Restraining the Developmental State? A Comparative Institutional Study of Botswana and Namibia

By

Kudzai Tamuka Moyo
479534

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Supervised by Professor Rod Alence

DECLARATION

I declare that all material presented for examination is my own work and has not been written for me, in whole or in part, by any other person(s). I also declare that any quotation or paraphrase from the published or unpublished work of another person has been duly acknowledged. The research report has been submitted for the degree of Master of Arts in International Relations at the University of Witwatersrand, Johannesburg. It has not been submitted before for any other degree or examination at any other university.

KMoyo

(Kudzai Tamuka Moyo)

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ABSTRACT

Natural resources can be a solution to the capital deficit in sub Saharan Africa. As such, resource rich countries have to avoid plundering and wastage of the resource rents. However, the nature of politics in the region points to the fact that plundering of resource rents is inevitable because most resource rich sub Saharan African countries have been prone to elite capture and bad governance. This entails that national resources are "privatised" in the sense that they are directed towards enrichment of a few. In addition, governments in resource rich countries tend to allocate resource rents inefficiently. Thus, resources do not contribute towards sustainable and long-term development. To avoid plundering and wastage, a set of institutions can be put in place that can assist in managing resource rents. These are institutions that can restrain ruling elites from capturing the resource rents for private use and the state from inefficiently allocating rents through policies. Most scholars argue that a democratic system, through frequent elections and its attendant institutions such as the rule of law, accountability and transparency allows effective and efficient management resource rents and the economy in general. This is a good starting point in conceptualising institutions of restraint. However, this study seeks to broaden our understanding of institutions of restraint by providing an alternative approach.

Using Botswana and Namibia as case studies this study seeks to reconceptualise institutions of restraint without rejecting the importance of democratic institutions. The study considers the hypothesis that the success in management of resource rents, particularly in Botswana, can be explained by a combination of democratic institutions and what can be termed centralised development planning institutions. The premise of this proposition is that democratic institutions are inadequate in restraining elites or the state. Therefore, they need to be complemented by centralised development planning institutions. Working in tandem, democratic institutions and centralised development planning institutions have the capacity to adequately provide the necessary restraints in resource driven economies. In line with this, the study argues that the degree or level of restraints in a political system is essential for successful management of resource rents.

CHAPTER ONE. INTRODUCTION

With the increasing discovery of natural resources across sub Saharan Africa (SSA)[1], proponents of resources led development argue for the establishment of institutions that will assist resource rich countries to manage their resources effectively and efficiently. They identify Botswana as the model for successful management of natural resources. Botswana has been one of the fastest growing economies regardless of its dependency diamonds. In addition, it has been one of the stable democracies in SSA. Accordingly, most recommendations for SSA countries rich in natural resources are based on emulating institutional arrangements that Botswana adopted. Mainly, Botswana's market orientation is cited as essential for the success it has registered. This study contends that Botswana's interventionist approach circumscribed by institutions of restraints better account for its success. In other words, the degree of political accountability is more important in resource economies rather than market orientation. To illustrate this, the study will use Botswana and introduce Namibia as a comparator case. Namibia is an understudied natural resource rich country that has been relatively successful in managing its natural resources. Arguably, including Namibia in this study will be a notable contribution.

Institutions of restraint are usually equated to democratic institutions: rule of law, accountability and transparency. Contrary to this perspective, this study argues that democratic institutions can be inadequate in providing restraints and what is required is a combination of democratic institutions and centralised development planning institutions (CDPIs) or hegemonic economic agencies. Institutions of restraint are meant to inhibit plundering of resource rents through corruption, rent-seeking[2] and patronage politics. Kaufmann and Kraay (2016) who produce the Worldwide Governance Indicators (WGI) define corruption as the exercise of public power for private gain, including both 'petty and 'grand' corruption, as well as 'capture' of state activities by elites for their own interests and profit. Yan Kong (2004: 343) define corruption as the use of public resources (resource rents in this case) and power for particularistic purposes and interests. Arguably, the definitions above capture economic corruption (malfeasance motivated by financial benefit) and political corruption (malfeasance motivated by power).

[1] In some instances it must be read as sub Saharan African (countries).
[2] For a detailed discussion on how rent-seeking can be socially or economically costly see Mehlum et al 2006.

Rent-seeking can take many forms. Generally, rent-seeking is socially costly pursuit of rents (Svennson 2005: 21). In line with this definition, pursuit of resource rents by various actors can directly or indirectly undermine the overall performance of the economy by depriving it of investment. Patronage is the use or diversion of public resources to individuals or a small group of people to ensure the incumbent ruling elites maintain or retains political power. It can also involve vote buying during elections Noteworthy is that corruption, rent-seeking and patronage can interact and reinforce each other in various ways. Institutions of restraint can inhibit these practices but also they potentially set the parameters within which a developmental state functions and pursues its objectives. Nonetheless, the political and economic context determines the functioning of institutions of restraint. As such, it is possible to find a symbiotic relationship between democratic institutions and CDPIs that are often argued to be inherently incompatible. The main aim of this study is to critically assess the institutional arrangements that most scholars cite as responsible for success in Botswana and to some extent Namibia.

Recent research and literature on resource governance present evidence that lend support to the proposition that democracy has the potential to avoid the plundering and wastage of resource rents. It is argued that a democratic system has the capacity to restrain both political elites and the state (Arezki and Gylfason 2013, Bhattacharyya and Holder 2010). Through frequent elections and its attendant institutions such as the rule of law, accountability and transparency (democratic institutions from now on) a democratic system, allows effective and efficient management of national resources. In other words, without any overarching political system that has rule of law, accountability and transparency inbuilt it is difficult for institutions of restraint or a restraining framework to emerge. This argument does have merits but does not take into account that the management of natural resource requires a robust restraining framework that democratic institutions alone cannot provide. Relatedly, the inadequacy of democratic institutions is apparent when one takes into account the need to utilise, allocate and distribute resource rents. Therefore, a robust restraining framework can be attained by a combination of democratic institutions and CDPIs. Taking into account a combination of democratic institutions and CDPIs the study seeks to reconceptualise institutions of restraint.

To reconceptualise institutions of restraint, this study utilises Botswana and Namibia, which have performed very well on democratic and economic indicators; and have managed to avoid the resource curse that is associated with dependence on natural resources. What most scholars do not pay attention to are the differences in how democracy as a political system functions in different countries. This difference influences institutional building and configuration. One of the objectives of this study is to illustrate how political and economic settings determine or facilitate the development of institutions for resource governance. The political and economic setting imbues institutions with their form and quality; and with their design and purpose. In addition, this setting determines the functionality, effectiveness and efficiency of institutions. Hence, before one looks at how institutions function one needs to examine the political and economic setting that allows them to function the way they do. Instead of generalising which institutions countries should adopt for resource governance, political economists and policymakers must understand the political and economic setting to determine the most appropriate institutions. Furthermore, the economic and political setting affects the robustness of democratic institutions. In accordance with this, the study seeks to build a different theoretical framework of institutions of restraint that goes beyond the democratic perspective.

Another sphere that political economists have not paid much attention to is resource rents driven developmental states. Leftwich (1995: 401) defines developmental states as "states whose politics have concentrated sufficient power, autonomy and capacity at the centre to shape, pursue and encourage the achievement of explicit developmental objectives, whether by establishing and promoting the conditions and direction of economic growth, or by organising it directly, or a varying combination of both." This study seeks to illustrate that developmental states can effectively function within constraints yet managing to produce the intended results. The study focuses on the institutional arrangements that permit CPDIs to complement democratic institutions. Yet, it is generally argued that due to their bureaucratic nature, CDPIs might not be compatible with democratic institutions. As a result, it has prompted proponents of the democratic approach to argue that democratic institutions are meant to limit the use of CDPIs by ruling elites to pursue unsustainable macroeconomic policies. In addition, it is argued that democratic institutions are meant to reduce opportunities for the diversion of state resources to corruption, rent-seeking and to finance patronage politics. Respectively, proponents of CDPIs contend that democratic institutions should not be restraining so much that they prevent the use of state power for the pursuit of developmental objectives. This suggests that these institutions cannot coexist. Nonetheless, this study argues that tension might exist between these two sets of institutions but they can coexist and there is no inherent contradiction in their coexistence as they can reinforce each other.

With the capacity to reinforce each other, democratic institutions and CPDIs can be linked to ensure that resource rents are managed effectively and efficiently. The process of reinforcing each other and working in tandem provides a restraining environment within which a developmental state has to operate. This restraining framework hinders the plundering of resource rents. Thus this study attempts to reveal the conditions under which democratic institutions work in tandem with CDPIs to produce a robust restraining framework in which a developmental state can pursue its objectives. From this theoretical entry, the study seeks to provide an institutional analysis of the two case studies: how institutions of restraint operate similarly and differently in Botswana and Namibia. Moreover, it provides an in depth analysis on how the political and economic setting can give further insights into the conditions which allow the establishment of institutions and why some countries establish them and others choose not to. Exploring these different dimensions of institutional development is crucial for understanding how resource governance can take different pathways or formulas. These different pathways and formulas can reveal the institutional arrangements that can be implemented in other countries without being prescriptive while leaving room for innovation and adaptation.

From the above discussion it is apparent that one needs a conditional explanation to understand why and what kind of institutions have been established to manage and allocate resource rents. In other words institutions and policies differ from one country to another. As argued earlier, their difference can be explained by the political and economic setting. To guide this study, a few interlinked questions have to be laid out. First, has democracy produced a robust set of democratic institutions (rule of law, accountability and transparency) in the two cases? Second, what prompts CDPIs to be established? Lastly and more important, why and under what conditions do democratic institutions and CDPIs reinforce each other to provide a restraining framework. In short, how do these two sets of institutions function together as institutions of restraint?

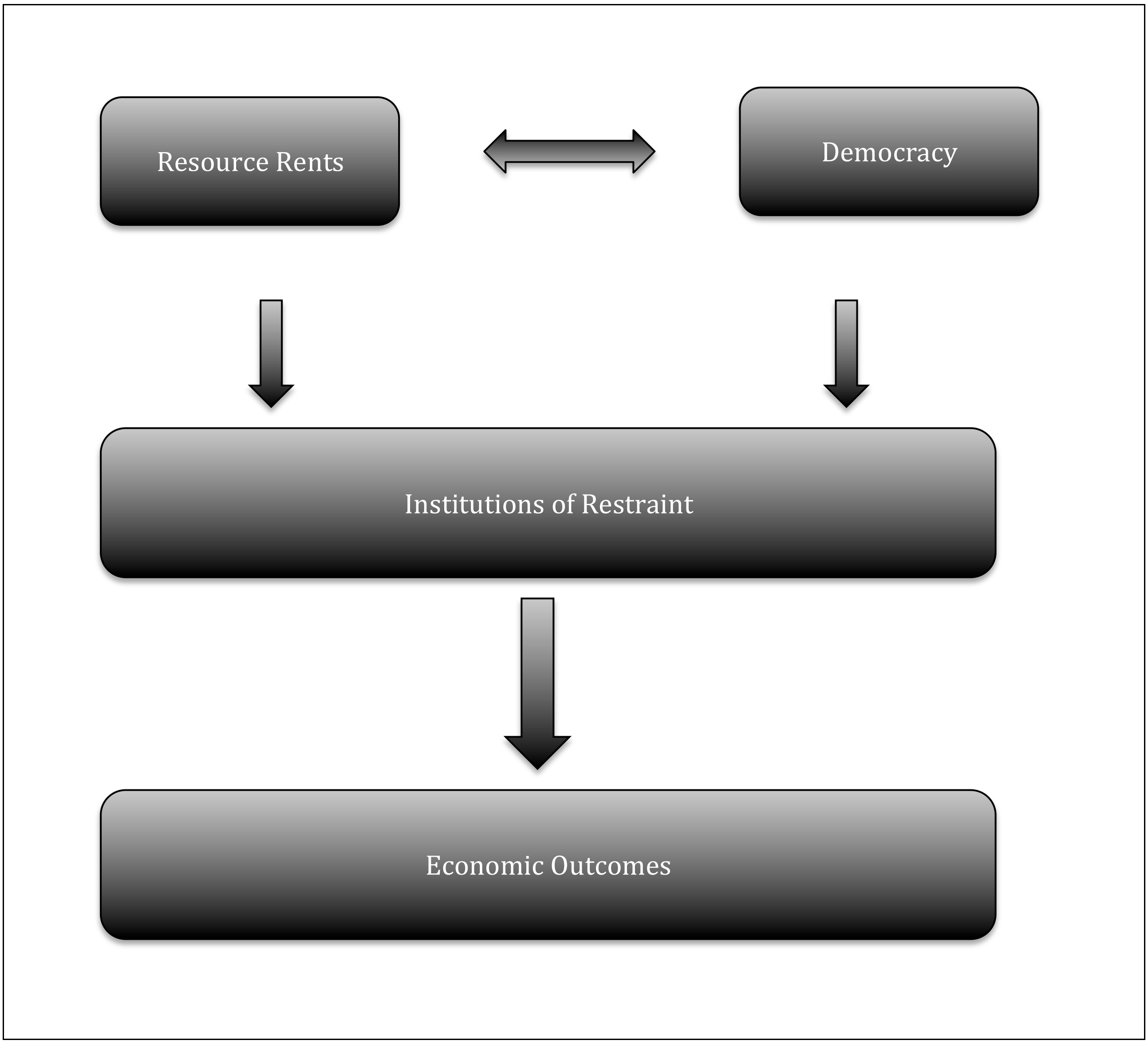
The rest of the study is structured as follows. **Chapter two** is a review of literature and will focus on the interaction of resource rents with democracy, corruption, rent-seeking, patronage and institutions. This will be linked to the role of institutions and economic performance. Another area the review will discuss is related to the construction of developmental states and resource rents driven developmental states. A short **Chapter three** follows which outlines the analytical framework and the case selection. Using an analytic narrative, **Chapter four** will introduce Botswana and the discussion will centre on how the successful management of resource rents can be explained by an interaction of democratic institutions and CPDIs. It will attempt to demonstrate that democracy and its attendant institutions cannot adequately explain the success. **Chapter five** will discuss Namibia, while applying the same approach but looking at differences and similarities of the institutions of restraints. **Chapter six** will be a brief discussion and will also provide some concluding remarks.

CHAPTER TWO.THE POLITICAL ECONOMY OF RESOURCE RENTS

Most countries rich in natural resources depend on the performance of their extractive industry for economic growth. The revenues from these resources are a source of capital, which can be invested to induce long-term economic growth. As a result of this growth the welfare of society can improve. Alternatively, revenues from the extractive industry can be invested in public goods that can unlock or aid economic growth. Auty (2001a: 80) points out that management of resource rents should be divided into two components: income component and capital component. The capital component should be invested constantly, either domestically or overseas to maintain the income component of the rent stream in perpetuity for future use or generations (Auty 2001a: 80). However, the process of capturing (including the method), utilising and allocating resource rents can be very challenging (Lewis 1989: 1558). I will term this process the rent process from now. This challenge stems from two sources. First, the ownership structure of natural resources in most resource rich countries puts the state at the centre of the rent process. This creates opportunities for corruption, rent-seeking and patronage politics to occur. The levels of corruption, rent-seeking and patronage affect economic performance. Second, resource rents are easily lootable particularly where there are weak state institutions. As a result resources are diverted away from developmental objectives or provision of welfare-enhancing public goods.

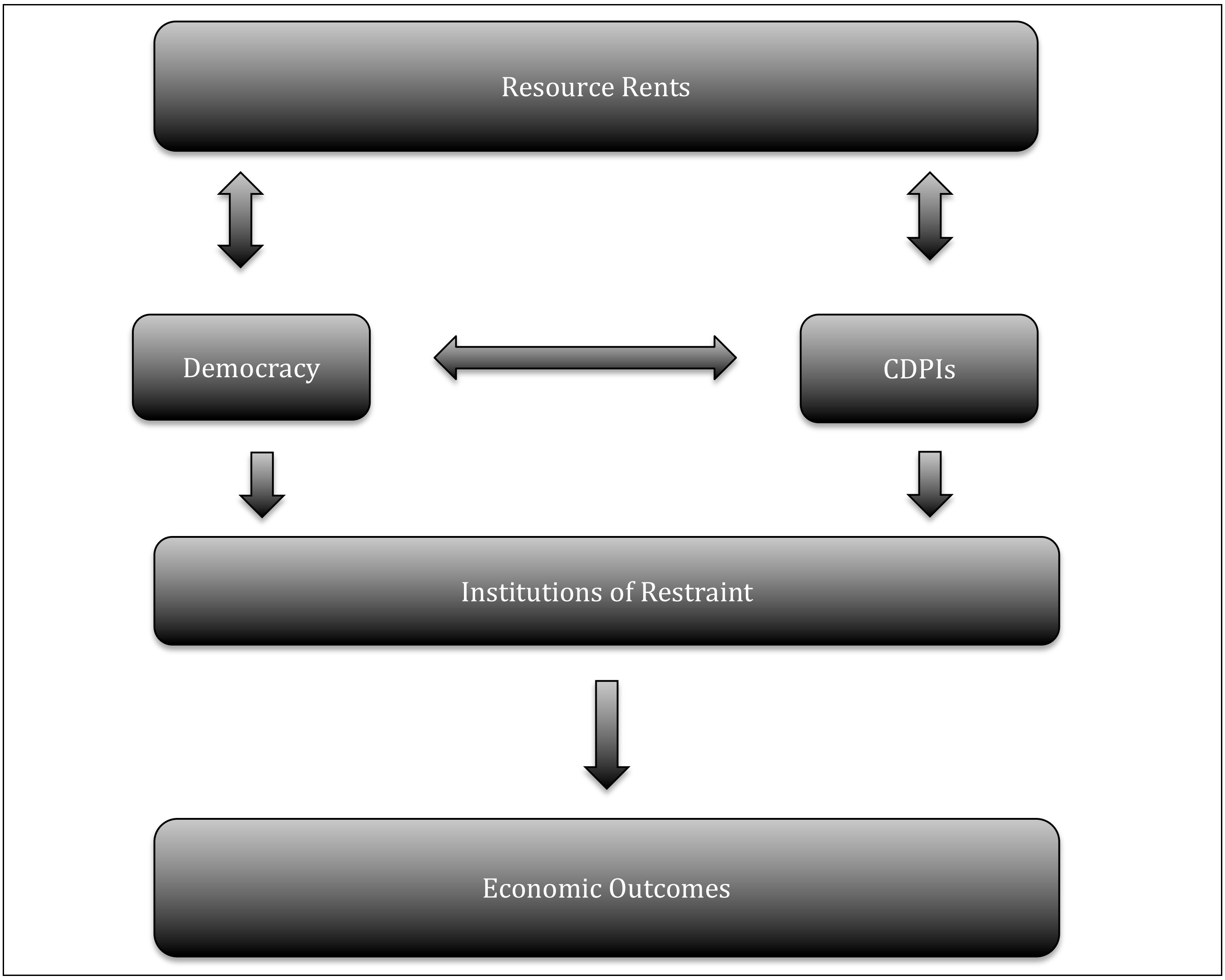
In the literature on the political resource curse there is general consensus that corruption, rent-seeking and patronage politics are more likely to occur in non-democratic resource rich countries due to the absence of democratic institutions. The assumption is that democracy provides an overarching basis for institutions of restraint to emerge. Without any overarching system that establishes rule of law, accountability and transparency, it is argued that institutions that have a restraining capacity cannot emerge. As such, democracy is viewed as essential in solving the challenges faced in the rent process. Causal Diagram 1 below represents this perspective. It shows how an interaction of democracy and resource rents can result in the emergence of institutions of restraint. In other words, an injection of resource rents in a democratic system can prompt the emergence of institutions of restraint.

