

BTI 2012 | Botswana Country Report

Status Index	1-10	7.78	# 19 of 128	
Political Transformation	1-10	8.35	# 17 of 128	➔
Economic Transformation	1-10	7.21	# 25 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 Bertelsmann Stiftung’s Transformation Index (BTI) 2012. The BTI is a global assessment of transition processes in which the state of democracy and market economy as well as the quality of political management in 128 transformation and developing countries are evaluated.

More on the BTI at <http://www.bti-project.org>

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Key Indicators

Population	mn.	2.0	HDI	0.633	GDP p.c.	\$	13891
Pop. growth ¹	% p.a.	1.3	HDI rank of 187	118	Gini Index		-
Life expectancy	years	53	UN Education Index	0.693	Poverty ³	%	-
Urban population	%	61.1	Gender inequality ²	0.507	Aid per capita	\$	143.4

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

Executive Summary

On 16 October 2009, the Botswana Democratic Party (BDP) won its ninth general election in a row. International observers declared the elections free and fair, although the opposition continued to criticize the lack of a level playing field and questioned the democratic credentials of Botswana's fourth president, Ian Khama. Frequently praised as a showcase of development and democracy, this report concludes that Botswana has retained its high level of political and economic transformation. However, the record of this "African success story" is not flawless. Shortcomings in political transformation persist and have slightly increased during the period under investigation. These deficiencies are related to the freedom of the press and the executive's occasional arbitrary actions. Particularly noteworthy is the problem with regard to the treatment of the indigenous people in the Kalahari Desert, the San (also called "Basarwa" or "Bushmen"). The continued dominance of the governing 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. The breakaway of the Botswana Movement for Democracy (BMD), formed by BDP inner-party critics of President Khama in early 2010, has not substantially challenged this dominance.

The record of economic transformation in Botswana is mixed. During the assessment period, Botswana's dependence on diamonds proved highly problematic. Growth stalled when the prices and global demand for diamonds plummeted as a result of the international financial crisis. For the first time in 17 years, the government requested a loan from the African Development Bank. However, Botswana's economy quickly recovered in 2010 and the country retains a solid institutional framework for market competition. Existing social problems such as poverty, inequity and unemployment among the population are intensified by the HIV/AIDS pandemic. However, almost all Botswana in need are provided with anti-retroviral treatment. 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 once again 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 reduction of its economic dependency on diamonds and other raw materials. Social problems pose additional challenges. In all areas, the leadership qualities of President Khama and other leaders will be of utmost importance. It will be crucial for public and private donors to further assist the country in its already-advanced efforts to address the scourge of HIV/AIDS and support Botswana's efforts in diversification and the alleviation of social problems. As for domestic political shortcomings with regard to freedom and minority rights, 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 steadily increased until the late 1990s and has stabilized on a high level (more than 40% of the vote shares in recent elections). 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 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 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 (first and foremost, 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. The international economic crisis revealed Botswana's vulnerability, when the economy shrank by 5.4% in 2009 due to plummeting diamond exports. Also, in recent years, diamond production has been overshadowed by a campaign launched by an international advocacy group accusing the government of mistreating San (locally also called 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, especially among the youth. In recent years, developments in neighboring Zimbabwe have posed a challenge, as the flow of refugees caused by the pronounced crisis in that country came into Botswana.

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 17% of all citizens are HIV positive, which makes Botswana one of the hardest-hit countries in the world. A particularly worrisome component of this problem is that the economically active population is the demographic group most severely affected by the HIV/AIDS pandemic. The government has instituted many internationally lauded initiatives (such as an extensive antiretroviral drug (ARV) program) to fight the disease. These initiatives are showing positive initial results: more than 90% of those in need get ARVs through the public health system at no cost, and life expectancy at birth has risen recently.

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

Transformation Status

I. Political Transformation

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 continued flowing in (though this problem has been less salient during the period under review).

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.

There is separation of church and state, and the political process is secular. According to the Religious Freedom Reports by the U.S. State Department, religious freedom is generally respected. Religious education is part of the curriculum in public schools; it emphasizes Christianity but also addressed other religious groups in the country. The constitution provides that every religious community may establish places for religious instruction at the community's expense. The constitution prohibits forced religious instruction, forced participation in religious ceremonies, or the taking of oaths that run counter to an individual's religious beliefs. There were no reports of societal abuses or discrimination based on religious affiliation, belief or practice.

Question
Score

Monopoly on the
use of force
10

State identity
9

No interference of
religious dogmas
10

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, though high-profile cases of corruption have been processed by the courts more recently. In general, the judiciary is functional and independent.

