

BTI 2010 | Botswana Country Report

Status Index	1-10	7.81	# 19 of 128	
Democracy	1-10	8.40	# 18 of 128	➔
Market Economy	1-10	7.21	# 24 of 128	➔
Management Index	1-10	7.11	# 7 of 128	

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

This report is part of the Transformation Index (BTI) 2010. 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 128 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

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Key Indicators

Population	mn.	1.9	HDI	0.69	GDP p.c.	\$	13406
Pop. growth	% p.a.	1.2	HDI rank of 182	125	Gini Index		61.0
Life expectancy	years	51	UN Education Index	0.79	Poverty ²	%	49.4
Urban population	%	58.8	Gender equality ¹	0.55	Aid per capita	\$	55.5

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

On 1 April 2008, Ian Seretse Khama became Botswana's fourth president. Khama, former vice president and son of the country's first president, Sir Seretse Khama, succeeded Festus Mogae, who stepped down in the middle of his second term. The opposition media have been questioning the new president's commitment to democracy. However, this report on the state of transformation in Botswana concludes that the country has generally 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, the treatment of the indigenous people in the Kalahari Desert, the Basarwa (also called "San" or "Bushmen") and the freedom of expression. The continued dominance of the governing Botswana Democratic Party (BDP) constitutes a key problem for political and social integration in Botswana. This dominance is only partially counterbalanced by relatively weak opposition parties and civic organizations. Economic transformation in Botswana is mixed. 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 persist. The best performance can be observed in international cooperation, but steering capability and resource efficiency are also relatively strong. Consensus-building, though less marked in comparison to other features during the period of assessment, 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 new president, Ian Khama. Given its dependence on diamonds and other raw materials, a crisis in the world economy will hit Botswana hard. After the assessment period, some threats have materialized, such as a decline in demand for diamonds, the closure of some mines and related job losses. Social problems and the continuing crisis in Zimbabwe pose additional challenges. It will be crucial for public and private 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 rather 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 in September 1965, more than a year before independence from Great Britain. 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 served as president until March 2008 when he stepped down in favor of Ian Khama, Seretse Khama's son. The BDP was kept in power not only by its indisputable political and economic successes, but also because of its strong support among the rural population and the majority Tswana groups (Seretse Khama and Ian Khama were chiefs of the largest of these groups). Additionally, the weakness of the opposition parties, due in part to their weak rural voter base, helps to keep the BDP in power. The opposition's support base has steadily increased. However, the 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 shortly after independence in 1967, extensive diamond deposits began to be extracted more intensively in the early 1970s. This diamond production triggered unparalleled dynamic growth and transformed Botswana from one of the 25 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 (that is in the first place De Beers). An almost

overly cautious budget policy (and spending problems) 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 mainly 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 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. Despite considerable social progress, however, deficiencies remain, including persisting 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 20% 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 – and internationally lauded – initiatives (such as an extensive Antiretroviral drug (ARV) program) to fight the diseases and the success 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 and occasional arbitrariness of actions by the executive, in particular the controversial issue of the relocation of the ethnic minority of the Basarwa. 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 extends throughout the entire territory, though border control may be difficult in some remote areas of the country, particularly at the border with Zimbabwe, where refugees keep on flowing in.

Monopoly on the use of force

Defining citizenship becomes a politically relevant issue only in the context of representation in the (advisory) second chamber of parliament, the House of Chiefs (Setswana: Ntlo ya Dikgosi). This body automatically includes representatives of the eight major Tswana groups (a recent reform expanded this body but does not change this fact), though this does not imply that fundamental citizenship rights are denied to other groups. The government initiated a reform to remedy this problem, but a difficult compromise did not fundamentally change the uneven playing field (representatives of other groups must be elected while the Tswana groups have maintained their automatic representation). 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

In general, there is a highly functional administrative system, and public safety and order are effectively assured, especially in contrast to other African countries. Progress is limited by bureaucratic sluggishness, but not by corruption.

Basic administration

2 | Political Participation

Batswana (plural word for the people of 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. Opposition parties have also criticized the fact that the Secretary of the Independent Electoral Commission is appointed by the government. Also problematic is the fact that voter apathy has resulted in comparatively low turnout in recent years. Recent registration figures for the upcoming 2009 elections suggest that this problem persists.

