

Botswana

Status Index (Democracy: 8.45 / Market economy: 7.50)		7.98	Management Index		7.44
HDI	0.565		Population	1.8 mn	
GDP per capita (\$, PPP)	8714		Population growth¹	2.5 %	
Unemployment rate³	19.6 %		Women in Parliament	11.1 %	
UN Education Index	0.76		Poverty²	23.5 %	
			Gini Index	63.0 (1993)	
<small>Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² Population living below \$ 1 (1990-2003) ³ 2001 number of people looking for work expressed as a percentage of the total work force (Economist Intelligence Unit, Country Profile Botswana 2004).</small>					

A. Executive summary

In late October 2004, Botswana's ninth subsequent legislative elections once again brought the Botswana Democratic Party (BDP) back to power with a sound parliamentary majority. Its presidential candidate, Festus Mogae was elected president for his second and last constitutional term. The country remains a sub-Saharan exception in many transformation aspects; however, the HIV and AIDS pandemic threaten continued progress.

This report on the state of transformation in Botswana concludes that the country has maintained its high level of transformation. Some shortcomings persist with regard to freedom of the press, and the executive's occasional arbitrary actions. Particularly noteworthy and controversial is relocation of the Basarwa ethnic minority, which is subject to judicial review. The continued dominance of the governing BDP constitutes a key problem for political and social integration in Botswana. Relatively weak opposition parties and civic organizations minimally balance this dominance.

Economic transformation in Botswana is ambiguous. 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. The HIV and AIDS pandemic intensify existing social problems like poverty, inequity and unemployment among the population.

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 also show strong results. Consensus building is a central feature of Botswana's political culture.

A remarkably peaceful country, Botswana has been spared political violence and extremism since independence in 1966. Non-state political extremists are marginal and they do not resort to violence. The likelihood of political extremism threatening democracy is low.

Botswana's future transformation path will depend mainly on the success of the government's fight against HIV and AIDS as well as the leadership qualities of its most likely future president, Ian Khama. Social problems, civil unrest 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 HIV and AIDS problem and support its efforts for diversification and the alleviation of social problems.

International efforts should be strengthened to resolve the crisis in Zimbabwe. As for slight domestic political shortcomings, the international community can make use of the leadership's pronounced desire to maintain its good reputation as an "African success story."

B. 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. After Khama's death in 1980, Vice President Sir Ketumile Masire took over as head of the government and of state. The vice presidency was occupied by Festus Mogae in 1998. 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 base, however, has been growing and opposition voting is increasing continuously. The tendency toward factionalism and the British style "first past the post" electoral system has prevented opposition parties from gaining more ground.

Due to the apartheid system in South Africa, there was a long period of adverse regional conditions in Botswana. Botswana's circumspect policies steered clear of both collaboration and confrontation with its more powerful neighbor and 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 state. Its GDP grew an average of 12% annually in real terms from 1977 to 1987. In the last decade of the 20th century, the 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 transnational corporations. An almost over-cautious budget policy regularly led to budget surpluses. The infrastructure and educational facilities have been systematically expanded. Despite a fundamental market orientation and numerous efforts in the direction of privatization and diversification, Botswana remains largely dependent on its diamond deposits, which are mined through a joint venture between the De Beers multinational group and the state enterprise Debswana.

In recent years, diamond production has been overshadowed by a campaign launched by an international advocacy group accusing the government of mistreating Basarwa (Bushmen) in the Kalahari Desert in order to mine diamonds. However, the government has denied these allegations, yet the issue remains controversial. The government has engaged constructively in international efforts to curb the trade with so-called "blood" diamonds.

Apart from the mining sector, the other core economic sectors are cattle ranching and high budget tourism, especially in the Okavango Delta. The country's market economy conditions are exemplary, at least when compared with the rest of sub-Saharan Africa, and continue to improve.

Despite considerable social progress, deficiencies remain, though moderate. Among these concerns are growing social inequality and worrisome unemployment figures, especially among youth. In recent years, concerns have increased over developments in neighboring Zimbabwe. Instability could result from an inflow of refugees from Zimbabwe, which would adversely affect tourism.

