

6

The Institutional Framework of the Developmental State in Botswana

David Sebudubudu

Botswana is the longest surviving multiparty democracy in Africa, and one with developmental aspects. It has achieved remarkable economic growth from 1966 through 1990 (Leftwich 1995; Matsheka and Botlhomilwe 2000). For instance, Botswana's rate of economic growth during the period 1965 to 1980 and 1980 to 1989 was 13.9 percent and 11.3 percent respectively (Matsheka and Botlhomilwe 2000: 41). This rapid economic growth was largely based on minerals, mainly diamonds. Many analysts also attribute this rapid growth to good economic management (Tsie 1996). Wiseman (1995) underscores good policy preferences and a state formation that was not wasteful. It is this good economic performance and an efficient state structure that make analysts classify Botswana as a 'developmental state'. Leftwich 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 (1995:401).

These are states that are ideologically oriented to use resources to pursue development. Moreover, Leftwich (1995) identifies six main aspects characteristic of a developmental state: a committed elite, relative autonomy, a powerful, competent and insulated bureaucracy, a weak and subordinated civil society, effective management of non-state economic interests; and repression, legitimacy and performance. The Botswana state meets five of these features (Tsie 1998), except the last one. Even then, Tsie (1998: 14) contends that the legitimacy of the Botswana state has never really been seriously questioned. This is the case because

since independence, successive free multi-party elections have been held whose results the contestants have generally accepted.

In one way or the other, the Botswana state fits in the category of a developmental state. Although the Botswana state has helped to create an environment that facilitates economic growth, development in Botswana has been state-driven since independence through institutional structures such as the Ministry of Finance and Development Planning (MFDP). Economic development in Botswana was not only 'state-led' but 'state-directed' as well (Charlton 1991 quoted in Leftwich 1995: 412), and 'with the MFDP serving as its economic high command, generating policy' and playing an active role in economic planning (Leftwich 1995: 412). As Leftwich notes 'the political purposes and institutional structures of developmental states have been developmentally-driven, while their developmental objectives have been politically-driven' (1995: 401). In Botswana, not only was there a devotion to develop the country by the political leadership but this 'developmental commitment [was] matched with institutional capacity' (Maudeni 2001: 18). Edge (1998) traces the character of the Botswana state as a leading apparatus in economic development to independence when the first National Development Plan was put into place. The National Development Plan as Edge (1998: 334) put it, 'placed the [Botswana] state at the centre of economic and social planning, primarily because no other sources of development were evident or readily available. By planning within the market economy, government policy has tended to influence the direction of government expenditure during the planning period while providing an environment in which the private sector activity can thrive'. In short, the Botswana state attaches a lot of importance to planning yet it allows the private sector room to function. The 1970–1975 National Development Plan noted that:

The government wishes to stress its belief in the necessity of planning the social and economic development of the nation. Available resources are limited and the problems so great that only by careful planning can these resources be put to their most effective use. A rationally planned and guided economy is the objective of government policy. However, a balance must be struck where private initiative has ample scope within the general confines laid down by government. It is government's duty to set forth clearly its objectives accordingly, and to assist the private sector in every way consistent with the attainment of these goals (Republic of Botswana 1970: 11).

Such declarations have brought positive benefits in the case of Botswana as they enjoyed the support of a relatively non-corrupt state structure. Wallis (1989) notes two main points that were of critical importance in ensuring that Botswana's planning process was effective: 'first, the Botswana case suggests that political commitment and support for planning makes a substantial difference. The First President (Seretse Khama) and his senior ministers showed greater support for

development planning than has often been the case elsewhere. Secondly, planning and budgeting have been closely linked' (Wallis 1989: 52). It is this close connection between planning and budgeting, backed by a committed political state structure, that is missing in most other African countries (Wallis 1989). What is distinctive about Botswana is that the political leadership also realized that planning on its own without proper implementation was not adequate. This was clearly articulated by the country's president when it initially opted for planning. The president categorically stated that 'my government is aware, too, that planning by itself is not enough, that efficient implementation of the Plan is even more important and [the government promised that this responsibility is carried out] ...the energies of the nation must now be devoted to the economic and social development of the country' (Raphaeli et al 1984 quoted in Wallis 1989: 71). This demonstrates that the political leadership was not only committed to planning but it also had the will to direct and ensure that National Development Plans are executed.

