

BTI 2008 | Botswana Country Report

Status Index	1-10	7.94	# 19 of 125	
Democracy	1-10	8.45	# 20 of 125	➔
Market Economy	1-10	7.43	# 20 of 125	➔
Management Index	1-10	7.27	# 3 of 125	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Bertelsmann Transformation Index (BTI) 2008. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 125 transformation and developing countries are evaluated.

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Key Indicators

Population	mn.	1.8	HDI	0.57	GDP p.c.	\$	11,021
Pop. growth ¹	% p.a.	-0.2	HDI rank of 177	131	Gini Index		60.5
Life expectancy	years	35	UN Education Index	0.78	Poverty ³	%	55.5
Urban population	%	57.4	Gender equality ²	0.50	Aid per capita	\$	39.1

Sources: UNDP, Human Development Report 2006 | The World Bank, World Development Indicators 2007 | OECD Development Assistance Committee 2006. Footnotes: (1) Average annual growth rate 1990-2005. (2) Gender Empowerment Measure (GEM). (3) Percentage of population living on less than \$2 a day.

Executive Summary

On 13 December 2006, the High Court in Lobatse ruled that the relocation of the Basarwa minority from the Central Kalahari Game Reserve was unconstitutional. The government decided to accept the ruling one week later. While the relocation itself points to some deficiencies in terms of political transformation, the apparent respect for the rule of law exemplifies the fact that the country remains exceptional in the sub-Saharan context in many aspects of its transformation.

This report on the state of transformation in Botswana concludes that the country has maintained its high level of transformation. Shortcomings persist with regard to freedom of the press, and the executive's occasional arbitrary actions. Particularly noteworthy are problems with regard to academic freedom and the freedom of opinion, which have become somewhat worse during the period under review. The continued dominance of the governing Botswana Democratic Party (BDP) constitutes a key problem for political and social integration in Botswana. This dominance is minimally balanced by relatively weak opposition parties and civic organizations. Economic transformation in Botswana is ambivalent. The country continues to make progress in economic performance and growth, and has a solid institutional framework for market competition. However, continued efforts to reduce the country's dependence on diamonds have failed.

Existing social problems such as poverty, inequity and unemployment among the population are intensified by the HIV/AIDS pandemic. Faced with a moderate level of difficulty for transformation, the government has continued to display an impressive governance record, although some limitations remain. The best performance can be observed in international cooperation, but steering capability and resource efficiency are also relatively strong. Consensus-building is a central feature of Botswana's political culture.

Botswana's future transformation path will depend mainly on the success of the government's fight against HIV/AIDS as well as the leadership qualities of its most likely future president, Ian Khama. Social problems, the continued crisis in Zimbabwe and the dependence on diamonds pose additional challenges. It will be crucial for donors to assist the country in its already-advanced efforts to tackle the scourge of HIV/AIDS and support Botswana's efforts in diversification and the alleviation of social problems. As for slight domestic political shortcomings, the international community can leverage the leadership's pronounced desire to maintain its good reputation as an "African success story."

History and Characteristics of Transformation

In Botswana, political transformation preceded economic transformation by only a few years. The first parliamentary elections were held more than a year before independence from Great Britain (September 1965). The Botswana Democratic Party (BDP) and its leader, Sir Seretse Khama, emerged as the victors. In subsequent years, the BDP has repeatedly won elections with no apparent irregularities and Botswana qualifies as Africa's longest standing multiparty democracy. After Khama's death in 1980, Vice President Sir Ketumile Masire took over as head of the government and of state. Masire stepped down in 1998 and was replaced by Festus Mogae who has served as president since that time. The BDP was kept in power not only by its indisputable political successes, but also because of its strong support among the rural population and the majority Tswana groups (Khama was a chief of one of these groups). Additionally, the weakness of the opposition parties, due in part to their weak semi-urban voter base, helps keep the BDP in power. This opposition's support base has steadily increased, however, though tendency toward factionalism and the British-style "first past the post" electoral system has prevented opposition parties from gaining more ground thus far.

The apartheid system in South Africa prompted a long period of adverse regional conditions which affected Botswana, though the country's circumspect policies steered clear of either collaboration or confrontation with its more powerful neighbor, which in turn saved it from being destabilized by the South African apartheid regime, like other countries such as Angola and Mozambique. Discovered in the mid-1960s, extensive diamond deposits began to be extracted more intensively in the early 1970s. This new interest in diamond production triggered unparalleled dynamic growth and transformed Botswana from one of the 10 poorest countries of the world into a middle-income economy. Its GDP grew an average of 12% annually in real terms from 1977 to 1987. In the last decade of the twentieth century, per capita GDP was still increasing on average of more than 5% annually in real terms.