The greatest and most formidable challenge is the rampant HIV/AIDS pandemic that has devastated this country since the early 1990s. Statistics indicate that approximately 38% of all sexually active Botswana are HIV positive, which places Botswana as one of the hardest-hit countries in the world. The decline in

the Human development Index (HDI) is entirely a result of this problem. A particularly worrisome effect 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. The success or failure of these initiatives will be critical for future economic transformation.

C. Assessment

1. Democracy

The country has maintained its high original level of transformation. There are minor deficiencies with regard to the freedom of the press, and occasional arbitrariness of actions by the executive, in particular the controversial issue of the relocation of the ethnic minority of Basarwa, but these are subject to judicial review. One remaining primary 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.

1.1. Stateness

There is evidently no problem with stateness in Botswana. The state has an unrestricted monopoly on the use of force. Defining citizenship becomes a politically relevant issue only when the representation of the second chamber of parliament, the House of Chiefs, is discussed. It includes only one of the eight Tswana groups; however, this does not mean that fundamental citizenship rights are denied. The government initiated a reform to remedy this problem, and a referendum is pending. There is to some extent societal discrimination against minorities, but this phenomenon appears to be more a problem of the rule of law. There is a separation of church and state, and the political process is secular. Largely, there is a highly functional administrative system, and public safety and order are assured, especially in contrast to other African countries. There are limitations to progress due to bureaucratic sluggishness.

1.2. Political participation

Botswana enjoy universal suffrage and the right to campaign for office. Elections are conducted properly. In the 2004 elections, the principles of an open, competitive election process were observed. The only shortcoming in this respect stems from an uneven playing field during election campaigns. The BDP enjoys

the advantages of being the incumbent, and the opposition parties continue to denounce the lack of public funding and equal access to the state-controlled media. Increasing voter apathy has resulted in comparatively low voter turnouts in recent years.

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) emerged from the ranks of the Botswana Defense Force (BDF).

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.

Freedom of opinion is generally guaranteed. There is a culture of open and lively discussion. However, critics of the government receive little access to the largely government-controlled media. There are also limited and sporadic government interventions against the independent and outspoken print media. In 2003, journalists protested against a draft bill that would support a press council that could impose fines and jail terms against a government violating a code of conduct. However, this bill did not transform into legislation. As a result, freedom of the press receives a “free” rating by Freedom House, but ranks only 71st and is considered “partly free”.

In late February 2005, Kenneth Good, a professor at the University of Botswana and an Australian national who has been critical of the government for years, was declared an unwanted immigrant and ordered to leave the country within forty-eight hours. It remains unclear whether the deportation order by President Mogae is connected to Good’s criticism of the government in a recently published paper. However, a court ruling allowed Good to stay in Botswana while he appeals the deportation order.

1.3. Rule of law

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

The judiciary is separate and independent and is a crucial body for checks in a parliamentary system. On the other hand, its function is under review at present. The government submits to defeats in the courts, and responds by changing its course. There are slight limitations due to overloads and delays, but this mostly takes place in rural areas.

The fight against corruption has an institutional base in an independent body, the Directorate on Corruption and Economic Crime (DCEC). Abuse of office by elected officials (and administration and police) is relatively rare (though not entirely absent), and is subject to both legal and political sanctions. Currently, no laws exist to protect whistleblowers. In the past, senior officials (ministers, undersecretaries) have had to resign because of their involvement in scandals and irregular activities. But after sitting out a “respectability period” of several years they can return to office. Recent independent investigations into alleged abuse by ministers (“land issue”) did not find evidence of corruption.

In theory, all citizens enjoy equal civil rights. In practice, however, there is an open level of discrimination against the Basarwa minority (also called San or Bushmen), whose traditional mode of living in the Central Kalahari is officially criticized. The government has not yet forcibly relocated the Basarwa in order to integrate them into modern structures, but it has cut off services such as water and health care and it provides 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 the de facto forcible relocation of the Basarwa and with its help; Basarwa activists are seeking a ruling by the High Court. The former residents are claiming that the termination of services by the government on January 31, 2002 was unlawful and unconstitutional. Human rights groups also criticize the use of capital punishment. Of particular concern is the practice of carrying out the death penalty without consulting relatives beforehand.

