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Tempering the Resource Curse in Sub-Saharan Africa: An Explanatory Analysis of the Variance of the Resource Curse in Nigeria and Botswana

Jody-Ann Suzette Jones
Old Dominion University

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TEMPERING THE RESOURCE CURSE IN SUB-SAHARAN AFRICA:
AN EXPLANATORY ANALYSIS OF THE VARIANCE OF THE RESOURCE CURSE IN NIGERIA AND BOTSWANA

by

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ABSTRACT

TEMPERING THE RESOURCE CURSE IN SUB-SAHARAN AFRICA: AN EXPLANATORY ANALYSIS OF THE VARIANCE OF THE RESOURCE CURSE IN NIGERIA AND BOTSWANA

Jody-Ann Suzette Jones
Old Dominion University, 2014
Director: Dr. Francis J. Adams

The issue of the resource curse has been central to the academic debate since the 1990s. In recent years, we have witnessed a resurgence of the importance of this topic because of the discoveries of oil, natural gas, and other point source resources in several developing countries such as Ghana, Mozambique and Tanzania. It is important to note that while the resource curse is not solely limited to developing states, the main observation is that the majority of negative effects associated with the resource curse primarily afflicts poorer countries, especially those in Sub-Saharan Africa. It is reported that sub-Saharan Africa possesses the majority of the world's natural resources; therefore, it is puzzling that most of these resource-rich countries continue to struggle both economically and politically despite the abundance of mineral and/or oil wealth. Using a three-level typology, this study presents a comparative examination of the leadership, government and civil society in Botswana and Nigeria. It explains how the contrast in these critical aspects has an effect on the degree of the resource curse. The study finds that, overall, Botswana has depicted a lower degree of the resource curse than Nigeria because of three predominant reasons: 1) its leadership has been more cohesive in terms of attaining its developmental goals because of the similarity in socioeconomic backgrounds among its immediate post-independent leaders, 2) the country adheres to a
developmental state model, which has engendered a highly meritocratic civil service that is relatively free of corruption and 3) its civil society has depicted a greater level of cooperation and collaboration with the government, which could possibly be because of the relatively higher degree of ethnic homogeneity and consequently lower level of ethnic strife.
To my parents, thank you for investing your resources in me so that I could have a prosperous future. I love you more than these few words can express.
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# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIST OF TABLES</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
</tr>
</tbody>
</table>

## Chapter

### I. INTRODUCTION

| RESEARCH DESIGN AND JUSTIFICATION OF METHOD | 1 |
| JUSTIFICATION OF CASE SELECTION | 6 |
| EXPLAINING THE DEGREE OF THE RESOURCE CURSE | 12 |
| OVERVIEW OF THE NIGERIA CASE | 27 |
| OVERVIEW OF THE BOTSWANA CASE | 29 |
| ROADMAP OF THE DISSERTATION | 32 |

### II. A CRITICAL SURVEY OF THE CAUSES OF THE RESOURCE CURSE

| INTRODUCTION | 34 |
| ECONOMIC CAUSES | 36 |
| POLITICAL CAUSES | 48 |

### III. THE POLITICAL ECONOMY OF NIGERIA

| INTRODUCTION | 61 |
| GEOGRAPHY, POPULATION AND ETHNIC COMPOSITION | 65 |
| HISTORICAL BACKGROUND | 67 |
| STRUCTURE OF THE GOVERNMENT | 79 |
| STRUCTURE OF THE ECONOMY | 81 |
| OVERVIEW OF SOCIAL AND ECONOMIC CONDITIONS | 82 |
| OVERVIEW OF POLITICAL CONDITIONS | 85 |

### IV. EXAMINING THE RESOURCE CURSE IN NIGERIA

| INTRODUCTION | 91 |
| SHOWING THE EXTENT OF THE RESOURCE CURSE | 94 |
| EXPLAINING THE EXTENT OF THE RESOURCE CURSE | 108 |

### V. THE POLITICAL ECONOMY OF BOTSWANA

| INTRODUCTION | 136 |
| GEOGRAPHY, POPULATION AND ETHNIC COMPOSITION | 139 |
| HISTORICAL BACKGROUND | 140 |
| STRUCTURE OF THE GOVERNMENT | 149 |
| STRUCTURE OF THE ECONOMY | 153 |
| OVERVIEW OF SOCIAL AND ECONOMIC CONDITIONS | 155 |
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. Explaining the Variation of the Resource Curse in Nigeria and Botswana</td>
<td>13</td>
</tr>
<tr>
<td>2.1. Correlation between Ibrahim Index and Total Natural Resources Rents</td>
<td>50</td>
</tr>
<tr>
<td>2.2. Correlation between Regime Type and Total Natural Resources Rents</td>
<td>54</td>
</tr>
<tr>
<td>2.3. Descriptive Statistics: Corruption Perceptions Index-Sub-Saharan Africa</td>
<td>56</td>
</tr>
<tr>
<td>3.1. Nigeria's Performance on the World Governance Indicators</td>
<td>86</td>
</tr>
<tr>
<td>4.1. Chronology of Nigeria's Political Leaders since Independence</td>
<td>113</td>
</tr>
<tr>
<td>4.2. Correlation between Regime Type and Corruption Perceptions Index</td>
<td>121</td>
</tr>
<tr>
<td>4.3. Modified Version of the Prisoners' Dilemma Game</td>
<td>124</td>
</tr>
<tr>
<td>5.1. Botswana Performance on the Human Development Index</td>
<td>156</td>
</tr>
<tr>
<td>5.2. Polity IV Indicators-Botswana compared to Sub-Saharan Africa</td>
<td>159</td>
</tr>
<tr>
<td>5.3. World Governance Indicators-Botswana compared to Sub-Saharan Africa</td>
<td>160</td>
</tr>
<tr>
<td>6.1. Correlation between Mineral Rents, Exchange Rate, Agriculture,</td>
<td>173</td>
</tr>
<tr>
<td>And Manufacturing</td>
<td></td>
</tr>
<tr>
<td>6.2. Comparing Botswana to the rest of Sub-Saharan Africa on the CPI</td>
<td>184</td>
</tr>
</tbody>
</table>
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1: Nigeria's Human Development Index 1980-2012</td>
<td>83</td>
</tr>
<tr>
<td>3.2: Nigeria's Performance on the Worldwide Governance Indicators</td>
<td>87</td>
</tr>
<tr>
<td>4.1: Nigeria's Exchange Rate Appreciation, 1960-2011</td>
<td>95</td>
</tr>
<tr>
<td>4.2: Nigeria Oil Rents as a Percentage of GDP, 1960-2012</td>
<td>97</td>
</tr>
<tr>
<td>4.3: Nigeria's Annual GDP Growth Rate, 1960-2011</td>
<td>99</td>
</tr>
<tr>
<td>4.4: Nigeria's GDP Growth during the Oil Boom and Bust Periods</td>
<td>100</td>
</tr>
<tr>
<td>4.5: Nigeria External Debt Stocks as a Percentage of GNI, 1960-2012</td>
<td>103</td>
</tr>
<tr>
<td>4.6: Trends in Nigeria's CPI Performance, 1996-2012</td>
<td>105</td>
</tr>
<tr>
<td>6.1: Botswana's Exchange Rate Appreciation, 1960-2011</td>
<td>169</td>
</tr>
<tr>
<td>6.2: Botswana Mineral Rents as a percentage of GDP, 1960-2012</td>
<td>176</td>
</tr>
<tr>
<td>6.3: Botswana's Annual GDP growth, 1960-2012</td>
<td>176</td>
</tr>
<tr>
<td>6.4 Botswana External Debt Stocks as a Percentage of GNI, 1960-2012</td>
<td>180</td>
</tr>
<tr>
<td>6.5: Botswana Total Reserves (includes gold, current US$), 1960-2012</td>
<td>181</td>
</tr>
</tbody>
</table>
Chapter 1

Introduction

The issue of the resource curse has been central to the academic debate since the 1980s. However, recently we have witnessed a resurgence of this topic due to the recent discoveries of oil, natural gas, and other point source resources in several developing countries. It is important to note that while natural resources are not limited solely to developing nations; it is observed that the problems with natural resources seem to affect developing countries primarily. In particular, African countries seem to bear the brunt of the negative aspects associated with the resource curse. In a continent that possesses the majority of the world's natural resource is it is puzzling that most of these resource rich countries continue to struggle both economically and politically despite the abundance of mineral and/or oil wealth. It is estimated that the African continent holds 60% of the world's natural resources yet despite this resource abundance it is one of the poorest regions in the world.¹

Overcoming these hurdles is critical to development. Regardless of how much resource wealth a country has, if it is not effectively managed and invested, the country will forever remain poor and underdeveloped. Joseph Stiglitz argues that resource-rich African countries will not reap the benefits from their oil and mineral reserves unless

proper institutions and laws are implemented in order to guard against the squandering and misuse of resource revenues.²

The concept of the resource curse was originally proffered by Richard Auty who used this term to identify the paradoxical relationship between a large amount of resource revenues and poor economic growth.³Auty posited that “not only may resource-rich countries fail to benefit from a favorable endowment; they may actually perform worse than less well-endowed countries.”⁴Auty wrote this text in the early 1990s in the context of recently independent developing states that have discovered new forms of wealth creation. However, almost two decades later, Auty's thesis is still strikingly relevant. The majority of resource rich African states are still struggling with developmental challenges and unquestionably, these struggles are associated with the resource curse.

A prime example of such a state is Nigeria. Nigeria is Africa's largest oil producer and exporter. It has the largest source of human capital being Africa's most populous country and is often described as the mammoth of West Africa. Revenue Watch Institute reports that “Oil revenues totaled $50.3 billion in 2011 and generated 70 percent of government revenues.”⁵Despite the impressive amount of revenue that the government collects from oil exports a significant portion of the country's population remains mired in poverty. The World Bank consistently ranks Nigeria as a lower middle income country in its annual World Development Indicators. In 2010, the index estimated that approximately 46 percent of the population was living below the poverty line.⁶And

⁴Ibid.
⁵Revenue Watch Institute, http://www.revenuewatch.org/countries/africa/nigeria/overview
⁶World Bank Development Indicators
similarly, the 2013 United Nations Development Program's (UNDP) Human Development Index (HDI) ranks Nigeria 153 out of 186 countries which places it in the low human development category. In addition to this, the country has also struggled with political stability and governance. After independence in 1960 the country was predominantly under military rule. It was only since 1999 that the country returned to a democratic regime. It is evidence such as this that led several scholars to identify the negative correlation between resource abundance and economic growth and development as a curse.

However, not every resource abundant African country has encountered the same experience as Nigeria. Take for example Botswana which is the continent's largest diamond producer and exporter. In contrast to Nigeria, Botswana has a thriving economy and a strong stable democratic political system. The UNDP's HDI ranks Botswana 119 out of 186 countries and is placed in the medium human development category. In addition to this, Botswana has been an uninterrupted democracy since independence in 1966. While Botswana has its issues with poverty and inequality, it is nevertheless one of the few developing countries that have managed to ameliorate the degree of the resource curse. It is important to note that it is impossible to escape the resource curse entirely; however, as seen in the case of Botswana it is definitely possible to mitigate the most negative and harmful aspects of the curse.

The contrast in these two countries presents an interesting puzzle. If we found that every resource rich African country experienced a high degree of the resource curse then the resource curse thesis would prove to be more tenable. However, the problem is that countries such as Botswana have disproved or discredited this thesis. It stands to reason
therefore that there are factors that determine the level of the resource curse that a
country experiences. Several studies have discussed how Botswana has escaped the
resource curse. Most of these countries have attributed Botswana’s success to sound
institutions and economic policies and lack of corruption; however no study to the best of
my knowledge has looked at why that is. What sets a country such as Botswana apart
from Nigeria? Furthermore, no study has taken a look at other factors besides those on
the state level of analysis. This is where this study contributes to the literature. I posit that
the variation of the resource curse is contingent upon certain conditions found within
three basic levels of analysis within a country. These factors are: 1) leadership attributes
2) governance attributes and 3) the degree of influence that the civil society has in
affecting critical developmental policies

This study is based upon the assumption that the resource curse is not a
dichotomous phenomenon as the literature would suggest but is more of a continuum
with varying degrees of the curse. Consequently, this study poses the following research
questions based on case studies of Nigeria and Botswana: 1) what are the differences in
leadership between Nigeria and Botswana that account for divergent experiences in the
level of the resource curse? 2) What are the differences in the type of governance that
account for varying levels of the resource curse? And 3) what differences can be
observed in the civil societies within these countries that could account for differences in
the level of the resource curse?

This study finds that Nigeria has had a greater degree of the resource curse than
Botswana because of three major reasons. First, it lacked a post-independent
transformational leadership; instead the country’s leadership has been characterized by
personal rule for the majority of its post-independent period. Second, its government has been weak and divided because of factional conflict thus this engendered weak democratic institutions and rampant corruption. Because of these attributes and its overdependence on oil resources it has depicted characteristics of a Rentier state. And three, civil society for the most part has had relatively little influence in improving transparency and accountability in the extractive sector because of these non-democratizing forces.

On the contrary, Botswana’s leaders adopted developmentally-oriented policies that precluded the resource curse. The united and cohesive leadership setup favorable agreements with foreign mining companies that benefitted Botswana’s economy and also implemented specific policies that contributed to the long-term development of the country. Second, from the governmental level, Botswana modeled its political behavior to that of a developmental state, that is, it fostered an autonomous bureaucracy and meritocratic civil service that was relatively non-corrupt. Furthermore, the state invested substantially on public goods such as health and education instead of spending on outlandish public investment projects. Third, from the civil society level, domestic NGOs have been relatively more effective in influencing policy, particularly in the developmental sector. This has in turn resulted in a relatively lower rate of corruption and conflict and thus facilitating a more conducive environment for economic growth and development in. Furthermore, because of the willingness of the government to heed suggestions from the civil society, multistakeholder initiatives such as the Kimberley Process have been able to be relatively more effective as well.
Research Design and Justification of Method

The overarching research question of this study is *What accounts for the differences in the level of the resource curse between Botswana and Nigeria?* A comparative case study method is chosen in order to capture the subtle nuances and variations of the resource curse dilemma. Many quantitative case studies have presented evidence of the causes of the resource curse; but very few to my knowledge have explained why there is variation in the degree of the resource curse across countries. Thus, in this circumstance a small-\( N \) analysis is more suitable because it will sufficiently distinguish the differences between a country with a low degree of the resource curse from one with a higher degree of the resource curse. These intricate details would otherwise be overlooked in a large-\( N \) design.

As such, this study uses a process tracing method in order to identify and explain the differences in the extent of the resource curse between these two countries. George and Bennett explain that process tracing "attempts to trace the links between possible causes and observed outcomes." The major puzzle that we aim to decipher is what makes Botswana stand out as the anomaly in terms of the resource curse. The research problem is that not every sub-Saharan African resource rich country has experienced a high degree of the resource curse. If it is possible for at least one country to have a low extent of the resource curse then it is important to find out what underlying factors or conditions contribute to this exceptionality.

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1 One of the first quantitative studies that addressed this challenge was Sachs and Warner's 1995 study, which will be discussed in further detail in Chapter 2.

Justification of Case Selection

The particular cases were selected for several reasons. First, it was important to select two cases that represented examples on opposite ends of the resource curse continuum. Botswana was selected primarily because it is one of the few resource-rich sub-Saharan African countries that have depicted a low degree of the resource curse. It is the region's largest diamond exporter yet it has maintained sustained economic growth and a stable democratic polity in spite of its resource wealth. In contrast, Nigeria, the region's largest oil exporter has continually struggled with critical aspects of the resource curse: it has a high level of corruption, vulnerable to commodity price shocks, its non-resource sectors have been crowded out by the oil industry, and it carries a high debt burden. Because of all these factors and others, the economy has been suffering despite its oil wealth. Combined with an ailing economy, Nigeria has also experience several bouts of political instability. It struggled with military coups and authoritarian regimes until 1999.

The second reason I selected these two particular countries to examine is because of their similarity in colonial origins. Several studies have discussed the effects that colonialism has had on economic development in former colonies. Daron Acemoglu, Simon Johnson, and James A. Robinson. "The Colonial Origins of Comparative Development: An Empirical Investigation," American Economic Review 91, no. 5 (2001).
the resource curse and consequently a higher level of economic development than Nigeria, this excludes the divergent colonial administration argument as a possible explanation for the differences in resource curse degree.

I acknowledge that there are distinctive differences between these two countries. The first significant difference is the fact that Nigeria is an oil-rich country; whereas Botswana is a diamond producer. Second, the countries also have distinctive differences in terms of size, population, ethnic composition, religion, and governmental structure. One cannot ignore the fact that these two differences might play a role in the variation of the resource curse in these countries. Nevertheless, the countries are different enough to allow for an interesting study but similar enough in order to make controlled comparisons. If the cases were too similar, then there would hardly be any variation in which we could control for and thus test for explanations.

The Distinctiveness of Oil

It is important to note that the oil industry is very different from the diamond industry. Whereas, the structure of the oil industry is oligopolistic in nature, one major company, for the most part, has controlled the diamond industry for decades, DeBeers. The oil market is significantly larger than the diamond market and represents the largest sector in global trade.\textsuperscript{10} Consequently, the price of oil has been highly more volatile than diamonds over the years.\textsuperscript{11} There are a number of reasons that make oil a unique commodity and could possibly account for the higher degree of the resource curse in oil-rich nations.

\textsuperscript{11}Inkpen and Moffett (2011) report that the prices of crude oil and natural gas are more closely watched than any other commodity in the global economy.
For one, oil prices are more subject to international events, for example, the Arab Oil Crisis of 1973 and 1979 had a dramatic influence on the power that oil producing states had. The Arab Oil Embargo was the greatest transfer of wealth from the rich developed countries to the developing world. Furthermore, Yetiv shows that every major global recession since the 1950s can be attributed to oil shocks; these include the aforementioned 1973 and 1979 crises, the 1990 oil spike when Iraq invaded Kuwait\textsuperscript{12} and most recently the 2008 global recession.\textsuperscript{13}

Two, more actors are involved in the extraction, production and distribution of oil. As mentioned in the previous paragraph, prior to the first Arab Oil Crisis, the majority of oil wealth was entrusted in the hands of seven major oil companies, all from the U.S. and Europe.\textsuperscript{14} Colloquially, these companies were named \textit{The Seven Sisters} and controlled approximately 85 percent of the world's petroleum reserves.\textsuperscript{15} Since the formation of OPEC in 1960 however and the subsequent Arab Oil Crises, the influence of the \textit{Seven Sisters} have markedly decreased. What has supplanted this structure however is the rise of a myriad of players in the oil industry. These include the successors to the \textit{Seven Sisters} cartel, also known as \textit{international oil companies} (IOCs). Although, IOCs still play a significant role in the oil industry, in 2009, it was reported that they only controlled 6 percent of the oil trade.\textsuperscript{16} In lieu of the wrested power from the IOCs, the players that gained prominence starting in the 1960s have been national oil companies.

\textsuperscript{12}Steve Yetiv, \textit{Economic and Strategic Interdependence}, Lecture, Graduate Seminar in International Relations of the Middle East (Norfolk, VA: Old Dominion University, January 25, 2012).
\textsuperscript{13} Granted, the 2008 recession was primarily because of the U.S. housing crisis; however, James Hamilton shows how oil played a role in this recession as well. See James Hamilton, "Causes and Consequences of the Oil Shock of 2007–08," \textit{Brookings Papers on Economic Activity} (2009).
\textsuperscript{14} Standard Oil Company of New York, Standard Oil of New Jersey, Standard Oil of California, Gulf Oil, Texaco, Royal Dutch Shell and Anglo-Persian Oil Company.
\textsuperscript{15} Joseph Hilyard, \textit{The Oil and Gas Industry: A Nontechnical Guide} (Tulsa, OK: PennWell Corporation, 2012).
\textsuperscript{16} Ibid.
(NOCs). OPEC members thought that nationalizing their oil industries would shift the balance of power from rich industrialized nations into the hands of the developing oil-producing states. As such, many oil-rich developing countries nationalized their oil and gas industries during the 1970s, thereby reducing the influence that IOCs had in the oil market. In addition to IOCs and NOCs, there are other subsidiary players in the petroleum industry, including Independents, are smaller oil and gas producers that are not as vertically integrated as IOCs or NOCs, as such they are involved in either the upstream or downstream process; and Juniors, which are basically small Independent firms.

Three, the global oil demand is much greater than the demand for diamonds or any other commodity for that matter. Oil comprises 80 percent of global trade. This is reflected in the central role that oil plays in every major daily activity and process including transportation and electricity. Also, oil has been the primary driver of industrial growth in the developed world during early 20th century, especially with the invention of the automobile and the airplane. The transition from coal to oil in manufacturing and industry provided more efficient methods of production and thus aided in the process of rapid industrialization in countries such as the U.S. and Britain. Since the 21st century, certain developing countries such as China, Brazil, Russia and India, have been aggressively expanding their industry and manufacturing sectors as well and therefore, the role of oil has been playing an even greater role in the global economy. Oil is no

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17 In 2011, it was reported that Saudi Arabia's national oil company, Saudi Aramco, held 12 percent of the oil market share. Contrast this to the top three IOCs share of oil production: Exxon Mobil (3 percent), BP (3 percent) and Royal Dutch Shell (2 percent). Source: U.S. Energy Information Administration, http://www.eia.gov/energy_in_brief/article/world_oil_market.cfm

longer only a demand of the rich, industrialized nations; emerging growth are also demanding greater quantities of oil as their economies expand.\textsuperscript{19}

**Why Choose Oil and Diamonds**

With that being said, I selected cases with different resources because I am investigating the phenomenon of the resource curse itself and not solely the oil curse or the diamond curse. I could have just as easily selected two diamond-rich countries such as Botswana and Angola, but then, we run into other issues such as the differences in colonial heritage, and also by not selecting cases with different resources, we run into the potential for bias of one particular resource.