Basic
administration
8

2 | Political Participation

Batswana (plural noun 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 2009 elections, the principles of an open, competitive election process were generally observed and confirmed by international observers. The only shortcoming in this respect stems from an uneven playing field during election campaigns. The ruling BDP received preferential access to state-owned television during much of the campaign. Public party funding does not exist, and reports in early 2009 indicated that the diamond multinational De Beers had financially supported the BDP in previous years, though De Beers denied having made payments during the 2009 campaign. The lack of public funding, which heavily benefits the ruling party, was only partially offset by a private donation to all parties by a local brewery. Opposition parties have also criticized the fact that the government appoints the Secretary of the Independent Electoral Commission. In contrast, fears of voter apathy proved unsubstantiated: 555,308 Batswana, or around 76% of registered voters, cast their votes (2004: 412,379).

Free and fair
elections
9

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 since Khama has taken office. 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
10

Independent political and/or civic organizations can form freely. Political parties and NGOs operate without restriction or outside interference. The expansion of unions, however, has been hampered by legislation that creates significant obstacles to legal strikes. Until the introduction of the new Public Service Act, virtually all strikes were ruled illegal, leaving striking workers at risk of dismissal. Legal strikes theoretically were possible only after an exhaustive arbitration process. Although strikes are now legally possible, sympathy strikes remain prohibited under the new Public Service Act. In 2010, a threat by civil servants to stage a nationwide strike (“the mother of all strikes”) prompted the government to increase the wages of government employees.

Association /
assembly rights
9

Freedom of opinion is generally guaranteed, and there is a culture of open and lively discussion, including strong criticism of the government. 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. Ongoing statements by President 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 2010 (after having deteriorated in 2006, entering the "partly free" category) with a rank of 82 out of 192. In the press Freedom Index 2010 by Reporters without Borders, Botswana ranked in a similar fashion at position 62 out of 178. In the past, the government also took dubious actions against foreign journalists and academics.

Freedom of
expression

7

3 | Rule of Law

Under Botswana's parliamentary system of government, the president is elected by parliament. However, constitutional and political power is highly concentrated in the executive branch and the president in particular. This system, combined with the traditional 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 the 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

7

The judiciary is separate and independent and performs its reviewing function, thereby providing a crucial check on the parliamentary system dominated by the executive. Generally, the government accepts defeats in the courts and responds by changing course. However, the government has only reluctantly implemented a High Court ruling from the end of 2006 that ruled the relocation of the Basarwa out of the Central Kalahari Game Reserve (CKGR) unconstitutional. The government verbally accepted the ruling but has resorted to a narrow interpretation of the verdict and has scarcely supported the return of the Basarwa to the CKGR. In particular, the government refused to re-open a well for water supply near Mothomelo. In August 2010, the African Commission on Human and People's Rights, working within the framework of the African Union (AU), has urged the government of Botswana to allow the First People of the Kalahari (FPK), the advocacy group representing the San, access to water, as a denial of such a basic right would amount to a violation of

Independent
judiciary

9

rights contained in the African Charter. However, the independence of the judiciary was demonstrated once more at the end of January 2010, when the Botswanan court of appeal ruled that the denial of water provisioning was indeed illegal; the judges urged the government to take respective action. The government pledged to respect the ruling.

There are slight limitations due to overloads and delays, but this mostly takes place in rural areas.

The fight against corruption has an institutional base in 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. Recent scandals involve ex-Debswana manager Louis Nchindo, who was charged with embezzling money from the diamond company. He apparently committed suicide before the verdict in early 2010. Another scandal forced the minister of defense, security and justice, Dikgakgamatso Seretse, to step down. After remaining defiant for months, Seretse, a cousin and a close personal ally of President Khama, resigned from his position in August 2010, one day before being charged with corruption by the Directorate of Public Prosecutions (DPP). Seretse had been making headlines for allegedly using his position to influence the award of public tenders in favor of his family's company, RFT Botswana. Because the Directorate of Corruption and Economic Crime is headed by another relative of Seretse and Khama, Rose Seretse, many had assumed that the corruption investigation would be simply brushed aside. The aforementioned abuses are subject 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
8

In theory, all citizens enjoy equal civil rights. In practice, however, there is a considerable level of discrimination against the San minority, whose traditional mode of living in the Central Kalahari the government wants to change. While the government claims not to have forcibly relocated the San in order to integrate them into "modern" society, it did terminate basic services such as water and health care, and provided housing and financial rewards for relocation. The international campaign of Survival International (SI), which claims that interest in the exploitation of diamond deposits is behind this policy, is rejected even by the critical Botswana human rights organization Ditshwanelo (De Beers in fact resumed diamond exploration in the CKGR after the relocation; however, a close link is unlikely given the vast size of the CKGR). However, Ditshwanelo criticizes what in its view amounts to a forcible relocation of the San. With the help of this organization, San activists managed to win the case before the High Court in favor

Civil rights
8

of the San. 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 many of the San and their supporters continued to object to the government's narrow interpretation of the High Court ruling in 2006 that had declared the relocation unconstitutional. As mentioned above, the court of appeal ruled in favor of the San and the government accepted the ruling.

