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Agricultural Import Bans in Botswana:

Evaluating Macroeconomic Trade-offs and SACU Revenue Implications Amid Criticism of ‘Bad Economics’

Agricultural Import Bans in Botswana: Evaluating Macroeconomic Trade-offs and SACU Revenue Implications Amid Criticism of 'Bad Economics'

Authors:

Phemelo Tamasiga[1], El houssin Ouassou[2], Lascar Makumi Wambu[3], Helen Onyeaka[4]

[1] German Institute of Development and Sustainability, Bonn, Germany

[2] Faculty of Law, Economics & Social Sciences of Agdal, Mohammed V University in Rabat, Rabat, Morocco

[3] CRETEGI, Center of Research in Energy, Trade and Green Industrialization, Gaborone, Botswana

[4] Birmingham Institute of Development and Sustainability, University of Birmingham, United Kingdom

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Abstract

This policy brief examines Botswana's import ban on horticultural products, which began with 16 items in January 2022, expanded to 32 items in July 2023, and was extended until December 2025. The import ban, implemented by the Government of Botswana, aimed to reduce import dependency, support uptake of local produce and stimulate local agricultural production. While it has benefited local farmers, it has also driven inflationary pressures, increased food prices, and indirectly impacted trade dynamics within the Southern African Customs Union (SACU). To address these challenges, this policy brief recommends the following measures for the Government of Botswana:

- **Invest in irrigation infrastructure** to enhance water efficiency and support sustainable agricultural practices.
- **Adopt advanced agricultural technologies** to increase productivity and ensure higher yields.
- **Develop resilient market linkages** to reduce post-harvest losses and improve distribution networks.
- **Revisit trade policies** to balance protectionism with regional trade commitments and ensure alignment with SACU agreements.
- **These measures are critical for ensuring** the long-term success of Botswana's agricultural policies while safeguarding fiscal stability, consumer welfare, and broader economic diversification.

Introduction

Botswana has been pursuing both fiscal sustainability and diversification to address the structural vulnerabilities stemming from its heavy reliance on diamond revenues. Diamonds contribute approximately 80% of the nation's export earnings, nearly one-third of fiscal revenues. While these revenues have underpinned Botswana's historical economic success, such dependence amplifies fiscal risks, particularly in global market fluctuations. The government also derives significant income from the Southern African Customs Union (SACU), the world's longest-standing customs union.

Revenue-sharing from SACU's Common Revenue Pool (CRP)—comprising customs duties, excise taxes, and development allocations—contributes 30–40% of annual government income (SACU Fact Sheet). However, reliance on these two revenue streams raises questions about the state's medium-to-long-term fiscal resilience. To mitigate such risks, Botswana has initiated efforts to diversify its economy by promoting tourism, agriculture, and technology. Nevertheless, the pace of diversification remains insufficient to offset the potential volatility in diamond and SACU revenues. Economic policy reforms geared towards strengthening non-resource sectors and enhancing domestic revenue mobilization are imperative to reduce the country's fiscal vulnerabilities and ensure sustainable growth (IMF, 2023).

In 2022 Botswana made efforts to reduce its reliance on imports by imposing bans on selected goods. This approach, however, has sparked significant debate. During a recent parliamentary session, Vice President and Finance Minister Ndaba Gaolathe described the vegetable import ban as «very bad economics."[1] Before the enforcement of an initial two-year import ban that commenced in January of the year 2022, South Africa was responsible for approximately 80% of the overall food imports to Botswana, highlighting the critical role that South Africa played in ensuring food security in Botswana.[2] This policy shift had a tangible impact: South African agricultural economists estimate that the value of South Africa's vegetable exports to Botswana dropped by 55% in 2022.[3]

The government's rationale for these import bans reflects a broader vision to: (i) protect local farmers from foreign competition; (ii) enhance food security and reduce the agricultural import bill, which currently stands at approximately BWP 7 billion annually; and (iii) stimulate domestic value chains to foster economic self-sufficiency. These measures align closely with Botswana's Vision 2036 framework, which emphasizes economic diversification and industrialization. Framed as a tool to bolster domestic industries, particularly agriculture and manufacturing, these bans aim to address the historical underperformance of these sectors compared to more dominant industries like mining and retail trade.

However, while the intent behind such policies is laudable, they generate macroeconomic trade-offs. Botswana's share of the customs component is linked to intra-SACU import volumes. Restricting imports diminishes SACU transfers, which are vital for funding public services like education, healthcare, and infrastructure. Import bans affect consumer welfare through inflation, eroding purchasing power and disproportionately impacting low-income households.

[1] https://botswanabusinesses.com/botswanas-phased-lift-of-vegetable-import-restrictions-a-step-towards-balance-amid-heated-debate/

[2] https://www.reuters.com/world/africa/botswana-extend-expand-fresh-produce-import-restrictions-2023-12-04/

[3] https://www.mmegi.bw/business/sa-acts-on-botswana-as-veggie-ban-dispute-spirals/news#:~:text=South%20African%20agricultural%20economists%20estimate,Gaborone%20to%20boost%20local%20production.

Empirical evidence from similar protectionist interventions in the Southern African Development Community (SADC) and beyond suggests that while import restrictions may yield short-term gains for targeted sectors, they often lead to structural inefficiencies and economic distortions unless accompanied by complementary reforms. Blanket trade restrictions in developing economies can exacerbate inflation, weaken household demand, and undermine long-term competitiveness. Moreover, Botswana's reliance on SACU revenues highlights an important vulnerability: any reduction in intra-regional trade flows can create negative fiscal spillovers. As the largest contributor to SACU's revenue pool, South Africa remains a primary trading partner for Botswana. Smaller SACU economies like Botswana are disproportionately affected when policies reduce customs revenue inflows.