Several studies have investigated the resource curse problem are related to a specific type of resource, namely, point-source resources, as opposed to diffused-source resources such as agriculture and forestry. The problems evident in countries with point-source resources are what authors refer to in the resource curse literature. Mavrotas and colleagues argue that countries with point-source resources such as oil and hard minerals as opposed to diffused source resources such as agriculture are more prone to slow economic growth because of institutional failures.\textsuperscript{20} Using an econometric model they show that point-source resources retard economic growth because of the negative correlation between these type of natural resources and governance and democracy.\textsuperscript{21} Therefore, since oil and diamonds are classified as both point source resources, we can analyze the impacts that they have using the same empirical model. Despite the


\textsuperscript{21} Ibid.
differences in natural resources in the two cases, both countries bear some similarities in
the effects that point-source resources have on the countries' institutional capacity, which
is at the crux of the resource curse thesis.

Explaining the Degree of the Resource Curse

In order to explain the respective levels of the resource curse, I utilize a three
level typology that is based on each country's leadership, government, and civil society.
Because no existing study has attempted to explain the resource curse from several levels,
this study draws from a combination of sources. As such, three sets of theoretical
frameworks underpin this study's typology: 1) the individual level theories of
transformational leadership and personal rule, 2) the governmental level theories of the
developmental state and the Rentier state, and 3) the influence of civil
society/multistakeholder initiatives in mitigating the resource curse. Table 1 illustrates
this typology and I will also discuss the details of this theoretical model below.
The Individual Level

The first set of theories corresponds to the individual level of analysis. The study of leadership is uncharacteristic in International Relations because of the dominant role of the state level of analysis in the realist and liberal paradigms. However, in looking at such a complex phenomenon as the resource curse it is important to consider levels of analysis beyond the state in order to provide a more comprehensive perspective on the issue. In terms of development, leadership matters even more than a country’s colonial experience. Rotberg accounts that controlling for leadership, the type of colonial authority plays a
less significant role. According to Rotberg, "idiosyncratic behavior of individual leaders have arguably mattered more than whatever were those countries' perceived colonial legacies."\(^{22}\)

There are three key points to keep in mind when studying leadership theory as it pertains to the personality of political figures. First of all it is important to note that there is not a unanimous definition of personality because it is such a complex and multifaceted term. This results in a hybrid or eclectic approach in terms of defining and operationalizing personality traits. Second, there are many different theories of personality but since our study focuses specifically on political leadership this drastically narrows the number of theories on which we will focus. A third important point is that personality in a vacuum is hardly influential. Cottam et al highlight that the context or the situation in which a particular leader is placed matters far more than specific personality traits.\(^{23}\) In other words, different situations may evoke different personality traits.

**Transformational and Transactional Leadership**

With that said, one of the more influential theories on leadership as it pertains to political figures is Burns' dichotomy of transformational and transactional leadership. Burns first espoused these theories in 1978 in his seminal text *Leadership: Power and Purpose.* He described transformational leadership as one in which "leadership ultimately becomes moral in that it raises the level of human conduct and ethical aspiration of both leader and led, and thus it has a transforming effect on both."\(^{24}\) Transformational leaders are usually characterized as charismatic, motivational, visionary and capable of leading

their population to a single, clearly delineated goal or vision. The second aspect of Burns typology is transactional leadership, which Burns described as one in which the leader and followers engage in a reciprocal exchange relationship of valuable economic or political goods.25

It would appear that Burns classified leaders into either one of these categories. The limitation to this approach however is that a number of leaders possess a combination of these traits. No leader is solely transformational or transactional. As depicted in Table 1, I show that Botswana’s leaders have leaned closer towards the transformational side of the spectrum. Certainly, some leaders have depicted more transformational than transactional traits and vice versa. For example the first president Sir Seretse Khama was seen as more dynamic and charismatic hence his leadership style was more transformational rather than transactional. However, his successor Quett Masire was perceived more as an adept administrator and technocrat rather than a visionary and thus was more transactional than transformational in his leadership style. Overall however, Botswana’s leadership was more transformational in scope because of the unity of their presidents. Samatar expresses that Botswana maintained a united, dominant elite leadership class that cooperatively established local institutions according to the country’s developmental needs.26 The building of strong institutions from the onset of independence was buttressed Botswana’s potential for resource-led development and prosperity. This would not have been possible without the long-term vision of its leaders.

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25Ibid.
Personal Rule

Another limitation to Burns’ leadership dichotomy is that some leaders do not neatly fit into these categories, especially leaders who are primarily concerned with just acquiring power for power’s sake. Burns response to this was that it is possible for one to wield power without being either transformational or transactional. However, he regarded this wielding of naked power as non-leadership. He argued that in order for leadership to take place there needs to be a relationship between leaders and followers. He posited that “leadership, unlike naked power wielding is inseparable from follower’s needs and goals. The essence of the leader follower relation is the interaction of persons with different levels of motivations and of power potential, including skill, in pursuit of common or at least joint purpose.”

Nevertheless, there are leaders who do not fit into Burns’ dichotomy. Whether or not they wield naked power, they are legitimate leaders nevertheless. During the postcolonial period in sub-Saharan Africa one of the theories that emerged to describe this unique system of leadership where unchecked power was wielded is personal rule to which we will now turn in the following section.

In *Personal Rule in Black Africa*, Jackson and Rosberg contend that the transition from colonial rule to independence presented a specific set of obstacles for Sub-Saharan African countries. Whereas, the colonial system was highly institutionalized and bureaucratic, the governments of the newly independent countries lacked the capacity to wield such institutional power. In addition to this, because the majority of the African countries were multiethnic in composition, leadership became a competition over resources and power-wielding. They posited that:

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2Burns, *Leadership*. 
"African politics is most often a personal or factional struggle to control the national government or to influence it: a struggle that is restrained by private and tacit agreements, prudential concerns, and personal ties and dependencies rather than by public rules and institutions. The consequences of such politics have usually been increased political instability and occasionally the deterioration of the game of politics into a fight among personal and factional contenders for power."  

Furthermore, Jackson and Rosberg noted that "the new African statesman was a personal ruler more than a constitutional and institutional one; he ruled by his ability and skill (as well as the abilities and skills of those he could convince to be his supporters), by his personal power and legitimacy, and not solely by the title granted to him by the office he occupied and the constitution that defined it."  This motivated them to describe the majority of sub-Saharan Africa as being led by personal rule. This distinctive type of rule can be described as "a system of relations linking rulers not with the public or even the ruled but with patrons, associates, clients, supporters, and rivals, who constitute the system."  

This type of rule directly contrasts to Burns' typology of transformational and transactional leadership and this is illustrated in the cases. Whereas Botswana's leaders operated within the constraints of its constitution, Nigeria's leaders for the most part ruled the country according to personal whims. This is demonstrated by the numerous military coups and regime interruptions. These individual level theories are important in

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29 Ibid.
30 Ibid.
order to understand the difference in degree of the resource curse within these two countries because as demonstrated in these cases, type of leadership affects not just the political stability of the country but it also shapes the long-term developmental trajectory. Thus, based on this level of analysis we can generate the following hypothesis:

**H1: Leadership** When a resource-rich country's leadership is characterized by a succession of leaders that are strictly driven by personal gains; this increases the degree of the resource curse. In contrast, when a resource-rich country's leadership cohesive and exhibits greater transformational attributes, it is more likely that they will work towards a common goal thus decreasing the extent of the resource curse.

**The Governmental Level**

The second set of theories corresponds to the governmental level of analysis. While separate from the individual level of analysis it cannot be stressed enough that a ruler's leadership style has a direct influence on the country's type of government. The central theories that underlie this aspect of the model are theories of the developmental and Rentier state. The contrast between these state theories is strikingly relevant to the type of governance in the two cases. Whereas, Nigeria has exhibited effects of the Rentier state which is reflected in its weak democratic institutions, high level of corruption, less skilled civil service and political instability, Botswana in contrast has pursued the path of a developmental state. It has strong democratic institutions, a highly skilled civil service based on meritocracy, low level of corruption and long-term political stability. We will begin our discussion with the theoretical framework of the Rentier state.
The Rentier State Theory

The study of the Rentier state was first embarked upon by Hossein Mahdavy in 1970 in his analysis of the Iranian economy. Mahdavy describes Rentier states as "those countries that receive on a regular basis substantial amounts of external rent. External rents are in turn defined as rentals paid by foreign individuals, concerns or governments to individuals, concerns or governments of a given country." It is important to note that most Rentier states have nationalized their resource sectors. Nigeria nationalized its oil sector in 1970. Nationalization allows the government to take full control of the country's natural resources.

Yates discusses that Mahdavy does not precisely define the parameters in which a state may be classified as a Rentier state. It depends on the extent to which a state is dependent on its natural resource sector for economic revenues. Yates cites extreme examples of states in which their natural resource sectors have completely overshadowed their secondary sectors; critical examples of such states are Kuwait and Qatar.

Building upon Mahdavy's study, Beblawi describes four characteristics that describe a Rentier state: "first, the Rentier economy must be one where rent situations predominate. Second, the origin of this rent must be external to the economy. Third, in a Rentier state only few are engaged in the generation of rent, while the majority is involved in its distribution and consumption. And fourth, the government must be the principal recipient of the external rent in the economy." Furthermore, Yates citing

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3Ibid.
4Ibid., 14.
Luciani describes a Rentier state as that in which "external rent liberates the state from the need to extract income from the domestic economy."\textsuperscript{35} This unaccounted revenue creates problems. Yates argues that unlike the other primary factor incomes rent does not require any input or sacrifice. Furthermore, he posits that the other primary factors incomes all require substantial effort in order for their benefits to be received: "wages are paid for labor, interests for capital employed, and profits for the successful management of risk."\textsuperscript{36} On the other hand, rent does not require any of the aforementioned inputs, instead, rent is perceived more as a gift or a fringe benefit from the extraction of environmental resources.\textsuperscript{37}

In the case of Nigeria the Rentier state is especially applicable because despite the fact that agriculture is its primary sector, oil revenues account for "95 per cent of foreign exchange earnings and 65 per cent of budgetary revenues."\textsuperscript{38} Furthermore, the state has utilized fuel subsidies as a means to placate the domestic population. In 2010, when the government stopped providing fuel subsidies, widespread riots and upheaval occurred. President Jonathan had to concede by partially restoring the fuel subsidies in order to pacify the violent demonstrations.\textsuperscript{39}

The Rentier state mentality presents crucial problems for a resource-rich country. In fact, this mentality lies at the heart of the resource curse thesis. Countries such as Nigeria, which have enjoyed an unusually high volume of resource revenues, are usually subject to the Rentier state mentality. Especially when these revenues are so large that the

\textsuperscript{35}Ibid.

\textsuperscript{36}Ibid.

\textsuperscript{37}Ibid.


government does not need to tax or seek out other sources of domestic revenue, unaccountability and authoritarianism tendencies seem to creep into the country’s political institutions. The Rentier state not only adversely affects political institutions but it also jeopardizes economic growth and development.

The Developmental State Theory

On the other hand, countries that adopt a developmental state approach to governing their resources tend to depict not only a stronger economy but also stronger democratic institutions and political stability. Botswana exemplifies a resource-rich country that has followed such an approach.

Adrian Leftwich defines development as “the organization, mobilization, combination, use and distribution of resources in new ways, whether these resources take the form of capital, land, human beings or their combination.” He adds that “because resources are to be distributed in new ways this automatically creates winners and losers because of the varying configurations in distribution.” Because of these differences and disputes, Leftwich argues that politics plays a critical role in the developmental process. He describes politics as “the activities of conflict, cooperation and negotiation involved in the use, production and distribution of resources, whether material or ideal, whether at local, national or international levels, or whether in the private or public domains.” Furthermore, the state is the only vehicle capable of managing or steering these processes when private actors fall short.

\[40\text{Adrian Leftwich, } States of Development: On the Primacy of Politics in Development (Cambridge: Polity Press, 2000).}\]
\[41\text{Ibid.}\]
\[42\text{Ibid., 5.}\]
\[43\text{Ibid.}\]
In Leftwich's theorization of the developmental state, he identifies developmental states as "those whose politics have concentrated sufficient power, autonomy, capacity and legitimacy at the centre to shape, pursue and encourage the achievement of explicit developmental objectives." Furthermore, Leftwich creates a typology which entail seven critical components of the developmental state: "1) a determined developmental elite, 2) relative state autonomy, 3) a powerful, competent and insulated economic bureaucracy, 4) a weak and subordinated civil society, 5) the capacity for effective management of private economic interests, 6) an uneasy mix of repression and poor human rights, and 7) legitimacy and performance."

Unquestionably, some elements of Leftwich's typology no longer apply to Botswana or is no longer as relevant. For example, the role of the civil society has substantially increased since independence. Carroll and Carroll discuss that the influence of civil society organizations in Botswana has significantly broadened in scope since the late 1980s. In addition to this, Botswana's human rights record has also improved. The Ibrahim Index of African Governance ranks Botswana no. 4 out of 54 countries on the Participation and Human Rights sub-category. Granted, since the Ibrahim Index was first launched in 2007, we cannot measure the trends in Botswana's human rights record since independence. However, what this score does tell us is that comparatively speaking, Botswana is among the top performers in Sub-Saharan Africa in terms of respect for human and civil rights.

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44 Ibid.
Although the weak civil society and repressed human rights elements of Leftwich’s typology does not apply to the Botswana state, the remaining components of the typology is largely relevant to the role of the state in economic development. Other scholars seem to concur with Leftwich that Botswana was able to achieve high economic growth because it modeled its behavior to that of a developmental state.

According to Samatar, Botswana pursued “entrepreneurial interests with the close backing of the state.” This stood in contrast to the continent’s overall anti-statist agenda. After the failure of many ISI policies, many African countries (at the behest of international financial institutions) turned away from statist agendas because of the abysmal economic developmental outcomes. On the contrary, Botswana attained substantial economic development with the aid of the state without the state being heavy-handed or predatory. This developmental role that the state played greatly benefitted the country’s economic development.

Furthermore, Samatar argues that Botswana implemented several policies that helped to shape its developmental agenda. Central to these policies is the establishment of the Ministry of Finance and Development Planning (MFDP). This institution was pivotal in building and shaping Botswana’s institutional capacity. Samatar expresses that the MFDP was instrumental in planning, budgeting, and implementing developmental programs. It prevented corruption with a two-step process: 1) it ensured the economic viability of a project proposal before granting approval, and 2) it ensured that these projects did not surpass the expenditure ceilings. In other words, it was significantly difficult for bureaucrats to siphon public funds into their pockets by proposing

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47 Samatar, "National Institutions for Development: The Case of Botswana."
48 Ibid.
49 Ibid.
outlandishly expensive development projects. Therefore, Samatar concludes that Botswana was able to maintain a high level of economic development because it substantially improved its institutional capacity. Therefore, based on the above theories, we can derive the following hypothesis:

\[ H_2 \text{State/Government Resource-rich states that succumb to a Rentier state model of development are more likely to have a higher degree of the resource curse. In contrast, states that have adopted a developmental state framework will tend to have a lower degree of the resource curse.} \]

The Civil Society Level

The third level of analysis looks at the effectiveness of civil society organizations including international multistakeholder initiatives such as the EITI and KPCS in curbing the extent of the resource curse. Admittedly, this level of analysis might not have as an extensive an impact on the level of the resource curse as the leadership and government levels. Carbonnier and others explained that it may be too soon to tell if these multistakeholder initiatives are useful in mitigating the resource because of the relatively new ideas that have been implemented. Nevertheless, outside of effective leadership and sound governmental policies, civil society is the next major source in finding strategies to reduce negative aspects of the resource curse. Many of these multistakeholder initiatives include several external actors such as multinational companies, IFIs and international non-governmental organizations. Arguably however in terms of curbing the resource curse CSOs play the greatest role in these initiatives. Scholte describes the concept of civil society as “a political space, or arena, where self-generated associations of citizens

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seek, from outside political parties, to shape the rules that govern social life. Civil society groups bring citizens together non-coercively in deliberate attempts to mould the formal laws and informal norms that regulate social relations.\textsuperscript{51}

This is primarily because of their potential to respond to issues where governments have fallen short or have failed to provide sufficient services or programs to the population. Edwards adds to this concept by explaining that people form civil society associations in order to “find inspiration in their struggles for a better world.”\textsuperscript{52} However, Carbonnier cautions the limits of CSOs; he posits that they are two fundamental factors that inhibit the capabilities of CSOs. For one, CSOs usually struggle with their own transparency and accountability problems.\textsuperscript{53} In fact, several CSOs have been formed by public sector actors in order to distract the population from the matters at hand.\textsuperscript{54} Second, CSOs while formed in order to intervene where government fails in fact have no actual power in transforming governmental policies.\textsuperscript{55} Carbonnier convincingly argues that “the expectations of CSOs often stand in contradiction to their actual leverage.”\textsuperscript{56} Furthermore, if the CSOs are already politically weak then the probability that multistakeholder initiatives (such as the EITI) have in improving transparency and accountability is drastically lowered. Consequently, Carbonnier expresses that "experience in several EITI implementing countries shows that local civil society remains

\textsuperscript{53}Carbonnier, Brugger, and Krause, "Global and Local Policy Responses to the Resource Trap."
\textsuperscript{54}Ibid.
\textsuperscript{55}Ibid.
\textsuperscript{56}Ibid.
too weak to fulfill its watchdog function. It is often either co-opted or marginalized by the government, or simply lacks the capacity to hold governments and business to account.\textsuperscript{57}

Weinthal and Luong add that in looking at the effectiveness of the civil society, the role of external actors is drastically limited if the domestic institutions in the particularly country does not allow for freedom of speech, freedom of the press etc.\textsuperscript{58} Furthermore, they also posit that the possibility of CSOs having a positive impact is determined by the ability of external and local actors to hold governments accountable.\textsuperscript{59} And finally, all actors involved including the domestic government must have a mutual interest in weeding out the corrupt and rent-seeking behavior.\textsuperscript{60}

In order for multi-stakeholder initiatives to be influential in reducing the degree of the resource curse in a country two factors need to be present; one, the country needs to have strong democratic institutions, two, civil society needs to be active and influential. In the cases we study in this project we see a significant difference between these two countries in terms of the ability that multi-stakeholder initiatives have in changing policies related to natural resources. In Nigeria, multi-stakeholders have had very little effect in mitigating critical aspects of the resource curse namely corruption and rent seeking. Although Nigeria is a democracy, it does not have very strong democratic institutions. Furthermore, while its civil society is active it is relatively weak and less influential because of the lack of democratic institutions. Botswana on the other hand, while its civil society is not highly active and influential either, it is relatively more influential than Nigeria for one, and more importantly, Botswana has stronger democratic

\textsuperscript{57} Ibid.
\textsuperscript{59} Ibid.
\textsuperscript{60} Ibid.
institutions that allow for multi-stakeholder initiatives such as the Kimberley process to have a positive effect on the country's resource policy. Based on this, we can hypothesize the following:

\[ H_3 \text{ Civil Society} \text{ In resource-rich countries with strong democratic institutions where governments have failed to provide sufficient public goods and services to the population, one would expect an active civil society with the capacity to shape and influence policies that mitigate the resource curse.} \]

**Overview of the Nigeria Case**

The first case presented in this study is Nigeria. This country was selected primarily because of the ongoing struggle it has endured with the resource curse. As mentioned previously, despite its abundant oil wealth, the country continually ranks low on major socioeconomic and development indicators. The historical experience of Nigeria undoubtedly affects its present issues with economic development and political stability. Located on the West coast of Africa the country is the most populous state on the continent. It is also one of the most diverse countries in the region with over 250 ethno-linguistic groups. The Northern region primarily consists of the Hausa-Fulani people that predominantly practice Islam. The Southeast and Southwestern regions are predominantly Christian and consist of the Igbo and Yoruba groups respectively.

Prior to colonization, the area now known as Nigeria consisted of several diverse groups of people that were primarily connected through trade. From the 14th to the 17th century, the economy of this region was dependent on the trade of slaves, gold and other commodities. Many of these groups engaged in barter as a means of compensation for
traded goods. However, by the 19th century, upon British colonization, the structure of Nigeria's economic activities was transformed. Because the British passed the abolition of the slave trade act in 1807, it compelled the Nigerian territories to seek other forms of 'legitimate commerce' instead, such as palm oil production.

The encroachment of the British onto Nigerian society dramatically transformed critical aspects of this economy, politics, and culture. The British transformed Nigeria into a Crown Colony and introduced a cash-based economy, a top-down political hierarchy, and Christianity. The most important effect of colonialism however was that it created an artificial statehood that forced previously autonomous ethnic groups together under a common national identity. This created the environment for a multitude of ethnic disputes and factionalism within Nigeria. The discovery of oil in 1956 further complicated this ethnic strife.

