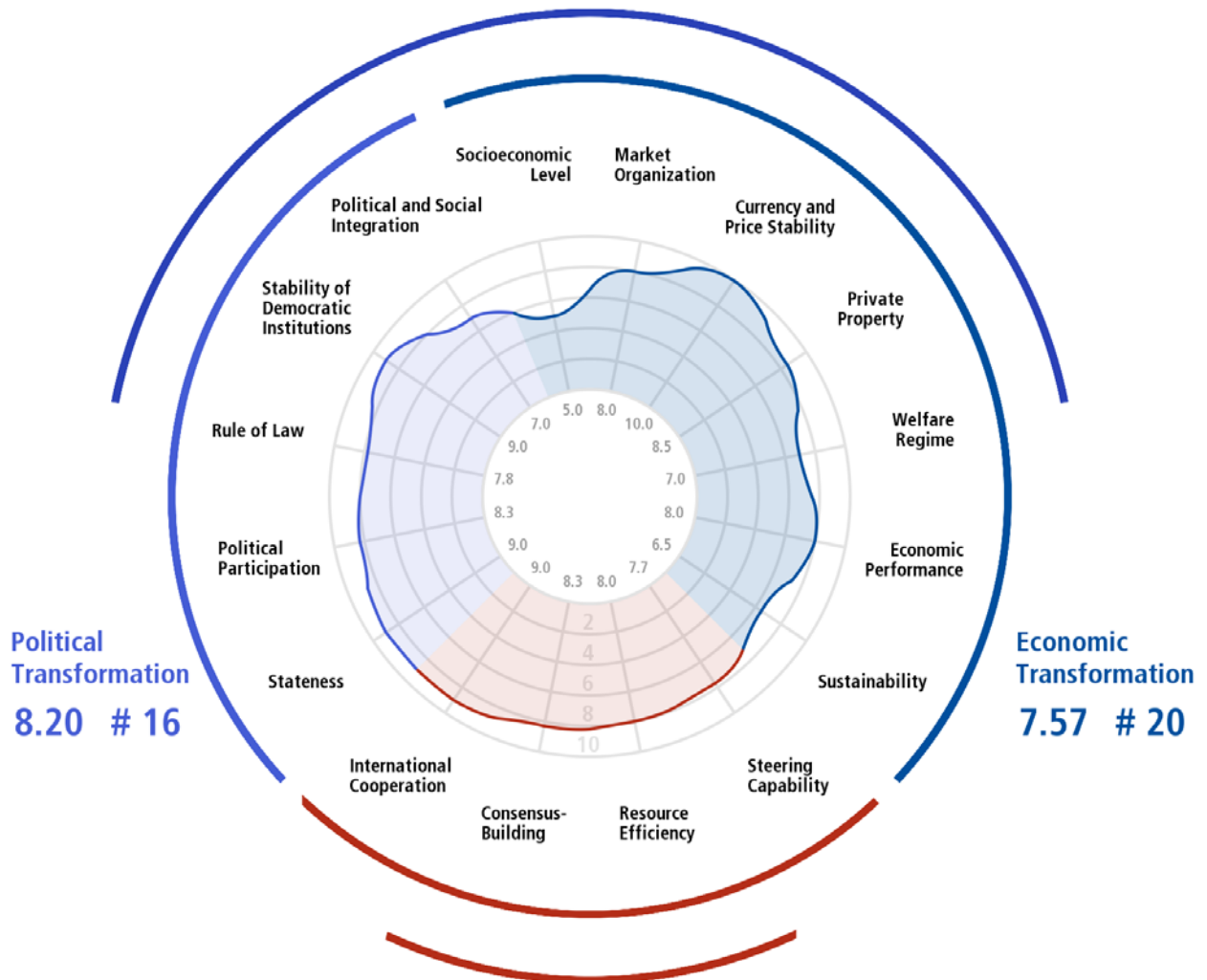


Botswana

Status Index

7.89 # 16

on 1-10 scale out of 129



Political Transformation
8.20 # 16

Economic Transformation
7.57 # 20

Governance Index

7.09 # 6

on 1-10 scale out of 129

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	2.3	HDI	0.698	GDP p.c., PPP \$	16735
Pop. growth ¹	% p.a.	1.8	HDI rank of 188	108	Gini Index	60.5
Life expectancy	years	65.8	UN Education Index	0.677	Poverty ³	% 37.1
Urban population	%	57.7	Gender inequality ²	0.435	Aid per capita \$	29.7

Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Botswana held its 11th general elections in October 2014. As with previous elections, the 2014 general elections were won by the Botswana Democratic Party (BDP). However, the BDP secured the lowest popular vote in its history, 47%. International observers declared the elections free, albeit not entirely fair. Observers and the opposition again criticized the lack of a level playing field and questioned the democratic credentials of Botswana's fourth president, Ian Khama. Since the 2014 general elections, a number of by-elections (special elections) have been held, including one parliamentary by-election; in all but one opposition parties were victorious, the exception being one council by-election which was won by the ruling BDP.

Botswana has maintained an observable level of political and economic transformation; nevertheless, challenges persist. Botswana's transformation toward a mature economy has been slow, in part owing to sluggish economic diversification and declining minerals revenue, particularly from diamonds. The 2008 and 2009 global financial crisis demonstrated the vulnerability of Botswana's economy. During the reporting period, some constraints on press freedom and occasional arbitrary actions by the executive have been observed. Government media are tightly controlled by the Office of the President. As in the previous review period, the growing number of unexplained deportations of non-citizens remains a concern. The land rights of indigenous people in the Kalahari Desert, the San (also called "Basarwa" or "Bushmen"), and their development challenges remain unresolved. The challenges posed by social risks, particularly the swelling numbers of unemployed youth, present serious threats to Botswana's long-term economic, political and social stability.

The BDP's political dominance has persisted despite a 2010 split that led to the formation of the Botswana Movement for Democracy (BMD). Nonetheless, cooperation talks among the opposition that followed the 2009 general elections yielded some success. The Botswana Congress Party (BCP) merged with the smaller Botswana Alliance Movement (BAM). The BMD, Botswana National Front (BNF) and Botswana Peoples Party (BPP) formed a coalition – the Umbrella for

Democratic Change (UDC) – in 2012. As a result, three main political factions – BCP, BDP and UDC – contested the 2014 general elections. Of the 57 directly elected seats in parliament, the BDP won 37 seats (47% of the popular vote), UDC 17 seats (30% of the popular vote) and BCP three seats (20% of the popular vote). The opposition parties’ efforts to challenge BDP dominance continue to be hampered by a lack of resources. Following the 2014 general elections, the UDC parties entered into protracted cooperation talks with the BCP. On February 3, 2017, a coalition between a faction of the UDC and the BCP was announced. The new coalition has adopted a Social Democratic Programme (SDP) as its policy framework. Furthermore, in 2016 the number of specially elected members of parliament was increased from four to six and the electoral law was amended to embrace electronic voting – much to the chagrin of the opposition.

The record of economic transformation in Botswana remains mixed. Botswana’s dependence on diamonds remains a major challenge. Growth stalled when diamond prices and global demand for minerals fell in response to the Great Recession beginning in 2008. For the first time in 17 years, the government requested a loan from the African Development Bank. Its commitment to prudent economic management ensured that the economy realized a steady recovery, restoring a budget surplus beginning with the 2012/2013 financial year. The 2013/2014 budget generated a surplus of BWP 386.16 million and the 2014/2015 budget a surplus of BWP 5.34 billion. However, a budget deficit of BWP 6.99 billion was recorded in 2015/2016. Similarly, revised estimates for the 2016/2017 budget suggest a deficit of BWP 1.11 billion. The 2017/2018 budget anticipates a deficit of BWP 2.35 billion. The administration reported that the economy grew at 0.3% in 2015 owing to a fall in minerals revenue, demonstrating once again that the economy remains vulnerable owing to the slow pace of diversification efforts. The government has projected growth rates of, respectively, 2.9% and 4.2% for 2016 and 2017.