Causal Diagram 1. The Democratic Approach



However, other scholars contend that a democracy is inadequate in providing the restraints required to curb corruption, rent-seeking and patronage politics. Collier and Hoeffler (2005) argue that democracy does not guarantee that revenues from natural resources will be managed effectively and efficiently. Therefore, there is need to develop institutions that buttress the restraining capacity of democratic institutions. This perspective informs the argument that this study proposes: that corruption, rent-seeking and patronage politics are practices that require institutions that go beyond rule of law, transparency and accountability. Accordingly, what is required are institutions that craft and implement policies essential for attaining economic growth and for ensuring effective and efficient allocation of resource rents. Therefore, the argument advanced is that CDPIs are essential for curbing corruption, rent seeking, patronage politics and attaining desirable economic outcomes. In short, it proposes an interaction of democratic institutions and CDPIs. By inserting CDPIs into the equation, the study seeks to reconceptualise institutions of restraint. Causal Diagram 2 below represents what can be term a "Hybrid approach" to understanding institutions of restraint.

Causal Diagram 2. The Hybrid Approach.



The causal diagrams above represent the different pathways through which institutions of restraint emerge. Causal Diagram 1 illustrates the conventional "Democratic Approach" to the emergence of institutions of restraint. It shows the simultaneous interaction of resource rents and democracy. This interaction determines the restraints that emerge. Causal Diagram 2 illustrates the approach that this study seeks to advance. The "Hybrid Approach" takes into account the importance of democratic institutions but inserts CDPIs into the process. Alternatively, there is a simultaneous interaction of resource rents, democratic institutions and CDPIs. Most scholars, take it is a given that CDPIs will function within the parameters set by democracy but in some instances and at the expense of democratic accountability they can function outside the democratic logic. Accordingly, they interact with democratic institutions in ways that allows a complementary relationship to emerge. This relationship allows the emergence of a restraining framework that I argue explain Botswana's success in managing resource rents.

Resource rents, Democracy and Patronage Politics

This section discusses the interaction of democracy and resources rents and the possible outcomes of this interaction. The section is concerned with whether resources rents cement or undermine democratic institutions and processes such as elections. To understand the impact of resource rents one can utilise the rentier state thesis as a vantage point. The rentier state thesis suggests that when a state acquires most its revenues from exporting natural resources it can afford not to heavily tax its citizens. This is the "taxation effect" (Ross 2001: 332). As a result of the taxation effect, the state become less accountable to the society it presides over (Ross 1999: 312). The second category of explanations revolves around what can be termed the "spending effect" (Ross 2001: 333). Due to availability of resource rents, the state can afford to increase expenditure towards public goods. However, this increase can be motivated by patronage concerns, that is spending directed towards key constituencies to allow politicians to retain their power (Isham et al 2005: 147). In democratic countries, the provision of patronage undermines democratic processes such as elections as voting buying becomes part of the electoral process. Vote buying financed by resource rents can lead to the emergence of patronage politics (this will discussed in more detail below). In other cases the spending of resource rents, particularly in non-democratic countries is meant to legitimise the ruling elite. In either case resource rents undermine democracy or inhibit the transition to democracy (Ross 2001). One can safely conclude that, resource rents can enable states to evade democratic institutions that are crucial for the emergence of institutions of restraint.

The case studies used in this study are all democracies; therefore it is essential to discuss in detail the implications of resource rents on democracy. As already alluded to above, resource rents can result in the emergence of patronage politics that distort democratic processes. The availability of resource rents makes staying in power more attractive. On one hand staying in power allows politicians to have access to rents for private enrichment or opportunities for rent-seeking. On the other hand, an injection of resource rents raises the value of being in power as they provide resources that can be used to influence election outcomes (Robinson et al 2006: 450, Kolstad and Soreide 2009: 217). Consequently, this has implications on how politicians attract voters or how governments acquire power and how they use it. One way of influencing election outcomes is through vote buying and providing patronage that is financed by resource rents (Collier and Hoeffler 2009). Vote buying and providing patronage distorts the electoral process and allows the ruling elite to have unaccountable power. With the establishment of unaccountable power, checks and balances that should be provided by democratic institutions are eroded. In the literature, there is an explicit assumption that checks and balances that function through transparency and accountability are inherent in a democracy. Yet, scholars such as Collier and Hoeffler (2005: 633) argue that such checks and balances can only be provided if the society is prompted to do so through taxation. This argument is linked to the taxation effect discussed above. What is important to highlight is that resource rents can finance patronage politics that distort electoral process. As a result, this undermines democracy and its institutions.

Another consequence of voting buying and patronage politics is reduced or the absence of electoral competition. Electoral competition is often argued to be essential in restraining politicians from engaging in patronage politics (Bueno de Mesqiuta et al 2002). Facing electoral competition, the incumbent government has limitations on how far it can go in supporting one group or constituency over others. In addition, without political competition (that has been eroded by patronage politics) it is hard for democratic institutions to restrain the government from misusing resource rents. Noteworthy is that it is not certain that natural resources will have a positive or negative impact on democracy and its institutions. In some cases it might not have any effect at all. This leaves one to conclude that the effect of natural resources on democracy is largely contextual. Hence, one of the objectives of the study is to assess whether resource rents have had a positive or negative impact on democracy in Botswana and Namibia. With both countries having dominant parties for more than 20 years it is worthwhile to assess whether resource rents have been used to consolidate the incumbent governments or not.

In addition, due limited electoral competition within dominant party systems, how did democratic institutions perform or which institutions restrained the governments from misusing resource rents. As put forward earlier: does democracy and its attendant institutions adequately explain the success in resource management in these countries? Or what is required is an explanation that takes into account CDPIs.

Resource Rents, Corruption and Rent-Seeking

The discussion in this section is guided by the proposition that an injection of resources rents into a political economy introduces various incentives and opportunities for different actors in any political system, democratic or non-democratic. These actors include individual politicians, the government and private entrepreneurs. The current discussion is centred on how availability of resource rents creates opportunities for corruption and rent-seeking. Effective and efficient allocation of resource rents is crucial if a state is interested in providing public goods that support the overall performance of the economy. To a larger extent, such a process requires direct and centralised control of resource revenues by the state. However, this raises questions about corruption and rent-seeking. In most resource rich countries direct and centralised control of resource rents is meant to make corruption and rent-seeking easier (McFerson 2010). In line with such concerns, a number of studies have been conducted to establish whether there is a relationship between an increase in resource rents and the levels of corruption and rent seeking. Let us first look at corruption.

The various transmission channels of the effects of resource rents on corruption have led to differentiated results, if not ambiguous. In their study, Bhattacharyya and Holder (2010) consider whether resource rents breed corruption. Their assessment takes into account that the level of democracy and soundness of democratic institutions can influence the level of corruption. Their basic premise is that if an incumbent government can stay in office without high levels of political support it will lead to more corruption in a context of abundant resource rents (Bhattacharyya and Holder 2010: 608). This is because resource rents are less sensitive to corruption than domestic production or trade. Hence, resource rents can be easily appropriated (Bhattacharyya and Holder 2010: 609). This is not necessarily the case in countries with better democratic institutions. The overall conclusion is that the effect of resource rents on corruption depends on the quality of democratic institutions. In other words, there is a certain threshold at which resources rents can breed or feed into corruption. Arezki and Gylfason (2013) focus on whether the impact of oil rents on corruption is independent of political systems. In other words, do political systems affect corruption and good governance in SSA? Using the period between 1985 and 2007, their findings lend support to the argument that higher resource rents lead to more corruption and the effect is stronger in less democratic countries (Arezki and Gylfason 2013: 554). Their findings and conclusions suggest that in a democratic system there are checks and balances that can prevent the squandering of resource revenues.

Instead of viewing corruption as a process that only emerges when resource rents are injected into a political economy, it is crucial to understand the patterns and levels of corruption as determined by the ownership structure of natural resources. Some strategies of corruption can be built into ownership structures. Previous decisions on the development and extraction of natural resources also have an effect on corruption. Kolstad and Soreide (2009: 221) argue that the design of the revenue system, rules about cost recovery, and industrial tax allowances are prone to corruption. These pre-development phases of natural resources can easily determine the ways in which corruption can be conducted when revenues start to flow into government coffers. Arguably, even though there are vibrant democratic institutions, the pre-development decisions made by governments can make corruption difficult to detect. In addition, complicated, non-transparent and sometimes contradictory or ambiguous regulations can create opportunities for bureaucratic discretion (Kolstad and Soreide 2009: 221). Such discretion can create opportunities for corruption and rent seeking to take place. Relatedly, this discretion decreases the quality of government and in turn affects economic performance. The arguments above provide us with an entry point into a discussion on rent-seeking.

It is often argued that rent-seeking has more negative effects on the overall performance of the economy than corruption. The logic of the argument is that resource rents are squandered through rent-seeking instead of being invested into more productive activities. In many developing countries that are rich in resources, rent-seeking becomes an occupation for some entrepreneurs. Resultantly, the resource sector does not create backward and forward linkages with the rest of the economy due to rent-seeking. Mehlum et al (2006) attempt to understand the variance of growth performance among resource rich countries. Mehlum et al's (2006) starting point is that the variance in growth performance can be explained by how resource rents are distributed through the institutional arrangements that exist in a political economy. On one hand there can be institutions that are producer friendly where rent-seeking and production complement each other (Mehlum et al 2006: 3). On the other hand there are grabber friendly institutions where rent-seeking and production are competing activities (Mehlum et al 2006: 3). Grabber friendly institutions exist due to weak democratic institutions and a malfunctioning bureaucracy (Mehlum et al 2006: 3). They do not necessarily specify what kind of political system is more prone to grabber institutions. Their main concern is institutional quality. These grabber friendly institutions can emerge in democratic and non-democratic systems. With the possibilities of rent-seeking complementing production activities it allows one to start to think about how resources rich countries can perform much better even without sound democratic institutions. This implies that what is required are institutions that inhibit rent-seeking that does not complement production activities or that is detrimental to the economy as whole.

The observations above do not take into consideration the interaction of corruption and rent-seeking. Rent-seeking models are based on the assumption that resource rents are relatively easy to appropriate (Butle et al 2005: 1031). In turn, it leads to corruption, bribes, distortions in public policies and a diversion of labour away from productive activities to seeking public favours (Butle et al 2005: 1031). Butle et al (2005) points to the possibilities of rent-seeking determining the levels of corruption. Instead of viewing corruption as determined by the mere existence of resource rents, rent-seeking can be another determinant at work. The availability of resource rents can result in an increase of rent-seeking behaviour that in turn can have an effect on the levels of corruption (Leite and Weidmann 1999). These processes are not necessarily mutually exclusive. It is possible for rent-seeking and corruption to reinforce each other or interact in ways that lead to an increase in levels of the other.

Resource rents, Institutions and Economic Performance

In explaining economic outcomes, there is consensus that institutions matter. This is definitely crucial in resource rich countries as resource rents can have an impact on institutions or institutional development. Pioneering work by Sachs and Warner (1997) on the natural resource curse resulted in a wave of research that attempted to understand how natural resources can slow down economic growth. Many scholars have attempted to understand the channels through which natural resources can lead to economic stagnation. One area that has received attention is institutional context. Abundance of resource rents can shape the institutional context that in turn determines economy performance. Leite and Weidmann (2002) illustrated that there is no direct effect of resource wealth (read rents) on economic performance but there is an indirect effect. This indirect effect works through the levels of corruption that affect economic performance. Levels of corruption are an indication of the quality of institutions. Robinson et el's (2006) political economy model demonstrates that the impact of an injection of huge resource rents largely depends on the quality of political institutions and the degree of clientelism in the public sector. According to their model these variables have an impact on economic performance.

Scholars such as Luong and Weinthal (2006: 243) argue that institutional quality or capacity in resource rich countries is not necessarily determined by the resource rents, but by the ownership structure that each country adopts over its mineral resources. The interaction of a political system, democratic or non-democratic, with the resource rents does not have an effect on the institutions that emerge or their capacity. Contrary to most perspectives the political system has an effect on the ownership structure that will in turn determine the design and the capacity of institutions (Luong and Weinthal 2006: 243). In line with this argument, the ownership structure determines the institutions of restraint that might be adopted. This is not to say that the political system does not have an effect in the process. Rather, the proposition is that its effects are more pronounced in the phase where the country is choosing the method to develop its resources (the ownership structure) that will in turn determine the institutions that manage resource rents and the economy.

From an assessment of ownership structure in petroleum rich countries, Luong and Weinthal (2006: 244-245) identify four ownership structures: state ownership with control, state ownership without control, private domestic ownership and private foreign ownership. The type of ownership structure fosters different incentives for institutional building as different actors are involved and different state-business relations are established (Luong and Weinthal 2006: 246). For instance, in cases of state ownership with control (which a huge section of the literature posits is prevalent in most resource rich countries) the main actors are political elites and bureaucrats. Business-state relations are blurred and symmetrical, and their incentives for building discretionary institutions are likely to converge (Luong and Weinthal 2006: 246). Thus, institutions are likely to be weak in predictability, scope, and ability to restrain (Luong and Weinthal 2006: 246). As a result, corruption and rent-seeking can be pervasive in the management of resource rents. It suffices to argue that weak institutions of restraint are not a product of the interaction of a political system and resource rents per se, but rather a product of which actors owns them and controls their development. Plausibly, these actors are crucial in the establishment of institutions of restraint.

Resource Rents and Developmental States

The socio-political setting in SSA countries rich in mineral resources is such that performance of the resource sector has huge implications on the political sphere. This is due to dependence on the natural resource sector for overall economic performance. As such booms and busts caused by price fluctuations of commodities in international markets have to be managed with caution. Ensuring that resource rents are not wasted is especially important during a boom. However, one of the challenges that most SSA governments have to contend with is the management of the proceeds from mineral exploitation or resource rents. Effective management and efficient allocation of resource rents is crucial if a state is interested in diversifying the economy away from resource dependence, alleviating poverty or channeling the rents to support an infant manufacturing industry. This process of utilising rents requires an activist state that intervenes in the economy. This can be in the form of a developmental political state, of which a developmental state is a variant (Auty 2001b).

Developmental states or any form of state driven developmentalism that is based on direct intervention in the economy is generally viewed as ineffective. From a neoliberal perspective that emphasises the importance of a self regulating market, the state's role should be limited to enforcing property rights and providing public goods that would support the activities of a private sector. In addition, the market will regulate itself and allow allocative efficiency to take place. In line with this, a lot of critics have pointed out that a state is not an effective and efficient instrument for allocating resources in an economy. For instance, a common critique of the developmental state is that resources in the form of loans were channeled to industries that were not productive. Such inefficient allocation of resources has implications on the overall performance of the economy. Nevertheless, most political elites in SSA view the state as a key player in economic transformation. This is in part influenced by the success of the developmental state is East Asia that managed to forcefully intervene in the economy and create vibrant manufacturing industries without natural resources to fund this process.

Through that process huge sections of the population were lifted out of poverty. However, direct state intervention in the economy raises questions of corruption, rent seeking and other practices that result in the plundering of resources rents.

Resource rents can be a solution to capital deficit for most resource rich SSA countries. Accordingly, resource rich SSA countries have to avoid plundering the resource rents. On one hand, the main issue is whether resource rich SSA countries have the capacity to capture and recycle resource rents into domestic capital that can be used to diversify away from resource dependence. Relatedly, how can resource rich countries consume some of the rents efficiently in the form of provision welfare enhancing public goods without rapidly exhausting them. Moreover, it is widely accepted that most SSA states with resources are prone to elite capture. In these cases national resources are "privatised" in the sense that they are directed towards particularistic purposes and interests. These concerns are heightened when the state is directly involved in the rent process. The concerns stem from possibilities of a fusion between the state and the incumbent political party. This is more pronounced in dominant party democracies as this fusion can lead to corruption, rent-seeking and patronage politics. The question that needs to be asked is whether democracy and its attendant institutions can adequately account for the success in the two case studies deployed in this study.

Efficient allocation of resource rents, in resource rich countries has the potential of unlocking or aiding economic growth. As mentioned above, a developmental state can be a mechanism for efficient allocation of resource rents. Without repeating much, as the title of the research suggests there is need to restraint a developmental state: that is, its pursuit for economic development should be restrained. The logic behind this proposition is that centralised economic planning can be distorted to create opportunities for corruption, rent seeking and patronage activities. Corruption, rent-seeking and patronage produce states with state-society relations based on constituency clientelism, a bureaucracy that succumbs to social demands, a distributive fiscal policy and patterns of state economic intervention motivated by the need to provide side payments (patronage) rather than maximising economic development (Waldner 1999: 37). Such attributes are not conducive to efficient allocation of resource rents that can drive long-term economic development. However, how has the ruling elite particularly in Botswana and to some extent in Namibia, been able to construct a developmental state, which functions within parameters, yet still manage to effectively pursue its developmental objectives?

Democracy and the Construction of Developmental States

The previous sections have discussed recent literature on the benefits of democracy to the management of resources. However, a heterodox perspective on economic development argues that democracy can actually be detrimental to economic performance due to incentives it introduces. One of these incentives is short-termism amongst political elites. This short-termism encourages incumbent political elites to focus more on consumption to keep voters happy as a strategy for political survival. In resource economies various groups can lobby for the consumption of resource rents. Consequently, this diverts resources away from investment that is essential for long-term economic growth. These arguments have been presented to support the incompatibility of democracy and a developmental state (of which the Asian version was presided over by benevolent authoritarian regimes) or state directed developmentalism. Political elites in Botswana seem to have managed to construct developmental states while maintaining a democratic system.

To answer the question that was posed at the end of the last section, one has to borrow some theoretical insights developed to explain how ruling elites in East Asian managed to construct developmental states. A good starting point is Waldner's (1999) proposition in "State Building and Late Development". Waldner's (1999) vantage point is about elite conflict within a political system and how it determines the political-economic institutions that emerge. Waldner (1999) argues that developmental states emerged in Taiwan and South Korea (comparing with Syria and Turkey) because of an absence of high levels of elite conflict. This is whereby another elite group threatens an incumbent ruling elite. The conflict results in the mobilisation of popular support or building of cross-class coalitions by the incumbent ruling elites as a means of providing a social base and consolidating its rule. Contending elites mobilise popular support to create a social base.

Cross-class coalitions created by the incumbent regime are based on side payments, which produce states with state-society relations based on constituency clientelism, a bureaucracy that succumbs to social demands, a distributive fiscal policy and patterns of state economic intervention motivated by the need to provide side payments rather than maximising economic development (Waldner 1999: 37). Elite conflict results in incumbent regimes focusing on political survival at the expense of economic development. In South Korea and Taiwan there was low elite conflict and the incumbent regimes were not politically threatened. Accordingly, this gave them room to construct developmental states with the resources that were available.[3] In sum, the logic of the argument is that, a combination of state building and coalition building determines the attributes of the resulting political-economic institutions (Waldner 1999: 2).

In line with this argument, one can argue that political elites in Botswana and Namibia managed to build developmental states due the absence of elite conflict. A weak opposition has also contributed to low levels of elite conflict. Molutsi and Holm (1990) argue that the opposition in Botswana has been weak and disorganised. As result, this has allowed the ruling Botswana Democratic Party (BDP) to dominate the political landscape. Good (1994) adds that since independence there have not been opposition parties and social movements. Without any political threat it has been relatively easy to construct a developmental state in Botswana. In addition, the creation of a developmental state was inevitable in Botswana as ruling elite were convinced that direct state intervention in the economy and central planning was essential for unlocking economic growth and providing welfare enhancing public goods (Eriksen 2011: 6). Therefore, post independence economic transformation had to be directed by the state.

In Namibia, South West Africa's Organisation (SWAPO) has dominated the political landscape since the end of apartheid. As such the existence of a dominant party for over 20 years is indicative of the absence of elite conflict and suggests that the incumbent elites are politically secure. With political security, the elites have focused on long-term economic development without having to worry about political survival. Political security can result in ruling elites being tempted to plunder resource rents. A combination of political security and the size of the ruling elites can determine how the ruling elites distribute resource rents. Collier and Venables (2009) argue that when the ruling elite is small, the incentive is to distribute rents towards itself. Yet, in Botswana and to some degree in Namibia, this has not been the case. The elites have focused more on utilising resource rents

[3] For a critique of Waldner's (1999) proposition see Doner et al (2005). I have also used Waldner's (1999) exposition and that of Doner et al (2005) to understand the emergence of "Developmental Regimes" in Rwanda and Ethiopia in a dissertation titled "Systemic Vulnerability and the Emergence of Developmental Regimes in Africa: Comparative analysis of Rwanda and Ethiopia" (2015 at the School of Oriental and African Studies, University of London). For a general discussion on developmental states and the definition of a developmental state in relation to Africa see Mkandawire Thandika (2001).

efficiently and effectively. An important question to consider is which institutions have assisted in the efficient and effective utilization of resource rents?

