

# ECONOMIC REVIEW

third quarter july - september 2017

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## COMMENTARY

# Some positive developments, but offset by concerns about exports and budget deficits

### Introduction

As usual there was a mixed bag of economic developments and data releases in the third quarter of 2017, with some positive developments balanced by persistent or emerging concerns. A fall in inflation and lower unemployment were encouraging, as were higher credit growth and reduced arrears on bank lending. A sharp decline in exports, however, could be indicative of deeper problems, as are projections of substantial budget deficits ahead.

### Economic Growth and Diamond Production

Annual GDP growth fell to 3.1% in Q2, down from 3.9% in the previous quarter, but this was pretty much in line with expectations, and growth should pick up later in the year. Part of the decline is due to the continued impact of the BCL closure in October 2016, which will work its way out of the GDP growth numbers by Q4. However, this has been partially offset by a welcome pick up in diamond production. Debswana's production had been held back for some time following the diamond market weakness in 2015, leading to some production cuts as well as stockpiling of diamonds. Better sales in 2016 and early 2017, however, meant that this stockpile

had been largely cleared and production could be increased modestly in line with improved market conditions. However, the global diamond market is still quite volatile, and sales have faded somewhat in Q3.

### Inflation and Banking

Inflation dropped to 3.2% in Q3, a welcome development, reflecting lower South African inflation as well as a lack of domestic inflationary pressures. We believe that this low rate of inflation will be sustained, and it could even fall below the lower end of the Bank of Botswana's 3-6 percent inflation objective range. Subsequently, the BoB cut the Bank Rate by 50 basis points to 5.0%.

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In the banking sector, the concerns about tight liquidity that we raised in the previous review turned out to have been driven by incorrect data on banking sector liquidity published by the BoB. Once the data had been corrected, liquidity was revealed to be much healthier than previously thought, so the immediate concerns have receded. Furthermore, bank credit growth has picked up from previous very low levels, especially bank lending to the private sector. This is an encouraging sign regarding business conditions, especially when taken together with evidence of declining levels of arrears on bank lending to both businesses and households.

### Unemployment

New data from Statistics Botswana show that unemployment in 2015/16 was 17.6%, lower than the previous figure of 19.8% in 2013, and certainly lower than most people expected. We discuss this in more detail in the Feature on page 12. Our assessment is the reported rate is probably correct, although driven more by people leaving the labour force than a rapid rate of job creation.

### Foreign trade

Tracking of developments with regard to foreign trade and the balance of payments is has been hindered by problems with the reporting of data on imports. Since BURS introduced a new Customs Management System in January this year, Statistics Botswana has been unable to accurately capture data from BURS, and as a result the published data are significantly under-recording imports. We understand that this issue is being addressed and should be resolved before our next review.

Reportedly, data on exports have not been affected in the same way. Nevertheless, the published data show that exports in the first half of 2017 were down by a quarter compared to the first half of 2016. The decline occurred across almost all categories of exports. In part, this was due to exchange rate changes – the pula strengthened by around 6% against the US dollar over the period – but most

of it was due to lower export volumes. This is extremely worrying, given the fundamental role of export-led growth to the Botswana economy. It will be important to observe this closely and see if the trend continues, or if data adjustments cause it to disappear.

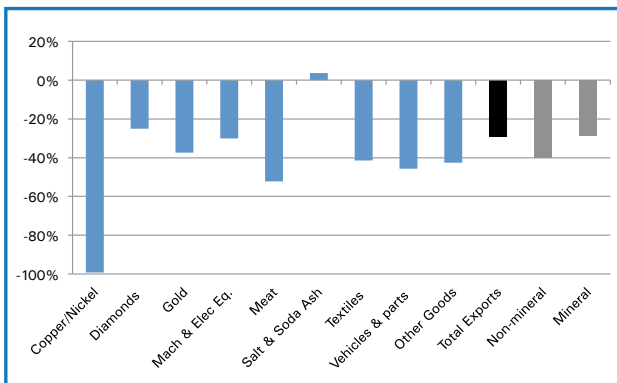
### Government Budget

The Ministry of Finance and Economic Development (MFED) released the 2017/18 Budget Strategy Paper in September. This showed the budget outcome for the most recent completed fiscal year (2016/17) as well as the revised budget for 2017/18 and projected budget for the coming financial year, 2018/19.

The good news is that the 2016/17 budget outcome was better than had been anticipated, with a relatively small budget deficit of P535 million, or only 0.3% of GDP – in other words, very close to a balanced budget. The positive outcome was mainly due to higher than expected mineral revenues (given the recovery in the diamond market in 2016), as well as dividend payments from the Bank of Botswana, which together offset disappointing collections of VAT and non-mineral income tax.

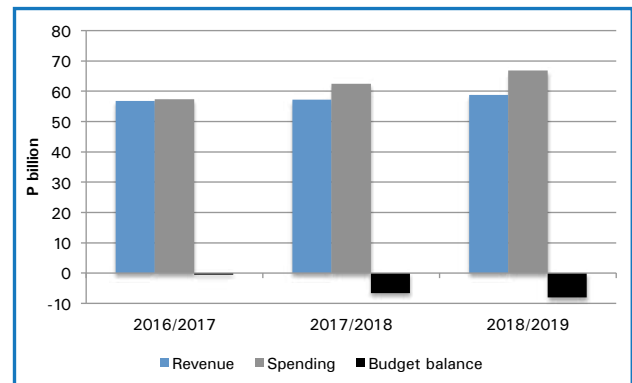
Nevertheless, the budget position is expected to deteriorate sharply in the current and forthcoming financial years, with big deficits expected due to higher spending. The deficits will need to be financed by a drawdown of government savings (currently around P30 billion) and/or an increase in government borrowing. While there is no immediate problem in financing the projected deficits, which are manageable for a year or two, they are not sustainable in the longer term, as they would quickly deplete the financial buffers that government has built up over several decades in order to cope with fluctuations in revenues and adjustment away from mineral-led growth. Hence, ministries will be under severe pressure to cut back some of their spending proposals in order to bring overall expenditure back in line with revenues which are expected to decline in the medium term (as a share of GDP).

Figure 1: Change in Exports, H1 2016 – H1 2017



Source: Calculations based on Botswana International Merchandise Trade Statistics

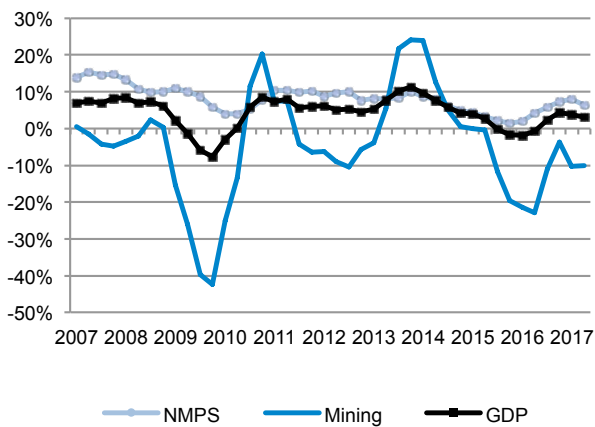
Figure 2: Government Budget, 2016/17 – 2018/19



Source: MFED Budget Strategy Paper, 2018/19

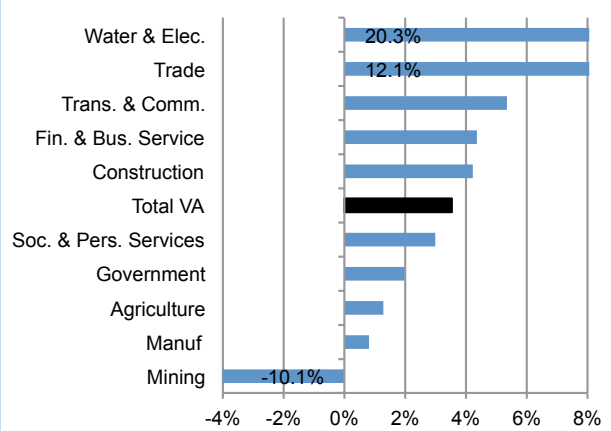
## KEY ECONOMIC VARIABLES

### Annual GDP Growth



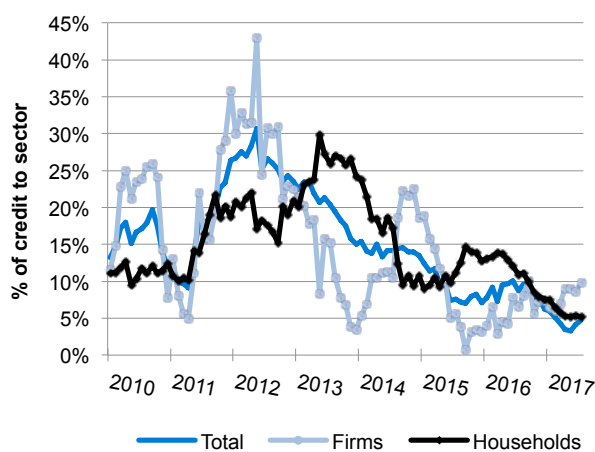
Overall economic growth declined further during the second quarter of 2017. Annual real GDP growth in Q2 was 3.1%, down from 3.9% in Q1 2017 and 4.3% in Q4 2016. The slowing of economic growth is attributable to reduced non-mining private sector growth, which fell from 7.9% to 6.4% during the same period. Mining recorded year-on-year growth of minus 10.1% in Q2 2017, little changed from minus 10.3% y-o-y growth in Q1 2017. Although mining continued to contract, this largely reflected the continued impact of the BCL closure, even though diamond mining output rose by a healthy 8.2% y-o-y.