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 are created by a dual factionalism within the BDP that has resulted in a split in the period under investigation – though the BDP could retain its dominance.

Performance of
democratic
institutions
8

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 continued to raise serious doubts about the democratic integrity of the new president, Ian Khama. Despite these fears and Khama's obvious preference for "discipline" and a more confrontational leadership style than his predecessors, there has been little substantial evidence demonstrating a critical lack of commitment to democracy on the part of the head of state.

Commitment to
democratic
institutions
9

5 | Political and Social Integration

Botswana's party system displays the shortcomings and advantages of a dominant party system (Effective Legislative Parties Index after 2009 elections: 2.21, up from 1.56, which is mainly due to the split in the opposition vote). The BDP's dominance was challenged in the period under investigation when a number of members of the Barataphati faction defected and formed the new Botswana Movement for Democracy (BMD) in April 2010, criticizing the arbitrary and dictatorial leadership style of state and party president Khama. Eventually, six members of parliament crossed the floor but the BDP retained its absolute majority in parliament by keeping 40 deputies out of 61 (plus four socially elected members of parliament).

Party system
7

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 17 seats in the

61-member National Assembly – is reason for some concern. Opposition parties, apart from the BDM, the Botswana National Front (BNF, six MPs) and the Botswana Congress Party (BCP, five MPs) have altogether won around 40% of the vote in the last two elections (in 2004 and 2009), but have been weakened by their propensity to factionalism and the first-past-the-post electoral system, which reduced their seat share to less than 25% of the competitive seats (four seats are specially elected members named by the president) in the 2009 elections. Ongoing efforts to unify the opposition parties have gained little ground since the 2009 elections. Only the BCP managed to merge with the small Botswana Alliance Movement (BAM: one member of parliament).

Rivalries between and inside the opposition parties persist. The BNF has continued to particularly suffer from severe internal problems in the assessment period; as a result, the party lost six seats in the 2009 elections. Nevertheless, there is relatively low volatility in terms of vote shares as is indicated by the country's score of 5.98 on the Pedersen Index from 2004 to 2009 (for the period between 1999 and 2004: 7.54). In addition, parties enjoy relatively strong roots in society (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 for all parties; programmatic differences are present but not very pronounced. Polarization is not a general feature of the party system. Severe intransigence is found within parties, notably in primaries and especially between the opposition parties, and recently particularly within the BDP, as demonstrated by the breakaway of the BMD.

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 San have a relatively vocal advocacy group, the First People of the Kalahari, and women have a visible interest group in "Emang Basadi." Another vocal group is the human rights group Ditshwanelo – The Botswana Centre for Human Rights. With the 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.

According to surveys from the Afrobarometer in late 2008 ("Round 4" results have not been published yet), the consent to democracy has been on the rise since the last survey in 2005, and 85% of all Botswana prefer democracy to any other kind of political system (5% said they would prefer a non-democratic one under certain circumstances, 75% supported democracy in 2005). Likewise, 80% reject one-party rule, 93% are against abolishing elections and 89% disapprove of military rule.

Interest groups
6

Approval of
democracy
9

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 tradition of “sit down and talk” in which consultation is valued. Traditional “Kgotla” meetings are held regularly throughout the country and are fostered by government officials; a culture of peaceful discussion is fairly well developed.

Social capital
7

II. Economic Transformation

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 (\$6260 GNI per capita, according to the World Bank in 2010; GDP per head in PPP of \$13,874 according to Economist Intelligence Unit estimates for 2010), one of only five such economies in sub-Saharan Africa.

Question
Score

Socioeconomic
barriers
4

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; the World Development Indicators, for instance, include no data on poverty in Botswana from the past ten years). According to President Khama, the number of people living below the poverty line in Botswana has fallen from 59% in 1985/86 to 30% in 2002/03. Nevertheless, there is a high level of unemployment and social inequality.