CHAPTER THREE. MODELLING INSTITUTIONS OF RESTRAINT

Having discussed the literature and the main arguments that the study will advance. This section will provide the analytical framework: that is the independent variables and dependent variables. The variables will be operationalised qualitatively. In addition, the section will provide the case selection.

Independent Variables

The variables are potential institutions of restraint and have the potential to inhibit state and resource capture by political elites. They are also CDPIs, which coordinate the rent process, the crafting and implementation of developmental policies. CDPIs are part of the state bureaucracy and in many cases they play a hegemonic role.

1 **Democratic Institutions**: these will be operationalised as the robustness of rule of law, accountability and transparency within the political system of the two cases. They have the potential of restraining the state or those in charge of the state from making decisions that are motivated by political survival. Accordingly, the democratic institutions can ensure decisions are made in the interest of society. Moreover, this minimises corruption, rent-seeking or use of resource rents to fund patronage politics. To assess and measure the robustness of democratic institutions, a number of indications can be utilised. However, this study will rely on Kaufmann and Kraay's Worldwide Governance Indicators (WGI).[4]

The WGI uses a percentile ranking on the different dimensions of governance. Countries are ranked by percentile, with higher values indicating better ratings. For example, a percentile of 70 on a given dimension means that 70% of countries worldwide score worse, and 30% score better, than the country in question. Thus, the higher the number, the better the situation on that particular dimension. Regardless of its comprehensiveness it has to be complemented by secondary data due to limited time frames. I will also use secondary data such as journals, books and research papers to trace and assess the robustness of democratic institutions overtime. The robustness of democratic institutions has implications on

[4] "These aggregate indicators combine the views of a large number of enterprise, citizen and expert survey respondents in industrial and developing countries. They are based on over 30 individual data sources produced by a variety of survey institutes, think tanks, non-governmental organizations, international organizations, and private sector firms" (Kaufmann and Kraay 2016).

governance [5] and government effectiveness (see definition of government effectiveness below). In addition, democratic institutions have an effect on whether the bureaucracy becomes insulated and autonomous. Furthermore, whether a bureaucracy is insulated or not and autonomous, has bearing on the functioning of CDPIs.

2 **Insulated and Autonomous Bureaucracy:** this is the functioning of state bureaucracy, which is responsible for management of proceeds from mineral resources. It is operationalised through government effectiveness as defined by the WGI: that is a combination of quality of public services, capacity of the civil service and its independence from political pressures; and quality of policy. Accordingly, it has to do with professionalism and in particular the ability of the bureaucracy to resist political influence. This entails that decision-making powers are detached from ruling elites. In relation to the core of this study, resource rents are governed according to the law and directed towards development priorities and political elites do not influence the process.

3 **Centralised Development Planning Institutions:** this will be operationalised as a hegemonic planning institution(s), which coordinates development related policy making across state sectors to allow synchronisation of policies. In addition, the institution (s) directly or indirectly oversees the rent process. As alluded to, CDPIs are part of the state bureaucracy but the justification for making it an independent variable is that arguably most bureaucracies are characterised inefficiencies and "pockets of efficiency". In other words, not all parts of the bureaucracy are efficient but a CDPI is usually an efficient organ (a pocket of efficiency) in most developmental states. Since there are no indicators that measure the functioning of CDPIs, as they are part of the bureaucracy, I will rely on other scholars' research and secondary data from journals, books and research papers.

Dependent Variable

Economic Outcomes: in this study the major component of economic outcomes is linked to absence of corruption, rent-seeking and patronage politics in the rent

[5] In the WGI Kaufmann and Kraay (2016) define governance as "traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them".

process. In addition it is linked to how resource rents a consumed, utilised and distributed. As such, it is related to economic outcomes such as provision of welfare enhancing public goods, investment, foreign reserves and economic performance. These economic outcomes can be proxies for evaluating resource governance within the cases. I will attempt to utilise a combination of indicators. I will use the Word Bank development indicators for general assessment of economic performance. Equally important, the study will rely on secondary data that has focused on how resource rents have been consumed, utilised and distributed. This will be linked specifically to verifiable outcomes such as provision of public goods, reserves and investments.

Case Selection

There are a number of potentially relevant cases for this study. Countries with resources such as diamonds, oil and gas or which are viewed as resource rich are potentially relevant for this study. For instance, countries with mineral endowments such as Angola, Uganda, the Democratic Republic of Congo, Gabon, Sudan, South Sudan and Ivory Coast can potentially be part of the study. However, in the literature these countries lack institutions that have restraining capacity such as democratic institutions or CDPIs. In some cases CDPIs have become tools for the ruling elite to pursue political and economic interests. In short, there are no meaningful restraints in the political system. The crux of the research is to do an institutional analysis of institutions of restraint in countries that have been successful in managing their resource rents. Botswana and Namibia qualify as such. The two countries have successfully embarked on a resource rent driven economic growth and developmental process. Botswana has been the focus of many studies of resource led development and its trajectory is presented as a model for many SSA countries. Namibia has gradually followed a similar trend but the two countries have different resource governance architectures. Correspondingly, the two cases provide one with an opportunity to engage in a comparative analysis, teasing out the similarities and differences.

CHAPTER FOUR. BOTSWANA: DIAMONDS, DEMOCRACY AND DEVELOPMENT

BACKGROUND

Before attempting to explain resource governance in any country, it is necessary to understand the political system, the structure of the economy and the importance of resource rents. Having attained independence from the British in 1966, Botswana became one of the most stable democracies in SSA. Since independence the Botswana Democratic Party (BDP) has dominated the political landscape. This has prompted some political commentators to refer to Botswana as a one party state through elections (Tsie 1996: 600, Jerven 2010: 64). What explains its dominance is elite formation after independence and the composition of the ruling elite. The ruling elite has largely been the economic elite, in particular cattle owners (Good 1994: 499). The formation of the BDP was a fusion of political and economic elites (Hillbom 2010: 209). Cattle owners were the economic elite, because ranching was the main economic activity that the colonial administration supported. In addition, ranching was the main driver of the economy before the discovery of diamonds. Furthermore, cattle owning was the main source of wealth and prestige. As a result, economic elites were at the forefront of political processes.

The dominance of the BDP is explained by its alliance (or ruling coalition) that is composed of political elites, top civil servants, cattle owners, traditional leaders and the rural populace. The rural populace is to a larger extent dependent on cattle owners and chiefs (Tsie 1999: 604, Hjort 2010: 694, Poteete 2009: 557). The mutuality of interests within the alliance, and between the dominant and dominated classes, enabled Botswana to adopt a more democratic political system rather than a one party state (Samatar and Oldfield 1995: 668). Its leadership had broad legitimacy because the founding leader Seretse Khama was an heir to chieftainship (Hjort 2010: 694). Moreover, the interests of the different groups were going to be served by a strong state. As such, it allowed the BDP to construct a political party that had broad support, which in turn legitimised the new state. Nevertheless, most scholars single out the importance of cattle owners in the alliance. Cattle owners wanted an effective state that would ensure access to lucrative markets, such as the European market, for their beef (Eriksen 2011). The importance of cattle owners and their interest in policies is reflected in the composition of the national parliament. From the 42 members of parliament in the first three parliaments, no less than 27 were large or medium cattle owners (Eriksen 2011: 11, Hillbom 2008: 208). This brief background provides an overview of the political system and the main actors. Most importantly, it demonstrates why the BDP has managed to win all elections since independence. The BDPs electoral victories had implications on democratic institutions and how the state functioned.

At independence Botswana was one the poorest countries in world with a per capita income of about $ 70 (Word Bank 2016). The main economic activity was cattle ranching and beef exports were the main source of revenues. In addition, it also received some revenue as a member of the South Africa Customs Union (SACU). At independence Botswana did not have social and economic infrastructure: a few schools, clinics and other public services. This has changed over time due to the discovery of diamonds. Botswana started to capture a substantial amount of diamond rents in the 1970s when the government renegotiated the ownership structure with De Beers in 1969. The new agreement was based on equal partnership and as a result the government retained 50% of the profits compared to the 85%: 15% structure in favour of De Beers. By becoming an equal partner in the venture, the government boosted its revenue retention through higher taxes. The partnership led to the creation of Debswana, which dominates the diamond industry but does not have a legal monopoly. This ownership structure resembles state ownership without control but still places the state at the centre of the rent process.

DEMOCRATIC INSTITUTIONS

One political party has dominated the democratic system in Botswana and this calls into question the robustness of its democratic institutions. As already established in the discussion thus far, new research lends support to the argument that democratic institutions are adequate in restraining the state and the ruling elite from engaging in corruption, rent seeking and patronage. The robustness of democratic institutions can be instrumentalised to assess the overall governance context of a country and this can be indirectly linked to resource governance. Noteworthy is that there is a debate on what is the reliable method of measuring or assessing governance. The debate revolves around whether governance should be understood by attributes (measured by process indicators) or also by its impact (measured by outcome indicators) (McFerson 2009a). Another issue to take into account is the assumption that in a democratic system there is generally good governance, which leads to good policies and outcomes. This is mainly explained by the existence of rule of law, accountability and transparency. Yet, sometimes it is quite possible for bad policies or decisions to come out of transparent and accountable processes (and for good policies to emerge out of non-transparent and unaccountable processes). This argument provides us with an entry point into discussing the robustness of the democratic institutions in Botswana and their capacity to contribute to control of corruption, curbing rent-seeking and patronage politics.

Rule of Law

Kaufmann and Kraay (2016) define the rule of law as "the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence". This is a very comprehensive definition that captures the intricacies of rule of law in a country. The WGI has indicators from 1996 to 2014; hence it is difficult to assess the robustness of rule of law since Botswana started receiving huge amount of resource rents in the 1970s. Consequently, the only option that is viable is to use secondary data to assess the period before 1996.

In accounting for the economic performance in Botswana, most scholars generally agree that the country's good economic policies and the economic performance reflect its institutions (Acemoglu 2003, Hjort 2010). Acemoglu et al (2003) call these institutions "institutions of private property", and rule of law is part of these institutions. Acemoglu et al (2003) argue that since independence the ruling elite had an interest in strong institutions that would undergird its developmental efforts. The political culture since independence gave the ruling elite a strong incentive to invest in state capacity and rule of law had to accompany this capacity (Hjort 2010: 695). An injection of resource rents did not negatively affect the political system, which could have indirectly affected the rule of law. By the time resource rents started flowing, the ruling elite had already started building a relatively democratic system and efficient institutions (Acemoglu 2003: 105). Relatedly, the surge in resources could have reinforced a process that was already underway.

When institutions limit the powers of rulers, how they can exercise power and most importantly the range of distortionary policies that they can pursue, good policies are likely to be crafted and implemented (Acemoglu et al 2003: 103). The ruling elite realised that a limitation on how power was used would encourage investors such as De Beers to plant money into the development of diamond mining in the long-term. On one hand the dependence of the new state and the ruling elite for legitimacy on economic performance required rule of law that would ensure the flow of investment into the prospecting, development and extraction of diamonds. On the other hand, rule of law was essential to restraint various agents from engaging practices that would result in the plundering of resource rents when they start flowing. Regardless of the commitment to the rule of law a few cases of corruption and mismanagement emerged in the 1990s that involved some members of the ruling elite (Good 1994).

Even though these scandals were made public, those that were involved were not made to account for their actions. The government only responded with the establishment of the Directorate of Economic Crime and Corruption (DECC). The DECC has the authority to report cases of corruption directly to the president. The establishment of such an institution demonstrated a commitment to rule of law and good governance. The constitution also makes the attorney general independent of the government and politicians. According to Limi (2006: 11) these two mechanisms have provided Botswana with a conducive environment for proper resource management. Given the interests of the ruling elite, it is plausible that rule of law has been relatively maintained since independence. Table[6] 1 and Figure 1 below shows that rule of law in Botswana has been improving generally since 1996 but the trend requires some assessment. In 1996 it scored 62.68 the lowest and in 2014 it scored 74.04 which is the highest thus far. The average score from 1996 to 2014 has been 68.33. The developers of the index suggest users to assess changes over long periods of time. Therefore, it is safe to conclude that rule law has been generally robust.

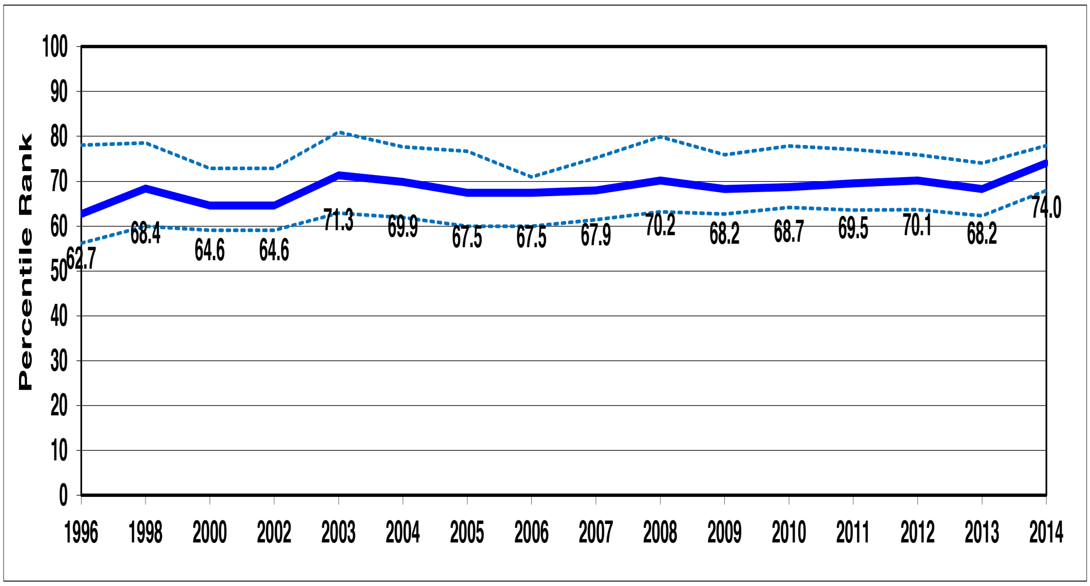
[6] Tables sourced from the Kaufmaan and Kraay (2016) show country scores. Country scores range from a worst of –2.5 standard deviations from the worldwide mean of zero to a best of +2.5 standard deviations.

Table 1. Botswana, 1996-2014, Aggregate Indicator: Rule of Law

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Rule of law	**Botswana**	1996	5	0.50	**62.68**	0.21
		1998	7	0.58	**68.42**	0.21
		2000	7	0.53	**64.59**	0.17
		2002	10	0.50	**64.59**	0.17
		2003	10	0.67	**71.29**	0.17
		2004	11	0.64	**69.86**	0.16
		2005	11	0.60	**67.46**	0.15
		2006	13	0.58	**67.46**	0.14
		2007	13	0.61	**67.94**	0.15
		2008	14	0.66	**70.19**	0.14
		2009	14	0.65	**68.25**	0.14
		2010	14	0.67	**68.72**	0.14
		2011	14	0.66	**69.48**	0.14
		2012	14	0.65	**70.14**	0.14
		2013	15	0.59	**68.25**	0.13
		2014	14	0.63	**74.04**	0.14

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 1. Botswana, 1996-2014. Aggregate Indicator: Rule of Law



Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

Transparency and Accountability

Kaufmann and Kraay (2016) combine transparency and accountability under voice and accountability. Voice and accountability captures "the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media" (Kaufmann and Kraay 2016). This draws attention to whether elections are competitive, free and fair. Electoral competition renders political elites vulnerable to perceptions of the voters (Bueno de Mesquita 2001). Accordingly, to retain political power they have to abide by governance principles that are in the interests of the huge sections of society (Bueno de Mesquita 2001). This includes effective management of resource rents, provision of welfare enhancing public goods and good management of the economy. Ineffective use of resource rents in a political system that allows the public to scrutinise the government can be electoral suicide for incumbent political parties. For instance, rampant corruption and rent-seeking can undermine the prospects of retaining power. Therefore, elections are an important process for ruling elites as the electorate can punish them for bad governance (Collier and Hoeffler 2009).

Voice and accountability as defined by Kaufmann and Kraay (2016) provides one to take into whether citizens have the space to scrutinise the government and its operations. This can ensure that the government and ruling elites are transparent and accountable in the management of resource rents. For instance, a free media can publicise corruption scandals, unsustainable policies or patronage practices. This is also made possible by the existence of freedom of speech. Overall, without monitoring by citizens and a process that allows citizens to select and replace those in power, resource rents tend to be dissipated. However, McFerson (2009b: 1531) cautions that in and of themselves, freedom of expression and civic participation are insufficient to produce genuine political representativeness.

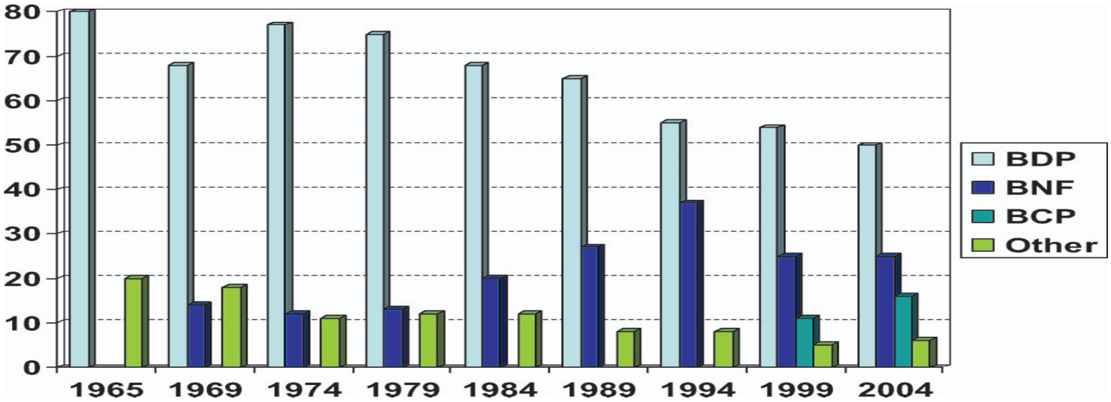
Since independence elections in Botswana have been deemed free and fair even though the BDP has won all the elections. Parsons (1993: 79) avers that since the 1974 elections, electoral competition has increased and the BDP has lost some important seats. This section will attempt to assess this development. From 1969 the main opposition party has been the Botswana National Front (BNF).[7]

[7] Other political parties that have emerged include the Botswana Labour Party (BLP), Lesedi-La-Botswana (Light of Botswana) and the Independence Freedom Party (IFP), Botswana Congress Party and UDC

According to Tsie (1996: 608), in 1969 the BNF, which was not popular in most regions (especially the Southern Districts) and managed to win 3 seats (Kanye North, Kanye South and Ngwaketse west). The victory came barely four years after the BNF was established. During the 1974 elections the BNF lost Ngwaketse west to the BDP but continued to retain Kanye North and South, until it lost the seats in 1984 to the BDP (Parson 1993: 77). In 1989 elections the BNF continued its trend of capturing the votes of those disgruntled with the performance of the BDP. It managed to capture 27% of the total votes and only 3 seats (Parson 1993: 65). However, in 1994 the BNF increased its clout by winning Gaborone North, Gaborone South and Okavango constituencies. By 1994 the BNF had become even much more stronger. It fielded 39 parliamentary candidates and won 13 seats out of 40. The 1994 elections enabled the BNF to increase its vote share from 29% in 1989 to 37% in 1994. These elections, according to Tsie (1996: 609) ended the dominance of the BDP and the BDP was shaken.