Existing social problems, including poverty, inequality and unemployment, are aggravated by the persistence of the HIV/AIDS pandemic. Yet, the wide provision of antiretroviral treatment at no cost to patients has helped to reduce deaths and prolonged the lives of many. Internationally, Botswana remains active and genuinely supportive of regional cooperation, conflict resolution efforts, and anti-corruption initiatives by the African Union, Commonwealth of Nations, and United Nations. Domestically, participation and consensus-building remain central pillars of Botswana’s political culture. However, structures that encourage participation and building consensus, such as the “kgotla” (traditional council meeting), are afflicted by apathy, particularly among the young.

History and Characteristics of Transformation

As stated in the previous BTI, Botswana's political transformation preceded its economic transformation by only a few years. The first parliamentary elections were held in March 1965, more than a year before independence from the British Empire. The Botswana Democratic Party (BDP) and its leader, Seretse Khama, emerged victorious. Since then, the BDP has won every general election, with no evident irregularities. Botswana qualifies as Africa's longest-standing multiparty democracy. After Khama's death in 1980, Vice-President Ketumile Masire took over as head of state and government. In line with the constitution, 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 Vice-President Ian Khama, Seretse Khama's son. The BDP has been kept in power not only by its successes in delivering political freedom and economic development, but also because of its strong support among the rural population and majority of the Tswana people (Seretse Khama was and Ian Khama is a chief of the largest of these groups). Additionally, the weakness of the opposition parties, due in part to their lack of a strong rural voter base, sustained the BDP in power, although its share of the popular vote has been declining. The opposition's combined support base increased steadily until the late 1990s and has stabilized at around 47% of the popular vote. It increased marginally during the 2014 general elections, reaching 50%, but still not enough to win political power. The tendency toward factionalism and the British-style "first-past-the-post" electoral system have prevented opposition parties from gaining more ground.

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. This in turn saved it from being destabilized by the South African apartheid regime, as other countries such as Angola and Mozambique have been. Discovered shortly after independence in 1967, extensive diamond deposits began to be intensively extracted in the early 1970s. This diamond production triggered unparalleled growth and transformed Botswana from one of the 25 poorest countries in 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 increased by an average of more than 5% annually in real terms.

A critical factor in Botswana's success was the prudent use of the country's natural wealth, a contrast from policies seen in several other African countries. The government showed great acumen in its negotiations with multinational corporations (first and foremost, De Beers). An almost overly cautious budget policy (and spending problems) regularly led to budget surpluses. The country's infrastructure and educational facilities were 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 De Beers and the government. The global financial crisis exposed this vulnerability: the economy shrank 5.4% in 2009 due to plummeting

diamond exports. Since 2010, the economy has showed signs of recovery: real GDP growth was 5.8% in 2013, 5.2% in 2014 and 0.3% in 2015. Growth rates for 2016 and 2017 were initially projected at 3.5% and 4.1%, respectively (State of the Nation Address 2016), but subsequently revised to 2.9% and 4.2%, respectively. It remains doubtful that the economy will realize pre-global financial crisis growth levels in the immediate future. Recently, diamond production has been overshadowed by an international campaign accusing the government of mistreating the San people in the Kalahari Desert in order to mine diamonds. The government has denied these allegations, but the issue remains controversial. Botswana has also constructively engaged in international efforts to curb the trade in blood diamonds.

Apart from mining, the core economic sectors include cattle ranching and high-value tourism, especially in the Okavango Delta. Market economy conditions are exemplary when compared with the rest of sub-Saharan Africa. However, despite considerable social progress, deficiencies remain, including persistent social inequality and worrisome unemployment, especially among the youth. Between 2008 and 2013, developments in neighboring Zimbabwe presented a moderate challenge due to the inflow of refugees caused by the pronounced crisis. The situation has moderately improved since the July 2013 elections in Zimbabwe – easing relations between the two countries.

The greatest and most formidable challenge facing Botswana remains the HIV/AIDS pandemic that has devastated the population since the early 1990s. Approximately 18.5% (2013 estimates) of all citizens are HIV positive, making Botswana one of the countries hardest-hit by the pandemic. Particularly challenging is that the economically active population is the most severely affected by the HIV/AIDS pandemic. The government has maintained many internationally lauded initiatives (e.g., an extensive antiretroviral drug program) to fight the disease. These initiatives are showing positive results: those in need of antiretroviral therapy are covered by the public health system at no cost and life expectancy at birth has improved.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

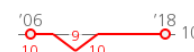
I. Political Transformation

1 | Stateness

The state enjoys a monopoly of force and this extends across the whole country. There are no threats to the state’s monopoly.

Question
Score

Monopoly on the use of force
10



The nation-state is widely recognized and accepted as legitimate; citizenship is not a major political issue. However, equitable representation in the House of Chiefs (an advisory body) remains a contentious issue because some chiefs are not automatically included. A 2000 constitutional change failed to correct this. Discrimination of some minorities remains.

State identity
8



Religion has no evident bearing on the basic constitution of the state (its political institutions and legal edicts) because the state is secular. Matters of religion are considered private affairs. Freedom of religion is widely enjoyed and secured by the law; there is evident toleration of different religions and dogmas.

No interference of religious dogmas
10



The state has relatively functional administrative structures that facilitate the provision of and access to basic services across Botswana. The number of ministries was increased from 16 to 18 through an act of parliament in September 2016. In October 2016, President Ian Khama reshuffled his cabinet and reorganized

Basic administration
8

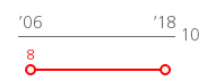
government ministries in an effort to improve service delivery. The number of Assistant Ministers was increased to 10. Yet, deficiencies and poor service delivery, among others, curtail the provision of public services. Private newspapers continued to report on corruption and maladministration implicating senior government officials and politicians, yet no one takes responsibility. It appears that a culture lacking accountability is on the rise – which may suggest that the country’s anticorruption watchdog is failing in its mandate.

2 | Political Participation

Political participation is not a foremost political issue in Botswana because there is a consensus that the right to govern is decided through the ballot box. The country has consistently held free and nonviolent elections in line with its constitution. The opposition has participated in all elections without having to resort to unconventional means to seek political office. The last elections were in 2014, and were contested by three political factions – the Botswana Democratic Party (BDP), Umbrella for Democratic Change (a coalition of three parties) and Botswana Congress Party. As with previous elections, the BDP won, but with a reduced popular of 47%. An uneven playing field continued to give the ruling BDP an undue advantage over opposition parties, casting doubts as to the fairness of the electoral process.

Democratically elected representatives continued to enjoy the effective power to govern. However, the executive remains dominant. This dominance is more apparent in its relation to parliament. Calls to strengthen the independence of parliament have been rebuffed. Despite President Ian Khama being a former military officer, the military is not a veto player.

Association and assembly rights are widely enjoyed and guaranteed by the law; in line with Section 13(1) of the Botswana constitution, there are no evident intrusions or arbitrary constraints. However, relations between government and public-sector unions, particularly those that fall under the auspices of the Botswana Federation of Public Sector Unions (BOFEPUSU), have been uneasy since a 2011 two-month strike. Tensions between the two resulted in BOFESUSU declaring its support for the opposition UDC in the 2014 elections. Interestingly, differences arose between BOFEPUSU and one of its affiliates, the Botswana Public Employees Union (BOPEU). Subsequently, BOPEU voted to disaffiliate from BOFEPUSU citing “the simmering and unhealthy hostilities, which continue to build-up unabated between the mother-body (BOFEPUSU) and BOPEU.” Thereafter, BOPEU challenged the BOFEPUSU’s participation in the Public Service Bargaining Council (BPSC); in



1

Free and fair elections

8



1

Effective power to govern

10



1

Association / assembly rights

8



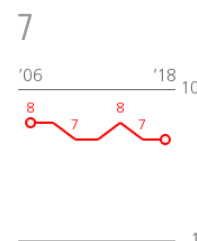
1

June 2016, the Court of Appeal ruled that both BOFEPUSU and BOPEU had the right to participate in the BPSC if they met set thresholds.

Since the 2011 public employees strike, the government and BOFEPUSU have mainly resorted to resolving their differences through the courts, with a number of cases being registered. For instance, in April 2016, the Industrial Court set aside a government decision to award public servants a 3% salary increase outside the BPSC. A similar decision was made by the High Court in 2015 regarding a 4% salary increase that was awarded to public servants in 2014 – also outside the BPSC. Such a hostile environment does not facilitate productivity. In 2016, through an amendment of the Trade Disputes Act, the government increased the list of categories deemed essential services employees to include the teaching and veterinary services, thus effectively reducing the number of public sector employees that can participate in strikes. The government had previously tried to increase this list through a statutory instrument, but that effort was set aside by the High Court and affirmed by the Court of Appeal in 2014.

