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# **Wealth and Income Inequalities**

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## **2.1 Introduction**

According to the Kuznets hypothesis, as countries grow, they initially experience a rise in inequalities, with income distribution becoming more equal later. This is demonstrated by the so-called Kuznets inverted U-curve, to show that as per capita income grows, the Gini coefficient also rises initially, then later falls. While evidence of this is not concrete for developing countries due to data limitations, this is not an impossible phenomenon to observe for the developing countries.

Inequalities can be measured using both income as well as wealth. While income is normally measured as cash income, in developing countries non-cash income is prevalent, due to the fact that a large proportion of the rural population especially, do not rely on cash income, relying instead on income-in-kind for a sizeable proportion of their total income, such as crops harvested etc. In Botswana, this situation prevails, and as such when income distribution is measured using cash incomes, the distribution is different to when "all" income is used, especially for the rural area. Wealth, on the other hand, is assessed using livestock: cattle, sheep and goats.

This chapter (Area 2 of the Project) will capture the distribution of income and wealth, both cash as well as total income, for households at a national level, then separated for rural as well as towns and cities and urban villages. The trends over time will be assessed, to see if the distribution was becoming more unequal over time, as the Kuznets hypothesis predicts, or it improved.

## **2.2 Wealth and Income Distribution**

This section presents and discusses the size Distribution of Income: 1972 – 2002 using the Gini Coefficient. Changes in the income distribution are highlighted, for rural versus towns/cities and urban villages. The section also examines distribution of wealth, according to the different income groups, to show the patterns of distribution of cattle, sheep and goats according to the various income strata i.e. whether the income-rich possess more cattle (or less or the same) than the income poor.

The size distribution of income is represented by the Gini Coefficient. The coefficient ranges between 0-1; the closer to 1 the coefficient, the greater the income inequality. The Gini Coefficient for Botswana is presented by Table 2.1. Comparison is made between income distribution at the national level, towns and cities, rural and urban villages.

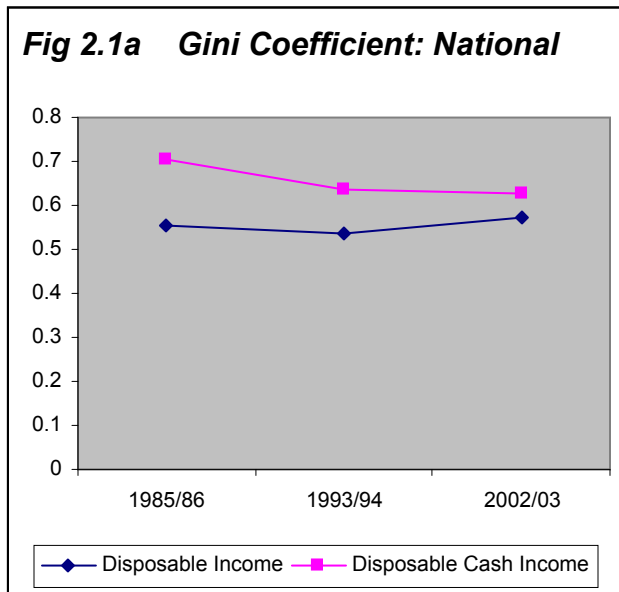
Table 2.1: Gini Coefficient for Botswana: 1985/6-2002/3

	Disposable Income			Disposable Cash Income		
	1985/86	1993/94	2002/03	1985/86	1993/94	2002/03
<b>National</b>	0.556	0.537	0.573	0.703	0.638	0.626
<b>Cities/Towns</b>	0.536	0.539	0.503	0.563	0.548	0.513
<b>Urban Villages</b>		0.451	0.523		0.552	0.552
<b>Rural</b>	0.477	0.414	0.515	0.674	0.599	0.622

Source of data: Household Income and Expenditure Survey (HIES) Reports 1993/94 and 2002/03

### 2.2.1 Trends in Inequality: Inter-Regional and Inter-Temporal

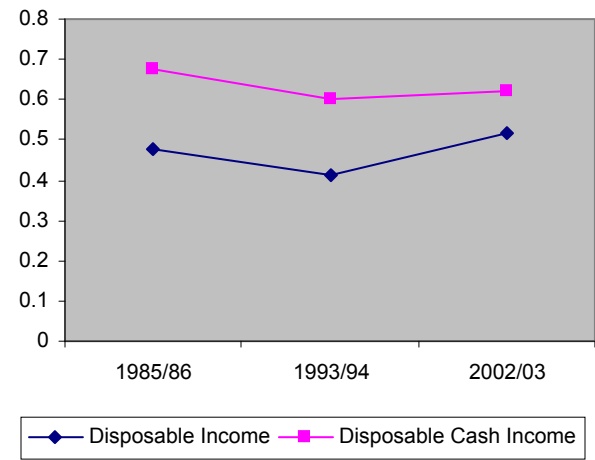
Inter-regional comparisons of inequalities i.e. at a national level as compared with cities/Towns and rural areas are presented by Table 2.1 and Figure 2.1a, b and c. In addition, we compare the trends over time for these regions. As indicated by Table 2.1 and Figure 2.1a, the Gini Coefficient at national level *declined and then rose* for the 3 years of 1985/6, 1993/4 and 2002/3 respectively. This means that income, whether total disposable income or disposable cash income, was becoming less unequal in 1993/94 as compared to 1984/85, but then it became more unequal from 1993/94 – 2002/03. This is contrary to expectations according to the Kuznets' Hypothesis, which predicts an initial rise in inequalities, followed eventually by a fall.



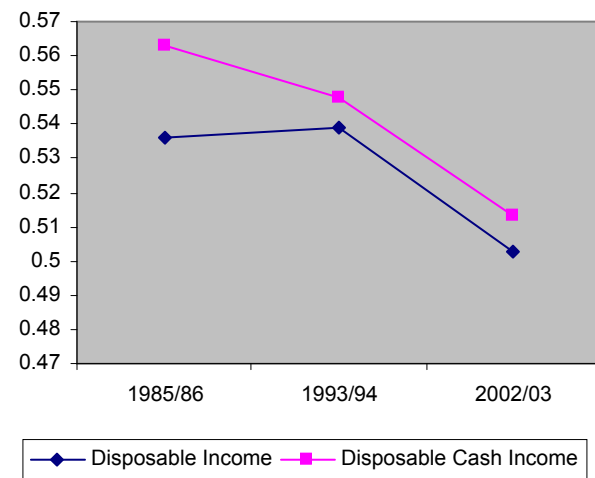
The same trend of a fall in inequality, followed by a rise, is observed for the rural areas (Figure 2.1b). With cities and towns, however, when we use disposable *cash* income as opposed to total income, there is indication of a rise in inequalities, followed by a decline in 2002/3 (Figure 2.1c). This indicates a tendency for a

Kuznets' inverted U-curve. For the total income, however, we observe a decline in inequalities over the whole period, with the decline more pronounced in the latter period of 1993/94 and 2002/03.

**Fig 2.1b Gini Coefficient: Rural**



**Fig 2.1 c Gini Coefficient: Cities/Towns**



### **2.2.2 Inequalities: Cash versus Total Income**

Another point worth noting is that when using cash as opposed to total income the inequality was worse in all cases i.e. inter-regionally as well as inter-temporally. This is shown by a higher Gini Coefficient for the cash income. However, the gap

between the two narrowed in the latter period 1993/94 – 2002/03, as compared to the first period of 1985/86 – 1993/94, except for the cities/towns, where the gap seems to have remained the same.

### ***2.2.3 Inequalities: Regional Comparisons***

When making inter-regional comparisons, income distribution was less unequal for rural areas when using total income for 1985/86 and 1993/94, but the situation changed in 2002/03, with income distribution becoming more unequal. In other words, in 2002/03 there was less inequality in the towns and cities than rural areas. When using cash income, however, income distribution was more unequal in the rural versus urban centers for the whole period 1985/86 – 2002/03. The higher inequalities when using cash income could be explained by the fact that rural areas are, by their nature, non-cash income-based because of subsistence agriculture. Thus when using agricultural output, income distribution is relatively more equal. Hence with less reliance on cash income and more on subsistence agriculture, the rural population experiences lower inequalities.

