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Stanbic Bank Quarterly Economic Review, Fourth Issue 2020

This last issue for 2020 of the Stanbic Bank Botswana Quarterly Economic Review carries two articles. The first article examines the economic context of the 2020 State of Nation Address (SONA). It assesses and confirms that this year's SONA is set against the most challenging economic and health environment owing to the coronavirus (COVD-19) pandemic. It also looks at the COVID-19 response measures set by Government. The other article considers the informal sector and unemployment in the context of COVID-19. The key messages of the publication is that the pandemic has increased the vulnerability of the youth as they have limited emergency savings, medical insurances and have no pension and that the majority of workers in the informal sector are at risk of over-indebtedness while some are unable to pay their rents, in addition to loss of income and the need for emergency subsidies. Beyond these, it notes that COVID-19 pandemic has quickly revealed the vulnerability of informal sector workers who are neither visible in social protection programs nor protected by formal sector employment, even though they make up the majority of workers in an economy. This is a significant gap in the social protection system. Also, it is unclear how soon informal workers will bounce back, and if (or when) they do, whether they will do so fully or partially.

THE 2020 STATE OF THE NATION ADDRESS

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Introduction

In November 2020, his Excellency, Dr. Mokgweetsi E.K. Masisi, the President of the Republic of Botswana, delivered to the first meeting of the Second Session of the Twelfth Parliament the 2020 State of the Nation Address (SONA). This year's SONA differs from the previous ones in that it is premised upon an extremely challenging economic and health environment. This is occasioned by the Coronavirus (COVID-19) pandemic. Its adverse impact of human lives and productive sectors of the economy including, mining, manufacturing and tourism is enormous. The SONA's key messages are that the Government's not only remains committed to fighting this scourge and steadfast in its promises to creating jobs particularly for the youth, but, is also focused more sharply on promoting Botswana's digitisation, providing quality education and ensuring that Batswana have reliable electricity, water, roads, hospitals and schools.

Spill overs of COVID-19

The SONA was prepared at the time when the global economy showed signs of slowly crawling out from the depths to which it plummeted during the Great Lockdowns that were imposed by virtually all countries in order to control the spread of coronavirus. With COVID-19 cases continuing to accelerate, reaching 64.6 million cases and 1.49 million deaths, many countries have slowed the reopening of their economies while some are reinstating partial lockdowns to protect susceptible populations. In fact, with the onset of the second wave of the virus, the recovery in 2021 is now doubtful.

[1]Hereafter, the term COVID-19 is used interchangeably to refer to the virus, the disease or the epidemic outbreak.

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In just over a century, the world has seen major viral outbreaks in the form of the 1918-19 Spanish flu, the 2003 SARS outbreak in East Asia, and the 2014-16 Ebola epidemic in West Africa.). Just like other public health crisis, Corona virus has not only had severe impacts on health but has also had negative and damaging effects on the global economy (see Table 1).

Table 1

	No. of Countries	Duration in months	Number of cases	Number of deaths	Fatality rate	GDP Loss
Spanish Flu (1918-19)	187	24	500 million	17-50 million	3-10%	6-13%
SARS(2003)	8	6	8,096	774	10%	0.5-1%
Ebola(2014-16)	3	26	28,616	11,310	40%	5-20%
Coronavirus(2020-)	184		64.6 million	1.4 million	4%	5-8% (World Economy)

Figure 1: COVID-19 cases by country

Source: Center for Systems Science and Engineering (CSSE), Johns Hopkins University

1 See the COVID-19 Dashboard at https://coronavirus.jhu.edu/map.html

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SONA rests on gloomy global economic outlook

COVID-19 has triggered a global crisis like no other- a global health crisis that, in addition to an enormous human toll, is leading to the deepest global recession since the Second World War. While the ultimate growth outcome is still uncertain, the continued increase in the number new cases comes with renewed challenges. The pandemic has resulted in output contraction across many economies. In June 2020, the World Bank projected that the global economy will shrink by between 5.2% and 8% in 2020. On the other hand, the latest estimates from the International Monetary Fund (IMF)'s World Economic Outlook (WEO) suggest that the global economy will shrink by 4.4%. The WEO further projects a rebound of the global economy in 2021. Forecast from the WEO suggests that the global economy will rebound in 2021, with the global economy returning to positive growth rate of about 5.2% while Sub Saharan Africa is expected to reach economic growth rate of about 3.1%. While the current estimates paint a rosy picture about the future economy, the persistent rise in coronavirus cases pose the biggest risk to global economy rebound recoveries. The world economy might have to wait another 6 months before a vaccine can offer substantial relief.

Outlook for domestic economy gloomy

Botswana's economy was not isolated from the effects of corona virus pandemic. As of the 2nd December 2020, Botswana reported about 10, 742 coronavirus cases, 7, 912 recoveries and 34 deaths. Despite, Botswana being amongst countries with the lowest number of cases, the effect of coronavirus on its economy is expected to be huge and long lasting. Data from Statistics Botswana shows that the Botswana's economy has been badly hurt by the lockdowns and social distancing measures implemented by the government to curb the spread of the disease. Projections of the potential COVID-19 impacts on Botswana's economy for the 2020 vary widely. However, there is a broad agreement that the Botswana's economy will shrink given the sudden production shutdown in critical sectors of the economy and the resulting income loss in the informal and SMME sector, combined with adverse effects on financial markets, consumption and investment confidence. In his State of the Nation Address (SONA) 2020, the President of Botswana, stated that the Botswana's economy is expected to contract by 8.9% in 2020. The slow growth in the Botswana's economy is attributed to an expected sharp contraction in major sectors such as mining (-24.5%), trade hotels and restaurants (-27.4%),