### Sectoral GDP Growth



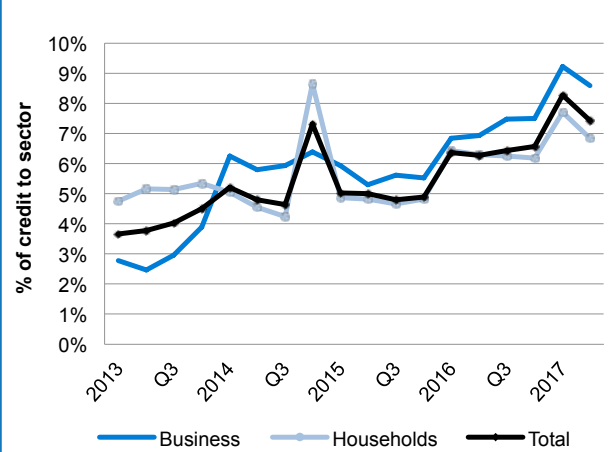
Notwithstanding lower overall economic growth, several sectors recorded higher annual growth rates than in the previous quarter. These include Transport & Communications, Finance & Business Services, and Agriculture, which grew by 5.3%, 4.4%, and 1.3% y-o-y respectively. Sectors where growth rates fell include Water & Electricity, Trade, Manufacturing, Construction, and Social & Personal Services.

### Annual Credit Growth



Annual bank credit growth increased from 3.4% in April 2017 to 4.7% in July 2017. The increase came as a result of higher growth in lending to firms, from 9.0% to 9.8% during the period. The growth of bank credit to households slightly decreased to 5.1% in July 2017 from 5.3% in April 2017. The decrease in household lending is attributable to slower growth in mortgage lending. Moreover, commercial banks have been exercising caution in lending, given recent concerns about rising non-performing loans (NPLs).

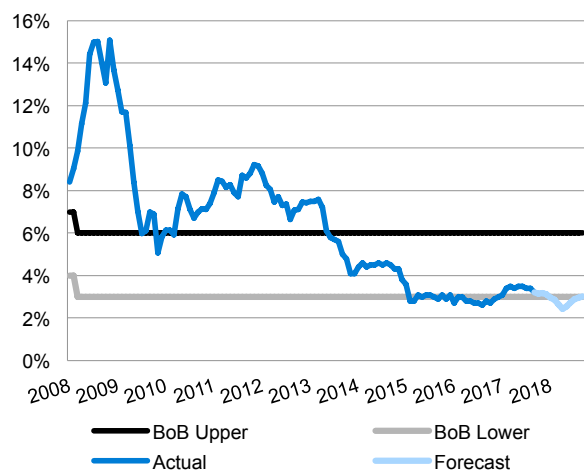
### Arrears on Bank Lending



Total arrears as a proportion of outstanding bank credit fell during the second quarter of 2017. Arrears decreased from 8.3% in Q1 2017 to 7.4% in Q2 2017, with the decline apparent across all sectors. Arrears on lending to households fell to 6.8% in Q2 2017 from 7.7% in Q1 2017, and on lending to businesses decreased to 8.6% from 9.2% during the same period. There was also a decrease in arrears on lending to government and parastatals in June 2017.

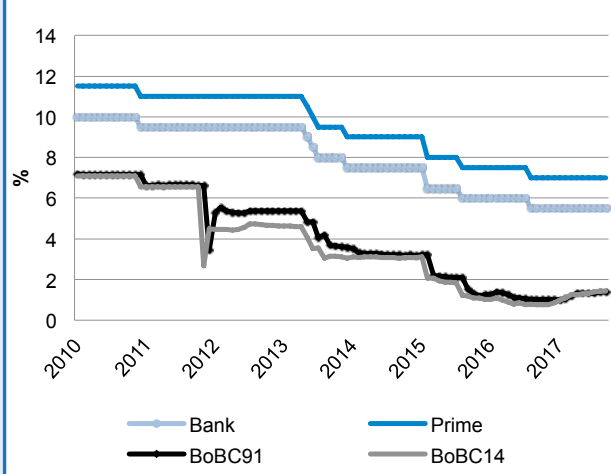
## KEY ECONOMIC VARIABLES

### Inflation and Forecast



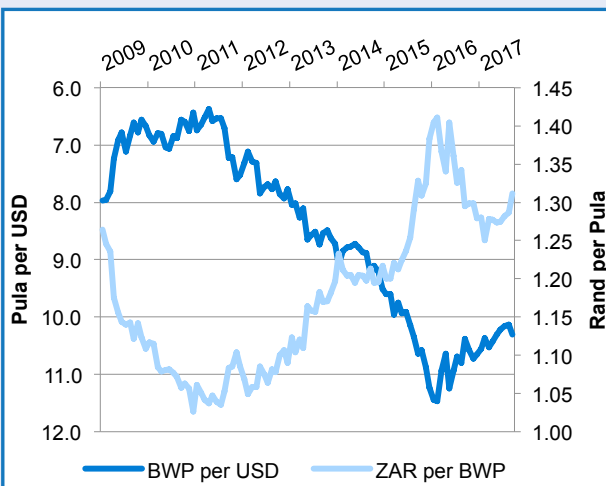
The headline inflation rate in September 2017 was 3.2%, lower than the 3.5% inflation rate recorded in June. Core inflation (trimmed mean) was 2.7% in September, while the alternative measure of core inflation (excluding administered prices) was 3.0%. Inflation has been coming below forecasts, in part due to the significant decline in South African inflation in recent months. Our inflation forecasts have been revised downwards, and we expect inflation to decline further and fall below the lower limit of the Bank of Botswana's inflation objective range of 3-6% in early 2018.

### Interest Rates



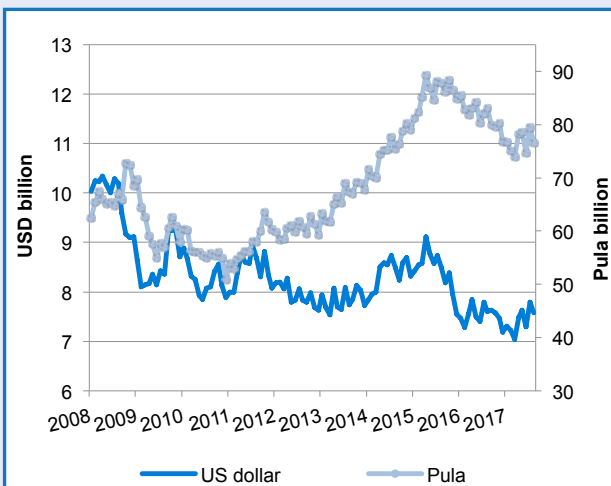
The Bank of Botswana's Monetary Policy Committee (MPC) maintained its monetary policy stance and held the Bank Rate constant at 5.5% in September 2017, due to a positive price stability and inflation outlook. However, money market interest rates continued to increase during the quarter, with the 14-day BoBC rate rising from 1.34% in Q2 2017 to 1.42% in Q3 and the 91-day BoBC rate rising from 1.31% to 1.40% over the same period. This means that money market rates have risen by 0.4%-0.6% over the past year while policy rates have remained unchanged. The commercial bank Prime Lending Rate was unchanged at 7.0%.