The BNF split in 1998 and this led to the formation of the Botswana Congress Party (BCP) (BCP 2016). The BCP has relatively managed to attract supporters since its formation. In its first election in 1999 it managed to garner 11 % of the popular vote and one seat (BCP 2016). The 2004 elections saw the BCP increasing its popular vote to 16% but only managed one seat (BCP 2016). However, after 2004 it had representation in 8 districts or town councils (BCP 2016). Elections in 2009 saw the BCP close in on the BNF as it increased its seats to 4, while the BNF won 6 seats (Eisa 2009). In 2012 a landmark development took place as the Umbrella for Democratic Change (UDC) was formed (The Patriot on Sunday 2015). The UDC is an alliance between the BNF, Botswana Peoples Party (BPP) and Botswana Movement for Democracy (BMD). UDC's formation has prompted political pundits to argue that it might take power from the BDP by 2019 (The Patriot on Sunday 2015). This could be possible considering its performance during the 2014 elections that were argued to be very competitive. The BDP won 37 seats, the UDC trailed with 17 seats and the BCP won 3 seats (EISA 2014). This is the first time that the BDP has won elections without a 50% or more of the vote share. According to EISA (2014) the voter turn out in the 2014 elections was about 84.75%, which shows that people do participate in elections. The turn out has increased over the years, from 21% in 1974 to 37% in 1979, and then to more than 50% in elections held in the 1980s (Holm 1993: 92). The results of 2014 are indicative of an increase in electoral competition and that the era of one dominant party could be ending. More importantly, is that the citizens are free to chose the government nationally and locally. Figure 2 below shows the vote share of different political parties between 1965 and 2004.

Figure 2. Votes shares in parliamentary elections, 1965-2004



Source: Poteete (2009)

Elections are once off events that can be misleading as evidence for the participation of the masses in politics. Elections are just one strand of participation in politics. A closer reading requires one to take into account continuous participation of the masses in socio-political issues. Constant participation of the masses is essential as this is the route through which check and balances are provided in a political system (Collier and Hoeffler 2005). In other words, the participation of the masses is how ruling elites are made accountable and transparent in how they govern. This is fundamental in resource rich countries where corruption, rent-seeking and patronage are inevitable if there are no avenues for providing checks and balances. Writing in the 1990s Good (1994: 518) argues the masses in Botswana participate as voters once every five years and not usually otherwise.[8] In addition, the masses were to a larger extent dis-engaged from political processes and did not make demands from ruling elite (Good 1994: 518). Furthermore, this incapacity to make demands extended to the institutions tasked with making demands from the government (Good 1994: 518). Holm (1993: 92) echoes similar sentiments that the increase of voters in Botswana is not reflective of the emergence of a participant stratum that is engaged in daily political processes and that makes demands from the elected officials.

Table 2 and Figure 3 below show Botswana's performance on Voice and Accountability since 1996. Generally the results suggest that there has been a

[8] See Good (1992) on a discussion about how Botswana is an elite democracy.

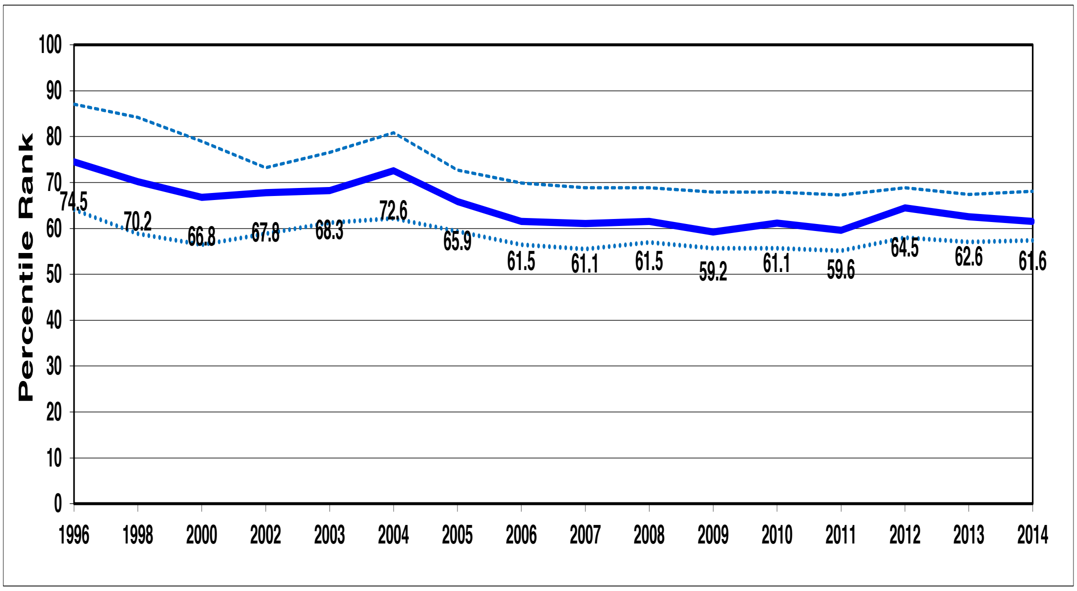
decrease in this governance dimension over the years. Consequently, the results are analogous to the argument made by Holm (1993) that an increase in voter turn out does not necessarily translate to mass participation of the citizens. It is also worth noting that Botswana has enjoyed democratic rule in the sense of a multiparty system with regular elections. However, the ultimate test for a democracy is whether or not the dominant party will peacefully relinquish power if it loses an election. As elections are becoming more competitive, a defeat for the BDP will be a crucial moment for Botswana's democracy.

Table 2. Botswana, 1996-2014, Aggregate Indicator: Voice and Accountability

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Voice and Accountability	**Botswana**	1996	5	0.87	**74.52**	0.22
		1998	5	0.73	**70.19**	0.23
		2000	6	0.64	**66.83**	0.21
		2002	9	0.65	**67.79**	0.17
		2003	10	0.69	**68.27**	0.16
		2004	11	0.73	**72.60**	0.16
		2005	13	0.57	**65.87**	0.15
		2006	15	0.49	**61.54**	0.13
		2007	15	0.48	**61.06**	0.13
		2008	15	0.48	**61.54**	0.13
		2009	15	0.42	**59.24**	0.13
		2010	15	0.44	**61.14**	0.13
		2011	15	0.40	**59.62**	0.13
		2012	15	0.50	**64.45**	0.12
		2013	16	0.47	**62.56**	0.11
		2014	13	0.44	**61.58**	0.12

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 3. Botswana, 1996-2014: Aggregate Indicator: Voice and Accountability



Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

INSULATED AND AUTONOMOUS BUREAUCRACY

Developmental states are generally argued to have an insulated and autonomous bureaucracy. The effectiveness and efficiency of the bureaucracy determine the implementation of policies. In addition, the efficiency of the bureaucracy is also depended on whether it succumbs to political pressure, either from politicians or the society at large. Succumbing to political pressure can result in ineffective and inefficient functioning of the bureaucracy that can breed corruption, patronage and rent-seeking. In SSA after independence most ruling parties rushed to localise the bureaucracy and this led to dismal government performance. The localisation of the bureaucracy was also part and parcel of rewarding key political clients and supporters. Therefore, it made the bureaucracy prone to political interference. The BDP did not rush to localise the bureaucracy because it did not have educated people as replacements (Taylor 2005: 51). Instead, it retained most of the colonial bureaucrats while gradually training locals. To guide the following section, two interrelated questions are worth posing: is there tension between the operational logic of a democracy (democratic institutions) and that of an insulated and autonomous bureaucracy? Stated differently, is it possible to have an autonomous and insulated bureaucracy within a democratic system?

The economic success of Botswana and as in other developmental states has been attributed to the insulated and autonomous bureaucracy, which to a larger extent is credited as efficient and effective in policy implementation. Taylor (2005: 46) argues that Botswana's success, as a developmental state is located in its professional bureaucracy that has implemented policies effectively and efficiently. Theoretically the role of the bureaucracy in policymaking is straightforward. The bureaucracy is supposed to provide information and expertise for the politicians to utilise in the process of policymaking. In addition, its principal role is to implement policies that have been formulated by elected representatives. However, a closer look at the role of the bureaucracy is Botswana evince a different picture augments the argument that this study seeks to advance.

Before discussing the nature of the bureaucracy in Botswana, it is essential to establish how it became autonomous and insulated. At independence the civil service was the only state organ that possessed the skills and expertise in policy making. Due to the weakness of other state institutions, there was a vacuum that allowed the bureaucracy to grow and become dominant in Botswana's political economy (Somolekae 1993: 119). The major principles that the new state inherited were civil service autonomy, neutrality and long-term career tenure. From the literature on developmental states clear that such attributes contributed to the effectiveness and efficiency of a bureaucracy. With the discovery of diamonds that became the main source of revenues and capital for investment, the bureaucracy became an important organ in the management of the diamond rents.

A sudden injection of resource rents into the economy required careful policy implementation that would inhibit wastage by pursuing unviable developmental projects and investments. To perform such a task, the bureaucracy went through an expansion in scope and complexity. The expansion was prompted by the realisation that planning on its own was inadequate and it had to be complemented by proper implementation (Sebububudu 2005: 81). This positioned the bureaucracy that was staffed with expatrites as a dominant player in policymaking and implementation. Gunderson (quoted in Danevad 1993: 104) argued that the BDP ruled but policymaking was directed by the expatrites who controlled the bureaucracy. Arguably, the politicians were subjected to bureaucrats. This echoes similar observations made in relation to Asian developmental states where the politicians reign and bureaucrats rule. Hence, from independence the bureaucracy was very influential in policy making and implementation. It is important to highlight that the observations concerning the relationships between politicians and bureaucrats were valid in the 1970s. Yet, it is reasonable to expect this pattern to have been maintained over the years.

Due to the dominance of the bureaucracy in policymaking it is safe to suggest that it has been insulated from societal pressure and autonomous from ruling elites. According to Taylor (2005: 51) Botswana maintained a strong, autonomous and effective bureaucracy by ensuring the planning bureaucrats are insulated from societal pressure, employing expatrites and by training locals. In addition, the expatrites were detached from society and this culture became embedded in the bureaucracy. Moreover, the efficiency of the bureaucracy was enhanced by the recruitment strategy. Entrance into the bureaucracy and promotion was based on qualifications and merit (Sebudubudu 2005: 82, Good 1992: 88). Considerable attention was accorded to placing well-qualified people in key positions and retaining them for extended periods (Good 1992: 74). This is in line with the recruitment strategies in other developmental states. Interconnected to this was the creation of policy analysis capabilities that was driven by the planning staff involved in budgetary and economic planning (Sebudubudu 2005: 84). These mechanisms allowed the government to build capacity within key ministries and line ministries (Sebudubudu 2005: 84). Subsequently, it led to the creation of a bureaucracy that was competent, efficient and largely non-corrupt. Since independence a bureaucratic apparatus that was effective and efficient was recognised as vital for state led development (Eriksen 2011). In sum, most scholars agree that the bureaucracy, in Botswana since independence, has been effective in most aspects and government performance has been impressive.

CENTRALISED DEVELOPMENT PLANNING INSTITUTIONS

Developmental states have CDPIs or "pilot agencies" that direct and plan economic affairs. The CDPIs are effective in their mandate and in most developmental they are the core of the bureaucracy. As Leftwich (1995: 411-412) puts it, economic coordination in developmental states has been driven by specific institutions whose main objective is to ensure constant interaction between the state and the economy. Several scholars emphasise the core-position of the Ministry of Finance and Development Planning (MFDP) in the Botswana's bureaucracy. Samatar (1999:85) described the MFDP, established in 1970, as the institutional brain of economic policy-making and dominated all other ministries. It is this dominance, effectiveness and its coordination role that I want to argue gave the MFDP a restraining capacity. Given that when Botswana discovered diamonds democratic institutions were not yet institutionalised (and state institutions were new and fragile) it provided space for a CDPI to provide the restrains that were necessary in the management of resource rents.

Some scholars assert that to understand the success in resource management in Botswana we have to look at the process of political coalition building not necessary state development. One of these scholars is Poteete (2009: 546) who argues that the success in managing resource rents in Botswana cannot be attributed to the extent of past state development without stretching the concept beyond recognition. Accordingly, Poteete (2009) proposes that the political coalition of the BDP explains its success before the institutionalisation of state institutions and democracy. Contrary to Poteete's (2009) proposition, I want to suggest that the bureaucracy and in particular the MFDP was well equipped and staffed with expatrites and former colonial administrators that were competent enough to ensure good management of resource rents before the institutionalisation of the state and democracy.

The dominance that was made possible by the vacuum that existed at independence allowed the MFDP to become the epicentre of economic planning. It is crucial to provide a few arguments that illustrate that the MFDP had (and still has) a dominant position in Botswana's political economy. According to the National Development Plan (NDP) II of 1970-1975 the MFDP is the institution that plans, coordinates, monitors and ensures that economic projects that are being implemented are not only in line with the NDP but are budgeted for (Republic of Botswana 1970 cited in Danevad 1993). In addition, the MFDP does not only oversea the implementation of projects but provides economic advice to the government and other ministries (Republic of Botswana 1970 cited in Danevad 1993). In line with this, Colclough and McCarthy (1980:91) observed that other ministries could exercise little initiative without the MFDPs approval. Danevad (1993: 68) adds that the present strength of the MFDP is not only reflected in the organisational set-up; the fact that Quett Masire after independence both headed the MFDP and served as Vice President, has enabled the MFDP to develop as a stronghold in the bureaucracy. These observations by different scholars testify the dominance of the MFDP in Botswana's political economy. The question that needs to be asked is how does this dominance impact the functioning of democratic institutions? Or is possible to have such a CDPI without it undermining democratic institutions?

Without underestimating the role of the bureaucracy and in particular the role of MFDP in Botswana's development, the overall picture suggests that it has had implications on democracy in general. The discussion on insulated and an autonomous bureaucracy has established that the bureaucracy dominated policy-making. The dominance of the MFDP and other agencies within the bureaucracy runs contrary to democratic principle of having elected representatives formulate policy. The relationship between the bureaucracy and the elected representatives is theoretically straightforward. Elected representatives formulate policy and the bureaucracy implements it. Yet, the empirical observation in many countries, including Botswana, shows this is not the case.

On the one hand, the separation between bureaucrats and politicians allows bureaucrats to make political decisions without having to be held politically accountable for their actions. On the other hand the separation also benefits politicians by allowing politically sensitive decisions to be made by individuals who do not have to face the electorate. Moreover, this separation does allow decisions to be made without interference from the masses that can demand changes to policies if they affect them or do not benefit them. What this suggests is a contradiction between democracy and an insulated and autonomous bureaucracy. Acknowledging this contradiction, I want to suggest that the autonomy of a CDPI is a mechanism through which it becomes an institution of restraint. In other words it allows a CDPI to provide check and balances when and if democratic institutions are sidelined due the dominance of the bureaucracy.

CDPIs as bureaucracies tend to be based on different operational logics compared to democracy and its institutions. Democracy and its attendant institutions are based on representation, transparency and accountability; while CDPIs emphasise economic efficiency and effectiveness. In addition, CDPIs are based on rules and regulations, rationality and expertise. The mere fact that they are centralised suggests that those who are deemed qualified to make decisions guide decisions made by CDPIs. Therefore, the tension between democracy and CDPIs is inevitable. According to Somolekae (1993: 115) problems arise when the bureaucracy (read CDPI) becomes too powerful, dominate decision-making and has the capacity to exempt itself from democratic accountability.

Several scholars have illustrated that this was and is the case in Botswana since independence (Somolekae 1993, Tsie 1996, Samatar 1999, Holm 1996). Holm

(1996: 97) argues that lack of democratic accountability over the state bureaucracy, including the MFDP, has been a central feature in Botswana's development. Without being subjected to democratic accountability, the bureaucracy and mainly the MFDP sidelined democratic institutions in resource rent management. This is not to suggest that democratic institutions were or are not essential. The argument that this study seeks to advance is that the lows levels of corruption, rent-seeking, and patronage; and the economic outcomes that Botswana has managed to register over the years can only be adequately explained by taking into account the central role played by MFDP. In other words, the MFDP provided restrains that explain Botswana as a success story. This is the key to reconceptualising institutions of restraint by taking into account the possibility of an interaction between democratic institutions and CDPIs. The next section will focus on economic outcomes that illustrate the importance of institutions of restraint in the management of resource rents.

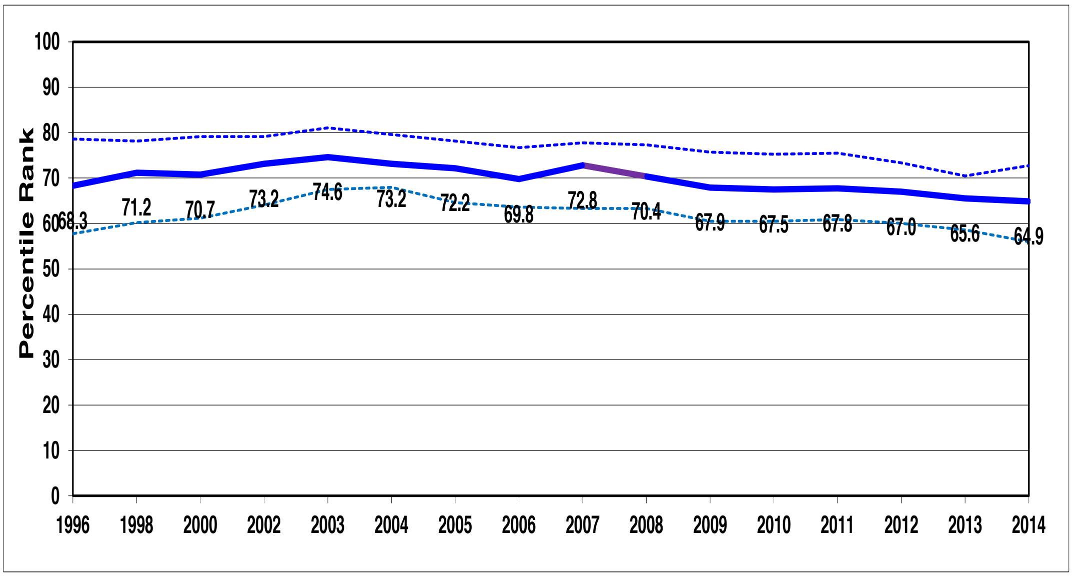
Kaufmann and Kraay (2016) define government effectiveness as "the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies". The analysis above suggests that since independence the government has been effective in discharging its duties, particularly policy implementation. Table 3 and Figure 4 below show government effectiveness from 1996 to 2014 according to WGI.

Table 3. Botswana, 1996-2014, Aggregate Indicator: Government Effectiveness

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Government Effectiveness	**Botswana**	1996	3	0.47	68.29	0.22
		1998	5	0.50	71.22	0.25
		2000	5	0.51	70.73	0.20
		2002	8	0.59	73.17	0.21
		2003	8	0.73	74.63	0.17
		2004	9	0.64	73.17	0.17
		2005	9	0.66	72.20	0.17
		2006	11	0.52	69.76	0.17
		2007	11	0.59	72.82	0.18
		2008	11	0.56	70.39	0.18
		2009	11	0.48	67.94	0.18
		2010	11	0.46	67.46	0.18
		2011	11	0.48	67.77	0.18
		2012	10	0.45	66.99	0.19
		2013	11	0.37	65.55	0.18
		2014	11	0.32	64.90	0.19

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 4. Botswana, 1996-2014: Aggregate Indicator: Government Effectiveness



Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

An assessment of government effectiveness over a long period, it is safe to conclude that government effectiveness, in the period covered by the indicators, has been declining. Yet, comparing it with other SSA countries Botswana has been performing much better. Institutional coherence has been an important factor for government efficiency and capacity to insulate itself from societal pressures (Danevad 1993: 67). Respectively, one can safely conclude that overall, government effectiveness in Botswana has been maintained over the years. Having discussed the overall performance of the bureaucracy, the study moves in the core area of the argument: that CDPIs can be part and parcel of a restraining framework. The following section will rely mainly of the qualitative assessment that other scholars have made. It will also make an assessment of the role of the MFDP as a CDPI and its capacity to restrain the state and other agents in the economy.