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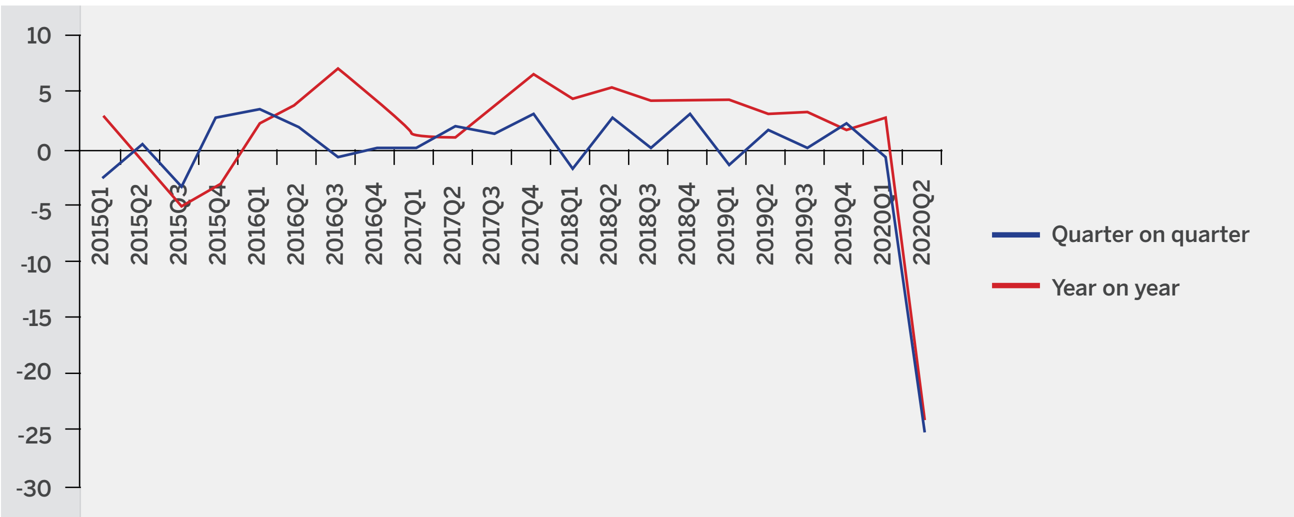
construction (-6%), manufacturing (-3.9%) and transport and communications (-2.5%). The government of Botswana projections suggest a much larger contraction than the initial -5.4% estimates of the IMF and the Moody's projection of -7%.

However, estimates from the World Bank and other economists paint a much bleak future for the Botswana economy. The latest report by the World Bank of October 2020, projects Botswana's economy to shrink by at least 9.1% in 2020. A New Dawn Unleashed amid COVID-19 report by Botswana Stock Exchange projects a much larger contraction of between 14.7% and 19.5%. The report projects that the COVID-19 will have a much larger impacts on the key sectors of the economy, more specifically the diamond and tourism sector. It is envisaged that the mining sector will contract by at least 45% while the tourism sector will shrink by a much larger magnitude of at least 55%. Both external and fiscal pressures will become prominent in 2020, with the overall deficit expected to double from 4% of GDP in 2019 to about 8% this year.

According to the latest national accounts' data – Gross Domestic product: Second Quarter of 2020, released by Statistics Botswana in September 2020, at P18, 848.7 million, the domestic economy shrank 24% year-on-year in the second quarter of 2020, down from a positive growth rate of 2.6% in the first quarter of 2020.

Figure 2



The steep reduction in the economy was mainly due to contractions in the critical sectors of the economy such as mining (-60.2%), trade hotels and restaurants (-40.3%), construction (-36%)

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and transport and communications (-16.9%). In contrast, Government, Agriculture and Water and electricity grew sharply in the second quarter of 2020 (see Table 2). Agricultural activity grew by 3% from 0.3% in the first quarter of 2020, mainly boosted by crops (2.1%) and horticultural farming (3.1%). On quarterly basis, the GDP plunged at a record 24.8%, following a downward revised 0.8% fall in the previous quarter.

Table 2: Percentage change in Gross Value added by kind of activities

Sector	GDP growth rate (%)	Sector	GDP growth rate (%)
Agriculture	3	Finance	-11.9
Mining	-60.2	General government	2.1
Manufacturing	31.3	Social and personal services	-13.3
Water & electricity	0.3	Value added	-25.6
Construction	-36.0	Taxes on imports	5.9
Trade, hotels and restaurant	-40.3	Other taxes on products	-25.4
Transport and communication	-16.9	Subsidies	5.3

Source: *Statistics Botswana*

Depletion of foreign exchange reserves

Clearly, the weak global demand due to heightened trade restrictions and change in consumer demand and perceptions due to COVID-19 is expected to have huge impact on Botswana's export earnings. Botswana's export basket is highly characterised by mining activities, with the diamond sector accounting for an average of 80% of total goods exported between 2010 and 2018. An immediate impact of COVID-19 on export earnings was a 65% fall in rough diamond sales in February 2020 compared to the previous month, as diamond demand slumped following the virus outbreak. Following the measures put in places worldwide to contain the spread of COVID-19, 3 sights have been cancelled and it is projected that mineral revenue loss will at least P20 billion in 2020/21.

The weak trade stance of Botswana is expected to be echoed in the country's foreign exchange reserves. At US $5420, Botswana's foreign exchange reserves equalled 11 months of import cover in August 2020. Botswana's foreign exchange reserves were at lowest in March 2020. Following the virus outbreak, the reserves have been on a falling trend, contracting 15% in March compared to December 2019. The low levels of foreign exchange reserves imply that Botswana find itself in a weak position to defend itself from the ravaging COVID-19.