1.4. Stability of democratic institutions

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

Democratic institutions are accepted and supported by all relevant political actors. The opposition has been critical of parts of the electoral regime such as the electoral system and the composition of the Independent Electoral Commission

(IEC), but this does not mean the rejection of free and fair elections as such. However, speculative 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 party and the faction opposing him has been weakened in the period under review. This weakening was due in part to a major cabinet reshuffle following the elections in October 2004 where eleven out of fourteen ministers were replaced.

1.5. Political and social integration

Botswana's party system displays the shortcomings and advantages of a dominant party system. Due to the long-standing dominance of the BDP the party system is relatively stable, but the continued weakness of the opposition 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 are weakened by their propensity to factionalism. An electoral pact of opposition parties was launched in September 2003 that excluded the offshoots of the BNF, the Botswana Congress Party (BCP) and the National Democratic Front (NDF). Due to vote splitting, opposition parties gained only 22% of the constituencies in the first-past-the-post electoral system. There is relatively low volatility given the parties' relatively strong roots in the society (BDP: rural; the opposition: urban) but, although the BDP enjoys a distinct advantage, organizational resources are generally shallow and programmatic differences are widely absent. Polarization is not a general feature of the party system; notwithstanding a certain rise in the recent election campaign, (major opposition parties boycotted the all-party conference that appointed the members of the Independent Electoral Commission). Severe intransigence is found within parties, notably in primaries and especially between the opposition parties as the aforementioned splits exemplify.

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 but women do have a vocal interest group ("Emang Basadi"). The unions in particular do not play a significant role, because of legislative obstacles.

According to surveys by the Afrobarometer in 1999 and the Institute of African Affairs, Hamburg in 2003 more than 75% of all Botswana prefer democracy to any other kind of government. Likewise, democratic institutions such as parliament, the courts of law and the president have the trust of approx. 80%.

There is no robust and closely-knit web of autonomous-self-organized groups, but there is a fairly high level of trust among the population. The activity and efficacy of self-help groups meets its limitations in a culture of apathy, especially in rural areas. On the other hand, there is a general culture of “sit down and talk.” Traditional “Kgotla” meetings are held regularly throughout the country and a sense of peaceful discussion is fairly well developed.

2. Market economy

The transformation of the economic regime in Botswana is ambiguous. Compared to other sub-Saharan countries, Botswana has a fairly high level of economic development, and the country continues to make progress in economic performance, growth, and the institutional framework for market competition. Ongoing efforts have been unsuccessful in reducing dependence on diamonds. The HIV and AIDS pandemic intensify existing social problems among the population.

2.1. Level of socioeconomic development

Social exclusion is quantitatively and qualitatively significant and to some extent structurally ingrained. The key indicators show a moderate level of development. The country’s level of development does not permit adequate freedom of choice for all citizens if measured by these indicators.

Moderate-to-substantial social exclusion results primarily from poverty that, albeit reduced, affects one fourth of the population (In 2002, 23.4% of the population earned less than \$1 per day). There is a high level of social inequality, and according to the Gini coefficient (for 1993: 63), Botswana is one of the most unequal societies in the world.

The HIV/AIDS pandemic has lowered life expectancy that, in spite of robust GDP and education scores, has resulted in a relatively low HDI rank (128th of 177 countries in 2002).

Women earn on average only 51% of what their male counterparts earn. The country ranks 102nd on the Gender-related Development Index (GDI), yet 35% of decision-making positions are filled with women.

2.2. Organization of the market and competition

Market competition has a strong institutional framework. According to a survey conducted in 2003 by the World Economic Forum (WEF) Botswana has the most favorable framework for growth in sub-Saharan Africa. In terms of macroeconomic environment and public institutions, Botswana ranks 36th on the WEF's Growth Competitiveness Index (GCI) worldwide. On the Index of Economic Freedom Botswana has been consistently rated "mostly free".

Shortcomings are observed primarily in the high fiscal burden of government and government intervention in the economy, which is responsible for de facto limitations in the formation of monopolies. Diamonds are exploited and sold exclusively by the Debswana who forms a semi-state joint venture between the state and South Africa's De Beers. Yet, in other mining sectors (gold, copper, nickel), manufacturing and tourism monopolies or oligopolies have been avoided. Foreign trade has been extensively liberalized. The Botswana economy has high import and export ratios. Membership in the Southern African Development Community (SADC) and the associated customs union has not led to elevated protectionism. According to the Index of Economic Freedom, there are few if any non-tariff barriers.