### Exchange Rates



Foreign exchange rate trends were reversed in the third quarter, driven by a weakening of the SA rand against the US dollar and other major world currencies. Hence, the Pula depreciated by 0.9% against the US Dollar during the quarter, with an exchange rate of 10.31 in September, down from 10.21 in June 2017. On the other hand, the Pula appreciated against the Rand by 3.0%, ending the quarter at ZAR1.312.

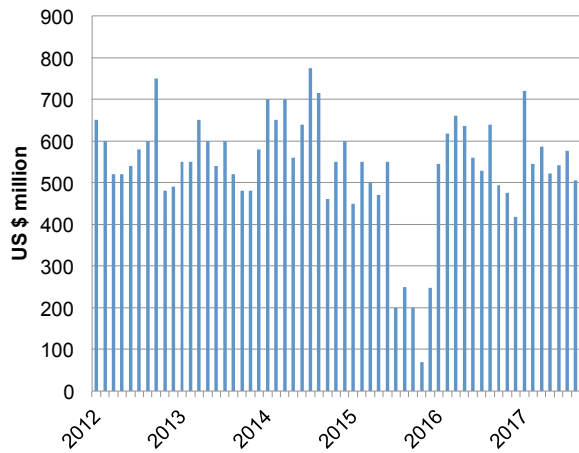
### Foreign Exchange Reserves



Foreign exchange reserves amounted to P74.7 billion at the end of the first half of 2017, an increase of 1.1% when compared to Q1 2017. In US Dollar terms, foreign exchange reserves increased by 3.5% in Q2 to USD7.29 billion, while increasing by 1.1% in SDR terms to SDR5.24 during the same period. Foreign exchange reserves at the end of Q2 2017 were equivalent to 16 months of import cover of goods and services.

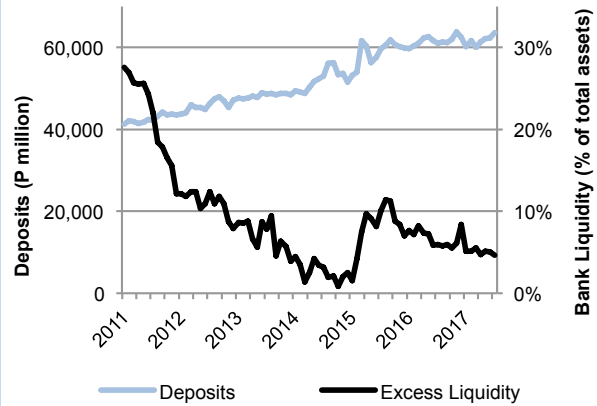
## KEY ECONOMIC VARIABLES

### De Beers Diamond Sales



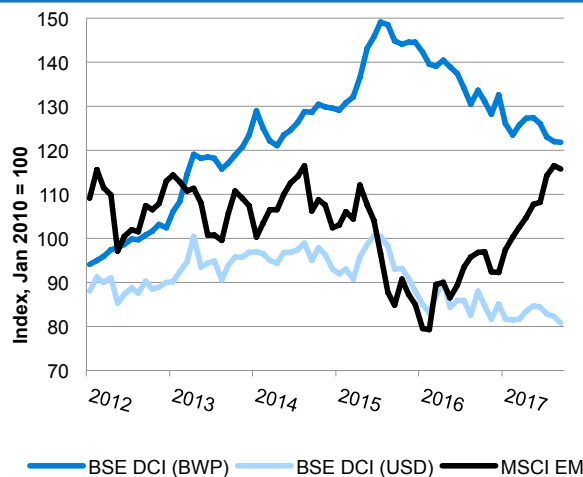
The global market for rough diamonds was seasonally slow in the third quarter of 2017. There was reduced activity in the downstream diamond market, with polished inventories restocked to sufficient levels in the early part of the quarter. De Beers Global Sightholder Sales (DBGSS) recorded sales valued at USD1,081 million in Q3 2017, 7.4% lower than sales recorded in the same period in the previous year. During the quarter, De Beers held two sightholder sales, in July and September.

### Bank Deposits & Excess Liquidity



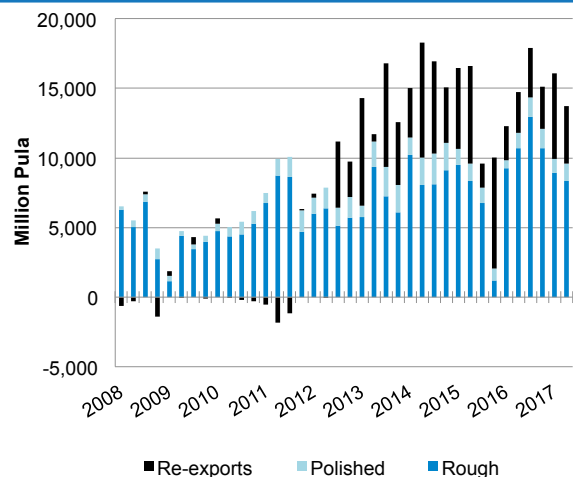
The Bank of Botswana has made revisions to commercial banks' liquid asset data from the beginning of 2016, due to the earlier omission of an important variable in the data. Excess liquidity was 4.6% of banking assets in July 2017 similar to the revised 4.7% in April. Total bank deposits grew by 4.2% y-o-y to P63.6 billion, up from P61.4 billion in April 2017. Although liquidity remains on a downward trend, the overall level is comfortable. The increase in deposits in recent months is a welcome development that will help to ease liquidity pressures.

### Stock Markets



The Botswana Stock Exchange (BSE)'s Domestic Companies Index (DCI) fell in the third quarter, down by 3.4% and 4.3% in both Pula and USD terms respectively. Financial institutions contributed to the weighing down of the DCI with most reporting tight operating conditions. The BSE's performance contrasts with global markets, which continue to perform very well. The MSCI Emerging Markets Index and the MSCI World Index rose by 7.0% and 4.4% respectively.

### Diamond Exports



The global demand for diamonds was generally stable during the first half of 2017. However, total exports of diamonds in Q2 2017 declined compared to both the previous quarter and to Q2 2016. Botswana rough and re-exports of rough (diamonds imported for aggregation purposes) recorded negative growth of 6.2% and 33.0% respectively between Q1 and Q2 2017, although polished exports grew by 20.8%.

## NEWS HIGHLIGHTS

5th July	Botswana widens net on multinational tax dodgers. (Mmegi)	Botswana is strengthening efforts to fight against money laundering and tax avoidance schemes such as transfer pricing, base erosion and profit shifting. Botswana is the 99th country to join the Base Erosion and Profit Shifting (BEPS) inclusive framework. BEPS is a group of countries pledging to implement measures designed by the OECD and G20 countries to prevent multinational tax avoidance and improving resolution to tax imputes involving multinationals. Botswana will comply with four standards, which are countering harmful tax practices, preventing treaty abuse, dispute resolution and country-by-country reporting under transfer pricing documentation.
14th July	ODC sales rise 9% to P3.1 billion. (Mmegi)	Okavango Diamond Company (ODC)'s revenues increased by nine percent to P3.1 billion in the first half of the year. The company sold 1.8 million carats of diamonds from the five tenders held during the period. ODC sells 15% of Debswana's production and holds ten auction tenders every year.
20th July	Botswana can achieve more from PPPs - IMF. (Mmegi)	The International Monetary Fund's (IMF) latest Technical Assistance report on public investment management has revealed that Public Private Partnerships (PPPs) are not yet significant in Botswana even though they are on the rise. The IMF notes that although the PPP policy of 2009 is comprehensive, it does not explicitly apply to parastatals. The IMF is also concerned that the current framework does not explicitly identify the potential fiscal risks of PPPs. It recommends that procurement with PPPs through the Public Procurement and Asset Disposal Board (PPADB) should include the Ministry of Finance and Economic Development's (MFED) PPP unit. It also recommends strengthening the MFED's role in monitoring and accessing PPP projects and reporting data on PPPs. Moreover, the legal and regulation framework for PPPs should be made clear.
20th July	De Beers sees production and sales volume jump. (Rapaport News)	De Beers reported an increase in rough diamond production and sales during the second quarter, noting stable trading conditions. According to the company, output increased by 36% year on year to 8.7 million carats in Q2 2017 across all De Beers mining divisions. Production at Debswana increased by 14% to 5.9 million carats during the same quarter, with H1 2017 production rising to 16.1 million carats. Higher production was spurred by stronger sales volume during the first half and the rise in average rough prices, reflecting strong demand during the first half of the year.
21st July	Botswana has high spending on infrastructure but quality still poor – IMF. (Mmegi)	The International Monetary Fund (IMF) in its technical assistance report on public investment management notes that Botswana has a high level of public investment in infrastructure projects, but has poor project management, which contributes to low quality infrastructure delivered. Botswana has a large public investment efficiency gap when compared to efficient countries with comparable per capita income. The efficiency gap for Botswana is 37%, higher than the 27% average for emerging market economies and the world. Hence, one third of Botswana's public investment did not result in maximum level or quality of infrastructure assets delivered.
23rd July	WUC wants P800 million from thirsty people. (Sunday Standard)	The Water Utilities Corporation (WUC) has stated that it is owed about P800 million by customers, weighing in on the corporation's ability to deliver on its mandate. As a result, the WUC intends to embark on a debt collection strategy which entails disconnecting all consumers with unpaid bills.