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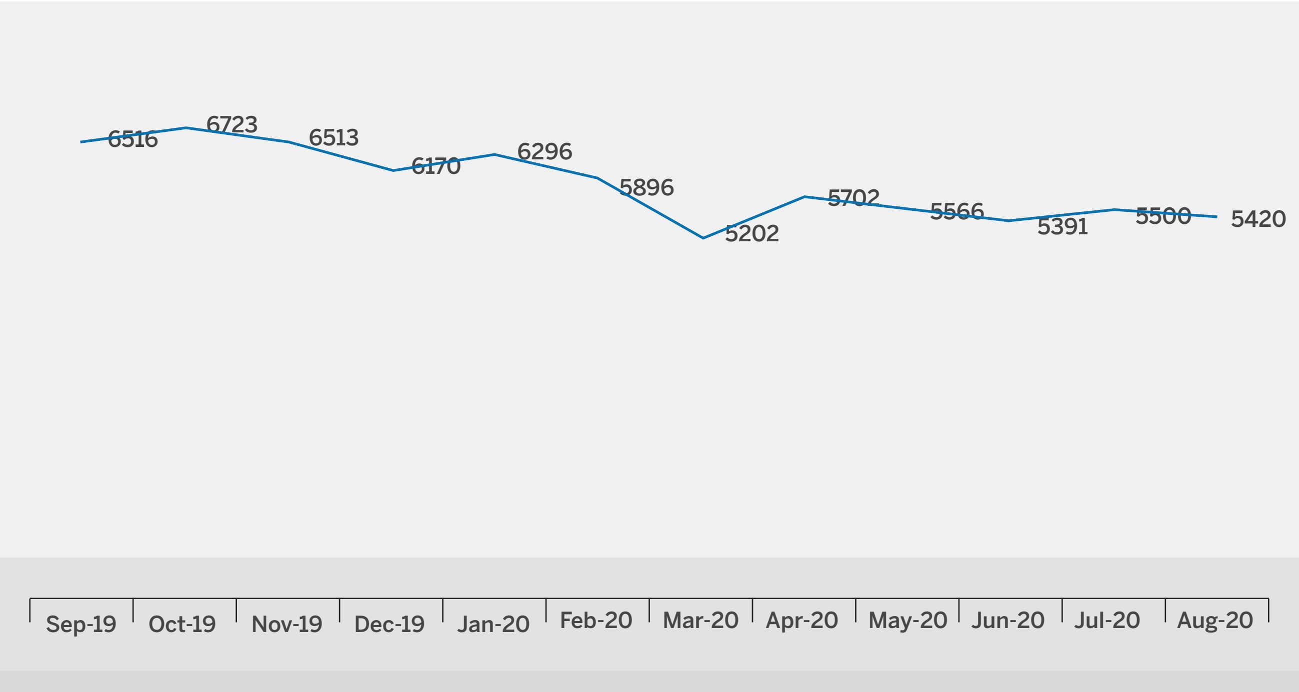
Figure 3: Monthly Foreign Exchange Reserves (USD million)



Source: WWW.CEICDATA, Bank of Botswana

While there seems to be a global agreement about the so called V-shaped economic recovery, with almost all experts forecasting a contraction in 2020 and an economic rebound in 2021, the current data and evidence suggest otherwise. According to SONA 2020, Botswana's economy is expected to rebound in the coming year, with overall growth forecasted at about 7.7%. This is rather surprising given that the economy was growing at about 3% in the previous year and more so before COVID-19. As per the SONA, the 7.7% growth of Botswana's economy will be driven the recovery of some critical sectors including the mining, trade, hotels and restaurant and transport and communication, which are expected to grow at 14.4%, 18.8% and 4.2% respectively in 2021. In fact at the current rate and trends, the Botswana's economy will remain downbeat in 2021 and will probably recover in 2023. Household credit growth is expected to be weak in both third and fourth quarter of 2020 and definitely in 2021.

Recounting COVID-19 response plan

In a bid to curb the spread of the virus, almost all countries around the world introduced strict measures such as lockdowns, strict social distancing, quarantines and boarder closures. While these comprehensive and strict measures were the necessary conditions required to reduce the spread of the disease, they adversely affected the economy. The sudden effects of the

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coronavirus on the economy, which includes halting activities in critical sectors of the economy such as manufacturing, mining and the informal sector, call for urgent policy responses to mitigate its impact on the economy as a whole and enable people to retain their jobs and incomes. At the same time, governments have to keep their own finances in good health in the midst of unprecedented pressures on their expenditure, revenues, and traditional sources of financing.

The SONA notes that, in responding to the COVID-19 and to ensure that its economy stay afloat amid COVID-19, Botswana introduced both monetary and fiscal economic relief package in April 2020, following extreme and comprehensive measures to contain the disease. According to the State of the Nations Address by the President of Botswana in November 2020, more than Four Billion Pula (P4 billion) was spent on various components of the relief package. Fiscal measures that were put in place included broad-based tax relief (such as the provision for deferment of profit taxes payable by businesses; waiver of the Training Levy for six months), a three months wage subsidies for business that have been adversely affected by COVID-19, loan guarantee scheme to support access to bank credit by affected businesses, increasing health and other expenditures directly related to COVID-19, such as treatment, testing, quarantine and contact tracing and repayment holidays for bank loans for adversely affected borrowers. While other countries such as South Africa made lump-sum payments to households (the so called helicopter money), Botswana provided food baskets for eligible low-income households.

