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**Botswana - 30 years of  
economic growth,  
democracy and aid:  
Is there a connection?**

**Lise Rakner**

**R 1996: 8**

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## **Summary**

This report has been commissioned by the Norwegian Ministry of Foreign Affairs as an input to a proposed study on the impact of aid on Botswana. The report is based on a review of literature focusing on the development of Botswana since independence in 1966. The objective of this review has been to identify the commonly held views and interpretations among the many observers of Botswana's development. The presentation focuses on the main arguments and explanations provided in the literature regarding the success as well as problems of Botswana's development. The report further discusses the main characteristics of development aid to Botswana since independence and identifies inter-connections between international aid and general indicators of Botswana's development found in the literature.

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## Preface

This report is based on a review of literature focusing on the development of Botswana since independence in 1966. Commissioned by the Norwegian Ministry of Foreign Affairs as an input to a proposed study on the impact of aid on Botswana, the objective of this review has been to identify the commonly held views and interpretations among the many observers of Botswana's development. It follows, that the report does not present an analytical perspective of its own. It is a summary, to the best of our ability, of a broad range of scholarly work characterising and explaining what has generally been labelled a development success story. We believe the perspectives and findings of the various authors consulted have been duly recognised.

Ideally, a literature survey should be a review of most that is written on the subject. With respect to Botswana's development history, that has been an insurmountable task given the extraordinary volume of literature. To overcome time limits and meet realistic demands, we have had to make some choices. Thematically, we have limited our survey to debates pertaining to the political and economic development after independence in 1966 and only to a limited extent consulted historical sources. The review is further mainly based on internationally published monographs, anthologies and articles. So called "grey documents" authored by either Botswana or other international government sources have been treated more sporadically, as it was not possible within the time limits to establish a comprehensive knowledge of the entire volume of grey documents. This was particularly difficult as the section on aid should cover international aid, not only Norwegian bilateral aid. An additional reason for focusing on the internationally published sources is that it appears that much of this literature is not easily obtainable in Botswana.

In a separate report we present a bibliography of the literature we have identified as particularly relevant in any follow-up study on impact of aid.

When Botswana's vice-president Mr. Festus G. Mogae visited Norway in the summer of 1995, both the Norwegian and Botswana authorities indicated an interest in analysing the wider impacts of aid following 30 years of international development assistance to Botswana of which Norway has been a major contributor.

Indeed, Botswana's special status as a continuous growth economy and pluralist democracy may in itself justify a study. However, in its 30th year as an independent state, there is growing evidence to suggest that Botswana's



development strategy, characterised by government directed mineral lead growth, may have reached its productive limits. Botswana faces challenges of a world economic, regional and local character which may require major adjustment. Commentators argue that Botswana's may have reached the end of the era marked by high and sustained growth rates, high levels of development aid and political stability. The country now faces the difficult task of fostering private sector development, diversifying the economy, and addressing persistent problems of poverty and inequality.

This adjustment process will have to be carried out in a context of reduced donor assistance as many donors are phasing out their operations in Botswana due to the country's high level of economic growth, and a new geo-political situation in Southern Africa. Due to the democratic reforms in Namibia and South Africa, Botswana is also no longer the only model of democratic development in sub-Saharan Africa and its status as front line state is no longer relevant in terms of receiving aid donations. Is Botswana in danger of becoming marginalised both politically and economically? Can it be argued that the much heralded development success has been announced prematurely? The changes and challenges ahead pose the question as to whether Botswana after 30 years as an independent state has developed institutional capacity which enables the country to undertake the necessary adjustments.

These questions will not be answered in this report. We hope, however, the report will help guiding decisions by the Norwegian Ministry of Foreign Affairs, as well as the Government of Botswana, on where to seek lessons from the past to guide strategies for the future.

The author wishes to thank Alf Morten Jerve and Chris Sharp for substantial inputs and comments on earlier drafts.



# **1 Botswana: Testimony of a development success**

## **1.1 Compared with whom?**

The majority of sub-Saharan African nations have over the past decade experienced negative growth rates and drastic economic decline. The pluralist political institutions established at independence were in the majority of cases replaced by authoritarian forms of governance. A slow return to pluralist policies are now taking place, among other things, as a result of increased pressure from the international financial institutions arguing that governance and economic growth are mutually reinforcing (World Bank 1989). During this period the sub-Saharan African region has received more development aid per capita than any other region and increasingly the political forces and public opinion in the Western world have started to question whether aid, rather than promoting development, has contributed to the escalating vicious circles of declining economic performance and governance (*The Economist*, May 7th, 1994).

Contrasting the rather dismal economic performance of its sub-Saharan neighbours, Botswana has from a starting point at independence in 1966 as one of the poorest countries in the world, enjoyed one of the highest and most sustained rates of economic growth in the world over the past 25 years. A commentator noted that: "the fastest growing developing country over the past two and a half decades was not an East Asian super exporter but a land-locked southern African state" (Whitehead 1989). As of January 1996, Botswana is classified by DAC as an 'Upper Middle Income Country' from its initial placement as a 'Least Developed Country' which in itself is an indication of a remarkable economic progress (*World Development Report*, 1995). Throughout the independence period, Botswana has also maintained a stable and largely non-corrupt democratic system of government with free and fair elections at regular intervals since 1965. This has been achieved in the politically and economically turbulent setting of Southern Africa.

### Box 2: Botswana indicators

Botswana's HDI (Human Development Indicator) ranking in the composite *Human Development Report 1995* at 74, is the highest of continental SSA (Sub-Saharan African) nations. Its Real GDP per capita (PPP\$) rank of 67 gives it a marginally negative rating in relation to its HDI rank. In counterpoint, while Botswana scores best in continental SSA on the IFAD "State of World Poverty" basic needs index, it ranks significantly lower when comparing the "integrated poverty index" with GNP per capita.

Botswana, at a ranking of 55 on the "Gender related development index" (GDI) of the UNDP, is second only to Mauritius, at 49, in all of Africa. Botswana's improvement in this gender index is the largest in the entire world since 1970. Botswana's gender empowerment index (GEM), at 38th in the world, is only marginally behind Singapore at 35 and France at 31. Botswana's Female Education Index rank is the best in Africa

In 1996 Botswana has been re-classified from the DAC/OECD Least Developed Countries (LLDC) category to the Upper Middle Income Country (UMIC), the largest such positive change in classification ever in SSA countries. For many years it had one of the very highest ODA per capita ranks in the world. In the recently compiled Economic Freedom of the World index it is ranked the highest in Africa and 46th in the world. Its rating has increased substantially since 1980.

In the composite Political Freedom Index (PFI) developed by M. ul Haq, the "father" of the UNDP HDI, Botswana ranked second in Africa, 28th in the world, and in the same elite category as the Nordic countries and only eight places behind the UK. In the 1994 general elections, the seventh regular elections since 1965, the combined opposition won 13 of 40 parliamentary seats outright. If a single opposition candidate had been fielded in three other constituencies and had a margin of victory of less than 4% in four additional constituencies been reversed, a 'hung' parliament of twenty seats each would have resulted. Democracy does not get more competitive than that.

Botswana's economic growth rate has been sustained amongst the very highest in the world for the last thirty years and the highest in the world during the 1970-1990 period, albeit, from a very low base. Botswana's foreign exchange reserves, while relatively modest in total, are amongst the very highest in the world in per capita terms. The number of months of import cover represented by these reserves are currently over 20 months, whereas most SSA countries have less than three months cover.

Botswana has 17% of its land area officially proclaimed as national parks or reserves, the highest in the world amongst terrestrial, non island nations with an additional 21% of the land area designated as wildlife management areas (WMAs) with natural resource management on a sustainable basis the prime land use.

Botswana serves as the Chairman of SADC, Co-Chairman of the Global Coalition for Africa and one of two African founder members of Transparency International. Botswana has no dues arrears with either the UN or OAU. It has sent troops as part of UN peace keeping missions to Somalia, Mozambique and Rwanda where they served with distinction.

Since the mid-1970s Botswana has also received foreign aid on a continuous basis from a variety of bilateral and multilateral sources and held one of the highest per capital aid levels in the world. However, unlike most other sub-Saharan African countries, aid is not a significant macro economic component in relation to Botswana's GDP. Nevertheless, Botswana authorities, international donors and independent commentators have all testified to the positive role of development aid in Botswana's development process (Stevens 1981, Raphaeli et al. 1984, Granberg and Parkinson 1988, Mogae 1983, Molutsi 1993). And while lack of governance has been targeted as the main development hindrance in most of sub-Saharan Africa (World Bank 1989), Botswana "has built an enviable reputation as having one of the most effective public sector management in Africa, and indeed among developing countries" (Raphaeli et al. 1984). Tables 1 and 2 and Box 1 above give further testimony to the Botswana success story.

**Table 1: Botswana in a comparative perspective: economic indicators**

	1965-1973	1973-1980	1980-1987	1965-1987
<b>Growth rate, GNP<sup>a</sup></b>				
per capita				
Botswana	9.3	7.3	8.0	8.2
Sub-Saharan Africa (SSA)	2.9	0.1	-2.8	0.1
All low-income countries (LIC)	3.3	2.6	4.0	3.3
SSA middle-income countries (MIC)	1.9	-1.2	0.3	0.4
<b>Growth Rates, GDP</b>				
Botswana	14.7	10.5	13.0	12.8
SSA	5.9	2.5	0.5	
All LIC	6.0	4.6	6.1	
SSA MIC	5.2	1.4	3.8	
<b>Growth Rate, General</b>				
Government consumption				
Botswana	5.5	14.3	13.8	10.9
SSA	9.0	7.0	-0.7	
All LIC	7.5	7.2	4.4	
SSA MIC	7.0	8.4	3.5	
<b>Average Inflation Rate</b>				
Botswana	4.4	11.6	8.4	
SSA	7.5	6.8	15.2	
All LIC	9.7	8.9	8.2	
SSA MIC	4.7	14.2	6.8	
<b>Growth Rate of Exports (nominal \$)</b>				
Botswana	20.4	18.7	16.2	
SSA	15.1	0.2	-1.3	
All LIC	9.6	2.3	3.5	
SSA MIC	7.2	3.8	4.5	

Source: Lewis 1993, Somolekae 1994

**Table 2: Botswana in a comparative perspective: social indicators**

	Botswana		Sub-Saharan Africa	
Life expectancy at birth, years 1990 (1960)	59.8	(45.5)	51.8	(40.0)
Under-five mortality rate per 1000 live births 1990 (1960)	85	(173)	175	(284)
Immunization of one-year-olds, % 1988-90 (1981)	85	(71)	60	(30)
Public expenditure on health as % of GNP 1987 (1960)	3.8	(1.5)	1.0	(0.7)
Adult literacy rate, % 1990 (1970)	74	(41)	51	(27)
Combined primary and secondary enrolment ratio 1988-89 (1970)	86	(46)	43	(28)
Public expenditure on education as % of GNP 1989 (1960)	8.2	(2.7)	4.1	(2.4)
Military expenditure as % of GDP 1989 (1960)	1.9	na	3.2	(0.7)
Total external debt as % of GNP <sup>1</sup> 1990 (1980)	20.6	(16.2)	109.4	(28.5)
Average annual growth of GDP <sup>1</sup> 1980-90 (1965-80)	11.3	(13.9)	2.1	(4.2)

Source: Lewis 1993.