Free and fair elections

The government has the effective power to govern. There are no political actors with veto powers. The role of politicians and top civil servants with a professional military background has substantially increased in recent years. For instance, both current President Ian Khama and Vice President Mompoti Merafhe are former commanders of the Botswana Defence Force (BDF). However, this does not mean that the military forms a political enclave or exerts a veto power. The military is subject to civil democratic order.

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. In particular, the formation of unions in the public sector is restricted.

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 controlled by the government. There is only one state-owned daily newspaper, published in the national language of Setswana, which is distributed for free. A controversial media practitioners' bill was presented to parliament in July 2008 and was greeted with widespread criticism by the media and opposition parties. The bill, which was approved in December 2008, allows a cabinet minister to establish a supervisory body for the media largely on his or her own terms. Statements by Ian Khama denouncing "unprofessional" journalism in the country further exacerbated these fears. Similar to previous years, Botswana scored "partly free" on the freedom of the press index in 2008 (after having deteriorated in 2006, entering the "partly free" category) with a rank of 78 out of 195. Dubious actions against foreign journalists and academics continued as in the past, though at lower levels. In March 2007, the government introduced visa requirements for 17 Western individuals. These rights activists, academics and journalists now need a visa to enter Botswana, and, in May 2007, two individuals from the United States and the UK were refused entry to the country.

Freedom of expression

3 | Rule of Law

Under Botswana's parliamentary system of government, the president is elected by parliament, although constitutional and political power is highly concentrated in the executive branch and the president in particular. This system, combined with the dominance of the BDP, means that the executive acts arbitrarily on occasion, though state legislation and executive actions are subject to relatively effective judicial control. Due to lack of skills among deputies and the dominance of the presidency and the BDP, parliament performs weakly in general. In this context, the judiciary becomes a key element in the system of checks and balances.

Separation of powers

The judiciary is separate and independent and performs its reviewing function, thereby providing a crucial check on the parliamentary system. Generally, the government accepts defeats in the courts and responds by changing course. However, the government has appeared reluctant to implement a High Court ruling from the end of 2006 that ruled that the relocation of the Basarwa out of the Central Kalahari Game Reserve (CKGR) was unconstitutional. The government verbally accepted the ruling but has resorted to a controversial interpretation of the verdict and has only reluctantly supported the return of the Basarwa to the CKGR. Moreover, 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), which nevertheless has to refer every prosecution to the attorney general, who in turn reports to the office of the president. Abuse of office by elected officials, administration figures and the police is relatively rare, though not entirely absent. A recent scandal, for instance, involved ex-Debswana manager Louis Nchindo, who is charged with embezzling money from the diamond company. Such abuses are subjected to both legal and political sanctions, albeit reluctantly at times. 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 "Bushmen"), 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" society, it did terminate basic services such as water and healthcare and provide housing and financial rewards for relocation. The international campaign of Survival International (SI), which claims that economic interests – namely, the exploitation

Civil rights

of diamond deposits – behind this policy, is rejected even by the critical Botswana human rights organization Ditshwanelo. However, Ditshwanelo criticizes what in its view 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 in favor of the Basarwa. The suit had claimed that the termination of services by the government on 31 January 2002 was unlawful and even unconstitutional. As noted above, the government accepted this ruling but has been somewhat reluctant to abide by it. Human rights groups also criticize the use of capital punishment and the secrecy surrounding the execution of the death penalty.

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 – which has eased substantially in the period under investigation – 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, opposition politicians and the media have raised serious doubts about the democratic integrity of new President Ian Khama. Despite these fears and Khama's obvious preference for "discipline," there has been little substantial evidence demonstrating a critical lack of commitment to democracy on the part of the new head of state.