Both the extreme social distancing measures, including the lockdowns and the economic relief packages were all implemented with an urgent need to prevent a catastrophic economic collapse that would have a dire human, social, and health consequences. However, in developing these policies careful consideration need to be taken. Experience from the 2007/9 economic crisis suggests that poorly designed stimulus packages can have negative, long lasting consequences for the economy as a whole. Although there is an urgent need to deploy measures quickly, there is a need to ensure that the current stimulus packages do not create a culture of relying excessively on windfall gains dependency.

In an effort to revamp smaller businesses and to stimulate demand in September 2020, the government of Botswana developed an economic recovery and transformation plan at a tune of about P14.5 billion. To further reboot the economy and cushion the economy, the government set up a P1.3 billion industry support fund, with an objective of supporting local businesses. On the other hand, the National Development Bank (NDB) established a Fifty Million Pula (P50 million) Agri-Business Stimulus Fund to promote

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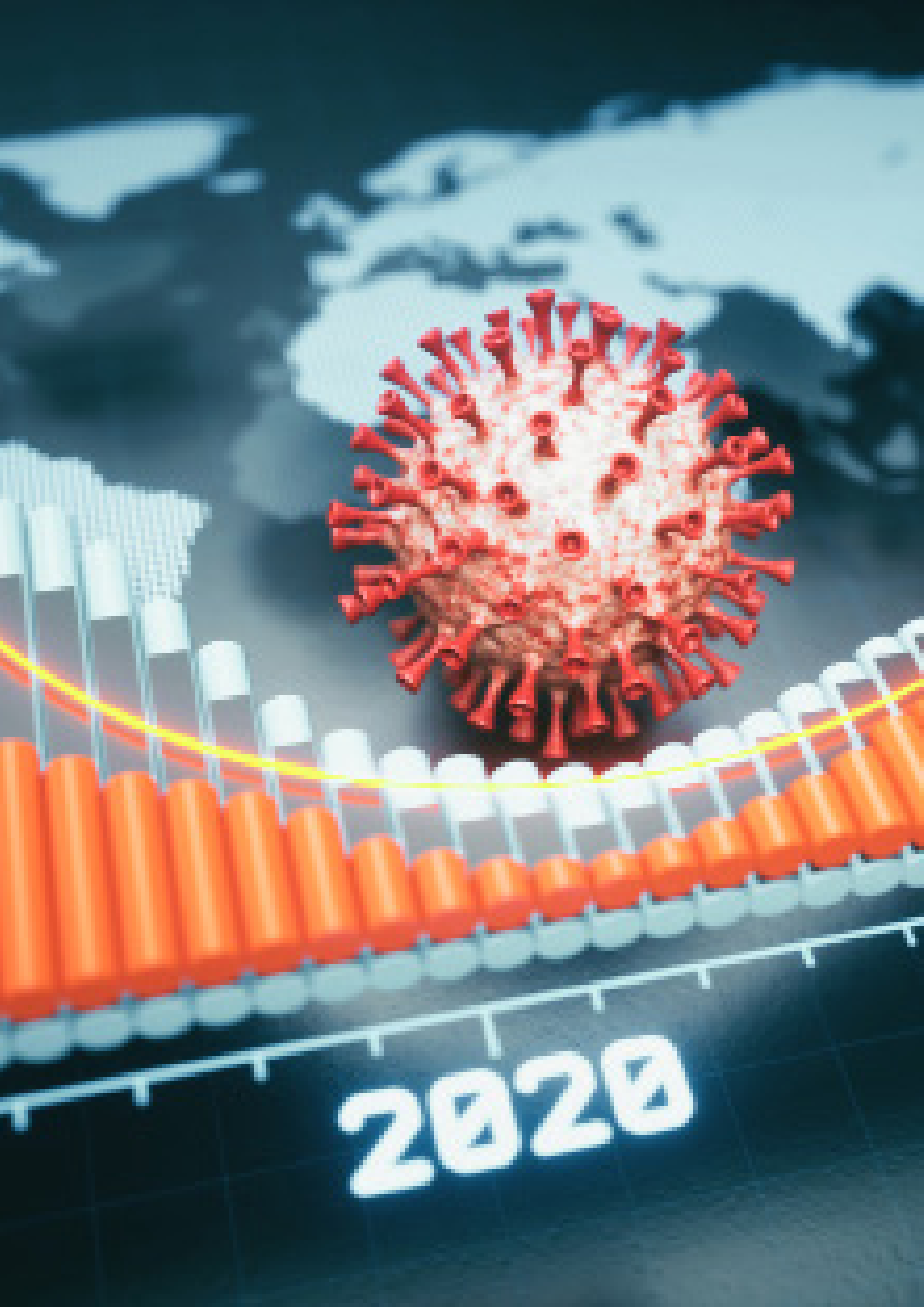
smart farming. The government also aims to support SMMEs via the supply of essential goods and services during the pandemic. Moreover, NDB created a Twenty Million (P20 million) essential services fund to assist businesses with purchase orders financing.