In this context, Botswana must navigate a delicate balancing act. This tension raises questions about the long-term viability of protectionist policies within a regional economic framework designed to promote integration and shared prosperity (F&FPI MEA, 2024; MacKay, 2024). While supporting domestic industries is critical for achieving long-term economic resilience, policies such as import bans stifle effective competition and carry risks that can destabilize fiscal revenue streams and undermine consumer welfare. This policy brief examines the macroeconomic implications of Botswana's import bans, using sectoral trends (2013–2023), SACU revenue flows, and empirical studies to inform a nuanced policy response.

2. The Role of SACU Revenue in Botswana’s Economy

The Southern African Customs Union (SACU) serves as a mechanism for regional economic integration and revenue redistribution among its five member states—Botswana, Eswatini, Lesotho, Namibia, and South Africa. Through SACU, member states benefit from a common external tariff (CET) on imports from non-member countries and the elimination of internal tariffs within the SACU area, fostering regional trade flows.

At the center of SACU’s fiscal framework lies the Common Revenue Pool (CRP), which aggregates all revenues from customs duties, excise taxes, and additional charges collected in the SACU area. These revenues are redistributed using the revenue-sharing formula (RSF), which comprises three distinct components:

1. **Customs Component:** Allocated based on each country’s share of intra-SACU imports. Countries that import more goods from within SACU receive a larger share of the customs revenue.

2. **Excise Component:** Distributed in proportion to each member state’s share of SACU GDP, reflecting economic activity.

3. **Development Component:** Fixed at 15% of excise revenues and allocated inversely to GDP per capita to promote equitable development.

Policies that restrict intra-SACU imports—such as import bans—pose a direct risk to Botswana’s fiscal stability by eroding its share of the customs pool.

Over the past decade, SACU transfers have fluctuated, with peaks and troughs reflecting regional economic activity. For FY2017, SACU revenue peaked at 23.7 billion BWP, contributing approximately 40% to Botswana’s fiscal income. However, for 2020–2021, COVID-19-induced trade disruptions caused a sharp decline in customs receipts, underscoring the sensitivity of SACU flows to import volumes. In FY2023, SACU revenues stabilized, recovering to approximately 23 billion BWP. Empirical studies, including Makhetha et al. (2021), highlight the need for predictable SACU flows to sustain Botswana’s budget priorities. Import bans threaten this predictability by directly reducing customs duties.

2.1. Comparison of Revenue Allocations and Contributions of Member States to the SACU Pool

Figure 1 – 3 illustrate the SACU contributions and revenue allocations of South Africa and other SACU member states (Botswana, Eswatini, Lesotho, Namibia) from 2010/11 to 2022/23.