## 1.2 What to look for?

Why is Botswana so special? How much is development aid to be credited? Are there characteristics of the Botswana political, social and economic system which can account for the fact that development aid in Botswana seems to have contributed in a virtuous cycle of growth, whereas in most parts of the region, aid has been part of a vicious cycle of rent-seeking, corruption and declining rates of growth?

Based on its impressive development record Botswana has attracted a greater attention than a landlocked country in Southern Africa with a population of 1.4 million people would otherwise merit. It is to the voluminous literature of Botswana's post-colonial political and economic development history we now turn our attention in an attempt to grasp the main characteristics of Botswana's development history and to establish what role the various researchers have attributed to international aid in Botswana's overall development since independence. In particular, we want to establish whether there are significant gaps in the studies with regards to the impact of aid.

To guide our reading of the literature, it was necessary to establish some benchmarks for what we consider successful development. Botswana is often cited as a successful developing nation, indeed the only developing success story in Africa (Hartland-Thunberg 1978, Diamond et al. 1989, Healey 1995), based on the fact that the country has experienced continuous and sustained *growth*-rates since independence and at the same time maintained a stable *democracy* with free and fair elections at regular intervals. We will, however, argue that in addition to the criteria of political participation and growth, categories emphasising *institutional capacity, social welfare and environmental sustainability* should be considered in an evaluation of a nation's development achievements. Successful development, therefore, will have to be judged along the following four dimensions:

- Institutional development, defined as the ability of a polity to define and implement socio economic policies and to govern in such a way as to secure participation and transparency which in turn harbours for legitimacy and stability.
- Economic growth, which in order to be sustainable, should have a relatively diverse base and encourage private sector development.
- Growth in social welfare, which is a question of how national wealth is reinvested and distributed among the population at large in terms of employment and social sector development.
- Environmental protection, or the extent to which economic policies pursued have been sustainable in terms of ecological considerations.

How does the literature on Botswana's political and economic development history judge Botswana according to these broad principles?

The presentation runs through five stages. In the next chapter we present the main arguments and explanations provided in the literature regarding the success of Botswana's development, while in Chapter 3 we identify problem areas. Chapter 4 gives the main characteristic of development aid to Botswana since independence. In the Chapter 5 we try to identify the inter-connections between international aid and the general indicators of Botswana's development found in the literature. Based on these findings, the last chapter identifies what we consider the main gaps in the literature consulted concerning the relationship between aid and development.



## **2 Examining the success**

According to Patrick Molutsi (1993: 60), Botswana has gained what it has achieved by exporting three key commodities; diamonds, beef and ideology. If the term ideology is defined broadly to include the system of government, development strategies and political attitudes, and if diamonds and beef refer to the several exceptional sources of foreign exchange and government revenue benefiting Botswana, it can be argued that Molutsi's short remark covers the main success-areas presented in the literature. When examining why these areas have become foundations of development success, many observers prefer to start by emphasising the beginning.

### **2.1 The 'advantage' of backwardness**

#### *2.1.1 Colonial neglect*

Botswana was a protectorate of Britain from 1885. The Bechuanaland Protectorate was established in order to prevent the Boers in Transvaal and the Germans in South West Africa from interfering with the transport route from the Cape Colony to the territories in central Africa under British control. Bechuanaland had in itself no intrinsic value to the British authorities as the territory was regarded to hold no natural resources and as a consequence it was not attractive to capital investment (Harvey and Lewis 1990: 15-18). Despite more than eighty years of British rule, Botswana therefore inherited very little in 1966. Even by comparison to other British colonies in the region, Bechuanaland suffered acute neglect by the authorities, a symbol of this is the fact that the territory was administered from South Africa (Vryburg and from 1895 Mafeking).

Botswana had at the time of independence no capital city and in terms of physical infrastructure and skilled people the neglect was almost total until ten years before independence. A country about the size of France and Belgium combined had approximately 25 km of tarred roads, no urban infrastructure, few productive assets and no employment opportunities. With virtually no secondary schools, Botswana started its development path with a mostly uneducated populace engaged in subsistence cattle farming (Stedman 1993, Picard 1987).

### *2.1.2 Hostile environments*

At the time of independence in 1966, Botswana was one of the poorest countries in the world. It is difficult to argue that luck was on Botswana's side at this point. The country had experienced the worst drought in memory and approximately one fifth of the population had been close to starvation. The cattle herd on which both the rural and national economy depended had been decimated (Colclough 1983:1).

Botswana had one further disadvantage shared only by Lesotho and Swaziland. The new nation was completely surrounded by hostile states with minority white regimes. Botswana's president Sir Quett Masire is reported to have remarked that when the people of Bechuanaland asked for independence from the British, "people thought we were either very brave or very foolish" (Lewis 1993: 14). Considering Botswana's starting point, the president's comment may be regarded with considerable understanding.

### *2.1.3 No colonial heritage*

At independence, Botswana depended entirely on grants from Britain to cover its recurrent budget. It had no financial reserves. Commentators have argued that the status as a protectorate had the advantage of leaving the land in the hands of Tswana and other indigenous people. In many respects therefore, de-colonialisation was, relatively speaking, not painful either to Botswana nor Britain. Contrary to many other former colonies in Africa, where the sense of being exploited by the colonial administrations still reflects itself in unwillingness to seek and accept advice and assistance from foreign sources, Botswana's independence politics has been characterised by a lack of ideological fervour and a willingness to substitute expatriates for absent local capabilities: "The arm's length colonialism practised by Britain has been a factor in shaping Botswana's attitude towards outside assistance (Raphaeli et al. 1984: 6).

Also stressing the advantages of backwardness, Harvey and Lewis argue that by not inheriting anything from the British, Botswana also avoided the heritage of the colonial attitudes, the hierarchies based on status in the civil service, the large residences of senior officials, the bands of government clerks who lorded over their fellow citizens who they were supposed to serve. Furthermore, Botswana did not inherit any tradition of government intervention in the economy (Harvey and Lewis 1990: 26). The absence of urban bias in Botswana politics, often referred to as an element of the country's successful economic management, may also partly be explained by its lack of development at independence. With no real towns and subsequently no urban class at independence, urban biases had limited opportunity to develop in the first decade after independence.

### *2.1.4 Learning from neighbours*

Another aspect of the so called advantages of backwardness is related to the aspect of learning. By the time Botswana acquired some control over macro economic policy in the mid-1970s it was already possible to observe the very high costs of economic mismanagement in Africa as members of government travelled extensively to other parts of Africa and where able to observe the disastrous declines of some economies (Harvey 1992: 25).

### *2.1.5 Dealing with apartheid*

Botswana's landlocked position and dependency on South Africa was an additional factor adding to the dismal development prospects in 1966. However, as the lack of development to a certain extent benefited the country, it has been argued that the close relationship between Botswana and South Africa may have had a positive effect. A number of Botswana had lived or worked in the South African Republic, and subsequently experienced a racially divided society and the human folly of apartheid: "Botswana's ability to deal with, negotiate with, and to coexist with its overwhelmingly dominant neighbour, may be related to the decades of direct exposure and accumulated wisdom and experience that came with it" (Harvey and Lewis 1990: 26).

## **2.2 Leadership, participation and culture**

Most observers regard the quality of the Botswana leadership as a key explanatory factor behind the country's successful development record, and many refer to the culture and indigenous political structure of the Tswana.

### *2.2.1 Seretse Khama*

The pragmatic attitudes and moderate political ideology which developed after independence is by many attributed to the role and personality of the first president, Sir Seretse Khama (Parsons 1990, Stedman 1993, Picard 1987). According to Zaffiro the enlightened leadership of Khama single-handedly established the legitimacy and credibility of the new state in international politics (1993: 139). A similar characteristic of the country's two presidents since independence are given by Harvey and Lewis:

"President Khama set the tone of government with common sense, good humour, honesty and a desire to learn lessons from other countries. President Masire developed a ...detailed knowledge of all aspects of the economy over the first 15 years of independence and provided a key link between the technicians, the cabinet and the parliament (1990: 9).

### 2.2.2 *'Pragmatism' as ideology*

Regarding Botswana's positively acclaimed governance record, the level of pragmatism in policy-formulation is often emphasised. A well defined set of development priorities was identified early, expressed through an explicit commitment to rapid economic growth through rational calculations of means with ends (Du Toit 1995: 39, Morrison 1993: 45). Morrison argues that the bureaucratic dominance of the colonial administration in the pre-independence era and the deliberate choices of Sir Seretse Khama in establishing an ideological rationale for political rule reinforced one another in the immediate post independence period.

The priorities to growth (before redistribution) and stability (before participation) became part of what Morrison refers to as the "general logic" of state building that guided the governing elite (Morrison 1987: 567-573). According to Du Toit, an ideology of pragmatism expressed through technocratic priorities, gave a consistent direction not only to day-to-day public policy making but also to the process of state building and hence to the arena in which democratic party politics was being conducted (1995: 39).

### 2.2.3 *The rural support base of the political leadership*

Closely related to the quality of leadership are accounts focusing on the background and support bases of the political leadership. A number of studies have emphasised the impact of the homogenous, rural based elite in Botswana with strong interests in the cattle industry (Parson 1990, Picard 1987, Danevad 1993). According to Picard, the political system is dominated by a wealthy, well educated cattle owning political elite committed to rapid economic growth in the framework of a largely free enterprise system (1987). The political leaderships close ties to the rural economy, and the cattle holding rural elite, is by some commentators regarded as the main explanatory factor behind Botswana's economic policy choices and economic success.

Contrary to many other African nations, it is argued that Botswana's political leadership has found it conducive to reinvest national wealth in their own country (Harvey 1992, Danevad 1993). Related to the impact of culture, it has also been argued that the pastoralist characteristic of risk avoidance and asset accumulation has been a guiding feature of Botswana's management of its economic resources after independence. As argued by Holm: "Indeed, the government seeks to maintain a surplus for bad times": (Holm 1988: 198). With respect to this element, it is interesting to note that Botswana political authorities, when asked to comment on the success of Botswana, stress that Botswana has not found the formula of success, they have simply tried to plan carefully (Mogae 1983, Horner 1995, Matambo and Tumelo 1991).

#### *2.2.4 Lack of urban bias*

Another factor distinguishing Botswana's economic management from many neighbouring economies in Africa is the absence of urban bias. Urban bias, or an emphasis on the economic needs of the urban constituents at the expense of rural dwellers, has been very dominant in sub-Saharan Africa (Bates 1981). Botswana is here an exception. This has been attributed to the smallness of the urban sector (or the virtual absence of urban life at independence) (Danevad 1993).

Possibly more importantly with respect to urban bias, is the relative power of the rural producers in Botswana's politics (Harvey 1992). Whereas in many African countries the agricultural sector has been dominated by a poor peasantry easily exploited, the agricultural sector in Botswana constitutes an economic and political elite. According to Holm and Molutsi, the Botswana government has had an explicit policy of not allowing the real exchange rate to appreciate, thus ensuring that urban consumers have not been as advantaged as in many other African countries in that imports are not artificially cheap.

The rapid stabilisation measures in 1981 (see section 2.3.3) is a further indication of a lack of urban bias in Botswana politics, according to the commentators. The stabilisation policy was deliberately designed to allow for the drought relief programmes to continue undiminished (Charlton 1991: 278) and according to Quinn : "Most of the burden fell on the better off urban groups who had their wages frozen and found it more difficult to obtain credit" (1988: 10).

