Pay attention to the tanking economy

The economy has been facing headwinds as diamond revenue, the nation’s main revenue earner, continues on a steep decline that began before, Covid-19.

While the government is committed to incentivizing broad-based growth and diversification, dependence on diamonds persists. Bolstering the middle ground of Botswana politics, for example, by placating grumpy unemployed youth, has been a challenge that eluded both Khama and Mogae. By now Masisi should have heeded the calls by economists to address the deteriorating quality of public financial management and remedy poor spending and increasing levels of public sector waste and inefficiency. Take example, in 2021, the government announced that more than a third of public expenditure on infrastructure went to waste.

Economic diversification is a tough sell in a country with limited options and a very small market and a small middle class. On top of this, Botswana’s choices are also constrained by a dominant neighbor, South Africa.

To get things right, Masisi must deal with the declining quality of education, reform weak oversight institutions, build citizens’ economic empowerment and fight institutionalised corruption. Most importantly, he should walk the talk in providing leadership to drive economic growth. Rising commodity prices may be a result of external factors such as the ongoing war in Europe, but the latest spat between the taxi industry and the government is symptomatic of future uncertainty. The problem, in my view, is that the government relies on the minibus taxi industry, which is basically informal, to provide public transport, which is the responsibility of government. This anomaly needs to be addressed.

Tourism, which accounts for 5% of GDP, also faces twin problems. Masisi’s policies of promoting hunting, and the effects of travel bans during Covid-19, have affected tourist visits.

The economy faces strong headwinds as a result of slow growth, persistently high inequality, and youth unemployment, which adds to the existing pressure.

The IMF expects the country’s real GDP growth of 4.3 percent, in 2021 saying the country has been contending with “structural challenges and external shocks,” while the S&P gave Botswana a BBB+ rating with A stable outlook, a significant improvement when compared to THE negative outlook in 2020.