ECONOMIC OUTCOMES

The previous discussion laid out the important role the MFDP played in Botswana's political economy. It illustrated ways in which as CDPIs, the MFDP had room to provide restraints. To reiterate, the dominance of the MFDP in policy making, its autonomy from political intrusion and arguably its exemption from democratic accountability allowed it to play a restraining role in conjunction with economic planning. I want to illustrate some of the ways in which the MFDP provided restraints, particularly in relation to utilisation and distribution of resource rents. Collier and Hoeffler (2009) provide us with a good starting in understanding how CDPIs can provide restraints. Collier and Hoeffler (2009: 305) argue that what is required in resource rich countries is a democracy that has strong checks and balances relative to electoral competition. From their argument one can surmise that electoral competition is not adequate in providing restrains. Collier and Hoeffler (2009) add that the checks and balances are a public good that can only be provided by citizens only when they are prompted to do so through taxation. However, in relation to Botswana, Collier and Hoeffler (2009) suggest that the reason why checks and balances have been maintained is a combination of factors that include uninterrupted democracy since independence and the legal (read rule of law) and bureaucratic procedures.

The most important institutional aspects in resource rich countries are control of corruption, rule of law, the competence of the state and particularly the bureaucracy (Brunnschweiler 2008, Limi 2006). These aspects are interconnected.

Low levels of corruption in an economy is indicative of how well the economy is managed. Hence, institutional quality is often controlled by using a measure of corruption (Brunnschweiler 2008: 403-404). Corruption enfeebles institutions such as the rule of law and this in turn weakens CDPIs. This study seeks to extend the proposition that bureaucratic procedures have provided restraints in the management of resource rents in Botswana. In fact bureaucratic procedures have been more decisive in providing restraints. This is apparent when one considers the role played by the MFDP in relation to the spending of resources rents, curbing corruption, rent-seeking and patronage politics. Moreover, if one consider that there has been a modicum of elite capture in Botswana it becomes apparent that MFDP as a CDPI with competence and professionalism has been the main pillar of restraining the state from pursuing unsustainable policies or policies motivated by patronage concerns.

Control of Corruption, Rent-Seeking and Patronage

From the literature and research on Botswana, what emerges is that corruption has been under control. Corruption is not systematic within the economy and it is not an epidemic as compared to other resource rich countries in SSA (Tsie 1996, McFerson 2009a, Auty 2001, Acemoglu 2003, Good 1994). Good (1994) characterised corruption in Botswana as an elite phenomenon that is present in certain spheres of the economy.[9] In addition, rent-seeking and patronage have been kept checked, although a few cases of rent-seeking involving the elite emerged in the 1990s. Let us look a control of corruption first. Kaufmann and Kraay (2016) define control of corruption as “the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as ‘capture’ of the state by elites and private interests”. Table 4 and Figure 5 below show how Botswana performs in the WGI on control of corruption.

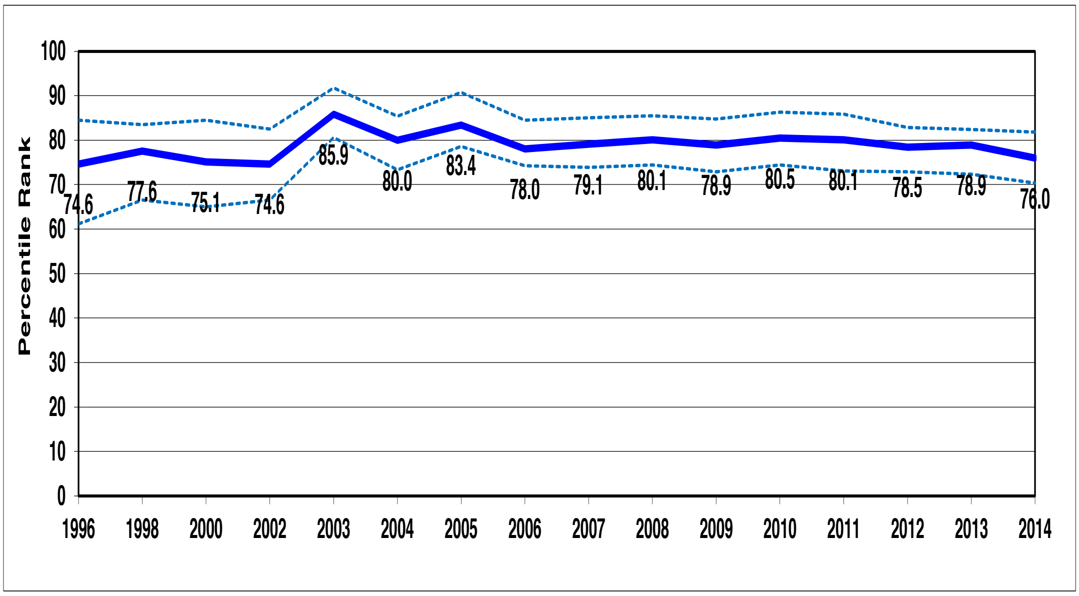
[9] For a discussion on corrupt activities among the elite in Botswana see Good (1994)

Table 4. Botswana, 1996-2014, Aggregate Indicator: Control of Corruption

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Control of Corruption	**Botswana**	1996	3	0.59	74.63	0.30
		1998	5	0.71	77.56	0.20
		2000	5	0.67	75.12	0.24
		2002	7	0.61	74.63	0.18
		2003	8	1.25	85.85	0.19
		2004	9	0.88	80.00	0.17
		2005	9	1.14	83.41	0.18
		2006	11	0.90	78.05	0.15
		2007	11	0.94	79.13	0.16
		2008	11	0.99	80.10	0.15
		2009	11	0.92	78.95	0.16
		2010	11	1.00	80.48	0.16
		2011	11	0.98	80.09	0.16
		2012	11	0.92	78.47	0.15
		2013	12	0.91	78.95	0.15
		2014	12	0.80	75.96	0.14

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 5. Botswana, 1996-2014: Aggregate Indicator: Control of Corruption



Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

Table 4 and Figure 5 above demonstrate that corruption has been largely controlled in Botswana. Even though the indicators cover 1996 to 2014, the results allows one to conclude that corruption has been largely under control since resource rents started to flow into the economy. What does not come out explicitly in literature on Botswana's ability to control corruption is the role of the MFDP. The literature attributes low levels of corruption in Botswana to the democratic system and role of its leaders. As a result one does not find any contribution of the bureaucratic procedures, within the MFDP, as providing restraints. To illustrate this let us look at a few examples of bureaucratic procedures that allowed the MFDP to play a critical role in restraining corruption.

National Development Plans (NDPs) have determined government spending since 1968. Until 1979 they covered 5 years but after 1979 have been covering 6 years. In essence, NDPs are an outline on how the government plans to spend public funds of which resource rents are huge a portion. For a project to be included in the NDP the MFDP has to evaluate it and sets the spending limits (Pegg 2010: 16). The MFDP evaluates all projects in terms of their economic viability to prevent unviable projects from getting funded. This system has largely been driven by technical expertise and not political considerations (Pegg 2010: 16). This system of financial controls limits executive discretion and the prospects for ad-hoc financing outside of the NDP. In line with this, a Development Fund was established, which can only spend money on projects approved in the NDP.

Limits on executive discretion over spending of public resources are very essential in resource rich countries for restraining corruption. Executive discretion over spending of public resources can breed corruption or create opportunities for corruption to take place. Even in non-democratic developmental states, a limit on executive discretion assisted in curbing corruption. According to Jensen and Wantchekon (2004) executive discretion over the distribution of resource can lead to break down in democratic institutions such as transparency and accountability. In line with Jensen and Wantchekon's (2004) proposition, one can argue that in some cases democratic institutions can be inadequate in restraining executive discretion over spending of resource rents. For that reason, it is plausible that the MFDP played a significant role in restraining executive discretion over the allocation of resources. Supervising other line ministries and synchronising policies, the MFDP ensured that patron-client relationships did not develop and in turn it circumvented corruption (Danevad 1993: 129). The power formally vested in the MFDP concerning the use of public funds can be viewed as a restraining mechanism that contributed to budgetary discipline and coherence. Accordingly, it is safe to conclude that to a larger extent the MFDP played and plays a central role in providing the necessary restraints on how resource rents spent while being in line with NDPs.

It is argued that resource rich countries may experience perverse institutional development because the availability of resource rents may create incentives for unproductive activities such as rent-seeking behavior (or extreme corruption and mismanagement) (Auty 2001, Isham et al 2005, Leite and Weidmann 1999). In such a case are democratic institutions adequate and effective in curbing these activities? Practices such as rent-seeking and provision of patronage have a political dimension that perhaps requires more than just accountability and transparency to be restrained. In some cases rent-seeking and patronage are legitimised by policies. Policies are crafted and implemented to facilitate the distribution rents as patronage to certain constituencies. Inappropriate policies can also be influenced by the effort of rent-seekers that are both within and outside of the public sector. Within the state, rent-seekers attempt to influence policymaking in ways that will benefit them. Thus, democratic institutions might be inadequate in providing restraints as they can be circumvented.

Patron-client relations that typically penetrate state institutions in SSA, and thus frustrate effective policy-making and implementation, was not a major problem in Botswana (Danevad 1993:70). These patron-client relations are likely to develop in cases where there are numerous state owned companies (SOCs). In resource rich countries increase in public spending is often done through transfers to parastatals or expanding the civil service (Chapter Five will illustrate this). In Botswana the dominance of the MFDP hindered uncontrolled increase in public spending by limiting the proliferation of parastatals (Danevad 1993). The MFDP has been at forefront of ensuring that parastatals did not proliferate or become a burden on the economy (Danevad 1993). Restricting the proliferation of parastatals hindered the flow of resources into the public sector that is often prone to rent-seeking and corruption. Again, the MFDP was the main institution that provided restrains.

Economic Performance

The mining sector has always been an important engine of growth in Botswana (see Table 5). From the 1970s when the government started receiving more rents from diamonds up to about the 1990s the economy has grown with double digits and from the 1990s up to now the economy has been growing at an average of 5%.

Figure 6 and 7 below show this trend. This growth has been driven by the mining sector, particularly the diamond industry. Table 5 below shows the distribution of GDP between mining and non-mining sectors from 1992 to 2009. The non-mining sector is inclusive of all other sectors within the economy. It is clear that the mining sector has been the dominant sector in the economy. The contribution of mining to GDP has been between 35% and 41% for the period covered. This suggests that Botswana's economy remains largely undiversified (see discussion below)

Table 5: Share of Mining and Non-Mining sectors to GDP (1992-2009)

Year	Mining (%)	Non-Mining (%)
1992	37.0	63.0
1993	35.5	64.5
1994	35.8	64.2
1995	34.2	65.8
1996	33.9	66.1
1997	66.1	66.1
1998	34.4	65.6
1999	32.1	67.9
2000	33.3	66.7
2001	36.5	63.5
2002	42.0	58.0
2003	42.2	57.8
2004	40.5	59.5
2005	40.7	59.3
2006	41.7	58.3
2007	39.0	61.0
2008	36.5	63.5
2009	28.3	71.7

Source: Malema (2012): Author calculated data from Bank of Botswana

Figure 6: Botswana Annual GDP growth rate (1970–2000)

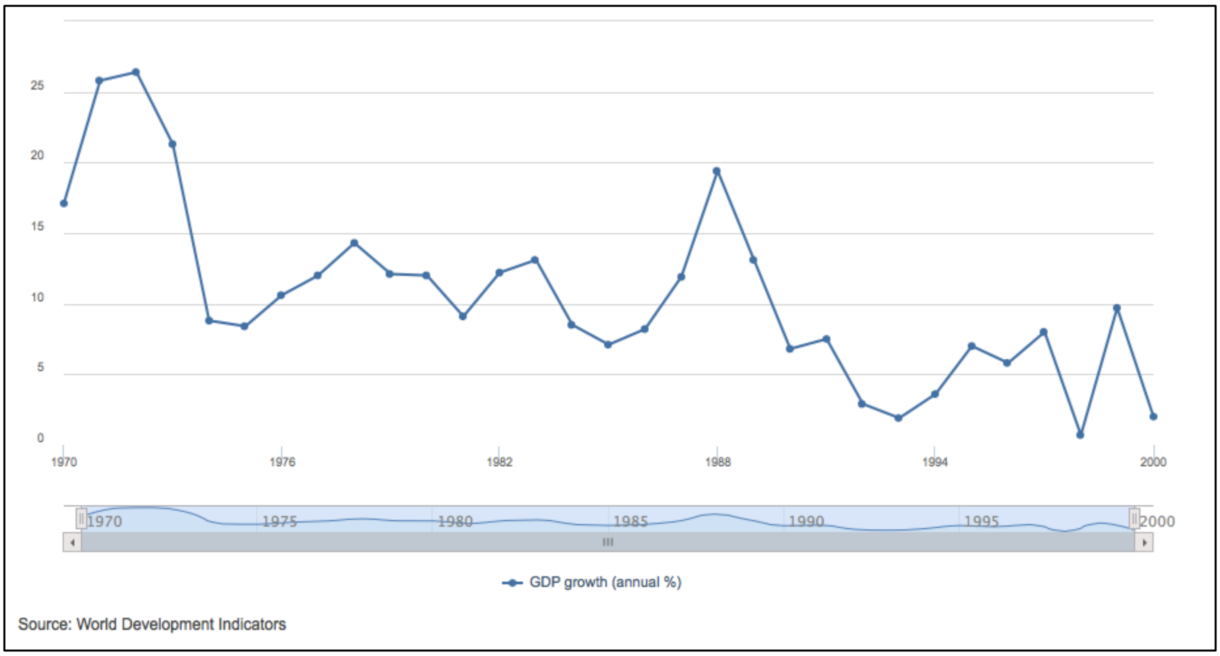
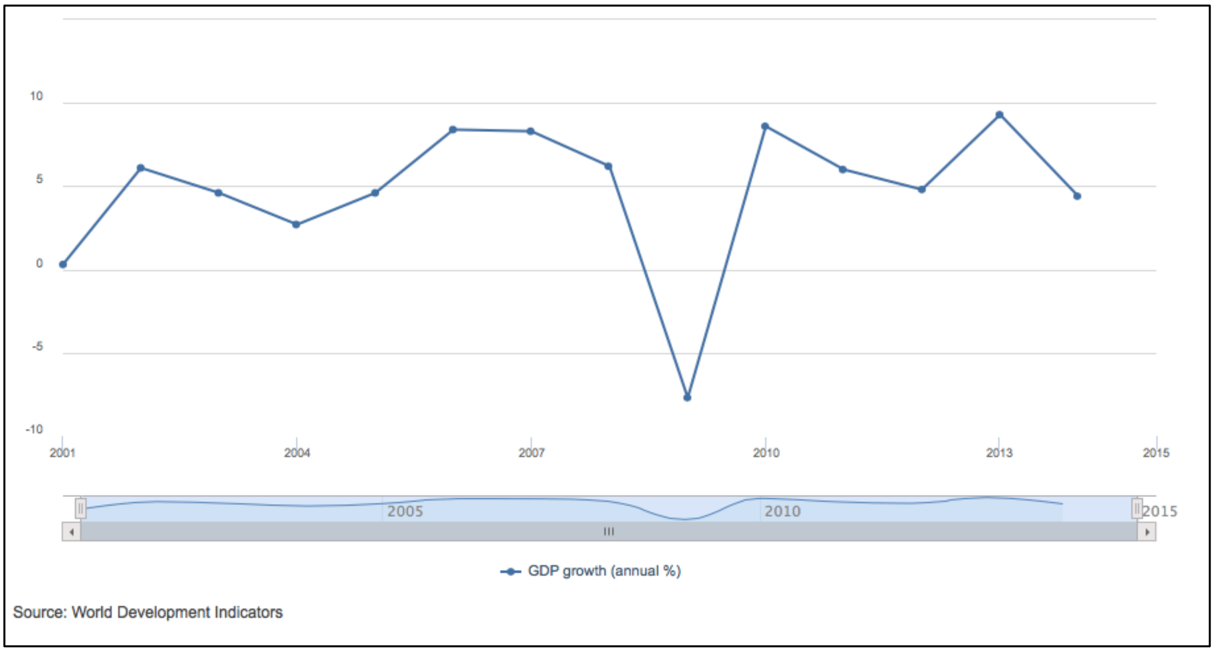


Figure 7: Botswana Annual GDP growth rate (2001–2015)



A discussion on economic performance has to be linked to the structure of the economy. Resource rich countries tend to be dependent of the mineral sector and efforts are not made to ensure diversification of the economy. The growth that Botswana has experienced for over 50 years has made a few linkages with other spheres of the economy. The argument advanced here is that although Botswana has grown rapidly and invested its mineral revenues wisely in education, health, roads and basic infrastructure, the country's economy remains largely undiversified. For instance, regardless of the relatively constant flow of resource rents, Botswana has not managed to establish a vibrant manufacturing industry that creates employment opportunities or generates substantial revenues (see Table 6).

Table 6. Botswana GDP by sector (percentage of GDP at Current prices)

	2009	2013
Agriculture, forestry, fishing, hunting	3.3	2.6
of which fishing	..	..
Minining and Quarrying	15.9	24.5
of which oil	..	..
Manufacturing	7.4	5.7
Electricity, gas and water	0.5	-0.2
Construction	7.1	6.9
Wholesale and retail trade; repair of vehicles household goods, restaurants and hotels	17.6	16.3
Transport, storage and communication	6.3	6.0
Finance, real estate and business services	15.3	15.2
Public administrations and defence	19.4	16.3
Other services	7.2	6.6
Gross domestic product at bascic prices/factor cost	100.0	100.0

Source: Honde and Abraha (2015): African Economic Outlook.[10]

Table 5 and 6 above show that Botswana's economy has not been diversified. For an economy that has been growing at an average of 8% per year it is safe to conclude that it is experiencing a resource or staple trap. According to the World Bank (2016) over the past 20 years Botswana has made some progress in reducing its dependence on diamonds, but it has not reached the level of economic diversification that can offset the diminishing mineral revenues. The manufacturing sector was earmarked as the key sector through which the twin goals of economic diversification and employment creation could be achieved (Stepanyan and Parulian 2013: 29). As a result the manufacturing sector has received preferential treatment both in terms of targeted policies and financial support, but the sector

[10] Authors sourced the data from domestic authorities.

has consistently failed to produce the intended outcomes.

A number of schemes have been initiated to encourage the diversification of the economy but they have largely failed to produce the intended outcomes (Stepanyan and Parulian 2013: 24). Some of these schemes have been abused and subsequently failed (Hillbom 2008). For instance the National Development Bank (NDB) was established as a vehicle for channeling loans from government. However, it has been reported that cabinet ministers and other parliamentarians had repeatedly sought loans that they did not qualify for (Good 1994: 511). In addition, some of these loans had been approved through political influence (Good 1994: 512). Furthermore, the elite abused the Small Borrowers Fund (SBF) that was meant for the poor (Good 1994: 512). As a result both the NDB and SBF were exploited extensively and did not produce the intended results. Unfortunately this remains a challenge that needs to be addressed in the long-term.

Due to dependency on the mining sector the economy has failed to generate employment. Currently unemployment rate is about 17.8%, reaching 34% among youth (20- 24 years of age), reflecting the mismatch between the quality of education and labour market demand (Honde and Abraha 2015: 12). According to the World Bank (2016) Botswana is now an upper middle-income country and with a per capita income of about $6500. Poverty has declined from about 50% at independence to about 19% (World Bank 2016). However, it still faces pockets of extreme rural poverty and high-income disparities. Comparatively, within SSA, Botswana has made remarkable progress in its attempt to eradicate poverty.