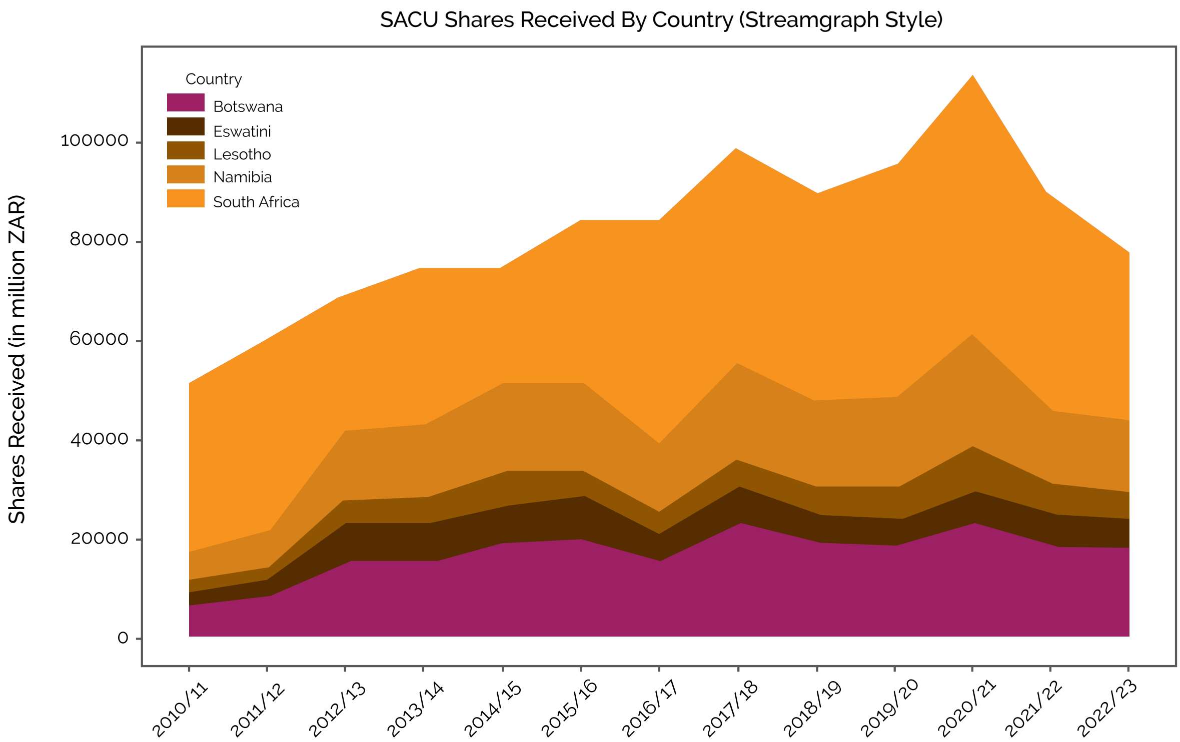


Figure 1: SACU Shares received by Member States

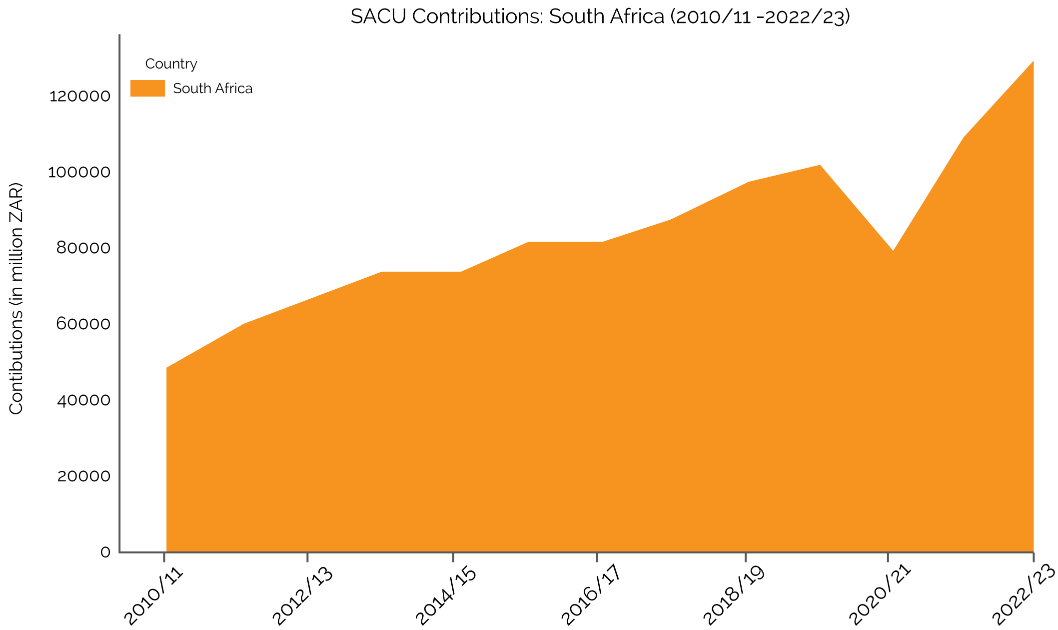


Figure 2: South Africa's contributions to the Southern African Customs Union (SACU) between the fiscal years 2010/11 and 2022/23

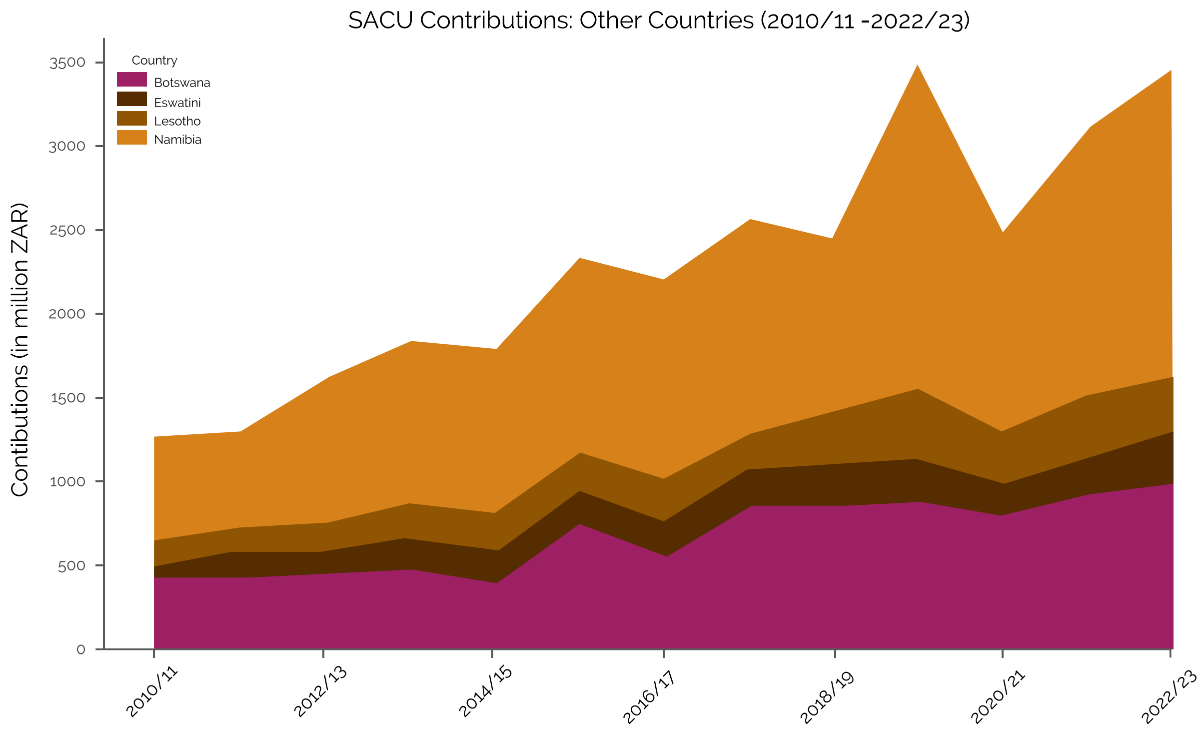


Figure 3: Distribution of SACU Revenue Shares by Country (2010/11 - 2022/23)