#### *2.2.5 Redistributory concerns*

The successful drought relief measures taken by the Government of Botswana is in a number of studies related to the government's implementation capacity. But the drought relief policy is also regarded as an indication of concern for the welfare of the rural poor (Du Toit 1995, Holm and Molutsi 1992, Charlton 1991). The main example pointed to is the fact that during the severe drought from 1982 to 1987 government programmes provided for all needy groups in the population (app. 65 per cent in the rural areas), no matter how remote. According to Holm and Molutsi, sufficient food ensured that there was only a marginal increase in malnutrition during the entire period (1992: 82).

#### *2.2.6 Adherence to the principles of democracy and human rights*

A good governance record is not only related to issues of effectiveness and implementation capacity. Issues of popular participation, political legitimacy and accountability have also increasingly become recognised as necessary ingredients of a successful development strategy by donors as well as African citizens and governments (World Bank 1989, Stevens 1995, Jaycox 1995). It is maybe with

respect to its democratic record that Botswana is most often emphasised in comparative studies as the main success story in Africa.

Apart from Mauritius, Botswana has as the only country in Africa maintained its democratic constitution allowing for multiparty elections, freedom of participation and the press throughout the period of independence. The country has a small, but according to the Human Rights in Developing Countries Yearbook, free press, no political prisoners and a commitment to non-racialism in political life. In short, Botswana is regarded to hold a very high human rights record (Takirambudde 1995).

### *2.2.7 Limited democracy - a success indicator?*

Yet while the respect for basic political rights and electoral pluralism is heralded by most commentators, the content and *depth* of the Botswana democracy is often debated. Though the government has never wavered in its support for pluralism and diversity of autonomous political groupings, ideals and interests, the system has never been truly competitive during most of the post-independence according to Holm who characterise the political process in Botswana as "paternalistic democracy (1988: 179). Picard uses the term "a defacto one party state" (1987: 142).

Those questioning the level of institutionalism in Botswana's democracy, remark that the ruling party has been in power since independence and that there is very limited participation and citizen influence on the policy making process (Holm and Molutsi 1991). Yet, while acknowledging the limited degree of popular participation in policy-making in Botswana, some commentators have argued that this factor has largely benefited the system of governance per se:

'the Botswana model' has provided an opportunity for citizens to learn about and become involved in democratic structures before societal mobilisation has created a wide range of organisational groups to demand such structures at the mass and elite levels: The absence of mass political activity may have given the regime time to gain sufficient legitimacy to survive the inevitably more intense political conflicts to come" (Holm 1993: 107).

This argument, and possibly the strength of the democratic system, may for the first time be tested in the coming years, as in the 1994 elections the main opposition party Botswana National Front (BNF) won one-third of the 40 seats in parliament and won almost all the local government elections in major towns. The 1994 elections were also marked by the private press' ability to embarrass the government by exposing a number of corruption scandals (Maipose et al. 1995, Cokorinos 1994). According to one observer: "For the first time in the history of party and parliamentary politics in Botswana, the BNF victory established an

opposition which can no longer be overlooked and neglected (Takirambudde 1995: 137).

### *2.2.8 Ethnic homogeneity*

Botswana's ethnically homogenous population is often presented as an explanatory factor for why the country, contrary to most of its neighbours has remained a multiparty democracy throughout the independence period. According to Du Toit, this assumption is erroneous, as ethnic homogeneity cannot be equated with ethnic singularity and secondly the linguistic predominance of Setswana obscures the extent of cultural diversity in Botswana. "What is remarkable in Botswana is how much, up till now, the legitimacy of Tswana-dom has been accepted an even supported by non-Tswana groups" (1995: 7).

Based on this, Du Toit argues that what needs explanation is why this range of cultural diversity from Tswana to non-Tswana has not yet surfaced in more assertive ethnic terms in Botswana (1995: 18).

## **2.3 Managing the national wealth**

### *2.3.1 The mining industry*

At independence, few people could have predicted the fundamental changes which would occur in the country's economy over the following decades. The review of Botswana's economic prospects conducted by the British government in 1965 paid scant attention to the mining sector and few contemporary commentators would have believed that investments in mineral extraction could be primarily responsible for a quadrupling real per capita incomes over the next decades (Colclough 1983:1) Much of this was developed by mining and related industry.

Large scale exploitation of diamonds started in 1971 when the Orapa mine came into operation. In 1982, the Jwaneng mine was also opened, leading to a marked increase in Botswana's total production. By 1987, Botswana had become the world's third largest producer of diamonds, and the biggest producer in terms of value (Blomström and Nordberg 1991, Yeager 1993).

### *2.3.2 Negotiating skills*

While mining accounts for the main revenue generating activity in Botswana, development aid, export of beef to the world market through EEC and incomes generated from the re-negotiated Southern African Customs Union in 1969 are described as the other main elements behind the economic growth experienced in Botswana since the beginning of the 1970s (Harvey and Lewis 1990, Lewis 1993).

It is here interesting to note that all factors mentioned have resulted from negotiations between the Botswana government and outside investors, development banks and donors.

According to Harvey and Lewis, skills in negotiating with more powerful outsiders have been showed by the Batswana since at least the early 19 century (1990:8). South Africa as a neighbour was an element of reality. Yet, despite the costs imposed by South Africa's destabilising policies and the economic dependency on the large and powerful neighbour, Botswana managed to have fairly advantageous commercial relations according to Harvey and Lewis (ibid.).

The most significant negotiation arguably relates to the Government's relations with De Beers. The Botswana mines are owned today by Debswana, a joint venture between the Government of Botswana and De Beers mining company. Debswana was created in 1969 dividing the profits between the two at 85% to De Beers and 15% to the Government of Botswana. This deal was re-negotiated in 1975 as the Botswana government argued that the mines had yielded far higher profit than anticipated. The new agreement gave the government a 50% share of the revenues.

Harvey and Lewis further describe in fascinating detail how the re-negotiation of the Southern African Customs Union Agreement in 1969 drastically increasing the revenues occurring to Botswana (ibid.). According to Festus Mogae, the revenues from the SACU agreement rose from Pula 8.3 million in 1971-72 to Pula 102.8 million in 1980-81 (1983: 20). The winning of access for more than half the country's beef exports to the pricing benefits of the European Community's Common Agricultural Policy was also of major importance (Harvey and Lewis 1990: 6-9).

### *2.3.3 Prudent economic management*

During the first 25 years of independence, a truly remarkable economic transformation occurred. GDP rose at an annual rate of 13.9 per cent. When the years 1965 and 1985 are taken as bench mark, Botswana achieved the highest growth rate in the world (Stedman 1993). Botswana's debt service is modest and its foreign exchange reserves are the highest on the continent in terms of months of import cover. As a result, the Botswana currency, the Pula, is anecdotally referred to as the Swiss Franc of Africa (Somolekae 1994: 18).

The fact that Botswana became the world's fastest growing economy in the period between 1966 and 1991 was perhaps to be expected due to the discovery of large mineral deposits. However, the record of most oil producing and hard mineral exporting countries in the world has demonstrated that mineral wealth is no guarantee for sustained economic development. Mining economies throughout



Africa have been caught in rent-seeking traps whereby state elites have derived profits from national resources for their own personal benefits or "political spoils". While acknowledging a certain *element of luck* in terms of discovering mineral deposits, most commentators claim that *good management* is the key explanatory factor in Botswana's economic development as Botswana avoided many of the economic problems that have plagued other primary commodity exporters by adopting appropriate stabilising macro economic policies (Hill, C.B. and Mokgethi, D.N. 1989, Du Toit 1995). According to Gulhati, conservative fiscal and monetary policies have been pursued by the government with a very good implementation capacity, and sustained development capabilities sharply distinguishing the country from other SSA countries (1990).

#### *2.3.4 Dutch disease avoidance*

Botswana's economic management capacity is also reflected in the fact that the country has avoided the traps of 'Dutch disease'. Economies that earn substantial foreign exchange from a single commodity are vulnerable to 'Dutch disease' in which the currency becomes overvalued and other export sectors are rendered un-competitive. Harvey characterises Botswana as a case of 'Dutch disease avoidance' as exchange rates have not risen (1992: 1).

The government's quick and successful reaction to the relatively short-lived collapse of diamond exports in 1981-82 is by a number of commentators viewed as an indication of the government's ability to react to external changes. According to Charlton, the Botswana authorities did not wait for the market to pick up, but implemented decisive adjustment measures, the result being that foreign exchange reserves recovered so quickly that Botswana was never eligible to borrow from IMF stabilisation funds (Charlton 1991, Harvey 1992, Quinn 1988).

#### *2.3.5 Pluralist politics and market economics*

In much of the comparative literature focusing on political and economic development in Africa, Botswana is focused upon as an example of how good governance and economic growth are mutually reinforcing developments (Diamond et al. 1988, Bratton and Hyden 1992, Danevad 1993). A recently conducted study by Healey concludes that it is difficult to attribute Botswana's generally impressive record in the management of public expenditure directly to its multiparty electoral system (1995: 60). Nevertheless, other studies have found a strong link between the electoral policies and the perceived need to satisfy votes in rural areas in Botswana. Charlton argues that regular competitive elections have rendered Botswana's ruling politicians more immediately sensitive to the needs of at least some vulnerable but electorally important segments of its population (Charlton: 1991: 279).

Focusing on the development expenditures of the government of Botswana on social sectors and in particular the drought relief programme in 1984-85 which mainly reached the poor, Holm argues that the determination to reach out to such large segments of the population is due to politics of elections. Simply put: the BDP wants to keep its voters (1992: 198). While the origins of an electorally driven fiscal cycle has never been systematically studied in Botswana, a number of studies have argued that an overt rural expenditure focus dates at least from the run up to the 1974 election with the initiation of the Accelerated Rural development Programme (Chambers 1973, Charlton 1991, Du Toit 1995, Holm and Molutsi 1992 ). We will return to this issue when discussing the impacts of development aid in Chapter 4.

### *2.3.6 The strong influence of civil servants*

Contrasting the civil service in many African countries, characterised in various shades of patrimonialism and personal rule, Botswana is in the literature characterised as having an outstanding governance record (Healey 1995, Takirambudde 1995, Charlton 1991). This is in most accounts attributed to the presence of a strong, autonomous, effective and corruption-free bureaucracy. The dominance of the civil service is emphasised in a number of studies. Generally, there seem to be an agreement among scholars that Botswana's civil service is characterised by a long standing and rather comfortable working relationship between senior politicians of the ruling party and civil servants (Charlton 1991, Gulhati 1990, Picard, 1987, Morrison 1993).

Gunderson (1970) characterises the Botswana political system as an administrative democracy and argues that civil servants have been very influential actors from the start in the Botswana policy making process. Generally, according to Harvey and Lewis, the role of the state has been pivotal for the effective management of Botswana's development policy and aid resources. Issues emphasised here are attention to key issues of management and the appreciation of the importance of planning for sustaining long term growth (1990: 2).

### *2.3.7 Continued presence of expatriates in civil service*

An other indication of a pragmatist, rather than ideological political culture often found in other African countries after independence, is indicated by the fact that Africanisation of the civil service, incidentally referred to as 'localisation' in Botswana, did not feature as an important issue on the political agenda (Danevad 1993, Picard 1987, Stedman 1993, Parsons 1990). Similarly, there appears to have been little hostility towards expatriates in civil service. (ibid.).