On the other hand, CEDA launched the Letlhabile product to resuscitate the informal sector which was affected by COVID-19. The product has to date, assisted 3, 873 micro businesses valued P17.6 million and protected 4, 066 jobs. Moreover, the Agency created a COVID-19 Relief Fund, which has assisted 62 businesses at a cost of P35 million. Despite these extraordinary policies Botswana is still faced with many challenges, more specifically in the informal sector and the arts and industry. Despite the informal sector providing the much needed income for the 38% of the unemployed youth, the sector seems to have been forgotten by policymakers. Moreover, it would have been even more helpful if the SONA had painted a picture of the performance of the COVID-19 Response Plan than to just recapitulate it.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COVID-19, INFORMAL SECTOR AND UNEMPLOYMENT

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Introduction

Alongside efforts to address the health emergency brought about by the COVID-19 pandemic, various governments around the globe adopted a vast range of emergency measures aimed at supporting firms' liquidity in the face of mandatory business restrictions, quarantines and a downward shock on economic activity. Among these measures, various governments financed short time work and wage subsidy schemes, broad-based tax relief including the provision for the deferment of profit taxes payable by businesses and waivers on the training levy, loan guarantee scheme to support access to bank credit by affected businesses. These emergency measures are all implemented with the main aim of preventing a catastrophic economic collapse and a dire human, social, and health consequences.

Despite these impressive policies to curb the effects of coronavirus on the economy, the virus and its containment measures has already damaged some of the critical sectors of global economies, presenting the largest economic shock the world has experienced in decades. For instance, the closures of workplaces during the lockdowns imposed by many governments to reduce the spread of the virus continue to disrupt labour markets around the world.

Other than affecting the labour market, one of the immediate effects of the COVID-19 is a concurrent disruption to both demand and supply for the global economy. On the supply side, infections reduce labor supply and productivity, while most of the measures implemented by governments to curb the spread of the virus have caused massive supply disruptions. COVID-19 also had a negative effect on the demand side through loss of income and employment due to morbidity, quarantines and unemployment. Fan (2003) asserts that a pandemic such as the current corona virus

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generally impacts the economy by reducing investments in key sectors of the economy due to increased uncertainty and risk. On the other hand, pandemics often reduce consumer confidence due to uncertainty and fear. This often leads to reduced spending as people elect to be homebound or are forced to be home to reduce the probability of infection. Reduced consumer confidence may particularly affect services involving face-to-face contact including tourism, transportations, retail spending, the arts and culture, and the informal sector (James and Sargent, 2006).

Health crisis somersaulting into a job crisis

While it is clear that the current pandemic is a global crisis in the real economy, the pandemic has also become a jobs crisis. The central challenge facing countries is how to accelerate recovery in the labour market once the crisis in capital markets abates. Existing evidence suggests that the recovery of the labour market often lags significantly behind recovery in capital markets, by as much as five years if not longer (Jha, 2009). Despite governments efforts to support firms and protect jobs through job retention schemes millions of people around the globe has lost their jobs. On the other hand, many self-employed workers and those employed by the informal sector saw their incomes collapse. The International Labour Organization (2020) estimates suggest that 17.3% of total working hours, which is equivalent to 495 million full time jobs, were lost in the second quarter of 2020. The ILO (2020) estimates indicate that lower-middle income countries are the hardest hit, with san estimated decline in working hours of 23.3%, equivalent to 240 million full time jobs. Furthermore, projection suggests that loss in the working hours are expected to be high in the third quarter of 2020, at 12.1% or 345 million FTE jobs and about 8.6% or 245 million FTE jobs in the fourth quarter of 2020. A recent study released by the ILO suggest that the loss in working hours has pushed global labour income down by 10.7%, about US$3.5 trillion in the second quarter of 2020 as compared to the first three quarters of 2019.

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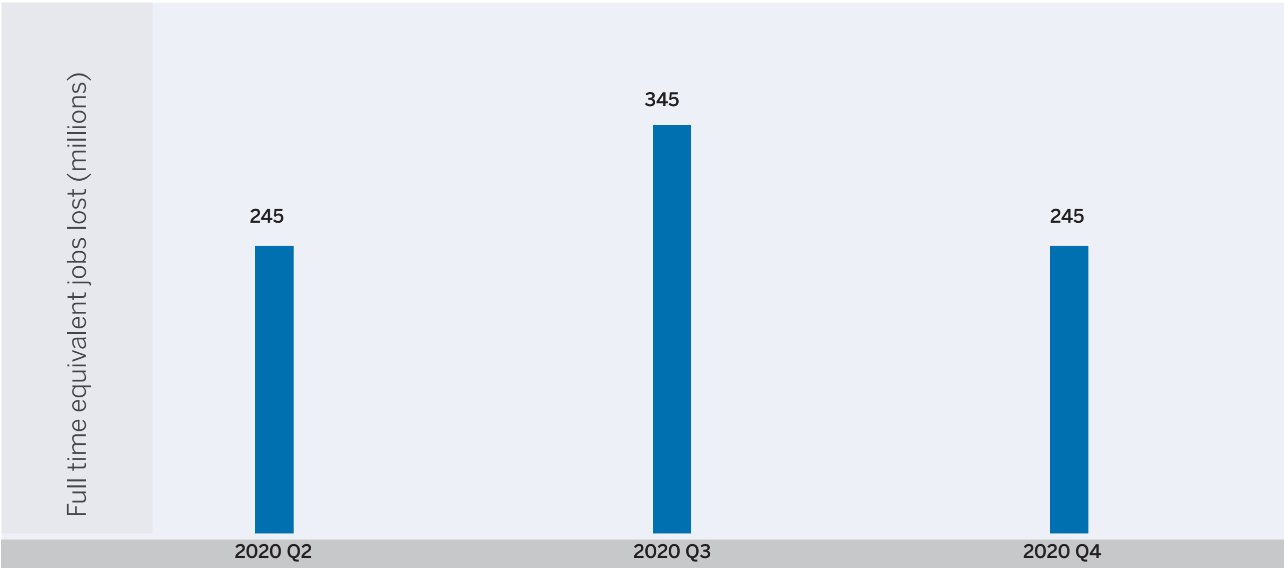
Figure 4: Quarterly full-time equivalent (FTE) jobs lost due to coronavirus



Source: International Labour Organization, 2020

The current crisis has differing effects on various segment of the labour force. As it is the case in any economic crisis, the challenges of youth employment have significantly elevated since the breakout of coronavirus. Following the disruption caused by the financial crisis on the labour market, the young are often most likely to work in less secure, lower wage employment and face higher rates of unemployment than adults. The current COVID-19 crisis brings the vulnerabilities of youth labour markets to the fore, but with the further complication of disrupted education and training pathways. Pre-existing vulnerabilities of youth in the labour market will be exacerbated, with negative consequences for intergenerational poverty and inequality.