Save for where exceptions are defined, freedom of expression is guaranteed in line with Section 12(1) of the Botswana constitution. On the whole, there are no outright censorship or media shutdowns in the country. However, certain government actions seem to work contrary to Section 12(1). For instance, state media not only advances government policy, but is tightly controlled by the government. Though private media are allowed to operate and have been critical of the government and its officials, there are plans to control private media through the Media Practitioners' Bill of 2008, whose operationalization has been paralyzed by disagreements over the appointment of its members. The administration appears to be intolerant of a critical private media exposing government excesses and secrecy. For instance, in 2014, the government arrested and subsequently charged the editor of the Sunday Standard newspaper, Outsa Mokone, with sedition – a charge widely criticized, including by the United States. Mokone was charged alongside one of his senior reporters, who had fled and sought asylum in South Africa. Measures of questionable legality were also maintained, including the unexplained deportations of foreigners. By February 2016, such deportations had totaled 2,400 since Ian Khama became president in 2008. In terms of the 2016 World Press Freedom Index by Reporters Without Borders, Botswana emerged 43rd out of 180 countries assessed, compared to 2015 where it was ranked 42nd.

Freedom of expression



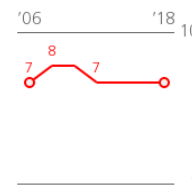
3 | Rule of Law

In Botswana, the constitution defines the composition and functions of the branches of government. A closer assessment of the three branches suggests the functions of the executive straddle those of the judiciary and parliament. As a result, the executive is dominant; this may have a bearing on ensuring effective checks and balances.

Separation of powers

7

Despite this, the executive has not displayed blatant disregard for the rule of law. As much as parliament remains weak in relation to the executive, confidence in the judiciary remains relatively strong. However, doubts over its independence in some quarters persist, with some judges being described as “executive minded.” These concerns emanate from the wide-ranging executive powers enjoyed by the country’s president, who is indirectly elected.



On the whole, judicial independence has been maintained and justice dispensed without fear or favor. Individuals and institutions have successfully taken the government to court. For example, the Court of Appeal in August 2015 upheld High Court decisions that the government has an obligation to provide antiretroviral therapy to foreign inmates following a case in which two foreign inmates challenged government policy that denied them antiretroviral therapy. In another case, the Industrial Court in April 2016 set aside a government decision to award public servants a 3% salary increase outside the BPSC. A similar decision was made by the High Court in 2015 regarding a 4% salary increase that was awarded public servants in 2014 – also outside the BPSC. The two court decisions are a clear demonstration that even government has to respect established structures. Executive interference in the functions of the judiciary has not been demonstrated. This notwithstanding, there are accusations in some quarters that the appointment of judicial officers by the president is not transparent. In the 2016 World Justice Rule of Law index, Botswana ranked 45th out of 102 countries, declining from 25th position in 2014.

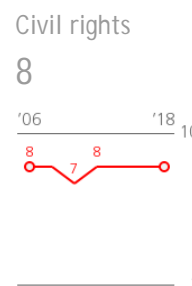


The Directorate on Corruption and Economic Crime (DCEC) remains the key organization that leads the fight against corruption, but the independence of this body remains a public issue as the head is appointed by the president. The right to prosecute rests with the Directorate of Public Prosecutions (DPP).



Interestingly, private media have continued to report on a number of cases involving senior public officials and politicians that have slipped through political, legal or technical loopholes – giving rise to adverse publicity for the DCEC, with some accusing it of mainly focusing on petty corruption. The head of the DCEC is still a relative of President Ian Khama.

Botswana has been widely recognized for respecting civil rights. Residents have avenues for restoring their rights in case of violations and the courts have demonstrated their willingness to intervene and protect civil rights. In the past, such cases have involved the San; these were amicably addressed following due process, at times with support from Survival International, a British-based non-governmental organization. The most recent case involved Lesbians, Gays and Bisexuals of Botswana (LEGABIBO). In 2016, the Court of Appeal affirmed a 2014 High Court decision which allowed the civil rights group to be registered as an association. This was a major decision in a society where lesbians, gays and bisexuals are generally not tolerated. However, such cases remain few.



Despite being widely known for upholding the rule of law and protecting civil rights, there is no progress toward establishing a human rights commission. The country first undertook to establish such a commission in 2013.

4 | Stability of Democratic Institutions

The stability of democratic institutions is not in doubt in Botswana. Standard democratic institutions, both at the local and national level, and its judiciary continued to function without any evident hindrances to decision-making in parliament as the ruling party secured the majority of seats despite attaining only 47% of the popular vote in 2014, the lowest in its history. Any delays are the result of administrative inefficiencies and lapses as well as structural weaknesses (i.e., parliament) as opposed to institutions being unstable. Even so, President Ian Khama's government is considered to be intolerant of criticism and some consider him to be a dictator.

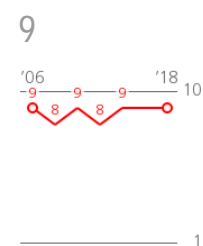
Despite the inherent weakness in some of the country's institutions such as parliament and the Independent Electoral Commission, commitment to democratic institutions remains intact. Those critical of these institutions doubt their independence from the Executive, which continues to straddle the other two branches of government. In turn, the fairness of the country's elections is a public issue in some quarters. However, unpublished Afrobarometer survey results have shown that Botswana are committed to a democratic system of government.

In 2016, the number of Specially Elected Members of parliament was increased from four to six, and the electoral law was amended to embrace electronic voting – much to the chagrin of the opposition.

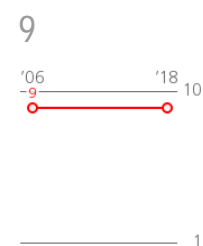
5 | Political and Social Integration

With the country having functioned as a relative democracy for the past 50 years, its political and social integration appears to be taking shape. Its party system has remained relatively stable but fluid. Although one party dominance and opposition fragmentation have been critical features of the party system, these appear to be in decline. The ruling BDP secured 47% of the popular vote in the 2014 general elections and three opposition parties – the Botswana Movement for Democracy (BMD), Botswana National Front (BNF) and Botswana People's Party (BPP) – contested the elections under the auspices of the Umbrella for Democratic Change (UDC) yet maintained their individual identities. The performance of the UDC surpassed expectations as it secured 30% of the votes and 17 seats in parliament. The BCP, which did not embrace cooperation, won 20% of the votes and 3 seats.

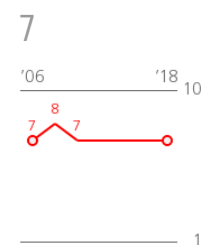
Performance of democratic institutions



Commitment to democratic institutions



Party system



Continued one party dominance was, in the main, aided by opposition fragmentation and the electoral system in use (i.e., first-past-the-post).

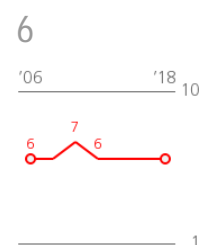
Since the 2014 elections, there has been pressure on the UDC and BCP to cooperate, including from BOFEPUSU. The two parties entered into protracted cooperation talks and on February 3, 2017, a coalition between a faction of the UDC and the BCP was announced. The new coalition has adopted a Social Democratic Programme (SDP) as its policy framework. With the opposition contesting as a coalition, thus reducing fragmentation, 2019 may turn out to be a critical juncture in Botswana’s history – if the coalition is sustained. If it holds, this development is expected to go a long way in strengthening the party system and making it more stable.

Botswana has a longstanding history of weak interest groups in part because the state plays a dominant role in the country’s political and economic transformations and the private sector remains small, underdeveloped, and dependent on government for its survival. Active and vocal groups remain small. Legislative hurdles continue to work against the development of interest groups as seen with the case of LEGABIBO (Lesbians, Gays and Bisexuals of Botswana), which had to seek court intervention to earn official recognition. Since the 2011 public sector strike, unions under the auspices of BOFEPUSU have been a thorn in government. Government responded in 2016, through an amendment of the Trade Dispute Act, in a way that is likely to weaken BOFEPUSU by increasing the categories of essential services employees to include, among others, teaching and veterinary services. The government had previously attempted to expand the list of essential services categories through a statutory instrument, but this was successfully challenged by the unions through the courts. This demonstrates that the government is not keen to see strong interest groups emerging. Yet, such groups are critical for a vibrant democracy to take root.