According to Isaksen, the presence of expatriates in key positions has fostered a conservative attitude to public spending as the expatriates are engaged for a short

term and in order to leave with a good record seem to avoid risks and experimentative policies (1981: 37). We will return to the issue of expatriate personnel when discussing the impact of foreign aid through technical assistance in Chapter 4.

## **2.4 Summary**

The literature presented above has indicated that Botswana has achieved and maintained its economic growth due to economic management. The capacity of the government and civil service to design development strategies and to implement these policies which have developed over the last 30 years is impressive by most standards, and particularly so in an Africa context. The literature reviewed has indicated that Botswana's good fortune of discovering diamonds after independence could easily have been lost if the combined effects of prudent economic management, good negotiation skills, and a political system allowing for redistributionary demands and political stability had not been in place. However, the question of growth for whom and growth into the future still poses some critical problems for Botswana.

### **3 Examining the problems**

Naturally, when discussing aspects of distribution, economic diversity and welfare in a developing growth economy, the point of departure of the various authors in question clearly determines the conclusions arrived upon. Du Toit captures this dilemma arguing that a characterisation of the development process depends on whether the evaluator chooses to look at the development from the perspective of "the glass being half empty or half full" (Du Toit 1995: 66). And while it is necessary to balance the views between the literature sources, it cannot be disputed that there are serious shortcomings to the overall success picture of Botswana relating to income distribution, poverty, employment creation and environmental protection.

#### **3.1 Unemployment**

It has been argued by a number of commentators that neither of the two main economic activities in Botswana, cattle rearing and mining, generate much employment nor do they have many linkages and multiplier effects to other industries. Based on the limited employment creation in Botswana, Claus and Weimer characterises Botswana as a case of growth without development or growth without employment (1993: 188). Skilled labour continues to be in short supply while opportunities for unskilled labour have been limited due to the highly capital intensive nature of the mining sector along with limited growth of manufacturing and other labour intensive sectors.

According to Colclough and McCarthy, the post-independence economic boom did employ more people but it did not eradicate the problems of unemployment. Despite the fact that formal sector employment averaged at an annual growth rate of 10 percent, the rate of entry to the labour market was not matched (1980: 177). Du Toit argues that the declining opportunities for employment by Botswana in South Africa has exacerbated the unemployment problem further. At independence about 1/3 of Botswana worked outside the country. According to figures presented, this category of employment decreased from a peak at app. 70,000 in the mid-1970s to 18,800 in 1983 (Du Toit 1995: 41).

### Box 3: Gender and politics: Encouraging woman to stand up

Granberg and Parkinson find that the financial sources to women for income generating activities are limited and mainly unobtainable to women of lesser means and resources (1988: 35). A further impediment to women seeking loans and credit facilities is posed by the marital power clause of the Marriage Act. Since married women under community of property are regarded as minor, they may not enter into any contract without the written consent of their husband (ibid. 35). Geilser critically discusses the role of women in Botswana politics arguing that women have featured even less in political parties in Botswana than other Southern African nations as there was no independent struggle to draw them into politics (1995: 549). The governing party did not form a women's wing until 1987, ten years after the main opposition party BNF did so. However, argues Geilser, as the women's wings are dominated by wives of politicians and focused around issues of welfare and fundraising-activities, they do not function as viable political platforms for young professional women (1995: 550).

In 1993, a new Woman's NGO was formed with a main objective to lobby political parties to nominate more women and further to educate female voters to vote for woman candidates. According to Mogwe, *Emang Basadi*, or 'Stand Up Women' emerged as a reaction to a High Court Ruling in 1992 which declared sectors of the Botswana Citizenship Law discriminatory against women and therefore unconstitutional. This ruling was the result of a hearing of the case of Unity Dow. Being married to a non-Motswana meant that the children born during the marriage were by the law given the citizenship of their non-Motswana father despite the fact that they were born in Botswana and had lived there all their lives. The state argued that they had taken into account the traditional view that a child born to a married couple belonged to the father. This argument was rejected by the High Court of Appeal (Mogwe 1993). The success of *Emang Basadi* to educate women to vote for women candidates in the 1994 election, however, showed limited results due to the fact that the two main parties appointed very few female candidates, according to Geilser (1995: 556). It is also evident that the vigorous campaign-strategies employed by the new women NGO alienated some women politicians (ibid.).

## 3.2 Inequality

It is often argued that unemployment has exacerbated another prominent feature of the Botswana economy, that of marked *inequality*. The overall dimensions of inequality in the economy have been expressed in various ways. Research citing the 1985-86 official household income and expenditure survey reveals that the poorest 40 per cent of the household received 10.7 per cent of the income and the top 20 per cent 61.5 per cent (Du Toit 1995: 43).

The inequality of income distribution is expressed in a Gini coefficient of 0.556, which according to one observer is a level of inequality exceeded only by Brazil (Good 1992). Although government policy explicitly emphasise social equity, the government and political leaders have by a number of commentators been criticised for not implementing land reforms and other measures that would reduce income disparities (Colclough and McCarthy 1980, Good, 1992).

### **3.3 Rural poverty**

Despite the governments stated objectives to develop the rural sectors of the economy, the skewed income distribution is argued to have an urban rural dimension. Approximately 70 per cent of Botswana's population live in rural areas. Estimates by the Central Statistical Office (1991) showed that app. 64 per cent of the rural population live below the poverty line (Du Toit 1995: 44, Perrings 1996). The official rural income distribution from 1974-75 cited by many authors, indicates that 45 per cent of all rural households owned no cattle. Another 40 per cent owned 25 per cent of the national herd and the remaining 15 percent owned 75 per cent of the herd. Within the last category, 5 percent owned 50 per cent of all the cattle (Du Toit 1995: 43). While the estimates given here are uncertain and both methods and results have been questioned (Holm 1989), it is difficult to deny the presence of marked inequality in the Botswana society.

According to Picard (1980) the origins of inequality originated in the cattle economy which existed in pre-colonial times. Based on a system where land was communally owned whereas cattle were private it yielded equitable results and was ecologically sustainable only as long as the frontier was moving. With scarcity of land the inequalities rapidly developed (Picard 1980: 321-322, Yeager 1989:388). This structural tendency to inequality was rapidly reinforced after independence by the effects of de facto ownership of boreholes and surrounding land, effectively favouring the wealthier cattle ranchers (Du Toit 1995: 43, Jerve 1982).

According to Colclough and McCarthy, the impact of cattle ownership on other sectors of the economy has been cumulative as cattle holders are favoured in terms of rural credit, agricultural extension services and drought relief measures (1980: 135-137). Picard argues that government in Botswana since independence has been an urban affair and that the small political, bureaucratic and land owning elites have been the prime beneficiaries of state power (1987). Colclough argues further that given the overall record on economic growth and the fact that over half of GDP is generated as public revenue, its disposition has clearly had a less than satisfactory impact on equity and poverty alleviation (Colclough 1991: 147).

However, while the issue of inequality is regarded as a major problem in almost all accounts on Botswana's post-independence development, not everyone agrees

to the strong criticism of the Botswana government expressed by Colclough and Picard above. Some commentators attribute the unsatisfactory performance in alleviating poverty through the failure of the programmes for agriculture and rural development, due to environmental factors rather than a deliberate lack of concern by the authorities. Harvey, among others, points to the fact that the government has reduced inequalities in the provision of public services, greatly increasing the social services available to everyone (1992: 2). He further argues that the growth in formal sector employment at 10 per cent annually over a 20 year period served to reduce the inequalities in rural income as a large majority of rural households had at least one member in formal sector employment (*ibid.*).

Based on surveys of social indicators in Botswana compared to other African countries, a number of scholars, preferring to analyse the situation from 'the glass is half full-perspective', argue that although income and distribution remain major concerns, the quality of life has improved for the majority of the rural people (Charlton 1991, Holm 1989, Du Toit 1995, Perrings 1996).

### **3.4 Lack of economic diversity**

Mining contributes approximately 40 per cent to Botswana's gross national product, which makes economic growth heavily dependent on developments in this sector. However, the fact that diamond revenue has ceased to expand at the rapid pace that pushed Botswana to the top of the league of the world's fastest growing economies in the 1970s and 1980s has raised concern about the prospects for diversity of Botswana's economy. Economic analysts have since the beginning of the 1990s argued that Botswana, in order to cope with the fact that diamonds can no longer provide the fuel for growth, will have to go through profound structural adjustments (Blomström and Sjögren 1993, Curry 1987). The government of Botswana successfully managed to stabilise the economy due to a short period of decline in diamond revenues in 1980-81. However, according to economic analysts, the current situation is more precarious as expenditure is driven more by recurrent costs, and diamond revenues are unlikely to regain previous growth rates.

According to Danevad, the manufacturing industry has contributed to formal sector employment, particularly in the private sector, throughout the 1970's and 80s. However, in its efforts to induce economic diversification, the government has overlooked major constraints such as the insufficient competence of entrepreneurs, skills of the workers, the inadequate functioning of the markets and technological weaknesses (1993: 45-46). Furthermore, despite the fact that Botswana has maintained since independence a policy of encouraging the private sector, the development of an indigenous private sector is argued to have been limited (Somolekae 1994).

**Box 4: Environmental protection and the search for water: The fight for Okavango.**

A World Bank mission to Botswana in 1984 concluded that shortage of water may serve as the biggest brake on development efforts suggesting that Gaborone could become the first city in the world forced to limit its growth for lack of water (Raphaeli: 1984: 11). The country's search for new water sources to its rapidly increasing population resulted in 1987 in the decision to tap the Okavango water system for industrial and agricultural purposes. However, the Boro dredging project in the Okavango delta, became a main rallying point both for international environment groups and local people in the town of Maun. Greenpeace orchestrated a controversial 'Diamonds are for death' campaign advocating for a boycott of Botswana's main export earner. However, it is argued that the main reason why the government decided to suspend the water development scheme in early 1991 was following a *kgotla* meeting (village council) in January 1991 where for seven hours local residents and conservationists told the visiting Minister of Mineral Resources and Water Affairs that the scheme would threaten their livelihoods (James 1991, Weimer and Claus 1993). The suspension of the water dredging project is perceived as a major victory for democracy for the local people of Maun and further an indication of the *kgotla* reasserting itself as a major forum for consultations and decision-making, according to reports (ibid.)

### **3.5 Overgrazing and the question of environmental sustainability**

Another problem area related to the sustainability of the current economic development strategy, relates to environmental concerns. Discussing the future challenges facing Botswana in a new Southern African regional context, Weimer and Claus argue that the realisation that ecological problems do not respect national borders will compel the government to 'work in tandem on 'ecological economical orders' (1993: 187).

Concern for the environment in Botswana, stems mainly from its fragility. Located almost entirely in southern Africa's arid and semi-arid zones, Botswana receives very little rainfall and prolonged droughts constitute major threats. Botswana has on a number of occasions been criticised for not addressing environmental protection and not designing policies to prevent or balance the negative consequences of industrial and agricultural development. However, it can be argued that so far, the country's economic growth has enabled the leadership to



buy protection against drought (Yeager 1993: 125). The two main environmental problems touched upon in the literature relates to the shortage of water and the environmental damage caused by the growth of the national cattle herd.

The environmental problems caused by cattle rearing relates to the negative impact of veterinary fencing on wildlife and further to the environmental pollution caused by the so called 'war on tsetse flies' (Weimer and Claus 1993: 196). However, the most critical aspect with respect to cattle rearing may be the effects of overgrazing. According to Granberg and Parkinson, new technology has made it possible to tap water and thereby extend cattle rearing to new areas of the country. The increase both in cattle and land use has increased the areas at risk of degradation from overgrazing (1988: 44).