## NEWS HIGHLIGHTS

25th July	Botswana coal mine stalls as farmers reject compensation deal. (Reuters)	The Morupule Coal Mine (MCM) estimates that it would incur losses of P200 million per month as a result of the deadlock between farmers and the Ngwato Land Board (NLB) over compensation values for land in the mine's new mining lease area. The dispute has arisen as some farmers who hold land rights to the area are requesting compensation believed to be higher than the market value. According MCM, the delay will cause the mine and its partners significant losses, with half of the losses being borne by government. The MCM mine is expected to produce 1.3 million tonnes of coal each year and supply to the planned Morupule B power station Units 5 and 6.
25th July	Botswana hopes to strike deal with Norilsk soon over Nkomati mine. (Reuters)	Botswana Government may be able to resolve a dispute with Norilsk Nickel over a failed deal in which the BCL mine was to buy the Russian firm's 50% stake in the Nkomati mine. Due diligence and valuation exercises are being carried out to establish the value of the Nkomati assets as a basis for negotiating a commercially acceptable solution between BCL mine and Norilsk Nickel, then followed by negotiations between the parties involved.
27th July	Government invests P700 million to improve internet access. (Mmegi)	The Government has invested a total of P701 million in the national backbone and local internet access networks through Botswana Fibre Networks (BoFiNet) between 2004 and 2017. Most of the investment was to increase fibre backbone coverage to areas which had no coverage, as well as providing broadband fibre to businesses and government across the country.
30th July	No new offers for BCL mine. (Daily News)	The Minister of Mineral Resources, Green Technology and Energy Security, Mr Kebonang has informed parliament that no firm offers to purchase the BCL mine have been received, even from companies that had previously submitted expressions of interest. According to the Minister, the BCL mine was placed under final liquidation in 15 June 2017 when no offers were made on the mine. Moreover, the Minister has stated that Tati nickel mining company and BCL investments will continue to be under provisional liquidation until 14 December 2017.
30th July	BMC abattoirs retain "AA" classification. (Sunday Standard)	According to the British Retail Consortium (BRC) Global Standard for Food Safety, the Botswana Meat Commission (BMC) abattoirs performed well during the 2017 audit. Francistown BMC abattoir retained their AA classification while Lobatse BMC abattoir improved in its classification from "BRC Grade A" to "BRC Grade AA". This achievement ensures BMC access to lucrative and reputable global markets as the BRC Global Standards guarantees the standardization of quality, safety and operational criteria.
1st August	BBS profit drops on subdued housing market. (Mmegi)	The Botswana Building Society (BBS) reported a fall in profit during the year ended 31 March 2017 amid a challenging economic environment characterised by a subdued housing market and squeezed household incomes. Profits declined by 13% from P54.9 million in the 2015/16 financial year to P47.9 million in 2016/2017 financial year. Fees and commission income recorded a 10% decrease from P25.1 million to P22.5 million during 2015/16 and 2016/17 FYs respectively. Assets recorded a decrease of 11% to P3.65 billion. BBS is currently undergoing demutualisation and transitioning to a commercial bank. The bank hopes to position itself in the market and increase its product range from just mortgage lending.



## NEWS HIGHLIGHTS

1st August	EU gives Botswana P131million. (The Patriot)	Botswana has received P131 million from the European Union (EU) to address gaps in the education sector. The EU support to the Government will reduce the gap between private and public school education, and assist its education reforms. Progress relating to rationalisation of the education sector, teacher training, access and pretension of children in schools has been noted. It is hoped that in the future there would be less difference between public and private schools in terms of service delivery, and an improvement in efficiency in the public education sector.
4th August	CA loses P114 million bid-rigging case again. (Mmegi)	The Competition Authority (CA) has lost with costs a Court of Appeal case in which two food-supplying companies were accused of colluding to fix prices in a multi-million-pula tender for the supply of sugar beans to schools across the country. Creative Business Solutions and Rabbit Group were alleged to have colluded to divide tenders worth P114 million between themselves.
4th August	Lucara lowers FY production on sales guidance. (Mining Weekly)	Lucara Diamonds, which operates the Karowe mine, has lowered its full year production guidance to between 265 000 carats and 285 000 carats as a result of lower mined ore volumes in the second quarter. This compares with the previously targeted 290 000 carats to 310 000 carats. The company has experienced equipment availability issues in the second quarter resulting in lower than planned mine ore volumes. However, Lucara is working with the contractor to improve performance for the remaining year to achieve productivity targets.
6th August	Debswana re-opens Damtshaa mine as demand for diamonds slightly grows. (Sunday Standard)	Debswana Diamond Company has proposed to re-open the Damtshaa diamond mine in 2018, as the outlook for global demand for diamonds is positive. The mine was put under care and maintenance in 2015 to scale down production when demand for diamonds was weak. The company hopes to match anticipated levels of demand for rough diamonds.
13th August	IMF revises Botswana's 2017 growth forecast as diamond demand rises. (BITC)	The International Monetary Fund (IMF) has revised Botswana's 2017 and 2018 economic growth forecast due to rising diamond demand, investment in the water and power sector and reforms to attract investment. Economic growth forecasts have been revised upwards to 4.5% and 4.8% for 2017 and 2018 respectively, from 4.1% and 4.2% respectively. According to the IMF, the forecast assumes a gradual pace of reforms to improve the efficiency of the public sector and foster private sector activities.
13th August	IMF encourages Botswana to implement new tax law. (Sunday Standard)	The IMF is urging the Government to move forward with a new Tax Administration Act. According to the IMF, domestic revenue mobilisation is crucial to provide Botswana with added funding for development spending and help protect financial buffers. The country has a narrow revenue base and there is potential to expand it to more sustainable and reliable sources away from the volatile mineral and customs revenues. Improved tax administration would help to increase the efficiency of tax collection.
17th August	Overall unemployment rate estimated at 17.6%. (Statistics Botswana)	The recent publication by Statistics Botswana, Botswana Multi-topic Household Survey 2015/16 revealed a reduction in the overall level of unemployment rate in Botswana. Unemployment rate is estimated at 17.7% for the population aged 15 years and above, and 17.6% for the population aged 18 years and above. This compares to the 19.8% unemployment rate estimated in 2013.
17th August	Gem Diamonds mulls Ghaghoo sale. (Rapaport News)	Gem Diamonds is considering an offer for its Ghaghoo mine in Botswana after discontinuing the operation earlier in the year due to a slump in prices. Ghaghoo mine was opened in 2014 and was put on care and maintenance in February this year with the intention to re-open the mine once the conditions in diamond market improved.