Increased ethnic tension is just one of the ramifications of the discovery and dependence of oil. Evidence shows that Nigeria has experienced a high degree of critical aspects of the resource curse such as Dutch disease, Commodity Price Volatility, Debt Burden and Corruption. Among these variables however, corruption seems to be the most salient impediment to economic development and it is reflected in Nigeria's poor performance on several indicators of corruption and governance such as Transparency International's Corruption Perceptions Index, the World Bank's World Governance Indicators and the Ibrahim Index of African Governance. All these elements combined together have left Nigeria vulnerable to a high degree of the resource curse.

Nigeria's high degree of the resource curse may be explained from three levels: leadership, government and civil society. First, the evidence shows that Nigeria's
leadership has been characterized by personal rule. Since independence in 1960, the country has had 14 leadership transitions, most of which were military rulers. During this scramble for power, very few developmental goals were set, let alone obtained. Instead, the country was fraught with personal competition over oil resources and power.

Second, from the state/governmental level, Nigeria can be characterized as a Rentier state. This is so not only because of its overdependence on oil to drive the economy but also because of the negative ramifications of such dependence. Corruption has taken center stage in the public sector because various ethnic groups see the competition over oil resources as a zero-sum game instead of seeing it as a possible cooperation game.

The third and final explanation looks at the resource curse from the civil society level. Nigeria became a fully compliant member of the EITI in 2010. Despite its membership and several audits since then, there has been no improvement in accountability. Arguably, because of Nigeria's weak democratic institutions, civil society is unable to wield significant influence as it relates to resource revenues. Even if transparency is improved by the publication of audit reports, there are very few channels in which the public can hold the government accountable because of these weak democratic institutions.

**Overview of the Botswana Case**

In contrast to Nigeria, Botswana is a sparsely populated, landlocked country located in Southern Africa. Despite being relatively ethnically homogenous, its main group, the Tswana (which accounts for 80 percent of the population) consists of several
sub-groups that maintain distinct identities. The predominant religion is Christianity accounting for 72 percent of the population and English is its official language. However, because of the predominance of the Tswana ethnic group, the majority (approximately 80 percent of the population) all speak the Setswana language.

Botswana was also colonized by the British but instead of being a Crown Colony, it was a Protectorate. The central geographical feature in Botswana is the Kalahari desert. Because of this Botswana's climate is predominantly arid with frequent periods of droughts. As a result of this harsh environment, the British found it very difficult to settle there. Furthermore, they also found it difficult to exploit agricultural crops such as sugar as it did in the West Indies. Consequently, Botswana was established as a Protectorate and not a Crown Colony for all these aforementioned reasons. Therefore, many of Botswana’s chiefs were left to rule in lieu of permanent British settlers.

The role of the Tswana Chiefs during colonial rule was instrumental because they took it upon themselves to implement critical developmental projects in order to improve Botswana's living conditions. Again, because Botswana was a Protectorate and not a Crown Colony the British did not substantially invest in infrastructure and other public goods. Not only did the Tswana chiefs have a strong commitment to development, but they also had a high regard for constitutionalism. In fact, by use of the communal advisory group, the kgotla, chiefs could be prosecuted in circumstances where laws or customary rules were violated. This goes to show that no one was above the law, not even the leaders in the community.

This steadfastness to democratic principles is evident in present-day Botswana. The country has had several decades of uninterrupted democratic rule since independence
in 1966. It is the only sub-Saharan African country that has not encountered any military coups since independence. Furthermore, the country ranks high on measures of democracy and political authority such as the Freedom House Rankings and the POLITY IV data set.

Botswana's exceptionality is also demonstrated in its relatively low level of the resource curse. It was one of the few African countries that have mitigated critical aspects of the resource curse. Similar to Nigeria, I analyzed patterns in Botswana's leadership, government and civil society that have contributed to an overall lower degree of the resource curse. First, the evidence shows that in contrast to Nigeria, Botswana's leadership was characterized by transformational leaders who not only inspired their population to attain long-term development goals for Botswana but also shared a cohesive vision for the country. A plausible explanation for this unity and cohesiveness may be attributed to the similar ethnic, socioeconomic upbringing and educational backgrounds of Botswana's leaders. All came from middle-class, cattle-rearing families. Furthermore, all the leaders were from the same Tswana ethnic group, thus there is a high rate of homogeneity within the leadership.

Second, from the governmental level, another striking contrast presented is that Botswana adopted a developmental state framework instead of succumbing to Rentier state dynamics despite being a resource wealthy country. The critical characteristics of such types of state are: an efficient, meritocratic civil service, an autonomous bureaucracy and a relatively low level of public sector corruption. One of the reasons Botswana has been able to adopt such an effective framework is because it was able to syncretically blend its pre-colonial and postcolonial institutions; an example of this is the
15 member House of Chiefs which continues the traditional *kgotla* customs of advising on tribal matters.

Third, admittedly, Botswana's civil society also suffers drawbacks just as Nigeria, however, in terms of the resource curse; CSOs have had relatively greater success in mitigating certain aspects of the resource curse in Botswana than they had in Nigeria. Arguably, civil society was very weak in Botswana upon independence. However, since the government enacted key legislations during the 1980s, the country witnessed a burgeoning of NGO activity. Because of this willingness of the government to incorporate NGOs into the political economy of the country, and also the overall relatively higher level of democracy, NGOs in Botswana have depicted a relatively higher rate of effectiveness in terms of influencing governmental policies, especially as it applies to development. Therefore, one could expect that these institutions have contributed to mitigating corruption, conflict and other associated negative aspects of the resource curse.

**Roadmap of the Dissertation**

This dissertation is organized into seven chapters. Chapter 2 surveys the literature on the resource curse. This chapter serves two purposes: 1) to trace the history of the study of the resource curse and 2) to present the challenges, causes and consequences of mismanagement of natural resources.

Chapters 3 and 4 present the Nigeria case. Starting with Chapter 3, which discusses the history, geography, demographics, and the structure of the country’s government and economy. The purpose of this chapter is to present a
framework/background from which we will launch into the dynamics of its relationship with the resource curse. Chapter 4 begins by showing the extent of the resource curse in Nigeria. It analyzes Nigeria’s experience with four critical aspects of the resource curse: 1) the Dutch disease, 2) commodity price volatility, 3) debt burden and 4) corruption and finds that Nigeria has had a high degree of the resource curse because of its failure to mitigate or limit the occurrence of these factors. The second half of the chapter explains why Nigeria has had such a high degree of the resource curse using the three-level framework previously described in this introductory chapter.

Chapters 5 and 6 present the Botswana case. Set up in an identical framework as the Nigeria case, chapter 5 discusses the country’s history, economy and government. Chapter 6 first shows that Botswana has encountered a low extent of the resource curse not because the four critical aspects are absent from the country but because the government has employed measures in order to mitigate the presence of these factors. The second half of Chapter 6 explains why Botswana has experienced a low degree of this resource curse. In other words, why has it been successful in implementing these measures while other countries such as Nigeria have not. Chapter 7 concludes our discussion of the resource curse in these two countries and provides implications and directions for future research.
Chapter 2

A Critical Survey of the Causes of the Resource Curse

Introduction

A central problem in resource-rich African countries is how best to manage the abundance of resources. One would think that the greater resource abundance a country has, the more likely it is that sustained economic development can be achieved. However, for many sub-Saharan African countries that is not the case. Despite, the abundance of natural resources the sub-continent has, the majority of countries continue to face sustainable economic development challenges. Arguably, several resource-poor African countries encounter a myriad of other developmental challenges as well. However, what is unique about several resource-rich African countries is that despite the high influx of revenues from the extraction of oil and/or mineral resources, economic growth tends to be slow or worse yet, inversely correlated with resource revenues.

McFerson adds that international companies and other external actors (most recently, China) benefit the most from Africa’s mineral reserves.\(^1\) Furthermore, because of the secrecy and the lack of accountability on the part of local government and local leaders, the real value of extraction is unknown to the public and unaccounted for.\(^2\) This paradoxical, negative relationship between resource abundance and economic growth is referred to as the resource curse thesis.\(^3\)

\(^{1}\)McFerson, "Extractive Industries and African Democracy: Can the Resource Curse Be Exorcised?.
\(^{2}\)Ibid.
Despite the name, it is not the actual resources that causes the curse, or rather the poor economic performance. Instead, the curse is created by a combination of several economic and/or political factors that altogether manifest into an adverse environment for sustainable economic development. The literature discusses three major causal economic explanations for the resource curse: 1) Dutch Disease, 2) Volatility of Commodity Prices and 3) Declining Terms of Trade. While these factors may explain the economic processes that occur during a resource boom, they do not explain how policymakers address the high influx of resource revenues. Therefore, political explanations seek to understand the dynamic of the resource curse from the governments' perspective. The literature points out that the fundamental reason for the resource curse is based on the failure of governments to act in the best interest of their population. Instead, they are generally guided out of self-interest and short-sighted goals. Political explanations may be categorized into one of the following categories: 1) Resources tend to create weak institutions and poor governance, 2) Resources tend to breed rent-Seeking and corrupt behavior, and 3) As a consequence of the aforementioned explanations, resources tend to erode democratic institutions, thus engendering authoritarianism and instability.

The major criticism of the resource curse literature is that authors tend to focus on the economic explanations at the expense of the political factors that could possibly account for the resource curse. In fact, the curse itself is nothing more than the mismanagement of resource revenues, which leads to slow economic growth and low levels of development. Arguably, governments can mismanage any high influx of
revenue regardless of the source. If the influx of other type of revenues (such as foreign aid, and remittances) has the same negative effect on economic growth, then the economic explanations for the resource curse are not as persuasive, thus giving greater credence to the political explanations. For the scope of this project however, I will limit the discussion to the causal explanations for negative economic growth in countries that experience resource booms and omit economic crises associated with other revenue streams.

The following sections will provide an in-depth, critical discussion and analysis of the seminal texts that address these explanations for the resource curse. The rest of this paper is organized as follows: 1) Economic Explanations for the Resource Curse, 2) Political Explanations for the Resource Curse and 3) Concluding Remarks and Criticisms.

**Economic Causes**

There is consensus in the literature that natural resource abundance is inversely correlated with economic growth, however, the economic reasons for this negative relationship vary considerably among scholars.

In 1995 and 2001, using a multiple regression model controlling for several external variables such as geography and climate features, Sachs and Warner found empirical evidence that natural resource abundance was inversely correlated with

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4 Some authors have made comparisons of the resource curse to foreign aid. See Kevin Morrison, *What Can We Learn About the “Resource Curse” from Foreign Aid?*, The World Bank Research Observer (Oxford University Press on behalf of the International Bank for Reconstruction and Development, 2010).
economic growth from 1970 to 1990. Their research was motivated primarily by the slow economic growth experienced by several Latin American countries during the postwar era, despite the abundance of natural resources. Furthermore, their research also indicated that controlling for geography and climate variables, and also growth from previous non-boom periods, the relationship between natural resources and economic growth still depicted a negative relationship. This pressed Sachs and Warner to conclude that resource abundance has a deteriorating effect on a country's economy.

For social scientists (in particular economists) this posed a dilemma because historically nations built their economy based on their natural resources. Most advanced industrialized states such as the U.S., Canada and Norway capitalized on their resources and were able to grow their economies at a relatively fast pace. Harold Innis wrote in the 1950s that countries such as Canada should specialize in exporting those products are commodities that are in abundance in order to promotes economic growth. Innis labeled this as the staple theory of growth.6

This pattern of development was expected to spread to the developing world, especially after decolonization when several former European colonies gained their independence. However, in the 1990s scholars such as Sachs and Warner, Auty, and Ross found that this was far from the case. Instead of following in the path of developed countries such as Canada, resource rich developing countries were actually performing worse than resource poor developing countries. Thus, resource curse studies were primarily motivated by what causes the curse or what factors can explain the curse. The

majority of the scholars that were initially fascinated by the resource curse were economists. Consequently, in the early 90s most of the explanations for the resource curse were economic. Thus, this section will explore the economic explanations for the resource curse. The major economic causes can be subdivided into three main categories: 1) Dutch Disease, 2) Commodity Price Volatility and 3) Declining Terms of Trade.

**Dutch Disease**

Resource booms or an increase in the price of a particular resource tends to appreciate a country's exchange rate because of the dramatic increase in the resource sector exports. Since the country's currency appreciates, the price of goods also increases. Unfortunately, this makes a country's other exports less attractive and thus jeopardizes the non-resource sectors such as agriculture and manufacturing. Sachs and Warner's studies found that a high influx of natural resource revenues tend to crowd out manufacturing exports and consequently, non-mining sectors decline as a result of resource booms.

For a sub-Saharan African country in particular, this can pose a grave problem for the population. For one, agriculture provides employment for the majority of the rural populations in sub-Saharan Africa. Therefore, when the price of agricultural products increases because of the currency appreciation, the international demand for these goods decreases. Importing countries would simply find cheaper, alternative countries from which to import the respective agricultural goods. Thus, the non-resource sector would suffer the most and unfortunately in many developing countries, in particular sub-Saharan

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8 Sachs and Warner, "The Curse of Natural Resources."
Africa, the non-resource sectors are usually the mainstay of a significant portion of the population.

Two, if the manufacturing sector declines, the country loses out on the possibility of export diversification. This was one of the hallmark economic development strategies of the East Asian Tigers such as Malaysia and South Korea. Moreover, the lack of export diversification can create a Rentier state dynamic where the country is solely dependent on its natural resource. In general, Rentier states do not need to tax their population because of the steady stream of revenues from natural resources. This can have negative political effects such as the lack of political participation and government accountability. This will be covered more in-depth under the political explanations section.

Third, as the county’s resource sector booms, it is able to purchase goods at the international level. This creates yet another problem for the domestic sector because as the country imports more cheap foreign goods, domestic produced goods become less attractive to the consumer. Humphreys, Sachs and Stiglitz explain that when this occurs, the domestic costs of producing a good increase and thus creates economic difficulties for domestic producers.9

A fourth consequence of the disease is related to the obsolescence of the non-resource sectors. This creates long-term growth problems for the country because at some point in time the resource boom will eventually end. When this occurs, the industries that were adversely affected by the resource boom will face tremendous difficulty in catching up with the rest of the economy. Unfortunately, during the end of a boom period, it is the non-resource industries that need to be the primary focus of economic development.

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Therefore, while in the short run the crowding out of the manufacturing, agriculture, and other non-resource sectors do not seem to be a big problem; in the long run, the underperformance of these sectors may lead to obsolete industries which can cripple the economy during a non-boom period.

According to the literature, the predominant problem with the Dutch disease appears to be the appreciation of the exchange rate of a country with a resource boom sector. Thus, this dilemma can potentially be avoided and/or controlled by implementing specific monetary policies such as sterilization. Pugel defines sterilization as "taking an action to reverse the effect of official intervention on the domestic money supply."\textsuperscript{10} A country may pursue a policy of sterilization when it decides that it is necessary to resist changes to its money supply.\textsuperscript{11} As previously described, a sudden influx in revenue can create detrimental imbalance to the domestic sector. Therefore, despite the fact that the Dutch Disease is an economic explanation for the resource curse, the consequences associated with the disease are as a result of specific choices made by policymakers in regards to the management of the exchange rate.

Karl concurs the use of sterilization as an effective mechanism to ward off Dutch Disease. She adds that "governments need to accumulate foreign reserves, match these with additional savings, and prevent petrodollars from becoming monetized inside their economies. This course of action would protect agriculture and industry from being

\textsuperscript{11}Ibid.
disadvantaged by an appreciated exchange rate, reduce the problems of absorptive capacity, and mitigate against petrolization.\textsuperscript{12}

Besides this observation, it is unclear in the literature how to avoid the Dutch Disease if it is in fact strictly an economic explanation. Based on the David Ricardo's law of comparative advantage, a country should export goods and services at which it is relatively better at producing. Thus, if resource-rich countries were to adhere to this principle, and if Dutch Disease is an unavoidable phenomenon, then these countries would be caught in a cyclical, deterministic trap.

Based on all the aforementioned reasons Dutch disease is commonly associated as a common economic cause of the resource curse. But the biggest flaw in the literature is failing to explain how a country can avoid this without sound policymaking. The literature describes Dutch disease as to imply that it is an invisible phenomenon, when in fact it can be avoided by effective governance, which leads one to question whether Dutch disease is really an economic explanation or a political explanation for the resource curse.

**Volatility of Commodity Prices**

Luciani describes "price volatility as the result of rigidity of supply and demand in the short term, which prevents mutual adjustment with more gradual price movements."\textsuperscript{13} Siegle illustrates that "a standard measure of volatility, the coefficient of variation, shows that resource-rich countries experience 60 percent greater volatility in

\textsuperscript{12}Terry Karl, *The Paradox of Plenty: Oil Booms and Petro-States* (Los Angeles, California: University of California Press, 1997).

their growth than the global norm.\textsuperscript{14} Similar to Dutch disease, volatility of world commodity prices has adverse effects on the domestic sector in a resource rich country. As described above, resource rich countries generally go through cycles of booms and busts in the resource sector. Whereas, the Dutch disease affects the competitiveness of the non-resource boom sectors on the global market, volatility affects the stability of the price for the particular resource exports.

Price stability is crucial for developing countries because most developing countries are primary commodity exporters. This especially applies to resource abundant countries, which for the most part rely on exporting oil or a particular mineral such as diamonds or copper. The price of primary commodities is contingent upon the international market. Frankel refers to resource-rich countries as price takers, that is, the price of their tradable goods is contingent on the price on the world market.\textsuperscript{15} Because most developing countries are price takers as Frankel describes, an unstable or volatile global commodity market can create a myriad of domestic economic problems.

Furthermore, resources are subject to boom and bust periods. During a boom, that is, when the international market value for the resource is significantly higher, a country may experience a substantial increase in revenues because of the high price of the resource. However, during a bust period, when the international market value for the resource drops, countries experience a decline in their revenues because of the lower price of the resource. This volatility poses problems for countries that are reliant on the


revenues from their resources. It especially poses a challenge for countries that consumed their windfall gains during a boom period instead of investing the capital.

Because of the aforementioned factors: price instability, developing countries' reliance on the exports of primary products, and the boom-bust cycles of natural resources, it is critical that resource-rich countries invest the windfall gains from their resources during the boom periods. Failure to invest capital during a boom period can jeopardize long-term economic growth.

Collier and Venables propose that the successful venture of converting natural resources into sustained economic development should be thought of as a four link chain. “The first link is discovery and development of the natural resource. The second link is the appropriate taxation of these resources. Third, taxation of these resources should be able to provide sufficient asset formation so as to offset the extraction and depletion of the resources. And fourth, this asset formation should be in the form of investments with a high rate of return.”¹⁶ Thus, based on Collier and Venables framework, one of the ways in which resource rich countries can avoid price volatility is by sound investment and asset formation of the extracted resources.

A valid question to the investment argument would be, do resource rich countries remain vulnerable to stagnant economic growth even if they pursue sound investment policies. Gauthier and Zeufack provide evidence of Cameroon’s growth trajectory, an oil-rich African country which experienced steady economic growth during an oil boom in the 1970s. The authors illustrate that Cameroon’s GDP skyrocketed from “5.7% between 1972 and 1979, this was driven largely by the production of cocoa. In 1977, Cameroon

discovered oil and GDP growth suddenly increased to 9.4% between 1977 and 1986.\(^{17}\) However, the authors argue that GDP quickly plummeted after a combination of “a drop in oil prices coupled with poor management of oil revenues.”\(^ {18}\)

What the authors also demonstrate however is that in the case of Cameroon mismanagement of natural resources appear to be a greater contributing factor to the resource curse than volatility in oil prices.\(^ {19}\) Therefore, this gives credence to Collier and Venables’ argument. It is possible that Cameroon failed to implement effective investment strategies and this resulted in a failure to maintain a high economic growth rate despite its oil reserves.

The evidence from Gauthier and Zeufack’s case study poses a very important question in the resource curse literature, and that is to what extent does price volatility play a part in the economic performance of resource rich countries. Based on the evidence analyzed it appears to be a mixed explanations. While international commodity prices certainly affect the domestic economy of primary exporters, countries that have sound governance policies appear to weather the vagaries of the market much better than countries with weak and ineffective governance.

**Declining Terms of Trade**

The decline in terms of trade argument is closely related to the price volatility argument. Both are associated with the capability of the resource rich country to translate resources into revenues. Whereas commodity price volatility concerns the variability in international market price for commodities, the declining terms of trade argument posits


\(^{18}\) Ibid.

\(^{19}\) Ibid.
that over time primary commodity exporters attain less revenue for their exports as compared to developed countries that exports manufactured goods.