According to most recent information, the proportion of the population living below the poverty line declined from 30.6% in 2002/03 to 19.3% in 2009/10, while the share of the population in extreme poverty fell even more sharply from 23.4% to 6.5% (Honde and Abraha 2015: 12). Despite the decline in poverty, inequality and exclusion are still serious issues in Botswana, whose Gini coefficient is about 0.61 (Honde and Abraha 2015: 12). Very high inequalities persisting over a long period of time are indicative of a failure to share wealth broadly and this unfortunately applies to Botswana. Therefore, it is essential for Botswana to come up with mechanisms for both wealth creation and sharing. Wealth creation can be initiated through diversifying the economy. Diversifying the economy can result in the creation of sustainable jobs and opportunities for entrepreneurship. These are some of the issues that the government has to address in the long-term while it still has access to resource rents.

Provision of Public Goods: Education and Health

The discussion above established that the flow of resource rents into Botswana's economy resulted in exceptional economic growth and resources have been available for provision of public goods. Resource rents are advantageous to an economy if the government has a long-term plan in extracting resources and an effective mechanism for spending the rents (Limi 2006: 4). Effective and efficient spending of resources rents should ensure that resource wealth is not overexploited and rapidly exhausted. Spending can be directed towards social and economic infrastructure needed for sustained economic growth. In spending mineral revenues Botswana has followed a self-discipline fiscal rule, the Sustainable Budget Index (SBI). Under the SBI mineral revenue is supposed to finance "development expenditure", defined as investment and recurrent spending on education and health (McFerson 2009b: 1544, Limi 2006: 10). Other recurrent spending is funded from non-mineral revenues. According to Limi (2006: 10) the SBI has been followed for decades but there are instances where there has been some departures. These departures seem to have resulted in a large fiscal deficit between 2001 and 2003 (Limi 2006: 10).

Colonial rule left Botswana with hardly any social infrastructure-few schools and hospitals. In 1972, about 88% of the locals who were employed in the formal sector had primary education or less (Poteete 2009: 559). Investment in education preceded the flow of diamond rents, demonstrated by the establishment of 252 schools in the 1960s (Ministry of Education 2004 cited in Poteete 2009: 559). By 2004, the government had invested heavily in education through the establishment a network of public schools. According to the Central Statistics Office (CSO 2006 cited in Poteete 2009: 559) of Botswana, by 2004 there was a network of public schools that included 711 primary schools, 210 junior secondary schools and 23 senior secondary schools. By 2008 the number of primary schools had reached 750 (CSO 2010). The primary schools have a teaching force of about 12000 (Ministry of Education 2006 cited in Poteete 2009: 559). Education expenditure is among the highest in the world, at around 9% of GDP and includes the provision of nearly universal and free primary education (Word Bank 2016)

Huge investments have been made in health as well. The latest data covers the period between 1998 and 2006. Over this period, the number of clinics increased from 225 in 1998 to 263 in 2006 and health posts from 323 in 1998 to 342 in 2006, which is an increase of 14.4% and 5.5%, respectively (CSO 2016). Mobile stops increased from 740 in 1998 to 860 in 2006 (CSO 2016). The number of hospitals has increased from 16 in 1998 to 17 in 2006 CSO 2016. The ratio of nurses increased from 27.1 in 1998 to 28.8 in 2006 per 10,000 populations. The ratio of doctors also increased from 2.7 to 3.1, followed by a dramatic drop to 2.0 in 2004 and an increase in 2006 to 3.3 doctors per 10,000 populations (CSO 2016).

Reserves and Investment

Large mineral export receipts are normally considered a benefit but can make macroeconomic management very challenging. Most resource rich countries fall into the trap of increasing expenditure during boom periods. Governments that increase spending when there is a boom are unable to cut expenditures when the boom ends. Consequently, they resort to borrowing in order to maintain the spending levels of the boom period. As a result they incur significant debt. Botswana has been fortunate in this instance because diamond prices have been more stable as compared to other commodities such as oil. Due to the stable rent stream it has contributed to Botswana's revenue management success (Pegg 2010: 15). Yet, beyond having a stable rent stream a resource rich country needs other policies that guide the accumulation of reserves and making domestic or external investments. According to Lewis (1989: 1594) countries that have been successful in managing their resource wealth have followed counter-cyclical policies. These are prudent or conservative policies meant to accumulate reserves and to stabilise the growth of domestic expenditures. However, domestic expenditures or investment and accumulation of reserves also depend of the absorption capacity of the economy.

Policies or institutions are essential for efficient and effective domestic absorption of the rents. According to Auty (2001: 80) three institutions are important in this regard: a capital development fund to identify the capital component of the rents and sterilise the capital inflows (and curb Dutch Disease effects), a revenue stabilisation fund to buffer the revenues that are absorbed via public expenditure from price shocks and a project evaluation unit to improve the efficiency of public sector investment. In addition, the government of a mineral economy needs to divide the mineral rents into an income component and a capital component (Auty 2001: 80). The capital component is the amount that must be invested annually, either domestically or overseas, to maintain the income component of the rent stream in perpetuity for future generations (Auty 2001: 80). Botswana has managed to establish revenue stabilisation fund and a project evaluation unit. The Revenue Stabilization Fund was established in 1972 to accumulate reserves during booms that could later be used to cushion downturns (Pegg 2010: 16). By saving the revenue the government has been able to maintain a relatively constant growth rate in real expenditures over time. Arguably. The MFDP has acted as a project evaluation unit as discussed above.

The government has always been aware of the weak domestic absorption capacity. According to Pegg (2010:16) when the government recognized that the diamond revenues would exceed the domestic absorptive capacity, the Public Debt Service Fund was established in 1972 that would facilitate the saving of revenues rather than contribute to economic overheating by spending it. Again this enabled the government to keep expenditure growth below the rate of revenue growth (Hill 1990). The strategy of investing in reserves has to be linked to the timing of domestic investment or the rate of domestic absorption at certain point in time. Investment in reserves is usually highly liquid and can be allocated to domestic investment if the domestic absorptive capacity changes (Hill 1991: 1192). Domestic absorptive capacity can be improved if the economy is much more diversified and there are opportunities for entrepreneurs to make productive investment using loans provided by the government. Again this highlights the need for Botswana to diversify the economy.

Another concern about increased domestic investment has to do with the uncertainty associated with booms. Increased development expenditure during a boom period commits governments to recurrent expenditure in the future (Hill 1991: 1192-1193). The future recurrent expenditure also depends on future revenue, which in turn depends on whether there is a stable revenue stream. If the revenue is unstable and constrained the future recurrent expenditure meant to support past development expenditure might not be adequate and domestic investments will not yield the expected rate of return (Hill 1991: 1993). Due to this uncertainty it makes investment in reserves much more attractive relative to domestic investment. However, investment in reserves might postpone the diversification of the economy or creation of skills that will be essential for the economy in the long run. Botswana has attempted to strike a balance between investing in reserves or in domestic development expenditure. This is exemplified by its use of the SBI discussed above. In addition, investment strategy has helped to produce development through mineral booms and a very low debt service burden. However, more strategies are required to ensure diversification of the economy.

CHAPTER FIVE.NAMIBIA: THE PITFALLS OF A DOMINANT PARTY SYSTEM

BACKGROUND

Namibia gained its independence on 21 March 1990, which was preceded by the first democratic elections for the Constituent Assembly as supervised by the United Nations Transition Assistance Group (UNTAG). Since the first National Assembly elections held in November 1994, SWAPO has won all elections. It has managed to win with at least 75% of the votes cast. Forged in the anti-colonial and anti-apartheid struggle, SWAPO's formation was driven by the workers movement. Namibian contract workers in Cape Town established the Ovambo Peoples Congress (OPC) in 1957 and OPC's aim was to fight the exploitative labour contract system and policies of the South West Africa Native Labour Association (SWANLA) (SWAPO 2016). Two years later, in 1959, Sam Nujoma and Jacob Kuhangua established the Ovamboland Peoples Organization (OPO). The Herero Chiefs Council under Chief Hosea Kutako established the South West African National Union (SWANU), which the leaders of OPO joined to broaden and strengthen the nationalist movement (SWAPO 2016). The gradual amalgamation of different social movements resulted in the formation of SWAPO and shows that it is broad based movement, hence its dominance in Namibia's political landscape.

Coming out of an apartheid system, the society was extremely unequal along racial and ethnic lines. Therefore, wealth distribution has been an important issue since independence. From independence, Namibia has enjoyed a fairly stable economic performance driven mainly by the mining sector. Mining is a critical sector of the Namibian economy and mineral assets form a major source of national wealth. As a result, the mining sector is viewed by the government as an essential component to long-term development. Historically, the country has depended primarily on diamond exports as a major source of foreign exchange earnings and revenues. The contribution of diamond mining to government revenue has over the years marginally declined. There has been a steady, but progressive decline in the contribution of diamonds to the national income in relation to the other sectors of the economy. In 1994, De Beers operations in Namibia were renamed NamDeb Diamond Corporation (NamDeb) and it became a 50-50 joint venture with the Government of the Republic of Namibia (GoRN). There is a confidential sales agreement between De Beers and the Government which determines the share of profits that each receives (Boer and Sherbourne 2004: 6). This brief background provides a platform to discuss the institutional context of Namibia.

DEMOCRATIC INSTITUTIONS

The first case study provided the key arguments on the importance of institutions of restraint. This chapter's main objective is to compare democratic institutions, insulated and autonomous bureaucracy and CDPIs. The attempt is to assess whether democratic institutions have been decisive in Namibia or there is similar trend where a CDPI plays the central role in providing the necessary restraints. Fortunately the WGI indicators begin from 1996 just a few years after Namibia attained its independence and 2 years after the first democratic elections.

Namibia has heavily relied on constitutionalism to ensure that the government or ruling elites exercise power in a manner that benefits society. The dominance of SWAPO has however allowed it to have influence on state institutions (Melber 2010: 37). Moreover, the dominance of SWAPO has given it legal authorisation not only to govern alone, but also to change the Constitution single-handedly. This has had implications on democratic institutions and other institutions essential for the management of resource rents and the economy.

Rule of Law

In recent years the dominance of SWAPO has caused some worrying behaviour that is against the spirit of rule of law. Political elites within SWAPO have occasionally expressed frustration over court rulings they deem to be against their political-ideological stance. According to Melber (2010: 39) at times some court rulings have not been met with respect. In addition, the rule of law was implicitly viewed as the law of the ruling elites (Melber 2010: 39). For instance, the tense political environment in the build up to the National Assembly and Presidential election in November 2009 witnessed a tendency among the political elite to call for the change of laws according to the desires of those in power and control (Melber 2010: 39). Rule of law requires a judiciary sufficiently independent of political influence from the parliament or the executive to ensure that the country is governed according to the principles enshrined in the constitution.

One area that reflects whether rule of law is robust is how the government deals with official corruption. According to Amoo and Skeffer (2006: 34) in Namibia, corruption is a problem perceived to be on the increase. In 2003, the legislature responded with the promulgation of the Anti-corruption Act. Through the Act an

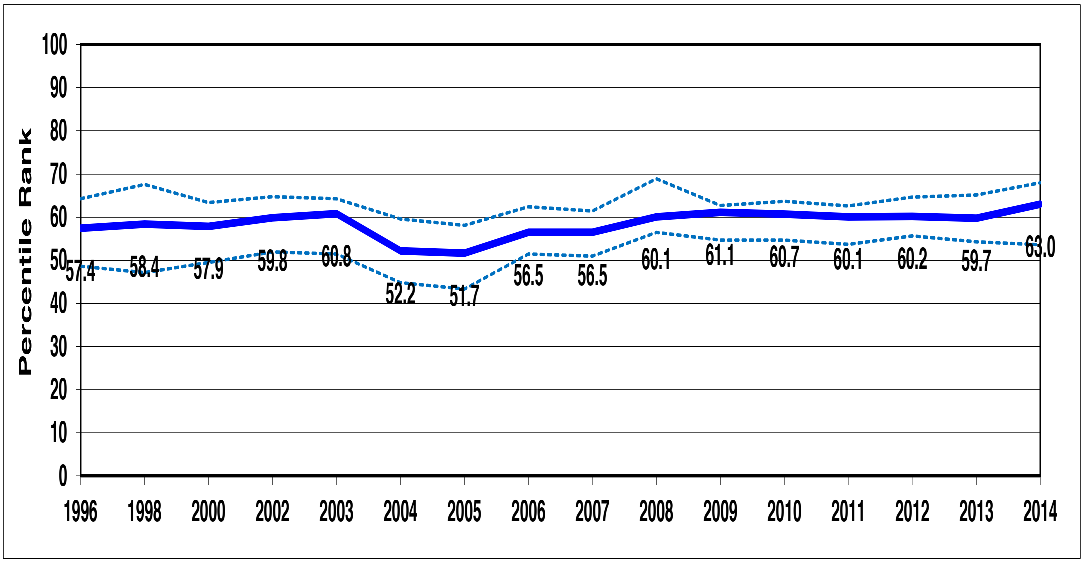
Anti-corruption Commission was established in February 2006. This was a notable act but weaknesses still remain. For instance, the robustness of rule of law is questionable as investigations into major cases proceed slowly (KPMG 2014: 9). In the public sector, Links and Haimbodi (2011: 4) argue that political considerations could be reason why the pace to deal with corruption or graft has been slow. Table 7 and Figure 8 below shows how Namibia performed on rule law between 1996 and 2014.

Table 7. Namibia, 1996-2014, Aggregate Indicator: Rule of Law

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Rule of Law	**Namibia**	1996	5	0.20	57.42	0.21
		1998	7	0.20	58.37	0.21
		2000	7	0.20	57.89	0.17
		2002	10	0.26	59.81	0.17
		2003	10	0.25	60.77	0.17
		2004	11	0.00	52.15	0.16
		2005	11	-0.07	51.67	0.15
		2006	10	0.14	56.46	0.15
		2007	11	0.12	56.46	0.16
		2008	12	0.37	60.10	0.15
		2009	14	0.22	61.14	0.14
		2010	13	0.19	60.66	0.14
		2011	13	0.17	60.09	0.14
		2012	13	0.24	60.19	0.14
		2013	14	0.26	59.72	0.14
		2014	13	0.14	62.98	0.15

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 8. Namibia, 1996-2014, Aggregate Indicator: Rule of Law



Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

An assessment of Table 7 and Figure 8 show that over the period studied, rule of law has not really changed or improved significantly. Rather, it could be a reflection of some of the issues that were discussed above which include political considerations in dealing with corruption and the slowness to investigate cases. Without taking corruption seriously, the government is creating an environment that is conducive for corruption to occur without being checked. In addition, corruption will undermine the rule of law and the complementary institutions that are meant to deal with it. From the analysis it is safe to conclude that rule of law is not robust enough to make resource management easier in Namibia.

Transparency and Accountability

It has been noted that SWAPO has an overwhelming support in society. This was usually the case in most post-colonial societies. Liberation movements in SSA have tended to possess huge popular support that waned with time due to various reasons, but some included corruption and mismanagement of the economy. Zimbabwe African National Union Patriotic Front (ZANU PF) in Zimbabwe and the United National Independence Party in Zambia are instances where liberation movements have dominated their respective political landscapes but support diminished with time. This dominance has implications on the democratic system as a whole. As highlighted in Chapter Four, elections alone are inadequate in ensuring that ruling elites are accountable and exercise their power in a transparent manner.

In the first elections after independence ten political parties participated. These included Aksie Christelik Nasionaal (ACN), Christian Democratic Action for Social Justice (CDA), Democratic Turnhalle Alliance of Namibia (DTA), Federal Convention of Namibia (FCN), Namibia National Democratic Party (NNDP), Namibia National Front (NNF), Namibia Patriotic Front (NPF), SWAPO-Democrats (SWAPO-D), SWAPO of Namibia (SWAPO), and United Democratic Front of Namibia (UDF) (Geingob 2010: 87). However, only seven parties won seats: SWAPO 41, DTA 21, UDF 4, ACN 3, and NPF, and FCN and NNF 1 each. The Rally for Democracy and Progress (RDP) emerged after SWAPO split. Since independence the National Assembly has consisted of 72 elected members and 6 non-voting members appointed by the President. As a result of the constitutional amendments passed in 2014, the National Assembly now has 96 elected members and 8 non-voting members appointed by the President (IPPR 2014). Table 8 below shows the number of seats different parties won from 1990 to 2014.

Table 8. Share of seats in National Assembly since (1990 -2014)

Year/Party	1990	1995	2000	2005	2010	2014
ACN/MAG	3	1	1	1	-	
APP	-	-	-	-	1	2
CoD	-	-	7	5	1	
DTA	21	15	7	4	2	5
FCN	1	-	-	-	-	
NNF	1	-	-	-	-	
NPF/DCN	1	1	-	-	-	
NUDO	-	-	-	3	2	2
RDP	-	-	-	-	8	3
RP	-	-	-	1	1	1
SWANU	-	-	-	-	1	1
SWAPO	41	53	55	55	54	77
UDF	4	2	2	3	2	2
WRP						2
UPM						1

Source: Institute of Public Policy Research (IPPR) (2014) and Electoral Commission of Namibia (ECN) (2014)

In the 2014 elections SWANU of Namibia, the United People's Movement (UPM) and the Republican Party (RP) did not initially win any seats in the general elections. However, they each obtained 1 seat through the application of the surplus votes system (ECN 2014: 45). The results show that SWAPO is a dominant force and electoral competition is very limited. This was the case in Botswana for the first 20 years after independence.

A few irregularities have been reported in some elections but these were related to poor handling of tendered votes and the slowness in announcing elections results. Most international observers have judged that elections since independence have been free and fair. This suggests that the electorate is free to choose a government of their choice (Tötemeyer 2010: 288). As argued in Chapter Four, elections are just a once off event and for accountability and transparency to exist public participation is crucial. The arrival of the RDP which became the official opposition in the National Assembly in 2009, has been accompanied with political intolerance and even sporadic violence ahead of the November 2009 National Assembly and Presidential elections (Links 2010). However, the political landscape is generally accommodative to opposition parties.

In terms of participation by citizens, Namibians tend to be passive. Hopwood (2012: 1) suggests that most Namibians are too passive when it comes to socio-political issues. To this effect, Hopwood (2010: 1) suggest that some sections of the population think that to show allegiance to the ruling party they should not be outspoken and others are cautious that they might not receive benefits if they criticize the government. Even academics tend not to participate or give views on certain issues. The situation is exacerbated by the fact that the National Assembly is disconnected from the electorate because of the party list system that emphasises party loyalty above accountability of the elected (Hopwood 2012: 2). These are some of the instances that suggest that democratic mechanisms for making the ruling elites accountable and transparent are weak. In sum, it is apparent that electoral competition does not prompt ruling elites to abide by principles of transparency and accountability; therefore it has to be accompanied by continuous and constant participation of the citizens in socio-political issues.

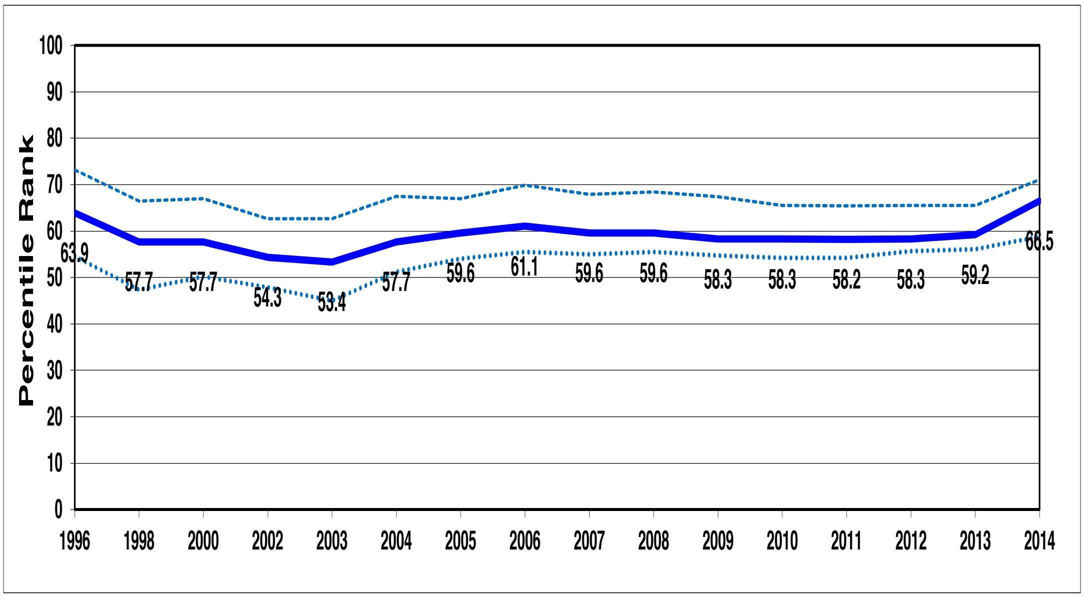
Table 9 and Figure 9 below show that voice and accountability is not robust in Namibia. This is similar to Botswana where it has generally been decreasing. What this illustrates is that, regardless of the existence of democratic space other factors can inhibit the electorate from consistently participating in socio-political issues. Hopwood (2012: 2) argues that in Namibia there is plenty of democratic space that is not being utilised for the reasons outlined above. Without scrutinising the actions of the ruling elite it becomes easier for various agents to engage in corruption, rent-seeking and patronage because accountability and transparency are not part of the political system.