## NEWS HIGHLIGHTS

21st August	Mowana mine new operators report "Break-even point". (Sunday Standard)	Leboam Holdings, new operators of Mowana mine, has announced that the company achieved financial breakeven in June 2017. Since acquiring the mine, the company has been under pressure to prove the Mowana mine's worth, especially given that the mine had been closed twice before.
21st August	Botswana Innovation Hub to host USD3 million development programme. (ITWeb Africa)	De Beers Group and Stanford Graduate School announced a three year partnership to empower young entrepreneurs and established business owners in Botswana, Namibia and South Africa for USD3 million. Botswana Innovation Hub (BIH) will host this partnership at the Science and Technology park and the programme is expected to commence in 2018.
25th August	Banks are not bankrupt – BoB. (Botswana Guardian)	The Bank of Botswana has argued against reports that the financial sector might be headed for a possible liquidity crisis. In its Q2 2017 Economic Review, Econsult Botswana had observed a fall in liquidity in the banking sector during the beginning of 2017. Excess liquidity had declined to 2.6% in April 2017 attributable to stagnant deposit growth. The BoB noted that banks in Botswana are in good health.
4th September	Impairments cost FNBB. (The Patriot)	The First National Bank of Botswana's (FNBB) profits fell for the financial year ended 30 June 2017, due to rising impairments driven mainly by the closure of BCL mines. FNBB reported a 1% decrease in profit after tax from P503.9 million in FY 2016 to P500.5 million in FY 2017. Impairment costs grew by 2.3%, attributable to the liquidation of the BCL mine in September 2016. Assets for the bank grew by 8% to P23.6 billion from P21.9 billion in FY 2016, as advances increased by 4% during the period.
4th September	Botswana – Fiscal deficits do not augur for crisis. (BMI Review)	Although Botswana's fiscal account is forecast to be negative over the next five years, Business Monitor International (BMI) does not expect the country to face the risk of a fiscal crisis. During the three years, the Government plans to accelerate spending amid weak customs excise and mineral revenues. According to the BMI, there are no fiscal risks as the economy will experience small deficits, more diversified revenue sources and has a low public debt. BMI forecasts Botswana's fiscal deficit to remain below 2.0% of GDP, which is low by Sub-Saharan African standards, and real GDP growth of 4.6% and 4.5% in 2017 and 2018 respectively.
15th September	Government seeks first right to 'historic' diamond finds. (Mmegi)	Botswana is amending the law to give the country the first option to buy 'unusual' diamond finds such as the historic Lesedi La Rona discovered at Karowe Mine two years ago. The amendment of the draft Bill of the Precious and Semi-Precious Stones Act has a new clause that compels producers that comes into possession of unusual rough or uncut diamonds to notify the Minister following which the Government shall have the right of first refusal to acquire the stone at a market related price.
15th September	BCL moves to liquidate Pula Steel. (Mmegi)	A request previously put forward to the shareholders of Pula Steel to inject funds into the company has failed, resulting in the BCL provisional liquidator filing for the steel making company to be put under provisional liquidation. Pula Steel was placed under judicial management in February 2017. The decision to apply to provisional liquidation comes when the company has no funds to keep it operation. The company is owned 67% by BCL, 22% by the Verma Family, with the other shares held by the Citizen Entrepreneurial Development Agency (CEDA) as well as a local company, Wealth Generations.

## NEWS HIGHLIGHTS

20th September	Moody's: Botswana's credit profile reflects strong balance sheet and low debt. (CPI Financial)	According to Moody's Investors Service's report, Botswana's (A2 stable) credit profile balances the government's strong balance sheet, net external creditor position and low debt burden against the country's small economy, which relies heavily on the diamond industry and public sector. The report states that Botswana's key strengths are government's large fiscal reserves and very low debt levels which enables the country to apply fiscal buffers to commodity price shocks. Moody's also note that mining dominance and the limited manufacturing sector hamper Botswana's competitiveness and job creation, adding that progress is needed to diversify the economy and implement private sector reforms.
21st September	Tlou submits plans for Botswana power plant. (Mining Weekly)	Tlou Energy has submitted a proposal to the Ministry of Mineral Resources, Green Technology and Energy Security to develop up to 100 MW of coalbed methane (CBM) fuelled pilot power plants. Tlou Energy anticipates that if their submission is successful the gas fields will connect to the regional grid enabling the company to export power across the Southern African region. Tlou Energy has recently been awarded a mining licence to produce gas at its CBM project near Mmashoro village. The license is for 25 years, commencing August 2017. The license is the first of its kind in Botswana and is a major milestone to the production of natural gas.
25th September	Lesedi la Rona rough diamond has been sold. (Lucara)	Lucara Diamond Corp has announced the sale of the 1,109 carat Lesedi la Rona rough diamond to Graff Diamonds, for USD53 million. This follows the failure of the diamond to reach its reserve price at the Sotheby's auction in June 2016. Graff Diamonds has also previously purchased the 373.72 carat diamond, discovered at the Karowe diamond mine in 2016. The diamond is believed to be a part of the Lesedi la Rona.
27th September	Matambo forecast P8 billion budget deficit for 2018. (Mmegi)	The Minister of Finance and Economic Development (MFED) has forecast a budget deficit of P8.1 billion or 4% of GDP for the financial year 2018-2019, owing largely to slow growth in revenues and higher budgetary requirements by ministries. Total revenues and grants are estimated at P58.8 billion while total expenditures and net lending at P66.9 billion. The estimated budget deficit is very wide and the minister hopes to reduce it below 4% of GDP as the Budget is finalised. The budget deficit will be financed through borrowings and drawing down from accumulated government savings.
27th September	Botswana to name developer of USD4 billion plant by December. (Bloomberg)	Botswana Oil (BOL) plans to announce the preferred bidder for its proposed USD4 billion coal-to-liquids (CTL) plant, in December 2017. According to BOL, the facility will have the capacity to meet about 80% of the country's fuel demand which is estimated at 1.2 billion litres per year. Botswana hopes to be able to produce fuel domestically, making use of its coal deposits and reducing reliance on imports, as well as diversifying the economy. At the close of the tender, BOL had received 11 bids for the project.

## MACRO-ECONOMIC DATA

Key Economic Data									
	unit	2012	2013	2014	2015	2016	2017Q1	2017Q2	2017Q3
<b>Annual Economic Growth</b>									
GDP	%	4.5	11.3	4.1	-1.7	4.3	3.9	3.1	..
Mining	%	-5.8	24.2	0.5	-19.6	-3.7	-10.3	-10.1	..
Non-mining private sector	%	7.7	10.1	4.9	1.4	7.2	7.9	6.4	..
GDP current prices	P mn	109,870	125,158	145,868	145,924	169,688	43,647	43,005	..
GDP 2006 prices	P mn	75,515	84,081	87,569	86,081	89,775	22,466	22,886	..
<b>Money &amp; Prices</b>									
Inflation	%	7.4	4.1	3.8	3.1	3.0	3.5	3.5	3.2
Prime lending rate	%	11.0	9.0	9.0	7.5	7.0	7.0	7.0	7.0
BoBC 14-day	%	4.6	3.1	3.1	0.97	0.84	1.26	1.34	1.42
<b>Trade &amp; Balance of Payments</b>									
Exports - total goods	P mn	45,915	66,404	76,261	63,484	80,336	17,214	14,821	..
Exports - diamonds	P mn	36,143	55,367	65,328	52,730	70,781	16,084	13,709	..
Balance of payments	P mn	-862	1,340	11,404	-57	2,843	..	..	..
<b>Foreign Exchange</b>									
Exchange rate BWP per USD	end	7.776	8.718	9.515	11.236	10.650	10.526	10.215	10.309
Exchange rate ZAR per BWP	end	1.090	1.196	1.217	1.383	1.279	1.278	1.274	1.312
FX reserves	\$ mn	7,628	7,726	8,323	7,546	7,189	7,041	7,288	..
FX reserves	P mn	59,317	67,772	79,111	84,881	76,804	73,957	74,734	..
<b>Financial Sector</b>									
Deposits in banks	P mn	47,216	48,512	51,492	59,961	62,438	60,120	62,380	..
Bank credit	P mn	34,555	39,763	45,116	48,307	51,316	51,141	52,555	..
BSE index		7,510.2	9,053.4	9,501.6	10,602.3	9,727.7	9,225	9,244	8,930.4
<b>Business Indicators</b>									
Diamond production (a)	'000 cts	20,619	23,134	24,658	20,732	20,880	8,553	..	..
Copper production (c)	tonnes	57,916	49,448	46,721	23,050	16,878	0	..	..
Nickel production	tonnes	17,942	22,848	14,958	16,789	13,120	0	..	..
Business confidence index		47%	45%	52%	44%	43%	48%	..	..
No. of companies formed		16,561	14,190	16,300	19,134	17,133	4,604	5,661	..
Electricity consumption	GWh	3,703	3,502	3,990	3,974	3,929	888	899	..
Crude oil (Brent)	\$/bar	110.80	109.95	55.27	36.61	54.96	52.20	47.08	57.02
<b>Employment (formal)</b>									
Government		131,033	130,175	129,918	130,220	129,216			
Parastatals		17,484	18,838	18,790	19,411	19,008			
Private sector		188,531	189,894	191,399	191,484	194,202			
Total		337,048	338,907	340,107	341,115	342,426			
<b>Govt Budget</b>									
		2013/14	2014/15	2015/16 Outturn	2016/17 Revised	2017/18 Revised	2018/19 Proposed		
Revenues	P mn	48,951	55,904	47,420	56,828	57,187	58,811		
Spending	P mn	41,730	50,564	54,411	57,364	62,425	66,873		
Balance	P mn	7,222	5,340	-6,991	-536	-5,238	-8,062		
Public debt & guarantees	P mn	30,791	33,399	34,058	34,827	34,788	..		
Govt deposits at BoB	P mn	31,745	41,680	33,916	29,819	..	..		
GDP	P mn	131,241	147,930	148,853	173,834	186,363	201,543		
Revenues	%GDP	37.3%	37.8%	31.9%	32.7%	30.7%	29.2%		
Spending	%GDP	31.8%	34.2%	36.6%	33.0%	33.5%	33.2%		
Balance	%GDP	5.5%	3.6%	-4.7%	-0.3%	-2.8%	-4.0%		
Public debt & guarantees	%GDP	23.5%	22.6%	22.9%	20.0%	18.7%	..		
Govt deposits at BoB	%GDP	24.2%	28.2%	22.8%	17.2%	..	..		