In 1950, Raul Prebisch and Hans Singer independently wrote about the woes that developing countries encountered in terms of international trade, yet they arrived at similar conclusions. They posited that developing countries faced a significant disadvantage on the world market compared to developed countries. Their rationale was that since developing countries in general are primary commodities exporters, as a family’s income rise, their demand for primary goods typically does not increase as well; thus, primary commodities are income inelastic. However, manufactured goods (which are exported predominantly by developed countries) are income elastic, that is, as a family’s income rises so too does their demand for manufactured goods. Consequently, Prebisch and Singer posited that because of this dynamic, developing countries tend to experience declining terms of trade.20

Ross concurs that “since the 1980s, the terms of trade for developing countries have declined…with estimates of the rate of decline ranging from 0.1 percent to 1.3 percent per annum.”21 He attributes this to a myriad of reasons including: “the increase in volume of commodity exporters (which is a symptom of the 1982 Debt Crisis and the subsequent structural adjustment programs), the failure of international commodity agreements and also the collapse of the Soviet Union in 1989.”22 He also contends that

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22 Ibid., 302.
“the Asian Financial Crisis in 1997 further reduced the demand for international commodities as well.”23

A problem that Ross finds with the declining terms of trade argument however is linking it to the resource curse. While some scholars such as Prebisch and Singer find a link to the resource curse and declining terms of trade, other scholars as cited by Ross such as Cuddington and Knudsen and Parnes disagree.24 In fact, according to Ross citing Knudsen and Parnes, they find that there is a positive relationship between declining terms of trade and economic growth.25 Cuddington’s study produces mixed results, however the most useful information from Cuddington’s study is that the measurement of commodity prices instrumentally affects the findings. Cuddington argues that most scholars use composite measure of commodity prices. His study on the other hand measured “terms of trade for twenty-six commodities individually from 1900 to 1983.”26 Thus, the three major problems with the declining terms of trade argument are: 1) is there a relationship to the resource curse? 2) if so, is it a consistently negative one? and 3) how are the changes in terms of trade measured?

The three predominant economic explanations for the resource curse all present reasonable evidence. First, Dutch disease appears to be a significant problem for many countries that experience a boom in the resource sector. As the authors discuss have shown when the resource sector experiences a boom this crowds out other sectors such as manufacturing and agriculture. Furthermore the Dutch disease also creates adverse conditions for other exports because of the appreciation of the exchange rate. As

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23 Ibid., 303.
24 Ibid.
25 Ibid.
26 Ibid.
previously discussed however what the literature on the Dutch disease fails to explain is whether or not the Dutch disease is unavoidable. If the Dutch disease a symptom of a booming resource sector or is it a symptom of ineffective government policies?

Second, international commodity price volatility also poses a big problem for resource rich countries. Unlike Dutch disease, countries can do very little to avoid the fluctuation in commodity prices because this is set by international factors and not domestic ones. However, what countries can do with the knowledge that this is an unavoidable occurrence is to implement the measures that can mitigate the effects of price volatility such as export diversification and setting up commodity stabilization funds.

Third, the declining terms of trade argument presents compelling evidence for primary commodity exporters. Since the majority of resource rich countries are primary commodity exporters, this argument has been sufficiently compelling as a cause of the resource curse. But with that said one must be careful not to fall into a deterministic trap that’s nothing can be done to safeguard against this. Granted, manufactured goods are income elastic, some primary commodities are not wholly income inelastic. For example, Botswana primarily exports diamonds. Diamonds are not considered to be an income elastic commodity. Therefore, the declining terms of trade argument bears more relevance to perishable resources such as coffee, cocoa, groundnuts and other agricultural products.

The next section will look at how governments respond to the resource curse. As we have seen in the economic explanations, many of the consequences that occur as a
result of the Dutch disease, international price volatility, and even declining terms of trade can be prevented and/or mitigated by effective governance policies.

**Political Causes**

One of the drawbacks of the economic explanations is that they tend to solely focus on the negative economic repercussions associated with the extraction and exports of the natural resources as causes of the resource curse. The problem with such an analysis however is that they do not account for countries that have successfully escaped the resource curse. Why is it that Botswana has been able to sustain high economic growth despite the fact that mining accounts for 45 per cent of its GDP, whereas agriculture only accounts for 2 per cent?\(^2\)\(^7\) If resource-boom economic effects such as the Dutch Disease were sufficient explanations for the causes of the resource curse, then possibly all resource-rich countries would succumb to this crisis. However, as illustrated by resource-rich countries that have sustained a high economic growth for several decades such as Botswana and Malaysia this is not the case. As poignantly expressed in a 2006 World Bank Study:

"There are no sustainable diamond mines, but there are sustainable diamond-mining countries. Implicit in this statement is the assumption that it is possible to transform one form of wealth—diamonds in the ground—into other forms of wealth, such as buildings, machines, and human capital. Achieving this transformation requires a set of institutions capable of managing the natural resource, collecting resource rents, and directing these rents into profitable investments. Resource policy, fiscal policy, political factors, institutions, and governance structure all have a role to play in this transformation."


This quote informs us that the economic explanations for the resource curse are important yet insufficient. Economic policies are implemented by policymakers. Therefore, the government is responsible for making critical decisions that play a major role in economic outcomes. Ignoring the fact that resource-rich governments have a choice in the decisions they make in the management of resource revenues creates spurious causal relationships between the abundance of natural resources and economic growth. This is where political explanations are paramount. Thus, this section attempts to fill this gap in causal explanations. I posit that the combination of both economic and political explanations provide us with a more complete picture of the causal dynamics of the resource curse. This section is subdivided into three categories: 1) Weak Institutions and Poor Governance, 2) Authoritarianism, and 3) Rent seeking and Corruption.

**Weak Institutions and Poor Governance**

McFerson argues that "good governance encompasses four pillars: the rule of law, transparency, accountability, and participation." Furthermore, McFerson attributes the causes of the resource to the failure or inadequacy of these four pillars. This is a major criticism of resource wealth, that is, it tends to breed authoritarianism or non-democratic regime types.

McFerson also claims that resource wealth is not the only reason that African countries typically engender bad governance. In addition to this, she cites the colonial legacy as a contributing factor for poor governance in African countries. Undoubtedly, colonialism has played a significant role in the formation of institutions in sub-Saharan Africa. However, despite the colonial heritage, it appears that resource-poor countries

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have had a relatively easier transition to democracy than resource-rich states. Also, resource-poor African countries are also more likely to adopt good governance strategies than resource-rich African states. Whether or not McFerson's colonialism argument holds true, there appears to be consensus in the literature that a negative relationship between resource wealth and governance exists.

In order to test the arguments that resource wealth has a negative effect on governance, I run a correlation using the variables: total natural resource rents measured as a percentage of GDP and the Ibrahim Index of African governance. Table 1 depicts the results from this correlation.

| Table 2.1: Correlation between Ibrahim Index and Total Natural Resources Rents |
|---------------------------------|-----------------|-----------------|
| Ibrahim Index                    | Pearson Correlation | Total natural resources rents (% of GDP) |
| Sig. (2-tailed)                  | 1                | -.374*          |
| N                               | 46               | 44              |
| Total natural resources rents (% of GDP) | Pearson Correlation | 1 |
| Sig. (2-tailed)                  | -.374*           | .012            |
| N                               | 44               | 46              |

* Correlation is significant at the 0.05 level (2-tailed)

According to the statistical significant Pearson correlation $r$ in Table 1, the total natural resources rents as a percentage of GDP is negatively associated with the Ibrahim Index of African Governance. This tells us that as the amount of natural resource rents increases, the Ibrahim Index score declines. The Ibrahim Index ranks African countries on a scale of 0 to 100, where 100 indicates the most effective form of governance.
Another point that is made in the literature in regards to institutions, governance and resource wealth is the negative association between resource abundance and democratic institutions. A lack of democracy is associated with poor governance not because Western political structures are superior to non-Western political counterparts, but because in non-democracies leaders are not held accountable to their populations. This unaccountability breeds corruption and hinders sustainable economic growth and development. As McPherson contends:

"Governance concerns primarily the manner in which power is exercised, while democracy encompasses also the manner in which color is obtained. However, the two concepts tend to converge, mainly because obtaining results in arbitrary and authoritarian ways does not permit enlisting public involvement and the results are thus more likely to be ineffective or reversed in the long-term."\(^{30}\)

McPherson attributes the causes of the democratic deficit to cultural factors. She argues that in sub-Saharan Africa the "Big Man" syndrome is primarily responsible for "patrimonialism and predatory behavior."\(^{31}\) McPherson further argues that once the pattern of poor governance and misappropriation is established, it becomes a self-reinforcing dynamic which is hard to break.\(^{32}\)

If one of the political causes of the resource curse is a democratic deficit as McFerson maintains, is it important for countries to have well-established, efficient, democratic institutions prior to the discovery of natural resources? Or can they build these democratic institutions after mining and extraction has began? Acemoglu, Johnson and Robinson argue that it is paramount that strong private property institutions and rule

\(^{30}\text{Ibid.}\)

\(^{31}\text{Ibid.}\)

\(^{32}\text{Ibid., 345.}\)
of law are implemented before governments start to manage the high influx of resource revenues. Furthermore, they argue that one of the reasons Botswana has been able to escape the resource curse is because they had these institutions in place prior to the discovery of diamonds in 1967.33

Moore (as cited in Rosser) argues that resource rich countries tend to have poor governance because leaders are not held accountable to their citizens. This unaccountability stems from the fact that resource rich countries tend to have a higher degree of financial autonomy. Moore refers to these type of states as “unearned income states.”34 He argues that these type of states unlike states of the North do not put effort into generating revenue by raising taxes. They do not need to tax their populations because of the rents received from the extraction of the natural resources.35

Moore extends this argument “political underdevelopment stems to a large degree from what might be termed a disconnect between states and citizens. Compared with the states of the rich world those of the poor world tend to be relatively independent of their citizens: to have autonomous sources of finance and all the critical resources; and/or be able to use international connections and resources to rule over their citizens in a relatively unrestrained fashion. In poorer countries public authority has been constructed in a context in which there has been less bargaining between states and organized citizens that has been the norm during the process of state construction in the North.”36

35Ibid.
36Ibid., 387.
Authoritarianism

Because resource rich countries tend to have weak democratic institutions, this creates a political environment that fosters authoritarianism. Jensen and Wantchekon empirically test the effects of resource dependence on the level of democracy in African regimes. They find that in African countries with a large amount of resource wealth, democracy declined after the third wave of democratization. On the other hand, African countries that are resource poor such as Benin, Mali, and Madagascar were more successful in the transition to democracy.37

McFerson concurs with Jensen and Wantchekon. The level of democracy declines as resource wealth increases. She argues that it is because of the lack of accountability on the part of ruling elites that makes the democratic process especially difficult in resource-rich African countries.38

However, it is not just the lack of accountability that makes the democratic process difficult in resource abundant states. When a country becomes heavily dependent on a single commodity, this creates a Rentier state dynamic. McPherson defines the Rentier state as "states in which the government is heavily dependent on revenues from mineral resources extracted by foreign companies, rather than on taxes or on production of all the exports, and without much contribution or effort by the government itself or the local private sector."39 In his seminal 2001 article, Ross empirically test several oil

abundant countries, which are usually characterized as Rentier economies, and he found that countries rich in oil tend to be less democratic than non oil-rich countries.40

Rosser concurs that it appears that there is a negative relationship between resource abundance and regime type.41 If we were to empirically test Rosser’s argument by examining the correlation between the Total Natural Resource Rents as Percentage of GDP and the POLITY IV polity2 variable in resource-rich African countries, we would observe that there is a negative association between these two variables. Table 1 illustrates these results.

Table 2.2: Correlation between Regime Type and Total Natural Resources Rents

<table>
<thead>
<tr>
<th></th>
<th>polity2</th>
<th>Total natural resources rents (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polity2</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>7506</td>
</tr>
<tr>
<td>Total natural resources rents (% of GDP)</td>
<td>Pearson Correlation</td>
<td>-380**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>4405</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed).

As you can see from Table 1, there is a negative relationship associated between natural resource rents and regime type, that is, as the greater the percentage of GDP that is allocated to natural resource rents the lower a country scores on the polity2 variable. This indicates that these countries tend to be more authoritarian.

A country’s regime type is very important in terms of economic development. Several scholars have argued that strong democratic institutions are positively correlated

with a higher level of economic development. However, how does the literature account for resource rich countries that are authoritarian yet experience a high level of economic development? Take for example Equatorial Guinea which some might argue is a pivotal example of an oil abundant African dictatorship; yet according to the 2011 Human Development Index, Equatorial Guinea GNP per capita at that point data was collected was $17,608.42

On the other hand, Equatorial Guinea’s relatively high GNP per capita does not necessarily mean that the country is thriving with prosperity. In fact, the mass population of Equatorial Guinea continues to live below the poverty line. Therefore, again we can see the importance of measurement. What does the literature mean exactly by a high level of development or economic performance? If it simply means a high GNP per capita, then the authoritarianism argument is less relevant for the resource curse. However, if development is measured by other social, economic and political indicators such as equal access to education, health, and employment opportunities, political and civil freedoms, social welfare programs and strong democratic institutions, then the authoritarianism argument becomes a more plausible political explanation for the resource curse.

**Rent-Seeking and Corruption**

The same can be said of corruption. An abundance of resource wealth has been commonly identified with the rampant corruption and rent seeking behavior. Certainly, corruption occurs as a result of the previously described factors, that is weak institutions, poor governance, and authoritarianism. Corruption adversely affects economic growth and development. Leite and Weidmann citing North (1990) and Schleifer and Vishny

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42 United Nations Development Programme. 2011 #76
(1993) express that corruption reduces incentives for investment and innovation and thus reduces overall economic performance. Furthermore, it is unsurprising that the most corrupt African countries tend to be resource rich with Botswana being the outlier of course. Conversely, the resource poor African countries tend to be relatively less corrupt than their counterparts. Transparency International’s Corruption Perceptions Index ranks countries on a scale of 0 to 10, where 10 indicates the lowest level of perceived corruption. Table 3 presents descriptive statistics for sub-Saharan Africa on the corruption perceptions Index. Among these countries, 27 out of 48 countries fall below the regional meeting of 2.92. Of these 27, approximately 50% are resource rich countries. This tells us there is some type of association between resource wealth and corruption. One can predict that as resource wealth increases, corruption is more likely to increase as well.

Table 2.3: Descriptive Statistics: Corruption Perceptions Index-Sub-Saharan Africa

<table>
<thead>
<tr>
<th>Mean</th>
<th>2.92</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Error</td>
<td>0.15</td>
</tr>
<tr>
<td>Median</td>
<td>2.69</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1.04</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.98</td>
</tr>
<tr>
<td>Maximum</td>
<td>6.08</td>
</tr>
<tr>
<td>Sum</td>
<td>140.17</td>
</tr>
<tr>
<td>Count</td>
<td>48</td>
</tr>
</tbody>
</table>

Ascher (as cited in Rosser 2006) contends that the primary reason resource-rich countries experience low development is because political leaders waste the rents from

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the natural resources in order to gain favor with the elite classes and achieve political objectives.\textsuperscript{44}

Conclusion

Admittedly, economic development is a difficult process for any developing country, whether resource-rich or resource-poor. However, for resource-rich African countries, development comes with unique challenges because they have to efficiently manage the high influx of resource revenues in order to escape the resource curse and thus overcome developmental hurdles.

This poses several challenges for resource-rich African countries. As discussed in this chapter, these challenges can be organized along two fronts: economic and political. The economic explanations for the curse consist of the Dutch Disease dynamic, commodity price volatility and declining terms of trade. Among these three economic factors, the first two seem to play the most central role in negatively affecting the economic performance of resource-rich countries. While, declining terms of trade does have an effect on primary commodity exporters, it does not seem to have an effect on oil and/or luxury mineral such as diamonds and gold as it does on agricultural products such as cocoa and coffee.

The Dutch Disease is associated with a drastically appreciated exchange rate as a result of a resource boom. Countries that allow their exchange rate to appreciate without mitigating the effects tends to experience a "crowding out" issue in other non-resource boom sectors such as manufacturing and agriculture. This can greatly jeopardize the

\textsuperscript{44}William Ascher, \textit{Why Governments Waste Natural Resources: Policy Failures in Developing Countries} (Baltimore: Johns Hopkins University Press, 1999).
economy especially after the resource boom ends. In particular, in African countries where a majority of the population's income is based on agriculture, this could have a detrimental impact on a significant portion of the workforce.

Commodity price volatility can also adversely affect the economies of resource-rich countries however it can be mitigated if countries implement sound policies. Stability is crucial for long-term sustainable economic development. During a boom period many countries mismanage their windfall gains. Thus, during a bust period, the economy stagnates because they failed to sufficiently invest the resource revenues. Thus, the impact of commodity price volatility really boils down to choices made by policymakers. Do you spend the windfall gains during a boom period or do you invest? These choices will play a major role in determining whether or not a country can sustain the impact of volatile commodity prices.

Although, the Dutch disease and commodity price volatility have great explanatory power from the economic standpoint, they still do not tell us how the governments of these countries handle the resource booms or the variation in commodity prices. This is the major flaw in the economic explanations for the resource curse. They fail to tell us: 1) how the countries got there in the first place and 2) what can be done to avoid or mitigate these adverse economic conditions and 3) why is it that some countries have overcome these economic obstacles while other have not. It is at this juncture political explanations provide a more holistic picture of the resource curse. The political explanations may also be divided into three categories: 1) Weak Institutions and Poor Governance, 2) Rent-Seeking Behavior and Corruption and 3) Tendency towards Authoritarianism.
The political explanations are interrelated and thus supplement each other. The institutions proponents argue that resource abundance seem to erode strong democratic institutions. As McFerson argues this is because of the failure of one or more of the four pillars of governance: 1) rule of law, 2) transparency, 3) accountability and 4) participation.

Undoubtedly, the lack of one or more of these pillars would lead to a high level of corruption. Without transparency and accountability in the public and private sectors, and without a strong rule of law to prosecute infractions, democratic institutions would of course significantly erode.

A combination of the above factors is what engenders authoritarianism in resource-rich countries. Even if the country is not a de jure authoritarian government, failure of strong democratic institutions and rampant corruption would facilitate authoritarian tendencies such as the violation of civil and political freedoms.

A corollary argument with the negative association between resource wealth and authoritarianism is that authoritarian countries tend to perform worse economically than countries with strong democratic institutions. A notable criticism with this position however is how to measure development. As discussed in this text, if development is measured solely by GNP per capita then the argument is less relevant if we look at authoritarian countries with a high GNP per capita such as Equatorial Guinea. In order for this argument to be fully compelling, we would expect Equatorial Guinea to perform worse than resource-rich democratic African countries. On the other hand, if development is measured by equality, strong civil and political freedoms, fair elections and a stronger rule of law, then the argument is more convincing. However, the drawback
to that is measuring development by all these variables makes for a much less parsimonious theory.

In general I find the political explanations offer much more compelling causes for the resource curse than the economic explanations. The economic explanations appear as deterministic and unavoidable circumstances when in fact economic decisions are made by policymakers.

This tells us then that in order to avoid the harmful economic effects of the resource curse, African countries need to ensure that they have highly trained, capable, relatively non corrupt and efficient bureaucracies. As explained in the literature the erosion of democratic institutions, rent-seeking and authoritarianism tend to have the most devastating effects on the economy. Thus, it is not so much Dutch Disease, commodity price volatility or declining terms of trade that causes the resource curse but more so the political mismanagement of revenues during resource boom periods.
Introduction

Nigeria is arguably one of the quintessential examples of the resource curse in sub-Saharan Africa. In 1956, Nigeria discovered oil reserves and since then oil production has taken center stage in the Nigerian economy. This has led to a myriad of economic and political problems for the country. The most salient economic problems include a high level of income inequality and large percentage of the population living below the poverty line. The political problems are inextricably linked with the economic issues. The most critical political issues that Nigeria faces include widespread corruption, ethnic violence, and political instability. However, Nigeria was not always a poor country. During the oil boom especially, the country was economically thriving, however after the boom ended, we started to see deteriorating economic and political conditions. Thus, it is important for us to understand the context from which these present economic and political issues emerge. In understanding Nigeria's historical background, it is possible that we could trace patterns that have inhibited its modern day economic growth and political development.

The present-day entity known as Nigeria was formerly a conglomeration of several tribes, empires, and territories that were linked together primarily by trade. These various groups of people rarely shared anything in common among each other besides geographical features such as the Niger and Benue Rivers.
The social, economic and political circumstances however changed in the late 19th century when Britain colonized the territory. The British were primarily concerned with capturing a significant portion of the African continent during the Berlin conference in 1885. Therefore, it did not take into consideration the complex ethnic and religious configurations of the territory now known as Nigeria.

Under British rule, many changes occurred in Nigeria. For one, because Britain formally abolished the slave trade in 1807 they forced Nigerian merchants to deviate from the slave trade and insisted that Nigerians pursue more legitimate forms of commerce such as Palm oil production instead. In addition to this, from a religious perspective the colonization and influence of the British allowed for the encroachment of Christian missionaries onto Nigerian society. As a consequence, Nigerians were forced to abandon their traditional indigenous beliefs and instead pursue Christianity. This had profound social and cultural implications on Nigerian society. Yet another ramification of British encroachment can be seen from a political perspective; although the British claimed to govern Nigeria under indirect rule (a type of colonial governance which claims to leave a share of power with local leaders), Nigerian rulers were in fact weakened as compared to the colonial authority. In situations where local leaders’ decisions conflicted with that of the British colonial administration, the Nigerian leaders were overridden. This decreased the legitimacy of Nigerian rulers over time.

As one can expect this asymmetrical relationship eventually led to hostility and resentment among Nigerians. This resentment served as a catalyst for the Nigerian nationalist movement; especially among the educated elite who wanted equal footing with the colonial administrators. Several Nigerian civil servants complained about racial
discrimination in regards to promotion and employment opportunities. Thus, from this class of educated Nigerians emerged prominent thinkers and activists who laid the foundation for Nigerian nationalism. These included thinkers such as Herbert Macaulay and Nnamdi Azikiwe.