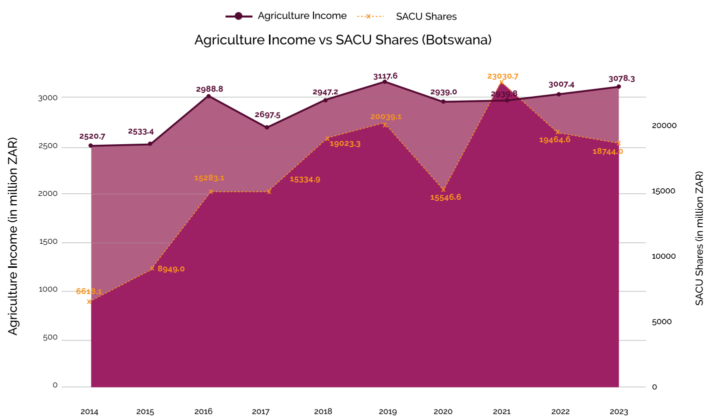
South Africa's contributions show a consistent upward trend, dominating SACU revenue. Smaller economies like Botswana and Namibia show modest growth, with their contributions significantly lagging behind South Africa. From Figure 1, South Africa's contributions grew from 49,917.4 million ZAR in 2010/11 to 131,155.0 million ZAR by 2022/23. In Figure 2, contributions from Botswana and others remain small but steadily increase. Figure 3 confirms that South Africa's share exceeds 60,000 million ZAR by 2022/23. The analysis underscores the heavy reliance of smaller SACU economies, such as Botswana and Namibia, on shared revenues from SACU to maintain fiscal stability, amidst broader challenges like slow economic growth and rising debt burdens.[4]

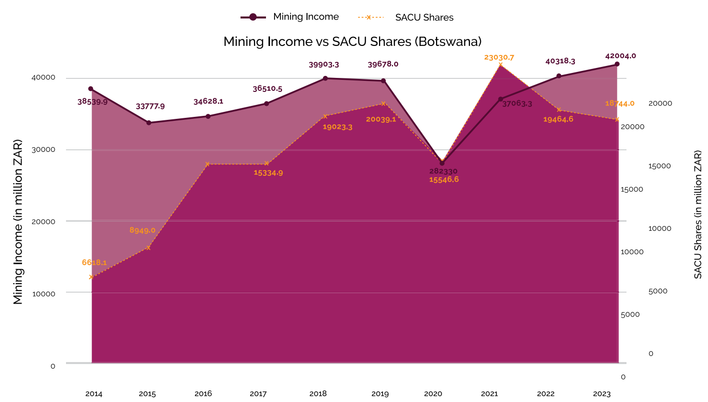
2.2. Sectoral Growth vs SACU Revenue in Botswana

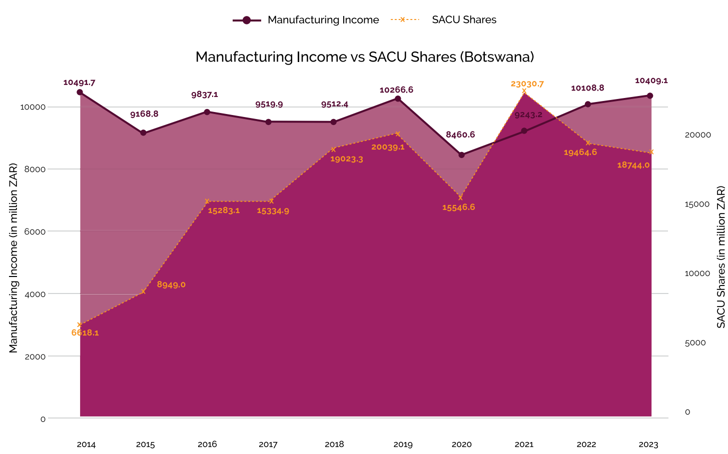
Figure 4 provides a detailed comparison of sectoral income growth and SACU shares received by Botswana between 2014 and 2023, highlighting the economic disparities and the country's significant reliance on SACU revenues. The evident gap between sectoral growth and SACU revenues underscores the vulnerabilities within Botswana's economy, where fiscal stability remains heavily dependent on trade dynamics. Diamond Traders and Mining sectors displayed steady growth over the analyzed period, with Diamond Traders' Income peaking at 42,004.0 million ZAR in 2023, after starting at 38,539.9 million ZAR in 2014. The mining sector also exhibited growth, increasing from 37,777.9 million ZAR in 2014 to 39,903.3 million ZAR by 2023, albeit with some fluctuations. This sustained growth underscores Botswana's reliance on its natural resources, particularly diamonds, which remain a dominant sector in the economy, contributing significantly to GDP and export earnings.