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 Index: 1.56). Due to the long-standing dominance of the BDP, the party system is relatively stable, but the general weakness of the opposition – which holds only 12 seats in the 61-member National Assembly – is reason for some concern. Opposition parties, with the Botswana National Front (BNF) being the strongest by far, 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 given to ex officio members named by the president). Ongoing efforts to unify the opposition parties have gained little ground since the 2004 elections. An electoral pact including all the major opposition forces – the BNF, the Botswana

Party system

Congress Party (BCP) and other, smaller parties – collapsed in September 2006. Rivalries between and inside the opposition parties persist. The BNF has particularly suffered from severe internal problems in 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 society (where the BDP tends to be more popular among rural populations, while the opposition has a largely urban support base). Despite the fact that the BDP enjoys a distinct advantage in organizational resources, these are generally shallow; programmatic differences are present but not very pronounced. Polarization is not a general feature of the party system. Severe intransigence is found within parties – recently particularly within the BNF –, 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 NGOs (older figures indicate 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, and women have a vocal interest group in “Emang Basadi.” Another vocal civil society group is the human rights group Ditshwanelo (The Botswana Centre for Human Rights). With the possible exception of the mining sector, 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 from the Afrobarometer in 2005 (“Round 4” results have not been published yet) 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 (10% said they would prefer a non-democratic one under certain circumstances). Likewise, democratic institutions such as parliament, the courts 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

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 (\$5,600 per capita income according to the World Bank in 2007), one of only five others in sub-Saharan Africa.

Socioeconomic
barriers

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; more current data were not available). There is a high level of unemployment and social inequality. According to the Gini coefficient (for 1993: 63), Botswana is one of the most unequal societies in the world. Additionally, with a national prevalence rate of 17.1% and a rate of infection 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 (48.9 years on average in 2006), which in turn has resulted in a relatively low HDI status. With a value of 0.664, the country is ranked at 126 out of the 179 countries listed in the 2008 Human Development Index.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	9827.4	10512.5	11006.5	12323.8
Growth of GDP	%	6.5	4.7	3.0	4.2
Inflation (CPI)	%	6.9	8.6	11.6	7.1
Unemployment	%	-	31.6	17.6	-
Foreign direct investment	% of GDP	4.0	2.7	4.4	-0.2
Export growth	%	3.7	16.8	13.2	8.8
Import growth	%	-0.1	-2.5	-3.0	13.6
Current account balance	\$ mn.	308.9	1597.1	1939.8	2434.2

		2004	2005	2006	2007
Public debt	\$ mn.	488.0	437.6	384.1	380.0
External debt	\$ mn.	510.0	472.6	408.1	402.0
Total debt service	% of GNI	0.5	0.5	0.5	0.5
Cash surplus or deficit	% of GDP	-	-	-	-
Tax Revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	21.3	20.6	19.2	19.5
Public expnd. on edu.	% of GDP	-	9.7	-	8.1
Public expnd. on health	% of GDP	5.9	6.4	5.4	-
R&D expenditure	% of GDP	-	0.4	-	-
Military expenditure	% of GDP	3.2	2.9	2.6	2.6

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | 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 4.2, Botswana ranks 56th on the 2008/09 World Economic Forum's Global Competitiveness Index (GCI) worldwide, almost the same as in 2006/07 (rank 57; but on the 2007/08 index, Botswana was only ranked 76th). According to the GCI, Botswana has the second-most economically competitive macroeconomic framework in sub-Saharan Africa, outperformed only by South Africa and one rank in front of Mauritius. On the Fraser Institute's "Economic Freedom of the World" Index, Botswana has been consistently rated "mostly free." Shortcomings are primarily 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 sluggish.

Market-based competition

Generally, there is a coherent and effective anti-monopoly policy, but the regulation of monopolies in one significant area is inconsistent. 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 African mining company De Beers. Yet, in other mining sectors, as well as manufacturing and tourism, monopolies and 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. Botswana's weighted average tariff rate was 10.5% in 2006. Yet, according to the Index of Economic Freedom, Botswana generally maintains few non-tariff barriers, but upholds import bans and restrictions on some products, a cumbersome standards regime and domestic bias in government procurement.

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 sector through several financial parastatals, but has not discriminated against private or foreign banks. Botswana has been lauded by international organizations and rating agencies for its credit status ("A" grade credit rating by Moody's and Standard and Poor's) and the management of its independent central bank.