Official unemployment figures, as reported by the Labour Force Survey of 2005/06, stood at 17%, with the most affected group being 20- to 24-year-old individuals (34%). According to the Gini coefficient (UNDP Botswana: 60), Botswana is one of the most unequal societies in the world. Additionally, with a national prevalence rate of around 17% and a rate of 23.9% among people aged 15 to 49, the country has been severely affected by the HIV/AIDS pandemic. This has lowered life expectancy (55.5 years on average in 2010), which in turn has resulted in a relatively low HDI status. With a value of 0.663, the country is ranked at 98 (“Medium Human Development”) out of the 169 countries listed in the 2010 Human Development Index; this, however, represents an improvement compared to rank 126 in 2008.

Economic indicators		2007	2008	2009	2010
GDP	\$ mn.	12376.4	13473.3	11473.7	14857.3
GDP growth	%	4.8	2.9	-4.9	7.2
Inflation (CPI)	%	7.1	12.7	8.0	6.9
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	5.2	6.6	2.2	3.6
Export growth	%	10.0	-1.9	-28.0	1.2
Import growth	%	26.3	16.5	-9.3	5.0
Current account balance	\$ mn.	2015.4	867.8	-521.3	45.9
Public debt	% of GDP	7.1	6.4	13.4	13.2
External debt	\$ mn.	413.1	433.8	1617.3	1708.6
Total debt service	\$ mn.	47.3	69.3	46.7	74.9
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	19.4	19.8	24.5	21.1
Public expnd. on edu.	% of GDP	8.0	7.8	8.9	-
Public expnd. on health	% of GDP	7.7	7.6	10.3	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	2.7	2.7	3.0	-

Sources: The World Bank, World Development Indicators 2011 | International Monetary Fund (IMF), World Economic Outlook 2011 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2011.

7 | Organization of the Market and Competition

Market competition in Botswana enjoys a comparatively strong institutional framework. The informal sector is smaller than in most African countries. With a score of 4.05, the country ranks 76th on the 2010/11 World Economic Forum's Global Competitiveness Index (GCI), lower than in 2008/09 (rank 56; but identical to the 2007/08 index, on which Botswana was also ranked 76th). According to the GCI, Botswana has the fourth-most economically competitive macroeconomic framework in sub-Saharan Africa, outperformed only by South Africa, Mauritius

Market-based
competition
8

and Namibia. With a value of 7.09 (the value of 10 being the highest), Botswana ranks 54th out of 85 countries on the Fraser Institute's "Economic Freedom of the World" Index. On the Heritage Foundation's Index of Economic Freedom, Botswana has consistently being rated as "mostly free." Shortcomings are primarily the high fiscal burden of government and government intervention in the economy, whereas business regulation and property rights are rated favorably. Its overall score on the Index of Economic Freedom is 1.5 points worse than last year, primarily due to a large increase in government spending. In the most recent year, total government expenditures, including consumption and transfer payments, soared to 40.2% of GDP. The state is an important economic actor and privatization of state assets has been sluggish.

Trade policies are guided by non-discriminatory principles. Generally, there is a coherent and effective anti-monopoly policy, but the regulation of monopolies in one significant area is inconsistent: the economy's mainstay, diamonds, are exploited and sold exclusively by Debswana. This company is a 50/50 joint venture by the state and the South African mining company De Beers. Yet other mining sectors, such as the diamond-cutting industry, as well as manufacturing and tourism, are not dominated by monopolies and oligopolies.

Anti-monopoly
policy
7

Foreign trade has been extensively liberalized, and 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 7.4% in 2009. According to the Index of Economic Freedom, import bans and restrictions on some products, import taxes, import licensing, domestic bias in government procurement and weak enforcement of intellectual property rights add to the cost of trade.

Liberalization of
foreign trade
9

The institutional framework for a solid banking system and capital market is strong. 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 and the management of its independent central bank. However, due to the decline in global demand for diamonds, on which Botswana is still heavily dependent, Botswana has raised its long-term deficit. As a result of that and also because of a lack of budgetary discipline, Moody's rating agency downgraded its sovereign credit ratings from A to A- in 2010. However, Botswana continues to hold one of the best credit ratings in Africa and is on par with many countries in Central Europe, East Asia and Latin America.

Banking system
8

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 the largely independent central bank, the Bank of Botswana. However, as in the observation period before, inflation was relatively high and the Bank of Botswana has repeatedly failed to keep it in the current medium-term target range of 3% to 6%. On the whole, however, inflation decreased somewhat. The government reports that the average year-on-year annual inflation rate dropped to 8.1% for 2009, compared to 12.6% in 2008. The EIU estimates that inflation averaged 8.5% in 2010.