The other factor that differentiates developmental states from most states is low levels of corruption. Leftwich contests that 'all developmental states have been led by determined elites, which have been relatively incorruptible, at least by comparison with the pervasive corruption' found in most developing countries especially in Africa (1996: 285). This description fits the Botswana state as it is not only led by a committed elite but has also avoided some of the problems—such as corruption—that other post-colonial African states have suffered from. In Botswana, the importance of the state, the pressure for public resources to be distributed and clientelism have not created corruption that is out of control. We suggest a number of reasons for this. First, Botswana is relatively ethnically homogenous. Its economy grew steadily since independence, and its population is also small compared to most African states (Holm 2000). A small population means the size of the political class is small. As a result, there is less competition amongst elites in accessing resources. Moreover, a small population has meant that the state has had to face relatively less political pressure or demands. For Wallis, Botswana 'is a small country with...relatively simple issues to resolve' (1989: 72). Although the demands on the state have been moderate, mineral revenues have strengthened the ability of the state to respond to demands placed on it (Wiseman 1977). As a result 'there is an absence of overloading on the input side of government which has also contributed to political stability and to the maintenance of the multi-party-system' (ibid. 77). The state was able to satisfy elite demands and to some extent mass demands. Thus 'the government [of Botswana] has managed to spread the benefits of [mineral led] growth widely enough to keep the population reasonably satisfied' (UNDP 1998:48). Riley asserts that Botswana possesses some unique features that are lacking in much of contemporary Africa. These features include amongst others 'political stability, sustained high economic growth rates whose benefits are reasonably spread, a relatively unified elite committed to foreign investment and maintaining public

integrity' (2000: 153). Even then, in the absence of a 'conscious and disciplined leadership, no amount of diamond revenues would have been sufficient to make Botswana an African miracle' (Samatar 1999: 188). In this way, it is difficult to appreciate how this miracle was generated without understanding the critical role performed by the leadership (Samatar 1999).

Second, Botswana has ensured a moderate reputation of good political economic management since independence; a characteristic dissimilar to much of Africa. Corruption and patronage politics have not been at the heart of Botswana politics. Good management did not only limit corruption but also limited patronage and clientelism. For example, in most African states the public service is used, as a major source of patronage and this is not the case in Botswana because entrance into the public service is mainly based on qualification and merit. 'As in other developmental states, the bureaucracy in Botswana is recruited, and promoted on the basis of merit' (Tsie 1998: 13). This is not however to say the public service in Botswana is free of patronage, especially with regard to senior appointments and in devising policies that favour the ruling elite.

Third, reasonable levels of corruption in Botswana are attributed to the nature of the ruling elite that assumed power at independence (Holm and Molutsi 1992). They were relatively wealthy even before assuming power because they were engaged in cattle production. And as such 'this class did not necessarily see the state as a source of self-enrichment' (Tsie 1998: 13). Therefore, rising to power was not a means of attaining wealth but to gain influence.

Nevertheless, the developmental challenges that Botswana faced at independence necessitated that the state took deliberate decisions and actions to drive economic development from the start. Thus, it is in this sense that the Botswana state has since independence played an active part in the economy through a number of institutions that were meant to stimulate economic growth and development.