A sound basis for a banking system and capital market exists. Despite some problems in providing sound money for business, as the WEF study has revealed, Botswana has received awards from international organizations over the past few years for its credit status and the management of its independent central bank.

2.3. Currency and price stability

Inflation and foreign exchange policies have been brought into line with other economic policy goals, and are institutionalized in a largely independent central bank, the Bank of Botswana. As the local currency (pula) is tied to the South African rand, fiscal and monetary policies do not diverge from those of South Africa. However, unlike the results of 2004, the central bank had failed to meet its inflation target (4-7%) in 2003.

The government's fiscal and debt policies are exemplary, especially in light of the risks of natural resource dependence (e.g. Dutch disease). Favorable debt service ratios of 1.9% and 1.6% and balanced budgets in the fiscal years 2003 to 2004 mirror extraordinarily prudent fiscal policies. However, a balanced budget depends on developments in the diamond sector and surpluses in previous years owe partly to the government's incapacity to carry out spending programs as scheduled.

2.4. Private property

Property rights and ownership are adequately defined and effective. There are slight disadvantages due to an occasional sluggish permit process for foreign investment, as well as other administrative shortcomings and an overburdened, albeit independent, judiciary.

Private business activity and investments, including foreign is considered desirable and is encouraged with certain privileges. However, privatization efforts have not yet resulted in sustainable success in 2003 and 2004 and companies do not form the backbone of the economy. Privatization is not even planned in the diamond sector. In view of the successful management of the diamond business to date, this decision can hardly be considered a mistake.

2.5. Welfare regime

Social networks are well 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 social welfare but to a limited extent. Numerous initiatives have been implemented to grapple with the AIDS epidemic and have won international recognition. Generally, the health sector is well-developed and there is universal health care.

There is equal opportunity but with some restrictions. Society is highly heterogeneous in social terms, but there are a number of institutions that compensate for gross social discrepancies, especially in the well-developed education sector. Women in particular have significant access to higher education and public office.

2.6. Economic performance

The economy's traditionally high growth rates continued during the period under review. Per capita GDP grew relatively fast, and went hand in hand with strong macroeconomic figures. Botswana's debt, balance of trade and budgetary policy constitute the most notable figures. Price stability showed slight deficiencies, but remains within controllable limits. According to the Afrobarometer, unemployment rates (around 19.6%), particularly among the youth, are a serious concern. As for economic potential, one should bear in mind both the dependency on diamond revenues, which remain the engine for growth, as well as the largely unsuccessful efforts to diversify and the effects of the HIV and AIDS epidemic.

2.7. Sustainability

In a sparsely populated Botswana, there are few environmental problems and a low level of awareness on environmental issues. Economic activity in the country apparently does not produce ecological problems. Nevertheless, the country is making efforts to preserve regions of interest for tourism (especially the Okavango River delta), though these endeavors are subordinate to economic interests.

Thanks to systematic support from the government, Botswana has an excellent infrastructure. Botswana has been able to ensure free schooling nationwide for the entire population. The University of Botswana offers a diversified range of programs, and between 1999 and 2001, the government spent 25.6% of all expenditure on education (2.1% of the GDP).

Despite these efforts, the absolute level remains unsatisfactory. On the technology sub-index of WEF's Growth Competitiveness Index (GCI), Botswana scored (CGI: 36th; Technology Index: 59th). The WEF considers the lack of an adequately educated labor force a major obstacle for doing business in the country.

3. Management

Faced with a moderate level of difficulty for transformation the government 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.

3.1. 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. 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 particularly inequality remain at worrisome levels (23.4% of the population lives below poverty line, high Gini-coefficient). The potential negative impact of dependence on raw materials (diamonds) has not materialized in the period of review and only sporadically in the years before 2003, when demand for diamonds receded. In fact, the resulting revenues continued to serve as a growth engine in 2003 and 2004. 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 HIV-infection rates (in 2003 37.3% of the population between 15 and 49). AIDS and HIV alone is responsible for the regression of some aspects of development, and it is an especially difficult problem to fight.