### ***2.2.4 Distribution of Wealth and other Assets***

While the extent of inequality is normally described using the Gini Coefficient, in a developing country where the bulk of the rural households may not earn a regular income, but have other means of livelihood, it is important to examine distribution of wealth as well. In Botswana the bulk of wealth is in the form of livestock: in particular cattle, but also goats and sheep. This is the traditional means of livelihood, and the rural people may not have much by way of income, but they live on selling livestock.<sup>1</sup> Table 2.2a shows the distribution of cattle ownership, by income strata. In other words, it shows how cattle ownership varies according to income strata.

**Table 2.2a      Distribution of Cattle Ownership by Households**

Disposable Income	Cattle Ownership – Households								
	None	1-9	10-19	20-39	40-59	60-99	100-199	200+	Total HHs
< 200	38,398	15,186	7,713	3,189	1,321	336	232	398	66,772
200-1000	99,323	29,709	11,642	5,420	2,313	653	546	348	149,954
1000-2000	39,713	12,962	5,691	3,508	1,061	534	94	207	63,769
2000-4000	34,302	11,090	4,528	3,912	1,043	872	161	194	56,102
4000-6000	14,253	4,215	2,187	1,699	946	630	300	187	24,416
6000-8000	6,544	2,874	509	1,122	242	285	32	126	11,734
8000-10000	4,694	833	408	721	371	173	209	198	7,606
10000+	9,107	1,015	634	1,310	593	583	302	377	13,920
Total Households	246,335	77,885	33,312	20,880	28,769	4,064	1,875	2,033	394,272

Source: Generated from Table 119, HIES Report 2002/03

<sup>1</sup> When a parent needs to raise funds to pay for school fees for their children, it is common for them to sell a number of cattle. Cattle are thus quite a liquid form of wealth, since they can be converted to cash quite easily.

According to Table 2.2a, out of a total of 394,272 households, 66,772 could be categorized as very poor i.e. with income less than P200 (equivalent to about US\$ 33), and of those, 38,398 or 58 percent own no cattle; while less than 1 percent of these very income poor households own more than 200 cattle. This demonstrates marked inequalities in cattle ownership, that the income-poor, on a whole, are also cattle-poor. To demonstrate the inequality further, about 80 percent of households in the lowest income bracket of less than P200 income own less than 10 head of cattle.

On the other hand, of the households in the highest income bracket of more than P10,000, about 65 percent (9,197 out of 13,920) own no cattle. This indicates that not all the high income households are into cattle ownership. However, when we examine those who own more than 200 head of cattle, the distribution is more or less even across the income spectra. This indicates that the cattle wealthy households need not be income wealthy: even the income-poor can be cattle wealthy.

Table 2.2b Distribution of Goats Ownership by Households

Disposable Income	Goats Ownership – Households								
	None	1-9	10-19	20-39	40-59	60-99	100-199	200+	Total HHs
< 200	35,718	18,420	7,339	3609	1302	383	0	0	66,772
200-1000	95,518	29,709	9,888	5879	1,158	565	97	152	149,954
1000-2000	39,244	14,743	5,945	2,631	905	193	110	0	63,769
2000-4000	37,462	9,586	5,119	2,572	775	347	243	0	56,102
4000-6000	16,139	3,836	1,561	1,749	833	82	144	73	24,416
6000-8000	8,794	1,246	1,078	481	0	105	30	0	11,734
8000-10000	5,420	661	572	673	71	107	102	0	7,606
10000+	9,954	1,114	1,040	1,005	298	193	316	0	13920
Total HHs	248,249	86,240	32,543	18,598	5,341	1,976	1,041	285	394,272

Source: Generated from Table 120, HIES Report 2002/03

When we examine ownership of goats, the distribution seems to have a similar pattern to that of cattle ownership at the lower end of the income spectrum; in other words, about 81 percent of all households in the income bracket of less than P200 own between 0-10 goats. The pattern changes, however, with the ownership of more than 100, even 200 goats. While there are very few households with more than 200 goats, the distribution for those with ownership between 100-199 goats becomes significantly skewed in favor of the high income households. Of those who own between 100-199 goats, none are in the less than P200 income bracket, while 40 percent are in the income bracket of P8000 and above. This means that, unlike with cattle ownership which is evenly distributed for large herds, here there is skewed distribution of goats ownership in favor of the higher income brackets.



Table 2.2c Distribution of Sheep Ownership by Households

Disposable Income	Sheep Ownership - Households								Total HHs
	None	1-9	10-19	20-39	40-59	60-99	100- 199	200+	
< 200	60,146	4,838	1,422	367	0	0	0	0	66,772
200-1000	140,842	6,851	1,773	397	30	60	0	0	149,954
1000-2000	57,973	3,913	1,397	486	0	0	0	0	63,769
2000-4000	52,646	2,332	764	189	171	0	0	0	56,102
4000-6000	22,318	1,212	401	393	0	48	45	0	24,416
6000-8000	10,814	461	156	133	0	0	0	0	11,734
8000-10000	6,814	461	156	133	0	0	42	0	7,606
10000+	12,464	657	125	297	58	256	63	0	13920
Total HHs	363,880	20,976	6,272	2,372	260	363	150	0	394,272

Source: Generated from Table 121, HIES Report 2002/03

When we examine ownership of sheep, the distribution becomes more skewed. Of the households in the lowest income bracket of less than P200, 90 percent own no sheep (97 percent own between 0-9 sheep). A point worth noting about ownership of sheep is that none of the households own more than 200, while few households own between 100 – 199 sheep. This shows that sheep are not a popular form of wealth accumulation. While overall 37.5 and 37.0 percent of households own cattle and goats respectively, only 7.7 percent own sheep.

### 2.3 Income Distribution and Gender

The focus of this section is on income and wealth distribution, and how this impacts on issues of gender. As is demonstrated in this section, female-headed households suffer more disparities in income and wealth distribution than male-headed households. Needless to say, this impacts adversely on their poverty levels vis-à-vis that of their male counter-parts.

The section examines income distribution of female- versus male-headed households, to see the disparities between the two groups of households. Then we look at wealth accumulation in the form of ownership and/or occupancy of housing units. What we highlight here is the extent to which ownership of housing units is by female-versus male-headed households; the type/standards of the housing units etc.

Table 2.3 a, b, c and d provide data on ownership and/or occupancy of housing units by gender at the national level; also at the regional level: cities/towns, urban villages and rural areas respectively. The type/standards of the housing for each type of housing category (whether rented, purchased, inherited etc) are examined using the average number of rooms, number of persons per room as well as the mean cash income. This tells us the type of people who occupy rented accommodation as opposed to purchased etc, at each regional level.

The types of housing units are categorized as follows:

1. purchased;
2. rented from the Botswana Housing Corporation (BHC);
3. rented from Government (this would be only for some government employees, such as the police, etc);
4. rented from individuals;
5. rented from “other”, which would include from Councils (Local Government) – this would be Council employees, such as primary school teachers, nurses at local clinics etc; “rented from other” would also include from companies, for their employees and from Village Development Committees (VDC);
6. Inherited (presumably mostly from parents) which would be owner-occupied (as opposed to an inherited house which is rented out to other people, and would therefore fall under rented from Individual);
7. Self-built and owner-occupied (again, as opposed to self-built and rented out to other people); and
8. “other”, which includes free housing. This would be where the occupier neither owns the house nor rents it; and would include houses procured through one’s job.

Ownership/occupation of housing is used in this chapter to demonstrate inequalities in ownership or access to essential assets such as housing; to show this distribution by gender and also by region. We could say that one way of showing inequalities is to argue about the type of housing i.e. whether it is owned as opposed to rented, by female-as opposed to male-headed households; whether those owned, rented, or purchased are big houses (as measured by the average number of rooms); whether those who rent are low income households or not (as measured by average cash income of the households) and persons per room: the argument here is that the lower the income of households, the more the number of persons per room.