In contrast to several other African countries, the critical factor in Botswana was the prudent handling of the country's natural wealth. The government showed great acumen in its negotiations with multinational corporations. An almost overly cautious budget policy regularly led to budget surpluses, while the country's infrastructure and educational facilities have been systematically expanded. Despite a fundamental market orientation and numerous efforts at privatization and economic diversification, Botswana remains largely dependent on its diamond deposits, which are mined through Debswana, a joint venture between the De Beers multinational group and the government. In recent years, diamond production has been overshadowed by a campaign launched by an international advocacy group accusing the government of mistreating Basarwa (sometimes called "Bushmen") in the Kalahari Desert in order to mine diamonds. The government has denied these allegations, yet the issue remains controversial. The government has engaged constructively in international efforts to curb the trade of so-called "blood" diamonds. Apart from the mining sector, the other core economic sectors include cattle ranching and high-budget tourism, especially in the Okavango Delta. The country's market economy conditions are exemplary when compared with the rest of sub-Saharan Africa, and continue to improve. Despite considerable social progress, however, moderate deficiencies remain, including growing social inequality and worrisome unemployment figures, especially among youth. In recent years, concerns over developments in neighboring Zimbabwe have increased, as a flow of refugees caused by the increasingly pronounced crisis in that country would destabilize Botswana and adversely affect tourism.

The greatest and most formidable challenge facing Botswana is the rampant HIV/AIDS pandemic that has devastated this country since the early 1990s. Statistics indicate that approximately 25% of all citizens are HIV positive, which places Botswana as one of the hardest-hit countries in the world. The country's decline in the Human Development Index (HDI) reflects this problem. A particularly worrisome component of this problem is that the economically-active population is the demographic group most severely affected by the AIDS/HIV pandemic. The government has instituted many initiatives to fight the epidemic, and the success or failure of these initiatives will critically affect future economic transformation.

Transformation Status

I. Democracy

By and large, the country has maintained its high level of transformation during the period under observation. Exceptions to this assessment included deficiencies with regard to the freedom of the press (which worsened during the assessment period), and occasional arbitrariness of actions by the executive, in particular the controversial issue of the relocation of the ethnic minority of Basarwa, though this issue has been regularly subjected to judicial review. One persistent problem for the country's political and social integration is the ongoing dominance of the governing BDP, which is only inadequately balanced by the relatively weak opposition parties and civil society organizations.

1 | Stateness

There is no evident problem with stateness in Botswana. The state's monopoly on the use of force is unrestricted and covers the whole territory, though border control may be difficult in some remote areas of the country.

Monopoly on the use of force

Defining citizenship becomes a politically relevant issue only in the context of representation of the (advisory) second chamber of parliament, the House of Chiefs. This body automatically includes only representatives of the eight major Tswana groups, though this does not imply that fundamental citizenship rights are denied to other groups. The government initiated a reform to remedy this problem, and a referendum is pending. While some societal discrimination against minorities does take place, this phenomenon appears to be more a problem of the rule of law.

State identity

There is a separation of church and state, and the political process is secular.

No interference of religious dogmas

Largely, there is a highly-functional administrative system, and public safety and order are effectively assured, especially in contrast to other African countries. Progress faces limitations as a result of bureaucratic sluggishness but not corruption.

Basic administration

2 | Political Participation

Botswana enjoy universal suffrage and all citizens have the right to campaign for office. Elections are generally free and fair. In the 2004 elections, the principles of an open, competitive election process were generally observed. The only shortcoming in this respect stems from an uneven playing field during election campaigns. The BDP enjoys the advantage of being the incumbent, and the opposition parties continue to denounce the lack of public funding and equal access to the state-controlled media. Also problematic is the fact that voter apathy has resulted in comparatively low turnout in recent years.

Free and fair elections

The government has the effective power to govern. There are no political actors with veto powers. The military does not form a political enclave or a veto power, although high-ranking politicians such as the current foreign minister and the vice president (and a number of cabinet ministers since the last reshuffle) came from the ranks of the Botswana Defense Force (BDF).

Effective power to govern

Independent political and/or civic organizations can form freely. The expansion of unions, however, is hampered by legislation that creates significant obstacles to legal strikes.

Association / assembly rights

Freedom of opinion is generally guaranteed, and there is a culture of open and lively discussion. However, critics of the government receive little access to the media, as this is largely government-controlled. Additionally, government intervention in the affairs of independent and outspoken print media and individual academics intensified during the period under investigation. In 2005, for example, two Zimbabwean journalists were deported on the grounds that they posed a threat to national security, though no further explanation was offered. Academic freedom was also restricted during the assessment period on the same reasons. In late February 2005, Kenneth Good, a professor at the University of Botswana and an Australian national who had been critical of the government for years, was declared an unwanted immigrant and ordered to leave the country within 48 hours. Good won a reprieve for several months, but the High Court finally declared his deportation lawful in mid-June. It remains unclear whether the deportation order by President Mogae is connected to Good's criticism of the government or his support for Survival International's campaign against the relocation of the Basarwa, as the president claimed. Due to these restrictions, Botswana's score on the freedom of the press index deteriorated in 2006, entering the "partly free" category with a rank of 79 out of 194 countries.

Freedom of expression

3 | Rule of Law

Under Botswana's parliamentary system of government, the president is elected by parliament, though constitutional and political power is highly concentrated in the executive branch and the president. This status, combined with the dominance of the BDP, means that the executive proceeds arbitrarily on occasion, though state legislation and executive actions are subject to effective judicial control.