Taking a leading role in economic development by the state from the start was necessary as Botswana was one of the poorest countries in the world with a per capita income of around US\$80. It is this active participation in the economy, through these institutions, that partly transformed Botswana from being one of the poorest countries in the world to a middle-income country as per World Bank rankings. This was made possible by the infusion of finance and development planning into one powerful ministry, the Ministry of Finance and Development Planning (MFDP). This linked government revenues with development projects and thus only projects in the national plan were budgeted for. Development planning seeks to accomplish the national objectives of economic independence, social justice, sustainable development and rapid economic growth (Republic of Botswana 1997). Thus, planning by the Botswana state 'is intended to ensure that maximum benefit is derived from the limited financial resources available to Government by prioritising policies, programmes and projects. [It] also allows

Government to set targets against which its performance can be objectively evaluated' (Republic of Botswana 1997: 85). This is what distinguishes Botswana from most other African countries. It is these institutions that were established to facilitate development that I now turn to.

The Ministry of Finance and Development Planning (MFDP)

Developmental states have pilot institutions that direct and plan economic affairs. As Leftwich puts it 'economic co-ordination and development in [developmental states] has been [and continues to be] managed by specific institutions, whose task has been to organise the critical interactions between state and economy. These have been the economic bureaucracies, the core centres of strategic economic direction [in these states]' (1995: 411-412). What distinguishes these institutions from planning institutions found elsewhere in most developing countries 'is their power, authority, technical competence and insulation in shaping the fundamental thrusts of development policy' (ibid. 286). The Ministry of Finance and Development Planning (MFDP) in Botswana is one such agency. The MFDP is a key institution that has played a pivotal role (and continues to do so) in Botswana's developmental process. It is not only 'the institutional brain of the economic brain of the economic policy-making process' (Samatar 1999: 85) but 'the institutional nerve center' of the Botswana state (ibid. 82). It is the institution which plans, coordinates, monitors and ensures that projects that are being implemented are not only in the National Development Plan but have been budgeted for. Not only does it oversee approved plans but it also offers economic advice and information to government departments (Republic of Botswana 1970). In this sense, 'no expenditure can be incurred on a project which has not been included in the plan', and when ministries submit projects for inclusion in the plan, it is often emphasised that ministries should ensure that costs are not only reasonable but be within the government financial constraints (Wallis 1989: 2). This is made possible because the Ministry of Finance and Development Planning is run by professionals who are trained and have the expertise in economic policy making. More importantly, because the country lacked the required expertise at independence, 'considerable emphasis [was] placed upon the recruitment of a highly competent economist cadre for the planning organisation', and to ensure this, 'there [was] a relatively high dependence on expatriates' (Wallis 1989: 52). Similarly, Taylor noted that 'expatriates were retained (as opposed to much of the rest of Africa) in order to help train up a local but competent and educated civil service' (2003: 4). That is, the process of localisation was not rushed at independence. And 'through effective use of expatriate technical assistance (TA) and steady development of local capabilities, the country has achieved a remarkable record of economic planning and management' (Wallis 1989: 52). Interconnected to this, 'was the effort made to ensure that a strong policy-analysis capability was established, together with a planning staff which

was continuously involved in budgetary and economic planning' (ibid. 52). Through these efforts, the Botswana state was able to build capacity within key ministries and line ministries, thus, resulting in a bureaucracy that was competent, efficient and largely non-corrupt. In this way, Botswana largely avoided some of the pitfalls (such as lack of capacity) that negatively affected planning in most African countries (Wallis 1989).