### ***2.3.1 Housing at National Level***

Table 2.3a displays the ownership of housing units by gender at the national level. What we see from this table is that, out of a total of 394,272 households in Botswana according to the 2002/03 Household Income and Expenditure Survey (HIES), 211,403 were male-headed while 182,869 were female-headed. The average number of rooms of houses at a national level was 2.5, occupied by 1.7 persons per room, on average. Most of the housing occupation is by owners who built the houses for themselves, as opposed to having purchased or inherited them.

Table 2.3a Ownership of Housing Units by Gender and Region: National

Mode of Acquisition	Male	Female	Total	Average No. of Rooms	Person per room	Mean Cash Income
Purchased	3,235	2,033	5,267	3.3	1.3	9,084
Rent: BHC	6,480	4,296	10,776	3.2	1.1	6,159
Rent: Government	8,900	6,336	15,235	2.5	1.2	6,337
Rent: Individual	47,688	30,053	77,741	1.4	1.7	2,104
Rent: Other *	9,751	3,980	13,731	***	***	***
Inherited: (owner occupied)	6,694	7,215	13,909	2.5	1.5	1,161
Self-Built: (owner occupied)	103,614	116,234	219,848	2.9	1.8	1,467
Other **	21,541	7,684	29,226	***	***	***
Total Households	211,403	182,869	394,272	2.5	1.7	2,357

Notes: \*a - "rent , other" includes Renting from Council, from Company or from VDC (Village Development Committee);

\*\* - "other" includes free housing (e.g. job related housing);

\*\*\* Data not provided for "other " because this was a composite of more than one entry.

Source: Generated from Table 43, HIES Report, 2002/3.

Out of the self-built owner-occupied houses, more are by female-as opposed to male-headed households. In other words, most (63 percent) of all female-headed households at a national level live in self built houses, as opposed to 49 percent male-headed households. This is followed by rented from individuals, where more are the male-headed households who live in houses rented from individuals (22 percent), as opposed to female-headed households (16 percent). These would be houses that belong to other individuals, as opposed to the BHC, government, Councils, Companies etc.

When we examine the type of houses or households by income levels who occupy these houses, we notice that while the self-built owner-occupied houses have, on average, 2.9 rooms per house, those rented from individuals are smaller, at 1.4 rooms per house; actually, the houses that are rented from individuals are the smallest compared to all other types of accommodation. This shows us that in Botswana, while building houses for renting out is a popular form of wealth accumulation (almost 20 percent of all houses are rented from individuals, on average) these are relatively small houses. However, while these are the smallest houses on average, in terms of number of persons per room they are not the most crowded (1.7 persons per room as compared to 1.8 for self-built owner-occupied). A possible explanation for this is that those who occupy these houses could be mostly migrants from the rural areas, who come to the towns/cities for work; they are at low-income strata, but they do not come with their whole families, hence the less than overcrowding.

### 2.3.2 Housing at a Regional Level: Cities/Towns

At a regional level, we examine housing for cities and towns, urban villages and rural areas.

Table 2.3b Ownership of Housing Units by Gender and Region: Cities/Towns

Mode of Acquisition	Male	Female	Total	Average No. of Rooms	Person per room	Mean Cash Income (Pula)
Purchased	2,430	1,809	4,239	3.5	1.2	10,009
Rent: BHC	5,654	3,649	9,303	3.2	1.1	6,188
Rent Government	2,985	1,915	4,900	2.5	1.4	7,926
Rent: Individual	30,118	19,668	49,786	1.4	1.7	2,245
Rent: Other	8,015	3,043	11,058	***	***	***
Inherited	949	1,062	2,012	2.2	1.9	1,813
Self-Built	9,950	10,413	20,363	3.1	1.7	4,024
Other	5,629	2,267	7,895	***	***	***
Total Households	65,730	43,826	109,556	2.3	1.5	4,267

Notes: a - "rent, other" includes Renting from Council or from Company;

b - "other" includes Free housing (incl. job related);

\*\*\* Data not provided for "other because this was a composite of more than one entry.

Source: Generated from Table 37, HIES Report, 2002/3.

For the cities and towns, the situation on housing differs somewhat from that at the national level. This demonstrates that there is uneven distribution according to regions. Unlike at the national level where the most housing is from self-built owner-occupied, with cities and towns, most of the houses occupied are rented, from individuals. This confirms the speculation above that houses that are rented from individuals are by migrants from the villages, who come to the towns and cities for work. In the cities and towns, the proportion of households between male- and female-headed is 60 and 40 percent respectively; those who occupy rented accommodation from individuals are similar in proportions as between male- and female-headed households (30,118 out of 65,730, or 45 percent of male-headed households and 19,668 out of 43,826 or 44.9 percent of female headed households occupy houses rented from individuals).

In terms of self-built owner-occupied houses, again (as at the national level) the proportion is that more of the female-headed households occupy self-built houses (23 percent) as compared to male-headed households (15 percent). However, when we compare with the national average, we see that the self-built houses in cities and towns are somewhat bigger, at 3.1 rooms per house on average, as compared to 2.9 at the national level.

Another point about the cities and towns is that, as compared to the national average, a higher proportion of households live in houses rented from institutions such as the BHC and government. We can also show that out of all houses built by individuals to rent out (77,741), which is one form of wealth accumulation, 49,786

(64%) are in the cities and towns. These are small houses as demonstrated above, and the individuals who own them build to create income for themselves; they are rented most probably to migrants from the villages (both urban villages and rural areas) who come to the cities and towns to seek employment.

### ***2.3.3 Housing at Regional Level: Urban Villages***

Urban villages are distinguished from rural areas because they are bigger, are relatively more developed than the rest of the rural areas, and have larger populations.

The situation of housing for the urban villages is somewhat similar to that of the national average: about 68 percent of female-headed households live in self-built houses, where the average number of rooms is 3.3, even higher than that of cities and towns. On the other hand, about 56 percent of male-headed households live in these self-built houses. A higher proportion of male-headed households (24%) live in houses rented from individuals, as compared to female-headed households where 13.7 percent live in houses rented from individuals.

**Table 2.3c Ownership of Housing Units by Gender and Region: Urban Villages**

Mode of Acquisition	Male	Female	Total	Average No. of Rooms	Person per room	Mean Cash Income
Purchased	598	156	754	2.9	1.8	6,951
Rent: BHC	826	646	1,472	2.9	1.0	5,972
Rent Government	4,000	3,354	7,354	2.7	1.1	6,102
Rent: Individual	13,984	8,701	22,595	1.4	1.6	1,947
Rent: Other	2,175	3,042	5,218	***	***	***
Inherited: Owner occupied	2,212	2,968	5,179	2.6	1.4	1,295
Self-Built: Owner occupied	32,166	43,051	75,218	3.3	1.7	1,850
Other	2,010	1,522	3,531	***	***	***
Total Households	57,880	63,440	121,321	2.8	1.6	2,381

Notes: \*a - "rent, other" includes Renting from Council, from Company or from VDC (Village Development Committee);

\*\* - "other" includes Free housing (incl job related);

\*\*\* Data not provided for "other because this was a composite of more than one entry.

Source: Generated from Table 39, HIES Report, 2002/3.

### ***2.3.4 Housing at Regional Level: Rural Areas***

In the rural areas, as can be expected, there is less of renting, and more of owner occupied houses (self-built). This is followed by free housing. Renting, whether from individuals, the government or institutions is at a minimal rate. The average size of the self-built owner occupied houses, as measured by the number of rooms, are the smallest, at 2.6 compared to those of the cities and towns (3.1) and urban villages (3.3). Not only are the self-built housing units smaller in the rural areas, but they are more crowded, at 1.9 persons per room compared to 1.7 in the either the urban villages or cities/towns.

Again, more female-headed households (83 percent) occupy self-built houses as compared to male-headed households (70 percent).