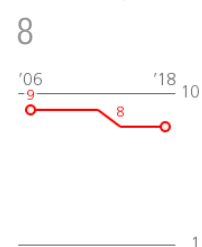
Citizen’s approval of democracy remains fairly strong and there is nothing to suggest that support for democracy has declined. This is demonstrated by the level of participation in democratic processes. In terms of the 2014 Afrobarometer survey results, support (preference) for democracy stood at 83% – suggesting that support for democracy is high.

Although the country has a long-standing history of weak interest groups, the government has over the years promoted a culture of peaceful co-existence, public consultation and consensus-building at the local and national level. This is largely done through the institution of the “kgotla” (traditional council meeting), which is a resource of social capital. This ensures that citizens identify with government policies and projects as they are provided an opportunity to offer input. However, the level of

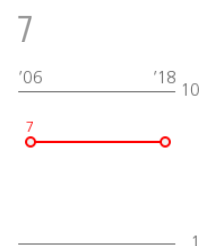
Interest groups



Approval of democracy



Social capital



participation has been declining over the years, which calls for new measures to ensure continued citizen participation.

II. Economic Transformation

6 | Level of Socioeconomic Development

When considering social and economic indicators for the last 50 years, Botswana has realized an evident yet modest level of socioeconomic development. It is on the basis of its achievements that the World Bank has categorized Botswana as a middle-income country. For instance, its gross domestic product (GDP) per capita in purchasing power parity (PPP) was noted at \$15,200.18 and \$14,876.33 in 2014 and 2015, respectively. Although Botswana has realized a middle-income standing according to the World Bank, socioeconomic barriers remain a challenge to its socioeconomic development. These challenges include poverty, unemployment, inequality and, in recent years, HIV/AIDS. Statistics Botswana Annual Report 2013/2014 puts the poverty rate at 19.3%. Unemployment stood at 19.8% according to the Botswana AIDS Impact Survey IV (BAIS IV) of 2013, which is an increase from 17.8% reported in the Botswana Core Welfare Indicators (Poverty) Survey of 2009/2010. Statistics Botswana puts the country's Gini coefficient at 0.645, which suggests that inequality remains worryingly high. The country's national prevalence of HIV/AIDS is placed at 18.5%, according to the Botswana AIDS Impact Survey IV (BAIS IV) of 2013. The combination of these socioeconomic barriers poses a threat to Botswana's steady economic transformation of the last 50 years.

Question
Score

Socioeconomic
barriers

5

'06 '18 10



1

Economic indicators		2013	2014	2015	2016
GDP	\$ M	14915.8	16259.4	14430.6	15274.9
GDP growth	%	11.3	4.1	-1.7	2.9
Inflation (CPI)	%	5.9	4.4	3.1	3.8
Unemployment	%	17.4	17.1	17.9	18.4
Foreign direct investment	% of GDP	2.7	3.2	2.7	2.6
Export growth	%	36.3	7.8	-17.1	-
Import growth	%	10.7	-0.5	0.4	-
Current account balance	\$ M	1388.3	2481.3	1120.4	-

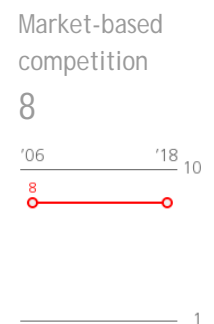
Economic indicators		2013	2014	2015	2016
Public debt	% of GDP	17.5	17.4	16.4	15.5
External debt	\$ M	2379.3	2545.6	2221.7	2100.3
Total debt service	\$ M	193.9	65.0	246.9	166.0
Net lending/borrowing	% of GDP	5.4	3.6	-	-
Tax revenue	% of GDP	25.6	25.8	-	-
Government consumption	% of GDP	18.5	19.9	20.6	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	3.5	3.2	-	-
R&D expenditure	% of GDP	0.5	-	-	-
Military expenditure	% of GDP	2.1	2.1	2.7	3.4

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Botswana has maintained a comparatively sturdy, steady, and functional market structure that facilitates competition and the private sector plays a critical role in the economy. The government has maintained its efforts to attract foreign direct investment. The informal sector remains small, but has shown steady growth and continues to play an important role in creating employment and generating income. The World Economic Forum's 2016/2017 Global Competitiveness Index awards the country a score of 4.29, placing it 64th out of 138 countries assessed globally. This is a marked improvement compared to the 2015/2016 Index, when Botswana scored 4.19, ranking 71st out of 144 countries. Botswana secured the 4th position in Sub-Saharan Africa, demonstrating that it has a comparatively competitive economic framework. According to the Fraser Institute's Economic Freedom of the World 2016 Annual Report, Botswana ranked 59th out of 159 countries, with a score of 7.27 out of 10. The 2016 Index of Economic Freedom of the Heritage Foundation placed Botswana under the "mostly free" category with a score of 71.1 and a rank of 30th out of 178 countries in the world and 2nd in Sub-Saharan Africa. This is an improvement from 2015, when it was placed under the "moderately free" category.

The country has an institutional base that safeguards against the emergence of economic monopolies in the form of the Competition Authority, which falls under the Ministry of Trade and Industry. The Authority draws its mandate from the Competition Act of 2009. The country's anti-monopoly policy has been relatively



Anti-monopoly policy

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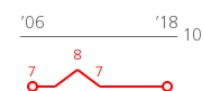
effective and there is no evident discrimination in trade. However, inconsistencies in enforcement cannot be ruled out. Debswana, a partnership between the government and DeBeers, maintained its dominance in the diamond sector.

The government has maintained its policy of openly allowing the private sector to play a critical role in the economy, promote free trade and attract foreign direct investment. Foreign direct investment has played a critical role in transforming Botswana's economy, particularly the mining sector – which continues to be a major revenue earner for the country. The contributions of the private sector and foreign direct investment are evident in other economic sectors, including tourism, retail, and manufacturing. According to the 2016 Index of Economic Freedom of the Heritage Foundation, “Botswana has a low 0.5 percent average tariff rate, but importing goods can be costly. Many sectors remain closed to foreign investment, and in most cases, land cannot be sold to foreign investors.”

The country has maintained a relatively efficient and stable banking sector and capital market; its central bank is functional and efficient. There are clear well-defined rules that govern the banking sector. Although the government has a role in the banking sector, there is no evident interference in the operations of private banks. According to the Heritage Foundation's 2016 Index of Economic Freedom, “The financial sector is one of Africa's most advanced, and the stock exchange has been growing. There have been no bank failures, and the banking sector continues to expand, although access to financial services remains low.” The country has also continued to ensure prudent management of its economic resources – a major challenge for most African countries – and maintained sound foreign reserves. Even so, Botswana remains susceptible to external shocks as diamond mining remains a key sector in the economy. Although the economy showed signs of modest recovery, with marginal surpluses being recorded (i.e., BWP 5.34 billion in the 2014/2015 budget), recent budgets recorded deficits. The 2015/2016 budget recorded a deficit of BWP 6.99 billion and the 2016/2017 budget projected a deficit of BWP 1.11 billion. The 2017/2018 budget anticipates a deficit of BWP 2.35 billion. Internationally, the country has maintained a sound credit rating. In 2016, Moody's Investor Service upheld the country's sovereign rating at A2, one of the best in Africa.

8 | Currency and Price Stability

The country's central bank, Bank of Botswana, has maintained its commitment to monitor inflation and ensure a stable foreign exchange policy. Inflation has been contained within the Bank of Botswana's range of 3% to 6%. According to the 2016/2017 budget, yearly inflation declined to 3.1% in 2015, from 3.8% in 2014. It further declined to 3.0% in December 2016, according to the 2017/2018 budget. The country's exchange-rate policy promotes an export-oriented strategy. Therefore,



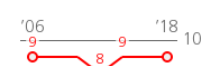
Liberalization of foreign trade

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Banking system

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Anti-inflation / forex policy

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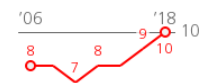
inflation controls and exchange-rate policies are in line with other government economic policies.