To demonstrate the importance the Botswana state attaches to this Ministry, traditionally it has been in the Office of the Vice President (Wallis 1989; Taylor 2003). Taylor states that 'such a Ministry and its close links to the Executive has secured a balance between development planning and budgeting, as well as strengthening the capacity to implement national goals and demonstrating a commitment to economic development' (2003: 4). Moreover, the Ministry's close links with the executive did not only protect the bureaucracy from societal or public pressure but also gave rise to a more or less autonomous, strong and effective bureaucracy (Taylor 2003). Somolekae makes a related point. She observes that 'Botswana's bureaucracy has remained one of the most effective and corruption-free in Africa' and the institution enjoys 'far greater institutional autonomy than its counterparts elsewhere in the region' (1993: 119). This is unheard of in most African countries where bureaucratic institutions were 'neutralised' immediately after independence. This institutional autonomy has brought positive results for Botswana. Leftwich argues that in developmental states 'both the developmental determination of the elite and the relative autonomy of the state have helped to shape very powerful, highly competent and insulated bureaucracies with authority to direct and manage the broad shape of economic and social development' (1996: 286). In reference to Japan's developmental state, Chalmers Johnson states that 'the first element of the [developmental] model is the existence of a small, inexpensive, but elite state bureaucracy staffed by the best managerial talent available in the system' (1999: 38).

With respect to Botswana, Holm points out that 'lack of democratic control over the state bureaucracy has been central in Botswana's development' as 'top bureaucrats excluded elected politicians from most key decisions' (1996: 97). This was possible as the bureaucracy was secluded from political intrusion by the country's presidents, Seretse Khama and Quett Masire, and politicians were instructed to deal with senior bureaucrats, who were equally directed by the presidents not to give any political favours (Holm 1996). And as Holm puts it 'the leadership of the Botswana state, namely permanent secretaries and the first two presidents, have taken advantage of the state's autonomy to implement an ambitious development agenda' (ibid. 110). This development agenda has been greatly successful as Botswana's civil service has guided and produced one of the best economic growths in the third world (Holm 1996). Thus, economic development in Botswana was not only steered but also influenced by the bureaucracy. Somolekae argues that the policy making process in Botswana 'reveals

the extent to which the bureaucracy is influential in initiating policy and determining its final content' and more often than not 'by the time [it] goes out to be scrutinised by the political leadership and the general public, its major form and content have been thoroughly defined' (1993: 117). This was the case as the political leadership lacked the required expertise needed in policy making and 'the bureaucracy was the only developed organ of the state' (ibid. 117). It is in this context that the bureaucracy was given such an influential role. The Botswana story shows that the MFDP was mainly successful in its role of a 'high command' as it had the expertise and capacity to perform this critical role. Institutional competence in the MFDP was realized through the establishment of planning units which were manned by qualified professionals (Samatar 1999).

In an effort to expand the poor manufacturing base it inherited at independence, the Botswana state introduced a number of measures to encourage or promote industrial development or investment. Such measures entailed the introduction of agencies and policies such the Botswana Development Corporation (BDC), the Financial Assistance Policy (FAP), Citizen Entrepreneurial Development Agency (CEDA) and the Botswana Export Development and Investment Authority (BEDIA). These efforts are examined below.

Botswana Development Corporation (BDC)

The Botswana Development Corporation (BDC) is the principal national organisation that was introduced in 1970 through an Act of parliament to promote industrial development. 'For a developing country [such as Botswana] the creation of an industrial development agency is usually considered to be crucial to economic expansion', as 'industrialisation is usually perceived as a measure of the level of a country's economic development' (Simukonda 1998: 55). The BDC needs to be understood in this context. It was established as 'the country's main financing agency for commercial and industrial development' in which 'the Government of Botswana owns 100 percent of the issued share capital' (Botswana Development Corporation 2002: 2). And its 'primary objectives are to develop infrastructure and create employment by providing capital to fund investment and economic growth' (ibid. 7). Thus, it identifies business enterprises that involve both domestic and foreign investors and 'participates in financing of the projects with some combination of equity and loan funds' (Republic of Botswana 1997: 152). The National Development Plan 8 1997/98–2002/03 states that the functions of the BDC are: 'to create and sustain employment opportunities; to enhance economic diversification; to promote investment; to encourage citizen participation in business ventures; and to develop and enhance management and technical skills of Botswana' (Republic of Botswana 1997: 12). To facilitate these, BDC provides assistance in the form of short and long term loans, investment advice, management services and factory buildings and funds viability studies (Republic of Botswana 1997).