Yeager among others, argue that the confrontation between the demands of political legitimacy and support on the one hand and the requirements of environmental protection is becoming a pressing issue in Botswana. Despite the growing concern with overgrazing, however, a number of studies have argued that environmental concerns will continue to be sacrificed by the political authorities for other vested interests due to the close ties between the political leadership and rural elites with interests in cattle (Yeager 1993: 124, Picard 1987, Isaksen 1981).

### **3.6 Summary**

The discussion above has presented authors and positions questioning Botswana's much heralded successful development. The factors pointing to structural inequalities, problems of diversification, rural unemployment and environmental problems related to water shortage and overgrazing, suggest that the development success story may need to be qualified. However, the literature consulted has also strongly indicated that more than any other country in the region, the Government of Botswana has indicated both an interest and capacity to address these problems. Furthermore, few of the studies consulted have disputed that Botswana has protected their assets well, albeit conservatively, and as a result achieved high rates of growth and a stable political system characterised by high levels of predictability and transparency. A final note is warranted by the complete absence of the problem of AIDS in the literature reviewed. If projections are correct, the threat to Botswana's institutional and social fabric is paramount (see Box 5).

**Box 5: The problem of AIDS and consequences for development**

The 1995 HIV sentinel survey conducted by the Princess Marina Hospital in Gaborone show that the overall prevalence of HIV amongst the total population in Botswana is 12,5 per cent. However, when the prevalence is calculated for the age group most at risk of HIV infection, the so-called sexually active category of ages 15-45, the figures average at approximately 24 per cent. While the figures are high in all districts surveyed, some districts are harder effected than others. The prevalence of HIV positively among pregnant women in Francistown was 39,6 per cent, the same figure for Gaborone was 28,7 per cent and 18,9 per cent for the rural district of Ghantsi, which was the lowest rate obtained. These figures give a projected total number of HIV infected persons of 180,000 in Botswana in 1996. According to the survey from the Marina Hospital, HIV related illness is now the commonest reason for admission to medical wards in Botswana. At Marina Hospital the unit account is app.. 50 per cent of all admissions. According to the World Health Organisation Botswana is regarded as having the second worst figures of all countries, exceeded only by Zimbabwe.

## **4 The impact of aid in Botswana's development**

Throughout the period after independence, Botswana has received foreign aid on a continuous basis from a variety of sources. What we now want to consider is to what extent aid has contributed to this overall development picture according to the literature. Due to the income from diamond revenues, some commentators have argued that aid has been largely superfluous in Botswana as the country has had revenues to finance its own development. To what extent is this general comment supported in the literature? Before discussing the actual outputs or results of development aid funding, we present some general characteristics of the aid relationship in Botswana as it appears in the literature. Finally, we try to identify some linkages between aid and the overall development performance of Botswana as presented in Chapters 2 and 3.

### **4.1 The coming of aid**

#### *4.1.1 Starting with Britain*

At independence in 1966 half of Botswana's government budget was grants from Britain and these funds had to be shared between development projects and the continuing need for recurrent budget support. As a result, in the first five years after independence, 57 per cent of total development spending was financed by Britain (Stevens 1989: 159). In the next ten years, development spending increased seven and a half times in money terms and aid agreements had been negotiated with a long list of international agencies and bilateral sources (Stevens 1981: 159).

#### *4.1.2 The Shashe project*

The large influx of foreign aid as well as private investors in the early 1970s was initially related to the discovery of a copper nickel mine in north Eastern Botswana at Selebi Phikwe. The copper nickel mine and associated infrastructure which is referred to as the Shashe project, was expected to provide a sizeable investment activity, to become a major source of direct employment, to diversify exports and greatly increase government revenue (Harvey and Lewis 1990: 137). However, the combination of severely escalating project costs, delayed start up due to technological troubles and falling metal prices meant that the Shashe

project never became a profitable return on investments. However, in terms of long term learning and introducing major international donors, as well as private investments companies to Botswana, the Shashe project provided very important lessons.

First of all, the construction of the Shashe project provided revenues for the government as it added considerably to customs receipts from the Southern African Customs Union. This led directly to budgetary self sufficiency for the Government of Botswana, achieved for the first time in 1973 (Stevens 1981). Secondly, while the majority of investments in the mining sector came from private sources, foreign aid provided a substantial amount of financial support for the development of infrastructure. According to Stevens, the size and magnitude of this project exposed the various bi-and multilateral aid agencies involved to Botswana and the country's development prospects and particularly to the fact that the country had the ability to co-ordinate a project of this magnitude and complexity (1981: 162).

#### *4.1.3 Seeking diversification*

Apart from the Shashe project, additional efforts to diversify aid sources were taken by the Botswana Government at an early stage of development. According to Granberg and Parkinson, an assessment of external assistance to Botswana requires to take particular account of the creative role which Botswana has played in helping to establish a system in Southern Africa conducive to international co-operation. (The authors are here in particular referring to SADC) (1988: 135).

It is further evident that Botswana's dependence on South Africa was an important rationale behind the Botswana government's effort to seek outside assistance to assist its development efforts:

"Indeed, it was the compelling need to mobilise substantial external resources to complement her own development actions which provided an early stimulus to Botswana's emergence on the international scene. In the world at large the new government had to develop an effective and responsive network of co-operating partners to reduce her dependence on South Africa for material resources and skilled personnel." (ibid. 135).

In the 1970's aid flows both increased and diversified significantly. In 1971, Sweden was the first major bilateral donor, after the United Kingdom, to commit itself to support Botswana with a regular annual aid programme. In 1973 a similar agreement was reached with Norway (Norad). According to DAC-statistics, bilateral assistance averaged USD 80 million in the 1980s (Table 3). Approximately 80 to 90 per cent of the bilateral aid is received from five countries: Germany (formerly the Federal Republic of Germany), Norway, Sweden, the United Kingdom and the United States. In addition to official

development assistance, Botswana has received grants from a variety of sources estimated to be of an annual order of USD 5 million (Granberg and Parkinson 1988: 138). Amongst the NGOs, the Lutheran World Federation, the Organisation of Netherlands Volunteers, the US Peace Corps and the Danish Volunteer Service have contributed considerable sums (ibid.).

#### **Box 6: The role of the Scandinavian donors**

By 1973 Botswana no longer required grants from Britain to balance its recurrent budget and Botswana's government proclaimed its intention to shift from an emphasis on development of the urban sector to rural development. Scandinavian assistance, mainly by Sweden and Norway, has been regarded as particularly facilitative for this purpose. The pragmatic attitudes and policies of untied aid made the Scandinavian donors more useful and flexible than any of the major donors institutions as they normally tied aid to the purchase of products produced in the donor country (Molutsi 1993: 55). Furthermore, the flexibility of the Scandinavian donors, as opposed to Britain who refused the recipient country to carry forward unspent funding from one year to another, made it natural for Botswana's government to approach the Scandinavian donors with rural projects as implementation slippage was usually greatest and the rate of project expenditure harder to predict, argues Stevens:

"All developing countries suffer from shortage of administrative capacity in one form or another and one of the surest ways of wasting precious management talent is to allocate priority projects to the wrong donors. SIDA's and NORAD's procedures were sufficiently flexible for this not to be a problem" (Stevens, 1981: 162-163)

The fact that both Norway and Sweden indicated strong preferences for rural projects expected to benefit the lower income groups also contributed to the fact that these two donors became major partners of Botswana government in terms of rural development (Stevens 1981, Granberg and Parkinson 1988).

Sweden began providing aid to Botswana as early as 1967 and was the second major bilateral donor, after the United Kingdom to establish a regular aid programme in 1971. NORAD established a country programme with Botswana in 1973. The objectives of Swedish and Norwegian development aid were similar in terms of poverty alleviation and providing support for SADC. Sweden's assistance has been concentrated in five major sectors: education, rural village water supply, small scale industry development and district development, and until 1993, reducing dependence on South Africa. Following Botswana's policy to encourage donors to concentrate on specific sectors, SIDA has specialised in rural village water supply. NORAD has been one of the leading donors to Botswana with technical assistance representing about one third of the total aid programme. Similar to Swedish aid, Norwegian support has been directed at rural development focusing on rural transport and rural health centres, village welfare and special aid to marginalised communities such as the Remote Area Development Programme (RAD). Following the policy guidance of specialising in one sector, Norwegian aid has been concentrated on the health sector. After a comprehensive review in 1988 (Granberg and Parkinson), NORADs aid to Botswana shifted from capital aid to capacity strengthening for government institutions and support for self help efforts by women and the poor. Unlike many other bilateral donors, NORAD is not intending to phase out its development to Botswana in the near future. A new health agreement involving a number of Norwegian and Botswana institutions has recently been signed and an intention to increase the number of volunteers is currently being discussed.

Loans from multilateral sources have provided an other important source of finance, such as the World Bank and the African Development Bank and investment institutions like the European Investment Bank and the Commonwealth Development Corporation. The major sectors receiving assistance have been human resource development, transportation, agriculture and emergency food relief.

#### *4.1.4 A Western bias*

The official DAC statistics compiled in Table 3 indicate that while Botswana moved from one to many donors in the 1970s, the bilateral donors have been relatively few, predictable and relatively 'like-minded', in terms of ideology and aid policies. This provides a contrast to many other sub-Saharan African countries which have received aid from a wide variety of donors of various ideological bases, such as the former socialist Eastern European countries.

A number of commentators have argued that Botswana's commitment to an essentially free market economy made the government consciously approach the advanced industrialised countries of Scandinavia, Western Europe and North America as they were considered to be the most compatible partners in her efforts to decreased her traditional dependence (Granberg and Parkinson 1988, Stevens 1981, Hopkin 1994, Harvey and Lewis 1990). Botswana's ability to diversify their foreign assistance is also shown by the fact that by the early 1989 no one donor provided more than 20 per cent of aid inflows and more than 10 donors were providing significant amounts.

## **4.2 Botswana's management of foreign assistance**

### *4.2.1 Integration*

Aid resources received by the Government of Botswana have been centrally managed and integrated into the overall national development planning- and the budgeting process (Matambo 1991, Hopkin 1994). Subsequently, the implementation process of the National Development Plan is regarded as paramount in the management of aid resources. The main responsibility for securing, co-ordinating and monitoring external assistance is located within the Ministry of Finance and Development Planning (MFDP).

Botswana is also credited with having maintained a remarkable continuity among the MFDP personnel dealing regularly with donors (Granberg and Parkinson 1988). By integrating foreign aid within its overall development budgets, the Government's own contribution to the projected recurrent costs of the development programme are spelt out in the in the national development plan.

The ability of the Botswana government to present potential donors with programme agendas and projects already in the development plan has been regarded to have increased the Botswana government's level of ownership of the various donor financed projects, according to the commentators:

"In utilising the aid offered it [Botswana] has demonstrated the determination to incorporate it into its own development plans, thereby ensuring that both the deployment of the aid and the outcomes are owned by Botswana" (Hopkin 1994: 397).