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 high trust in institutions and social trust in general account for a more encouraging picture. In particular, the culture of “sit down and talk” 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.

There are no severe, irreconcilable ethnic or other conflicts, although the potential for such conflicts does exist.

Profile of the Political System

Regime type:	<i>Democracy</i>	Constraints to executive authority:	3
System of government:	<i>Parliamentary</i>	Electoral system disproportionality:	21.5
		Latest parliamentary election:	30.10.2004
		Effective number of parties:	1.6
1. Head of State:	<i>Festus Mogae</i>	Cabinet duration:	11/99-10-04
Head of Government:	<i>Festus Mogae</i>	Parties in government:	1
Type of government:	<i>single party minority</i>		
2. Head of State:	<i>Festus Mogae</i>	Cabinet duration:	11/04-present
Head of Government:	<i>Festus Mogae</i>	Parties in government:	1
Type of government:	<i>single party majority</i>		
		Number of ministries:	14
		Number of ministers:	14
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Electoral disproportionality (Gallagher index) reflects the extent to which electoral rules are majoritarian (high values) or proportional: $\sqrt{\frac{1}{2} \sum (v_i - p_i)^2}$; v_i is the share of votes gained by party i; p_i is the share of parliamentary mandates controlled by party i. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

3.2. Steering capability

Generally, the political leadership is committed to democracy under the rule of law and a socially responsible market economy. Government policies prioritize the goals of economic and democratic transformation over short-term expediency. The goals of economic and social transformation are laid down in well-formulated

and well-focused national development plans. The most recent plan, the National Development Plan 9 (NDP 9), aims at economic diversification, employment creation, maintaining macroeconomic stability, and curbing HIV and AIDS infection rates. Criticism focuses on overoptimistic goals owing to limited administrative capacities, and as the opposition argues, on an unsatisfactory amount of expenditure on direct poverty reduction. In the political arena commitment to transformation goals might be limited to some extent given the government's somewhat mixed record on press freedom and the treatment of ethnic minorities. The opposition has been highly critical of minor electoral issues such as the electoral system, which favors the BDP, and the alleged limited independence of the electoral commission.

Although largely committed to both economic and political transformation goals, the Mogae government has had only limited success in implementing its announced reforms. There has been considerable success in maintaining macroeconomic stability such as high growth rates, yet other economic reform goals, such as advancing privatization and diversification of the economy have been sluggish. The country's dependence on diamonds remains widely unchanged. Plans to privatize the state-owned air company, Air Botswana were stalled in January 2004. With regard to the HIV/AIDS problem, Botswana has won the recognition from the international community for its exemplary anti-retroviral program, but the implementation has been slow to some extent and, given the nature of the problem, effects have been limited. Gender empowerment measures have been more successful. The number of female legislators dropped from the 17.0% in 1999 to 12% in 2004, and several female candidates did not win their constituencies (however, three out of four specially elected members of parliament are women). According the HDR 2004, 35% of all legislators, senior officials and managers are women. Efforts to reform the second chamber of parliament came under fire from traditionalists and reformists. The government, keen to balance different interests and groups, reacted with a lengthy review that resulted in a compromise that could not win the full approval of both sides.

However, at the same time this demonstrates a fair amount of learning ability. Generally, the political leadership demonstrates its ability of complex learning, acts flexibly and can replace failed with innovative policies. Constraints might partly derive from an exaggerated feeling of consensus. The government regularly uses traditional "Kgotla" meetings to design or redesign its policies as it did with the reform plans for the House of Chief. It is generally responsive to judicial review of state legislation although no respective major incident occurred in the period of review. The problem of voter apathy was taken up by an academic study and there were increased efforts to promote voter registration. Although the IEC failed to meet its target (68% of all eligible voters), there was an increase of 20% in voter registration in the 2004 elections. The government amended its originally

hesitant reaction to the HIV and AIDS problem and has since engaged in relatively well-focused campaign.

