazam Mahmood*

No. 4 Employment, Decent Work and Poverty Reduction in Urban China – *Zhang Junfeng and Moazam Mahmood*