Even before the onset of the pandemic, the social and economic integration of young people was an ongoing challenge and more specifically in developing countries. The youth in Africa experience greater unemployment than the older generation, accounting for more than 60% of unemployed workers in Africa. The underperformance of the formal sector in developing countries have resulted in high rates of unemployment, with majority of the unemployed more specifically the youth consumed by the informal sector. According to ILO one of five youth were not in employment, education or training in 2019. The state of joblessness has been strikingly increasing in the past years from 20.4% in 2012

[5] https://covid19.who.int/ accessed August 20th 2020

[6] https://www.unwto.org/ accessed July 24th 2020

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to 20.7%, mirroring the trends in the global rate. However, youth unemployment rate in Africa has been declining from 11.7% in 2012 to 10.6% in 2019 (ILO, 2020). As postulated in the World Bank report titled, The Changing Wealth of Nations, the high unemployment rates in Africa might lead to Africa missing out on the demographic dividend. On the other hand, high youth unemployment presents an imminent time bomb and threat to social cohesion as well as massive migration in search of opportunities.

Table 3: NEET, unemployment and labour under-utilization (LU3) rates for Africa youth

	2012	2018	2019	2020	2021
NEET rate	20.4	20.5	20.7	20.7	20.8
Youth unemployment rate	11.7	10.9	10.8	10.7	10.6
LU3	20.4	19.4	19.3	19.1	19.1

Source: International Labour Organization, 2020

The economic effects of pandemic have not fallen with equal severity on all economic agents. The young people are often disproportionately affected by economic crisis, for instance, the current COVID 19 crisis have instituted multiple shocks on the youth which include disruption to education and training, employment and income losses, and greater difficulties in finding a job. There is a risk that the effect of the pandemic might have ever lasting effects through their working lives- leading to the emergence of "Lockdown generation". Statistics from the ILO indicates that more among 178 million young workers around the world, 40% of them are employed in hard-hit sectors. Almost 77 per cent (or 328 million) of the world's young workers were in informal jobs, compared with around 60 per cent of adult workers (aged 25 and above). The youth informality rate ranges from 32.9 per cent in Europe and Central Asia to 93.4 per cent in Africa. Even before the crisis, more than 267 million young people were not in employment, education or training (NEET), including almost 68 million unemployed young people.

Youth unemployment rates in Botswana

Like other countries, Botswana has not spared the problem of youth unemployment and the current pandemic is likely to heighten unemployment problems for the small population landlocked, semi-arid nation. Botswana has a youthful population structure. According to the 2011

[7] Figure 1 & 2 and Table 1 are based on Statistics Botswana (2020)