Anti-inflation /
forex policy

8

The government's fiscal and debt policies support macroeconomic stability. Favorable debt service ratios and largely balanced budgets with surpluses attest to prudent fiscal policies. However, due to the world economic crisis and reduced demand for diamonds, Botswana's economy went into recession and contracted by 5.4% in 2009, which meant that the tradition of surplus budgets could not be maintained. According to the government, the fiscal year 2009/10 (April-March) recorded a preliminary deficit of about P 9.3 bn (1 U.S. dollar buys roughly 6.5 P); for the financial year 2010/11, the government anticipated a deficit of P 12.12 billion, as government coffers continue to be adversely affected by a decline in SACU as well as diamond revenues. Yet, as the economy has grown substantially again, the 2009/10 deficit is lower than originally expected, at 10.3% of GDP. Following the government's request, the African Development Bank (AfDB) in June 2009 approved a record loan of \$1.5 billion to support government finances in 2009/10. Botswana borrowed from the bank for the first time in 17 years. The country's tradition of sound macroeconomic management was put to a severe test, and the two supplementary budgets approved in 2009/10, as well as additional expenditure commitments, have raised doubts about the government's commitment to reducing the deficit.

Macrostability

8

9 | Private Property

The constitution prohibits the nationalization of private property and provides for an independent judiciary, and the government respects this in practice. 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 2011 World Bank Doing Business Index (covering the period April 2009 to June 2010), Botswana ranked 50th for the ease of doing business out of 181 countries, down from rank 38 in 2009. Protection of intellectual property rights has improved significantly; Botswana is ranked 44th out of 125 countries in the 2010 International Property

Property rights

9

Rights Index, second only to South Africa among sub-Saharan Africa countries. In the “Economic Freedom of the World” and the “Index of Economic Freedom,” Botswana received high scores for the protection of property rights as well. Slight practical obstacles to the security of property rights are administrative shortcomings and an overburdened, albeit independent, judiciary.

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, and these are precisely regulated by official rules. However, privatization efforts have remained, as in prior years, sluggish. Despite plans to the contrary, Air Botswana has not yet been privatized. Privatization of Botswana Telecom is planned for 2011. In the diamond sector, Debswana, the 50/50 joint venture with De Beers, is operating effectively. 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. Furthermore, the government has made significant efforts to locate the beneficiation of diamonds in the country. The underlying aim of keeping larger parts of the value chain in Botswana is to create more jobs in this sector. All 16 licensed diamond-cutting factories are operational, with a combined workforce of around 3,000 at the end of 2010, representing an 18% increase over last year.

Private enterprise
8

10 | Welfare Regime

Social networks are developed, but do not cover all risks for the entire population. According to the Heritage Foundation, employers are not required to make pension, health insurance or unemployment insurance contributions. The unemployment rate is estimated to be 17.6% (World Development Indicators). There is still a serious risk of poverty for large segments of the population, and socially vulnerable groups receive social welfare only to a limited extent. Although poverty is deep-seated, social safety nets have ensured that no one starves. 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 foreign institutions, such as the Bill and Melinda Gates Foundation and the pharmaceutical industry. Botswana’s other achievements include the provisioning of highly active anti-retroviral therapy (HAART) to the public and the introduction of comprehensive voluntary counseling and testing programs. According to government, close to 153,000 patients are on antiretroviral therapy. This represents 92.5% of those Botswana who are expected to need treatment.

Social safety nets
7

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 has not in general provided disincentives for poor households to send their children to secondary school. State-sponsored support schemes have mitigated the negative aspects of school fees.

Equal opportunity
7

11 | Economic Performance

Faced with the global economic crisis, the economy's traditionally high growth rates could not be maintained during the period under review. Botswana's economy went into recession and contracted by 5.4% in 2009. However, amid recovering external demand (for diamonds specifically), Botswana's economic rebound has been fast and strong. Following Economist Intelligence Unit estimates, the economy grew by 7.5% in 2010. The long-term growth of GDP per capita went hand in hand with other positive macroeconomic developments. Botswana's low debt and positive trade balance constitute the most notable figures. However, despite the fact that mining's contribution of government revenue has been reduced to about 40% from over 55% a decade ago, economic development is still mainly driven by the diamond industry. The country's potential for broad-based growth therefore remains limited, a state of affairs that can largely be attributed to unsuccessful efforts to diversify the economy and to privatize state enterprises. If the initial successes in the fight against the severe HIV/AIDS pandemic are upheld, the pandemic will pose a less significant threat to growth in the future.

Output strength
8

12 | Sustainability

In sparsely populated Botswana, there are few environmental problems and a low awareness of environmental issues. Ecological issues tend to be subordinated to economic interests, but despite recurrent water shortages 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. The potential effects of climate change on the mostly arid country are hardly discussed.