Sources: Bank of Botswana; MFDP; Statistics Botswana; Department of Mines; Registrar of Companies; BSE; Econsult

Notes:

- (a) 2013 figures include production from Boteti Diamonds (Karowe mine) and Debswana  
 (b) 2016 figures include production from Gem Diamonds (Ghagoo) and Lerala mines as well as Boteti and Debswana  
 (c) Copper and Nickel production for Q3 2016 are for July and August only  
 (d) Numbers in Italics reflect revisions from the previous review

SPECIAL FEATURES

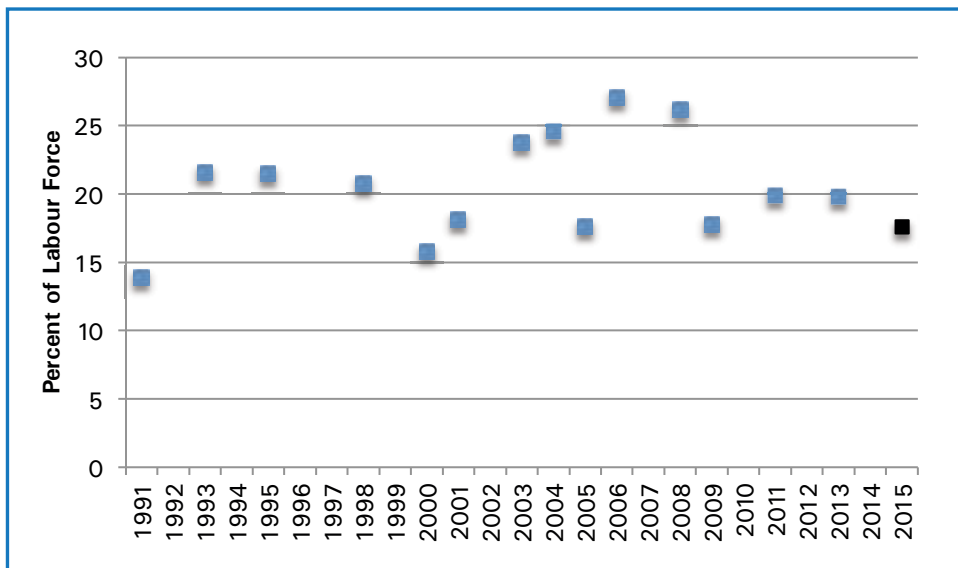
# Unemployment

Statistics Botswana released data on employment and unemployment in August 2017. This represented the first release of data from the new Botswana Multi-Topic Household Survey (BMTHS). This is a continuous and regular survey of households that is intended to collect a wide range of information on the social and economic characteristics of Botswana households, including employment, income and expenditure. It will be used for the tracking of several important socio-economic variables, including employment and unemployment, poverty, inequality, and expenditure patterns, which are used in inflation calculations.

There was considerable surprise at the result for unemployment, which came in at 17.7% (for the population aged 15 years and above), considerably lower than the last recorded figure, which was 19.8% in 2013, from the Botswana AIDS Impact Survey (BAIS). The downward trend was seemingly at odds with other information that indicated slow job creation (for instance from the quarterly formal employment survey) and anecdotal evidence of rising youth unemployment.

Taking the 2015/16 BHMTS together with the 2011 Population and Housing Census (PHC), it appears that employment, broadly defined, had grown at an average annual rate of 1.7% over the intervening period, or about 11,500 new jobs a year. Due to changes in classifications between the PHC and the BHMTS it is not possible to identify what kind of jobs these were (i.e. formal, informal, traditional agriculture, lpelegeng etc.).

Figure 3: Unemployment Rate (% of labour force)



Source: Statistics Botswana, various surveys

## SPECIAL FEATURES

However, there is still a puzzle as to how this could lead to a reduction in unemployment, when the number of people leaving education and training is thought to be in the region of 40,000 a year. One possible explanation is that some young people leaving education are not entering the labour force – perhaps staying at home, or otherwise being “not economically active (NEA)”. Or perhaps young adults are staying in education and training for longer, so that the number leaving is actually less than 40,000 a year.

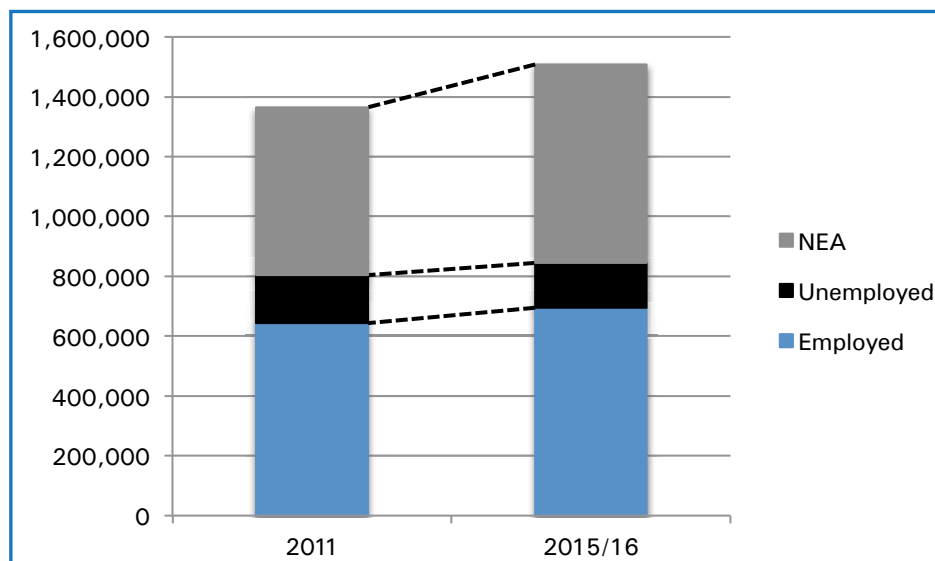
Certainly the BMTHS suggests that the labour force (employed and unemployed) has been growing slowly, on average by only 1.1% a year from 2011 to 2015/16. This then answers the question of why unemployment has fallen – it is because the rate of employment growth since the PHC (1.7%) has been higher than the rate of labour force growth (1.1%).

This in turn suggests that people are dropping out of the labour force, or choosing not to enter the labour force, and therefore becoming NEA. Unfortunately the BMTHS data do not shed much light on this, as they do not provide an accurate estimate of the NEA population. Because the BMTHS is a household survey it does not cover the entire population – and in particular it does not cover people who are resident in institutions, such as boarding schools, university or college hostels, hospitals, prisons etc. Most of the adults resident in institutions are NEA, and are therefore omitted from the BMTHS estimates of the working age population. However, if we compare the BMTHS results with the estimates of the adult population in Statistics Botswana’s population projections following the 2011 PHC, it seems likely that this is the case, i.e. that a growing proportion of the adult population has dropped out of the labour force to become not economically active.

It is important to understand that people who drop out of the labour force to become NEA are NOT counted as unemployed in statistical surveys. To be part of the labour force, an adult must be either working or seeking work. The unemployment rate is simply the ratio of the number of people seeking work to the total labour force. This also explains why people in the informal sector, or engaged in lpelegeng work, are counted as employed. In this context, being “employed” means working for “reward” (wage, monetary allowance, profit or other benefit, such as farm produce). These definitions are in line with those used internationally to measure employment and unemployment, following the guidance of the International Labour Organisation (ILO).

So, overall, we consider that the reported rate of 17.7% in 2015/16 is likely to be an accurate measure of unemployment as per ILO definitions (i.e. the proportion of the labour force actively seeking work). It does not, however, include those who may have given up looking for work and hence dropped out of the labour force. More work is needed to establish the reasons for people choosing to leave the labour force.

Figure 1: Structure of the Adult Population



Source: Statistics Botswana (BMTHS, Population Projections), Econsult.