Table 9. Namibia, 1996-2014, Aggregate Indicator: Voice and Accountability

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Voice and Accountability	**Namibia**	1996	5	0.49	63.94	0.22
		1998	5	0.28	57.69	0.23
		2000	6	0.31	57.69	0.21
		2002	10	0.23	54.33	0.16
		2003	10	0.22	53.37	0.16
		2004	11	0.32	57.69	0.15
		2005	13	0.37	59.62	0.13
		2006	12	0.48	61.06	0.13
		2007	13	0.45	59.62	0.13
		2008	13	0.44	59.62	0.13
		2009	15	0.37	58.29	0.13
		2010	14	0.35	58.29	0.13
		2011	14	0.35	58.22	0.13
		2012	14	0.37	58.29	0.12
		2013	15	0.39	59.24	0.12
		2014	12	0.54	66.50	0.13

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 9. Namibia, 1996-2014, Aggregate Indicator: Voice and Accountability



Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

INSULATED AND AUTONOMOUS BUREAUCRACY

The ruling party in Namibia decided to rapidly localise the bureaucracy. The localisation did not result in the replacement of the colonial bureaucrats with competent local technocrats. It was done on the basis of political patronage. Links and Haimbodi (2011: 4) argue that the reality in the bureaucracy and SOCs is that appointment processes have been politicised since SWAPO took over power. From the start SWAPO has sought to have a strong influence over state processes, including policy-making (Links and Haimbodi 2011: 4). As a result, high ranking and influential positions in the bureaucracy are occupied with SWAPO supporters or individuals who are linked to the ruling party. Links and Haimbodi (2011: 4) suggest that the situation is such that political and in some cases even personal affiliation and connectedness have consistently trumped experience, skills and expertise. This entails that even positions that need technocrats, such as permanent secretaries, have been politicised. This is contrary to the approach that the BDP adopted after independence. Due to these dynamics it is safe to conclude that the bureaucracy in Namibia is not insulated and autonomous from political influence.

Accordingly, one can surmise that policymaking related to management of resource rents can easily be influenced by political elites.

Other developments that suggest that SWAPO wants a strong influence on state process occurred in 2007 when the RDP was founded. This provoked an antagonistic and hostile political climate that contributed to SWAPO's growing intolerance of criticism, and has prompted the ruling elite to use its dominance to change the rules and seek political compliance among all higher ranks of the public service (Melber 2010: 39). Civil servants would be directly answerable to the ruling party and its political agenda, and not to an oath taken to serve the wider interest of society (Melber 2010: 39). This places the independence of the bureaucracy under threat. As highlighted above, political appointments in the bureaucracy have followed a patrimonial logic. The introduction of a patrimonial logic into the bureaucracy has allowed corruption to occur without being checked (An issue discussed below). With a bureaucracy affected by patrimonialism and corruption, it is possible that the functioning of other institutions that are responsible for crafting and implementation of policies have been undermined. Consequently, this has negative affected government effectiveness.

CENTRALISED DEVELOPMENT PLANNING INSTITUTIONS

In the discussion on Botswana, the MFDP played the role of a CDPI in a context in which the bureaucracy was insulated and autonomous. With a bureaucracy that is heavily influenced by the political interests of the ruling party, Namibia's institutions that are supposed to be functioning as CDPIs might be weak. On the one hand, the scant literature that exists on policy-making and institutions responsible for polices point to the Ministry of Finance (MOF) and the National Planning Commission (NPC) as the institutions that steer economic policy making. The policy framework is designed by the MOF with assistance of the NPC, Bank of Namibia (BON) and the Department of Public Service Management in the Office of the Prime Minister (OPM) (NCCI and NDI 1997: 13). Line Ministries discuss their interests including their budgets estimates with the MOF and the NPC (NCCI and NDI 1997: 13). The National Planning Commission Secretariat (NPCS) is responsible for the detailed macroeconomic modeling of the economy and this process is further coordinated and advanced by the Macroeconomic Working Group (MWD), a technical think tank of the MOF, NPCS and BON (IMF 2008: 14). The MWD seems to provide technical support and functions within the parameters set by the interests of the ruling party.

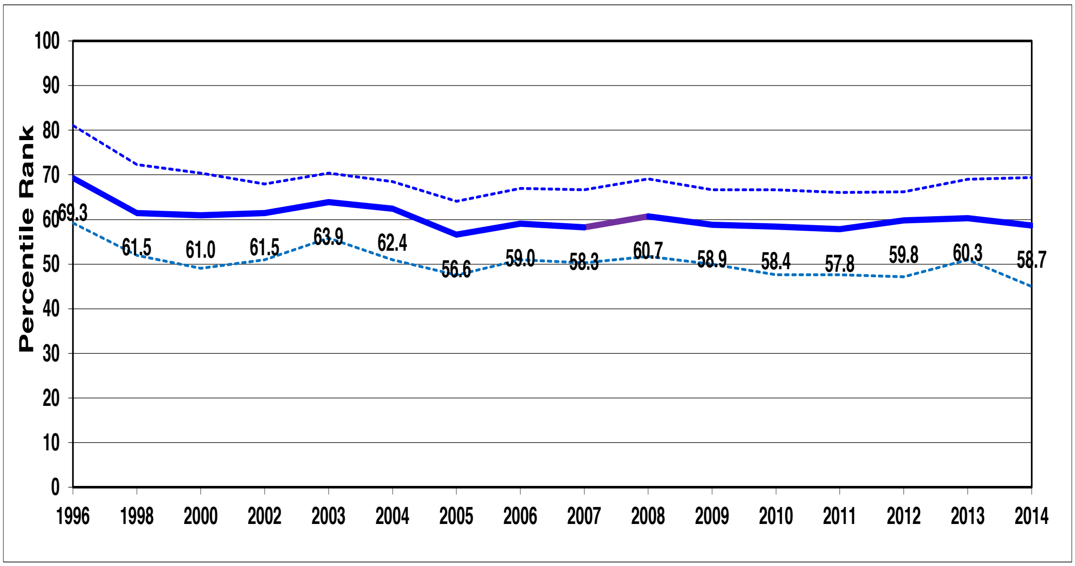
On the other hand, the Ministry of Trade and Industry drive areas such as industrial policy (Ministry of Trade and Industry 2012). These are areas that should be driven by a CDPI which was the case in most Asian developmental states. Other examples that have emerged from newspaper articles in Namibia that suggest that there is no overarching institution (like the MFDP in Botswana) that presides over the synchronisation of policy making has to do with role of Permanent Secretaries. The Permanent Secretaries in their capacity as accounting officers of ministries are running the affairs of their ministries as if they were their own private companies (Tjirimejo 2007). Tjirimejo (2007) adds that these Permanent Secretaries have acquired powers even feared by the ruling elite. Loopholes in the appointments, job appraisals, and evaluation of performance and monitoring of senior government officials have created favourable conditions for corruption in government (Tjirimejo 2007). From the discussion, it is quite difficult to pinpoint the institution(s) that can be equated to a CDPI as in the case of Botswana's MFDP. Comparatively, one can surmise that Namibia's apparatus is more decentralised and does not necessarily have a CDPI. Table 10 and Figure 10 show how Namibia performs on government effectiveness.

Table 10. Namibia, 1996-2014, Aggregate Indicator: Government Effectiveness

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Government Effectiveness	Namibia	1996	3	0.51	69.27	0.25
		1998	5	0.21	61.46	0.20
		2000	5	0.17	60.98	0.21
		2002	8	0.13	61.46	0.17
		2003	8	0.24	63.90	0.17
		2004	9	0.10	62.44	0.17
		2005	9	0.04	56.59	0.17
		2006	8	0.12	59.02	0.18
		2007	9	0.13	58.25	0.19
		2008	9	0.20	60.68	0.19
		2009	11	0.13	58.85	0.18
		2010	10	0.11	58.37	0.19
		2011	10	0.09	57.82	0.19
		2012	10	0.13	59.81	0.19
		2013	11	0.20	60.29	0.18
		2014	11	0.10	58.65	0.19

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 10. Namibia, 1996-2014, Aggregate Indicator: Government Effectiveness



Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

Table 10 and Figure 10 above show that government effectiveness in Namibia has been on a decrease. With appointment of unqualified people into technical positions and the lack of oversight one can infer that Namibia has not performed very well in this dimension. In addition, although speculative, the decentralised nature of the bureaucracy could be contributing to corruption to take place and patron-client relations to develop.

ECONOMIC OUTCOMES

The previous sections discussed the institutional profile of Namibia; this section attempts to make links between the institutions of restraint that exist and the economic outcomes. What came out of the discussion on institutions of restraint in Namibia is that the dominance of SWAPO has had a negative effect on democratic institutions and their robustness. In addition, the ruling party seems to have control over state processes, which has resulted in a weak bureaucracy without a "pocket of efficiency" in the form of a CDPI. The discussion in Chapter Four demonstrated some of the ways in which the efficiency of the bureaucracy and particularly how the MFDP in Botswana provided restraints. Therefore, does the absence of a CDPI in Namibia explain some of the economic outcomes?

Control of Corruption, Rent-Seeking and Patronage

From a theoretical perspective it is possible for dominant party systems to have higher or low levels of corruption. On one hand a dominant party can be politically secure and is not compelled to maintain its power by providing patronage or turning a blind eye on corruption and rent-seeking. On the other hand, in a dominant party system, accountability can be weak if the party has an overwhelming majority in the parliament and controls the civil service. This suggests that controlling corruption is a matter of political will. The latter case appears to be the case in Namibia. When corruption had become a problem in government and in SOCs the response was to establish an ACC. However, the work of the commission has been unimpressive. In part, this can be attributed to the weakness of the rule of law and some of the individuals involved are politically connected to the ruling party. Tjirimejo (2007) argued that corruption in Namibia is a network that stretched from the upper ranks of the government to lower levels. This suggests that the political system and state apparatus provides opportunities and incentives for corrupt activities to occur. Relatedly, due to the dominance of SWAPO, the institutions meant to deal with corruption could be deliberately weakened.

Corruption is a problem in Namibia's state organs and SOCs. Transparency and accountability remains weak in most state organs and those who preside over these organs are not being held accountable for how they handle state resources (Links 2010, NID 2006). Tjirimejo (2007) echoes similar sentiments by arguing that some Permanent Secretaries do not even know how the budget allocations to their Ministries were spent, to the extent of over-expenditure and unaccountable funds running into millions of Namibian dollars. Individuals within different ministries have created their own networks to suck state resources, as there is no oversight from above. In addition, the lack of oversight from the ruling elites has created a bureaucracy where basic management principles such as transparency, efficiency and effectiveness are not the norm (Tjirimejo 2007). Accordingly, this has undermined the state apparatus, which is responsible for implementation policies and ensuring effective and efficient use of resources.

SOCs play a significant role in provision of public goods and infrastructure development that is essential for economic performance. Therefore, performance of the sector can be used to assess the overall performance of the economy. SOCs are another area where corruption is rampant in Namibia. There has been an increase in SOCs since independence. In 1990 there were about 12, over 45 by 2003 and the Enterprise Act of 2006 lists 52 (Links and Haimbodi 2011: 1). This is in contrast to Botswana where the MFDP has restricted the increase of SOCs, as they can be a burden to the economy and a site of corrupt activities. Links and Haimbodi (2011: 1) argue that the sector has been plague by poor management, non-accountability and non-transparency, which have been accompanied by political interference. In the period of 2008 to 2009 117 cases of alleged corruption were recorded and SOCs accounted for 22% of the cases (NDI 2009). These are signs that corruption is indeed a problem in Namibia's political economy. The situation is compounded by political patronage that exists in the SOCs as discussed earlier. What is clear is that poor oversight and under regulation have facilitated corruption to be prevalent. In contrast, the MFDP in Botswana has provided oversight over the operations of state organs and companies. Arguably, this has curbed corruption, rent-seeking and patronage.

In the review of the literature it was established that in some cases corruption could occur in the early phases of natural resource development. With corruption beginning in the exploration natural resources it provides opportunities for such activities to continue into the mining and the management of resource rents. According to Links (2012: 1) there have been serious signs of corrupt activities in the exploration and mining/production licencing that can become a threat to the future prospects for the extractive sector itself and the economy as a whole. SWAPO deliberately blurred the line between state and party and this has resulted in contracts, licences and concessions being allocated to those who are politically connected (Al Jazeera 2014). Blurring of party and state, accompanied by political dominance of SWAPO has arguably been the main driver of corruption in Namibia.

Rent-seeking is increasingly becoming a problem in the natural resource sector. This is compounded by the fact that the mineral policy in Namibia has opened up the sector to the participation of the private players. In the mineral policy the government has recognized that exploration and development of mineral wealth is best undertaken by the private sector. The potential discovery of offshore oil has already resulted in politically connected individuals strategically positioning themselves to gain rents when oil extraction begins (Links and Haimbodi 2011: 2). In other cases locals with no experience or expertise in exploration and extraction of oil and gas, apply for and are granted licences, under the pretext of securing some sort of local ownership of natural resources (Links and Haimbodi 2011: 2). In addition, the locals have sold completely or part of their licences to foreign companies to make a quick profit (Links and Haimbodi 2011: 2). Hence, one can conclude that corruption, rent-seeking of various sorts and patronage have penetrated Namibia's political economy.

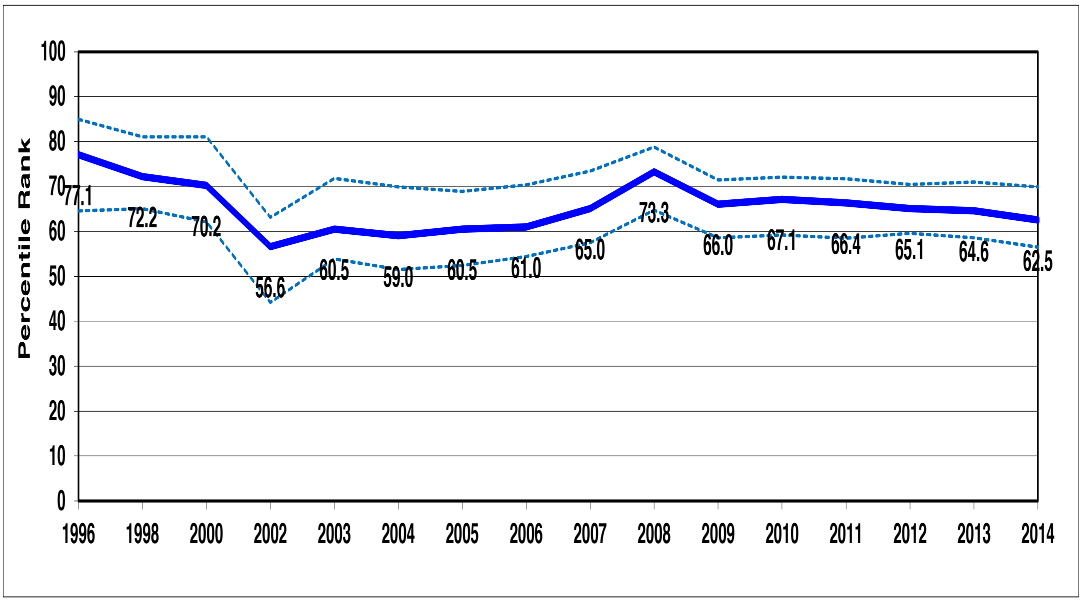
Table 11 and Figure 11 show how Namibia has performed in terms of control of corruption. Table 11 and Figure 11 show that control of corruption has been decreasing over the years. The principal reason is the dominance of SWAPO that has created incentives and provided an environment for politicians and other agents to engage in corruption, rent-seeking and patronage, which reinforce each other.

Table 11. Namibia, 1996-2014, Aggregate Indicator: Control of Corruption

Indicator	Country	Year	No Sources	Governance Scores (-2.5 to+2.5)	Percentile Rank (0-100)	Standard Error
Control of Corruption	Namibia	1996	3	0.71	77.07	0.30
		1998	5	0.59	72.20	0.20
		2000	5	0.47	70.24	0.24
		2002	7	-0.04	56.59	0.18
		2003	8	0.18	60.49	0.19
		2004	9	0.12	59.02	0.17
		2005	9	0.18	60.49	0.18
		2006	8	0.17	60.98	0.18
		2007	9	0.26	65.05	0.18
		2008	9	0.56	73.30	0.18
		2009	11	0.25	66.03	0.16
		2010	10	0.32	67.14	0.17
		2011	10	0.29	66.35	0.17
		2012	10	0.29	65.07	0.16
		2013	11	0.28	64.59	0.16
		2014	11	0.23	58.65	0.16

Source: Kaufmann and Kraay (2016): Percentile ranks indicate the percentage of countries worldwide that rank lower than the indicated country, so that higher values indicate better governance scores.

Figure 11. Namibia, 1996-2014, Aggregate Indicator: Control of Corruption



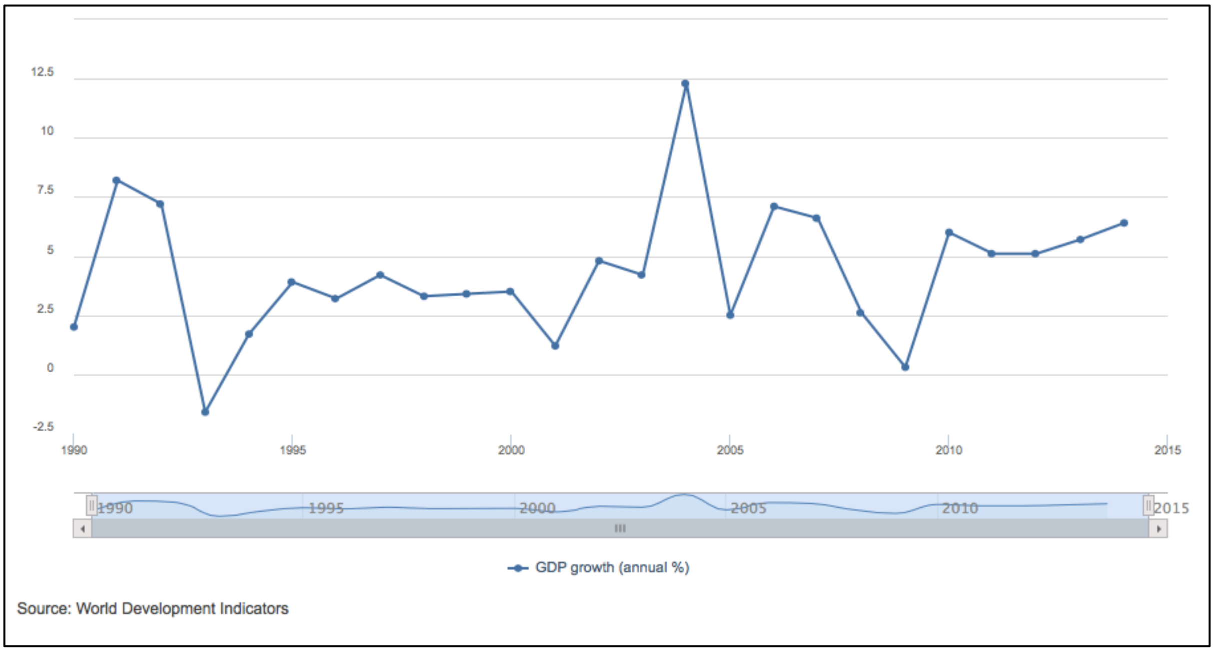
Source: Kaufmann and Kraay (2016): The line graph includes margins of error shown as dashed lines.