#### *4.2.2 Foreign personnel in line-positions*

Another, comparatively speaking, unusual factor regarding recipient donor relationships is the fact that Botswana until recently required that all foreign technical personnel occupy established line-positions in the ministries. Despite frequent concerns from donor agencies about lack of counterpart positions (*ibid.*), the Botswana government has enforced this policy in order to prevent the creation of local posts just for a particular project and to ensure that foreign technical experts have been subject to the authority of the departments they served. The government has also resisted donor demands for local counterparts to be provided for all the technical personnel due to the general manpower shortage (Granberg and Parkinson 1988).

#### *4.2.3 Negotiation skills*

The Government of Botswana's negotiating skills in terms of dealing with various donor agencies is strongly emphasised in the literature (Stevens 1981, Matambo 1991, Harvey 1992). An important factor here is the fact that a donor consultative group for Botswana has never been established as Botswana has continued to deal with her donors on an individual basis and not through roundtable discussions. According to Ken Matambo, Permanent Secretary in the MFD, one of the main successes of Botswana's relationship with her donors has been her individual knowledge of the various donors and donor preferences and based on this knowledge, the Botswana government has matched the various donors with appropriate development proposals (Matambo 1991: 145). The government is further regarded to be assertive in negotiating with donors, and has been known to refuse aid if it does not coincide with government principles (Hopkin 1994). While the governments relative leverage with donors is also ascribed to its relative economic strength, the negotiating skills described above is also emphasised as a key explanatory factor of leverage (Hopkin 1994, Raphaeli 1984 et al., Harvey and Lewis 1990).

### **4.3 Why did Botswana receive so much?**

According to accounts presented in Table 3 total net receipts of international aid and concessional loans to Botswana peaked at USD 219 million in 1987, which amounted to the highest per capita aid level in the world at the time. With 1.4 million inhabitants, Botswana has benefited from the small country effect which partly explains this factor (Mosley 1986).

Despite the economic growth experienced, the amount of aid received as grants has throughout the period of independence exceeded or equalled the amounts received as concessional loans. One factor explaining this is that technical assistance which have constituted a major element of Botswana's aid assistance, have tended to be given as grants (Granberg and Parkinson 1988). The reasons that attracted the donors to Botswana after independence were several.

#### *4.3.1 Economic potential*

The fact that Botswana was a very poor country at the time of independence made the country eligible for bilateral assistance from a number of countries, such as the Scandinavian, which had stated a policy of giving aid to the poorest countries. However, unlike other low income countries, once the mineral possibilities were perceived, with the Shashe project, Botswana also promised the prospects of rapid growth. This provided potential donors with two stimuli, namely to participate in the creation of social- as well as administrative and physical infrastructure that would be even more necessary as mineral growth accelerated, and further, the economic growth made it likely that Botswana would be able to maintain the schools and clinics that donor money made possible (Stevens 1981:167).



Table 3.1: Botswana: Total receipts of international aid 1977-1988

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
<b>TOTAL RECEIPTS NET</b>												
<b>DAC COUNTRIES</b>												
Australia	0.0	0.1	0.1	0.1	0.1	0.5	0.5	0.5	0.5	0.4	0.5	1.7
Austria	-	0.0	-	0.0	-	-	0.0	0.1	0.1	0.0	0.0	0.0
Belgium	0.0	0.0	-	0.0	-	0.1	0.1	0.1	0.1	0.5	1.8	0.8
Canada	2.1	2.3	2.7	2.7	2.8	3.0	3.6	4.9	4.8	23.8	9.0	4.5
Denmark	3.5	1.4	5.6	3.9	1.8	1.1	0.3	1.0	2.2	6.7	18.5	7.0
Finland	-	0.0	-	0.1	0.0	1.0	0.2	0.0	0.0	0.4	0.2	0.4
France	-	-	-	0.2	0.3	2.4	1.3	1.0	0.8	2.0	5.1	2.2
Germany, Fed. Rep.	-5.5	-47.2	49.9	-45.6	13.2	23.8	23.1	39.5	23.7	43.2	39.2	0.5
Ireland	0.0	0.0	0.1	0.1	0.1	0.1	0.0	-	0.0	0.1	0.1	-
Italy	0.0	0.0	0.2	0.7	0.9	0.8	0.6	0.2	0.0	1.2	0.2	-7.0
Japan	1.4	1.9	2.8	3.4	4.2	2.7	3.3	1.9	-0.1	1.2	6.2	20.5
Netherlands	-	-	-	0.0	0.0	0.0	0.0	-	2.8	8.0	0.2	4.3
New Zealand	5.1	9.1	9.1	0.0	7.4	7.4	0.0	-	0.0	0.1	0.2	0.1
Norway	10.7	13.0	14.8	13.2	16.2	13.2	8.0	7.8	11.1	11.7	17.0	18.0
Sweden	0.1	0.0	-	-	-	0.0	11.8	11.8	7.3	21.8	15.5	21.1
Switzerland	7.1	13.4	17.4	23.5	18.7	11.4	0.0	0.7	-0.8	0.2	0.0	-
United Kingdom	3.0	11.0	6.0	12.0	14.0	17.0	18.7	39.8	17.8	12.0	18.5	18.4
United States	27.6	5.0	108.7	27.0	80.0	83.8	13.0	13.0	11.0	10.0	21.0	18.0
<b>TOTAL</b>							<b>82.5</b>	<b>121.6</b>	<b>81.3</b>	<b>138.9</b>	<b>151.0</b>	<b>71.5</b>
<b>MULTILATERAL</b>												
AF.D.F.	0.4	1.8	3.5	2.4	0.6	0.1	0.5	4.2	2.3	0.4	10.9	0.5
AF.D.B.	0.1	1.1	1.4	-0.2	-0.1	3.4	0.9	1.9	18.9	9.9	31.9	5.0
AS.D.B.	-	-	-	-	-	-	-	-	-	-	-	-
C.A.R.D.B.	-	-	-	-	-	-	-	-	-	-	-	-
E.E.C.	1.1	2.0	4.9	5.9	6.8	4.2	5.2	11.2	7.1	7.2	10.9	6.5
IBRD	3.3	1.7	5.2	4.3	10.2	10.8	14.5	16.8	14.5	-1.2	-2.0	-1.0
IDA	1.1	0.6	0.2	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-
I.O.B.	-	-	-	-	-	-	0.1	0.3	0.8	0.4	0.7	-0.4
IFAD	-	-	-	-	0.3	-	-	-	-	0.2	-	-
I.F.C.	-	-	-	-	-	-	-	-	-	-	-	-
<b>IMF TRUST FUND</b>												
U.N. AGENCIES	1.3	1.5	1.7	2.3	2.9	2.3	1.7	2.2	2.4	2.1	3.0	5.2
UNDP	0.2	0.4	0.1	0.0	0.2	0.3	0.3	0.4	0.6	0.7	0.8	0.6
UNTA	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.2	0.6	1.0	0.8
UNICEF	-	-	-	-	-	-	-	-	-	-	-	-
UNRWA	3.6	4.5	9.6	6.4	7.5	3.6	9.8	10.3	22.1	9.3	9.0	6.3
WFP	0.6	2.3	4.0	0.8	0.8	0.9	0.8	1.2	1.1	1.0	1.1	1.5
UNHCR	0.4	0.2	0.3	1.4	1.2	0.7	0.8	1.2	1.1	1.9	1.2	1.2
Other Multilateral	-	-	0.6	2.7	0.4	2.4	3.8	0.8	3.3	-1.4	0.1	1.0
Arab OPEC Agencies	12.3	16.4	31.6	26.4	30.8	28.8	39.1	60.4	74.1	30.9	68.4	29.2
<b>TOTAL</b>							<b>62.5</b>	<b>101.1</b>	<b>64.4</b>	<b>168.7</b>	<b>218.1</b>	<b>101.5</b>
<b>OPEC COUNTRIES</b>												
E.E.C. + MEMBERS	7.6	-28.6	80.6	-8.7	44.9	45.8	50.4	94.6	54.4	76.6	96.3	-2.4
<b>TOTAL</b>	<b>39.9</b>	<b>21.4</b>	<b>140.4</b>	<b>83.4</b>	<b>110.7</b>	<b>118.6</b>	<b>130.0</b>	<b>182.2</b>	<b>168.8</b>	<b>168.7</b>	<b>218.1</b>	<b>101.5</b>

Sources: DAC, OECD

**Table 3.2: Botswana: Total receipts of international aid 1989-1993**

	1989	1990	1991	1992	1993
<b>TOTAL RECEIPTS NET</b>					
<b>DAC COUNTRIES</b>					
Australia	6.1	1.6	0.4	1.0	0.9
Austria	0.0	0.0	0.0	-	-
Belgium	0.8	-0.2	-	1.2	0.8
Canada	14.0	10.2	2.2	1.5	0.5
Denmark	6.7	6.0	3.3	2.1	2.8
Finland	1.2	1.8	2.1	0.4	-0.1
France	0.8	1.8	5.3	-1.4	1.1
Germany	-33.1	27.3	15.0	64.1	39.9
Ireland	-	-	0.0	0.0	0.0
Italy	30.0	0.4	52.4	-28.3	-36.5
Japan	11.2	0.7	1.3	0.3	1.7
Luxembourg	-	-	-	-	-
Netherlands	4.9	4.6	4.5	3.4	3.1
New Zealand	0.1	0.1	0.0	0.0	0.0
Norway	18.7	21.9	38.0	36.4	11.4
Portugal	-	-	-	-	-
Spain	-	-	-	-	-
Sweden	18.5	24.2	12.0	16.4	13.9
Switzerland	-	-	-	0.0	0.0
United Kingdom	6.4	4.5	21.8	28.8	26.4
United States	16.0	16.0	12.0	7.0	12.0
<b>TOTAL</b>	<b>100.2</b>	<b>110.0</b>	<b>171.4</b>	<b>135.0</b>	<b>77.8</b>
<b>MULTILATERAL</b>					
AfDB	6.5	24.3	18.6	26.7	0.0
AfDF	20.8	9.2	10.3	4.6	10.9
AsDB	-	-	-	-	-
CarDB	-	-	-	-	-
CEC	15.8	14.0	11.3	4.5	15.6
EBRD	-	-	-	-	-
IBRD	-3.0	-12.0	-7.0	-14.9	-7.5
IDA	-	-	-	-	-
IDB	-	-	0.1	-0.5	0.1
IFAD	-	-	-	-	-
IFC	-	-	-	-	-
IMF	-	-	-	-	-
UNDP	6.1	4.4	4.1	3.3	4.4
UNTA	0.6	0.7	1.3	0.7	1.2
UNICEF	1.2	0.6	0.6	1.0	1.4
UNRWA	-	-	-	-	-
UNHCR	0.6	0.5	0.6	0.7	0.7
WFP	3.0	1.0	2.5	6.2	4.7
Other Multilateral	2.1	2.1	1.9	1.4	1.4
Arab Agencies	-2.0	1.6	0.5	0.1	3.2
<b>TOTAL</b>	<b>51.4</b>	<b>46.7</b>	<b>42.9</b>	<b>35.4</b>	<b>34.8</b>
<b>ARAB COUNTRIES</b>	<b>-2.2</b>	<b>-1.8</b>	<b>1.6</b>	<b>-1.3</b>	<b>-</b>
<b>CEC + E.U. Members</b>	<b>32.3</b>	<b>47.6</b>	<b>113.5</b>	<b>74.4</b>	<b>53.0</b>
<b>TOTAL</b>	<b>149.4</b>	<b>154.9</b>	<b>215.8</b>	<b>166.1</b>	<b>112.6</b>

Sources: DAC, OECD

#### **4.4 The effect of apartheid**

Botswana's proclaimed non-racial democracy in the context of a trouble torn Southern Africa initially earned the country a good name and sympathy from the international donor community. According to Molutsi (1993:52), Botswana's choice of a non-racial, multiparty democracy in the context of a racially troubled Southern Africa in the 1960s was viewed with considerable sympathy by the international community. As a result, Botswana made full advantage of their geopolitical situation to project their country as a democratic experiment on the doorsteps of apartheid (Somolekae 1989).