Separation of powers

The judiciary is separate and independent and does perform its reviewing function providing a crucial check on the parliamentary system and it. The government submits to defeats in the courts, and responds by changing its course, as most recently exemplified by government's acceptance of the High Court ruling that the relocation of the Basarwa out of the CKGR was unconstitutional. There are slight limitations due to overloads and delays, but this mostly takes place in rural areas.

Independent judiciary

The fight against corruption has an institutional base in a largely independent body, the Directorate on Corruption and Economic Crime (DCEC). Abuse of office by elected officials, administration figures, and the police is relatively rare, though not entirely absent. Such abuses are subjected to both legal and political sanctions, albeit reluctantly at times. In 2005, for instance, a number of investigations into corruption scandals produced no prosecutions. Currently, no laws exist to protect whistleblowers. In the past, senior officials such as ministers and undersecretaries were forced to resign because of their involvement in scandals and irregular activities. After sitting out a "respectability period" of several years, however, they can return to office.

Prosecution of office abuse

In theory, all citizens enjoy equal civil rights. In practice, however, there is a considerable level of discrimination against the Basarwa minority (also called "San" or "Bushman"), whose traditional mode of living in the Central Kalahari the government wants to change. While the government claims not to have forcibly relocated the Basarwa in order to integrate them into "modern" structures, it did terminate basic services such as water and healthcare and provided housing and financial rewards for voluntary relocation. The international campaign of Survival International (SI), which claims to see economic interests – the exploitation of diamond deposits there – behind this policy, is rejected even by the highly-critical Botswana human rights organization Ditshwanelo. However, Ditshwanelo criticizes what amounts to a forcible relocation of the Basarwa. With the help of this organization, Basarwa activists managed to win the case before the High Court which ruled in favor of the Basarwa, that had claimed that the termination of services by the government on 31 January 2002 was unlawful and unconstitutional. As noted above, the government yielded to this ruling. Human rights groups also criticize the use of

Civil rights

capital punishment. Of particular concern is the practice of carrying out the death penalty without consulting relatives beforehand.

4 | Stability of Democratic Institutions

Democratic institutions are largely effective and efficient. Due to the BDP's absolute majority, there are no obstacles to decision-making in the parliamentary system. Slight tensions arise from a dual factionalism within the BDP, and additionally from constraints on judicial and administrative efficiency.

Performance of democratic institutions

Democratic institutions are accepted and supported by all relevant political actors. The opposition has been critical of parts of the political system such as the electoral system and the composition of the Independent Electoral Commission (IEC), but this does not imply a rejection of free and fair elections as such. However, doubts have emerged in recent years about the democratic integrity of Vice President Ian Khama, son of the country's founding president and most likely Botswana's future president. Khama has gained influence in the ruling party, although the faction opposing him has gained some ground in the period of assessment after having been weakened in 2004.

Commitment to democratic institutions

5 | Political and Social Integration

Botswana's party system displays the shortcomings and advantages of a dominant party system (effective legislative parties: 1.56). Due to the long-standing dominance of the BDP, the party system is relatively stable, though the general weakness of the opposition – which holds only 13 seats in the 61-member National Assembly – is reason for some concern. Opposition parties, in particular the Botswana National Front (BNF), have altogether won more than 40% of the vote in the last two elections (in 1999 and 2004), but have been weakened by their propensity to factionalism and the first past the post electoral system, which reduced their seat share to 22% of the competitive seats (four seats are ex officio members, named by the president). Ongoing efforts to unify the opposition parties have gained little ground following the 2004 elections. There have been negotiations to enlarge the 2003 electoral pact that had excluded the offshoots of the BNF, the Botswana Congress Party (BCP) and the National Democratic Front (NDF), but rivalries between the opposition parties, particularly the BCP and the BNF, persisted throughout the assessment period. There is relatively low volatility (as indicated by the country's score of 7.54 on the Pedersen Index in both 1999 and 2004) given the parties' relatively strong roots in the society (where the BDP tends to be more popular among rural populations, while the opposition has a largely urban support base), but although the BDP enjoys a distinct advantage, organizational resources between the two parties are generally

Party system

shallow and programmatic, and differences are present but not very pronounced. Polarization is not a general feature of the party system, though it rose in the most recent election campaign. Severe intransigence is found within parties, notably in primaries and especially between the opposition parties, as exemplified by the aforementioned splits.

Given the decades of democratic development in Botswana, the topography of functional interest groups is relatively underdeveloped. By contrast, there is a relatively high density of nongovernmental organizations (around 24 per 100,000 inhabitants). Rural interests are underrepresented – although the Basarwa have a relatively vocal advocacy group, the First People of the Kalahari – though women have a vocal interest group in “Emang Basadi.” With the possible exception of the mining sector, the unions do not play a significant role, because of legislative obstacles and a relatively small labor force in the formal sector.

Interest groups

According to surveys by the Afrobarometer in 2005 and the Institute of African Affairs in Hamburg, in 2003 between 69% and more than 75% of all Botswana prefer democracy to any other kind of government (as opposed to 10% who said they would prefer a non-democratic one under certain circumstances). Likewise, democratic institutions such as parliament, the courts of law and the president have the trust of at least 64% of the population.

