



Press Release

Botswana Included in IMD World Competitiveness Yearbook 2021

GABORONE: June 17, 2021: The Institute for Management Development (IMD) has released the IMD World Competitiveness Yearbook for 2021. In 2020, the Botswana National Productivity Centre (BNPC) partnered with IMD to undertake an assessment of the local economy, to focus on core indicators of competitiveness. The objective being to guide focused actions to improve national productivity and competitiveness. This assessment provides Botswana with a more in-depth analysis, complementing the assessment the country has been getting through the World Economic Forum's Global Competitive Reports. An additional benefit from this partnership is that the country is now included in the IMD annual publication, the IMD World Competitiveness Yearbook.

The IMD Yearbook publication provides country rankings assessing the prosperity and competitiveness of 64 nations (**including Botswana as a first timer**). The assessment is conducted by examining four areas, referred to as factors considered critical in promoting a nation's overall competitiveness. These factors are **economic performance, government efficiency, business efficiency, and infrastructure**. The scores and ranks are derived using **statistical data** provided by national bodies, and a **survey answered by business executives** operating in the respective economies. Overall, this publication assesses the extent to which a country like Botswana can create and maintain an environment which sustains the competitiveness of domestic enterprises.

Botswana ranks 61st out of the 64 economies included in the 2021 IMD World Competitiveness Yearbook, with a competitiveness index score of 38.822 out of 100. When observing the individual factors, Botswana ranks 62nd in the *Economic Performance factor* with a competitiveness score of *31.705 out of 100*, 42nd in the *Government Efficiency factor* with a competitiveness score of *51.356 out of 100*, 61st in the *Business Efficiency factor* with a competitiveness score of *23.785 out of 100*, and 63rd place in the *infrastructure factor* with a competitiveness score of *14.126 out of 100*.

The economic performance factor assesses the effectiveness of a country's macro-economic environment in promoting competitiveness. Some of Botswana's key strengths under this factor include a competitive cost of living index (2nd), a high gross fixed capital formation as a percentage of GDP (4th), low office rentals (5th), and low gasoline prices (11th). The major identified weaknesses in this factor, relative to other economies, are low inward direct investment stocks (64th), low level of commercial service exports (64th), and low export concentration by product (64th). Vision 2036 envisages a diversified inclusive export led

growth, and already several initiatives are being undertaken to achieve this. However, these results indicate that Botswana's export promotion efforts still require additional attention. Other crucial challenges, also causing great concern, are the high levels of unemployment (62nd) and youth exclusion (63rd). It is, therefore, also imperative for Botswana to urgently intensify employment creation efforts especially regarding youth employment.

As expected, Botswana's best rank and score was attained under the government efficiency factor, which assesses the extent to which governmental policies, regulations and legislations are conducive to overall competitiveness. In comparison to other countries, Botswana performed extremely well in this factor due to low employer social security tax rate (1st), high levels of new business entry in the market (3rd), and low government debt (4th). Other commendable indicators include a conducive legal and regulatory framework (26th) and freedom of the press (27th). However, Botswana ranks poorly in terms of number of days required to open a business (63rd), despite the high level of new business entries. The assessment further revealed that the competition legislation is not efficient in preventing unfair competition (ranked 59th) and immigration laws are prohibitive as they do not promote the employment of foreign talent where local skills are unavailable (ranked 58th). Improving Botswana's performance in this factor can be achieved by ensuring in-depth regulatory impact assessments are conducted prior to implementing and modifying all government regulations and policies. A move of this nature would result in the implementation of only the most optimal policy options enhancing national competitiveness.

The business efficiency factor captures the extent to which the national environment encourages the private sector to perform in an innovative, profitable, and responsible manner. Botswana's strengths in this factor include a high participation rate of females in the labour force (ranked 1st), low entrepreneurial fear of failure (2nd) and high compensation levels (4th). Under this factor, Botswana did not perform well in the following components: productivity and efficiency (60th), labour market (58th), management practices (60th), and attitudes and values (60th). It should be noted that the labour market component assesses the availability of skills and the cost of labour, while the attitudes and values component accounts for how values in the general society shape and affect the efficiency of firms. The poor performance can also be attributed to low digital transformation and inadequate use of digital tools and technology. Moving forward in this area, Botswana needs to urgently expedite its digital transition agenda, as indicated by the Economic Recovery Transformation Plan. Another worrisome issue that BNPC has long acknowledged to be a serious impediment to productivity in Botswana, is low worker motivation (64th). This concern was also highlighted and emphasised by the President of Botswana's recent Post Retreat Speech. Even though BNPC has put in place several initiatives to address this, like the Smart Work Ethics program, more work is required in this area.

The infrastructure factor score of 14.126 is Botswana's worst factor performance. Given this, national efforts to promote competitiveness should prioritise this area. It should be noted that this factor assesses the extent to which tangible and intangible assets available in the economy meet the needs of businesses. Botswana performed relatively well in terms of public

investments in education (1st), share of energy produced by renewable resources (20th) and water use efficiency (20th). Identified challenges in this factor were in the provision and availability of basic infrastructure (63rd), technological infrastructure (64th) and scientific infrastructure (64th). Other depicted weaknesses include the low speed of internet connections (63rd), the low level of investments in telecommunication (64th), and the low technological development (63rd). While Botswana's investment in education is the best in the 64 countries, it is worth undertaking an evaluation to establish whether this investment is being channelled in appropriate initiatives that provide value for money.

The COVID-19 pandemic has posed a severe threat to both Botswana's productivity and competitiveness. This year's IMD Competitiveness Yearbook emphasizes that ***“competitiveness is under duress due to the challenges brought about by the COVID-19 Pandemic”***. It further indicates that top performing economies are characterized by varying degrees of investment in innovation, diversified economic activities, and supportive public policies. Strength in these areas, prior to the pandemic, allowed top performing economies to address the economic implications of the crisis more effectively. To improve national competitiveness and to build resilience in the long term, Botswana will also need to embark on policies that strengthen these aspects. This year's rankings are topped by Switzerland (1st), Sweden (2nd), Denmark (3rd), the Netherlands (4th), and Singapore (5th).

Going forward, BNPC will be hosting a Stakeholder Competitiveness Workshop in August. The objective of this workshop is to bring all relevant stakeholders together to deliberate further on these results, interrogate possible actions to rectify the current situation, and to map the way forward in terms of Botswana's competitiveness.

The IMD World Competitiveness Center will also release the following publications:

The **IMD World Digital Competitiveness Ranking 2021** on **29 September 2021**.

and,

The **IMD World Talent Ranking 2021** on **9 December 2021**.

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