Generally, it is argued that by upholding the democratic system as a front-line state of apartheid ruled South Africa and when most of neighbouring states abandoned multiparty rule for various varieties of one party or military rule, Botswana became the showcase of Africa and as a result received much aid and attention (Stevens 1981, Molutsi 1992, Holm and Molutsi 1992).

##### *4.4.1 Bonus for achievement*

Evaluation reports, country studies and various academic articles consulted have characterised Botswana's management and utilisation of aid resources as overall very positive. It has been argued that the successful implementation and utilisation of aid resources may have been a contributing factor in increasing Botswana's total aid flows.

According to Hopkin (1994), the characteristics of the Botswana civil service and its propensity to play by the rules, without corruption are major reasons why donors were attracted to Botswana. The capacity to identify priority areas and to implement aid into comprehensive development projects thereby encouraging collaboration among donors in stead of senseless competition for viable projects, further added to the attraction of Botswana (Hopkin 1994: 399-400). It has been argued that the ability to design effective development plans, matched by a capacity to implement projects, made Botswana unusual for a country at such an early stage of development.

According to Stevens: "Botswana's ability not only to spend fully the amounts available....but to absorb at short notice supplementary allocations, resulted in additional aid, an affect that has not been fully appreciated" (1981:176). The Vice President of Botswana, Festus Mogae, has explained the efficiency factor in more direct terms when commenting on the high levels of aid: "many donors have favoured the country because we were able to spend resources both effectively and speedily. That meant that we normally got something extra" (Horner 1995: 20).

#### **4.5 The relative importance of aid**

Statistics give evidence to the fact that Botswana has received substantial amounts of aid. The literature consulted has indicated that the aid finances received have been utilised effectively and in line with Botswana's own development objectives and plans. What then, has been the impact of 30 years of international assistance both in terms of financial flows, and the large influx of manpower? In short, what can be determined about the role of aid in Botswana's development according to the literature?

When aiming to analyse the impact of aid to Botswana's overall development performance, it is crucial to emphasise that even though aid was a determinant macro economic feature in the first years after independence, aid only constituted 5 per cent of GNP in 1971 and peaked at 8 per cent of GNP in 1987 (World Development Report 1990). The figure becomes significant when compared to other countries in sub-Saharan Africa. According to the latest figures from 1993, aid had dropped to 3.3 per cent of GNP in Botswana, while the comparative figure for Mozambique was as high as 79.2 per cent, Tanzania 40 per cent and Kenya 16.1 per cent.

It should also be noted that whereas the per centage of aid is declining in Botswana, it is rising in most other sub-Saharan countries (World Development Report 1995). Granberg and Parkinson estimate that the total inflow of capital, aid, loans and capital, including large private investments not related to official donor institutions, was roughly equivalent to one quarter of the GDP of Botswana at its peak (1988: 138).

The quotes presented here underscore that aid, while high in per capita levels, never has dominated the Botswana economy. Aid utilisation as a percentage of public sector development spending fell from a total dependency (100%) in 1967-1970 (Stevens 1981: 175) to between 40 and 60 % from the late 1970s to less than 15% in 1992 (World Development Report 1994). As a result of the overall economic changes taking place in Botswana in the last few decades, aid and its functions, have also changed from in the early years to provide an input towards relaxation of macro-economic constraints and constituting the majority of the government developing budget, to the present role of aid having as its main function to ease bottlenecks and policy reforms at the sectoral level (Granberg and Parkinson 1988).

#### **4.6 Impacts of aid**

Based on the literature evaluating the impact of aid to Botswana, the main results can be presented under three main headings:

Financial assistance through grants and concessional loans is regarded to have been an important contribution to economic growth achieved in the initial stages of Botswana's development process.

Official aid has contributed to better income distribution. Within this perspective, it is argued that aid has contributed to political stability.

Through financing of technical assistance, foreign aid is regarded to have reduced the negative effects of Botswana's shortage of skilled manpower

#### *4.6.1 Aid and economic growth*

During the early period of Botswana's development after independence, foreign assistance played a significant role. Most commentators argue that the inability of Botswana to attract private capital at independence and legitimate fear of being dominated by South Africa necessitated the resort to aid (Hopkin 1994, Maipose et al. 1995). Thus, according to the literature, international visibility and legitimacy can be seen as vital 'side benefits' of increased levels of aid in the early 1970s. According to a number of commentators, Botswana's development would not have been possible without the contribution of foreign aid for the basic physical and social infrastructure, which in turn made economic growth possible, was paid almost entirely by foreign aid after independence. (Granberg and Parkinson, 1988, Harvey and Lewis 1990, Raphaeli 1984, Stevens 1981, UNDP 1989). With regard to the question of whether international finance capital could have contributed the same amounts, Botswana's initial marginality as a poor, landlocked country, indeed almost a province of South Africa, is emphasised.

However, even at the current level of Botswana's development, aid resources are regarded to have a economic impact as aid has relieved the budget of expenditure that would otherwise have been met from government revenues. As a result, aid has contributed to increased budget surpluses and foreign reserves, according to Granberg and Parkinson (1988: 141). The effect is not insignificant, and although donors may feel ambivalent about contributing, even indirectly, to financial surpluses, commentators have argued that the current budgetary and currency reserves may prove critical in helping Botswana cope with economic transition (ibid., Hope 1995).

#### *4.6.2 Aid redressing inequality and providing political stability*

According to Molutsi the impact of aid becomes clearer when assessed in terms of the sectors that received it (1993: 54). Molutsi argues that official foreign aid has been a major contributor to better income distribution in Botswana as aid has focused on sectors tending to benefit the rural and urban poor as large proportion of aid funds went into provisions of social services, including education and

training, health services, water supply and physical infrastructure in rural areas (ibid. 55). The fact that aid played an important role in financing much of the basic social infrastructure, both rural and urban, particularly in the first two decades after independence, is stressed by a number of commentators (Hopkin 1994, Hope 1995, Molutsi 1993).

It is also argued in the literature that aid finances have increased the implementation capacity of the government of Botswana. Evaluating the impact of aid to Botswana's overall development, Granberg and Parkinson argue that although Botswana has a strong balance of payments and thus the purely financial aspect of foreign assistance presently is of less importance in Botswana today, the increased resources have encouraged Botswana to undertake a development programme far larger than the government would be prepared to do without this support. Based on this, Granberg and Parkinson argue that foreign assistance has facilitated the government's task in allocating resources to the poor, in particular to those in rural areas:

"By easing financial constraints on development, aid availability has made it possible for the government to release resources, without feeling that this would seriously impair the growth of production elsewhere in the economy" (Granberg and Parkinson 1988: 141).

The views expressed by Granberg and Parkinson seem to correspond with the argument made by Picard (1987), Holm and Molutsi (1992) and Charlton (1991) that rural development and poverty alleviation has been secondary objectives for Government of Botswana compared to economic growth.

The fact that large proportions of development aid has been directed to lower income groups, and particularly to rural areas, has lead commentators to argue that one of the main impacts of development aid has been to contribute to political stability in Botswana through the continued rule of the BDP (Chambers 1973, Du Toit 1995, Holm and Molutsi 1992, Somolekae 1989). The basic argument presented by the scholars referred to here is that the governing party, through donor funding, has been able to provide noticeable development to villages and rural areas which again has yielded electoral success to BDP in general election. Based on this argument, it is be held that foreign aid has contributed to political stability and legitimacy of the political system, and in particular, the continued rule of BDP. The only empirical study referred to in the literature to support this view relates to the implementation of the *Accelerated Rural Development Programme* in 1973 (ARDP, see Box 7).

Linked to the debate on how aid has impacted on the actual political system and policy debate in Botswana, the literature is very insubstantial. Molutsi is one of very few commentators addressing this issue and he argues that:

"Overall, [ ]the international pressure, the pressure groups and organisations have done and said things that local people would not have done or said. They have in this way acted as watch dogs for Botswana's democracy, filling the gap left by local interest groups, which are still weak and at the early stages of development" (Molutsi 1993: 59).

#### **Box 7: Political legitimacy through foreign aid: The case of ARDP**

Chambers argues that the Government of Botswana has given high priority to rural development as a means of redressing inequalities and secure political stability since Botswana achieved budgetary self sufficiency in 1973 (1977). Linking this policy shift to the initiation of the *Accelerated Rural Development Programme (ARDP)*, he claims that :

"A sense of opportunity and urgency was enhanced by the general awareness that the government had not yet been able to achieve dramatic, tangible results in most of the rural areas where the great majority of the people lived and by the steady approach of the date in October 1974 when the electorate would pass a verdict on the governments performance. The ARDP, resulting from a Cabinet decision in November 1973, was a logical outcome" (1977: xi)

Du Toit argues that the decision to introduce ARDP, estimated to cost of 21 million Pula, representing two and a half times the total rural investment made by the state from the beginning of 1960 to 1972, was related to the election results in 1969. In an election campaign, where the backlog of rural infrastructure was emphasised Chief Bathoen II, chose to challenge the BDP government. Representing the main opposition party (BNF) the chief defeated vice president Quett Masire in the bid for a parliamentary seat (1995: 55). As the primary objective of ARDP was that the projects should be visible on the ground village roads, primary schools, village water supplies, rural health posts and clinics and rural administration buildings were given priority (Bhyiyen 1987: 97-98, 137, Colclough and McCarthy: 231-234). The plan yielded a favourable election result as in the 1974 election BDP regained the ground it had lost to opposition parties in 1969, winning back three seat in the National Assembly and raising its average percentage of the votes from 69.9 to 77.7 (Du Toit 1995: 55).

The impact of foreign aid on rural development, and thus, possibly to the strengthened legitimacy of the BDPgovernment, is illustrated by the fact that ARDP was over 44% financed by Swedish and Norwegian aid (Molutsi 1993: 55, Colclough and McCarthy 1980: 233). However, the ARDP had effects beyond the electoral gain by the government. According to Jones, ARDP indicated the governments commitment to rural development but more importantly, it demonstrated to the donors, whose programmes were just beginning that a capacity existed for the design and execution of rural projects, not only at central government level, but also in the district councils (Jones 1977: 123-5, Stevens 1981). Furthermore, ARDP was a very important 'testing ground' for the Botswana government in terms of matching donors with appropriate projects (Stevens 1981).

#### *4.6.3 Development through technical co-operation - the positive view*

The shortage of skilled personnel was severe in Botswana at independence and the rapid expansion of physical and social infrastructure fuelled by economic growth created even greater demands for skilled manpower. It is evident, based on the literature consulted, that the international community has played a critical role in relieving this constraint through the provision of technical co-operation and training.

According to Du Toit, a striking feature in the institutional expansion after independence in Botswana has been the extent to which the colonial pattern of expatriates holding crucial positions endured (1995: 33). Figures provided by Raphaeli et al., indicate that the number of expatriates in central government decreased in terms of per centage from 31 in 1966 to 9 in 1975, but the actual number of expatriates remained almost intact (1984: 43-44). In the professional and technical categories expatriate presence remained marked at 51 and 29 per cent respectively (ibid.).