Nigeria gained independence from Britain on October 1, 1960. This victory was short-lived however; in less than a decade the country succumbed to civil war in 1967. In addition to this the country suffered from several decades of military rule with intermittent bouts of civilian rule. It was not until 1999 when President Obasanjo drafted the new constitution that Nigeria would undergo consistent civilian Democratic leadership.

Since the start of the 20th century Nigeria has taken steps to improve its economic and political conditions. For one, Obasanjo launched an anti-corruption campaign that aims to mitigate the abuses of political office for private gain and other public sector graft. In addition to this the Nigerian state has actively pursued a more market-oriented approach to development. One of the reasons for this new approach to development is motivated by Nigeria’s agreements with critical Western donors. For example, in 2006 Nigeria settled an agreement with the Paris Club in order to alleviate approximately 60% of its foreign debt which it incurred over the years of misrule and mismanagement under military leadership.¹

Despite these attempts to undo years of misrule and political instability, Nigeria continues to struggle with key indicators of development such as a significant portion of the population living below the poverty line, widespread income inequality, high

unemployment rates especially among youth, and a relatively low literacy rate despite free primary education, limited healthcare facilities, and inadequate infrastructure. In addition to this, Nigeria also continues to encounter political problems despite its moderate improvements since its new constitution. The major political impediment that Nigeria faces is rampant corruption. Transparency International ranks Nigeria 139 out of a total of 176 countries on the Corruption Perceptions Index. Furthermore, Nigeria has also performed poorly on other measures of governance and democratic institutions such as the World Bank’s Worldwide Governance Indicators, Freedom House measures of civil liberties and political rights and also the Polity IV measures of political authority. The weak performance on these critical political factors points to a deep-rooted problem in the Nigerian state; some scholars have attributed these problems to that of a Rentier state. Due to the high influx of oil revenues, Nigeria does not need to tax its population, thus, this leads to a breakdown in accountability and transparency on behalf of the government.

The remainder of this chapter is organized into the following sections. First, an overview of the geography, population and ethnic composition of Nigeria is presented. Second, a brief historical background of the territory now known as Nigeria is provided; this section is subdivided into three eras: pre-colonial, colonial and postcolonial eras. Third, the structure of the present Nigerian government is described. In the fourth section an overview of the structure of Nigeria’s economy is provided. The fifth section describes the role of the state in the economy with a specific focus on Nigeria’s Rentier state nature. The sixth and seventh sections provide an overview of the social, economic and

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political conditions present in modern-day Nigeria. And finally, concluding remarks comprise the eighth section.

**Geography, Population and Ethnic Composition**

Nigeria is a West African country that is approximately 356,668 square miles in size. It shares borders with several countries: Niger to the north, Cameroon to the east, and Benin to the west. In terms of location, the most significant feature about Nigeria however is its proximity to the Gulf of Guinea, which is located at the southernmost part of the country. The Gulf of Guinea bears significance because of the presence of abundant oil fields which have fueled Nigeria’s economy since 1956. Due to the country’s location and vast size the climate varies depending on the region: the climate in the southern region of the country depicts more equatorial features, in the middle belt of the country a more tropical climate is present and finally the northern region is the most arid zone in the country.

The country is divided into 36 states and 774 local government areas. With a population of approximately 158.4 million people, Nigeria is Africa’s most populous country. The World Bank estimates that its annual population growth rate is approximately 2.5%; based on this estimate, the World Bank predicts that by 2020 Nigeria’s population will be 203.7 million people. The population structure comprises of three major age groups: 0-14, 15-64, and over 65. Among these groups, 54 per cent of the

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6Ibid.
7Ibid.
population falls within the 15-64 group. The 0-14 and over 65 age group comprise 43 and 3 per cent of the population respectively. Furthermore, half of the population resides in urban areas with an average annual urbanization growth of 4 per cent. Falola and Heaton account that "Nigeria has undergone rapid urbanization and that most large cities are extremely overcrowded." Lagos alone hosts 8 million inhabitants.

Another interesting facet about Nigeria’s population is the diversity of its ethnic composition. Nigeria is comprised of over 250 ethno-linguistic groups; however, "the three predominant ethnic groups are the Hausa-Fulani in the northern savannas, Yoruba in the southwestern region and Igbo in the southeastern region." Among these groups, the Hausa-Fulani comprises approximately 29 per cent of the population making it the largest major ethnic group in Nigeria. The second largest major ethnic group is the Yoruba people, which comprise approximately 21 per cent of the population, followed by the Igbo which accounts for 18 per cent of the population.

Similar to its ethnic composition, Nigeria is also highly diverse in terms of its religion. The northern region of the country is predominantly Muslim and accounts for approximately 50 per cent of the population. Christianity is practiced mainly in the middle belt and southern regions and accounts for approximately 40 per cent of the population. The remaining 10 per cent of the population practices indigenous beliefs.

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8 Ibid.
9 Ibid.
10 Ibid.
11 Falola and Heaton, A History of Nigeria.
12 Ibid.
13 CIA Factbook, "Nigeria".
14 Ibid.
15 Falola and Heaton, A History of Nigeria.
16 Ibid.
17 Ibid.
In order to explain this heterogeneous ethnic composition, it is helpful to have an understanding of the historical processes that took place during the earlier epochs. The next section provides a brief history of Nigeria during three major eras: the pre-colonial, colonial and postcolonial periods.

Historical Background

The Pre-colonial Era

The contemporary diversity of Nigeria's geography and its people are highly reflective in its rich, cultural and dynamic history. The focus of this section is to briefly describe Nigeria’s pre-colonial history which is paramount for setting the tone for its colonial legacy and its subsequent periods. Many texts hastily identify Nigeria’s history with the coming of the British in the 19th century. However, Nigeria existed as a thriving entity prior to colonization. Therefore it is important that this rich history is captured in order to understand the complex identities and cultures of this highly populous nation.

Falola and Heaton describe the early society of Nigeria as a territory comprised of multiple groups, both centralized and decentralized, and connected through trade in agricultural products.18 The authors argue that “through trade and other forms of interaction, by 1500 CE societies in the areas and around modern-day Nigeria had developed sophisticated political, economic, and/or cultural relationships with their neighbors, making the region a relatively integrated economic unit.”19

Although contemporary Nigeria bears some resemblance to its pre-colonial era, Falola and Heaton point out that it is important to understand that many societies and

18 Ibid.
19 Ibid., 17.
empires rose and fell within the geographical area that we have come to identify as Nigeria.\textsuperscript{20} In fact, they highlight that the country now known as Nigeria is nothing more than arbitrary lines that were drawn by the British Empire during colonialism. These lines solely demarcated the political possessions of British rule and did not reflect the cultural and ethnic diversity within the region.\textsuperscript{21}

Falola and Heaton account that prior to the 11\textsuperscript{th} century, Nigeria’s history was characterized by decentralized societies. These decentralized communities included the Igbo, Isoko, Urhobo, Ibibio and Tiv groups.\textsuperscript{22} Falola and Heaton point out that in these societies “political hierarchy rarely went above the village group level even though the overarching cultural identity could incorporate many different village groups.”\textsuperscript{23} An example of such a society is the Igbo, who existed in Southeastern Nigeria. The authors describe that political authority was designated according to age. “The village elders were responsible for making the most important decisions that affected the community.”\textsuperscript{24} Therefore, one way in which decentralized states organized their political life was by deference to elders. This pattern of decentralization among societies continued until approximately the 11\textsuperscript{th} century; by this time, more formal patterns of political organization began to appear.

By 1500 CE, the most sophisticated centralized societies had emerged. These included: the Kanem-Borno, Benin, Jukun, and Oyo, Sokoto Caliphate, and Ile-Ife kingdoms.\textsuperscript{25} The Ile-Ife, Benin and Kanem-Borno societies adopted a top-down
monarchical dynasty approach to political organization. The Hausa states although dispersed among fourteen autonomous states were unified by a common language and religion. They also adopted monarchical rule. Falola and Heaton describe that these centralized states “developed kingship institutions that placed political, and to some extent, spiritual authority in the person of the king, who ruled from a capital city.” Despite the variations in political rule, language, religion and ethnicity, it is important to note that these societies kept in constant communication through trade, migration, intermarriage and other forms of inter-group relations.

This time period also marked the introduction of Islam into Nigerian territories. Islam was introduced into pre-colonial Nigeria in the late 11th century. Prior to the advent of Christian missionaries and the subsequent proliferation of Christianity, Islam played an active role in Nigerian society. Osaghae contends that Islamic expansion in the North had two major implications: 1) it ostracized non-Muslim groups, who were already minorities in number. And 2) Upon the coming of the British, Islamic groups were exalted because the British perceived Islamic civilization as the most advanced political system in Africa, and thus perceived that this system should be held as a paradigm to which all other Nigerian territories should adhere.

Undoubtedly, the introduction of Islam also facilitated centralization and increased trade in Nigeria. The spread of Islam was paramount for the Trans-Saharan

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26 Ibid.
27 Ibid.
28 Ibid.
29 Ibid., 37.
30 Ibid.
32 Falola and Heaton. *A History of Nigeria.*
trade. Falola and Heaton account that "this golden age of Trans-Saharan trade occurred between the 14th and the 15th century. Gold and slaves were the predominant commodities that were traded during this period."34

Slaves especially became an increasingly important facet of Nigerian society by the early 16th century. As societies grew increasingly agrarian, they diversified their economies even further. Slave trading was one aspect of this diversification.35 However, it is important to note that slavery during this time period differed considerably from the 19th century transatlantic slavery that also took place in Latin America and the Caribbean. The main purpose of slavery during this time period was not to denigrate any particular race based on pseudo-scientific racism. Instead, it was utilized in order to increase and consolidate economic power within the centralized states. Falola and Heaton describe that "slaves in African societies usually had the opportunity to integrate themselves into their new communities through assimilation, and, over time, marriage and childbirth...Slaves did not constitute a class in the African setting."36 Thus, it was highly possible for a slave to marry into a free family thus gaining their freedom. It was also possible for slaves to eventually accrue wealth of their own. Thus, Falola and Heaton conclude that slavery in the Hausa states and Kanem-Borno was "integrative and domestic in nature."37

According to Falola and Heaton, "slavery became a vital institution for increasing economic wealth and maintaining political stability in the majority of the Nigerian states." Slave trading continued to be critical to Nigerian pre-colonial societies up until the 19th century. In the north, the most dramatic transformation was the establishment of

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34Ibid.
35Ibid.
36Ibid., 40.
37Ibid., 40.
the Sokoto Caliphate. The jihad of Usman dan Fodio resulted in the conquering of all of the Hausa states and some of the Borno states as well. This resulted in a new overarching Islamic government that ruled over all the former Hausa territories and few Borno states. In the South, one of the most significant changes was the fall of the Oyo Empire in 1833. In addition to this, the British government formally abolished slavery in 1807. This had serious repercussions for Nigerian states that depended on slave labor for their economic wealth. By law, the British abolishment of the slave trade meant that these states would have to make a shift from slave labor to more legitimate forms of commerce such as palm oil production. However, in reality, because of the intensive labor requirement of palm oil production, slavery continued to be a predominant institution during this time.

Mid-19th century was a crucial period for the Nigerian society. Not only did society undergo the aforementioned internal transformations, but the formal intervention of the British government radically altered the economic and political landscapes.

The Colonial Era

Before discussing the colonial period, it is important to note that Europeans have played a part in the Nigerian economy to some extent since the 15th century. However, initially the relationship between Europeans and Nigerians were solely based on commerce. In 1472, the first Europeans to arrive in the Bight of Benin were Portuguese merchants. The relationship between Europeans and Nigerians at this time may be construed as mutually fortuitous because the Nigerians welcomed the revenue and

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38 Ibid.
39 Ibid.
merchandise received from trading with the Europeans. However, by the mid-19th century it became increasingly apparent that there were underlying asymmetries between the European powers and the Nigerians, especially in terms of weapons, ammunition and technological advances. The Nigerian society was at a clear disadvantage as compared to the British superpower.

The de jure abolition of the slave trade and the subsequent social, economic and political transformations that took place laid the groundwork for the eventual British colonization of Nigeria. In 1841, the first British missionaries arrived in Nigeria. Although, the missionaries' purpose was to proselytize Nigerians into Christianity, and not to annex territory, their arrival is just as significant as the British political administrators. By 1861, the official colonization of Nigeria had begun with the annexation of Lagos. Several decades later by 1903, the British government had conquered the territories that were formerly governed by the Sokoto Caliphate.

According to Falola and Heaton, there were three major motivational forces for British colonization: Christian missionaries, trade interest groups, and politicians. In addition to this, several indigenous Nigerian rulers also pushed for the establishment of the British protectorate in Nigeria. Falola and Heaton account that many indigenous rulers expected that a deeper relationship with the British government would grant them a political and economic edge over neighboring communities.

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41 Falola and Heaton, *A History of Nigeria*.  
42 Falola and Genova, *Historical Dictionary of Nigeria*.  
43 Falola and Heaton, *A History of Nigeria*.  
44 Ibid.  
45 Ibid.  
46 Ibid.
In addition to these domestic factors, the push for British colonization was also motivated by external factors. In the late 19th century, France and Germany especially were interested in exploring and claiming vast tracts of land in the African continent. The benefits of colonialism became increasingly evident to European powers. This eventually led to the allocation and distribution of territories within Africa to European powers at the Berlin conference in 1884. Therefore, when Britain saw the eagerness of their European competitors to stake claims in the Nigerian territory, they quickly signed treaties with indigenous rulers in order to set up British protectorates. In areas where they could not persuade indigenous leaders to sign treaties they overtook territories by force. In 1886, Britain granted the Royal Niger Company a charter that allowed it to control the Niger and Benue rivers. This charter effectively allowed Britain to prevent France and Germany from monopolizing the trade routes along these important rivers.

The entire process of British colonization took approximately 40 years and first began with the Southern territories. By 1899, the British established Southern and Northern Protectorates. By 1903, Lord Frederick Lugard finally defeated the Sokoto Caliphate. This defeat led to the complete amalgamation of the Nigerian state. Osaghae remarks “January 1, 1914 is regarded as the official date for the creation of what is known now as the Nigerian state.” On this date, the colonial administration unified the

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57 Ibid.
58 Ibid.
59 Ibid.
60 Ibid.
63 Ibid.
64 Osaghae. Crippled Giant: Nigeria since Independence.
northern and southern protectorates into one Nigeria. Frederick Lugard became the first governor of colonial Nigeria and served in this capacity until 1919.55

According to Falola and Heaton, colonization under British rule was a long and tedious process, however by the start of the 20th century Britain had established an indirect rule over Nigeria. Indirect rule allowed traditional Nigerian rulers to maintain a modicum of authority over their territories. However, in reality they were subordinate to British colonial administrators. Acts of insubordinations were rectified by simply usurping power from a chief or ruler and replacing him with a more subservient person.

However, indirect rule was merely a formality that the British colonial administration used to placate the local rulers. In fact, in many cases, the colonial administration had the power to overrule decisions made by local rulers. For example, Falola and Heaton cite the instance “when Governor William Macgregor had several chiefs fined and one imprisoned for the execution of a purported thief.”56 The local rulers were within their jurisdiction, however, the decision that the colonial administration made to undercut the local ruling illustrates the point that indirect rule was in name only.

As previously discussed, one of the lasting legacies that colonialism has had on sub-Saharan Africa is the construction of artificial boundaries that delineates political sovereignty. Nigeria’s political construction is by no means different in this regard. According to Falola and Heaton, the British administration created the artificial Nigerian polity during the 19th and 20th centuries.57

In addition to the demarcation of political territories, colonialism under indirect British rule also created fundamental social, cultural, and economic transformations in

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56 Ibid.
57 Ibid.
Nigeria. One of the unfortunate circumstances of this transformation was the undermining of traditional Nigerian culture. The colonizers perceived non-European cultures as inferior and weak, thus, a part of the colonization process in Nigeria was to undercut traditional institutions and replace them with British customs and institutions.

Falola and Heaton express that "the British claimed to be bringing progress and civilization to otherwise backward African societies by developing the economy, eradicating slavery in all its forms, weeding out the corruption they believed existed in traditional political institutions, promoting a work ethic they believed traditional societies lacked, and education populations on European conceptions of health, hygiene, and cleanliness."

Colonialism also transformed the Nigerian economy. Falola and Heaton discuss that Britain implemented three major reforms to the Nigerian economy: "1) expanded Nigerian commerce through exportation of raw materials, 2) brought Nigeria into a cash economy based on the UK currency, and 3) to force Nigerians to work for that currency." All these goals were implemented with the intent to civilize Nigerian society (similar to the transformation of the political institutions). But in fact, the process and outcomes of this economic transformation benefitted the British colonial administration more than the Nigerian people.

The long-term effect of this transformation was the economic decline of Nigerian society. Falola and Heaton remark that because of the highly exploitative nature of the extraction of raw materials, the Europeans enjoyed generous profits while the local

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^58 Ibid., 112.
^59 Ibid.
population suffered from a highly imbalanced trade structure.\textsuperscript{60} Because of the large size of the extractive firms, they were able to keep their costs low and their profits high. Therefore, Nigerians working in the extractive sector earned the minimum wage possible for their labor. Falola and Heaton illustrate that "many mine workers were not paid enough to feed and clothe themselves; they often fled or joined the military to get out of their forces or contracted labor terms."\textsuperscript{61}

Another effect that the Nigerian society encountered as a result of colonialism was the transformation of its social and cultural norms. These effects were evident in three pivotal changes in the Nigerian society: urbanization, education, and the consequent formation of a middle class. As Nigeria moved slowly into a cash economy, many people migrated from the rural areas to urban centers in order to pursue employment. Because wage labor demanded a strong grasp of the English language, many Nigerians were compelled to attain at the least a primary education. A minority of individuals pursued secondary and postsecondary education. Gradually, a middle class of European educated Nigerians emerged and this created a new social dynamic within the society.

Lewis summarizes that British colonialism affected the Nigerian society on three fundamental levels:

"1) Politically, most indigenous authority was undermined by the imposition of British authorities and the appointment of warrant chiefs as local proxies. 2) Culturally, the open door to missionary activities had profound effects on religion and education and 3) Economically, production and trade were transformed by

\textsuperscript{60}Ibid.  
\textsuperscript{61}Ibid., 123.
the concentration of commerce, investment and colonial enterprise in Lagos and other coastal centers, and by the spread of export agriculture."62

Eventually, this newly formed middle class started to resent the British for forcing European culture and attitudes unto indigenous Nigerian societies. They saw colonialism as a means to erode traditional Nigerian institutions. Prior to the 1930s this resentment did not result in any concrete actions or movements but by the late 1930s, Nigerian nationalist movements started to grow among the educated middle class.

By the late 1930s a more formal Nigerian nationalist movement emerged. The Nigerian nationalist movement was led by a group of Western educated Nigerian intellectuals. These groups primarily organized into labor unions and cooperatives. This occurred because of the explanations provided above, that is because colonial rule benefited only a few, many Nigerians saw this external force as a threat to their indigenous institutions. Therefore, as the middle class emerged, the necessity for the Nigerian-run country became prominent. Consequently, the Nigerian Youth Movement (NYM) became the most central pan-Nigerian organization in the late 1930s.63

The Postcolonial Era

The Nigerian Youth Movement (NYM) was one of many nationalist organizations that emerged during the late 1930s. By the end of the Second World War it became evident to the British that these movements were adamantly and forcefully pressing for independence.64 Falola and Heaton account that "from 1946, when the first constitutional reforms were enacted...the colonial government collaborated with moderate Western-
educated elite nationalists to develop a system of gradual self-government. Beginning in 1945 the colonial government began the Nigerianization of the senior levels of the civil service.\textsuperscript{65} Thus, by the 1950s the colonial administration and the local leaders came together and negotiated the terms of independence. On October 1, 1960 Nigeria gained independence from Britain. The northern-dominated political party, Northern People’s Congress (NPC) won the majority of the seats and Sir Abubaker Balewa was elected as Nigeria’s first Prime Minister.\textsuperscript{66}

**Nigeria’s Struggle with Democracy**

Unfortunately, the exuberance that came with independence was short-lived. In 1967, Civil War broke out between the Eastern region and the central government. This resulted in the secession of the Eastern region to form the Republic of Biafra. By 1970 the Republic of Biafra surrendered to the central government; however this act of concession did not fix Nigeria’s problems with political stability. The culminating effect of this civil war resulted in an interruption of Nigeria’s democracy and also the start of military rule.

For the next several decades Nigeria struggled with democratic transition. In 1966, Nigeria underwent its first military coup, Prime Minister Balewa was ousted and killed and thus from this time period until 1979, Nigeria was under military rule. In 1979 with the appointment of President Shagari, there was a second attempt at democracy however this was short-lived as he was deposed in 1983. Again, Nigeria succumbed to military rule. This period of instability continued until the election of President Obasanjo.

\textsuperscript{65}Falola and Heaton, *A History of Nigeria*, 148.

\textsuperscript{66}Lewis, *Growing Apart: Oil, Politics, and Economic Change in Indonesia and Nigeria*. 
in 1999. This ushered in the Fourth Republic era. Since 1999, Nigeria has enjoyed a relatively brief period of uninterrupted democracy.