Consent to
democratic
norms

While no robust and closely-knit web of autonomous self-organized groups exists as such, there is a fairly high level of trust among the population. The activity and efficacy of self-help groups is, however, limited by a culture of apathy, especially in rural areas. On the other hand, there is a general culture of “sit down and talk” in which consultation is valued. Traditional “Kgotla” meetings are held regularly throughout the country and a sense of peaceful discussion is fairly well-developed.

Associational
activities

II. Market Economy

The transformation of the economic regime in Botswana is ambiguous. On the one hand, compared to other sub-Saharan African countries, Botswana has a fairly high level of economic development. The country continues to make progress in economic performance, growth, and the institutional framework for market competition. On the other hand, the economy remains undiversified and highly dependent on diamonds. Social problems, such as poverty, are intensified by the HIV/AIDS pandemic.

6 | Level of Socioeconomic Development

Social exclusion is quantitatively and qualitatively significant and to some extent structurally ingrained. The country's level of socioeconomic development is moderate. The World Bank classifies the country as an upper-middle income economy, along with only five others in sub-Saharan Africa. Poverty is the main trigger for moderate and, for large parts of the population, significant social exclusion. Still more than one quarter of the population can be regarded as poor (in 2002, 23.4% of the population earned less than \$1 per day). There is a high level of unemployment and social inequality. According to the Gini coefficient (which was 63 in 1993), Botswana is one of the most unequal societies in the world. Additionally, with a prevalence rate of more than 20% of the sexually active population, the country has been severely affected by the HIV/AIDS pandemic. This has lowered life expectancy, which in turn has resulted in a relatively low HDI ranking. With a value of 0.570, the country is ranked 131st out of the 177 countries listed in the 2006 Human Development Index.

Socioeconomic
barriers

Economic indicators		2002	2003	2004	2005
GDP	\$ mn.	5,877	8,209	9,731	10,317
Growth of GDP	%	5.6	6.3	5.9	6.2
Inflation (CPI)	%	8	-7.9	1.4	8.6
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	6.9	5.1	4.0	2.7
Export growth	%	-3.3	-3.1	5.8	22
Import growth	%	9.5	1.6	-0.2	5.2
Current account balance	\$ mn.	143.3	462.2	287.0	1469.2
Public debt	\$ mn.	472.4	484.6	488.3	438.1
External debt	\$ mn.	488.4	513.6	510.3	473.1
External debt service	% of GNI	1.2	0.7	0.6	0.5
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	21.9	22.3	22.2	24.6

		2002	2003	2004	2005
Public expnd. on edu.	% of GDP	-	-	-	10.7
Public expnd. on health	% of GDP	2.4	3.0	4.0	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	4.1	2.4	3.8	3.0

Sources: The World Bank, World Development Indicators 2007 | UNESCO Institute for Statistics | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security

7 | Organization of the Market and Competition

Market competition has a strong institutional framework. With a score of 3.79, Botswana ranks 81st on the 2006 World Economic Forum's Global Competitiveness Index (GCI) worldwide, down from 72nd in 2005. Following the Index, it has the third-most economically competitive macroeconomic framework in sub-Saharan Africa, outperformed only by South Africa and Mauritius. On the Index of Economic Freedom, Botswana has been consistently rated "mostly free." The most important shortcomings include the high fiscal burden of government and government intervention in the economy. The state is an important economic actor and privatization of state assets has been slow.

Market-based competition

Generally, there is a coherent and effective anti-monopoly policy, but the regulation of monopolies in one significant area is regulated inconsistently. Trade policies are guided by non-discriminating principles. The economy's mainstay, diamonds, are exploited and sold exclusively by Debswana. This company is a 50/50 joint-venture by the state and South Africa's mining company, De Beers. In 2005, the state and De Beers renewed their cooperation agreement for the Jwaneng mine, the most valuable diamond mine in the world, for another 25 years. In other mining sectors, as well as those of manufacturing and tourism, however, monopolies or oligopolies have been avoided.

Anti-monopoly policy

Foreign trade has been extensively liberalized. Botswana's economy has high import and export ratios. Membership in the Southern African Customs Union (SACU) has not led to protectionism. The World Bank reports that in 2001 (the most recent year for which World Bank data are available), the SACU had a weighted average common external tariff rate of 3.6%. According to the Index of Economic Freedom, there are few if any non-tariff barriers.

Liberalization of foreign trade

The institutional framework for a solid banking system and capital market is strong. There are five commercial banks. The government is involved in the

Banking system

banking sector through several financial parastatals, but has not discriminated against private or foreign banks. Botswana has been praised by international organizations and rating agencies for its credit status and the management of its independent central bank.

8 | Currency and Price Stability

Controlling inflation and an appropriate foreign exchange policy are recognized goals of economic policy. Generally, policies have been in line with other economic policy goals, and are institutionalized in a largely independent central bank, the Bank of Botswana. The local currency, the pula, is tied to the South African rand and the country's fiscal and monetary policies do not diverge from those of South Africa. Following a devaluation of the pula in May 2005, however, inflation rose to 8.6%, well above the central bank's inflation target of 4-7%. Inflation was also above-target in the first half of 2006.