Technical co-operation with mixed accomplishment in general, stands out as a success in Botswana, as expatriate staff has acted as upholders of technical standards and efficiency, according to a World Bank evaluation (Raphaeli 1984: 39). While the impact of foreign technical personnel is difficult to measure, Granberg and Parkinson seconds the assessments of the World Bank team and concludes that overall, the most important contribution of foreign aid has been to relieve, although not eliminate, the shortage of skilled and professional manpower in Botswana. "The benefits of this has been far greater than the costs involved, for it has brought into use resources that would otherwise have remained idle" (1988: 141).

The main reason why technical co-operation is regarded to have been successful in Botswana is related to the fact that the technical co-operation component is included in national development planning and manpower budgeting. This again has meant that expatriate staff supplied from technical co-operation funds are integrated into the structure of the civil service, greatly facilitating co-ordination and centralising of planning and administration of Technical Assistance (Raphaeli 1984). Du Toit argues that the impact of expatriates in public sector is not only decided by share numbers but also the strategic placement. Linked to the argument above about foreign assistance having contributed to political stability, du Toit argues that the expatriate sector of the public work-force contributed a vital ingredient to the quality and autonomy of statehood that evolved in post independence Botswana (1995: 58-59).



Related to the point made by du Toit, a number of commentators have in general pointed to the *intellectual impact* that 30 years of exceedingly high levels of expatriate personnel and foreign assistance has had on the system of governance and bureaucracy (Granberg and Parkinson 1988, Raphaeli 1984, Stevens 1981, Harvey and Lewis 1990, Hopkin 1994). More concretely, although still not substantiated by actual empirical analysis, Stevens (1981) makes an interesting remark relating the level of technical assistance to Botswana's overall success in terms of negotiating with outside powers:

"Perhaps most important of all, the government would not have been able to play such a calculated hand in its dealings with the mining companies, and the level of revenues would have been less" (Stevens 1981:174).

One of the few detailed analysis of the impact of expatriate staff is related to the policy-making process that produced the Tribal Grazing Land Policy (TGLP). The study by Picard revealed that concern with matters of equity was more pronounced in the ranks of expatriate civil servants than among others (1980).

#### *4.6.4 Development through technical co-operation - the negative view*

The effects of foreign personnel on state development have, however, not been regarded as positive by all analysts: Molutsi finds that "In a country where the political has become subservient to the technocratic-bureaucratic sphere, expatriate influence on policy formulation and on the development agenda has been overwhelming" (Molutsi 1993: 58). The demonstration effects of high standard of living for expatriates, and the costs implied in terms of accommodating their demands, is an other negative effects remarked in the literature (Hopkin 1994). It is further argued that loss of continuity meant that technical and administrative approaches devised were way out of proportion/scale with the supply of indigenous technical and administrative resources (Hope 1995).

The conclusion by Stevens, however, seem to cover the main position in the literature when he argues that: "there can be little questioning that the overall impact of foreign assistance in Botswana has been a beneficial one" (Stevens: 175).

## **5 Aid and development: is there a connection?**

### **5.1 What is in the literature?**

#### *5.1.1 An additional source of finance*

The main conclusion appearing in the literature on the impact of aid in Botswana is how closely the aid *funds* have been tied to the Botswana governments own development plans and policies. By incorporating development aid funds into its own development plans the government of Botswana has ensured that both the deployment of aid and the outcomes are owned by Botswana. Aid has helped Botswana getting where it is, only a bit faster, as some commentators say. From a financial point of view, therefore, we can concluded that the linkages between the development record of Botswana as presented in Chapter 2, and the role of aid are very strong.

#### *5.1.2 In a virtuous circle*

The tentative conclusion that can be drawn from the literature review is that sound economic management and political stability create conditions for further economic and political development. The linkages found may therefore suggest that development aid fosters development when it contributes to an already functioning political system. Aid cannot in itself create such a virtuous circle of development.

In Botswana such a virtuous circle has been created by the integration of aid into a centralised national planning and budgeting system which has proved very effective in Botswana's aid management. Through ownership of the various aid programmes initiated, achieved in parts through the good negotiating skills and economic leverage created by a growing economy, Botswana has been able to utilise aid resources in government determined development strategies. Both with regard to Botswana's development record and its utilisation of finances from foreign aid, the literature review has indicated that good management more than good fortune has been the defining factor.

### *5.1.3 But is there a direct effect?*

The fact that aid in macro economic terms is less significant in Botswana than in many other developing nations may explain the lack of significance attributed to aid in the socio-economic literature. However, it is evident that the impact of aid in the initial stages of the development process, when Botswana was poor and marginal in terms of attracting international finance, was significant.

Furthermore, the literature review has indicated that the impact of aid in terms of sectoral contributions and relieving personnel shortages through man-power influx and training has been far greater than the percentage of GDP would indicate. While these factors are reflected in much of the literature consulted, with few exceptions, they are not substantiated by empirical data and research.

However, despite the fact that Botswana continuously has received foreign aid from a variety of multi- and bilateral sources over the last 30 years which is regarded to have contributed to the country's overall impressive development record, it may be surprising that so few direct linkages between aid and development appear in the literature. In the voluminous socio-economic literature describing Botswana's economic development history, the role of international aid is referred to only occasionally and few attempts have been made to integrate the contributions of aid to the analyses of Botswana's economic development in general.

Likewise, compared to the voluminous literature discussing Botswana's political system, bureaucracy and economic policies, we found surprisingly few analyses on the role of aid. Furthermore, the references found linking aid to Botswana's development per se were only occasionally based on empirical analyses.

Our more sporadic selection of evaluation reports, country studies and various donor or Botswana initiated analyses of individual development programmes, however, indicated that a substantial amount of so called "grey material" exist describing the role of aid, but again, this is not related to the development process in general.

## **5.2 Identification of gaps in the literature**

In view of the rather voluminous literature on Botswana, considering the size and relative marginality of the country, somewhat surprisingly we find that the interesting tales of Botswana's developing history reviewed in fact fail to provide us with adequate answers to a number of issues regarding the role of aid.

### *5.2.1 The impact of aid on macro-economic management*

While the literature reviewed has indicated that foreign aid has facilitated long term planning in Botswana, information regarding the terms of conditions of aid received during the last 30 years is not compiled and presented for a wider audience. Similarly, detailed knowledge of the sectoral distribution of aid, the various donors and exactly how international aid is integrated into the national development plans is not specified in any study.

Policies, procedures and models for macro-economic management and national development planning were hardly in place at the time of independence. The intellectual contribution through aid, and the role of aid in the continuous institutionalisation of these systems, have not been properly researched.

### *5.2.2 The impact of technical co-operation*

All studies consulted have given emphasis to the large number of foreign personnel present in Botswana and the country's reliance upon technical assistance throughout the period of independence. Yet, to what extent has technical assistance contributed to the structure and culture of the Botswana civil service? How has aid administrators been received and how have they functioned in local communities? To what extent did foreign experts guide and influence the strategic choices made by Botswana authorities in negotiations with international partners, such as South Africa over the SACU agreement and De Beers over shares of diamond revenues? Or generally speaking, why has technical assistance, seemingly, been more successful in Botswana than other countries in the region?

### *5.2.3 The impact on human resource development*

Human resources development has throughout the independence period remained the area receiving most external assistance. Yet, at present few studies have attempted to assess the impact of this form of development assistance in terms of the quality and quantity of the training programmes. To what extent can the manpower policies employed by the Botswana authorities explain the limited amount of brain-drain experienced? To what extent has the reliance on technical co-operation contributed to the training of Botswana personnel?

### *5.2.4 The impact on rural areas*

The literature review has further revealed that aid has been a significant factor in terms of financing Botswana's rural development programmes as well as in sectors affecting the living standards of the urban poor. But the literature has not provided us with answers to the question of whether foreign aid contributed to rural development in terms of employment opportunities in the rural areas. Household

statistics presented give evidence to a skewed income distribution in Botswana and also the existence of a significant poverty-problem. To what extent has the development aid contributed to poverty alleviation? Furthermore, are the rural development strategies chosen a reflection of Botswana's own development goals or of donor interest and design? Is it possible through an analysis of aid and rural development policies after independence to substantiate the claim that foreign aid has provided political legitimacy to the party in government through investments in rural development schemes?

### *5.2.5 Gaps of comparative knowledge*

Botswana has been included in a number of comparative studies under thematic headings pertaining to the system of government, institutional capacity, civil service reform and economic policies (Diamond et al. 1989, Bratton and Hyden 1992, Picard and Garrity 1994, Blomström and Lundahl 1993, Cohen and Goulbourne 1991, Colclough and Manor 1991). However, Botswana's aid relations have rarely been discussed in a comparative perspective.

The literature study has revealed that the integration of aid to its overall development plans has been regarded as a major ingredient in Botswana's successful development record. However, other countries have attempted to establish similar integrated aid management and budgetary systems without succeeding. This suggests that appropriate structures alone are not sufficient, the political, institutional and economic context must be conducive to effective management of aid. Unlike most other African countries, aid represents a small portion of the government budget and is hardly significant in macro economic terms. Can it be argued that the fact that aid contributes rather than dominates the macro economic policies is a key explanatory factor for Botswana's success?

In the growing international debate on limits to aid and aid dependency, Botswana represents a case of particular importance. Can nations being at the threshold of booming aid relationships, develop strategies which minimise the risks of "aid disease"? We will argue that the experiences of Botswana may provide a number of lessons for other developing nations, and maybe in particular for some of the new democracies in Southern Africa who are about to receive a substantial influx of aid funding and donors in the near future. The literature study has revealed that good management and strategic planning more than good fortune has defined Botswana's economic development and effective use of aid. Furthermore, Botswana was still poor in terms of financial and human resources in the first decade after independence when the country initially established its relationship with a wide diversity of donors.

### **5.3 From gaps to hypothesis: Aid and capacity for change**

Mainly as result of its successful development record, donor agencies are reducing or even phasing out their assistance to Botswana. While the Botswana government argue that they are being punished for success, it is evident that Botswana has reached the end of an era. In 30 years Botswana has moved from a dismal start as one of the 10 poorest countries in the world to a stage where aid is no longer a vital component of its developing spending. And it is generally accepted that Botswana financially can do without aid. But given other important impacts of aid, some commentators find the reduction of aid to be premature (Horner 1995, Hopkin 1994). It may therefore be argued that role of aid in relation to Botswana's development process is insufficiently understood.

The main challenge to Botswana is change. The need to diversify a mining dominated economy has been pointed to. Yet, development of the private sector has been slow. The size of the Botswana government is large even in an African context. There are report of declining performance of the Botswana development machinery, marked by higher levels of corruption (Good 1994), and an overextended public sector with falling investments and lower returns of investments (Hermans 1993). The challenge of moving from quantity to quality in social service provision needs to be addressed in the near future. The growing opposition and rising unemployment levels may testify towards a changing future scenario in terms of political stability and low levels of social conflict.

The question of whether the Botswana state has capacity in terms of handling the economic and political challenges ahead, highlights the question of the impact of aid and the future role of aid and funding agencies. Based on the gaps in knowledge identified above, a further analysis may take as a point of departure:

*Has aid enabled the Botswana state to enhance its flexibility and capacity in dealing with future economic challenges?*

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