Note: 2011 figures are from the PHC. 2015/16 figures for the employed and unemployed populations are from the BMTHS. The 2015/16 figure for “not economically active” (NEA) is calculated by Econsult from the Statistics Botswana Population Projections. The sum of employed and unemployed equals the labour force, and the sum of the labour force and NEA equals the working age population. All figures refer to people aged 15 years and above.

## SPECIAL FEATURES

# The Evolution of Botswana's Parastatals – Part 1

## Introduction

Botswana's parastatals (or state-owned enterprises) play a key role in the economy, and have been one of the main channels through which government has driven economic development. Parastatals have been created for a variety of reasons – to fill gaps where the private sector was not present; to provide public utilities and national infrastructure; to carry out regulatory functions; and to undertake development activities.

Unlike many countries Botswana has not generally created a large number of parastatals for ideological reasons – i.e., businesses have not been nationalised. Nevertheless, parastatals are some of the largest enterprises in the economy, are major employers, and make a significant contribution to GDP.

Historically, Botswana's (relatively few) parastatals were seen as playing a generally positive role in the economy, and not acting as a drain on public funds as they often are in other countries, due to inefficiencies and financial losses. But more recently, concerns have been raised about the role and functions of parastatals.

Officially, Botswana has had a privatisation policy, meaning that ownership stakes in parastatals will be sold off to the private sector, dating back to 2000. However, this has not really been implemented – there has only been one, partial privatisation (a restricted, minority stake in Botswana Telecommunications Ltd). By contrast, many new parastatals have been formed in recent years.

Furthermore, instead of contributing positively to government finances, through profits and dividends, parastatals as a whole have been a drain on the budget, many of them making large losses and needing huge subventions from the budget to keep them afloat. There is also evidence that some parastatals are badly run, overstuffed, poorly managed, and subject to unnecessary political interference. Oversight, by government or the public - their eventual owners – is weak.

In this piece, we examine how the parastatal sector has evolved over the years, and consider whether they are discharging their responsibilities with regard to public reporting and transparency.

## Types of Parastatals

Depending on exactly how one defines parastatals, there are 60 in Botswana as at September 2017. They can take different forms, including:

**Statutory entities** – established by Act of Parliament

**Companies limited by share capital** – public or private (Pty); we include as parastatals, any companies where the government owns a majority stake (over 50% of the shares)<sup>1</sup>.

**Companies limited by guarantee** – where government controls the organisation through appointment of board and management, and provides direction (and perhaps finance) to its activities.

All of the entities that parastatals that we include in this analysis are independent entities, so we do not include agencies that may have a degree of autonomy but that are legally part of government<sup>2</sup>.

Parastatals may be established for a variety of different reasons. They may be involved in commercial activities (selling goods and services), have a development function, or be primarily regulatory. Many have a mixture of these functions. We divide them into six categories, depending on their main functions, namely:

- i. **Commercial**, where the entity earns most or all of its revenues from the sale of nonfinancial goods and services.
- ii. **Commercial financial**, where the entity earns most or all its revenue from the provision or sale of financial services.
- iii. **Regulatory**, where the entity is primarily engaged in regulatory activities.
- iv. **Developmental**, where the entity is primarily engaged in developmental or promotional activities.
- v. **Educational**, where the entity earns most or all of its revenue from the provision of educational services.
- vi. **Other**, where the entity does not fall in any category listed above.

<sup>1</sup>This means that we do not include Debswana, the Diamond Trading Company or Botswana Ash as parastatals (GoB directly owns 50% of the shares). We also do not include (for convenience) subsidiaries of the Botswana Development Corporation (BDC).

<sup>2</sup>Nor do we include the Botswana Institute for Development Policy Analysis (BIDPA), which is often classed by government as a parastatal, but is in fact an independent trust.



## SPECIAL FEATURES

**Table 1: Classification of Parastatals by Function**

<b>Commercial (18)</b>	
– Water Utilities Corporation (WUC)	– Botswana Power Corporation (BPC)
– Botswana Housing Corporation (BHC)	– Botswana Vaccine Institute (BVI)
– Botswana Agricultural Marketing Board (BAMB)	– Banyana (Pty) Ltd
– Botswana Meat Commission (BMC)	– Morupule Coal Mine (MCM)
– Minerals Development Company Botswana (MDCB)	– Okavango Diamond Company (ODC)
– Botswana Telecommunications Limited (BTCL)	– Air Botswana (AB)
– Botswana Post (Bots Post)	– Botswana Railways (BR)
– BCL Ltd	– Botswana Oil (BOL)
– Botswana Fibre Networks (BoFINET)	– Botswana Couriers & Logistics (BC&L)
<b>Commercial – Financial (6)</b>	
– Botswana Savings Bank (BSB)	– Motor Vehicle Accident Fund (MVAf)
– Botswana Development Corporation (BDC)	– National Development Bank (NDB)
– Citizen Entrepreneurial Development Agency (CEDA)	– Botswana Stock Exchange (BSE)
<b>Regulatory (16)</b>	
– Botswana Accountancy Oversight Authority (BAOA)	– Civil Aviation Authority of Botswana (CAAB)
– Botswana Bureau of Standards (BOBS)	– Companies and Intellectual Property Authority (CIPA)
– Botswana Communications Regulatory Authority (BOCRA)	– Competition Authority (CA)
– Botswana Examinations Council (BEC)	– Copyright Society of Botswana (COSBOTS)
– Botswana Energy Regulatory Authority (BERA)	– Gambling Authority (GA)
– Botswana Institute of Chartered Accountants (BICA)	– Public Enterprises Evaluation and Privatization Agency (PEEPA)
– Botswana Geoscience Institute (BGSI)	– Public Procurement & Asset Disposal Board (PPDAB)
– Botswana Qualification Authority (BQA)	– Non-Bank Financial Institutions Regulatory Authority (NBFIRA)
<b>Developmental (11)</b>	
– Botswana Innovation Hub (BIH)	– Human Resources Development Council (HRDC)
– Botswana National Sports Council (BNSC)	– Local Enterprise Authority (LEA)
– Botswana Tourism Organisation (BTO)	– National Food Technology Research Centre (NFTRC)
– Botswana National Productivity Centre (BNPC)	– Selebi-Phikwe Economic Diversification Unit (SPEDU)
– Botswana Investment & Trade Centre (BITC)	– Special Economic Zones Authority (SEZA)
– Botswana Institute for Technology Research and Innovation (BITRI)	
<b>Education (5)</b>	
– Botswana University of Agriculture and Natural Resources (BUAN)	– University of Botswana (UB)
– Botswana International University of Science and Technology (BIUST)	– Botswana College of Distance and Open Learning (BOCODOL)
	– Botswana Accountancy College (BAC)
<b>Other (4)</b>	
– Bank of Botswana (BOB)	– Statistics Botswana (StB)
– Legal Aid Botswana (LAB)	– Botswana Unified Revenue Service (BURS)
<b>No longer existing (7)</b>	
– Rural Industries Promotions Company (RIPCO)	Rolled into BITRI
– Botswana Technology Centre (BoTEC)	Rolled into BITRI
– International Financial Services Centre (IFSC)	Rolled into BITC
– Botswana Export Development and Investment Authority (BEDIA)	Rolled into BITC
– Tertiary Education Council (TEC)	Transformed into HRDC
– Botswana Telecommunications Authority (BTA)	Transformed into BOCRA
– Botswana Training Authority (BoTA)	Transformed into BQA

Source: Econsult, based on websites, annual reports etc.

Legally, the majority of parastatals (44) are statutory entities, while 12 are share companies and four are companies limited by guarantee.

## SPECIAL FEATURES

### Timeline

The table below is a timeline of the establishment of parastatals since 1963, showing the parastatals established in a given year. The parastatals in **RED** are commercial financial, **GREEN** are commercial, **PURPLE** are other, **BROWN** are educational, **BLUE** are developmental and **BLACK** are regulatory parastatals.

1. Entities marked with (\*) no longer exist but have since been closed or amalgamated.
2. For entities marked with (^), the year shown represents the year in which they became majority owned by government, not necessarily the year in which they were established.
3. Some entities existed as government departments prior to their establishment as independent bodies; the year shown refers to the latter.
4. The year of establishment refers to the year when operations commenced, which is not necessarily the same as the year of legal establishment.