The government has maintained a sound fiscal policy in order to promote macroeconomic stability. Although Botswana has demonstrated its commitment to stable macroeconomic management, with modest budget surpluses (i.e., in 2014/2015), a budget deficit was recorded in 2015/2016. The 2016/17 budget suggested a deficit and another is projected in the 2017/2018 budget. The government has continued its commitment to contain public debt, which is in line with its medium range debt management strategy. According to the Heritage Foundation's 2016 Index of Economic Freedom, "Public debt equals less than 20% of GDP." The country also maintained positive ratings from Moody's Investors Service – suggesting that the government continues to attract sound credit ratings.

9 | Private Property

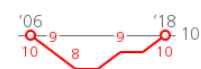
Protection of private property is guaranteed in Section 8 of the country's constitution; there is no evidence to suggest that property rights and regulations are not being enforced and protected. Judicial independence has been maintained, justice dispensed without fear or favor, and court decisions are respected – although there are concerns over the independence of the judiciary in some quarters. According to the Heritage Foundation's 2016 Index of Economic Freedom, "An independent judiciary enforces contracts effectively and protects property rights." Even so, administrative inefficiencies and the inadequate supply of serviced land persist. The 2016 International Property Rights Index (IPRI) awarded Botswana a steady score of 5.9, a global rank of 44 out of 128 and position 4 out of 27 countries in Africa (South Africa secured 1st place in Africa). In terms of the 2016 World Bank ease of doing business index, Botswana secured 71st position out of 190 countries surveyed, down from 70th position in 2015.

Since its independence, the government has not shifted away from its policy of identifying and recognizing the private sector as a critical and viable partner in economic development and an engine of economic production. This is evidenced by the partnerships the government has formed and continues to form with the private sector. A leading example is the long standing 50/50 partnership with De Beers – Debswana. Although government takes an active role in the economy, it provides an enabling environment for the private sector to function. The government maintained its active and deliberate policy of attracting foreign direct investment. Government has also sustained its policy of consulting the private sector on a regular basis, among others through the High-Level Consultative Conference and National Business Conference. This demonstrates that the government sees and accepts the private



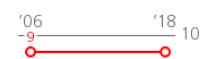
Macrostability

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Property rights

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Private enterprise

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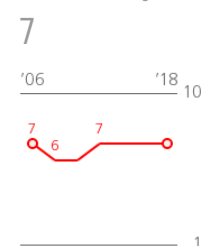
sector as a partner in economic development. A number of policies intended to ease doing business were developed following these consultations. According to the Heritage Foundation's 2016 Index of Economic Freedom, "The overall freedom to establish and run a business is relatively well protected. With a one-stop shop for entrepreneurs in place, opening a business is easy and straightforward." Even so, the private sector remains small and largely dependent on government.

10 | Welfare Regime

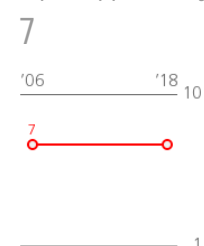
Social risks such as poverty and unemployment continue to be a cause of social marginalization for a significant part of the population. In order to cushion susceptible and underprivileged groups, the government maintained its social welfare programs, though these may not be sustainable in the long term. These programs include cash transfers, empowerment programs, food baskets, feeding programs, public works and education subsidies. For instance, in December 2016, President Ian Khama reported that 35,713 destitute persons, 105,754 pensioners, 1,795 World War II veterans, 1,303 homebound patients, 29,828 orphans, 34,264 needy students and 2,263 needy children were being sustained on a monthly basis. It was also reported that there were 299,096 beneficiaries of the Supplementary Feeding Program, while 63,688 were employed monthly in the labor intensive public works program, intended to provide temporary relief to those who are unemployed (State of the Nation Address 2016). The government has also maintained accessible health care for almost everyone and vigorously responded to the challenges of HIV/AIDS by putting in place effective programs and strategies. These include the provision of antiretroviral therapy to HIV patients, including to expectant mothers to reduce mother-to-child transmission, male circumcision and the "treat all" strategy, which was introduced in 2016. These programs appear to be having a positive effect. For instance, mother-to-child transmission is at less than 2%, while around 90% of HIV patients are on treatment, according to government. Moreover, the government continues to receive support from development partners to address the HIV/AIDS pandemic. The country's prevalence rate is estimated at 18.5% (2013).

Section 15 of the Botswana constitution prohibits discrimination, among others, on the basis of race, tribe, place of origin, political opinion, color, creed or sex. In the main, there is equal opportunity to gain public office, education and employment. The government has demonstrated its commitment to ensuring access to education by allocating substantial resources (BWP 10.64 billion of the recurrent budget was allocated to the Ministry of Education and Skills Development in the 2016/2017 budget). For the 2017/2018 budget, the new Ministry of Basic Education received BWP 6.80 billion. Even so, concerns over declining standards and quality have been raised. In 2015, the government approved the Education and Training Sector Strategic Plan (ETSSP 2015 – 2020). This effort is expected to go a long way to promoting access and enhance the quality of education as well as to ensure the

Social safety nets



Equal opportunity



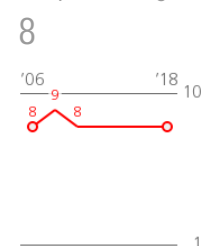
transference of requisite skills. However, social discrepancies persist. For instance, the number of women holding political positions remains low, owing in part to the electoral system in use and cultural factors that discourage women from standing for political office. Moreover, the San continued to suffer from structural discrimination and social marginalization, which is ingrained. The government maintained its social safety programs that cushion the disadvantaged and vulnerable from social risks.

11 | Economic Performance

Botswana's economic performance continued to be uncertain owing to its dependence on diamond exports. The country has sustained its judicious and stable macroeconomic management, recording modest surpluses in recent years. However, a budget deficit of BWP 6.99 billion was recorded in 2015/2016. Equally, the 2016/2017 budget anticipated a deficit of BWP 1.11 billion, though this is lower than the initial projection of BWP 6.05 billion. The deficit for 2017/2018 is anticipated to be BWP 2.35 billion. The government initially projected growth rates of 3.5% and 4.1% in 2016 and 2017, respectively (State of the Nation Address 2016), but subsequently revised these to 2.9% and 4.2%, respectively, in the 2017/2018 budget. Government reported that the economy grew at 0.3% in 2015 owing to a fall in minerals revenue. In terms of the 2016 World Economic Outlook, real growth for Botswana was estimated to average 3.5%, for the period 2016 – 2017. Minerals continue to make a substantial contribution to the country's revenue earnings. According to the 2016/2017 budget, minerals revenue accounted for 35.2%, customs and excise for 24.3%, non-minerals income tax for 21.2% and value added tax for 12.4% of the BWP 48.40 billion of revenue and grants. In the 2017/2018 budget, customs and excise contributed 29.83%, minerals revenue 28.6%, non-minerals revenue 21.59%, and value added tax 14.18% of the BWP 57.19 billion of revenue and grants. Continued dependence on minerals puts Botswana in a precarious position as broad-based growth has eluded it for the past 50 years. Diversification of sources of economic growth and revenue remain a priority according to the 2017/2018 budget.

The economy has shown signs of recovery from the 2008 and 2009 Great Recession, realizing some marginal surpluses in recent years (i.e., 2014/2015). Yet, a deficit was recorded in 2015/16. Additional deficits were projected for 2016/2017 and 2017/2018, demonstrating once again that the economy remains vulnerable and that it has failed to realize broad-based growth owing to the slow pace of diversification efforts.

Output strength



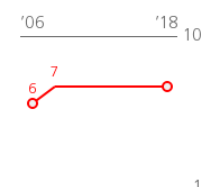
12 | Sustainability

Botswana has no evident major environmental concerns. Yet, the country has actively demonstrated its commitment to environmental sustainability by putting in place an institutional base – the Ministry of Environment, Natural Resources, Conservation, and Tourism – which enforces laws and policies meant to address environmental concerns in order to realize sustainable development. According to the pending 2011 Environmental Assessment Act, all new projects must be preceded by an environmental impact assessment. At the Paris 2015 United Nations Climate Change Conference (COP 21), President Ian Khama declared that countries that embraced the 2012 Gaborone Declaration for Sustainability in Africa Initiative (GDSA) “reaffirmed their commitment to implement all conventions and declarations promoting Sustainable Development.” The government is committed to preserving its natural resources, habitat, and wildlife, including by making anti-poaching a major priority, because they are a main source of tourism and revenue for the country. The administration also promotes awareness on environmental concerns (e.g., by celebrating World Environment Day) and ensuring community participation on issues relating to the environment. Environmental education is an evident component of school curricula. In light of the Botswana’s climatic conditions, droughts and water deficits remain a major challenge owing in part to unreliable and low rainfall experienced in some parts of the country. Even so, the level of ecological consciousness remains low. The Environmental Performance Index (EPI) ranked Botswana 100th out of 178 countries in 2014, with a score of 47.6 out of 100.