Table 2.3d Ownership of Housing Units by Gender and Region: Rural

Mode of Acquisition	Male	Female	Total	Average No. of Rooms	Person per room	Mean Cash Income
Purchased	207	68	275	2.2	1.4	653
Rent: BHC	0	0	0	-	-	-
Rent Government	1,914	1,067	2,982	2.0	1.0	4,303
Rent: Individual	3,676	1,685	5,361	1.5	2.3	1,455
Rent: Other	3,063	2,932	5,995	***	***	***
Inherited: Owner occupied	3,533	3,185	6,718	2.5	1.5	861
Self-Built: Owner occupied	61,498	62,770	124,268	2.6	1.9	817
Other	5,555	3,896	17,798	***	***	***
Total Households	87,793	75,602	163,395	2.4	1.8	1,059

Notes: \*a - "rent , other" includes Renting from Council, from Company or from VDC (Village Development Committee);

\*\* – "other" includes Free housing (incl job related);

\*\*\* Data not provided for "other because this was a composite of more than one entry.

Source: Generated from Table 41, HIES Report, 2002/3.

It is also worth noting that in the rural areas, there are no BHC houses; the main form of rented accommodation is from individuals, government and Councils. The latter would be mostly primary school teachers, who are employed at Council level, and are provided by and large with accommodation. Otherwise, as already stated, most of the accommodation is in the form of self-built owner-occupied houses.

In conclusion regarding housing, we can say that on average most of the households live in self-built houses; while a substantial proportion build to rent out as well. Those who build houses to rent out would, most probably, own more than one house; they would be living in one, and renting out the other(s).<sup>2</sup> This is a form of wealth accumulation that has started to pick momentum in Botswana.

<sup>2</sup> It is possible for a landlord to own no more than one house, if they live in cheaper accommodation, for example, that which is provided by the employer.

Table 2.3e Tenancy of Housing Units, 1993/94

	<b>Urban %</b>			<b>Urban Villages %</b>			<b>Rural %</b>		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Own	6.78	8.00	7.21	69.81	80.52	75.70	82.87	85.77	84.25
Own/Levy	22.19	29.66	24.85	0.00	0.53	0.29	0.72	0.44	0.59
Levy	0.39	1.15	0.66	0.00	0.00	0.00	0.00	0.00	0.00
Rent	63.41	49.79	58.56	25.17	14.15	19.11	6.65	7.44	7.03
Rent-Free	7.23	11.40	8.71	5.02	4.79	4.89	9.76	6.35	8.13
Total	100	100	100	100	100	100	100	100	100

Source: Table 10, HIES 1993/94.

Table 2.3e shows us the type of housing that households had in 1993/94. Due to data limitations, we cannot present these according to the categories as of Tables 2.3 a-d; however, we make here inter-regional comparison for rented vis-à-vis owner-occupied housing; also by gender.

The categories of houses here are as follows:

1. Own;
2. Own/Levy. These would be houses that are owner-occupied and a levy is charged. These would therefore be mostly in the urban areas, where a levy is charged, for refuse collection and such other Local Municipality services as were charged;
3. Levy. These would be houses where a levy is charged, but the houses are not owner-occupied;
4. Rent, from whatever source; and finally
5. Rent-free.

As indicated by Table 2.3e, in urban centers (towns and cities), the majority of the households lived in rented property (63.41 % and 49.79 % for male-and female-headed households respectively). This is followed by those who live in their own property where they pay a levy. In the urban villages and rural areas, most of the housing is owner-occupied, and they do not pay any levy. This is followed by rented housing for the urban villages, and by rent-free for the rural areas. This shows that in the rural areas, rented accommodation was not popular. This situation has not changed much; households still live in their own houses in rural areas and urban villages, while in urban areas (towns and cities), they lived in rented accommodation. Due to data limitations, we cannot demonstrate whether there is any development from 1993/94 and 2002/03 in terms of wealth accumulation whereby individuals build houses to rent out.

In terms of gender, in urban areas as well as urban villages, more male-headed households lived in rented accommodation (63.41%), as compared to female-headed households (49.79%). By comparison, in rural areas, of the households which lived in rented houses, more were female-headed. In terms of house-ownership, in all regions more of the female-headed households lived in their own houses as compared to the male-headed households.

## 2.4 Sectoral Shares in National Income

This section discusses the shares in GDP: 1968/69 – 2005/06 for Agriculture, Manufacturing, Mining, and Banks, Insurance and Business Services. The employment creation of these sectors is also examined; this will shed light on how the economy has transformed over the years, and how that transformation impacted on labour and employment creation. Table 2.3a presents data to demonstrate how the economy transformed over the years since Independence in 1966. The data available is from 1968, 2 years after independence. Table 2.3b the presents data on employment creation by these same sectors. This demonstrates the nature of this transformation of the economy, whether it was driven, and continued to be driven by the agricultural sector, or whether transformation did take place, and the sectors that were instrumental in that transformation.

Inclusion of the General Government (Central plus Local Government) indicates the extent to which the government sector played a direct role in the economic development and structural transformation of the Botswana economy.

Table 2.4a Sectoral Shares in National Income: 1968-2005

Sector	Share In GDP <sup>a</sup>							
	1968/69	1975/76	1985/86	1990/91	1995/96	2000/01	2005/06	
Agriculture	45.3	24.0	5.5	4.4	4.1	2.2	1.8	
Mining	0.4	12.3	46.8	41.1	33.8	46.7	38.8	
Manufacturing	5.5	7.6	5.1	4.7	5.1	3.9	3.3	
Banks, Insurance & Business Services	6.8	6.6	6.0	7.7	11.4	9.2	10.4	
General Gov	18.6	13.3	13.5	13.9	14.9	13.1	16.6	

**Notes:** a - Shares do not add up to 100 because not all sectors have been included in this table e.g. Construction, Electricity & Water, Commerce, Transport & Comm.

**Source of Data:** Statistical Bulletins, several.

From Table 2.4a, it can be seen that at independence the economy of Botswana was highly Agriculture-based; Agriculture contributed 45 percent to GDP in 1968, 2 years after independence, while Mining contributed less than one percent, Manufacturing 5.5 percent, the Financial sector 6.8 percent and General Government 18.6 percent. After the discovery and mining of minerals, mainly diamonds in 1971/72, the table shows that in 1975/76, a transformation had started to take place, away from agriculture towards mining. Manufacturing did not change much, while the services sector also did not change. Because of the substantial rise in the contribution of mining to GDP, the General Government sector deteriorated, from 18.6 to 13.3 percent of GDP from 1968/69 – 1975/76.

Over the period 1968 -2005/06, Agriculture continued to decline significantly, to reach a low of less than 2 percent of GDP, while mining continued to gain ground in its contribution to GDP, reaching its high at 46.8 percent in 1985/86, before declining slightly, to 38.8 percent by 2005/06. Manufacturing showed a decline overall, from 5.5 percent of GDP in 1968 to 3.3 percent in 2005/06. The Services



sector, on the other hand, gained its share in GDP, from 6.8 – 10.4 percent of GDP in 1968 and 2005/06 respectively. The General Government sector also gained in its relative importance, especially after the discovery and mining diamonds and other minerals in 1975.<sup>3</sup> While in 1975 this sector contributed about 13 percent to GDP, by 2005 this had increased to about 10 percent. Table 2.3a therefore, shows us a transformation of the Botswana economy over the period under review, with Agriculture, and to a lesser extent manufacturing, declining, while the Services sector and the General Government sector increased their share of the national cake.

Table 2.4b presents sectoral shares in total employment, for the period 1972, when mining was beginning to gain momentum in Botswana, and 2005. From the selected sectors, the biggest employer was, and remained as the General Government sector. As noted above, this includes both central as well as local government (the civil servants as well as the teachers, nurses etc). At the beginning this was followed by Agriculture, then Services and Manufacturing.