Structure of the Government

Classification of Political Regime, Electoral System and Political Parties

Nigeria has a federal republic multiparty democratic system with the President serving as both the head of state and chief of government. The Nigerian political structure has approximately 63 political parties, however the major political parties since the 2010 election have been the conservative People’s Democratic Party (PDP) and the liberal Congress for Progressive Change (CPC), which recently merged with “the Action Congress of Nigeria, Congress for Progressive Change and the All Nigeria Peoples Party” in order to form the All Progressives Congress (APC). Elections are held every four years and are based on the first-past-the-post system.

Surprisingly, Nigeria chose to abandon the British parliamentary model after the failure of its First Republic (1963-1966). In 1966, the former Head of State Ironsi was deposed and murdered. The government was taken over by a military leader, General Gowan. The Second Republic marked the return to civilian rule. It was at this point that Nigeria chose to adopt the American federal democratic model instead of the British parliamentary system. Despite the similarities with the American model however, Nigeria’s democratic structure stands out because of its highly heterogeneous ethnic

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67 CIA Factbook, “Nigeria”.
composition. Herskovitz discusses that because of the large number of ethnic groups in Nigeria, which are viewed as self-contained nations within themselves, democracy has been a perpetual struggle.\(^7^1\) For example, as mentioned above, shortly after independence, a civil war broke out among the major ethnic groups (Ibo, Hausa-Fulani and Yoruba).\(^7^2\) Therefore, although its federal system is based on the U.S., the strength of its democratic institutions is by no means on par with that of the U.S.

In 1983, Nigeria experienced another military coup d'état and once again the country succumbed to military rule for fifteen years. It was not until former head of state Abubakar came into office that Nigeria would undergo civilian rule. In 1999, Nigeria formulated its new constitution and held its first civilian election under the Fourth Republic electing President Obasanjo. In the 2007 elections Obasanjo transferred power to President Yar’Adua. According to the CIA Factbook, "the general elections of 2007 marked the first civilian to civilian transfer of power."\(^7^3\) This modicum of electoral integrity continued until 2010 whereby President Goodluck Jonathan was elected.

**Branches of Government**

**Executive, Legislative and Judicial Bodies**

Despite the fact that Nigeria’s democratic institutions lack the strength and durability of highly institutionalized democracies, it is nevertheless a de jure democratic political system. The constitution divides the government among several tiers: federal, state and local. At the federal level, the government is divided into three branches: the Executive, Legislature and Judiciary. The Executive is primarily responsible for ensuring

\(^7^1\)Ibid.
\(^7^2\)Ibid.
\(^7^3\)CIA Factbook, "Nigeria".
that the laws that the Legislature passes are enacted. It consists of "the President, Vice President and the remaining members of the Federal Executive Council. Likewise, the state level comprises the Governor, Deputy Governor and State Executive Council."\textsuperscript{74}

The second branch, the Legislature is the primary law-making body. Similar to the Executive, it is also divided among federal and national levels. The Federal level consists of a bicameral chamber: a 109 member Senate (3 members from each state and 1 from Abuja\textsuperscript{75}) and a 360 member House of Representatives.\textsuperscript{76} On the state level, each state has a House of Assembly.\textsuperscript{77}

The Judiciary body administers and upholds the laws of the country. It consists of six courts. "The highest court is the Supreme Court, followed by the Court of Appeal, the Federal High Court, Magistrate Court, Area Court and the Customary Court."\textsuperscript{78} Finally, Nigeria has 774 local governments, which represents the plethora of ethnic and religious groups. Finally, the country is governed by a combination of traditional law, Islamic Law (in the northern states) and English common law.\textsuperscript{79}

**Structure of the Economy**

Despite its political drawbacks, Nigeria is frequently referred to as an economic mammoth in West Africa. It is by far the largest West African economy in terms of the size of its markets as well as its labor force. According to the World Bank, Nigeria has a GDP per capita of $1501 thus making it a lower middle-income country according to the


\textsuperscript{75} "Nigeria".

\textsuperscript{76} "Embassy of the Federal Republic of Nigeria, Washington D.C.".

\textsuperscript{77} Ibid.

\textsuperscript{78} Ibid.

\textsuperscript{79} "Nigeria".
World Bank’s classification. The structure of Nigeria’s economy is divided into three major sectors: agriculture, oil and gas mining and retail trade. According to IHS Global Insight, agriculture constitutes 35.5 per cent of GDP\textsuperscript{80} making it Nigeria’s primary sector; therefore, despite the country’s dependence on oil revenues, mining is not the primary sector. Second to agriculture is the oil and gas mining sector, which account for 29.2 per cent of GDP.\textsuperscript{81} The tertiary sector includes services such as retail and wholesale trade; collectively, these two types of trade account for 14.8 per cent of GDP.\textsuperscript{82}

**Overview of Social and Economic Conditions**

One could argue that because Nigeria depicts Rentier state attributes, which have led to many democratic setbacks that the country has undergone since its independence, its economy has suffered in many areas, especially in terms of public goods such as health, education and infrastructure. The Fourth Republic has taken steps to improve both its political environment and its economy. For example, in 2007, Former President Obasanjo launched an anti-corruption campaign that aimed to mitigate the detrimental effects of widespread rent seeking and corruption in the public sector. In addition to this, since the election of President Jonathan in 2010, Nigeria has started to pursue more market-oriented policies. Despite these attempts to improve the political and economic aspects of society, Nigeria has not shown vast improvements on several key social and economic indicators. The following paragraphs look at: 1) Nigeria’s overall developmental performance, and 2) government spending on public goods such as healthcare, education, and infrastructure.

\textsuperscript{81}Ibid.
\textsuperscript{82}Ibid.
First, Figure 1 depicts trends in Nigeria’s performance on the United Nations Development Programme Human Development Index (HDI) from 1980 to 2012.\footnote{Note that there was no data collected for Nigeria in 1980, 1990 and 2000.} The HDI is a composite index that captures a country’s overall developmental and performance and quality of life. As depicted, Nigeria has gradually improved its HDI since 2005; however its score still falls below the regional mean HDI. Nigeria is ranked no. 153 out of a total of 186 countries. Furthermore, the UNDP classifies Nigeria as a low human development country and its HDI score is 0.471. This falls below the regional average which is 0.475. This tells us that on a whole Nigeria’s human development is worse than the average sub-Saharan African country.

\begin{figure}[h]
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\caption{Nigeria's Human Development Index 1980-2012}
\end{figure}

Second, Nigeria spends approximately 5.1\% of its GDP on healthcare.\footnote{The World Bank, \textit{World Development Indicators}.} The average sub-Saharan African country spends approximately 6.5\% of its GDP on
healthcare.\textsuperscript{85} This tells us that Nigeria falls below the regional mean in terms of healthcare expenditure. This below average healthcare expenditure more than likely has adverse effects on the overall status of the economy because an unhealthy population or an unhealthy workforce decreases the capacity of productive sectors. In terms of education spending as a percentage of GDP, no data was reported according to the 2012 World Development Indicators. However, if one looks at the percentage of the population that has completed primary education, Nigeria is above the regional mean; Nigeria’s primary education completion rate is 74 per cent whereas the average primary education completion rate for sub-Saharan Africa is 67 per cent.\textsuperscript{86} This does not necessarily mean primary completion rate is particularly high; it could also indicate that the region’s primary education completion rate as a whole is low. For example, the primary education completion rate for the Middle East/North Africa and South Asia regions is 88 and 86 per cent respectively.\textsuperscript{87} Added to this, Nigeria’s adult literacy rate is not particularly high either, it stands 61 per cent of the population that is 15 years and older.\textsuperscript{88} As compared to the region as a whole, it performs just slightly under the average, which has a mean adult literacy rate of 62 percent.\textsuperscript{89}

Third, Nigeria has also depicted below average performance on key infrastructure components such as roads, water provision, electricity, and telecommunications. Nigeria has approximately 193,000 km of total road networks.\textsuperscript{90} Of this amount, only 15% comprises paved roads.\textsuperscript{91} Next in terms of water sources it is estimated that only 58% of

\begin{itemize}
\item \textsuperscript{85}Ibid.
\item \textsuperscript{86}Ibid.
\item \textsuperscript{87}Ibid.
\item \textsuperscript{88}Ibid.
\item \textsuperscript{89}Ibid.
\item \textsuperscript{90}Ibid.
\item \textsuperscript{91}Ibid.
\end{itemize}
the population has access to an improved water source.\textsuperscript{92} This falls slightly below the regional average, which is 61\%\textsuperscript{93} In terms of electricity consumption per capita it is surprising that Nigeria is sub-Saharan Africa’s largest oil producer yet its electric power consumption per capita is only 121 kW per hour.\textsuperscript{94} This falls way below the regional average, which is 511 kW per hour.\textsuperscript{95} And lastly, mobile telecommunications usage represent a significantly higher number of people which is 55 subscriptions per 100 people as compared to fixed line telephone usage which stands at one subscription per 100 people.\textsuperscript{96} On a positive note, Nigeria’s mobile cellular usage stands above the regional average, which is 45 subscriptions per 100 people.\textsuperscript{97}

\textbf{Overview of Political Conditions}

Nigeria’s political conditions have undoubtedly influenced its economic climate. As mentioned throughout this chapter the country has struggled perpetually with democracy it was not until 1999 that Nigeria became both a de jure and a de facto Democratic state. This weakness in democratic institutions is reflected in Nigeria’s performance on several regime, governance, civil and political rights, and corruption perception indices.

First, as measured on the POLITY IV political regimes and characteristics\textsuperscript{polity2} variable, Nigeria depicts a value of 4 based on a scale running from -10 (complete authoritarianism) to +10 (a fully institutionalized democracy). This tells us that based on

\textsuperscript{92}Ibid.  \textsuperscript{93}Ibid.  \textsuperscript{94}Ibid.  \textsuperscript{95}Ibid.  \textsuperscript{96}Ibid.  \textsuperscript{97}Ibid.
this index Nigeria’s democracy falls way below the highest possible form of democratic governance. However, as compared to the regional mean of 2.67 Nigeria appears to be more democratic than the average sub-Saharan African country.

Second, as mentioned throughout this chapter, Nigeria has struggled with its rule of governance. Undoubtedly this is interconnected with the previously mentioned measure of regime authority. It is unsurprising that a country classified as having a relatively weak democracy would perform poorly on good governance indicators. Table 1 depicts Nigeria’s performance on the World Governance Indicators. The World Governance Indicators is a composite index that assesses the performance of countries based on thirty data sources. Based on these sources, countries’ governance performance is assessed on six aggregate indicators: 1) voice and accountability, 2) political stability/absence of violence, 3) government effectiveness, 4) regulatory quality, 5) rule of law and 6) control of corruption.

Table 3.1: Nigeria’s Performance on the World Governance Indicators

<table>
<thead>
<tr>
<th>Governance Indicator</th>
<th>Year</th>
<th>Nigeria Percentile Rank</th>
<th>Governance Score</th>
<th>Sub-Saharan Africa Percentile Rank (0-100)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice and Accountability</td>
<td>2011</td>
<td>26.8</td>
<td>-0.76</td>
<td>32.3</td>
</tr>
<tr>
<td>Political Stability/Absence of Violence</td>
<td>2011</td>
<td>4.2</td>
<td>-1.94</td>
<td>34.2</td>
</tr>
<tr>
<td>Government Effectiveness</td>
<td>2011</td>
<td>12.8</td>
<td>-1.12</td>
<td>27.7</td>
</tr>
<tr>
<td>Regulatory Quality</td>
<td>2011</td>
<td>27.5</td>
<td>-0.69</td>
<td>30</td>
</tr>
<tr>
<td>Rule of Law</td>
<td>2011</td>
<td>9.9</td>
<td>-1.25</td>
<td>29.2</td>
</tr>
<tr>
<td>Control of Corruption</td>
<td>2011</td>
<td>9</td>
<td>-1.14</td>
<td>32.5</td>
</tr>
</tbody>
</table>

As depicted in Table 1, Nigeria performed worse than the Percentile Rank for Sub-Saharan Africa on all six indicators of governance. The percentile rank indicates the

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percentage of countries that have performed worse than the selected country; therefore, a
higher number depicts a stronger performance. As expected the areas in which Nigeria
performed the worst were in the political stability/absence of violence, rule of law and
control of corruption indicators. Figure 2 depicts a graphical representation of Nigeria’s
performance on these indicators.

Figure 3.2: Nigeria’s Performance on the Worldwide Governance Indicators

In the third area, civil and political rights, Nigeria has made some progress since
the Fourth Republic but it still has a long way to go in terms of civil liberties and political
rights. Freedom House ranks 193 countries on a scale of 1.0 (most free) to 7.0 (least free)
in two categories: civil liberties and political rights. Nigeria scores 4 on both categories,

and thus has an overall rating of 4. According to Freedom House it is classified as partly free. Freedom House classifies 41 per cent of sub-Saharan Africa as not free, 37 per cent as partly free, and only 22 per cent as free. Therefore, although this is not a stellar performance, Nigeria performs better than the majority of sub-Saharan African countries that fall within the not free category.

The final category in which Nigeria’s political conditions is assessed is in the area of corruption. As mentioned previously the country continually struggles with corruption and rent-seeking behavior. One of the most widely used measures of corruption is Transparency International’s Corruption Perceptions Index which assesses countries’ perceived level of corruption on a scale of 0 to 100, with 0 indicating most corrupt and 100, least corrupt. Nigeria scores 27 on the 2012 CPI. The regional average CPI is 33.4. This tells us that on average, Nigeria is more corrupt than the typical sub-Saharan African country.

Undoubtedly, the largest problems that Nigeria currently faces in its economic and political climates are: low human development, low government spending on public goods, weak democratic institutions, poor governance, moderate civil liberties and political rights and rampant corruption. Of these problems, corruption appears to be the most deleterious and pervasive issue. It seems that this problem is due to the Rentier nature of the state. Because of the high influx of oil revenues into state coffers, the government does not see the need to maintain a high level of accountability and transparency to its citizens. Furthermore, Nigeria has suffered several military coup d’états since independence; therefore, it has not had the time needed to slowly build

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100 Note that one of the six areas in which the Worldwide Governance Indicators assesses countries is in the Control of Corruption, thus there is some slight overlap in this category.
101 Transparency International, *Corruption Perceptions Index*.
strong democratic institutions. On the positive side, however, Nigeria has managed to alleviate most of its foreign debt by signing an agreement with the Paris Club in 2006.

**Conclusion**

Similar to most sub-Saharan African countries, Nigeria has experienced a sordid past with colonialism. The encroachment of the British government in the Nigerian territory dramatically transformed its indigenous economic and political institutions. The introduction of a cash economy, the Christian religion and the arbitrary division of Nigerian territories shaped and molded modern-day Nigeria into an artificial construct.

Colonialism notwithstanding, modern-day Nigeria has encountered its own set of problems. The discovery of oil, while providing much needed revenue for the economy, increased the existing ethnic tensions. In addition to this, the country struggled with its democratic transition. After many failed attempts the country finally became a de jure democracy in 1999.

Despite the country's return to democratic rule however it continues to struggle with economic and political issues. The major economic issues the country faces is its widespread poverty and income inequality. Undoubtedly this is closely related to its political malaise, which is rampant corruption and ethnic struggles. It is unsurprising that its oil abundance plays a great role in these political disturbances. Nigeria’s overdependence on oil revenues and its use of these revenues to quell opposition and manipulate members of the public sector has transformed the society into a Rentier state. Another Rentier state characteristic evident is that the government has no need to tax the population thus eroding democratic accountability and transparency. This erosion of
democratic institutions and malgovernance pose critical challenges for sub-Saharan Africa's largest oil producer and are crucial elements in the examination of the resource curse in Nigeria, which we will turn to next in the following chapter.
Chapter 4

Examining The Resource Curse in Nigeria

Introduction

In discussing the resource curse in sub-Saharan Africa, Nigeria could be regarded as a quintessential example. In the 2013 OPEC Statistical Bulletin, the value of Nigeria's petroleum exports was placed at $94.64 billion.\footnote{OPEC, Opec Annual Statistical Bulletin (Vienna, Austria: OPEC, 2013).} It is the region's largest oil exporter and has increasingly gained prominence in the global oil trade. The importance of Nigeria’s oil resources cannot be overstated. In addition to being Sub-Saharan Africa’s largest oil exporter, it is also the sixth largest oil producer in the world. Furthermore, “it is predicted that the West African region itself will contribute approximately 25 per cent of North American oil and gas imports by 2015, which would surpass Saudi Arabia’s oil exports to the U.S.”\footnote{John Ghazvinian, Untapped: The Scramble for Africa’s Oil (Orlando, FL: Houghton Mifflin Harcourt, 2007), 8.} This has major ramifications not only for Nigeria’s economy but also the U.S. and its trading partners. Undoubtedly, Nigeria will play an important role in this transformation of the oil trade within the next few years.

Despite its importance to the global oil trade and the abundance of its oil revenues, Nigeria nevertheless encounters several economic and political problems outcomes associated with the resource curse. These outcomes are directly reflected in Nigeria’s socioeconomic conditions. OPEC reports that petroleum revenues account for
70 percent of the country's total export revenues.\(^3\) This goes to show that the oil sector is the predominant source of income for the Nigerian government and thus the economy is not widely diversified. Also, 46 percent of the country live below the poverty line.\(^4\) Hence, another problem the country faces is income inequality and a highly stratified society.

Poor economic and political conditions are not solely reflections of the resource curse. They could possibly point to more deep-rooted issues of economic development. However, attaining sustainable economic development goes beyond the purview of this study. The critical question this study addresses is: why is there a relatively higher degree of the resource curse in Nigeria than in Botswana? Admittedly, there is a slight overlap between countries that have escaped the resource curse and have attained high economic development. However, it should be noted that escaping the resource is just one aspect of achieving sustainable economic development in resource-rich countries.

The most prominent outcomes associated with the resource curse are Dutch disease, price volatility, debt burden, and corruption. First, Dutch disease has led to a decline in all the non-resource sectors in Nigeria especially agriculture. This has deleterious effect on the rural populations especially which depend extensively on agricultural exports for their mainstay.

Second, the volatility in oil prices directly affects the Nigerian economy. Oil is the most volatile commodity on the global market. During the 1970s oil boom Nigeria experienced rapid economic growth. However, since the end of this boom, Nigeria has struggled to maintain this high economic growth and in fact the economy had stagnated. Since the rise of oil prices in 2010, Nigeria has once again experienced an oil boom.

\(^3\)http://www.opec.org/opec_web/en/about_us/167.htm
\(^4\) World Bank Indicators Database
which has led to an increase in its economic growth. While this is a step in a positive direction, as we can see the country's economic growth is vulnerable to fluctuations in global oil prices.

Third, during periods where oil prices are high, the country has a tendency to increase government expenditures and also spend on public investments. Also, because of government's short-sightedness, extensive borrowing for international financial institutions is not uncommon. In the long-term this leaves the country with a debt burden that is difficult to repay when the oil boom ends.

Fourth, further complicating these economic issues, is the problem of rampant corruption. Because the oil sector is so secretive and also because Nigeria receives so much unaccountable revenue, there is a strong tendency for these revenues to be misallocated into the coffers of government officials. Therefore, the lack of transparency and unaccountability exacerbates the economic dilemmas because a good portion of the country's resource revenues are not used to sustain and develop the country's economy.

The purpose of this chapter is to examine these issues. Therefore, it asks the following questions: first, is there evidence of the resource curse in Nigeria? if so, to what degree? and second, how can we explain the degree or extent of the resource curse? In order to address these questions this chapter is organized into two main sections. The first section depicts empirical evidence that there is a high degree of the resource curse in Nigeria. This section is followed by explaining that the reasons that Nigeria depicts such a high degree of the resource curse is because its leadership is wrought by personal rule, the government depicts high level of Rentier state characteristics and its civil society
while having a large number of NGOs has relatively little clout in influencing
government decisions as it relates to developmental policies.

**Showing the Extent of the Resource Curse in Nigeria**

The following section illustrates that Nigeria experiences a high degree of the
resource curse. In order to prove this, we look at four major outcomes of the resource
curse: 1) Dutch Disease, 2) Price Volatility, 3) Debt Burden and 4) Corruption. There is
one caveat in demonstrating evidence of the resource curse. Some of these outcomes
could manifest independent of natural resources (for example, debt burden and
corruption). Thus, it is hard to distinguish which of its problems can be attributed to the
resource curse and which of its problems pertain to other developmental issues.
Admittedly, the line between these two different subjects are blurred at times. However,
the argument here is that the resource curse exacerbates these outcomes.
Dutch Disease

Figure 4.1: Nigeria's Exchange Rate Appreciation, 1960-2011

The most apparent economic outcome that Nigeria has encountered as evidence of the high degree of the resource curse is Dutch disease. This is unsurprising as it is often argued that Dutch Disease is one of the major consequences that resource-rich countries face. As explained in Chapter 2, the Dutch Disease occurs when a high influx of revenues from a natural resource causes the exchange rate to appreciate. The consequences of this exchange rate appreciation include a crowding out effect of non-resource boom sectors such as agriculture and manufacturing. Figure 1 depicts the appreciation of Nigeria's exchange rate from independence in 1960 to 2011. As depicted, the exchange rate gradually appreciated in the mid-1980s, which coincides with the first oil boom, then it stagnated during the mid-1990s, then drastically appreciated from the late 1990s until early 2000s. The exchange rate slightly depreciated during the mid-2000s, then appreciated again from 2010 until present. The exchange rate took a downturn around
2007/2008 but this is possibly because of the global recession, which led to a decreased demand in oil (more on this in the next section). The exchange rate was at its highest in 2011.