Economic Performance.

The extraction and processing of minerals for export remains Namibia's main growth driver. This is despite of the relative decline in mining's contribution to GDP in recent years. In 2012, the mining sector generated USD 1.2 billion of value added, contributed 37% of total export earnings, and about 10% of total public revenue (AfDB 2014: 2). Since independence the economy has performed very well. GDP growth has exhibited considerable fluctuations, having averaged 3.1% between 1998-2001 (African Economic Outlook 2012: 407). The annual real GDP growth rate during between 2002 and 2008 was strong, averaging 5.0% (AfDB 2014: 2). However, growth contracted by 1.1% in 2009, due to a dramatic decline in the demand for minerals (particularly diamonds) (AfDB 2014: 2). Growth recovered strongly to 6.0% and 4.9% in 2010 and 2011, respectively (AfDB 2014: 2). Real GDP growth has remained robust as it was estimated at 5.0% in 2012 (AfDB 2014: 2). In 2014 growth accelerated to 5.3% from 5.1% in 2013 (Phiri and Odhiambo 2015: 2). Growth improved to 5.6% in 2015 and is expected to improve to about 6.4% in 2016 as external demand for minerals increase; and new mines start production and exporting (Phiri and Odhiambo

2015: 2). Figure 12 below shows the growth rate trend from 1990 to 2015.

Figure 12: Namibia Annual GDP growth rate (1990–2010)



Namibia has made some positive progress in diversifying the economy but it is inadequate to offset the economy's dependence on the mineral sector (see Table 12). The mining sector's contribution to gross domestic product (GDP) shrunk from about 47% in 1978 to 19.6% by 1990 and reached 11.3% in 2012 (AfDB 2014: 2). The manufacturing sector's contribution to GDP increased from 5.3% in 1990 to 11.3% in 2012, mainly due to the rapid expansion of fish and meat processing and some mineral beneficiation, the areas in which manufacturing activities are currently concentrated (AfDB 2014: 2).

Table 12. Namibia GDP by sector (percentage of GDP at Current prices)

	2009	2013
Agriculture, forestry, fishing, hunting	9.0	61
of which fishing	4.2	3.1
Minining and Quarrying	11.8	14.0
of which oil	..	..
Manufacturing	14.1	13.2
Electricity, gas and water	2.2	2.0
Construction	3.5	4.1
Wholesale and retail trade; repair of vehicles household goods, restaurants and hotels	13.9	13.9
Transport, storage and communication	5.6	4.8
Finance, real estate and business services	16.6	15.8
Public administrations and defence	11.0	13.0
Other services	12.3	13.0
Gross domestic product at bascic prices/factor cost	100.0	100.0

Source Phiri and Adhiambo (2015): African Economic Outlook

To stimulate diversification of the economy the government established export processing zones (EPZ) in 1995 and created special incentives for manufacturing companies (Ministry of Trade and Industry 2012). These efforts have to a lesser extent produced the intended results (Rieckmann 2008). In its Vision 2030 Namibia has an ambition of becoming as industrialised nation with high income by 2030. In line with an industrial policy was developed in 2012. The policy seeks to achieve a diversified, inclusive and environment friendly economy driven by value addition and innovation. These objectives are outlined in the fourth National Development Plan (NDP 4), which covers the period between 2012 and 2017. In addition, an essential component of NDP 4 is private sector led growth. However, weak institutional capacity is hindering the growth and development of business enterprises (AfDB 2014: 11). Arguably, the lack of a CDPI that has the technical expertise and synchronises policies can be a contributing factor to weak institutional capacity. For instance, Brown (2014: 1) argues that some of the shortcomings of most budgets over the years is that they have not been sychronised with the NDPs. This is just some of the indications of weak institutional and technical capacity. Compared to Botswana, Namibia is at a much better position to successfully diversify its economy due some previous investments made by the apartheid government. What it requires is institutional capacity to undergird the process.

As in Botswana the mineral driven growth in Namibia has failed to create employment or make significant linkages with other sectors of the economy. At 29.2% in 2013 the unemployment rate remains high and is a reflection of a skills mismatch and a weak education and training system that is not responding to the needs of an evolving labour market (Phiri and Odhiambo 2015: 11). The youth unemployment rate is 41% and unemployment is higher among women (33.1%) than men (25.8%) and in rural areas at 30% compared to urban areas at 29% (Phiri and Odhiambo 2015: 11). Unemployment for those who have completed junior secondary education is 36.6% while for university graduates is 7.2% (Phiri and Odhiambo 2015: 11).

Namibia is considered an upper middle-income country but still faces challenges when it comes to reducing poverty. Namibia has made some strides in alleviating poverty but the regional or ethnic patterns of poverty still remain. The research conducted by the Institute for Public Policy Research written by Schmidt (2009) demonstrates this trend. The government has conducted two surveys called Namibia Household Income and Expenditure Surveys (NHIES) since Independence, one in 1993/94 and the other in 2003/04. From the analysis done by Schmidt (2009: 3) the number of people living in poverty in Namibia decreased from 58% in 1993/94 to 38% in 2003/04. In the same period, poverty was more than twice as common in rural as in urban areas. Among the urban population, poverty decreased from 31% to 1%, while in rural areas the poverty share dropped from 69% to just below 50% (Schmidt 2009: 3). In 2003/04 the highest poverty rate was found in Kavango with 64% of the population considered poor and Khomas with 8% had the lowest levels of poverty (NSA 2004). All regions with the exception of Kavango and Hardap witnessed a decrease in poverty levels. Kavango registered an average poverty rate of 58% in 1993/94, which worsened to 64% by 2003/04 (NSA 2004). Hardap registered no change in its poverty rate of 42% and Caprivi, Kunene and Oshana registered the largest absolute drop in poverty, improving from being some of the poorest regions in 1993/94 to being better off than the average in 2003/04 (NSA 2004).

The 2009/10 NHIES survey estimated that around 20% of Namibian households are poor, while poor people are estimated to be about 29% of the total population (NSA 2010). The poor are disproportionately located in rural areas: mainly pensioners, subsistence farmers, households with lower levels of education, and women (NSA 2010). Inequality remains high. About 10% of households with the lowest adjusted per capita income account for around 2% of total income, while the 10% with the highest adjusted per capita income account for almost 43%. (NSA 2010) The Gini coefficient for Namibia is 0.5971 according to results from NHIES 2009/2010 compared to 0.603 in 2003/2004 and 0.701 in 1993/1994 (NSA 2010). This shows that inequality in the distribution of income has slightly decreased. Despite this decline the level of inequality in Namibia remains among the highest in the world.

Provision of Public Goods: Education and Health

Guided by the SBI, Botswana reinvests most of its diamond revenues in the provision of public goods such as education and health. Contrary to this, Namibia does not have a policy that guides investment in public goods. According to Rieckmann (2008: 23) Botswana invests significantly larger proportions of the revenues generated from diamond exports into education and health services than Namibia does. Without having a dedicated policy that guides spending directed towards public goods, it can result in sub-standard outcomes. In addition, weak institutional capacity is also affecting the quality of public service delivery (AfDB 2014: 11).

The government has over the years committed considerable funding to education. This was crucial since the post independence government inherited an education system that was structured along racial and ethnic lines. The constitution provides for free education for all learners between the ages of 6 to 16 or learners from grade 1 to 10. In line with this, the government has been allocating about 20% of the recurrent expenditure towards education, representing a 10% of the GDP (Kamupingene 2002: 15, AfDB 2014: 9). According to Sherbourne (2002) from 1990 to 2002 public spending on education has risen fivefold. As a result, from 1992 to 2000 the total primary enrolment in government and government-aided schools rose from 347 907 to 387 408 (Kamupingene 2002: 8). Primary education expenditure increased from N$ 359.7 million in 1992/93 to N$ 936.9 million in 2000/01 (Kamupingene 2002: 8). This was an increase of the average expenditure per primary learner from N$ 1034 in 1992 to N$ 2 421 in 2000 (Kamupingene 2002: 8).

From 2001 to 2007 there was an increase from 1545 to 1661 schools, an average annual growth of 1.2% (Ministry of Education 2008: 3). About 1562 of these schools are state owned. In 2012, there were 1,723 schools, with 24,665 teachers and 617,827 children. Overall, there are 25 learners per teacher for primary and secondary schools although a small portion (11%) of class groups had more than

40 learners (Unicef 2012: 3). Past investments in education have resulted in some progress in improving primary education enrolment rates and the adult literacy rate (AfDB 2014: 9). Regardless of considerable investment in education, the sector is characterized by poor quality outcomes across all segments and has not created the skilled workforce Namibia needs to diversify the economy (AfDB 2014: 9). With a dedicated plan on how to spend and invest resources Namibia can solve some of these problems.

Since independence, there has been considerable improvement in the public health care sector. Due to the apartheid system, the Namibian health system was very fragmented (MHSS and NSA 2013: 3). Health facilities were mainly located in the urban areas and segregated along racial lines. As such, the government has been more responsive to the health needs of the population even though the pace has been slow (Janessens et al No date: 2). There has been a significant increase in the coverage of and access to health and social welfare services. The current healthcare network consists of nearly 1500 health and social welfare service points (MHSS and WHO 2010: 4). The area of coverage of a health facility has more than tripled as a result of the number of health facilities rising from 98 in 1981 to 317 by 2001 (SEEN 2001). Recent data show that Namibia has about 269 clinics, 44 health centres, 1150 outreach points, three intermediate hospitals, one national referral hospital and various social welfare service points (MHSS and NSA 2013: 3). It is estimated that public health care facilities serve 85% of the Namibian population and is mostly accessed by lower income groups (MHSS and WHO 2010: 4). In SSA, Namibia is one of the countries that have the highest expenditures for health. Over the period 1993 to 2000, 11% of government spending was earmarked for health (MHSS and WHO 2010: 4). The per capita expenditure on health increased from \$143 in 2001/02 to \$276 in 2006/07 (MHSS and WHO 2010: 4).

Despite an increase in health and social welfare service points, due to remoteness and long distances, a huge portion of the population still does not have access to health care. According to the 2006/07 Namibia Demographic Health Survey (NDHS), 1 in 5 households is within 15 minutes of a government health facility and 3 in 5 are within 1 hour of a health facility (MHSS and WHO 2010: 4). Significant differences in access exist between urban and rural households. The latter are 114 minutes away from the nearest government health facility, whilst the former is 25 minutes away (MHSS and WHO 2010: 4). There are 3 health workers per 1000 population, which is slightly above the WHO recommendation (MHSS and WHO 2010: 4). This number obfuscates the shortage of critical skills in the public sector, which has barely two health workers per 1000 population (MHSS and WHO 2010: 4). Within the public health care sector there is chronic shortages of doctors and nurses. Consequently, in the long-term Namibia needs to invest more or utilise the resources it has effectively.

Reserves and Investment

Resource driven economic growth and development requires recovery of resource rents which are in turn invested in other forms of wealth creating activities capable of generating income and employment once minerals are depleted. In short, recycling of resource rents is essential. Namibia does not recover most of its resource rents as compared to Botswana (Lange 2003: 3). Another area where Namibia and Botswana differ is the management of resource revenues. Botswana has an explicit policy–the SBI and other funds that have been established over the years–that guides reinvestment of all mineral revenues in public infrastructure, human capital and foreign financial assets. Namibia has only recognised the importance of the sector in terms of its contribution to employment creation and economic performance but it has not developed a policy for reinvestment of resource rents (Lange 2003: 3). What is currently happening is that resource rents are being channeled into recurrent spending instead of being invested in foreign assets or investment into domestic revenue generating activities. Only creating national wealth by reinvesting resource rents can Namibia initiate long-term sustainable development. This is an issue that Namibia has to urgently consider when oil rents start flowing.

The comparison between Namibia and Botswana has attempted to reveal the differences and similarities in institutions of restraint and the economic outcomes. However, it is challenging to link institutional performance with economic outcomes. As such, some of the economic outcomes such as performance of the economy and the provision of public goods can be affected by factors other than the existence or lack thereof of institutions of restraint. As the main objective of the paper was to do an institutional study there are few points linked to the importance of CDPIs and the centralisation of rents in resource economies that are worth discussing before concluding. These will be discussed in the next short chapter.

CHAPTER SIX. DISCUSSION POINTS AND CONCLUDING REMARKS

Discussion Points

The main theme is the previous two chapters revolved around institutions of restraint and their importance in the management of resource rents. What emerged is that a CDPI, in the case of Botswana, played a central role in providing the necessary restraints. However, the lack of a CDPI in Namibia tended to produce sub-standard outcomes, particularly in control of corruption and the allocation of resources. I want to pick up on this point in this discussion.

From the cases it clear that resource rents are crucial for economic performance and provision of public goods. However, one of the main differences between Botswana and Namibia is that, Botswana has a centralised mechanism for managing resource rents which arguably allowed resource rents to be used more efficiently and effectively. The following is a brief discussion on the importance of rent centralisation in early capitalist development and for countries attempting to diversify the economy; and provide public goods effectively with scarce resources.

It is argued that rent centralisation was pivotal in the capitalist development of the Asian developmental states. In addition, rent centralisation was the mechanism through which the ruling elites in Asian developmental states were able to monitor the recycling of rents and channel them towards productive investment. The recycling of rents and investing rents productively resulted in the creation of domestic capital that was in turn provided to private entrepreneurs as cheap loans. In line with these arguments, there is an emerging literature that seeks to challenge orthodoxy on political governance and economic progress in Africa that is relevant to discuss before concluding.

As alluded to above, this approach's starting point is the importance of the centralisation of rents in an economy. Rent centralisation is a structure that allows ruling elites to determine how rents are (created and) distributed. Generally rents are created by extraction of natural or through monopolies by a public or private firm in an economy. Kelsall and Booth (2010) argue that, centralisation of the rent process in an essential condition for the rents to aid or unlock development. In addition, Kelsall and Booth suggest that African ruling elites should develop mechanism of centralising rents if they have an interest in unlocking sustainable development. Perhaps centralising of rents is even essential in countries that rely on mineral extraction for economic performance and seek to diversify the economy away from mineral dependency. As argued in this study a CDPI can be one of the institutions contributes to centralisation of rents. For instance, a combination of MFDP and Debswana is an instance of a mechanism of rent centralisation. However, Kelsall and Booth (2010: 7) caution that rent centralisation is not sufficient in and of itself to create conditions for economic growth. For instance, the ruling elites in Angola through Sonangol have managed to centralise the rent process but it has not led to economic development or provision of public goods. Therefore, more needs to be done on the policy level to ensure that rents are utilised effectively and efficiently.

In the case of Botswana, the MFDP has been decisive in the formulation and implementation of policies on one hand; and effective and efficient in its use of resource rents on the other. From the discussion in Chapter Four, one can conclude that the BDP has had a long-term view in its use of rents. The BDP's approach is congruent with Kelsall and Booth's (2010) proposition that the rent process must be oriented to the long-term. The long-term orientation entails ruling elites (or the state) crafting a strategy that enables them to create rents and discipline their utilisation and allocation (Kelsall 2011: 79). In mineral driven economies, rents are already available and what is important are institutions that craft and implement policies with long-term economic development as the main objective. Arguably, this has been the case in Botswana. On one hand rent centralisation enables institutions or ruling elites to monitor the use of resource rents. On the other hand, it allows spending decisions to be directed by the source of the rents. The SBI in Botswana is an instance of spending of resource rents being determined by the source of the rents. Contrary to this, Namibia does not necessarily have a centralising mechanism. Most of its resource rents have been directed into current expenditure and this has been in the form of transfers to SOCs.

Chapter Five illustrated how SOCs have become a burden to the economy. The general management of SOCs in Namibia if far from efficient and this is epitomised by allegations of corruption and mismanagement of resources by senior officials. The situation is compounded by the lack of accountability and transparency within Namibia's political economy. Due to these deficiencies it is questionable whether channelling a huge amount of resource rents to SOCs is the most effective and efficient way spending and investing resource rents. On the macroeconomic level, there seems to be no assessment of the absorption capacity of the economy as in Botswana. As a result, resource rents are pumped into the economy without taking into account the long-term contribution they can make in diversifying the economy. Furthermore, resource rents are not being utilised efficiently and effectively and they are not leading to wealth creation through productive investments or accumulation of reserves as in the case of Botswana.

What emerges from the discussion above is that with an institution that can centralise rents and determine their use, it is possible to control corruption and at the same time oversee the allocation of the rents: either towards reserves or spending them effectively and efficiently towards provision of public goods. Without overstating the role that a CDPI can play, its role in Botswana illustrates how it can be essential in resource driven economies and how it can contribute to positive economic outcomes. Without a rent centralisation mechanism and a long-term strategy for the recycling of rents, Namibia can descend into a non-developmental kleptoracy; a vehicle for the enrichment of those in power. The situation is compounded by the dominance of a single party in a political system without robust institutions of restraint. Therefore, if oil rents start following, it might be essential for Namibia to establish a rent centralising system such as a CDPI or reinvent the current institutions such as the NPC or the MOF. In sum, restraints will be necessary in the long-term.

Concluding Remarks

To conclude, let us look at the main arguments of the discussion. When considering the interaction of resource rents and institutions, it is worth re-evaluating the institutions that can be decisive in the management of resource rents. The study started on the premise that democracy and its attendant institutions have been viewed as adequate in restraining the state or ruling elites from plundering resource rents. Relatedly, without an overarching system such as a democratic system, it can be difficult for institutions of restrain to emerge. This is definitely a reasonable starting point in understanding institutions of restraint. However, the experience of Botswana and Namibia raises some questions on the adequacy of democratic institutions in providing the necessary restraints.

It has been illustrated that electoral competition and democratic institutions are inadequate in providing restraints. In both cases, elections have been free and fair and civil and political rights are to a larger extent respected. Nevertheless, these have not really provided the restraints as predicted by the democratic approach. What is apparent is that elections are just once off events and what is essential is the continuous participation of the electorate beyond elections. Participation can be through scrutinising the actions of those in power, their use of power and the policies they formulate and implement. In Namibia, it was illustrated that the dominance of the ruling party has had some negative effects on accountability and transparency regardless of the existence of an overarching democratic system. In addition, the dominance of the ruling party has undermined the rule of law on numerous occasions related to corruption and mismanagement. Accordingly, this has undermined the functioning of state apparatus and its bureaucracy. Contrary to Botswana, corruption, rent-seeking and patronage have largely been checked or curbed. However, as the study has demonstrated, to a larger extent its success in curbing these practices can be explained by taking into account the role played by the MFDP as a CDPI.

It was argued that the capacity of the MFDP to provide restraints is located in the bureaucratic structure that is insulated and autonomous from the political elites and the society. The autonomy of the bureaucracy has been achieved through a merit-based method of recruitment and appointment. As such, the MFDP has operated with competence and professionalism. These two attributes in the MFDP and the bureaucracy have indirectly provided restraints. In addition, competence and professionalism have enabled the MFDP to restrain the pursuit of unsustainable policies that are motivated by patronage concerns. Moreover, through centralisation of rents, synchronisation of policies and oversight over other ministries and SOCs the MFDP has managed to limit corruption in the management of resource rents. Therefore, one can conclude that the absence of a similar institutional arrangement can explain failure to control corruption, rent-seeking and patronage in Namibia.

In the main, this study has raised some anomalies about the adequacy of democracy and its attendant institutions to provide restraints that are crucial in resource economies. This is an important observation considering that most resource rich economies do not have robust democratic institutions. The study has attempted to provide another avenue through which political economists can understand institutions of restraint. In particular, the interaction of resource rents, democratic institutions and CDPIs, indicate some interesting analytical opportunities for further research into understanding institutions of restraint.

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