Undoubtedly, Botswana has sustained its investment in the education sector which in turn has promoted access across all levels and a marked increase in the country’s literacy rate. In addition to promoting access, it has also put in place measures that are meant to enhance the quality of education. For instance, in 2015, the government approved the ETSSP (2015 – 2020), which seeks to address access, quality and the transference of requisite skills. The government declared that an early childhood policy framework (pre-primary education) will be initiated, under the auspices of the ETSSP and with the support of the United Nations Children’s Fund. This expansion is expected to facilitate early childhood care and development. In December 2016, the government reported that 382 primary schools offered pre-primary education in accordance with the ETSSP. This reiterates government commitment to ensuring education for all. The adoption of the ETSSP followed concerns over declining standards in education, suggesting that the quality of education remains a public issue – as was the case in the previous review period.

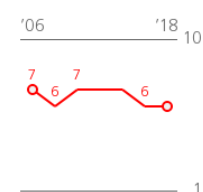
Environmental policy

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Education policy / R&D

6



Governance

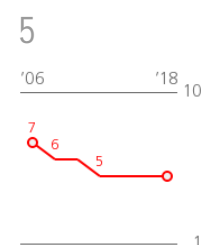
I. Level of Difficulty

Botswana has realized an evident but modest level of transformation. Structural constraints on governance remain and these still range from modest to high in curtailing performance. Ethnic and social tensions have been fairly managed and contained; they do not appear to present a danger to the country's economic and political transformation, though issues of equitable representation in the House of Chiefs remain. The issue of the mother tongue also remains topical in some quarters. The country has largely succeeded in building consensus and an effective public consultation system, though apathy is creeping in. Open discrimination against certain groups is not a major issue. A tradition of modest civil society remains, owing in part to government policies that work against the development of strong civil society organizations.

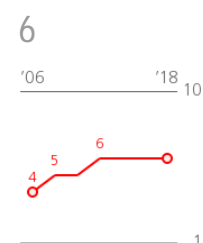
The country has also maintained fairly well-developed physical infrastructure and investment in the education sector. However, complaints of declining standards remain. According to the Heritage Foundation's 2016 Index of Economic Freedom, "The mismatch between labor market demand and the supply of skilled workers continues." The government has responded to this by putting in place a number of programs, including adoption of the ETSSP (2015 – 2020) in 2015. In addition, social risks such as poverty, unemployment and ingrained inequalities remain. Minerals revenue accounted for 35.2% and 28.6% of the 2016/2017 and 2017/2018 budgets, respectively. The agricultural sector is vulnerable to frequent droughts and prone to disease outbreaks, especially foot-and-mouth. The other major social risk is HIV/AIDS, which stands at 18.5% (2013), but government has put in place effective policy responses to contain it.

The country has yet to develop a strong culture of civic participation in public life, in part because of government policies (i.e., legislative hurdles) that work against the development of strong civil society organizations – especially those that are considered a threat to government. For instance, public sector unions affiliated with the Botswana Federation of Public Sector Unions (BOFEPUSU) have been a thorn in government since the 2011 public employees strike. In turn, BOFEPUSU declared its support for the opposition coalition, the Umbrella for Democratic Change (UDC) during the 2014 elections. Since the 2014 elections, there has been pressure on the

Structural
constraints



Civil society
traditions



BCP and UDC to cooperate in the 2019 elections, including from BOFEPUSU. As a result, the two entered into protracted cooperation talks and on February 3, 2017, a coalition between a faction of the UDC and the BCP was announced. The new coalition has adopted a Social Democratic Programme (SDP) as its policy framework. Thus, 2019 may turn out to be a critical juncture in Botswana’s history, if the coalition is maintained.

Through an amendment of the Trade Disputes Act, the government in 2016 increased the list of categories deemed essential services employees to include the teaching and veterinary services, thus effectively reducing the number of public sector employees that can participate in a strike and weakening BOFEPUSU. The government had previously tried to increase this list through a statutory instrument, but was blocked by the High Court and, in 2014, by the Court of Appeal. Overall, however, consultation and consensus-building remain major features of Botswana’s political culture.

Botswana has witnessed no violent incidents based on ethnic, social or religious differences. Conflicts are resolved following the due process of the law. For example, the well-publicized conflict between the San and government was settled through the courts. The country’s constitution outlaws discrimination and its political culture abhors violence or open confrontation. Public consultation is at the core of Botswana’s political culture. To this extent, conflict is minimized.

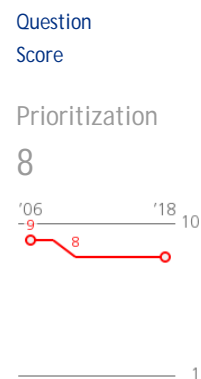


II. Governance Performance

14 | Steering Capability

For the past 50 years of independence, Botswana has demonstrated its ability to set and maintain strategic priorities through its regular development plans, designed to direct economic development within a market economy. Its rolling plans were maintained even during the 2008 and 2009 Great Recession and are directed by the Ministry of Finance and Development Planning (MFDP), renamed the Ministry of Finance and Economic Development as of October 2016.

The National Development Plan 11 (NDP 11) was adopted by parliament in 2016 and will become operational in April 2017. In December 2016, President Ian Khama declared that NDP 11 has been brought in line with the country’s Vision 2036 and United Nations’ Global Goals (i.e., Sustainable Development Goals). Vision 2036 was produced and led by a presidential taskforce following a national public consultation process and unveiled during the country’s celebration of 50 years of



independence (September 2016). NDP 11 is expected to tackle nagging social risks: income inequality, poverty and unemployment. The government remains committed to enhancing project implementation. NDPs are generated following a national public consultation process and the government has demonstrated its commitment to approved plans.

Botswana has maintained its commitment to realizing transformation of its political and economy system. However, limited implementation capacity and low levels of productivity continue to work against government efforts. Efforts to diversify the economy and privatize state assets are in motion, but remain slow. As a result, dependence on minerals remains a defining feature of the economy. Nevertheless, the government has maintained its Economic Diversification Drive (EDD) which supports local businesses by “promoting domestic production and consumption of local products.” In December 2014, government issued a directive to reinforce EDD by instructing all government and parastatal organizations to prioritize procurement of locally produced goods and services, in addition to awarding price preference to local enterprises. In 2015, the government reported that the Public Enterprises Evaluation and Privatization Agency (PEEPA) organized training programs in partnership with the Botswana Public Service College meant to develop “contract management capacity within government, and thus facilitate the implementation of the outsourcing program by ministries” (budget speech 2015). In 2015, the government embraced the Economic Stimulus Programme (ESP), which largely became operational in the 2016/2017 financial year, according to government. ESP was introduced to enhance growth, diversification and job creation (budget speech 2016).

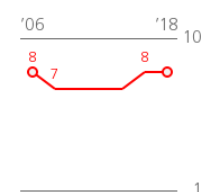
Botswana remains one of the countries worst affected by HIV/AIDS. The government continued to be active in tackling HIV/AIDS. With the support of its development partners, its strategies appear to be producing positive results by ensuring access (around 90% in December 2016) to antiretroviral therapy for those affected. Mother-to-child transmission stands below 2% – demonstrating government commitment to containing the scourge. With regard to gender empowerment initiatives, these appear to be fairly successful. The government has embraced the Convention on the Elimination of All Forms of Discrimination against Women and introduced the National Gender Commission in 2016. In terms of the 2015 Human Development Report, Botswana was ranked 106th out of 188 countries.

