

Botswana. Structure, problems, application

-0.4% Real GDP growth 2025 (-2.8% in 2024)	~\$19 bn Nominal GDP 2024; ~2.5 m people	~\$7,700 GDP per head 2024; upper- middle income	9.3% Budget deficit % of GDP 2025/26	~75% Diamonds' share of export earnings
9.3% CPI Aug 2026; target 3–6% (2.7% in 2025)	27.6% Unemployment Q1 2024; youth 38.2%	15.7% HIV prevalence, ages 15–49 (2024)	~0.53 Gini (2015/16); among world's highest	7.7% Growth of GDP per head a year 1965–98: world's fastest

STRUCTURE OF THE ECONOMY

DIAMONDS' SHARE OF...	% (APPROX.)
Export earnings	~75
Government revenue	~33
GDP (normal years)	~20–25
Jobs	~2

- **Enclave sector:** capital-intensive mining, few jobs; benefits spread via G.
- **AD:** X (diamonds) → revenue → G; most goods imported from South Africa → small multiplier.
- **System:** mixed; state 50/50 with De Beers in Debswana, 15% of De Beers.

MAIN INDUSTRIES

- **Debswana diamonds:** Jwaneng, richest mine by value; output cut 24.7 m → ~15 m carats (2023–25).
- **Diamond trading:** De Beers sales in Gaborone since 2013; state ODC share 30% → 50% by 2035.
- **Copper:** new mines in the Kalahari Copper Belt.
- **Tourism:** Okavango "high value, low volume"; ~5% of GDP.
- **Cattle and beef:** widely owned, herds concentrated.
- **Government:** largest formal employer.

GROWTH STORY: TURNING POINTS

1966 Independence: among poorest; ~12 km paved road	1967 / 1982 Orapa diamonds; Jwaneng opens	1975 Debswana 50/50 with De Beers	1994 Pula Fund: save revenue abroad
2002 Free HIV treatment (ARVs)	2020 Covid: GDP -8.7%, then +11.9%	2024 Diamond slump; BDP loses power after 58 years	2025–26 New De Beers deal; deficit; inflation 9%+

Why growth stalled: lab-grown diamonds and weak demand cut sales; little diversification, so one slump hits growth, budget and reserves.

EIGHT PROBLEMS

PROBLEM	EVIDENCE	SPEC LINK
Diamond slump	Output 24.7 m → 15.1 m carats	Terms of trade
Fiscal stress	Deficit 9.3% of GDP	Public finances
Unemployment	27.6%; youth 38.2%	Structural
Inequality	Gini ~0.53	Redistribution
No diversification	Mining ~2% of jobs	Development strategy
HIV/AIDS	15.7% of 15–49s	Human capital
Inflation	9.3% (Aug 2026)	Cost-push
Buffers	Reserves 18.3 → ~6 months	SWF, BoP

INEQUALITY & DEVELOPMENT

- High human development (UNDP); free schooling and clinics.
- Poverty 16.3% (2015/16, national line); ~20% under \$3 a day (2025).
- Gini ~0.53 vs South Africa 0.63, UK ~0.33, Norway ~0.28.
- HIV cut life expectancy in the 1990s–2000s; recovered with treatment.
- GDP per head overstates typical living standards.

Resource curse avoided? Yes: growth, no conflict, savings. No: dependence, jobs, inequality.

CLASSIC CHAINS USING BOTSWANA

- Blessing:** diamonds → revenue to state (Debswana 50/50) → spent on education, health, roads → human capital ↑ → LRAS ↑.
- Slump:** lab-grown diamonds → demand and prices ↓ → exports and revenue ↓ → deficit ↑, reserves ↓ → AD ↓, recession.
- Jobless growth:** capital-intensive mining → low derived demand for labour → few jobs → structural unemployment, high Gini.