Table 2.4b

Sector	Share In Total Employment (%) <sup>a</sup>						
	1972	1975/76	1985	1990	1995	2000	2005
Agriculture	11.7	7.4	3.4	3.1	1.9	2.2	1.9
Mining	4.1	7.9	6.3	3.9	3.5	3.0	3.1
Manufacturing	6.4	6.7	8.5	11.6	10.3	11.2	10.8
Banks, Insurance & Business Services	7.6	3.5	5.8	2.9	7.6	6.9 b	3.0
General Gov	24.7	25.9	39.0	31.1	36.9	39.6	40.6

**Source of Data:** Statistical Bulletins

Notes: a - Shares do not add up to 100 because not all sectors have been included in this table e.g. Construction, Electricity & Water, Commerce, Transport & Comm.

b - This sector includes Finance & Insurance + Real Estate & Business Activities

Over the years, Agriculture declined in not only its share in total output, as shown by Table 2.4a, but in employment as well. It should, however, be noted that this is *paid employment*, therefore does not include subsistence farmers, who work in their own farms for no pay. Nevertheless, the share of Agriculture in total employment declined from about 12 percent in 1972 to less than 2 percent in 2005. Manufacturing increased its share in total employment, from 6.4 percent in 1972 to 10.8 percent in 2005. Banks, Insurance and Business services experienced swings up and down, at around 3 percent, and Mining, the sector that dominated the economy in terms of output, at around 40 percent of total GDP, remained a relatively small contributor to total paid employment, at around 3 percent by 2005. This demonstrates the high capital intensity of mining in the economy.

<sup>3</sup> Other minerals include copper and nickel, which constitute about 12 percent of mineral exports.

## 2.5 Factors that Contribute to Income Inequalities

This section examines the factors that contribute to income inequalities: access to education at different levels; drop-out rates of males versus females at different levels, and how educational attainment affects income inequalities: males versus females.

Ownership of assets also contributes to income and wealth distribution. If the poor do not have access to land, or have limited access, this may deny them the opportunity to make a living. This is especially true in an agrarian rural economy, where the main source of living is agriculture.

### 2.5.1 Education And Income Distribution

- a *Income Distribution and Educational Levels*
- b *Gender and Educational Attainment at primary, secondary and tertiary level*
- c *Income distribution: Skilled versus unskilled labour*

Tables 2.5.1a, b and c present the relationship between income distribution and education levels of household heads. It is expected that the lower the education levels of household heads, the lower the household income. This is analyzed at the national level; then a comparison is made between cities/towns and rural areas. Educational attainment is presented for those who have never been to school, to those who have not been through any form of formal education, but have attained some education in a non-formal manner e.g. through evening classes, or adult literacy classes etc These would most likely not finish primary education; mostly they would attain basic education, such as to learn how to read, write and do basic counting.

Table 2.5a Income Distribution and Education of Household Head–National

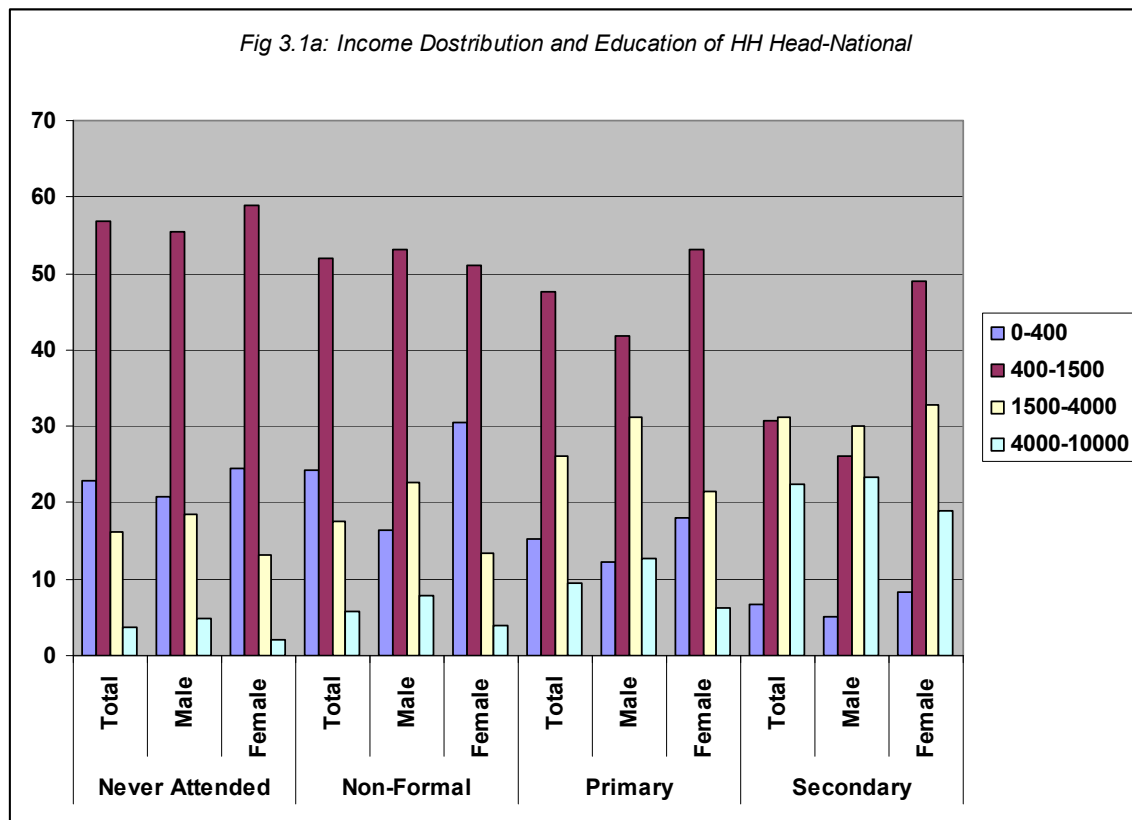
Disp. Income	Percentage											
	Never Attended			Non-Formal			Primary			Secondary		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
0-400	22.8	20.8	24.5	24.3	16.3	30.5	15.2	12.3	18.0	6.6	5.1	8.4
400-1500	56.9	55.5	59.0	51.9	53.2	51.0	47.6	41.7	53.1	30.7	26.1	49.0
1500-4000	16.2	18.4	13.2	17.6	22.7	13.4	26.1	31.1	21.4	31.3	30.1	32.8
4000-10000	3.7	4.9	2.0	5.7	7.8	4.0	9.4	12.7	6.2	22.5	23.3	18.9
10000+	0.4	0.4	0.4	0.5	0.0	0.1	1.7	2.2	1.3	8.9	13.4	3.5
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Generated from HIES 2002/03 Table 100

From Table 2.5a and Figure 2.5a, it shows that the proportion of household heads with less than P400 is highest for those with non-formal education and those who

have never been to school; it is low for those who have attained primary education, and lowest for those with secondary education. On the contrary, those who are in the income bracket P4000-P10,000 are mostly household heads who have attained up to secondary education.

An interesting point arises out of this data: it is not the poorest households who have no education at all; it is mostly those who are in the next income bracket of P400-1500, who have either no education, or have gone only up to primary school. This pattern is maintained for the rural areas as well as cities/towns as it is at the national level.



We also observe a rise in the proportion of households in the higher income bracket as educational levels rise: while only 3.7 percent of households who have never attended school are in the higher income bracket of P4000-P10,000, 22 percent have attained secondary education. From this, we can say that while educational attainment does not ensure a rise in income, since even with secondary education, we still find some households who are in the lowest income brackets, but higher incomes are attained by those with higher education levels. In other words, it can be argued that education is a necessary but not sufficient condition for higher income.

Table 2.5b Income Distribution and Education of Household Head–Cities/Towns

Disp Income	Percentage											
	Never Attended			Non-Formal			Primary			Secondary		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
0-400	10.5	5.5	19.4	24.4	14.7	36.1	7.0	4.3	11.0	3.7	2.7	4.9
400-1500	52.8	52.2	53.5	40.6	54.8	23.5	44.4	40.8	49.7	29.2	24.9	35.7
1500-4000	26.3	30.5	19.1	23.6	22.6	24.8	32.7	35	29.3	28.9	28.2	29.8
4000-10000	9.3	11.0	6.2	7.6	8	7.2	12.7	15.3	8.9	25	26	23.7
10000+	1.1	0.8	1.8	3.7	0.0	8.2	3.1	4.4	1.0	13.3	18.3	6.1
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Generated from HIES 2002/03 Table 97

While the patterns described above for the national level extend even to Cities and Towns, there are some slight variations in the magnitudes. In the Cities and Towns, the proportion of those with no education, but who are in the high income brackets, is higher than at the national level: 9.3 percent of those with no education are in the income bracket of P4000-P10,000, as compared to 3.7 percent at the national level. Needless to say, in the rural areas, this proportion of those with no education but at that higher income bracket is even lower than at the national level, at 2.2 percent. What this is saying is that in cities and towns, households with no education find it easier to attain high income levels, as compared to the rural areas. They manage to find means of taking themselves out of poverty relatively more than those in the rural areas; which could also be interpreted to say that there are greater opportunities to become relatively well off in towns and cities as compared to in rural areas.