The Financial Assistance Policy (FAP) and Citizen Entrepreneurial Development Agency (CEDA)

In 1982, the Botswana state introduced the Financial Assistance Policy (FAP) as a way of reducing over-dependence on minerals. This was not only aimed at diversifying the economy but also to boost employment prospects (Republic of Botswana 1985). This was possible as the financial situation of government had improved because of an increase in mineral receipts. FAP provided 'direct financial assistance to both existing and new enterprises' (Chipasula and Miti 1989: 77). Projects assisted under FAP fell under three categories: small, medium and large. In supporting both new and expanding projects, FAP had three major aspects to it. Firstly, government money was to go towards projects that demonstrated a realistic prospect of generating benefits that offset the expenses. Secondly, financial support was to be provisional, at most lasting five years. And lastly, government financial help was to go to ventures that were in keeping with its goals of promoting job creation and expanding the economic base (Republic of Botswana 1985).

FAP had some successes. It was able to create 'a large number of new and small enterprises, expanding established ones, increasing unskilled employment substantially, and expanding opportunities for women in these sectors' (Samatar 1999: 187). Notwithstanding their good intentions, these efforts or policies have greatly failed to encourage manufacturing and to diversify the Botswana economy (Edge 1998; Taylor 2003). Most FAP funded projects were not successful because of a number of factors: tough competition, limitations of the market, misuse of funds by beneficiaries, failure of potential beneficiaries to raise their contributions towards the project, lack of raw materials in the rural areas as well as their growing costs and the poor quality of the products (Chipasula and Miti 1989:78/9). Perhaps one other reason why it has largely failed was that it lacked the institutional capacity to administer projects it supported.

Following the National Conference on Citizen Economic Empowerment in 1999 and the fourth evaluation of FAP in 2000, the Citizen Entrepreneurial Development Agency (CEDA) was established in 2001, and it took over the financial responsibilities of FAP as well as projects that were administered under FAP and the Small, Medium and Micro Enterprises (SMMEs). CEDA, which is an autonomous private organisation, is answerable to government through a Board of Directors. Unlike FAP, CEDA provides loans (with subsidised interests) not grants to possible projects. CEDA also aims to expand the economic base (diversify the economy) and to promote employment and citizen entrepreneurship. It also supports businesses that have the reasonable prospect of being viable. Since its establishment 'CEDA had approved 792 applications, amounting to P421.1 million, while disbursements for approved applications stood at P247.7 million' by the end of December 2002 (Republic of Botswana 2003:4). Out of the approved projects, 45 percent are in the service sector, 25 percent in retail, 13 in agriculture, 10 percent in manufacturing and another 7 percent in property

development. Once fully functional, these projects are likely to generate more than 7000 jobs. CEDA also engages private sector consultants to help to train, monitor and mentor those who have been assisted. It is thought that this will provide citizens with the required business skills to run businesses (Republic of Botswana 2003). It is too early to make a conclusive assessment of CEDA as it is still in its infancy. But one wonders if CEDA has yet the necessary institutional capacity to carry out its mandate.

Botswana Export Development and Investment Authority (BEDIA)

BEDIA, which is an autonomous entity, is another agency that was established in 1997, but started to function in 1998 to encourage investment flows into the country, especially export-oriented ventures that are necessary to create employment opportunities and to diversify Botswana's economy. It seeks to vigorously promote 'manufacturing activities that can utilise the country's raw materials such as leather, jewellery, glass and beef by-products, as well as service industries, like information technology and tourism' (Republic of Botswana 2002: 18). Moreover, it also plays an active role in promoting Botswana's products (ibid.: 2002). The establishment of such an agency is opportune as investment promotion is highly competitive. In trying to execute its mandate, BEDIA has faced the challenge of 'being an integral part of the country's programme for economic diversification through the development of an efficient export sector' (BEDIA Annual Report 2003: 8). BEDIA has also had a problem concerning 'the quality of local companies and lack of information' which render 'it difficult to embark on an aggressive export promotion strategy as the range of products manufactured locally is [not only] limited' but companies do not have the capacity to deliver quality goods at economical prices as well (Mokhawa 2003: 58). Despite these, the Africa Growth and Opportunities Act which allows products manufactured in Botswana to enter the American market without any duties levied on them offers some ephemeral opening that BEDIA seeks to utilise (BEDIA Annual Report 2003).