Environmental
policy
7

The government has systematically invested in infrastructure for education. There is a nationwide system of primary, secondary and – with the University of Botswana and the newly opened Botswana International University of Science and Technology (BIUST) – tertiary education. Botswana allocates nearly a quarter of its annual public spending to education, and spending per student is significantly

Education policy /
R&D
7

higher than in other middle-income countries. High rates of literacy and enrollment in secondary schools have been among Botswana's accomplishments, according to the IMF. However, less than 60% of those enrolled in secondary schools complete their schooling. Despite the fact that the literacy rate stands at 83%, a significant improvement compared to 69% recorded in 1991, the skill level of the population remains unsatisfactory. With regard to higher education and training and technological readiness, which are pillars of the World Economic Forum's 2010/11 Global Competitiveness Index (GCI), Botswana scores worse than on the general index. In terms of innovation, it only ranks slightly higher than the average score (CGI: 76th; higher education and training: 94th; technological readiness: 99th; innovation: 74th).

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. For 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 the national poverty line, coupled with a high Gini coefficient. The potential negative impact of dependence on raw materials (diamonds) materialized during the period of review, causing a sharp decline in economic growth (-5.4% in 2009) when the international financial crisis led to a sharp decrease in demand for diamonds. Before 2009 and again in 2010, revenues from diamonds have served as a growth engine (growth rates around 5% per annum). Frequent droughts in an arid climate and outbreaks of foot-and-mouth disease are responsible for limited potential in agricultural production. The most formidable constraint on governance is the high rate of HIV infection; the HIV prevalence rate among people between the age of 15 and 49 stood at 23.9% in 2010 (down from over 30% before 2007). Though these infection rates are lower than former estimates (recent figures are due to comprehensive nationwide testing, while former figures were based on estimates drawn from HIV rates among pregnant women in public hospitals), the prevalence rate is still one of the highest worldwide. HIV/AIDS alone is responsible for the regression of the HDI values.

Structural
constraints
5

Although civil society in Botswana is relatively weak in terms of the number of active NGOs and the existence of 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” tradition is ingrained in the Tswana culture, which allows and encourages participation and open discussion and is a cultural resource upon which the government can draw.

Civil society
traditions
6

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 representatives of Setswana- and Kalanga-speaking groups in the early 2000s). The most severe conflict with ethnic overtones is the “San” issue, which involves a substantial degree of discrimination against this group, although the potential to develop into a violent conflict is low. The San represent only around 3% of the population. Also, the courts have repeatedly ruled in favor of the San with regard to the controversial CKGR issue. Ethnic tensions may also be intensified by immigration from Zimbabwe.

Conflict intensity

2

II. Management Performance

14 | Steering Capability

Question

Score

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 10 (NDP 10; introduced in April 2010, after being deferred for one year), aims primarily at intensified economic diversification and poverty alleviation. Criticism focuses on overly optimistic goals, which stand in contrast to the state’s limited administrative capacities. Due to Botswana’s favorable fiscal status, low (albeit rising) debts and levels of aid, the government is not dependent on external actors in setting policy priorities.

Prioritization

8

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. However, efforts at establishing a diamond processing industry are beginning to show initial results. The Public Enterprises Evaluation and Privatisation Agency (PEEPA) has been ineffective. A renewed economic diversification initiative, launched by President Khama, stresses the government’s intention to use its own resources to develop and support local businesses. This initiative is called the “Economic Diversification Drive” (EED) and was touted by Khama as “one of two flagship projects,” the other one being poverty eradication.

Implementation

7

Regarding the HIV/AIDS pandemic, the government has maintained its approach of fighting the disease. It closely cooperates with foreign foundations, the pharmaceutical industry and international organizations. Today, blood is routinely tested for HIV, an approach that has made more people aware of their HIV status. According to the government, uptake of voluntary counseling and testing services is at 56% among those sexually active, and there is a testing uptake of 90% at health facilities. Mother-to-child transmission has been reduced to less than 4%. Anti-retroviral medication is available through the public health system at no cost to the public. Close to 153,000 patients are on antiretroviral therapy. This represents 92.5% of those Botswana who are expected to require treatment (government data). Implementation of gender empowerment measures has been quite successful. On the 2009 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 65th out of the 109 countries assessed in the GEM. According to the Human Development Report 2009, 33% of all legislators, senior officials and managers were women, whereas only 11% of members of parliament are female.

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, as in the last period under review. Concerning the San minority ("Bushmen"), the government was reluctant to implement the High Court ruling from December 2006 that declared their relocation from the Central Kalahari Game Reserve unconstitutional. In January 2011, the Court of Appeal finally granted the San the right to access water in the game reserve. In addition, President Khama's sometimes harsh reaction to criticism has sustained international controversy to some degree and has shown inflexibility in the government's response.