A · DATA RECALL (1 MARK EACH)

1. Diamonds' share of export earnings: _____
2. Real GDP growth in 2024: _____
3. Year of independence: _____
4. Unemployment rate (Q1 2024): _____
5. Gini coefficient (approx.): _____
6. Budget deficit 2025/26 (% of GDP): _____
7. Government's share of Debswana: _____
8. Inflation target range: _____

B · MATCH THE EVIDENCE TO THE ECONOMIC CONCEPT

BOTSWANA EVIDENCE	LETTER	CONCEPT
1. Mining is ~2% of jobs but ~75% of exports		A. Sovereign wealth fund
2. Lab-grown stones cut natural diamond prices		B. Cost-push inflation
3. Pula Fund saves diamond revenue abroad		C. Enclave sector / capital intensity
4. Fuel prices push CPI to 9.3%		D. Worsening terms of trade
5. Diamond sales moved to Gaborone in 2013		E. Structural unemployment
6. Graduates cannot find jobs that match skills		F. Beneficiation (adding value)

C · COMPLETE THE CHAINS

1. Diamond sales fall → _____ → government revenue falls → _____ → debt rises.
2. Diamond boom revenue saved abroad → _____ → _____.
3. Faster downward crawl of the pula → _____ → _____ → inflation rises.

D · EXAM-STYLE QUESTIONS

Extract. Diamonds provide about three-quarters of Botswana's export earnings and a third of government revenue. De Beers' output in Botswana fell from 24.7 million carats (2023) to 15.1 million (2025). Real GDP fell 2.8% in 2024. The budget deficit reached 9.3% of GDP in 2025/26.

(5 marks) With reference to the extract, explain one reason why Botswana's budget deficit widened.

(8 marks) Examine how a fall in diamond exports may affect Botswana's balance of payments and exchange rate.

E · PLAN A 25-MARK ANSWER

(25 marks) Evaluate the view that Botswana shows natural resources need not be a curse for developing economies.

ARGUMENTS FOR (WITH BOTSWANA EVIDENCE)	ARGUMENTS AGAINST / DIFFICULTIES
OVERALL JUDGMENT: IT DEPENDS ON...	

A · DATA RECALL

1. About 75% (accept 70–80%)
2. –2.8% (accept –3.0%)
3. 1966
4. 27.6%
5. About 0.53 (accept 0.52–0.53)
6. 9.3%
7. 50%
8. 3–6%

B · MATCHING

1 → C · 2 → D · 3 → A · 4 → B · 5 → F · 6 → E

C · CHAINS

1. Lower royalties, taxes and Debswana dividends → spending is sticky, so the deficit widens / borrowing rises.
2. Less upward pressure on the pula and domestic prices (limits Dutch disease) → other exports stay competitive and a buffer exists for slumps.
3. Pula weaker against the rand–SDR basket → import prices rise (most goods come from South Africa) → cost-push inflation.

D · EXAM-STYLE GUIDANCE

5 marks: Define a budget deficit: spending greater than revenue in a year (1). Identify the fall in output, 24.7 m to 15.1 m carats, and diamonds' third of revenue (1–2). Explain the chain: lower diamond sales → lower royalties, taxes and dividends → revenue falls while wages and services spending stay high → deficit widens (2). Alternative: recession (GDP –2.8%) → lower income tax and VAT receipts. Must use extract data.

8 marks: Knowledge/application: diamonds ~75% of exports, so the current account worsens; less foreign currency flows in. Analysis: to hold the crawling peg the central bank sells reserves (18.3 → ~6 months of import cover); pressure for faster depreciation (crawl raised to 2.76% a year in 2025). Evaluation (2 points for full marks): imports also fall as incomes and government spending fall; depends on how long the slump lasts; savings abroad cushion the effect; a weaker pula raises inflation.

E · 25-MARK PLAN: POINTS TO LOOK FOR

For (resources need not be a curse)

- 7.7% a year per-head growth 1965–98.
- Debswana 50/50 captured rents; no conflict.
- Pula Fund and fiscal rules limited Dutch disease.
- Revenue spent on education, health, HIV treatment.
- Peaceful change of government in 2024.

Against / difficulties

- ~75% of exports still diamonds after 60 years.
- Unemployment 27.6%; Gini ~0.53.
- Slump: GDP –2.8% (2024), deficit 9.3% of GDP.
- Savings and reserves run down.
- Special conditions: institutions, small population, rich deposits.

Judgment: Botswana shows the political curse can be avoided where institutions are strong, but not the economic risk of dependence. Its lessons transfer only to countries with similar institutions. Compare with Nigeria (curse) and Norway (saving and diversification).