The Directorate on Corruption and Economic Crime (DCEC)

One factor that attracts long-term foreign investment into a country is low levels of corruption. In order to reassure foreign investors and to ensure that corruption remains under control, Botswana has established the Directorate on Corruption and Economic Crime (DCEC), a specialised anti-corruption agency.

Corruption in developmental states has not been destructive to development (Leftwich 1995). Leftwich notes that developmental states do not 'manifest the corrupt, corrosive and pervasive patrimonialism of non-developmental states' (1995: 407). This is the case in Botswana. Compared to most African states, Botswana has experienced low levels of corruption since independence, owing to a relatively good record of governance since independence (UNDP 1998).

Although cases of corruption have been reported in recent years, corruption in Botswana does not affect the whole political system, as is the case in most African countries. Tsie (1996) observed that in Botswana the state did not develop into the one and only vehicle for amassing wealth. In an effort to ensure that Botswana remains the least corrupt country in Africa (as per Transparency International rankings) and that it continues to attract foreign investment, DCEC was established in 1994 to nip corruption in the bud. This was as a result of a series of corruption scandals in the early 1990s.

The government created DCEC for the following reasons:

1. To demonstrate that it is keen to reduce corruption because it is a danger to social, political and economic development.
2. Despite Transparency International's Corruption Perception Index which considered Botswana as the least corrupt country in Africa, corruption was a danger to Botswana.
3. Botswana was addressing a legitimacy problem. Following the three Presidential Commissions of Inquiry, the government wanted to address the problem of public perception and apprehension.
4. It wanted to ensure business confidence, including the reassurance of foreign investors and aid donors, that Botswana is a place where investors can invest their money without any fear of it being abused or of them losing it.
5. The existing legislation and resources were inadequate in the face of emerging cases of corruption.

DCEC, which is a replica of the Independent Commission Against Corruption (ICAC) in Hong Kong, fights corruption through a three pronged strategy: investigation, crime prevention and public education. Moreover, in terms of section 6 of the DCEC Act, it was conferred with extensive powers to investigate corruption and economic crime (Republic of Botswana 1994). The creation of DCEC was necessary as corruption is difficult to tackle once it is out of control. However, the Directorate has been faced with a number of problems and criticisms since its inception, that include lack of autonomy, and this casts doubt on its legitimacy and public reputation. Despite this, its establishment has made corruption in Botswana a public issue.

Conclusion

Botswana's relative success story demonstrates the importance of politics in promoting development. Despite its poor manufacturing base at independence, the Botswana state has played a central role in promoting development. One way has been through the establishment of institutions such as those discussed above which requires a state that is ideologically oriented to commit and use resources to pursue development. In an effort to demonstrate the significance of politics in development, Leftwich noted that 'for while no one would deny the importance

of institutions and rules, it is political processes which bring them into being and, crucially, which sustain them' (1996: 20). Botswana is in this sense a showcase. The commitment by the state has not only nurtured but also directed key institutions such as the Ministry of Finance and Development Planning to ensure that policies are directed at development. This has put Botswana well ahead of most African countries. Its record exemplifies that the realization of economic development in a country is dependent 'on the autonomy, legitimacy, and discipline of its leaders and institutions' (Samatar 1999: 188). However, the Botswana story is of course not without problems. The Botswana state faces a number of challenges, such as poverty, inequalities, over-dependence on diamonds and unemployment, which are a threat to its developmental achievements. These contradictions need to be addressed without fail.