Table 2.5c Income Distribution and Education of Household Head–Rural Areas

Disp Income	Percentage											
	Never Attended			Non-Formal			Primary			Secondary		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
0-400	26.4	26.1	26.9	30.0	21.1	36.0	21.0	20.4	21.6	11.6	10.5	12.9
400-1500	59.9	58.9	61.4	55.4	65.3	48.7	52.9	49.7	56.0	37.1	33.3	41.5
1500-4000	11.3	11.5	11.0	14.6	13.6	15.2	19.5	21.3	18.0	31.6	28.2	35.7
4000-10000	2.2	3.7	0.4	0.0	0.0	0.0	5.8	8.2	3.6	14.9	19.6	9.0
10000+	0.1	0.0	0.3	0.0	0.0	0.0	0.5	0.0	1.0	2.3	3.6	0.6
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: Generated from HIES 2002/03 Table 99

Another point of interest arising from Tables 2.5a, b and c is the differences between incomes of male versus female headed households and education. In all categories of educational attainment, it is more of the female- than male-headed households who are in the lowest income bracket of up to P400. On the other hand,

of those in the high income bracket of P4000-P10,000, in all categories of educational attainment, more of those are the male-headed as opposed to female-headed households.

What the data of Tables 2.5a, b and c have shown us is that education does contribute to inequalities in Botswana: the higher the income bracket, the higher the level of education of household heads.

### 2.5.2 Educational Attainment and Employment Status

Having examined how educational attainment affects incomes of households, this section looks at how educational attainment of the household heads affect their employment status. The expectation is that the higher the educational attainment, the higher the chances of securing paid employment. The concept of paid (cash) employment arises from the fact that sometimes remuneration from employment could be in the form of payment in kind e.g. food, clothes, shelter etc. Clearly, employees benefit more from cash remuneration rather than payment in kind. Another issue about employment is that it could be self-employment; and if there are no employees, chances are this is a very small business, which brings in very little income for the households.

Table 2.6a: Economic Status of HH Heads and Level of Education (National)

Economic Status	Level of Education				
	Never Attended	Non-Formal	Primary	Secondary	Total
Employee – paid cash	32,600	2,830	55,166	106,721	197,317
Employee-Paid in kind	613	0	98	75	786
Self-Employed, no employees	7,835	608	12,339	4,750	25,531
Self-Employed, with Employees	882	223	3,320	4,539	8,964
Worked in Own Cattle post /Farm	21,531	896	12,122	1,468	36,017
Total	67,414	5,034	91,228	125,972	289,648
% in Paid Employment	49.3	56.2	60.6	84.8	68.4

Source: HIES 2002/03 Table 108

According to Table 2.6a, at the national level about 68 percent of the economically active household heads who have gone from zero to secondary education were in paid employment. The remainder would be those in self employment, or working at their own lads (agrarian agriculture) or taking care of their own cattle. What also comes out of the table is how education impacts on employment status: that the higher the educational attainment, the higher the proportion of those in paid employment. Hence while out of those who have never been to school, only 49 percent were in paid employment, this ratio increases to 84 percent for those who had gone up to secondary school.

When we disaggregate this for the cities/towns vis-à-vis the rural areas, the range narrows between paid employment of those who had never gone to school with those who had gone up to secondary school, at 79 and 87 percent respectively (Table 2.6b). In other words, in the towns/cities, of those who had not gone to school, as much as 79 percent were in paid employment, as compared with 49 percent at the national level. Clearly this means the range is even wider for the rural areas; at 42 and 78 percent respectively for those in paid employment with no education and secondary education, respectively Table 3.2c).

Table 2.6b: Economic Status of HH Heads and Level of Education (Cities/Towns)

Economic Status	Level of Education				
	Never Attended	Non-Formal	Primary	Secondary	Total
Employee – paid cash	7,330	894	22,849	52,850	83,924
Employee-Paid in kind	65	0	0	75	140
Self-Employed, no employees	1,323	83	3,178	2,307	6,890
Self-Employed, with Employees	168	107	1,215	2,395	3,885
Worked in Own land/Cattle post	0	0	123	166	289
Total	9,344	1,157	28,908	60,836	100,244
% in Paid Employment	79.1	77.3	79.0	87.0	83.9

Source: HIES 2002/03 Table 105

Table 2.6c: Economic Status of HH Heads and Level of Education (Rural Areas)

Economic Status	Level of Education				
	Never Attended	Non-Formal	Primary	Secondary	Total
Employee – paid cash	17,793	1,132	15,983	18,091	52,998
Employee-Paid in kind	548	0	98	0	646
Self-Employed, no employees	3,210	95	4,397	902	8,604
Self-Employed, with Employees	349	0	1,222	728	2,299
Worked in Own land/Cattle post	19,465	745	10,317	1,035	31,562
Total	43,393	2,296	35,769	23,144	104,600
% in Paid Employment	42.3	49.3	45.0	78.2	51.3

Source: HIES 2002/03 Table 107

From this data, we can state that, educational attainment did improve one's employment potential, in particular paid employment. This is especially true in the rural areas than the towns and cities. What this means is that at the rural areas, if household heads did not acquire any form of education, this reduced their chance of getting paid employment, and they end up taking care of their own cattle or lands.

## 2.6 Government Policies and Inequalities

This section reviews the government policies that address inequalities in Botswana. The second Development Plan (NDP 1973-78) outlined one of the key policy objectives as:

To promote an equitable distribution of income, by reducing income differentials between the urban and the rural sectors through rural development (NDP 1973-78).

Rural development therefore, was given priority in the ensuing development plans and budgets. This took the form of rural infrastructure development e.g. electrification, water, roads, health, education etc.

However, more immediate interventions by government were in the area of employment creation. Policies were put in place to address the issues of employment creation, some with a bias towards employment creation in rural areas, and/or for women.

### 2.6.1. Government Policies and Employment Creation

A key attempt at reducing inequalities remains that of job creation. To this end, government policies to date that focused on job creation were: the Financial Assistance Policy (FAP), which was launched in 1982. This was designed to assist private businesses by offering *grants*. Businesses that received assistance were basically those in manufacturing, some agriculture, small scale mining, mineral processing activities, service industries and tourism. The idea was not only to enhance employment creation, but also to diversify the economy away from mining and beef production. Businesses were categorized as small (defined as those with investment in fixed assets amounting to not more than P75,000), medium (between P75000-2,000,000) and large (assets over P2million),<sup>4</sup> and the level of assistance differed according to the categories. While assistance for the small scale enterprises was exclusively for citizen-owned, for medium and large scale, foreign owned and joint ventures could be assisted with the grants.

To focus on employment creation, grants were linked to the number of jobs created: for instance, medium and large businesses were given a capital grant of P1000 pre job created for non-citizen owned businesses or joint ventures, and P1500 per job created for 100% citizen-owned businesses. Businesses were also given grants according to whether they were located in urban versus rural areas: 40% of total fixed investment was given if located in urban areas; 50 % if in peri-urban areas, 65 % if in rural east of Botswana, and 85% if in rural west. Businesses were also given grants for spending on training. They were also reimbursed for employing unskilled labour (they were reimbursed the unskilled labour wage bill: 80 % in the first 2 years, 60 % in the 3<sup>rd</sup> year, 40% in the 4<sup>th</sup> year and 20% in the 5<sup>th</sup> year). All these

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<sup>4</sup> These figures were after revision upwards, to take of inflation etc.

were aimed at not only employment creation, but in particular employment of unskilled labour. The policy also focused on rural versus urban businesses, in an effort to enhance rural development; it also gave more grants to female than to male entrepreneurs.