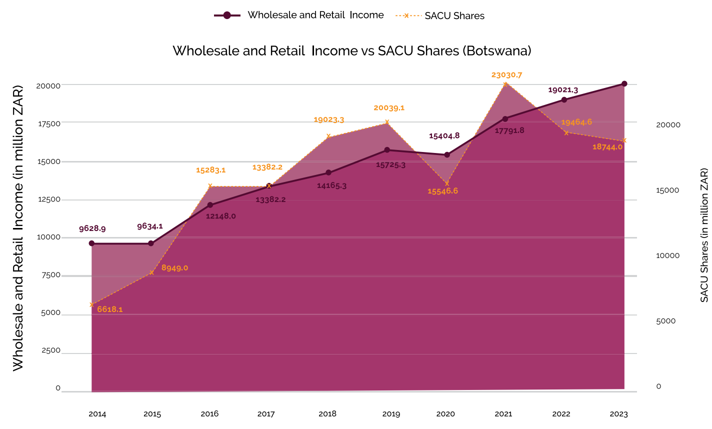
In contrast to the sectoral gains, SACU Revenue demonstrates significant volatility, peaking at 20,039.9 million ZAR in 2017 but plummeting to just 4,065.0 million ZAR by 2023. This disparity highlights the disconnected relationship between Botswana's sector income growth and its benefits from SACU, particularly the customs component, which is directly influenced by intra-SACU trade flows.

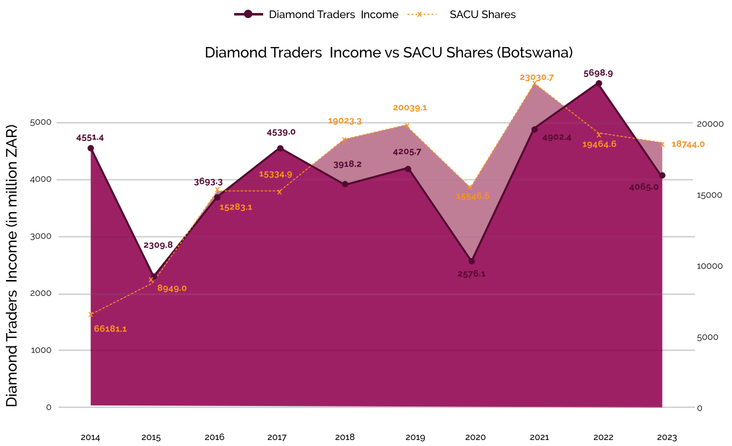
Restrictive trade policies, including import bans, curtail regional trade flows, reduce customs revenue, and undermine fiscal stability. These restrictive policies not only limit Botswana's share of SACU revenues but also impede the development of regional value chains and diversification across SACU member states. These trade barriers disrupt supply chains and hamper the emergence of downstream industries. This has a compounding effect, weakening both Botswana's fiscal stability and its capacity to leverage sectoral growth for sustainable development.

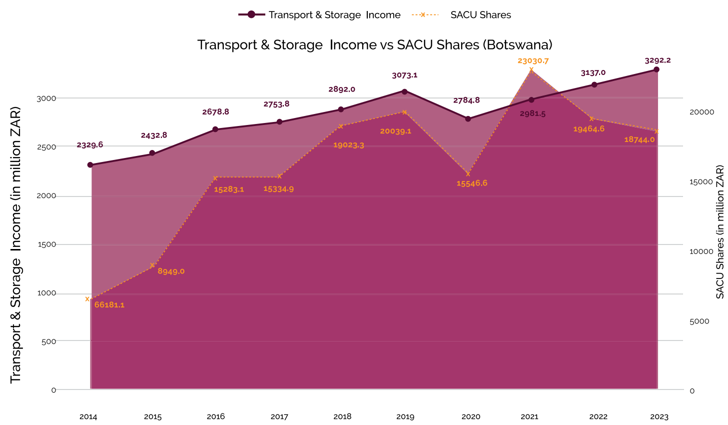












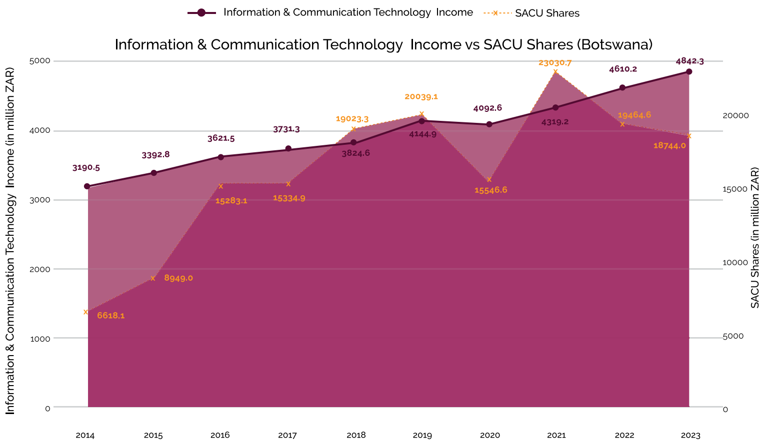


Figure 4: Comparison of Sector Income vs SACU Shares Received by Botswana (2014 - 2023)

Botswana must proactively promote the development of Regional Value Chains (RVCs) through collaborative initiatives will not only stabilize SACU inflows but also unlock new economic opportunities by integrating Botswana's sectors into broader regional supply chains. These policy adjustments are vital to bridging the gap between sectoral growth and SACU revenues, reducing fiscal vulnerabilities, and positioning Botswana for long-term economic resilience and regional leadership.

[4] https://odi.org/en/insights/national-budget-trends-in-the-southern-african-customs-union-struggling-for-control/

2.3. Economic Fluctuations and Fiscal Dependence: Botswana's Diamond, Mining, and SACU Revenue Dynamics

Figure 5 compares Diamond Traders' Income, Mining Income, and SACU Revenue received by Botswana from 2014 to 2023, emphasizing critical economic trends, sectoral growth, and SACU revenue fluctuations. The disparity between these income trends underscores Botswana's economic vulnerability and over-reliance on SACU revenue, particularly in the face of trade disruptions like import bans.