Generally, the political leadership has maintained its policy learning ability, but its flexibility is limited. For instance, the government utilized a narrow interpretation to a 2006 High Court decision that declared the relocation of the San from the Central Kalahari Game Reserve (CKGR) as unconstitutional. In 2011, the Court of Appeal granted the San access to water in the reserve.

Government’s limited flexibility was also displayed in its relations with public sector unions affiliated with the Botswana Federation of Public Sector Unions

Implementation

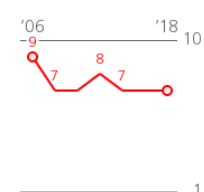
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Policy learning

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(BOFEPUSU), particularly since the 2011 public employee strike, with the two parties resorting to the courts to resolve their differences. For example, in April 2016, the Industrial Court set aside a government decision to award public servants a 3% salary increase outside the BPSC. A similar decision was made by the High Court in 2015 regarding a 4% salary increase that was awarded to public servants in 2014 – also outside the BPSC. These rulings demonstrate that government has been inflexible to learn from its previous mistakes. Through an amendment of the Trade Disputes Act, the government in 2016 increased the list of categories deemed essential services employees to include the teaching and veterinary services, thus effectively reducing the number of public sector employees that can participate in a strike. The government had previously tried to increase this list through a statutory instrument, but was blocked by the High Court and, in 2014, the Court of Appeal.

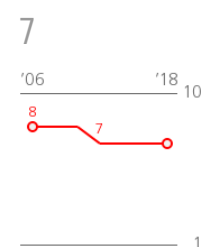
President Khama has shown his unwillingness or reluctance to meet with trade unions, particularly those that fall under the auspices of BOFEPUSU, resulting in an adversarial relationship between government and some unions. BOFEPUSU organized a two-month public employees strike in 2011. Moreover, in 2016, President Khama turned down a request from the Botswana Mine Workers Union (BMWU) following the provisional liquidation of the BCL Group companies, which resulted in the loss of around 6,000 jobs. Even so, government continues to consult, including with the private sector.

15 | Resource Efficiency

Botswana has been extensively acknowledged for its prudent use and management of its resources. Even so, the country has failed to realize broad-based growth owing to slow diversification efforts. The economy's vulnerability to external shocks was again demonstrated during the Great Recession of 2008 and 2009.

The government has maintained its commitment to limit public expenditure, including the wage bill. Government's refusal to accommodate higher salary increases attest to this. The economy has shown signs of recovery from the Great Recession, realizing marginal surpluses in recent years (i.e., 2014/2015). Yet, a deficit was recorded in 2015/2016 and deficits are projected for 2016/2017 and 2017/2018. Notwithstanding, the government has continued its commitment to contain public debt, which is in line with its medium range debt management strategy. According to the Heritage Foundation's 2016 Index of Economic Freedom, "Public debt equals less than 20% of GDP." The country also maintained positive ratings from Moody's Investors Service, suggesting that the government continues to attract sound credit ratings. In December 2016, the government reported that foreign reserves stood at BWP 83.1 billion as of August 2016.

Efficient use of assets



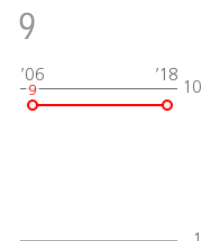
On the whole, the government has ensured effective and coherent coordination of its policies and maintained the national development plan (NDP) as its framework for development priorities. NDP 11 will become operational in April 2017 and aligns with the country's Vision 2036. Even then, structural constraints will make it difficult to reconcile prudent monetary policies with pressures to alleviate poverty, generate jobs and contain the HIV/AIDS scourge. The government has continued its policy of prioritizing macroeconomic stability over high social expenditures. For instance, the government has, to the chagrin of public sector unions, been consistent in rejecting higher salary demands since 2011, citing poor economic performance.

The government has continued to allocate substantial resources to the education sector. Even so, concerns over declining standards and quality have been raised. In response to these concerns, the government approved the Education and Training Sector Strategic Plan (ETSSP 2015 – 2020) in 2015. This effort is expected to go a long way to promoting access and enhance the quality of education as well as to ensure the transference of requisite skills. However, the persistence of social risks such as poverty and unemployment puts into question the government's liberal and indirect approach to these challenges.

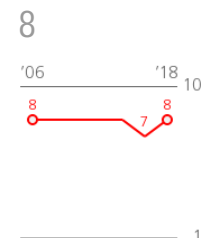
Government has yet to approve the National Anti-Corruption Policy. However, the country has an institutional base in the form of the Directorate on Corruption and Economic Crime (DCEC) that takes a prominent role in combating corruption and economic crime through its three-pronged strategy of investigation, corruption prevention, and public education. It has also maintained its zero tolerance policy toward corruption. Nonetheless, the DCEC's perceived lack of independence persists and raises doubts about its effectiveness. Interestingly, private media have continued to report on a number of cases involving senior public officials and politicians that have generally slipped through political, legal or technical loopholes, giving rise to adverse publicity for the DCEC. Failure to successfully prosecute senior officials and politicians has been interpreted as a lack of political will in fighting high-level corruption, with the DCEC being criticized for concentrating its efforts on low-level corruption. The government has, however, introduced a special court to expedite the processing of corruption cases. In July 2016, government adopted the Whistle Blowing Act. The DCEC has also created a Botswana Business Ethics Forum, in collaboration with the University of Botswana.

Botswana has yet to introduce a law on the declaration of assets and liabilities and on political party financing. The absence of these laws present opportunities for corruption. Botswana hosts the Commonwealth Africa Anti-Corruption Centre (CAACC), sponsored by the Commonwealth Secretariat. In 2015, Botswana hosted the 12th Global Programme on Anti-Corruption, Financial Crimes and Asset Recovery. Botswana continues to be regarded as the least corrupt country in Africa by several international ratings.

Policy coordination



Anti-corruption policy



16 | Consensus-Building

Botswana's political culture is founded on consultation and realizing consensus around an issue. There is no doubt that all the key political players agree to a democracy that is oriented around the rule of law and economic prosperity as the strategic long-term goal of transformation. Notwithstanding, misgivings regarding President Khama's commitment to democracy remain. The country needs to cultivate a culture of active popular participation in matters of governance to realize effective political transformation. Currently, public interest in matters of governance appears to be waning.

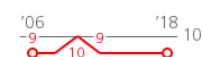
The Botswana Democratic Party (BDP) has been steady in its commitment to a liberal market economy and maintaining an indirect approach to alleviating poverty. The political opposition calls for a proactive strategy to reduce poverty. They also urge for active and direct state involvement in the economy to create gainful jobs and lessen poverty. President Ian Khama's government has reiterated poverty eradication as one of its key priorities. In the 2017/2018 budget, the government declared its intention to eliminate "abject poverty by December 2017."

Anti-democratic actors are not a political issue in Botswana because all the major players agree on a democracy oriented toward the rule of law. The major challenges that may pose a threat to the country's stability are social risks such as poverty, inequality, unemployment and HIV/AIDS. President Ian Khama has also been criticized for a leadership style that is considered intolerant in some quarters. Notwithstanding, he has declared his commitment to democracy.

Botswana does not have a history of significant and protracted conflicts along ethnic, religious, social, or political lines. The possibility for such conflicts exists, but conditions have been prevented from deteriorating into more serious conflicts through (1) the country's established "kgotla" (traditional council meeting) culture of consensus-building and peaceful conflict resolution and (2) general apathy among the citizenry. However, conflicts with ethnic connotations do exist; for example, the conflict between the government and San, which was resolved through the courts (who maintained the San's independence). The country's constitution outlaws discrimination. The political leadership has shown little willingness to exploit ethnic prejudice, including during elections. Those who have tried to exploit ethnicity have received adverse reactions from the population and government. It should be noted that the government, especially under President Ian Khama, has been described as less tolerant to criticism and alternative views. This may give rise to seeds of discord.

Consensus on goals

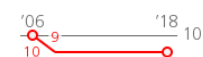
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Anti-democratic actors

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Cleavage /
conflict
management

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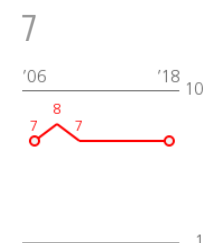


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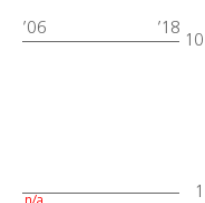
Botswana has upheld its tradition of public consultation and consensus-building through traditional council meetings (Kgotla). However, the absence of a strong civil society is evident, owing in part to government policies that work against the development of strong civil society organizations (through legislative obstacles). The country's political culture also contributes to passive participation in matters of governance as it promotes submission to those in positions of leadership and authority. Those who hold alternative views are viewed with an element of suspicion and distrust by government; in most instances their views are not covered by state media as they are often associated with the opposition. These include among others trade unions, private media and even intellectuals.