Anti-inflation /
forex policy

The government's fiscal and debt policies support macroeconomic stability. Favorable debt service ratios, estimated at 1.1% by the Economist Intelligence Unit, and largely balanced budgets with only small deficits in recent years attest to prudent fiscal policies. However, as Botswana's economy still is relatively undiversified, budgets largely hinge on developments in the diamond sector. Moreover, surpluses in previous years owe partly to the government's incapacity to carry out spending programs as scheduled.

Macrostability

9 | Private Property

Government authorities ensure well-defined property rights and effectively regulate the acquisition of property. There are slight disadvantages due to the fact that obtaining a permit for foreign investment can occasionally be a sluggish process. In the 2006 World Bank "Doing Business" Index, Botswana ranked 48th out of 175 countries for ease of doing business. Other slight practical obstacles are some administrative shortcomings and an overburdened – albeit independent – judiciary.

Property rights

Private business activity is viewed as the backbone of the economy but there are still state companies and strong market concentrations. The government authorities aim at attracting private investment, including foreign investment. Although foreign investors receive privileges such as tax concessions that are precisely regulated by official rules, privatization efforts remained sluggish in 2005 and 2006. After some delays, a significant stake in the national air carrier was awarded to a foreign consortium. In the diamond sector, the 50/50 joint venture with De Beers has proven to be effective. The renewed license for the

Private
enterprise

Jwaneng mine attests to the fact that privatization is not planned in this sector of the economy.

10 | Welfare Regime

Social networks are developed, but do not cover all risks for the entire population. There is still a serious risk of poverty for substantial segments of the population. Socially vulnerable groups receive only limited social welfare benefits. The unemployment rate was estimated to amount to 23.8% as of 2004. Both universal health care and private health insurance exist. Botswana has won international recognition in recent years for numerous initiatives to grapple with the HIV/AIDS pandemic, a feat which has also involved public-private partnerships with foreign foundations and the pharmaceutical industry. The government pays for at least 80% of all HIV/AIDS activities in the country. Other achievements made in Botswana include the provision of highly anti-retroviral therapy (HAART) to the public and the introduction of comprehensive voluntary counseling and testing programs.

Social safety nets

Equal opportunity exists in principle, but the institutions to actively compensate for gross social discrepancies remain inadequate. There is no discrimination against particular ethnic groups or women. Women have access to higher education and public office. While the well-developed education sector has the potential to reduce social discrepancies, the reintroduction of – albeit relatively modest – school fees in January 2006 for secondary schools might constitute a disincentive for poor households.

Equal opportunity

11 | Economic Performance

The economy's traditionally high growth rates (according to the IMF, the average growth rate since the 1980s has been 7.8%) continued during the period under review, albeit at a lower level. The growth of GDP per capita went hand in hand with other positive macroeconomic figures. Botswana's insignificant debt and positive balance of trade constitute the most notable figures. However, economic development still is mainly driven by the diamond industry. The country's potential for broad-based growth therefore remains limited due to the largely unsuccessful efforts to diversify the economy and to privatize state enterprises. Again, a significant threat to growth is posed by the severe HIV/AIDS pandemic.

Output strength

12 | Sustainability

In sparsely populated Botswana, there are few environmental problems and a low awareness on environmental issues. Ecological issues tend to be subordinate to economic interests, but there are no serious ecological problems in any event. The government is making efforts to preserve regions of interest for tourism (especially the Okavango River delta) and to prevent the poaching of wild animals.

Environmental
policy

The government has systematically invested in infrastructure for education. There is a nationwide system of primary, secondary and – with the University of Botswana – tertiary education. The government has decided to establish a second university with a technical focus. As mentioned above, however, after more than 20 years the government reintroduced school fees for secondary schools. In 1991, the most recent data available in the 2006 Human Development Report, the government spent 17% of all expenditures on education (6.2% of GDP). Despite the government's investment in education, the qualification level of the population remains unsatisfactory. On the technology sub-index of World Economic Forum's Growth Competitiveness Index (GCI), Botswana scored worse than on the general index, ranking 36th overall and 59th on the Technology Index.

Education policy
/ R&D

Transformation Management

I. Level of Difficulty

The level of difficulty for transformation in Botswana is moderate. Ethnic and social conflict does not pose a serious threat to possibilities for improvement. Traditions of civil society are moderate. The structural constraints on governance are moderate to high. A land-locked country, Botswana has a fairly well-developed physical infrastructure and relatively high educational standards. However, these standards have failed to produce a satisfactorily-educated labor force. Absolute poverty and income inequality remain at worrisome levels (with 23.4% of the population living below poverty line, coupled by a high Gini coefficient). The potential negative impact of dependence on raw materials (diamonds) did materialize during the period of review and only sporadically in the years before 2005, when demand for diamonds receded. In fact, the resulting revenues continued to serve as a growth engine in 2005 and 2006. Frequent droughts in an arid climate and outbreaks of animal diseases are responsible for a limited potential in agricultural production. The most formidable constraint on governance is the high rates of HIV infection. Infection rates have been estimated at up to 38%, though the lower estimate of an infection rate of 24.1% among Botswana between 15 and 49 as of 2005 is still one of the highest worldwide. HIV/AIDS alone is responsible for the regression of the HDI values, and it is an especially difficult problem to fight.