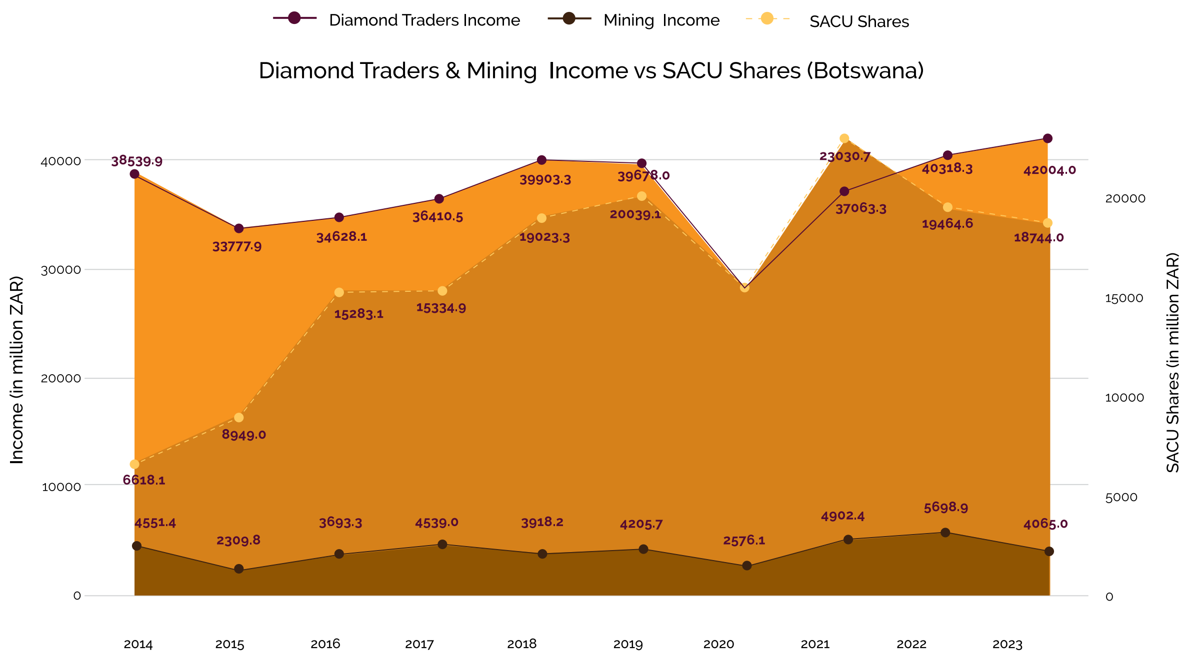


Figure 5: Illustrates the disparity between sectoral income growth and SACU revenue receipts

2.4. Economic vulnerability to external shocks and trade policy changes

Despite steady sectoral growth, Botswana's dependence on SACU transfers leaves it vulnerable to disruptions in customs revenue. As mentioned above, SACU revenue, which accounted for up to 30-40% of Botswana's government income (SACU Fact Sheet, 2024), is particularly susceptible to external shocks, such as changes in trade policies or global market conditions. Import bans, while intended to stimulate domestic production, inadvertently decrease intra-SACU trade, reducing customs duties.

This highlights the critical need for Botswana to reduce its dependence on SACU revenue by diversifying its economy. While diamonds and mining remain central to Botswana's fiscal stability, SACU's revenue-sharing mechanism disproportionately favors larger economies like South Africa, which has a far greater share due to its substantial imports. As shown in Figure 6, the volatility in SACU revenue versus steady sectoral growth reflects Botswana's fiscal vulnerability. To ensure long-term economic stability, Botswana must focus on developing alternative revenue sources and mitigating the risks associated with its over-reliance on SACU revenue (IMF, 2023; Mmegi Online, 2024).

Botswana's GDP peaked at $20.32 billion before declining to $19.40 billion in 2023, as shown in Figure 6. In contrast, SACU revenue displays considerable volatility, with a high of $1.14 billion in 2017 and a low of $933 million in 2020.