Banking system

8 | Currency and Price Stability

The recognized goals of economic policy are controlling inflation and implementing an appropriate foreign exchange 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 fiscal and monetary policies generally do not diverge from those of South Africa. However, inflation is relatively high, averaging 8.3% from 2005 to 2007. The Bank of Botswana has repeatedly failed to keep inflation in the target range of 4% to 7%. Since peaking in April 2006, inflation has fallen; it averaged 7.1% in 2007, compared to 11.6% in 2006. One initial reason was the devaluation of the pula in May 2005; other reasons cited were higher prices for petroleum and food products. According to the Economist Intelligence Unit (2008), annual inflation targets have now been dropped after having been repeatedly breached in the past. The EIU estimates that inflation averaged 12.2% in 2008.

Anti-inflation /
forex policy

The government's fiscal and debt policies support macroeconomic stability. Favorable debt service ratios of 1.0%, as estimated by the Economist Intelligence Unit (2008), and largely balanced budgets with surpluses in recent years attest to prudent fiscal policies. According to IMF data, in 2006/7, the surplus amounted to 12 percent of GDP. However, as Botswana's economy is still relatively undiversified, budgets largely hinge on developments in the diamond sector, and surpluses in previous years resulted partly from the government's inability 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 an occasionally sluggish permit process for foreign investment. In the 2009 World Bank “Doing Business” Index (covering the period April 2007 to June 2008), Botswana ranked 38th for the ease of doing business out of 181 countries, up from 48 in 2006. In the “Economic Freedom of the World” and the “Index of Economic Freedom” (the latter produced by the Heritage Foundation and the Wall Street Journal), Botswana received high scores for the protection of property rights. Other slight practical obstacles to the security of property rights are 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 to attract private investment, including foreign investment. Foreign investors receive certain privileges, such as tax concessions, albeit precisely regulated by official rules. However, privatization efforts have remained, as in prior years, sluggish in 2007 and 2008. In April 2007, Botswana’s parliament suspended privatization talks between Air Botswana, the national air carrier, and the South African operator Airlink. In the diamond sector, Debswana, the 50/50 joint venture with De Beers has proven to be effective. The establishment of the Diamond Trading Company Botswana (DTCB) in Gaborone, also owned by these two stakeholders, attests to the fact that privatization is not planned for this sector of the economy. DTCB was expected to supply rough diamonds worth \$360 million in 2008. It is hoped that the DTCB will turn Botswana into an international center for the extraction, processing and marketing of diamonds. Furthermore, the government and Debswana have made significant efforts to locate the beneficiation of diamonds in the country. Several licenses were issued for cutting and polishing businesses. The underlying aim of keeping larger parts of the value chain in Botswana is to create more jobs in this sector. By the end of 2008, more than 3,000 individuals were employed in the diamond manufacturing sector

Private enterprise

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 social welfare only to a limited extent. The unemployment rate is estimated to be 23.8% (in 2004; more current data are not available). There is universal health care and private health insurance. Botswana has won international recognition in recent years for its numerous initiatives to grapple with the HIV/AIDS pandemic. This also involves public-private partnerships with

Social safety nets

foreign foundations and the pharmaceutical industry. Botswana's other achievements include the provision of highly active anti-retroviral therapy (HAART) to the public and the introduction of comprehensive voluntary counseling and testing programs.

In principle, there is equal opportunity, but institutions meant 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. The well-developed education sector could potentially reduce social discrepancies. The reintroduction of school fees in 2006 for secondary schools created problems when, in 2007, many pupils, according to media reports, were briefly excluded from attending school when the additional grace period to pay the fees expired. It is not yet clear whether the school fees will create a disincentive for poor households to send their children to secondary school in the middle- and long-term. State-sponsored support schemes, however, might mitigate the negative aspects of the reintroduction of school fees.

Equal opportunity

11 | Economic Performance

The economy's traditionally high growth rates continued during the period under review, albeit at a lower level. Economic growth amounted to 4.5% on average in the four years up to 2008, which was below the expectations of the National Development Plan 9. Growth increased to 6.2% in the 2006/07 financial year (from July to June in the following year). The long-term growth of GDP per capita went hand in hand with other positive macroeconomic figures. Botswana's insignificant debt and positive trade balance constitute the most notable figures. However, economic development is still 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. 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 of 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, which will open in 2010 in the city of Palapye. However, after more than 20 years, the government reintroduced school fees for secondary schools. The long-term effects are not yet clear. 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), one of the highest in the SADC region, if not the highest. The government sponsors many (several thousand) students and pays for students to study abroad.