Structural
constraints

Although civil society in Botswana is relatively weak in terms of the number of active NGOs and a culture of passivity and apathy in rural areas, other aspects, such as relatively high trust in institutions and social trust in general, account for a more encouraging picture. In particular, the aforementioned “sit down and talk” culture is ingrained in the Tswana culture, which allows and encourages participation and open discussion, and is a cultural resource from which the government can draw.

Civil society
traditions

There are no severe, irreconcilable ethnic or other conflicts, although the potential for such conflicts does exist given social problems and sporadic interethnic tensions.

Conflict intensity

II. Management Performance

Faced with a moderate level of difficulty for transformation, Botswana's leadership has continued to demonstrate a fairly impressive governance record, although some limitations remain. The best performance is seen in international cooperation, but steering capability and resource efficiency are only slightly behind. Consensus-building is a central feature of the political culture.

14 | Steering Capability

Generally, the political leadership is committed to constitutional democracy under the rule of law and a responsible market economy. Government policies clearly prioritize the goals of economic and democratic transformation over short-term expediency. Since independence in 1966, the goals of economic and social transformation have been laid down in well-formulated national development plans over five-year periods. The most recent framework, the National Development Plan 9 (NDP 9), which stretches from 2003/04-2008/09, aims at economic diversification, employment creation, maintaining macroeconomic stability, and reducing HIV infection rates. Criticism focuses on overoptimistic goals standing in contrast to the state's limited administrative capacities. Due to Botswana's favorable fiscal status, insignificant debts and levels of aid, the government is not dependent on external actors in setting its policy priorities.

Prioritization

Although largely committed to a structural and qualitative transformation of the political and economic system, Botswana's government has had only limited success in implementing announced measures. The central goals of economic reform, the diversification of the economy and the privatization of state assets, have not been realized. The country's dependence on diamond extraction also remains largely unchanged. The Public Enterprises Evaluation and Privatization Agency (PEEPA) has been ineffective. After initial privatization plans stalled in January 2004, a significant stake in the state-owned air company, Air Botswana, was awarded to a foreign consortium only in January 2006. Regarding the HIV/AIDS pandemic, the government has strengthened its approach in fighting the disease. The national government pays for at least 80% of all HIV/AIDS programs in the country. Other achievements made in combating HIV/AIDS in Botswana include the provision of highly active antiretroviral therapy (HAART) to the public at no cost, vaccine development, voluntary counseling and testing programs, community home-based care, programs for orphans and vulnerable children as well as the nationwide "Prevention of Mother to Child Transmission"

Implementation

(PMTCT) program at all public health facilities. Prevention and treatment of opportunistic infections is also provided at all public health facilities in the country. The health system closely cooperates with foreign foundations, the pharmaceutical industry and international organizations. Today, blood is routinely tested for HIV, an approach which has contributed to more people knowing their HIV status. Anti-retroviral medication is available through the public health system at no cost to the public. Despite the recognition won from the international community for its exemplary anti-retroviral program, the implementation of the program remains insufficient in the face of the magnitude of the HIV/AIDS problem in Botswana. Implementation of gender empowerment measures has been quite successful. According to the Human Development Report 2006, 31% of all legislators, senior officials and managers are women.

The authorities have shown a fair amount of learning ability, and political leadership has demonstrated its ability to replace failed policies with innovations. In the period under review, this flexibility has been more muted, however. During the Article IV review process, the IMF has repeatedly advised stepping-up the efforts to diversify the economy, privatize state assets and to improve the effectiveness of the public administration. The treatment of the Basarwa (“Bushmen”) and the expulsion of expatriates critical of government (one Australian national employed at the University of Botswana and a Zimbabwean journalist) has caused international controversy and has shown inflexibility in the government’s response. Constraints might also derive from an exaggerated feeling of consensus. The government regularly consults with major stakeholders, such as the Botswana Confederation of Commerce, Industry and Manpower (BOCCIM), to design or redesign its policies. In the period under review, government was occasionally stuck in routines and used its political leeway insufficiently.

Policy learning

15 | Resource Efficiency

The government uses available human, financial and organizational resources efficiently in most respects. Corruption is a minor problem at the top leadership and the administrative level. Botswana ranks 37th out of the 163 countries listed on Transparency International’s Corruption Perception Index (CPI). The cabinet is comprised of 16 ministers. The low levels of favoritism displayed in decisions by government officials is considered a competitive advantage by the WEF. The debt burden is low and state budgets have shown only small deficits. However, state budgets have to be adjusted regularly due to expenditure planning that tends to show unrealistic results. Another factor is the occasional lack of capacity to make use of the projected expenditure. Although not affected by high

Efficient use of assets

levels of corruption, the civil service has displayed other shortcomings. A case in point has been the tax administration which, despite a high tax-to-GDP ratio (due to diamond extraction), has been weak. In order to overcome the deficiencies, the government launched the semi-autonomous Botswana Unified Revenue Services (BURS) in August 2004. However, as outlined by the IMF's 2006 Article IV document, the BURS's capability has to be further strengthened in order to improve revenue collection and to realize the projected revenue targets.