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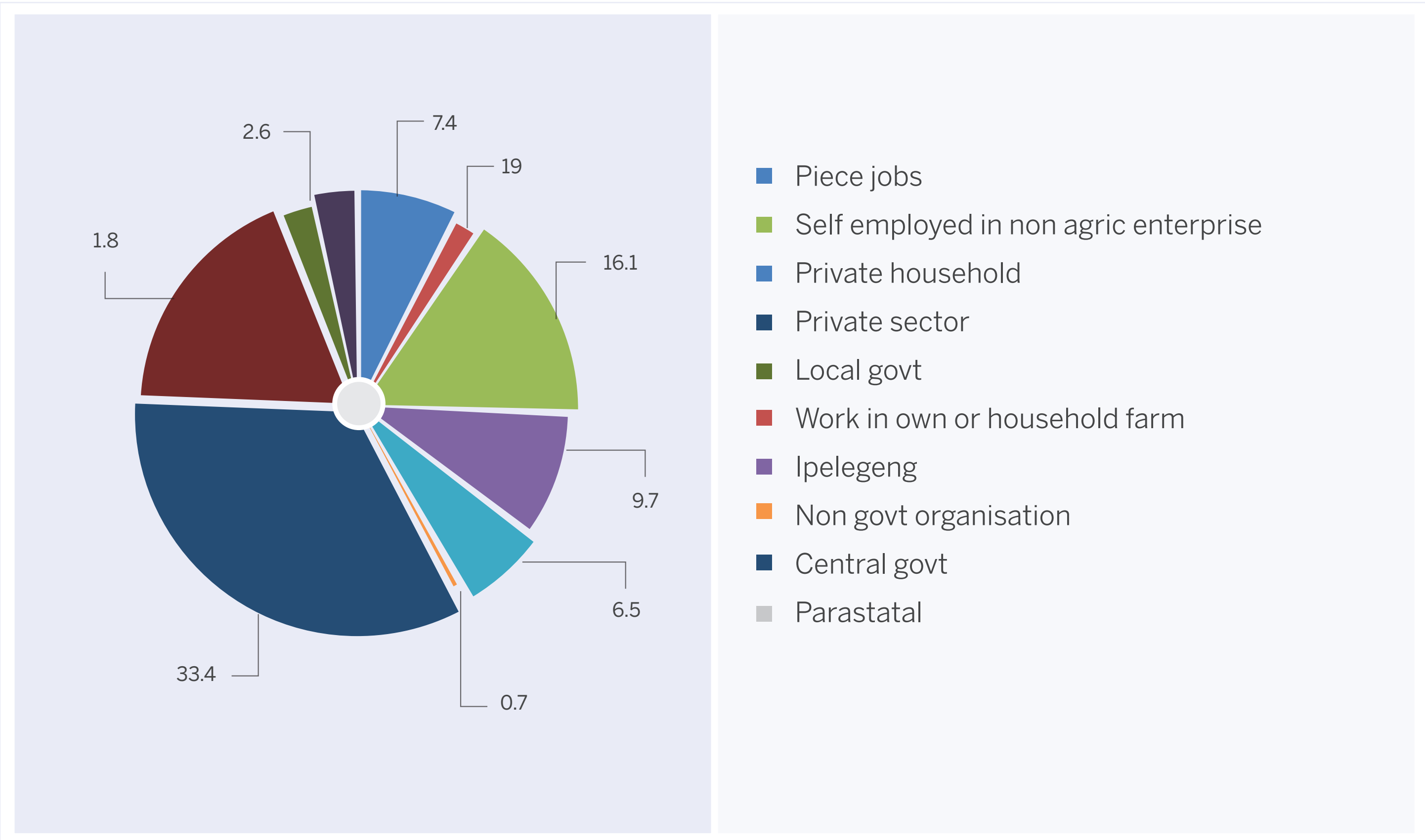
census, about 46.5% of the 2 024 904 people living in Botswana were youth. Botswana has over the past decades seen a rise in the number of people eligible to join the workforce, most of which are graduates from universities. Data from the from the Quarterly Multitopic Survey (QMTS) indicates that the size of the labour force in Botswana increased by 2.5% between the fourth quarter of 2019 and the first quarter of 2020, from 954,121 to 978,396 persons, respectively. Unfortunately, the economy has not been able to cope with the rising supply of labour. The structure of employment has significantly changed in the past decade. While government used to be the main provider of employment in Botswana, the shift in policy has relegated government to the second position, with the private sector providing 33.4% of the working force (see Figure 2). About 42.5% of workers in Botswana are employed in vulnerable sectors which include piece jobs (7%), domestic work (2%) and informal sector (16.1%).

Figure 5: Formal sector employment in Botswana



Source: *Statistics Botswana, 2020 Q1*

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Overall, unemployment rate in Botswana remains quite high. Following, the economic 2007/8 economic recession unemployment in Botswana has been on the rise. The unemployment rates were further elevated when the government of Botswana took a decision to freeze employment following the International Monetary Fund advice for the government to cut the wage bill. This policy appears to have had a negative effect on the youth, especially graduate. The effects of the 2007/8 economic recession on employment in Botswana was felt in 2010. Unemployment rate increased from a low of 16.17% in 2009 to 17.86% in 2010. As per the statistics from the Quarterly Multitopic Survey (QMTS), the size of the labour force in Botswana increased by 2.5% between the fourth quarter of 2019 and the first quarter of 2020, from 954,121 to 978,396 persons, respectively. The increase in the size of labour force was, however, accompanied by a solid 7% increase of the unemployed population while employed population increased by 1.3% between the two quarters, from 742,378 in quarter four 2019 to 751,798 in quarter one 2020. The employment to population ratio was 45.9 percent in quarter one, which was the same as estimated for fourth quarter of 2019. Unemployment rate went up by 1.0 percentage point between the two quarters, from 22.2 percent in fourth quarter of 2019 to 23.2 percent in the first quarter of 2020 (QMTS, 2020).

It is young people between the ages of 15 and 29 who are more likely than their older counterparts to be unemployed (Statistics Botswana, 2016). Statistics from various sources show that the decision by the government to freeze employment has had a detrimental effect on the youth. For the past 10 years or so the labour markets in Botswana has been unable to absorb the youth, majority of who are graduates from various local and international universities. An evidence that the government continues to fail to harness the demographic dividend. Youth unemployment has been on the rise since 2007 from 31.6% in 2007 to 35.8% in 2010. Between 2018 and 2019 youth unemployment rose from 35.6% to 37.35% (see Figure 2).