The traditional aim of consensus-building has been weakened to some extent by President Khama's more assertive leadership style. This may have contributed to splits in the governing Botswana Democratic Party (BDP), but also has reduced possible constraints due to an inability or unwillingness to make decisions. 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, a government move in October 2010 to host a budget pitso (consultative meeting) at which interested parties were briefed on and discussed the government's plans to restore the budget to balance by 2012/13, was welcomed by stakeholders. As with the NDP preparation process, this attests the continued orientation towards consensus and learning ability in the government and among other stakeholders.

Policy learning
8

15 | Resource Efficiency

The government uses available human, financial and organizational resources efficiently in most respects. Corruption is a minor problem among the top leadership and at 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

7

However, state budgets have to be adjusted regularly due to expenditure planning that tends to show unrealistic results. Another factor is the recurrent 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 World Bank report called for stronger control of public expenditure to ensure long-term budget sustainability. However, President Khama said little to suggest that there would be any significant curtailment in public spending.

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 the fight against the massive HIV/AIDS pandemic.

Policy
coordination

9

The government has in general been coherent in its prioritization of macroeconomic stability over high-level social expenditure. For instance, in 2010, the government placed a freeze on recruitment for vacant positions to fund the settlement with public-sector trade unions to increase the number of payable days from 20 to 22 days per month. Investment in infrastructure for education and training is seen as the avenue for social progress in the long term. Consequently, the government established the Botswana International University of Science and Technology (BIUST) in Palapye as a second university with a technical focus, as a complement to the University of Botswana. However, poverty, inequity and unemployment remain widespread phenomena given the moderate level of socioeconomic development. To some extent this calls into question this liberal, indirect approach of alleviating poverty and reducing unemployment. In response, the strategy of how to prioritize measures to reduce poverty in the country has again been the most contentious political issue in the period under investigation.

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 occasionally not worked to full satisfaction. 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. As in the 1990s, recurrently high-profile corruption cases become public. Recent scandals involved ex-Debswana manager Louis Nchindo, who was charged with embezzling money from the diamond company and apparently committed suicide in early 2010. Another scandal forced the minister of defense, security and justice, Dikgakgamatso Seretse, to step down. He resigned from his position in August 2010, briefly before being charged with corruption.

Anti-corruption
policy
8

Government has put in place measures to tackle the challenge of corruption, but the effectiveness of these institutions is limited partly because their independence is suspect. 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. Besides the donations of Botswana Breweries to all parties, there are unknown sources of funding given to the ruling party, probably from supporters within the economic community. In early 2010, reports revealed that De Beers had supported the BDP financially, in particular during the presidency of Sir Ketumile Masire (1980-1998), drawing sharp criticism from the opposition and the media. De Beers did not deny the reports, but declared that it had made no payments in the last five years. Furthermore, there is no legal requirement for holders of public office to declare their assets and private business interests.

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. Some observers question President Khama's commitment to democracy. The largest opposition party up to now (before the BMD entered the scene), 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, at least as the BNF, the BCP and other long-standing opposition parties are concerned, still advocates a more proactive poverty reduction strategy than the ruling BDP, which favors the indirect effects of education and capacity building

Consensus on goals
9

over direct subsidies. In terms of political transformation, the government does not aim at deepening the level of democracy any further.

There are no political actors with anti-democratic veto powers and there has been no change since the last round of the BTI. 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 President Khama, whose commitment to liberal democracy has been continuously 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 and throughout the period of investigation between 2009 and early 2011.

Anti-democratic
actors
9

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. All governments since independence have contributed to this development and the Khama administration is no exception; the government uses the "Kgotla" meetings for nationwide consultation and discussion of national policies on a regular basis. Khama, himself a traditional chief, has continued this practice but has appeared to adopt a rather isolationist leadership style by making decisions without previous extensive consultation. To some degree, the split in the BDP, which partly resulted from criticism of his "arbitrary" and "dictatorial" leadership style, as well as the handling of the San issue, indicate a less pronounced commitment to the culture of consensus-building.

Cleavage /
conflict
management
8

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 this prompted adverse reactions by both the government and the population. The handling of the San issue, however, is less consensus-oriented. As described under "civil rights," the government decided to engage in a narrow interpretation of the High Court ruling and restricted the right to return to the CKGR to those 189 San who had filed the motion. Khama had promised to resolve the issue and met with Basarwa activists, but in his first state of the nation address in November 2008, he portrayed the traditional style of hunting and gathering as an "archaic fantasy." In August 2010, the African Commission harshly criticized government practices with regard to the San's right to return to the CKGR.