Education policy /
R&D

Despite these investments, the qualification level of the population remains unsatisfactory. With regard to higher education and training, technological readiness and innovation, which are all pillars of World Economic Forum's 2008/9 Growth Competitiveness Index (GCI), Botswana scores worse than on the general index (CGI: 56th; higher education and training: 87th; technological readiness: 89th; innovation: 83rd). According to the Human Development Report, the combined primary, secondary and tertiary enrollment ratio is 70.6%, which ranks Botswana at 108 out of 179 countries in this area.

Transformation Management

I. Level of Difficulty

The level of difficulty for transformation in Botswana is moderate. Ethnic and social conflicts do 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 around one fourth of the population living below national poverty line, coupled with a high Gini coefficient. The potential negative impact of dependence on raw materials (diamonds) did not materialize during the period of review, and only did so sporadically prior to 2007, when demand for diamonds declined. In fact, the resulting revenues continued to serve as a growth engine in 2007 and 2008 (growth rates around 5% per annum). Frequent droughts in an arid climate and outbreaks of foot-and-mouth disease are responsible for a limited potential in agricultural production. The most formidable constraint on governance is the high rates of HIV infection. The HIV prevalence rate among pregnant women stood at 32.4% in 2006 (down from 37.4% in 2003), whereas the national prevalence rate for the age group 18 months and above was 17.1%. Though these infection rates are lower than former estimates, the infection rate is still one of the highest worldwide. HIV/AIDS alone is responsible for the regression of the HDI values.

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, draw 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 issues (for instance, a “war of words” between Setswana and Kalanga speaking groups at the beginning of the 2000s). The most severe conflict with ethnic overtones is the “Basarwa” issue, which involves a substantial degree of discrimination against this group, although the potential to develop into a violent conflict is low. Ethnic tensions may be also intensified by immigration from Zimbabwe.

Conflict intensity

II. Management Performance

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 that are designed for periods of five years. The most recent framework, the National Development Plan 9 (NDP 9, from 2003/04-2008/09, to be replaced by the NDP 10 in April 2009), aims at economic diversification, job creation, maintenance of macroeconomic stability and HIV infection rate reduction.

Prioritization

There is criticism focused on overly optimistic goals, which stand 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 policy priorities.

Although largely committed to structural and qualitative transformation of the political and economic system, Botswana's government has had only limited success in implementing announced measures. The prime economic reform goals, the diversification of the economy and the privatization of state assets, have not been realized. The country's dependence on diamond extraction remains largely unchanged yet. The Public Enterprises Evaluation and Privatisation Agency (PEEPA) have been ineffective. After the first privatization plans were stalled in January 2004, a significant stake in the state-owned air company, Air Botswana, was awarded to a foreign consortium in January 2006. In April 2007, parliament completely suspended privatization talks between Air Botswana and a South African operator.

Implementation

Regarding the HIV/AIDS pandemic, the government has strengthened its approach to fighting the disease. It 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 still is not sufficient in the face of the HIV/AIDS problem's magnitude in

Botswana. Implementation of gender empowerment measures has been quite successful. On the 2008 Human Development Report's gender empowerment measure (GEM), which reveals whether women take an active part in economic and political life (share of seats in parliament held by women; female legislators, senior officials and managers; female professional and technical workers and gender disparity in earned income), Botswana ranks 64th out of the 108 countries assessed in the GEM. According to the Human Development Report 2006, 31% of all legislators, senior officials and managers were women.

The authorities have shown a fair amount of learning ability. The political leadership is able to replace failed policies with innovative ones. In the period under review, this flexibility has been more muted, however. In the Article IV review process, the IMF has repeatedly advised Botswana to step up its efforts to diversify the economy, privatize state assets and to improve the effectiveness of the public administration. The treatment of the Basarwa ("Bushmen"), the reluctance to implement the High Court ruling that declared their relocation from the Central Kalahari Game Reserve to be unconstitutional and the requirement that foreign critics to apply for visa if they are planning to enter the country has sustained international controversy to some degree and has shown inflexibility in the government's response.