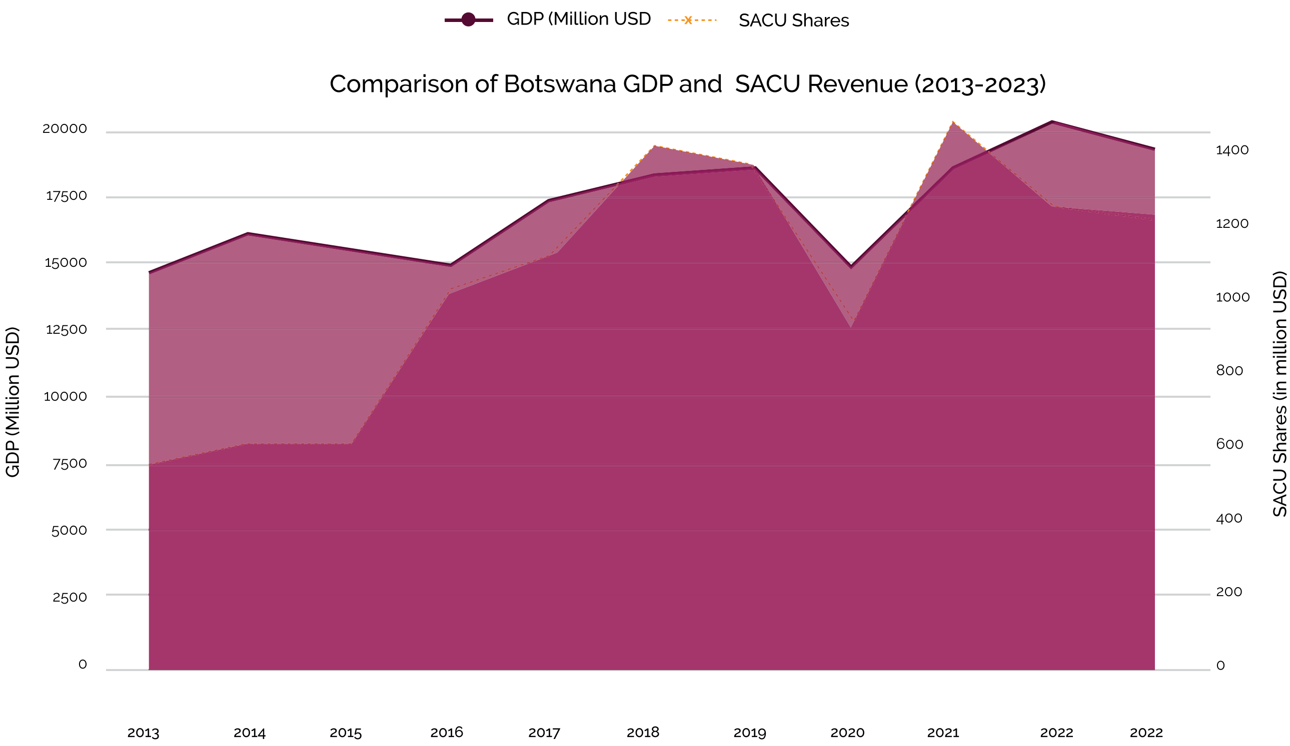


Figure 6: Botswana's GDP vs. SACU Revenue (2013–2023) highlighting Botswana's GDP trends alongside SACU revenue fluctuations (both in million USD).

The disparity underscores Botswana's vulnerability to external trade factors. SACU revenue, derived largely from customs duties, is sensitive to regional trade policies and economic conditions.

3. Protectionist Policies vs. Structural Challenges in the Agricultural Sector

Agriculture remains a strategic sector in Botswana for its role in enhancing food security and supporting rural livelihoods. Despite its importance, agriculture's share of Botswana's GDP has remained consistently low, contributing approximately 4,170 P million in 2023. This performance reflects structural weaknesses such as low productivity, water scarcity, and inadequate access to inputs and technology. As mentioned before, the 2022 import ban on 16 vegetables—aimed at protecting local farmers—represents a key policy intervention intended to reverse these trends by reducing dependency on imported produce and stimulating domestic production. However, Segaetsho (2024) highlighted that "the ban has faced criticism from consumers, who complain about poor product quality, inconsistent supply, and high prices."[5] While the ban has led to some immediate benefits, it has also revealed underlying vulnerabilities that require significant reform and investment to ensure long-term sustainability.

The immediate effect of the vegetable import ban was a notable increase in demand for locally produced vegetables. Domestic production of key vegetables such as tomatoes, onions, cabbage, and potatoes increased by 18% in the first year of the ban. This growth provided immediate economic benefits to smallholder farmers, enabling them to access previously saturated markets. The ban also encouraged greater market participation among local producers, with new entrants benefiting from reduced competition. Anecdotal evidence from farming cooperatives, reported in Mmegi Online (2023), indicates that rural farmers experienced improved farm-gate prices and increased incomes.

Furthermore, trade restrictions in the SACU region lead to disproportionate revenue losses for smaller member states, as they depend highly on the customs pool. Data from the SADC Trade Monitor (2023) show that South African exports of vegetables to Botswana fell by over 55% in value following the ban. This decline directly impacts Botswana's SACU receipts, exacerbating fiscal pressures and limiting the government's ability to finance development priorities.

3.1. Structural Challenges Limiting Long-Term Sustainability

While the import ban has delivered short-term gains, Botswana's agriculture sector faces significant structural challenges that constrain its ability to sustain growth and meet national demand. Agricultural productivity in Botswana is severely limited by environmental and infrastructural challenges. Despite 5% of the land being suitable for cultivation, less than 1% is actively farmed.[6] The country's semi-arid climate and unpredictable rainfall create significant risks, leaving farmers heavily dependent on rain-fed agriculture.

3.1.1. High Input Cost and Technological Deficiencies

Agriculture in Botswana remains highly dependent on imported inputs such as fertilizers, seeds, pesticides, and machinery. Import bans on vegetables have exacerbated input costs, as higher prices for essential tools and materials limit farmers' ability to expand production efficiently. It has been argued in literature that protectionist policies often increase domestic input costs, as markets adjust to restricted imports without viable local alternatives. Adoption of modern agricultural techniques, including mechanization, precision farming, and climate-smart technologies, remains low. Productivity per hectare in Botswana is far below global and regional averages, limiting the sector's competitiveness.

3.1.2. Access to Finance and Market Infrastructure

Smallholder farmers face difficulties accessing credit and finance for purchasing inputs, improving equipment, or investing in irrigation systems. Rural financial markets remain underdeveloped, limiting the capacity of farmers to scale their operations. Market infrastructure, such as cold storage facilities, distribution networks, and agro-processing industries, is insufficient, leading to significant post-harvest losses.