Kwakwa and others concur this drastic appreciation of exchange rate. They report that Nigeria started off as a rapidly growing economy in the 1970s following an oil boom. However, this rapid economic growth was short-lived. The authors add that by the late 1970s the economy started to contract and living conditions began to deteriorate. Added to this, because of the boom in the oil sector, other industries namely agriculture and services began to suffer as a result of the crowding out effect of the resource boom sector. As the exchange rate appreciated, “agricultural exports fell from 2.5 per cent to 0.2 per cent of total exports between 1980 and 2005.” The manufacturing sector has also declined. Kwakwa et al report that “manufacturing as a share of GDP plummeted from 8.4 per cent in 1980 to 5.5 per cent in 1999 and 4.6 per cent in 2005.” In other words, Nigeria faced the heinous effects of the Dutch Disease following its oil booms in the 1970s.

Commodity Price Volatility

Another economic outcome that Nigeria faces as a result of the resource curse is its vulnerability to commodity price volatility. Price volatility affects most developing countries that are primary commodity producers not just resource-rich ones. However, Nigeria presents a special case because it is an oil exporter. Furthermore, it is overly

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6Ibid.
7Ibid.
8Ibid.
9Ibid.
dependent on oil as a primary source of revenue. Figure 2 illustrates this resource dependency, it depicts Nigeria’s oil rent as a percentage of GDP from 1960 to 2012. When oil prices are high, the economy experiences a boom in its economic growth. On the contrary when oil prices are low, economic growth plummets.

Because of this overdependence on oil, Nigeria is not just a primary commodity producer, it is in effect a Rentier state (more on this in the political outcomes section). Rentier states on average are extremely vulnerable to commodity price shocks because the non-resource sectors are typically underdeveloped and underutilized.

Figure 4.2: Nigeria Oil Rents as a Percentage of GDP, 1960-2012

This volatility can also be demonstrated by looking as Nigeria’s annual GDP growth rate over the period 1960 to 2011. Figure 3 illustrates this. According to Figure 3,
Nigeria depicted the highest GDP growth rate in 1970 (25%). This occurred just a few years before the first oil boom period. According to Karl, "the price of petroleum quadrupled in 1973-1974, slowly increased from 1975 to 1978, then doubled once again in 1979-1981-this time peaking as high as $32.50 per barrel."\(^{10}\) Nigeria experienced its highest GDP growth rate percentage in 1980. Oil rents accounted for approximately 53% of GDP in this year.

External global events can greatly affect the Nigerian economy. This is illustrated in the fluctuation in oil prices during the 1970s and 1980s. Furthermore, because Nigeria is an OPEC member, the politics of oil during the 1970s greatly affected the Nigerian economy. In 1973, the Arab oil-exporting countries initiated the first Arab Oil Embargo against the West (in particular the U.S.) because they were outraged by the U.S. support of Israel in the form of money and arms.\(^{11}\) This dramatically increased the price of oil and this is reflected in Nigeria’s economic growth during the years 1973-1974.

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\(^{10}\) Karl, *The Paradox of Plenty: Oil Booms and Petro-States*, 25.

As you can see from Figure 3 in 1974 Nigeria experienced a little more than 11 percent growth; this is the highest economic growth it attained throughout the boom period. Karl notes that the 1973-1974 Arab Oil Embargo was the largest transfer of wealth from the developed to the developing world because of the major increase in GDP growth of the OPEC member countries during this period.\(^\text{12}\)

The second major oil shock took place in 1979, after the Iranian Revolution, again oil prices skyrocketed. Parra reports that “the cost of net oil imports into the OECD area rose from $124 billion in 1978 to $180 billion in 1979, then peaked at $254 billion in

\(^{12}\)Karl, *The Paradox of Plenty: Oil Booms and Petro-States.*
1981.\(^{13}\) Again Nigeria experienced high economic growth from 1979 to 1980 as illustrated in Figure 4.3.

Figure 4.4: Nigeria's GDP Growth during the Oil Boom and Bust Periods

In 1981, however, economic growth started to decline. By the early 1980s world oil demand decreased but the supply continued to increase. Because of this oil glut in the crude oil market, prices dropped dramatically.\(^ {14}\) This drop in oil prices is reflected in Nigeria’s economic growth throughout the majority of the 1980s. Due to the drop in oil prices Nigeria’s export earnings reduced substantially; from $25 billion in 1980 to $10 billion in 1983, and again plummeted to $7 billion in 1986.\(^ {15}\) This reduction in export earnings is reflected in the country’s economic growth. With the exception of 1985,

\(^{13}\)Parra, *Oil Politics: A Modern History of Petroleum*, 238.
Nigeria experienced relatively lower economic growth for the majority of the 1980s. In fact for most of the decade the country registered negative GDP growth rates.

Figures 3 and 4 shows that Nigeria’s GDP growth has been sporadic over time. It is unclear whether this is due to volatility in oil prices or some other factor (e.g. domestic factors such as regime instability, civil war, etc.) Regardless of the cause of this fluctuation in GDP growth it is clear that commodity price shocks has an impact on the economy. The Arab Oil Shocks of 1973-1974 and 1979-1981 played an important role in the transformation of oil prices. Nigeria’s economy reflected these critical price changes in the crude oil market.

**Debt Burden**

One would think that with all of the revenues that Nigeria receives from oil it would not be indebted to external creditors. On the contrary however, Nigeria held one of the largest debt overhangs in Sub-Saharan Africa until a recent debt reduction deal struck with the Paris Club in 2006.\(^{16}\) The problem with Rentier states such as Nigeria is that they substantially increase their public spending during a resource boom. When this boom ends, it is difficult to cut back on public expenditure (such as civil servants’ salaries). Pegg illustrates that “many governments that increase spending when prices are high are unable to cut expenditures when prices decline and find themselves incurring significant debt in order to maintain spending at boom levels.”\(^{17}\)

Nigeria was no exception to this. During the boom period, both Nigeria’s borrowing and government expenditure drastically increased. Shaxson accounts that “in the boom years Nigeria had found it easy to borrow money...and foreign debt had

\(^{16}\)BBC News, “Nigeria Setsles Paris Club Debt”.
\(^{17}\)Scott Pegg, “Is There a Dutch Disease in Botswana?,” *Resources Policy* 35, no. 1 (2010).
reached $5 billion by 1980. Now Nigeria fell into arrears, and the penalty payments meant that its debt grew even more: by the end of the decade Nigeria was nearly $30 billion in hock.\textsuperscript{18} This dramatically increased government expenditure was reflected in lavish public investment projects such as the Ajaotuka Steel Project, which was a disaster—a multi-million-dollar steel company built under the guidance of former President Shegu Shagari yet did not produce any steel.\textsuperscript{19}

This large government expenditure has not changed much since the boom years. Currently, the Heritage Foundation’s Index of Economic Freedom shows that Nigeria’s government spending accounts for 29.1 per cent of its GDP.\textsuperscript{20} However, high government spending isn’t necessarily a reflection of a poorly functioning economy (Sweden for example spends 51.3 per cent of its GDP\textsuperscript{21} but it is an advanced industrial country). But, high government spending presents a problem when the expenditure does not contribute directly to development. When government expenditure is used to prop up incompetent regimes or to construct outlandish public investment projects then this presents dire problems for the economy. Thus, it is not just how much a government spends but more importantly how is this spending improving the livelihood of its citizens.

Another factor to take into consideration is whether or not the country can repay its debts. Again using Sweden as an example, despite its large government expenditure, it has a Standard and Poor foreign and local currency credit rating of AAA which indicates that it is a credit-worthy country. On the other hand Nigeria has a Standard and Poor foreign and local currency credit rating of BB-. Nigeria has long struggled to repay its

\textsuperscript{18} Shaxson, *Poisoned Wells: The Dirty Politics of African Oil.*
\textsuperscript{19} Ibid.
\textsuperscript{21} Ibid.
sovereign debt. It started to accumulate a significant amount of debt during the bust period of the 1980s. Figure 5 illustrates the external debt stocks expressed as a percentage of GNI from 1960 to 2012. Again this reflects Nigeria’s reliance or dependency on the volatility of the oil markets. Since the latter part of the 21st century oil prices have spiked and thus Nigeria has seen improvements in its economic growth. As a result of the increase in oil prices, in 2006 Nigeria was able to sign a repayment agreement with the Paris Club that allowed it to settle the majority of its foreign debt.

Figure 4.5: Nigeria External Debt Stocks as a Percentage of GNI, 1960-2012

The boom in natural resources produces shortsightedness in Nigeria’s leaders. Typically, politicians act with a false sense of security that the boom will last forever.
This results in harmful economic outcomes. And unfortunately, the reality is that oil booms and oil prices are subject to market volatility. Furthermore, increasing public spending during resource booms creates a situation that leaves the country highly vulnerable to debt overhang.

**Corruption**

This shortsightedness is not only limited to economic aspects of the resource curse. Arguably, political issues associated with the resource curse have been more prominent and also more dangerous than economic ones. The most salient political outcome of the resource curse in Nigeria is rampant corruption and rent-seeking behavior. It is hard to pinpoint whether the pervasive corruption in Nigeria is a product of its abundant oil revenues or whether it is an embedded aspect of its culture. Thus, a better question to ask is would corruption be as pervasive in Nigeria if it were not for oil abundance? Because there is no corruption index that can measure the level of corruption in Nigeria prior to oil discovery, it is hard to determine whether the country was more or less corrupt prior to oil exportation.
However, it is possible to get an idea of the level of corruption in Nigeria from the late 1990s to present. Figure 6 illustrates the country’s performance on Transparency International’s Corruption Perceptions Index from 1996 to 2012. One of the major caveats of the CPI, however, is that it only measures the perceived level of corruption and not the actual level. Because corruption is such an illicit activity it would be impossible to accurately measure the actual level in any country. As the graph represents, Nigeria’s corruption perception level has gradually increased since 1996. However, because the CPI is measured on a scale from 0 to 100 (with 100 being the lowest perceived level of corruption), this measure is counterintuitive. According to the CPI, corruption in Nigeria has improved over the period. Nevertheless, Nigeria’s current score of 27 is less than laudable; it ranks no. 139 out of 174 countries.
One of the problems of corruption lies in its perception. Advanced industrial societies such as those in Western Europe and North America perceive corruption as a heinous act that inhibits socioeconomic progress and justice. However, in developing societies, the issue of corruption is not cast in such a dichotomous view.

In countries that have widespread poverty, inequality, weak institutions and/or high socioeconomic stratification, corruption may be construed as a mechanism to lubricate otherwise difficult processes. This could be something as simple as a low-income motorist bribing a police officer in order to get out of a traffic ticket. Certainly, if every motorist and police officer were to engage in such an illicit activity the long-term effects of this action could potentially jeopardize the justice system; however, single, isolated incidents of this corrupt activity are construed simply as ways to survive a harsh socioeconomic environment.

On the other hand, corruption also has deleterious effects that jeopardizes the livelihood of a substantial portion of the population. Agbiboa summarily expresses this wide variation in corruption as follows: “corrupt practices can be systemic, pervasive and routine or they can be petty, sporadic, trivial and rare.”\(^\text{22}\) Joseph Nye describes corruption as “behavior which deviates from the formal duties of a public role because of private-regarding (personal, close family, private clique) pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence.”\(^\text{23}\)

Another point that Agbiboa so poignantly expresses is “who is getting the bribe?” or in other words who is on the beneficial end of the corrupt practice. He argues that in


cases where a public official engages in corrupt activity in order to benefit his ethnic
group or clan, the recipient group may not construe this as corruption.\textsuperscript{24} Also, military
rule perpetuated corruption in Nigeria. Agbiboa cites that “driven by personal gain and
hobbled by cronyism, military elites, aided by civilian minions, unabashedly looted state
property, diverted state funds into their private accounts, and awarded questionable
contracts to companies owned by them and their cronies.”\textsuperscript{25} Undoubtedly, the abundance
of oil revenues contributed to this mentality of patronage and cronyism.

This pattern contributed to an overall breakdown in the country's governance. As
mentioned in the previous chapter, Nigeria has undergone a plethora of leaders and
regime changes. It was not until 1999 that Nigeria returned to democratic rule and even
then the political climate was wrought with instability.

This lack of institutional quality is reflected in Nigeria’s poor performance on a
number of governance indicators. Chapter 3 already described Nigeria’s performance on
the World Governance Indicators so I will not recapitulate the results here. Another key
governance indicator, however, that Nigeria has also demonstrated less than favorable
ranking is in the Ibrahim Index of Governance. The most unique feature of this index is
that it limits its analysis of governance effectiveness to only African states. Furthermore,
it judges the performance of the 52 African states based on four categories: 1) safety and
rule of law, 2) participation and human rights, 3) sustainable economic opportunity and
4) human development. Out of the 52 states, Nigeria ranks 43 according to the 2012
edition of the index. This finding is consistent with that of the World Governance
Indicators.

\textsuperscript{24} Agbiboa, "Between Corruption and Development: The Political Economy of State Robbery in Nigeria."
\textsuperscript{25} Ibid.
Interestingly enough there is no indicator that assesses the quality of governance prior to the oil boom period. However, a former permanent secretary Phillip Asidou accounts in an interview with a Vanguard newspaper reporter that prior to 1975, Nigeria was run by competent and carefully selected civil servants.\textsuperscript{26} During the oil boom period and under the first term reign of former President Obasanjo, over 10,000 civil servants were removed from their positions.\textsuperscript{27} Asidou notes that this abrupt removal of civil service employees led to the deterioration of Nigeria’s governance and concomitantly the increase of corruption.\textsuperscript{28}

**Explaining the Extent of the Resource Curse**

The previous section proved or showed evidence that there is a high degree of the resource curse in Nigeria by illustrating that there is a substantially large presence of the Dutch disease, price volatility, debt burden and corruption that negatively affect the country’s economic and political systems. The following section on the other hand seeks to explain why this is the case. In this study, I argue that the reason there is a greater evidence of the resource curse in Nigeria than in Botswana can be analyzed from three levels: the leadership, government and civil society. Admittedly, since the leader is a part of the government there tends to be a slight overlap in some instances. However, the reason for distinguishing the two levels is quite simple. Many works analyze the resource curse solely from the state level. This is understandable because of the emphasis of the state in the mainstream realist paradigm. However, this study shows that in looking solely


\textsuperscript{27}Ibid.

\textsuperscript{28}Ibid.
at state-level explanations it is possible to miss subtle but important effects and influences that the leadership and civil society can have on the economic and political outcomes of a country. Therefore, in addition to looking at state level explanations, this study incorporates two other levels as well in order to provide a more comprehensive analysis of the resource curse dilemma.

**Leadership**

Political scientists often overlook the role of the individual when trying to understand the causes, consequences and explanations of the resource curse. This is because of the overwhelming influence that realist theory has had on the field, which places major emphasis on the state in world politics. Unfortunately, in ignoring the individual level it is possible to miss critical explanations when analyzing complex phenomena. Therefore, in looking at such a dilemma as the resource curse, it is imperative that one assesses this issue not just from the state level but from that of the leader as well.

The study of the role of leadership can be traced back to 1978 in Burns’ seminal text about transformational leadership. In 1985, “Bass extended Burns work by identifying four components of transformational leadership: 1) idealized influence-serving as a charismatic role model to followers, 2) inspirational motivation 3) intellectual stimulation and 4) individual consideration.”

In looking at Nigeria’s leadership it is important to look at both the past and present leaders. The role of leadership is relevant to this comparative study because postcolonial Nigeria had very different leaders from post-colonial Botswana. The most

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Saliency difference is that Nigeria has had 14 regime changes since independence; whereas, Botswana has had only 4. Furthermore, most would argue that Nigeria did not necessarily have a charismatic or transformational figure that led the country after independence. Instead, its leadership could be characterized as a succession of competing factions that all had particular agendas and special interests.

I posit that leaders play a great role in shaping the developmental dynamics in a resource-rich country. This hypothesis should come as no surprise, however, because good leadership tends to equate to a properly led country. However, when one factors in natural resources into the equation, a poor leader in a resource-rich country can result in even more harmful effects than a poor leader in a resource-poor country. I also hypothesize that past leaders play an equally important role as the present leadership in Nigeria's economic development. While this is not justification or rationale for the present resource-curse related problems Nigeria encounters, one cannot ignore the path-dependent processes that occur during the immediate postcolonial period. It is difficult to undo decades of economic mismanagement, corruption and weak institutions in a short timeframe.

In a country that was ruled by the military for most of its postcolonial period, it is important to understand why there has been a lack of a single visionary charismatic leader in Nigeria. The problem with Nigeria is that unlike many other sub-Saharan African countries that were colonized by a European power political unity was fragmented and disjointed. Furthermore, Nigerians had to figure out how to function as one nation instead of several disjointed territories. Because of this national disunity and factional competition, Nigeria did not have a dynamic, charismatic post-independence
leader that could unite the people in pursuing a common goal. This lack of cohesion in national identity greatly jeopardized the stability both within the government and across the nation. Jackson concurs, “Nigeria did not develop a political system characterized by a single charismatic leader leading a single national mobilizing, all-encompassing political party.”

Furthermore, during the nationalist era the North and South were divided. The Southern territories pushed for independence from Britain while the North was ambivalent. Some nationalist leaders in the North wanted independence from Britain while some feared that an independent Nigeria would grant the Southern states a political advantage over the North. Therefore, Nigeria was torn between one group of people fighting for independence and another group that was satisfied with the status quo power balance.

During the nationalist era Nigeria was divided into three major political parties: the Northern People's Congress (NPC) in the North, the National Council of Nigerian Citizens (NCNC) in the East, and the Action Group in the West. Therefore, pre-independence Nigeria was divided among major regional leaders each with their own political agenda. No leader wanted the opposing regions to gain political advantage. And therefore instead of working towards a unified Nigeria, each leader was looking out solely for his political subdivision.

This attitude carried over into the post-independence era. Table 1 depicts a timeline of Nigeria’s leaders from 1960 to present. The political fragmentation in post-colonial Nigeria is reflected in the number of leaders that assumed the mantle of President after 1960. As shown in Table 1, for the majority of Nigeria’s postcolonial era

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(from 1966 to 1999), the state was under military rule. Arguably, the only Nigerian leader who could be considered as transformational was the first president, Nnamdi Azikiwe, who was also considered one of the fathers of Nigerian nationalism. However, Azikiwe appeared to be more influential prior to Nigeria’s independence, that is, the extent of Azikiwe’s influence was at its pinnacle during the nationalist era. Azikiwe was eventually ousted from power before the end of his four year term in a military coup.
Table 4.1: Chronology of Nigeria's Political Leaders since Independence

<table>
<thead>
<tr>
<th>Leader</th>
<th>Duration</th>
<th>Ethnic Origin</th>
<th>Type of Regime</th>
<th>How Did the Regime End?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nnamdi Azikiwe</td>
<td>1963–1966</td>
<td>Igbo</td>
<td>Civilian</td>
<td>Overthrown in a Military Coup</td>
</tr>
<tr>
<td>Johnson Aguiyi-Irons</td>
<td>1966</td>
<td>Igbo</td>
<td>Military</td>
<td>Killed in a Military Coup</td>
</tr>
<tr>
<td>Yakubu Gowon</td>
<td>1966–1975</td>
<td>Angas</td>
<td>Military</td>
<td>Overthrown in a Military Coup</td>
</tr>
<tr>
<td>Murtala Mohammed</td>
<td>1975–1976</td>
<td>Kano</td>
<td>Military</td>
<td>Assassinated</td>
</tr>
<tr>
<td>Olusegun Obasanjo</td>
<td>1976–1979</td>
<td>Yoruba</td>
<td>Military</td>
<td>Transferred Power to Elected Civilian Leader</td>
</tr>
<tr>
<td>Alhaji Shagari</td>
<td>1979–1983</td>
<td>Fulani</td>
<td>Civilian</td>
<td>Overthrown in a Military Coup</td>
</tr>
<tr>
<td>Ibrahim Babangida</td>
<td>1985–1993</td>
<td>Fulani</td>
<td>Military</td>
<td>Resigned</td>
</tr>
<tr>
<td>Ernest Shonekan</td>
<td>1993</td>
<td>Yoruba</td>
<td>Interim</td>
<td>Dosed</td>
</tr>
<tr>
<td>Sani Abacha</td>
<td>1993–1998</td>
<td>Kano</td>
<td>Military</td>
<td>Died in Office</td>
</tr>
<tr>
<td>Abdusalami Abubakar</td>
<td>1998–1999</td>
<td>Fulani</td>
<td>Military</td>
<td>Transferred Power to Elected Civilian Leader</td>
</tr>
<tr>
<td>Olusegun Obasanjo</td>
<td>1999–2007</td>
<td>Yoruba</td>
<td>Civilian</td>
<td>Election</td>
</tr>
<tr>
<td>Umaru Yar’Adua</td>
<td>2007–2010</td>
<td>Fulani</td>
<td>Civilian</td>
<td>Died in Office</td>
</tr>
<tr>
<td>Goodluck Jonathan</td>
<td>2010–present</td>
<td>Ijaw</td>
<td>Civilian</td>
<td>N/A</td>
</tr>
</tbody>
</table>

In newly independent post-colonial states, transformational leaders are particularly instrumental because a charismatic leader helps to unite the people under similar national objectives. However, charisma is not a sufficient attribute of a transformational leader. In fact, there are examples of many postcolonial leaders in Africa that have rose to power yet have wreaked havoc on their people (e.g. former Ugandan president, Idi Amin). As Bass explains charisma has to be combined with intellectual and inspirational stimulation. One of the paradigmatic figures of such a leader in Africa would be South Africa’s Nelson Mandela. Nigeria has had fourteen regime changes and thirteen heads of state since independence (Obasanjo served two terms). However, none
of these political figures can be characterized as a transformational leader. Instead, the type of leadership that Nigeria has undergone may be categorized as "Big Man Rule" or "Personal Rule".