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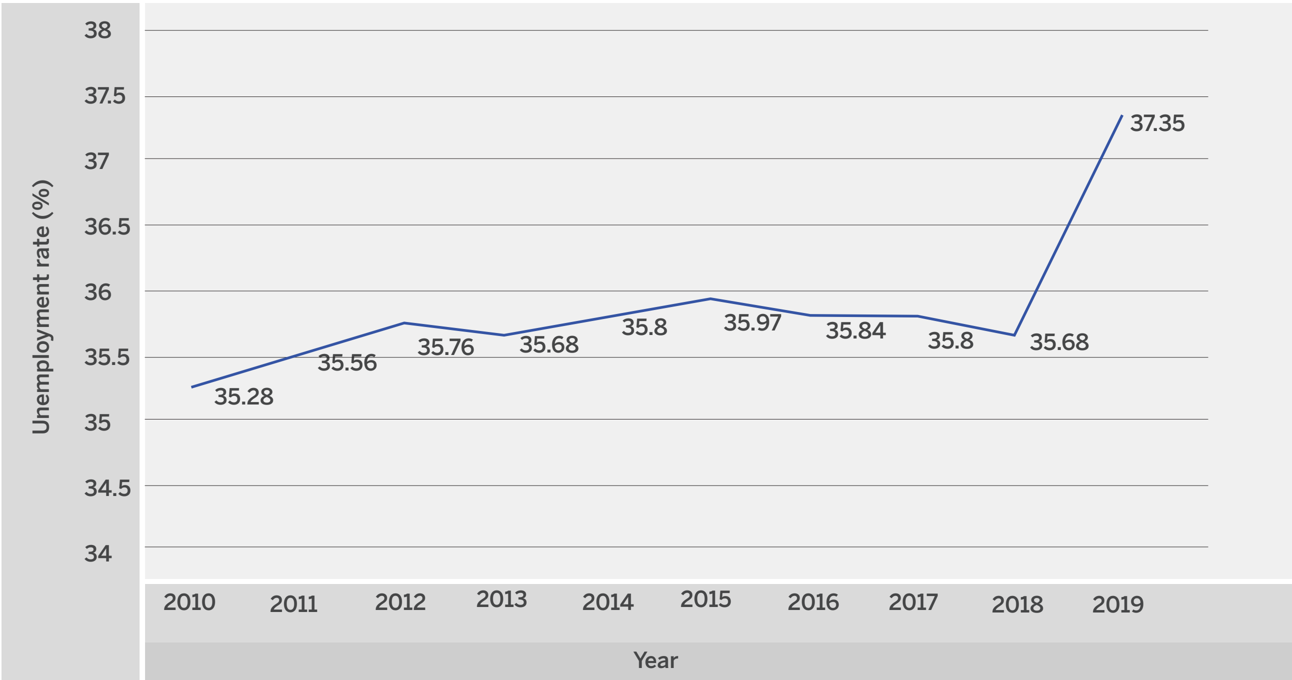
Figure 6: Formal sector employment in Botswana



Source: *Statistics Botswana*

On the hand, statistics from QMTS, show that the youth labour force in Botswana increased by 2.4%, from 474,193 in quarter four 2019 to 485,554 persons in the first quarter of 2020. As of 2020 Q2, only 333 595 youths were employed. The rise in the youth labour force was accompanied by a 2.5% rise in youth unemployment rate, from 28.8% in 2019Q4 to 31.3% in 2020Q1. The Youth not in Education, not in Employment or Training (NEET Rate %) increased by 3.6 percentage points from 36.1 to 39.7 percent between the two periods.

Clearly, there is evidence that even before COVID-19 pandemic youth unemployment has been a challenge for policymakers in Botswana. The COVID-19 pandemic, however, has further elevated the problems faced by the youth in the labour market. As the coronavirus continues to damage the real economy, majority of the youth will have to postpone their work life and in the present moment remain dependent on their parents and immediate family members for a much longer period or social security nets from the government.

Following the heightened expenditure on health expenditure and stimulus package, the government of Botswana pronounced that it will not recruit for new posts in order to manage the

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wage bill given the significantly eroded budget. The decision by the government to freeze employment, will further increase unemployment rate among the youth. Youth unemployment in Botswana is likely to be around 40%.

A number of researchers have previously attributed the high unemployment among the youth to economy failure to generate jobs while some argue that the youth have no job experience (CSO 2006, Siphambe 2003). The current evidence shows that youth unemployment is rather an outcome of bad policies. Despite a clear evidence from recent economic growth patterns which shows that the economy is not generating enough jobs to cater for the expanding number of people entering the labour market, the policymakers has totally forgotten the informal sector despite the sector generating income for day-to-day consumption of majority of the unemployed youths in Botswana. Estimates from the ILO suggests that as of April 2020, earnings in the informal sector declined by 60%. Despite Botswana slowly reopening the economy, most of the economic activities that support the informal sector have remained restricted since the initial lockdown, leaving majority of those who are in the sector with no or less income. Even when developing policies to mitigate the effects of COVID-19, the informal sector in Botswana was largely overlooked.

Data gathered from the National SMME Registration exercise suggest that over half of the businesses in the informal sector recorded zero revenue during lockdowns with a quarter earning less than P1000 a month. The data further shows that majority of the informal sector have not registered with the Companies and Intellectual Property Authority (CIPA), for taxes with Botswana Unified Revenue Service (BURS), or as suppliers or service providers with the Public Procurement and Asset Disposal Board (PPADB) as such were not eligible for assistance from the initial BWP 4 billion COVID-19 stimulus packages that provided three months wage subsidy and loan guarantees for registered companies. Relief programs in Botswana has so far failed to reach many people in the informal sector. The COVID-19 economic shocks which include closure and reduced economic activities among sectors that support the informal sector has increased the informal sector vulnerability, extending it beyond the traditional youth entrepreneurs to include older economic participants.

Conclusion

The youth, as a segment in Botswana has experienced several economic hardships over the past years from the inability of the economy to generate sufficient jobs prior the 2007/8 economic recession to freezing of employment and retrenchment after the COVID-19 to the current economic and health crisis which has

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disrupted the young people's education and training, heightened the difficulty of finding a job and lead to significant income losses. Estimates from the ILO, 2020 indicates that one in six young workers have stopped working since the pandemic. As already mentioned, the pandemic has increased the vulnerability of the youth, who already have limited emergency savings, medical insurances and have no pension for life after retirement. In addition to loss of income and the need for emergency subsidies, majority of workers in the informal sector are at risk of over-indebtedness while some are unable to pay their rents.

The COVID-19 pandemic has quickly revealed the vulnerability of informal sector workers who are neither visible in social protection programs nor protected by formal sector employment, even though they make up the majority of workers in an economy. This is a significant gap in the social protection system. It is unclear how soon informal workers will bounce back, and if (or when) they do, whether they will do so fully or partially.

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