As can be seen, the FAP was a cascading grant, over a period of 5 years. The effect was that businesses *were* set up, foreign firms *did* invest in the country, and jobs *were* created. But after the 5 year period was over, businesses would wind up and leave. There was wide-spread abuse of the scheme,<sup>5</sup> and lack of commitment on the part of the entrepreneurs, to see their businesses continue beyond the 5 year period of assistance. An evaluation of the FAP (the 4<sup>th</sup> evaluation) revealed a high failure rate especially among small scale FAP-assisted businesses: about 75 percent of the small-scale FAP projects did not survive beyond the 5 year period of assistance; while for medium scale projects the failure rate was 45 percent, and 35 percent for large scale FAP-assisted projects.

Another policy measure to assist with inequalities was the Small, Medium and Micro Enterprises (SMME) programme, launched in 1998. This scheme was solely to assist citizen small scale enterprises, with capital. Unlike with the FAP, SMME was a subsidized loan scheme. Not only were they assisted with capital, they received monitoring as well as mentoring, to enhance the entrepreneurship amongst the small-scale potential entrepreneurs. This scheme also could not continue because of a very high failure rate at servicing the loans.

As a result of the failure of both the FAP and SMME, government introduced, in 2001 an autonomous institution to assist citizen enterprises: the Citizen Entrepreneurial Development Agency (CEDA). The main aim was to develop entrepreneurial and managerial skills. The scheme is currently running. It is mainly earmarked for citizens, but joint ventures with foreign investors can also get access to CEDA funding. What CEDA does is to offer loans at highly subsidized interest rates. Again, businesses are categorized as small, medium and large, and the small businesses get higher levels of subsidies of interest rates.

By 2006, CEDA had approved loans amounting to P819 million, covering 1,468 projects with jobs created at 8,913 (BOB 2006). The survival rate of the CEDA funded projects, defined as businesses that survive beyond 3 years, has been estimated at 67 percent. It is felt that the full impact of CEDA will be felt only in the long run, when most of the funded projects have matured.

### ***2.6.2 Government Policy on Low Income Housing***

Botswana government has a scheme to address the housing needs of the poor, or low income earners. This is called the Self-Help Housing Agency (SHHA). This scheme was designed originally to cater for housing for the low income earners in

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<sup>5</sup> Some of the abuse was in the form of citizens fronting for non-citizens, so as to get more grant, females fronting for males etc.



urban areas; in recognition of the fact that in urban areas shelter tended to be in the form of temporary shelters, with no sanitation, and basic infrastructure. Those who qualified for assistance under this scheme would be within the low income bracket of the 1<sup>st</sup> – 49<sup>th</sup> percentile (NDP 1985-91). They were assisted with funds up to a certain amount, to construct a housing unit. The minimum housing standard unit is what has come to be referred to as a 2 ½, which is 2 rooms plus a toilet/shower (the ½ room). The current figure is P20,000 (the figure has not been adjusted for inflation for some time now), to construct such a unit. By the time of the National Development Plan of 1997/98-2002/03 (NDP 8), SHHA had provided housing for around 2/3 of all urban households; and this had, to a large extent, averted the incidence of urban squatters.

In 2001/02, the government rolled out the SHHA scheme to the rural areas (Budget Speech, 2001). By end of December 2003, 4,761 households in the rural areas had benefited from the scheme. To date, SHHA is the single most important scheme to assist the low income households with shelter. The demand for the scheme far outweighs the supply, due to capacity constraints on the side of government to service applications for SHHA assistance.

### ***2.6.3 Privatization and Income Distribution***

Privatization is one policy initiative that governments adopt in an effort to primarily enhance efficiency; but also, for some countries, raise government revenue by selling government assets. In Botswana, privatization was started with a target to enhance efficiency, and therefore competitiveness (Privatization Policy for Botswana, 2000).

Despite its seemingly noble objectives, privatization has come to be associated with loss of jobs, as enterprises move from being state-owned to private-owned. When an enterprise moves from being state-owned to being a private entity, it becomes more inclined towards minimizing costs, thus improve on efficiency; and one of the ways to achieve this is by reducing on the manpower engaged in producing. Needless to say, job losses mean greater inequalities. This section examines the privatization policy of Botswana vis-à-vis the potential job losses.

The privatization exercise is still at its infancy in Botswana: no divestitures have yet taken place. However, the privatization Policy was launched in 2000, and a Masterplan has been drafted, that looks at what will be privatized, when and how.

According to the Privatization Policy, any job losses that may result from privatization mean that the enterprise was overstaffed in the first place. It therefore recognizes that correcting for that overstaffing would inevitably result in job losses. However, given that the exercise of privatization *should* result in greater efficiencies, the job losses would only be short-term, and the inevitable economic growth as a result of greater efficiency would mean jobs are created in the long run. Nevertheless, to ameliorate the impact on employees as a result of privatization, policy focus would be on:

- Negotiated redundancy packages;
- A programme of training and skill-re-orientation, to facilitate the absorption of retrenched employees in other trades;
- Retrenched employees to be given priority in schemes designed to promote self-employment;
- A proportion of shares from divestitures to be offered to employees, with payment for these on deferred terms.

As stated above, privatization has not fully kicked off in Botswana yet. A number of state enterprises have been earmarked for privatization: e.g. Air Botswana, National Development Bank, Botswana Telecommunication Corporation etc. The extent to which the privatization of these public enterprises will result in job losses can only be examined ex post.

#### ***2.6.4 Income Tax and Inequalities***

This sub-section examines the tax policy of Botswana: the trends over time, and its potential impact on income distribution: the extent to which government has used income tax to re-distribute incomes.

Over the years, the Income Tax policy has focused on adjusting income tax, to take account of inflation, to adjust the minimum tax bracket i.e. the income threshold below which income earners are not liable to income tax. In 1994, personal income tax was adjusted, with the top marginal tax rate for individuals reduced from 40-35%; and from 35-30% in 1995 and 25% in 1997. This was meant mainly to align the personal income tax to company tax, which in 1994 had been reduced from 30-25%, in an effort to create competitiveness in the region for investment. However, as can be seen, the effect was to reduce the income tax burden for those in the upper income bracket.

Nevertheless, meanwhile the threshold was increased from P10,000-12,500 in 1994, from P12500-15000 in 1995 and from P15000-20000 in 1997. In 2001, the threshold was raised again to P25000, and the bands were also broadened. These increases in thresholds, plus widening of bands were done as a redistributive measure, to increase the disposable income of those in the lower income brackets.

In 2002, government replaced the general sales tax, which had been charged on selected commodities, with a Value Added Tax (VAT), at a flat rate of 10 percent. Exemptions of the VAT are on commodities such as education services, financial services, accommodation and services of public medical facilities. Again, this is meant to reduce the impact on those commodities that are mainly consumed by those in the lower income brackets e.g. public health services. It can, however, be argued that the VAT is a regressive form of tax, in that it affects consumers of all income brackets, as it still captures most of the commodities, including basic consumer goods such as basic food items.

## 2.7 Sources of Income of the Poor and Coping Strategies<sup>6</sup>

### 2.7.1 Sources of Income

This section examines how the poor make their living: through employment or self-employment, whether they are engaged in formal or informal sector activities. The section demonstrates how the main source of income for the poor is from gifts and payment in kind, while for those in higher income brackets, it is from cash payments. A substantial proportion for the lower income earners is from informal sector activities. This points to the whole employment problem facing developing countries in general, and Botswana in particular, that the poor are those who, by and large, cannot find formal sector jobs, and therefore have to find alternative means of survival.

In Botswana, the majority of the poor in the rural sector are engaged in subsistence agriculture, but the problem here is that they are faced with an unfavourable semi-arid climate of poor and erratic rainfall. The government steps in from time to time, to alleviate the impact of drought on the subsistence farmers, by introducing drought relief measures for the subsistence farmers to have alternative means of livelihood. Tables 3.2a, b and c above pointed to the economic status of those in the lower income brackets as being mainly engaged in traditional agriculture, taking care of their own lands or cattle; especially in the rural areas.