3.3. Resource efficiency

Although subject to some constraints, the government makes extensive and efficient use of its available resources. Corruption is a minor problem at the top leadership level. Personnel expenses relative to state services are relatively low. The cabinet comprises fourteen ministries. Low favoritism in decisions by government officials is considered a notable competitive advantage by the WEF. The sweeping cabinet reshuffle after the 2004 elections was designed to sideline the faction in the BDP, formed by former party chairman Ponatshego Kedikilwe, but cannot be interpreted as a setback. The former cabinet had been criticized for its low competence profile, and the appointment of leading ministers, whose competence was uncontested, was maintained. There is a highly favorable record in terms of a low debt burden and largely balanced state budgets. The budgets have to be revised regularly due to expenditure planning that tends to show unrealistic results. This is partly due to the lack of capacity to implement the projected expenditure. The civil service displays some shortcomings and tax administration (though comparatively high because of the diamond sector) does not match the high standard in other respects. There is limited financial and legal autonomy of local self-government, and local elections were held together with national elections in October 2004.

The government coordinates its policies relatively effectively and acts in a coherent manner. The national development plans form a relatively well-focused and coherent framework for the implementation of concrete policies. However, some constraints remain. Prudent fiscal policies are hard to reconcile with immediate poverty alleviation (subsidies, social welfare, and job creation by the state, to a lesser extent AIDS related expenditure), and the government has clearly prioritized macroeconomic stability over social concerns in hopes that infrastructure measures such as education and training will help accomplish substantial progress in the long-run. As a result, poverty, inequity and unemployment remain widespread phenomena given the moderate level of socioeconomic development. Balancing different interests has been a major concern of the government and negatively affected policy coherence, as illustrated by the planned reform of the House of Chiefs.

The government seeks to provide all integrity mechanisms. The government supports all integrity mechanisms. The fight against corruption has an institutional base in an independent body, the Directorate on Corruption and Economic Crime. However, these mechanisms have not been working to full satisfaction on occasion. There are unknown sources of funding given to the ruling party,

probably from well-wishers within the economic community, and this remains an ongoing point of criticism by the opposition parties. Allegations of irregularities in the allocation of state land in Gaborone prompted President Mogae to set up of an independent inquiry commission in mid-2004 headed by the High Court Judge, Isaac Lesetedi. In July 2004, the Lesetedi commission reported lax procedures, a lack of competence among government officials, less than arms-length relationships with investors, and regular interference in the process of land allocation on the part of ministers.

However, against widespread anticipation, the report revealed detailed evidence of corruption; the commission could not find hard evidence except in one instance (over the allocation of land for development of a private school). Due to anti-corruption policies, and in contrast to other sub-Saharan countries, corruption is not a serious problem in Botswana. This is documented by high ratings in the Corruption Perception Index (2004: rank 312th of 145; 6.0 out of maximum score of 10), where Botswana leads the African states (and places better than Italy). The World Bank rates the “control of corruption” positively with a value of +0.76 on a scale between -2.50 and +2.50.

3.4. Consensus-building

Although certain limitations persist, consensus is a distinct feature of political culture in Botswana.

All major political and social actors agree on the goal of reform in terms of democracy under the rule of law and economic prosperity. However, their ideas about how to achieve these goals vary considerably. The largest opposition party, the BNF, advocated economic socialism and opposed the liberal market orientation of the BDP, but it has apparently abandoned its socialist ideas, although some Marxist ideology still has some appeal.

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. 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 conflict. 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

order. On a regular basis, the government uses the “Kgotla” meetings for nationwide consultation and discussion of national policies. During the period under review, this measure was employed in the sensitive delimitation process (redrawing of electoral districts due to the population growth) and with the planned reform of the House of Chiefs.

As shown by these examples, 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.

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

3.5. International cooperation

The country’s political actors are highly willing to cooperate with outside support and organizations. Botswana uses the assistance of these organizations in achieving its transformation goals, particularly those concerning social and economic issues. The country is widely considered a credible and reliable partner and it cooperates extensively with neighbors. Slight limitations in this regard stem from a dispute with an international advocacy group and growing tension with Zimbabwe.

For the most part, domestic actors clearly demonstrate a strong willingness to work with international supporters and actors. Political actors apply international aid with a solid focus on the needs of economic transformation. Due to good progress, aid has been cut back considerably since the early 1990s and Botswana has never faced structural adjustment programs imposed by the IMF.