Likewise, in the period under review, Khama and the BDP leadership failed to accommodate conflicts within its ranks. Khama could not prevent, but was at least partly the reason for, the breakaway of the BMD in 2009.

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 yet paternalistic and elitist approach toward society. On the other hand, efforts to reduce voter apathy have proven successful to some extent. In the 2009 elections, 555,308 Batswana, around 76% of registered voters, cast their votes (2004: 412,379). The political leadership takes into account and accommodates the interests of civil society, but the inclusion of civic organizations, particularly interest groups such as trade unions or intellectuals, is clearly limited.

Civil society
participation
7

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

Reconciliation
n/a

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 and the African Development Bank, 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
9

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. It was in 2009 that the African Development Bank (AfDB), for the first time in 17 years, approved a loan of \$1.5 billion to support Botswana's government finances amidst the world economic crisis.

The fight against HIV/AIDS provides more prominent evidence 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 with the Britain-based advocacy group Survival International (SI) attracted international attention for a long time and continued to simmer in the period under review. 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 the applicants were allowed to re-enter the CKGR. Although the international profile of this issue has been somewhat lower than in the years before, this has reduced government's credibility in this area.

Credibility
9

On the whole, Botswana enjoys very good international relations, especially with the United States, which closely cooperates in military matters and increasingly with China. President Khama's visit to Japan demonstrates that the government is eager to keep the range of its partners diversified.

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. In 2009, however, ignoring objections by South Africa, Botswana, together with Lesotho and Swaziland, signed an Interim Economic Partnership Agreement with the EU. Its decision hinged on the need to safeguard access to the EU market for its beef exports, and to make the country more attractive to international investors. In this respect, Botswana plans to act as a hub for international investment in Africa, and southern Africa in particular.

Regional
cooperation
9

Botswana enjoys good relations with most of its neighbors. The biggest challenge from the government's perspective is the political situation in neighboring Zimbabwe. Within the SADC, Botswana has been the most vocal opponent to Zimbabwe's president, Robert Mugabe. The government views the neighboring country's economic deterioration and political crisis – despite the forming of a power-sharing government – as a destabilizing factor that calls regional integration, economic development and the region's reputation into question. Furthermore, the influx of Zimbabwean refugees is believed to place a burden on Botswana's society. Botswana's President Khama has consistently called for President Mugabe's removal. He supports opposition leader Morgan Tsvangirai, who, under the Global Political Agreement (GPA), acts as Zimbabwe's prime minister. However, at the end of 2010, President Khama called for the removal of Western sanctions against President Mugabe and his allies. This aligned his position with

that of the regional SADC. Khama cited such reasons as the wish to provide a conducive climate for the GPA to succeed, and secondly, to deny Mugabe's party ZANU-PF the "lame excuse" it uses to undermine the unity government formed with Prime Minister Tsvangirai's MDC. Furthermore, the government continued to criticize human rights abuses and the unconstitutional use of political power in Sudan, Madagascar and Côte d'Ivoire.

Strategic Outlook

On balance, Botswana will likely maintain its relatively high level of democratic transformation and will continue to enjoy economic success. In terms of political and socioeconomic transformation, as in previous years, Botswana's future will depend mainly on the following aspects.

First and foremost, much hinges on the quality of Botswana's leadership, which is cause for moderate concern. Leadership has been the major source of the country's success, despite the absence of institutionalized social and political integration. This quality cannot be taken for granted, insofar as Ian Khama appears confrontational at times, and it remains questionable whether he will display the capabilities of his father, Botswana's first president, in the long term. Though concerns about Khama's authoritarian tendencies seem exaggerated at times, his further personal conduct as the country's leader will profoundly shape the country's overall development.

Second, 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-retroviral drugs are promising in this regard and should be continued.

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. In this context, it is also crucial that the government promotes the diversification of the economy, as dependence on diamonds poses obstacles to sound economic transformation, and the international crisis has shown how vulnerable Botswana is.

Fourth and finally, Botswana should address a number of human rights issues, such as the treatment of the San and the freedom of the press. In particular, the government should engage in finding a consensual solution to the San issue, by honoring the most recent ruling of the Court of Appeal in January 2011 and developing a mutual understanding with the minority's representatives. It will be of central importance to assist the country in its current advanced efforts to address the HIV/AIDS problem. Foreign assistance should be maintained. 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 pose 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 San. Finally, there is a high probability that Botswana's government will remain highly critical of neighboring Zimbabwe's President Mugabe and his party, the ZANU-PF. A political collapse in Zimbabwe would most likely again increase the number of refugees to Botswana; however, the destabilizing potential for Botswana remains limited.