Policy learning

Constraints may 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, the government was occasionally stuck in routines and used its political leeway insufficiently.

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. According to pertinent indicators (e.g., World Bank Governance Indicators), Botswana is the least corrupt country in Africa, outperforming many East European and some South European countries. The cabinet is comprised of 18 ministers. Low favoritism in decisions by government officials is considered a competitive advantage by the World Economic Forum (WEF).

Efficient use of assets

The debt burden is low and state budgets have shown surpluses in recent years. 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 a high incidence of corruption, the civil service displays shortcomings. A case in point has

been the tax administration, which, despite a high tax-to-GDP ratio (due to diamond extraction), was weak for a long time. In order to overcome these deficiencies, the government launched the semi-autonomous Botswana Unified Revenue Services (BURS) in August 2004, which has developed into a fully-fledged authority. As outlined by the IMF's 2008 Article IV document, BURS has unified and reinforced the collection of VAT and income taxes. However, the report also noted that increasing non-mineral revenue is essential.

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, increasingly in recent years, the fight against the massive HIV/AIDS pandemic.

Policy
coordination

The government has been coherent in its prioritization of macroeconomic stability over high-level social 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. The Botswana International University of Science and Technology (BIUST) will be based in the city of Palapye and will open in 2010. As a result of the government's general approach, 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 has sometimes negatively affected policy coherence.

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 not worked to full satisfaction on occasion. Members of opposition parties and of civil society have repeatedly complained that the DCEC has only pursued cases of administrative, and not high-level, political corruption. The DCEC has to refer prosecutions to the attorney general, which in turn reports to the office of the president. This institutional arrangement reduces the autonomy of the prosecution process. The legal and political process for dealing with instances of high-level corruption seems to be lengthy and reluctant at times, as shown by the embezzlement case against Louis Nchindo, ex-manager of the diamond company Debswana. There are unknown sources of funding given to the ruling party, probably from supporters within the economic community. This has been a recurrent point of criticism by the opposition parties, particularly before 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 up to now, 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 on the whole 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 political transformation, the government does not aim at deepening the level of democracy any further.

Consensus on goals

There are no political actors with anti-democratic veto powers. There might be some potential for extreme 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 new President Ian Khama, whose commitment to liberal democracy is questioned by some observers (in contrast, he is highly popular with the majority of Botswana). However, beyond Khama's sometimes somewhat harsh rhetoric (e.g., on discipline or the quality of journalism in the country) and his less consultative decision-making style – compared to his predecessors – there has been little substantial evidence of anti-democratic leanings since his inauguration in April 2008.

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. Although it may be too early to judge the Khama administration in this respect, all governments since independence have contributed to this development. With regard to the potential of ethnic conflict, top political officials have shown little willingness to exploit ethnic prejudice in election campaigns in the past. Some opposition parties tried to exploit this in the past but it did not work, instead prompting adverse reactions by both the government and the population. Moreover, President Mogae initiated a reform of the House of Chiefs in reaction to criticism that only major Tswana tribes were automatically included.

Cleavage / conflict management

The government uses the "Kgotle" meetings for nationwide consultation and discussion of national policies on a regular basis. Khama, himself a traditional chief before starting his political career, has continued this practice but has appeared to sometimes adopt a rather isolationist leadership style by taking decisions without previous extensive consultation

In the period under review, the government seems to have been successful in accommodating conflicts within its ranks rather than on other issues. Khama was fairly successful in coming to terms with bitter factionalism within the governing BDP, although factionalism re-erupted in the primaries for the upcoming elections in 2009. After the High Court ruling in December 2006, however, the government expressed little willingness to come to terms with the Basarwa community, let alone with their international supporters. As described above, the government appeared unenthusiastic about honoring the High Court ruling. Khama had promised to resolve the issue and met with Basarwa activists in mid-2008. However, in his first state of the nation address in November 2008, he portrayed the traditional style of hunting and gathering as an “archaic fantasy.”