The high level of cooperation can be illustrated by anti-AIDS policies. The national AIDS coordinating agency is chaired by president Mogae, who is personally admired for his high-profile leadership of the campaign against the epidemic. With the support of donors, philanthropists and international pharmaceutical companies, several programs have been established. Botswana has been selected as a beneficiary of U.S. funds to tackle AIDS in 2003. The Botswana Harvard AIDS Institute Partnership laboratory is the largest of its kind

in Africa and introduced clinical trials of a potential AIDS vaccine in June 2003. The program distributing anti-retroviral drugs, launched in 2002 and the first of its kind in Southern Africa is funded by the pharmaceutical company Merck as well as the Bill and Melinda Gates Foundation.

In political terms, international cooperation is less impressive, partly given Botswana's relatively advanced democratic status and the resulting lack of political conditionality.

However, a bitter dispute with the international advocacy group Survival International (SI) and the Mogae government continued throughout the period under review. SI claims that the government removed the Basarwa in order to mine diamonds in the Basarwa's settlement area, the Central Kalahari Game Reserve. SI portrayed Botswana's diamonds as "diamonds of despair" and "conflict diamonds." The government has reacted with resentment given that there is no available evidence that such plans existed. (In any case, there has been no mining inside the CKGR and as of now Botswana's diamonds are clearly not "conflict diamonds"). SI's allegations might well be fabricated, or at least exaggerated, in order to raise attention for the case of the Basarwa and itself as an organization. As mentioned above, local human rights activists reject SI's strategy on the ground that the "abrasive" style of the campaign was counterproductive, although they are critical of the relocation policies (rather than its alleged reason). The government is keen on retaining its solid international reputation and given its dependence on diamonds, the harsh verbal reactions become more understandable. Botswana has actively engaged in the Kimberley Process Certification Scheme (KPCS), which is designed to curb the illicit trade with blood diamonds, and has maintained its special campaign of Botswana's "diamonds for development."

Botswana enjoys good international relations, especially with the United States. U.S. President George W. Bush completed a state visit to Botswana in July 2003. The international community considers the government credible and reliable.

The political leadership actively and successfully builds and expands as many cooperative, regional and international relationships as possible. It promotes regional integration through a number of organizations. For example, the headquarters of the SADC—in which Botswana is one of the driving forces—is located in Botswana's capital, Gaborone, where numerous international conferences also take place. The Botswanan trade minister, Jacob Nkate, led the delegation of developing countries during the WTO negotiations in fall of 2003.

Moreover, Botswana enjoys good relations with most of its neighbors. A territorial dispute with Namibia was resolved by appealing to the International Court of Justice in The Hague. However, certain tensions with neighboring Zimbabwe have intensified. Although Botswana in principle supports land reform

in Zimbabwe, it has refrained rhetorically from openly criticizing the crisis in Zimbabwe. Botswana considers the crisis a destabilizing factor that spoils Southern Africa as a tourist destination and creates an inflow of illegal immigrants. Zimbabwe has denounced the occasionally harsh treatment of Zimbabweans by the authorities in Botswana. Following his acquittal on a charge of treason in October 2004, the leader of the principal opposition party in Zimbabwe, Morgan Tsvangirai, met with foreign secretary Merafhe in Gaborone. This meeting is a clear indication of Botswana's highly critical view of the political leadership in Harare.

4. Trend of development

The political regime meets the minimum requirements for a democracy under the rule of law; however, there has been no substantial gain in political transformation goals between 2001 and 2004. The good governance record has maintained already existing transformation gains but efforts for substantial improvements have failed, particularly with regard to the rule of law and political and social integration.

The socioeconomic development is more difficult to assess because high growth rates and a slightly better institutional framework account for modest to robust progress but are largely countered by the impact of HIV/AIDS. Other problematic areas such as the lack of diversification remain unchanged. On balance, there has been slight economic progress.

4.1. Democratic development

Stateness, participation and the rule of law are stable. State coherence is well developed and elections are free and (mostly) fair. The judiciary is largely independent; however, freedom of the press and the treatment of ethnic minorities are a concern.