Tables 2.7a, b, c and d present sources of income according to the various income categories, at the national level, as well as according to the different locations: towns/cities, urban villages and rural.

Table 2.7a: Sources of Gross Income as Percent of Gross Income (National)

	<200	200-400	4000-6000	6000+	Total
Business Profit	3.77	3.28	6.61	7.55	<b>6.73</b>
Cash Income (Gross)	47.80	52.78	93.35	94.56	<b>88.23</b>
Own Produce Consumed	16.75	18.38	1.29	0.98	<b>3.23</b>
Wages in kind	0.00	0.02	1.61	2.19	<b>2.04</b>
Gifts received	13.48	14.40	2.54	1.88	<b>4.03</b>
School Meals	18.15	10.77	0.95	0.37	<b>1.58</b>
Income in kind	52.20	47.22	6.65	5.44	<b>11.77</b>
<b>Gross Income</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Extracted from Table 87, HIES 2002/03

At the national level, we see that for the lowest income bracket, of less than P200, the biggest proportion of income is payment in kind i.e. non-cash payment (52.2%). This is followed by cash income, at 47.8%.<sup>7</sup> For the highest income bracket, on the other hand, the biggest source of income is cash income, at 94.56%. This is to be

<sup>6</sup> Coping strategies of the poor is not dealt with in this chapter, as it is dealt with in another chapter (by Dolly Ntseane).

<sup>7</sup> Notice that the figures do not add up to 100%. This is because some of the items are further broken into smaller categories e.g. wages in kind, gifts received, school meals (and others) all make up income in kind.

expected, as the low income earners are mostly either not in paid employment, therefore rely on gifts, school meals for the school children, wages in kind, all of which were used to calculate “income in kind”.

When we narrow this down to examine for the different locations, for the cities and towns, we see income in kind constituting 24.8 percent; which indicates a much reduced reliance on non-cash income for town/city dwellers. There is greater reliance on cash income instead, at 75 percent. For the high income bracket, reliance on income in kind is only 2.7 percent while 97 percent rely on cash income.

Table 2.7b: Sources of Gross Income as Percent of Gross Income - (Cities/Towns)

	<400	400-600	8000-10000	10000+	<b>Total</b>
Business Profit	7.02	5.91	4.49	5.92	<b>5.76</b>
Cash Income (Gross	75.22	89.46	80.06	97.30	<b>95.67</b>
Own Produce Consumed	1.79	1.38	0.05	0.06	<b>0.20</b>
Wages in kind	0.25	0.10	2.79	1.73	<b>1.77</b>
Gifts received	12.66	4.62	0.85	0.70	<b>1.46</b>
School Meals	9.07	4.14	0.47	0.22	<b>0.14</b>
Income in kind	24.78	10.54	4.29	2.70	<b>4.33</b>
<b>Gross Income</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Extracted from Table 81, HIES 2002/03

In the rural areas, 67 percent of those in the low income bracket rely on income in kind, while only 33 percent have cash incomes. On the upper income bracket of P2000+ (lower than the upper bracket for towns and cities, of P10000), 16.6 percent rely in income in kind, and 83 percent on cash income. An interesting comparison is with the income bracket of up to P200 for the rural areas vis-à-vis the urban villages: while in the urban villages, those in that income bracket who rely on income in kind were 45 percent, in the rural areas this ration is more than that, at 53.9 percent for P100-200; still high even if we exclude the lowest bracket of less than P100, a classification that does not exist for the other locations.

Table 2.7c: Sources of Gross Income as Percent of Gross Income – Urban Villages

	<200	200-400	3000-4000	4000+	<b>Total</b>
Business Profit	3.07	4.39	5.43	8.55	<b>7.47</b>
Cash Income (Gross	54.70	67.63	88.46	93.40	<b>89.48</b>
Own Produce Consumed	6.18	4.79	1.69	1.09	<b>2.02</b>
Wages in kind	0.00	0.00	3.56	1.86	<b>1.71</b>
Gifts received	5.67	11.50	4.13	2.88	<b>4.12</b>
School Meals	27.99	11.63	1.60	0.69	<b>1.96</b>
Income in kind	45.30	32.37	11.54	6.60	<b>10.52</b>
<b>Gross Income</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Extracted from Table 83, HIES 2002/03

What this shows us is a disparity between the rural and the other locations. In the rural areas there is greater reliance on income in kind, even for similar income brackets. Perhaps this can be explained by the greater reliance on gifts, mostly from relatives who have migrated to work in the towns/cities. This reliance would be less for the urban villages, perhaps to explain less migration from these to the cities, seeing as the push factors out of the urban villages (lack of job opportunities) would be less than from the rural areas.

Table 2.7d: Sources of Gross Income as Percent of Gross Income - Rural

	<100	100-200	1500-2000	2000+	<b>Total</b>
Business Profit	3.14	4.43	9.70	10.00	<b>7.73</b>
Cash Income (Gross	33.09	46.13	68.15	83.40	<b>71.53</b>
Own Produce Consumed	27.79	21.41	13.77	5.22	<b>10.94</b>
Wages in kind	0.00	0.00	3.53	3.72	<b>3.01</b>
Gifts received	14.85	16.44	9.78	5.56	<b>9.09</b>
School Meals	19.41	12.50	2.34	1.03	<b>2.76</b>
Income in kind	66.91	53.87	31.85	16.60	<b>28.47</b>
<b>Gross Income</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Extracted from Table 85, HIES 2002/03

## 2.8 Conclusions

This chapter has reviewed the inequalities that exist in Botswana: as they affect female versus male household heads; rural versus towns and cities, as well as urban villages. We also reviewed what seemed to be the contributing factors to the income inequalities: education, employment, ownership of wealth (cattle, sheep, goats as well as housing).

Part of the explanation for the inequalities is low education, for both female as well as male headed households. From the analysis, whether households had never been to school at all, or had had access to only non-formal education did not seem to make a difference to their incomes. This was especially true for female headed households: those in the lowest income brackets had had access to non-formal

education. On the other hand, those who had had access to secondary education, seemed to have had better incomes, than even those with only primary education.

Therefore, we can conclude that, for education to be meaningful to income earnings, there is need to go beyond primary schools, to secondary schools. Education is especially important for town and city dwellers, as opposed to those in the rural areas. This is presumably because in the rural areas, there is lack of employment opportunities; whether one has gone to school or not does not make much difference to whether they will get a good job or not.

On the issue of gender of household heads, we found that they are less educated, and are less paid than their male counterparts, even at equal levels of education. For instance, According to Tables 3.1b and c, while in the upper income bracket of P10000+, male headed households who have had secondary education were 18 percent, and for female heads, those who had had secondary education in this income bracket were only 6 percent of all female heads with this level of education. On the other hand, for this same level of education, 25 percent of male heads were in the lowest income brackets of P0-400, while 36 of the female heads were in this lowest income bracket. This indicates inequality according to gender.

When we examined wealth distribution, where wealth is in the form of livestock ownership, we found that the cattle wealthy households need not be income wealthy: even the income-poor can be cattle wealthy. In terms of distribution, however, there are marked inequalities in cattle ownership: the income-poor, on a whole, are also cattle-poor, with about 80 percent of households in the lowest income bracket of less than P200 income owning less than 10 head of cattle. For goats ownership, the distribution is more skewed in favor of the higher income brackets.

Overall, therefore, this chapter has shown the high inequalities in income and wealth distribution, and presented arguments for the factors that seemed to have contributed to these inequalities.

Government efforts to reduce the inequalities have focused mainly on employment creation, and perhaps to a lesser extent, on rural development. The focus on gender and inequalities does not seem to have had much attention. Thus, while emphasis has been placed on education, this has not adequately translated into gender and education, and gender and income inequalities. Hence conspicuous pockets of inequalities exist in income according to gender of household heads, even with equal access to education.

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