The government coordinates its policies relatively effectively and acts in a coherent manner. The national development plans form coherent frameworks for the implementation of policies. Constraints are of a structural nature. Prudent fiscal policies are hard to reconcile with coherent poverty alleviation (subsidies and social welfare), job creation and, in recent years increasingly the fight against the massive HIV/AIDS pandemic. The government has consistently prioritized macroeconomic stability over high-level social welfare expenditure. Investment in infrastructure for education and training is seen as the avenue for social progress in the long term. Consequently, the government plans to establish a second university with a technical focus as a complement to the University of Botswana. As a result of the government's general approach, however, poverty, inequity and unemployment remain widespread phenomena given the moderate level of socioeconomic development. Balancing different interests has been a major concern of government and has sometimes negatively affected policy coherence.

Policy coordination

The government seeks to provide all integrity mechanisms. Since 1994, the fight against corruption has an institutional base in an independent body, the Directorate on Corruption and Economic Crime (DCEC). However, these mechanisms have on occasion not functioned to full satisfaction. Members of opposition parties and of civil society have repeatedly levied the criticism that the DCEC has only pursued cases of administrative corruption ignoring that in high-level politics. The DCEC must refer prosecutions to the attorney-general, who in turn reports to the office of the president. This institutional arrangement reduces the autonomy of the prosecution process. The DCEC's lack of autonomy is illustrated by the existence of unknown sources of funding to the ruling party, which, it may be speculated, come from well-wishers within the economic community. This has featured as a recurrent point of criticism by the opposition parties, particularly prior national elections. Furthermore, there is no legal requirement for holders of public office to declare their assets and private business interests.

Anti-corruption
policy

16 | Consensus-Building

Although certain limitations persist, consensus is a distinct feature of political culture in Botswana. While it seems that all major political and social actors agree on the goal of reform in terms of democracy under the rule of law and economic prosperity, their ideas about how to achieve these goals vary considerably. The largest opposition party, the BNF, has advocated economic socialism and opposed the BDP's liberal market orientation. Today, however, it seems to have largely abandoned its socialist ideas, notwithstanding an influential Marxist wing within the party. The opposition still advocates a more proactive poverty reduction strategy than the ruling BDP, which favors the indirect effects of education and capacity-building over direct subsidies. In terms of democracy, the government seems to be satisfied with the level of its achievements.

Consensus on goals

There are no political actors with anti-democratic veto powers. There might be some potential for extremist anti-democratic views given the country's social problems, but they are not likely to pose a significant challenge in the near future. The possible exception to this is current Vice President Ian Khama, whose commitment to liberal democracy is questioned by some observers, and who is well-placed to become the country's next president.

Anti-democratic veto actors

As described above, the potential for more serious social and ethnic polarization exists, but a traditional culture of consensus and peaceful conflict resolution, combined with apathy among the rural population, has helped to prevent cleavages from escalating into more severe conflicts. However, all governments since independence, including the Mogae administration, have contributed to this development. With regard to the potential of ethnic conflict, top political officials have shown no tolerance for exploiting ethnic prejudice in election campaigns. Such incidents of "tribalism" occurred in the primaries of the BDP in late 2003, and President Mogae and other leading politicians have called those involved to task. On a regular basis, the government uses the "Kgotla" meetings for nationwide consultation and discussion of national policies. However, in the period under review, the government seems to have been more successful in accommodating conflicts within its ranks than on other issues. Until the High Court ruling in December 2006, for example, the government expressed little willingness to come to terms with the Basarwa community, let alone their international supporters. Though President Mogae took the unusual step of summoning opposition leaders to discuss the impact of the international campaign in September 2006, the results were mixed. The opposition readily joined the rejection of SI's campaign but remained critical of the relocation policy as such.

Cleavage / conflict management

As shown by the Kgotla meetings, the political leadership promotes social capital among the population. Yet the government only partly succeeds in strengthening inter-personal solidarity and civic engagement. A culture of passivity and apathy among the rural population hinders the emergence of a vibrant civil society. The government has contributed to this apathy to some extent, due to its benign but paternalistic and elitist approach toward society. The political leadership takes into account and accommodates the interests of civil society, but the inclusion of civic organizations, particularly interest groups such as trade unions or intellectuals, is clearly limited.

Civil society participation

Botswana has maintained a fairly stable human rights record since 1966. Hence, there are no noteworthy past injustices.

Reconciliation

17 | International Cooperation

The country's political actors have traditionally been very willing to cooperate with outside actors. Botswana uses the assistance of international organizations such as the IMF in achieving its transformation goals, particularly those concerning social and economic issues. The country is widely seen as a credible and reliable partner. Political actors apply international aid with a solid focus on the needs of economic transformation. Since Botswana's classification as an upper-middle income economy in 1992, aid has declined considerably. The country has never faced structural adjustment programs imposed by the IMF. The fight against HIV/AIDS provides the most prominent evidence of the high level of cooperation with international actors. With the support of donors, philanthropists and international pharmaceutical companies, several anti-AIDS programs have been established. Botswana is a beneficiary of the U.S. President's Emergency Plan for AIDS Relief (PEPFAR). This program, which distributes anti-retroviral drugs through the public health system, is collaboratively funded by the pharmaceutical company Merck and the Bill and Melinda Gates Foundation.