3.1.3. Inflationary Pressures and Consumer Impact

While the vegetable import ban benefited some farmers, it created supply shortages in urban markets, where demand outstripped local production capacity. This imbalance led to sharp price increases, particularly for staple vegetables such as tomatoes and potatoes. Recent data from Statistics Botswana shows that the Food & Non-Alcoholic Beverages index grew by 0.6 percent between July and August 2024, largely driven by a 4.9 percent increase in vegetable prices,[7] disproportionately affecting low-income households. Botswana's experience aligns with global trends, Mail and Guardian (2025) asserted, "In Botswana, vegetable price inflation was in double digits. This speaks to the difficulty households had to endure and the potential benefits of affordable prices in the coming months." [8]

[5] https://theexecutivebw.com/farmers-hail-vegetable-import-ban-bemoan-retailers-sabotage-pricing/

[6] https://openknowledge.fao.org/server/api/core/bitstreams/039125ae-a51a-40b4-a1b0-3e81e4848240/content

4. Policy Recommendations

Botswana's strategic efforts to support and enhance its agricultural sector and enhance regional trade competitiveness are vital for achieving long-term economic growth. However, these ambitions are accompanied by significant vulnerabilities, including an overreliance on external revenue sources. Diamond exports and SACU revenues, which collectively account for two-thirds of the national income, leave the country highly exposed to external shocks and global market volatility. This dependence is further compounded by domestic inflationary pressures and the challenge of balancing regional commitments with the urgent need to advance local agricultural development. As Botswana navigates these complexities, she faces domestic vulnerabilities such as water scarcity, limited access to agricultural inputs, and weak value chains. At the same time, climate change and global economic volatility add layers of uncertainty, necessitating proactive and adaptive policy responses.

To mitigate these challenges and capitalize on the opportunities presented by agricultural and trade policy reforms, Botswana can take a series of intermediate steps that address both regional and domestic priorities. The following recommendations outline actionable strategies to ensure sustainable growth, equitable revenue distribution, and resilience in the face of external shocks.

i) **Invest in Irrigation Infrastructure:** To address water scarcity and enhance resilience to climatic shocks, Botswana government should prioritize investments in irrigation systems, leveraging innovative funding mechanisms to share the financial burden. Public-private partnerships (PPPs) offer an effective model, enabling the government to collaborate with private sector stakeholders to co-fund, develop, and manage irrigation projects. Such partnerships not only accelerate the deployment of infrastructure but also reduce the financial strain on public resources. Botswana can also explore opportunities to attract foreign direct investment (FDI) for large-scale irrigation initiatives, drawing inspiration from successful projects like Ethiopia's Public-Private Infrastructure Advisory Facility (PPIAF). This initiative secured international funding to develop sustainable irrigation systems, boosting agricultural productivity while minimizing government expenditure.

ii) **Trade Policy:** The government of Botswana should promote trade policies that enhance regional trade competitiveness while safeguarding the revenue contributions that Botswana and other member states derive from the Southern African Customs Union (SACU). The government should avoid blanket approaches and consider implementing more nuanced measures, such as seasonal tariffs to protect local farmers during peak production periods or targeted incentives to support domestic producers in scaling up operations. These approaches would strike a balance between supporting domestic agricultural growth and maintaining Botswana's commitments to regional trade agreements.

iii) **Enhance Access to Inputs and Technology:** To enhance agricultural productivity and reduce production costs, Botswana's economic policies should prioritize targeted subsidies for essential inputs such as fertilizers, improved seeds, and pesticides. Additionally, facilitating access to modern farming technologies, including precision agriculture and digital tools, is crucial for achieving efficiency and sustainable yield improvements. A noteworthy precedent can be drawn from Nigeria's agro-industrial hubs, specifically the Staple Crop Processing Zones (SCPZs). These hubs have successfully streamlined farmers' access to critical inputs, reduced costs through centralized supply chains, and encouraged private sector investment in agricultural infrastructure. The SCPZs have demonstrated how targeted agricultural clusters can catalyze productivity gains and rural development by integrating input distribution with modern technology adoption.

iv) **Strengthen Agricultural Value Chains:** Enhancing the performance and resilience of agricultural value chains requires targeted economic policy interventions. Developing agro-processing industries is a key strategy to add value to locally produced goods and mitigate post-harvest losses. Additionally, investing in critical market infrastructure such as storage facilities, transportation networks, and cold chain systems is essential for improving the efficiency and sustainability of produce distribution, thereby supporting long-term growth and competitiveness in the sector.

v) **Improve and Facilitate Access to Finance:** Limited access to finance remains a significant barrier to increasing agricultural output, particularly for smallholder farmers. Expanding rural financial services and credit facilities is essential to empower these farmers to invest in critical areas such as equipment, agricultural inputs, and operational expansion. In addition, given the devastating and growing impacts of climate change, integrating climate insurance into financial solutions is crucial (Tamasiga et al., 2023a). Such measures would not only mitigate climate-related risks but also provide a safety net that enhances the resilience and sustainability of agricultural operations (Tamasiga et al., 2023b).

[7] https://www.sundaystandard.info/import-ban-on-veges-pushes-botswanas-inflation-higher/

[8] https://mg.co.za/thought-leader/opinion/2024-12-16-botswanas-decision-to-lift-ban-on-south-african-vegetable-imports-will-ease-food-inflation/

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