**Table 2: Timeline of Establishment of Parastatals**

Year	Parastatals Established						
1963	NDB						
1964							
1965	BMC	BNSC					
1966							
1967							
1968							
1969							
1970	BDC	WUC	BPC				
1971	BHC						
1972							
1973							
1974	BAMB	RIPCO*					
1975	BOB						
1976							
1977							
1978							
1979	BVI	BoTEC *					
1980	BTCL						
1981							
1982	UB	BotsPost					
1983							
1984							
1985							
1986	MVAF						
1987	BR						
1988	AB	BOCODOL					
1989							
1990							
1991							
1992	BSB						
1993	BNPC	BCL ^					
1994	BSE						
1995	BOBS						
1996	BAC	BTA *					
1997	BEDIA *						
1998	Banyana						
1999	NFTRC						
2000	BOTA *						
2001	PPADB	CEDA	BC&L				
2002		PEEPA	BEC				
2003	IFSC *						
2004	LEA	BURS					
2005	BIUST						
2006	NBIFRA						
2007							
2008							
2009	CA	BTO					
2010	COSBOTS						
2011	CIPA	BICA					
2012	SPEDU	BAOA	BITRI	StB	ODC	BIH	BITC
2013	BQA	HRDC	BOL	BOCRA	BoFINET		
2014	MDCB						
2015	BGSI	LAB					
2016	BUAN	MCM ^	GA	SEZA			
2017	BERA						

Source: Econsult, based on websites, annual reports etc.

## SPECIAL FEATURES

The country's oldest parastatal is NDB, established prior to Independence in 1966. Around or soon after Independence a number of parastatals were established to undertake key functions related to the provision of infrastructure (BPC, WUC, BHC), support for agriculture (BMC, BAMB), development finance (BDC), and the introduction of Botswana's own currency (BoB).

Clearly the pace of establishment of parastatals has picked up in recent years; in the five years from 2012 to 2016, 19 new parastatals were established, the same number as in the previous 15 years.

At first sight, this might appear to be inconsistent with the thrust of various policy pronouncements that have proposed reducing the number of parastatals through privatisation or amalgamation of parastatals with overlapping mandates. However, in many cases the establishment of new parastatals follows the transfer of a regulatory function out of government (e.g. the establishment of NBFIRA), which is often a more effective way to operate (although there is also the danger of regulatory overload and lack of cost control when these regulators are funded by fees charged to regulated entities).

There has been some consolidation, with BoTEC and RIPCO merged to become BITRI, and the IFSC and BEDIA merged into BITC. Privatisation has been glacially slow, however, with no full privatisations and only one partial privatisation (BTCL) through the restricted sale of a minority share in the business by government. Privatisation is mainly relevant to commercial parastatals, rather than regulatory or development parastatals, and commercial parastatals make up less than half (24) of the total (60). But even so, the number of commercial parastatals has been rising, with the establishment or takeover of new ones, rather than declining through privatisation.

### Efficiency and Transparency

Parastatals are public entities and are therefore indirectly or directly accountable to the public. There are various accountability channels, some legally mandated, some adopted by choice. Below, we consider the transparency of parastatals according to two simple criteria:

1. Does the entity have a functioning website?
2. Does the entity publish its annual report and/or annual accounts in a form that is readily available to the public?

With regard to the availability of annual reports, the ideal situation is that a soft copy is available on the relevant website, with a working link that enables it to be down-

loaded anywhere in the world. Somewhat less ideal than this is a situation where the institution will make a soft copy available by email on request. Some institutions publish hard copies only, but these are typically only available if one is prepared to go to the institution and collect, and sometimes cannot even be taken away.

We ranked the 60 parastatals by scoring points for availability of annual reports and of a functioning website. The scoring was as follows:

**Annual reports:** soft copies available for each of the last five years, with the most recent ranked higher (2016/17 – 10 points; 2015/16 – 8 points; 2014/15 – 6 points; 2013/14 – 4 points; 2012/13 – 2 points). The maximum possible score is therefore 30 points. No points were awarded for malfunctioning website links. Points were awarded if soft copies were sent by email on request. If hard copies were easily available to us (either sent or available for collection in Gaborone), half the points were awarded. If an entity did not provide annual reports on request in Gaborone or they were not available on the website, no points were awarded<sup>3</sup>.

The cut off point for 2016/17 annual reports was that they should be available within six months of the end of their financial year, which is the standard applied to listed companies by the Botswana Stock Exchange. So, for companies with a financial year ending on March 31st, which is typical as this is the government financial year, the cut off for the most recent annual report was the 30th September 2017.

**Websites:** a functioning website was awarded 20 points. Websites were not graded by quality, to reduce subjectivity.

The results are shown below. Only four parastatals gained the maximum 50 points – BoB, BHC, BTCL and the BSE. They all had functioning websites and fully up to date annual reports or accounts. In joint fifth place were BICA and LEA. A large number of parastatals scored 40 points, in equal 8th place; this score largely reflects the failure to publish up to date annual reports for the most recent financial year (i.e. within 6 months of their financial year end). A large number of parastatals scored only 20 points, ranked 40th, which generally reflected a functioning website but a complete lack of available accounts or annual reports. A few scored zero, with neither annual reports nor a functioning website. In most cases this reflected their being relatively new (e.g. SEZA, BERA, BGSi), or on the way out (BCL)<sup>4</sup>.

<sup>3</sup>We note that the trend internationally is to treat only information available on a website as counting as "available to the public", i.e. excluding hard copies or "sent on request". See for instance, the ranking of budget transparency by the Open Budget Survey ([www.internationalbudget.org](http://www.internationalbudget.org))

<sup>4</sup>Although BCL is in provisional liquidation and no longer functioning, we include it here as technically it still exists, and is (was) one of the most important parastatals. Even prior to its closure, it did not make its accounts available

## SPECIAL FEATURES

**Table 3: Ranking of parastatal transparency and efficiency**

Rank	Parastatals	Points
1=	BoB, BHC, BTCL, BSE	50
5=	BICA, LEA	48
7	BVI	41
8=	BAMB, BDC, BOBS, BOCRA, BPC, BQA, BSB, BURS, CA, NBFIRA, WUC	40
19=	BAOA, BIH, BITC, BIUST	38
23=	BotsPost, HRDC	36
25=	BITRI, NDB, STATSBOTS	34
28=	BEC, BOL	32
30	MVAF	30
31=	BoFINET, GA, PPADB, UB	28
35	COSBOTS	26
36=	BNPC, CIPA	24
38	BTO	23
39	AB	22
40	BAC, BC&L, BMC, BNSC, BOCODOL, BR, BUAN, CAAB, CEDA, LAB, NFTRC, ODC	20
52	SPEDU	12
53	PEEPA	10
54=	Banyana, BCL, BERA, BGSi, MCM, MDCB, SEZA	0

Source: Econsult, based on websites, annual reports etc.

There was a particularly disappointing result from PEEPA, the entity charged with evaluating the performance of public enterprises. PEEPA does not have a functioning website, and as far as we can make out, has not published anything relating to discharging this part of its mandate. Indeed, if it had, this article might have been unnecessary. Also bouncing around the bottom of the rankings is SPEDU, for which – as an investment promotion agency – not having a functioning website is a serious failure. It is also striking that the Ministry of Minerals, Energy and Green Technology needs to do more to foster transparency amongst most of the parastatals it is responsible for.

### Conclusion

The results of this analysis show a wide range of performance across parastatals in terms of efficiency (speed of publishing annual reports and accounts) and transparency. Although we have not done a formal analysis of how parastatals performance has change over time, the front-runners include both those who have consistently maintained good performance over the years (BoB, BSE), others whose performance has improved dramatically (BHC, BTCL), and new entities with a commitment to transparency (BICA). Many parastatals have performed reasonably, but with a bit more effort could do a lot better – we do not see any

reason why a parastatal cannot publish its report and accounts within six months of the end of its financial year. Banks, for instance, are required by the regulator (BoB) to publish their accounts within three months of their financial year and, as noted above, companies listed on the BSE have to do so within six months.

But there are clearly some parastatals that are not serious about being held accountable to the public. They may perhaps meet their requirements to reporting to their sponsoring ministries (but we do not know, as neither the parastatals nor government nor PEEPA provides this information), but they could and should do much better as custodians of assets that ultimately belong to the people of Botswana. As a first step, all parastatals will be required to share their reports and accounts with BAOA, under the Financial Reporting Act, 2010.

In a subsequent review we will examine parastatal performance in more detail, looking at financial performance and just how much the taxpayer is contributing to meet the costs of the ever-expanding range of parastatals, and of inefficient performance. We will also make some suggestions as to which parastatals should ready themselves for privatisation.

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