Effective use of support

The international community considers the government to be a credible and reliable partner. Since independence, the government has built a considerable degree of trust in major international actors. The country had never experienced problems in repaying its debts to foreign donors. However, a bitter dispute between the Britain-based advocacy group Survival International (SI) and the government continued from 2005 to 2006 and has attracted international attention. SI claimed that the government removed the Basarwa in order to mine diamonds in their settlement area, the Central Kalahari Game Reserve. The case of the Basarwa (supported by SI) against the government, which came before the High Court, has not only been a major issue nationally but has also attracted international attention. On 13 December 2006, the High Court ruled in favor of

Credibility

the Barsarwa and declared the relocation unlawful. Further international coverage will be largely dependent on the manner in which the government implements the court order. On the whole, Botswana enjoys very good international relations, especially with the United States, with which it closely cooperates in military matters.

The political leadership actively and successfully builds as many cooperative, regional and international relationships as possible and promotes regional integration through a number of organizations. The country is a member of the Southern African Customs Union (SACU), the oldest customs union in the world. Botswana has also been a very active member in the Southern African Development Community (SADC), and favors stronger political and economic integration in southern Africa, as evinced by its active role at the SADC summits in August and October 2006, not to mention the fact that the organization's headquarters are based in Botswana's capital, Gaborone. The importance of the location will be further strengthened with the planned construction of the new SADC building. Botswana enjoys good relations with most of its neighbors. However, within the SADC, Botswana has emerged as an antipode to neighboring Zimbabwe. The government sees the continued economic deterioration and political crisis in Zaire as destabilizing factor putting regional integration and economic development into question.

Regional cooperation

Strategic Outlook

On balance, Botswana will likely maintain its relatively high level of democratic transformation and will continue to enjoy success in the economic arena. At the same time, some weaknesses in political, economic and especially social transformation are likely to remain unchanged, while some areas may actually worsen. In terms of political and socioeconomic transformation, Botswana's future will depend mainly on three major aspects and a number of minor ones.

Firstly, the economic consequences of the HIV/AIDS epidemic and the effectiveness of government measures will prove crucial to Botswana's political future. Secondly, this will depend on its leadership quality, which is cause for some concern. Leadership has been the major source of the country's success story, despite the absence of institutionalized social and political integration. This quality cannot be taken for granted insofar as it remains unclear whether Ian Khama, the most likely future president of the country, will display the capabilities and integrity of his father, Botswana's first president. The opposition regularly complains about his rare appearances in parliament, for instance. Concerns about Khama's authoritarian and confrontational style persist, as his personal conduct will profoundly shape the country's overall development if he becomes president. There are also indications that Botswana's democratic trajectory will develop in a less favorable direction in the future, as the government appears to be increasingly unwilling to allow critical debate in the country. After the period under review, on 23 March 2007, the Minister of Labor and Home Affairs evoked a visa requirement clause from the emigration act to target 17 individuals from the United Kingdom, the United States and Canada. These individuals, who now must have a visa to enter Botswana, are primarily human rights activists, academics and journalists who have been critical of the government's policies in the past. Thirdly, the still-worrisome levels of inequity, poverty and unemployment pose a major challenge for Botswana's future. It seems unlikely that this will translate into deeply-rooted social conflict given the predominant culture of peace on one hand and apathy on the other. However, the potential exists and social shortcomings serve to hinder transformation capability.

Other threats for Botswana's future include developments in neighboring Zimbabwe, the treatment of ethnic minorities, and Botswana's dependence on diamonds. Diamond dependence poses obstacles to sound economic transformation, given possible price volatility and the fact that Botswana's large gem deposits will not last forever. Civil unrest in Zimbabwe may hamper

Botswana's good reputation as a destination for high budget tourism and, more importantly, will put some demographic pressure on the country given the already-high and possibly growing number of refugees it from Zimbabwe. Given some xenophobic tendencies in Botswana, the government might be tempted to implement a tough policy toward Zimbabwean refugees. Already in effect to some degree, such a policy poses the risk of marring the country's respectable record on the rule of law.

It will be of central importance to assist the country in its already-advanced efforts to tackle the HIV/ AIDS problem. Foreign assistance should be maintained and increased. Unfortunately, success cannot be guaranteed since substantial achievements may depend on technological medical innovation such as an effective vaccine. Likewise, foreign donors should assist the country in its efforts to achieve progress in the social order and to dilute natural resource dependence. The government aims to overcome these problems indirectly by stressing related factors such as education rather than directly addressing poverty and inequality. There is a concern that generous distribution policies bear the risk of damaging macroeconomic stability. While there is most likely no direct way to influence the quality of leadership, the international community can make use of the leadership's evident desire to maintain its reputation as both a political and economic "African success story." This might also prove effective in combating deficiencies in the respect for freedom of expression and academic freedom as well as the treatment of refugees from Zimbabwe and of ethnic minorities, particularly the San. The government has verbally accepted the High Court's ruling that the relocation of the Basarwa from the Central Kalahari was unconstitutional. Outside observers should be attentive to future actions by the government in this regard. As regards the crisis in Zimbabwe, the international community, including the United States, Great Britain, and SADC countries (most notably South Africa) must find a way to resolve the crisis in Zimbabwe before problems spread to neighboring countries.