Botswana has sustained a relatively stable human rights record since independence in 1966. There are no notable past injustices.

Civil society participation



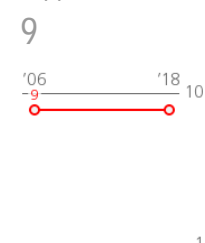
Reconciliation



17 | International Cooperation

The country's political leadership has, in the main, demonstrated its preparedness to collaborate with external actors, including development partners, in implementing its long-term development strategy, though it is not reliant on external actors to set its policy priorities. The country continues to receive support from international organizations (i.e., bilateral and multilateral development partners and private foundations) that is intended to facilitate its transformation. Even so, support to Botswana has declined significantly since it was placed in the upper middle-income category of countries. The government has maintained its prudent use and management of resources. It also succeeded in containing its public debt, which is in line with its medium range debt management strategy. "Public debt equals less than 20% of GDP," according to the Heritage Foundation's 2016 Index of Economic Freedom. Botswana has continued to attract positive credit ratings. In 2016, Moody's Investor Service maintained the country's sovereign rating at A2, which is one of the best in Africa. The country's ability to collaborate has been clearly demonstrated in the area of HIV/AIDS, where a number of effective programs and interventions were delivered with the support of international companies and partners, with observable positive results. Collaboration has been extended to the development of a Health Financing Strategy, which was projected to be completed at the close of the 2016/2017 financial year, according to the government. Overall, external factors have contributed to the country's transformation over the last 50 years.

Effective use of support



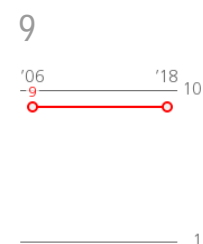
Botswana continued to enjoy the confidence and trust of most international actors and the government sustained its standing as a dependable partner in development. Despite being significantly affected by the 2008 and 2009 Great Recession, the country has not experienced challenges in repaying its debts. The government has consistently complied with the existing international agreements it is a party to. Nevertheless, Survival International (SI), a UK-based advocacy group, maintained its onslaught on Botswana's tourism, citing government ill-treatment of the San. More recently, the international profile of SI's campaign against Botswana appears to have declined.

On the whole, Botswana maintained very good international relations with major countries, including the United States, demonstrating the country's commitment to sustaining diverse partnerships with external actors. Even so, a case in which the editor of the Sunday Standard newspaper, Outsa Mokone, is charged with sedition after the newspaper carried a story that alleged that President Ian Khama was involved in an "unreported" car accident, has yet to be concluded by the courts. Following Mokone's arrest in 2014, a diplomatic broil nearly erupted between Botswana and the United States after the latter criticized Botswana for arresting and charging him. Botswana has maintained its critical foreign policy, which openly criticizes countries (including Zimbabwe) that fail to advance democracy and good governance – a policy which is somewhat unpopular in Africa.

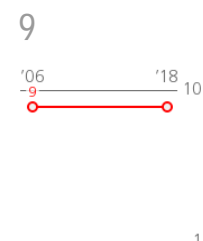
Botswana's political leadership has successfully continued to build and nurture many regional and international cooperative and diplomatic relations. However, President Ian Khama's commitment to the African Union (AU) continues to be doubted as he has not attended a single AU summit since assuming the presidency in 2008. For instance, he was represented by Vice-President, Mokgweetsi Masisi, at the January 2017 summit at which the AU leadership elected the AU Commission Chairperson. Botswana's Minister of Foreign Affairs and Cooperation, Pelonomi Venson-Moitoi, unsuccessfully contested for the AU top position, with some attributing her loss (including President Robert Mugabe) to President Khama. President Khama does not attend AU meetings and his government often criticizes African leaders who fail to uphold democracy and good governance. Furthermore, his government often takes a stance that is opposed to that of the AU; for example, with respect to the International Criminal Court (ICC). Botswana firmly supports the ICC and most African leaders perceive the ICC as mainly targeting African leaders. As a result, the AU at its summit in January 2017 declared its intention to withdraw from it as a bloc (although the decision is not binding). In 2016, a diplomatic brawl nearly emerged between Botswana and South Africa after Botswana criticized the latter for deciding to withdraw from the ICC. President Khama is due to retire in early 2018.

Botswana sustained its memberships in the Southern African Customs Union (SACU) and the Southern African Development Community (SADC), through which it favors durable economic and political integration of the region. The country

Credibility



Regional cooperation



continues to nurture its plans to act as a hub for international investment. Moreover, Botswana maintains good relations with its neighbors, including Zimbabwe, where relations have somewhat normalized since Zimbabwe's 2013 elections. Despite being unpopular, Botswana maintained its policy of criticizing undemocratic governments and human rights abuses. This policy stance appears to have slightly detached the country, especially in Africa, where open criticism of a fellow government or leader is not encouraged or welcomed.

Strategic Outlook

Save for potential social disorder arising from dissatisfaction among the large numbers of unemployed youth, Botswana is likely to maintain its trajectory of democratic transformation and economic growth. As in the past, Botswana's future political and socioeconomic transformation will chiefly depend on a few vital facets.

First, a leadership that is accommodative, tolerant, and able to balance the population's competing demands has been an important resource and contributed enormously to Botswana's political and economic success. Past successes also came from a dedicated and selfless leadership. As in the previously review period, there are widespread signs that these values are being eroded. Private newspapers continue to carry reports of corruption by politicians and senior public officials and there appears to be reluctance to press charges against some of them. During the previous review period, several ministers and senior public officials were charged with corruption. These incidences have called into question the credibility of the political leadership. The Khama administration's failure to embrace reforms, disclose personal assets, and provide access to government information has furthered public perceptions that the leadership is corrupt and condones corruption.

Second, the effectiveness of government measures to the HIV/AIDS pandemic and its economic consequences will prove crucial to Botswana's political future. The results of nationwide distribution of antiretroviral drugs are promising and the program should be continued. Preventive measures likewise appear to be yielding positive results.

Third, worrisome levels of inequality, poverty and unemployment continue to present major challenges for Botswana's future. While it appears unlikely that these will automatically translate into social conflict, given the predominant culture of peace and political apathy, the potential exists. In addition, these social challenges hinder transformation. In this context, it is crucial for the government to accelerate economic diversification. The 2008 and 2009 global financial crisis has demonstrated Botswana's economic vulnerability. The country's continued dependence on diamonds poses obstacles to sound economic transformation.

Finally, Botswana must address a number of rights issues, including its treatment of the San and freedom of the press. In particular, the government should continue to engage in finding a consensual solution to the dispute with the San by developing mutual understanding with the minority's representatives. The country's international reputation will be of central importance to advance efforts to address the HIV/AIDS pandemic. Foreign assistance should be maintained. Botswana's development partners should assist the country in its efforts to achieve progress on social problems (e.g., poverty, inequality and unemployment) and dilute its dependence on natural resources. The government's strategy to overcome these challenges has continued to focus on indirect factors such as education, rather than on directly alleviating poverty and inequality. This cautious approach has been driven by a concern that generous distribution policies would damage

macroeconomic stability. The international community can make use of the government'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 as well as the treatment of illegal immigrants from Zimbabwe and ethnic minorities, particularly the San.

Botswana's future transformation will largely depend on the government's success fighting HIV/AIDS and reducing the economic dependency on diamonds. Social problems present additional challenges. In all areas, the leadership qualities of President Ian Khama and other key actors will continue to be of the utmost importance. President Khama is due to retire in early 2018 and Vice-President Mokgweetsi Masisi is expected to succeed him. There is a possibility the opposition may secure an electoral victory in the 2019 elections, if it succeeds in maintaining its coalition. It will be crucial for public and private development partners to further assist the country in its already advanced efforts to address the HIV/AIDS pandemic and support Botswana's efforts at economic diversification and the alleviation of social risks.