The Kgotla meetings demonstrate that the political leadership promotes social trust among the population. Yet the government only partly succeeds in strengthening interpersonal 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 with 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. As of now, there are no signs that the new administration has substantially altered this approach.

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 highly willing to cooperate with outside actors. Botswana accepts 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 considered a credible and reliable partner.

Effective use of support

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 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). The 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.

The international community considers the government as a credible and reliable partner. Since independence, the government has built a considerable degree of trust among major international actors. The country has never experienced problems in repaying its debts to foreign donors. However, a bitter dispute between the Britain-based advocacy group Survival International (SI) has attracted international attention for a long time. SI has claimed that the government removed the Basarwa in order to mine diamonds in their settlement area, the Central Kalahari Game Reserve. The SI-supported Basarwa court case against the government before the High Court attracted significant international attention. In December 2006, the High Court ruled in favor of the Basarwa and declared the relocation unlawful. The government has honored the ruling only in the strictest literal sense, meaning that only applicants were allowed to re-enter the CKGR. Furthermore, critical observers from abroad now need a visa in order to gain access to Botswana. Although the international profile of this issue has been somewhat lower in 2007 and 2008 than in the years before, this has reduced government's credibility in this area.

Credibility

On the whole, Botswana enjoys very good international relations, especially with the United States, which closely cooperates in military matters. However, the United States Africa Command (AFRICOM) headquarters was not based in Botswana, nor in any other African country. The United States situated its new headquarters instead in Stuttgart, Germany.

The political leadership actively and successfully builds as many cooperative, regional and international relationships as possible. It 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 of southern Africa. The organization's headquarters are based in Botswana's capital, Gaborone. The importance of the location and of the organization itself will be further strengthened with the construction of the new SADC building, which has begun already.

Regional cooperation

Botswana enjoys good relations with most of its neighbors. However, within the SADC, Botswana has been a counterweight to neighboring Zimbabwe and its president, Robert Mugabe. The government views Zimbabwe's continued economic deterioration and political crisis as a destabilizing factor putting regional integration, economic development and the whole region's reputation into question. Furthermore, the influx of Zimbabwean refugees is believed to place a burden on Botswana's society. While the Mogae administration refrained from openly criticizing Zimbabwe, Botswana's new president, Ian Khama, has emerged as President Mugabe's most vocal critic among the presidents in southern Africa, consistently calling for his removal.

Strategic Outlook

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

First, the economic consequences of the HIV/AIDS epidemic and the effectiveness of government measures will prove crucial to Botswana's political future. The effects of the nationwide distribution of anti-retrovirals appear to be promising in this regard. Second, much will depend on the quality of Botswana's leadership, 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 new and fourth president of the country, will display the capabilities and integrity of his father, Botswana's first president, in the long run. Concerns about Khama's authoritarian and confrontational style persist, as his personal conduct will profoundly shape the country's overall development. It is beyond a reasonable doubt that Khama and the BDP will win the upcoming elections in late 2009. Third, notwithstanding the willingness of the government to share diamond revenues with its people, 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 to Botswana's future include uncertain developments in neighboring Zimbabwe (even after the power-sharing agreement with the major opposition party), 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 diamond deposits will not last forever. This dependence may even develop into a major challenge when the demand for diamonds plummets in the wake of the international economic crisis; such problems have already developed to some extent after the assessment period. Civil unrest in Zimbabwe will put some demographic pressure on the country, given the already high and increasing number of refugees from Zimbabwe. Due to some xenophobic tendencies in Botswana, the government might be tempted to implement a tough policy toward Zimbabwean refugees. Although such a policy is already in effect to some degree, such an approach 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 current advanced efforts to tackle the HIV/AIDS problem. Foreign assistance should be maintained and increased. Likewise, foreign donors should assist the country in its efforts to achieve progress in the social order and to dilute natural resource dependency. The government aims to overcome these problems indirectly by stressing factors such as education rather than by 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 with respect to freedom of expression and academic freedom, as well as the treatment of refugees from Zimbabwe and of ethnic minorities, particularly the Basarwa. The government should try to find a lasting solution to the latter problem; observers should be attentive to future actions by the government in this regard.