The level of consolidation of democracy has not changed significantly. Although the high level of institutional stability has been upheld, the dominant party system continues to account for some shortcomings with regard to political integration. A certain lack of a vibrant civil society in terms of the topography of interest groups and civic associations is compensated by high popular support for democracy and considerable levels of trust.

4.2. Market economy development

The HDI has declined drastically between 1995 (0.666) and 2000 (0.620) and has fallen further in 2002 (0.589). However, these values are considerably misleading since losses owe exclusively to the drastically reduced life expectancy in connection with HIV/AIDS. (GDP-Index: 0.76; Education-Index is 0.73; Life expectancy Index is 0.27) The latest GDP per capita is identical with the highest ever and there have been gains in educational indicators. Moreover, the government disputes the UNDP estimation that life expectancy has fallen to approx. 40 years. According to a national census of 2001, life expectancy is at 57 years. Taking into account these considerations, it seems acceptable to rate the socioeconomic development “unchanged.”

The institutional framework has continued to improve slightly. On the Index of Economic Freedom Botswana’s value fell from 2.95 in 2001 to 2.44 in 2005 (a lower value indicates more economic freedom, 1 being the best and 5 being the worst rating) but remained in the “mostly free” category. Progress has been made in trade policy. On the other hand, due to the dominant diamond sector, the high level of intervention in the economy remains unchanged.

Continued dependence on the diamond industry prevents Botswana from making substantial qualitative leaps in economic development, although economy grew per annum by 4.3% on average, fluctuating between 2.2% (2000) and 8.5% (2001). Notwithstanding the fact that diamonds have continued to work as a growth engine for the economy, sluggish privatization and largely unsuccessful efforts to diversify the economy do not alone justify an assessment of qualitative leaps in economic development.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000 ^a	2001 ^a	2002 ^a	2003 ^b	2004 ^b
Growth of GDP in % ^c	8.5	2.2	6.7	4.0	4.2
Exports of goods fob (\$ millions)	2.675	2.315	2.319	2.865	2.940
Imports of goods fob (\$ millions)	-1.773	-1.604	-1.642	-2.169	-2.255
Inflation in % (CPI)	8.5	6.6	8.0	9.2a	6.9
Investment in % of GDP	N/a	N/a	N/a	19.6 ^d	N/a
Tax Revenue in % of GDP ^c	41.3	43.5	34.0	35.9	39.7
Unemployment in %	N/a	N/a	N/a	19.6 ^d	N/a
Government balance in % of GDP ^c	N/a	N/a	-3.9	-0.2	-0.1
Current account balance in million \$	545	598	170	388	337

Sources: EIU Country Report Botswana January 2005; EIU Country Profile Botswana 2005; IMF Statistical Annex Botswana 200X; a. actual; b. EIU estimates, c. National accounts years July-June, starting from 1999/2000 for 2000; d. refers to 2001 "unemployment" rate defined as number of people looking for work expressed as a percentage of the total work force (Economist Intelligence Unit, Country Profile Botswana 2004).

D. Strategic perspective

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 and especially social transformation will remain unchanged.

However, there is a high amount of uncertainty with regard to future developments. Botswana's future in terms of political and socioeconomic transformation will depend mainly on three major and two minor aspects.

Firstly, the economic consequences of the HIV and AIDS epidemic and the effectiveness of government measures will prove crucial.

Secondly, Botswana's political future will depend primarily 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; 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. Speculation

about Khama's authoritarian and confrontational tendencies persists, as his personal conduct will profoundly shape the country's overall development.

Thirdly, the still worrisome levels of inequity, poverty and unemployment pose a major challenge. It seems unlikely that this will translate into deep-rooted social conflict given the culture of peace and apathy. However, the potential exists and social shortcomings serve to hinder transformation capability.

Other threats for Botswana's future include developments in neighboring Zimbabwe as well as Botswana's dependence on diamonds, although these challenges are of lesser importance. Diamond dependence poses obstacles to sound economic transformation given the 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 from Zimbabwe. Given some xenophobic tendencies in Botswana, the government might be tempted to implement a tough policy toward Zimbabweans. 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 and 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.

There is most likely no direct way to influence the quality of leadership; however, 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, the treatment of ethnic minorities and refugees from Zimbabwe. Moreover, 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.