Jackson and Rosberg first conceptualized the idea of personal rule in their seminal text *Personal Rule in Black Africa*. They posit that personal rule in Africa is "a distinctive type of political system in which the rivalries and struggles of powerful and wilful men, rather than impersonal institutions, ideologies, public policies or class interest are fundamental in shaping political life." Ogbazghii adds "in personalist regimes, political institutionalization largely emanates not from the legally sanctioned institutions of law-but as a result of the personal wishes and whims of those who happen to hold the reins of power." The major difference between a charismatic transformational leader such as Mandela and a charismatic yet tyrannical ruler such as Idi Amin is that a transformational leader implements certain laws and institutions that will benefit the country in the long-term, in other words transforms or improves the country from its current position. These firmly entrenched institutions tend to continue even after the leader steps down from power.

In contrast to transformational leaders, personal rulers are entrenched by neopatrimonialism. Diamond describes that neopatrimonialism is a paradox in African states because "they combine the formal architecture of a modern bureaucratic state-constrained in theory by laws, constitutions, and other impersonal rules and standards-

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with the informal reality of personalized, unaccountable power and pervasive patron-client ties.\textsuperscript{33}

Personal rule enveloped Nigeria after independence. After Azikiwe was overthrown, a succession of shortsighted, self-interested leaders followed. Most of them were military leaders. No leader was concerned for the overall development of the country. Instead, cronyism and a significantly high level of corruption especially during the oil boom years characterized leadership. Azikiwe’s successor, General Ironsi served less than a year in office and was killed in a military coup. The new president, Gowon led the country in an embittered three-year civil war.

At the end of Gowon’s reign, Nigeria was in the heights of the oil boom. This was an opportunity for Nigeria to turn its economy around. However, because of the lack of stable and effective leadership, the economy continued to face the harmful effects of the resource curse. Although the country experienced its highest economic growth in 1979 this was because of the dramatic increase in oil prices due to the Iranian revolution and not because of strong leadership. Lewis argues that:

“with the arrival of the initial petroleum windfall, Nigerian leaders pursued a set of policies that intensified the macroeconomic distortions embodied in the Dutch disease and consequently increased the concentration of the economy around petroleum rents.”\textsuperscript{34}

In fact, during the oil boom in 1979, Nigeria encountered another regime change, this time it was the transfer of power from military to civilian rule by Obasanjo. This transition to civilian rule was short-lived. Shagari only served one four year term after


\textsuperscript{34}Lewis, \textit{Growing Apart: Oil, Politics, and Economic Change in Indonesia and Nigeria}, 125.
which he too was overthrown in a military coup. The majority of Nigeria’s leadership continued with this pattern; most leaders were overthrown by military coup.

Consequently, post-independence leadership transitions in Nigeria were marked by ethnic conflict and competition. The culmination of ethnic conflict was reflected in the 1967-70 Civil War. Furthermore, since the Northern region was more populous than the south, there was inherent tension that the Hausa-Fulani ethnic group would dominate politics at the expense of the Igbo and Yoruba ethnic groups (the other two major groups). Leadership transitions were characterized by mistrust, self-interest and corruption.

Corruption especially posed a major problem for Nigerian leadership. As mentioned above most of Nigeria’s leaders were military leaders therefore they held very little experience outside of the military and government. Akinrinade argues that this lack of civilian experience is a major contributing factor for the rampant rent-seeking and corruption that occurred under military rule. Furthermore, if there were few career prospects after stepping down from office, this would encourage or engender a higher degree of corruption.\(^{35}\) However, I argue that it is not the lack of career opportunities after presidency that encouraged the widespread looting and wealth accumulation. In fact, quite a few leaders started businesses after stepping down from politics (e.g. Obasanjo and Shagari both started farms after their terms). Other leaders such as Gowon, Obasanjo and Shagari went on to form civil society organizations and/or join committees and advisory boards of prominent international organizations such as the United Nations (UN). Thus, this explanation does not justify the accumulation that occurred under so

many of the military rulers; factional competition and ethnic rivalry better explains unscrupulous activities during the presidency of many of Nigeria's leaders.

The present civilian administration is the longest uninterrupted democratic rule that Nigeria has experienced. In 1999, Nigeria adopted a new constitution in which General Abubakar transferred power to Obasanjo. Since then Nigeria has had no military coups or unelected rulers. In 2010, the current president, Goodluck Jonathan was elected. Since then, Nigeria has seen a resurgence of economic growth, however, it is too soon to tell whether this is due to President Jonathan's leadership or high oil prices.

**Government**

Explaining the variation in the resource curse at the state level is particularly important in this case because Nigeria nationalized its oil sector in 1971. Therefore, because oil is the country's major source of revenue and the state is the primary stakeholder, this indicates that the role of the state is a significant actor in Nigeria's economic development. The state along with the foreign oil companies engage in a joint venture partnership in the extraction, production and trading of oil. The Nigeria state accounts for 57 percent ownership in this partnership under the mandate of the Nigerian National Petroleum Corporation (NNPC), which was formed in 1977.36

Undoubtedly, the quality of government a country has is affected by the type of leadership. A country led by personal rule adversely affects the possibility of stable democratization. Van de Walle observes that "the longer a leader is in power, the more personalized the regime is and the harder it is to institutionalize democracy."37 Failure to

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secure a dynamic, stable leadership was overtly reflected in Nigeria’s government. Similar to its leadership, Nigeria politics is characterized by competition over oil revenues (and other resources) among various ethnic and religious groups. This competition often involves gaining the political favor of certain private business interests. Van de Walle refers to this relationship as neopatrimonialism where “a president and a small circle use the state’s resources to keep the support of large networks of political clients.” Van de Walle argues that clientelism (or neopatrimonialism) exists in every country (even in the strongly consolidated democracies). However, in countries with a strong consolidated democracy such as Botswana it is no longer the system of rule. There are checks and balances against the utilization of public funds for private gain. There is free press, an independent judiciary, and other institutionalized mechanisms that can prevent the unfettered exploitation of resource revenues to gain political and economic advantage.

It is important to note that unlike the West, democracy was imposed upon postcolonial African states. For a number of political reasons (such as the Cold War and Structural Adjustment Programs), many African states found themselves externally forced to democratize despite their internal political struggles. Mkandawire refers to these types of states as “choiceless democracies” meaning that unlike the West where liberal democratic principles were firmly entrenched in the countries’ constitutions, many African countries found themselves forcefully exposed and coerced into a governance structure that was foreign to them. Nigeria is no exception to this, and the challenges

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38Ibid., 69.
39Ibid.
that it confronted in democratizing can be seen not only in its many regime changes and military coups but also in the widespread corruption and rent-seeking behavior in the political administration.

Corruption especially has been the most prominent challenge for the Nigerian state since independence. It has also been the most significant explanation for the large extent of the resource curse in Nigeria at the state level. Therefore, Nigeria is caught in a perpetual, vicious circle where large oil revenues create the conditions necessary for heinous corruption, and yet corruption exacerbates all the other negative outcomes associated with the resource curse.

It is not surprising that a corrupt government would lead to a mismanagement of natural resources. There have been countless studies on the deleterious effects of corruption and poor governance on development. *A better question to ask is under what governmental conditions a country succumbs to the negative outcomes of the resource curse. In other words, what is it about the Nigerian government that engenders a higher level of the resource curse?* Certainly one can see the tautology in arguing that Nigeria’s corrupt government is one of the contributing factors to a greater presence of the resource curse (since corruption is arguably one of the political outcomes of the resource curse). Therefore, a better way to go about this section is to ask the question what causes a greater incidence of corruption in Nigeria. Why is the government so corrupt?

**The Rentier State Explanation**

Because Nigeria exhibits Rentier state characteristics, it tends to have a higher level of corruption than other resource-rich sub-Saharan African countries. Rentier states are noted for having a higher level of corruption than most other states because

governments on average are not held accountable to their citizens because of the large influx of oil and mineral revenues that the natural resources provide.\textsuperscript{41} Added to this, Nigeria's multiethnic demographic composition creates an intensely competitive political environment.

Ross argues that the Rentier effect consists of three other effects: 1) the taxation effect, 2) the spending effect and 3) the group formation effect.\textsuperscript{42} The taxation effect implies that because of the high influx of revenues, governments do not need to tax their citizens as much (if at all). Because of this lack of taxation citizens lose their voice thereby producing a non-democratizing effect.\textsuperscript{43} The spending effect indicates that Rentier states are able to engage in patronage by substantially contributing to public investment projects. Once these interest groups are pacified, this reduces pressure for democratization.\textsuperscript{44} The group formation effect builds upon previous theories proposed by Barrington Moore and Robert Putnam. Ross posits that because of the abundant supply of money Rentier states have they are able to prevent the creation of social groups that would pressure the government for democratization.\textsuperscript{45}

Ross' work primarily addresses oil's capability to hinder democracy. But what does this non-democratizing effect have to do with corruption? A short answer is that a lack of democracy tends to promote corruption. But of course as in everything in the social sciences it is a more complex phenomena than that. Possibly the best way to test the effects of democracy (or a lack thereof) on corruption is a simple correlation test between the two variables. The problem with this less democracy-more corruption nexus

\textsuperscript{41}Ross, "Does Oil Hinder Democracy?"
\textsuperscript{42}Ibid.
\textsuperscript{43}Ibid.
\textsuperscript{44}Ibid.
\textsuperscript{45}Ibid.
however is how should we measure democracy? Democracy can be measure in a number of ways, from the measurement of free and fair elections, checks and balances on the branches of government, to the political and civil rights of citizens. Obviously, a combination of all these factors would provide a better measurement of democracy. Second, how should we measure corruption? Corruption in itself is a difficult variable for which to capture data because of the illicit nature of the activity. Also, corruption exists on so many levels it would difficult to specify what level of corruption we are measuring. Nevertheless, Table 2 presents the correlation results between the polity2 variable and the CPI index.

<table>
<thead>
<tr>
<th>Table 4.2: Correlation between Regime Type and Corruption Perceptions Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>polity2</td>
</tr>
<tr>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>N</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

As depicted in the table, there is statistically significant positive relationship between the polity2 and CPI variables at the $p < 0.001$ level. This indicates that the more democracy a country has, the higher it scores on the CPI, and thus it is perceived as having less corruption. As is well noted, however, correlation does not equal causation, therefore the Rentier state explanation while necessary for the explanation of the corruption in Nigeria is not sufficient.
The Zero-Sum Competition Explanation

Thus, I posit another explanation for the high prevalence of corruption in Nigeria. The dynamics of political competition in Nigeria can be aptly summarized with a quote by Nicholas Shaxson. Shaxson alludes to Chinua Achebe’s use of a queue to describe politics in Nigeria. Shaxson cites:

“A functioning queue is really two queues: a physical one and a mental one. Disrupt the physical queue-by nudging a truck through it, say, or dousing it with a fire hose-and if the mental queue remains intact, then order will reemerge, in the same way that stable countries recover from economic shocks or terrorist attacks. But there is a more damaging way to disrupt a queue: push in at the front. This assaults everyone’s belief in it, and it if happens enough, the scrambling starts and it will collapse. There is then no easy way to rebuild it, no matter how much you shout.”

It is easy to say that Nigeria’s economic woes are because of a corrupt government but quite frankly that argument is too simplistic.

Jackson addresses the federalist nature of the Nigerian polity. He contends that it is because of the multitude of ethnic factions Nigeria decided to pursue a federal union instead of a parliamentary republic as many former British colonies (such as Botswana for example) pursued after independence. As described in the earlier section, Nigeria lacked a single charismatic leader at independence because of the competing factions. However, because of Nigeria’s unique ethnic composition, this factionalism set the

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47Jackson, "Nigeria: The Politics of the First Republic."
undertone for the ensuing class stratification.\textsuperscript{48} Furthermore, Jackson contends that this class stratification creates a party system in Nigeria that resembles a zero-sum game, where each political opponent attempts to attain power for themselves at the expense of the other political opponents.\textsuperscript{49} This was one of the primary reasons that contributed to the Biafran Civil War.

This zero-sum game that Jackson mentions can be illustrated in a slightly altered Prisoner's Dilemma game, which centers around two hypothetical political opponents.\textsuperscript{50} Table 3 illustrates this modified version of the classic Prisoners Dilemma game.

\textsuperscript{48}Ibid.

\textsuperscript{49}Ibid.

\textsuperscript{50}The story behind the classic Prisoner's Dilemma game is that two criminals are apprehended. The district attorney questions each of them separately and presents deals to both of them. The deal is that if one confesses (or squeals) on the other criminal, they will be set free. The district attorney presents this same deal to both parties. If neither of the criminals confess, they each will only face misdemeanor charges. If both of them confess, they both will get felony charges. So the ordered potential payoffs are essentially [Set Free, Misdemeanor, Felony], where Set Free is the most attractive outcome and Felony is the least desirable outcome. But the catch to this game is that neither criminal is able to communicate with the other player in order to cooperate in attaining the best outcome for both of them, which is the [Do not Confess, Do not Confess] - this is also the first Nash Equilibrium. Because of this lack of communication, the criminals resort to the 2nd Nash Equilibrium of [Confess, Confess]. Each criminal is cognizant that if he Confesses, the worse case scenario is getting a misdemeanor charge if the other confesses too. But if he does not confess and the other criminal does, he could face felony charges. So the best strategy for each player is to confess.
Table 4.3: Modified Version of the Prisoners’ Dilemma Game

<table>
<thead>
<tr>
<th>Politician #1</th>
<th>Politician #2</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Do not Cheat</td>
<td>15, 15</td>
</tr>
<tr>
<td>Do not Cheat</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cheat</td>
<td>20, 5</td>
<td>10, 10</td>
</tr>
</tbody>
</table>

As depicted in Table 3, the most ideal strategy for both politicians would be [Do not Cheat, Do not Cheat]. However, because of mistrust and the competitive nature of Nigeria’s politics, the risk of one player choosing the [Do not Cheat] strategy and the other player choosing [Cheat] is too great. Therefore, each player resorts to [Cheat, Cheat], even though this is not the Pareto Optimal outcome.

Due to the unstable nature of Nigerian politics, it would not be in the best interest of a government official to choose the [Do not Cheat] strategy. In other words, it would be in one’s best interest to secure as many benefits as possible at the expense of his political opponents. Because if he chooses not to do so, more than likely another player will select the [Cheat] strategy and maximize his benefits while minimizing the other politician’s benefits who chose the [Do not Cheat] strategy. This argument supports Shaxson’s analogy of the mental queue. Because trust in the system has been broken, each player sees his/her best bet as to scramble for the most resources as possible because choosing the opposite strategy is in effect choosing the least payoff structure, which would not be a rational decision.

The Nigerian state may also be described as a soft state. Myrdal’s description of such states was originally used to refer to India under the Nehru regime, however his account can also be applied to other developing countries with similar political structures.

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Myrdal expressed that soft states generally have a lack of discipline. This lack of discipline typically result in the failure of the government to manage corruption. Also, public officials generally are privy to collusion with influential business interests. There is also a general lack of obedience to law enforcement and other disciplinary authorities.\footnote{Gunnar Myrdal, "The 'Soft State' in Undeveloped Countries," in Unfashionable Economics: Essays in Honour of Lord Balogh, ed. Paul Streeten (London: Weidenfeld and Nicolson, 1970).}

### Civil Society

Civil society participation is crucial in mitigating the resource curse. In fact, the rise of the civil society movement in Africa occurred during the 1990s when many of these countries strived to democratize their regimes. It should come as no surprise then that an active and influential civil society is an indicator of improved democratic governance. Therefore, it stands to reason that if civil society was important during the early 20th century democratization process in Africa, then it should be equally as important in reducing the level of the resource curse in these countries as well.

At first glance Nigeria's civil society appears vibrant and active. The country has over 1,000 registered non-governmental organizations according to the Nigeria Network of Non-Governmental Organizations (NNGO). These groups focus on a myriad of thematic issues from women's rights, human rights, poverty, and possibly the most prominent issue, corruption. Nigeria was also one of the first countries to be compliant with the international multi-stakeholder group aimed specifically at combating the resource curse, the Extractive Industries Transparency Initiative (EITI).\footnote{Nigeria became a compliant member in 2001.} Furthermore, in 2004, a local chapter of EITI (NEITI) was setup by then President Obasanjo in a very
public and avid anti-corruption campaign. Despite these efforts however and the seemingly vibrant civil society, NGOs have been unable to wield significant influence over the government, and consequently have not had as great an impact on tempering the resource curse as they have had in Botswana.

There could be a number of contributing factors that could potentially explain the relatively weaker civil society in Nigeria. While both countries are democracies, as exhibited throughout this discourse, democratic rights within Nigeria are relatively weaker than in Botswana. Thus, the first factor we need to consider is the degree of civil and political freedoms in Nigeria. Freedom House ranks Nigeria as partly free with an overall rating of 4.5 on a scale of 1 to 7 (1 = best, 7 = worst). Furthermore, Nigeria’s civil liberties and political rights ratings are 5 and 4 respectively (on the similar scale). This tells us that although Nigeria is a de jure democracy, civil liberties and political freedoms are limited and in several cases threatened. The limitations placed on civil and political rights would have an adverse effect on any mobilization attempts made by the civil society.

One instance of such threats was seen during the 2012 fuel subsidy protests. On January 9, 2012, after the government drastically reduced the fuel subsidies (which artificially lowered the price of fuel to N65 per liter\(^54\)) in order to save an estimated 1 trillion Naira for that particular year, several NGOs and individuals took to the streets in order to protest this government policy that would adversely affect millions of Nigerians, who were already struggling to subsist within an economy that was inequitably stratified.\(^55\) The removal of the subsidy would have increased petroleum to N141 per

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\(^54\)http://www.punchng.com/business/business-economy/petrol-price-to-go-up-jonathan/
\(^55\)http://www.theguardian.com/world/2012/jan/16/nigeria-restores-fuel-subsidy-protests
For the majority of Nigerians this would have meant that not only would they have to pay more for petrol but also for almost every other consumer good and service as well. Shortly after the protests began the Nigerian military and police cracked down on the protests. Several media outlets reported that droves of people were shot at and injured and at least two persons were reported dead. Eventually, President Jonathan partially restored the subsidy to N97 per liter in order to quell the protests; however, the violence and repression that demonstrators faced during the 2012 fuel protests points to a greater overarching problem of democratic freedoms in Nigeria.

The lack of democratic freedoms poses severe restrictions on civil society. In Nigeria's case especially there has been a longstanding history of democratic repression. Recall from the previous chapter that until 1999, Nigeria was predominantly governed by military rule. Therefore, it is not surprising that political dissent would be suppressed. As Ikelegbe notes: "The military incursion and dominance of Nigerian politics introduced more personalization of power, authoritarian rule, hegemonic agendas, patrimonialism, clientelism and repression. These characteristics meant intolerance of civil society and restriction of the space for autonomous action, civil rights and rule of law."  

Although Nigeria is presently a de jure democracy, one cannot ignore this history of repression. Undoubtedly, the country's history of quelling the media, NGOs and other forms of democratic participation in order protect the political order has some effect on the present day limitations to democratic rights. The introduction of oil into the economy does not help in improving democratic freedoms either. Recall from the previous section

57 http://www.reuters.com/article/2012/01/09/nigeria-strike-idUSL6E8C907E20120109
that oil produces Rentier effects on an economy where the government derives the majority of its revenues from oil and therefore does not need a strongly instituted tax regime. This engenders an environment where the government does not feel the need to be held accountable to its population and thus would increase the rate of democratic repression in cases where political mobilization would disrupt regime stability.

Second, civil society in Nigeria appears to be relatively less organized than in Botswana. This could be attributed again to the country's ethnic diversity. As mentioned previously, Nigeria has over 1000 nongovernmental groups with various agendas. The problem with such diversity in thematic goals however is that presenting all these disparate issues to the government may not be the most efficient method in ensuring that all these issues are well received.

Furthermore, it makes sense that in a country with relatively fewer democratic freedoms would have a greater challenge in organizing common interests. This is not to say that strong democracies do not have divergent interests but the major difference between a relatively stronger democracy and a weaker one is that the variation in interests does not weaken the strength of these institutions. In fact, one could argue that the true test of a strong democracy can be seen in its ability to represent diverse interests yet maintain civil and political freedoms for all its citizens. While the Nigerian NGO community has tried to represent all interests, many goals have not come to fruition because of lack of organization and collaboration. Ikelegbe explains that "many of the groups duplicated efforts in parallel and multiple activities, propelled as it were by donor requirements, and rarely joined energies in pursuance of goals, similar as these were."
Their activities as a result were underlined by wastage, dissipation and inefficiency.\textsuperscript{60} Furthermore, Ikelegbe expresses that "many attempts at the formation of umbrella, coordinating and national coalitions for broad networks and coordination failed as a result of personal differences, arrogance, ethnic differences and personal ambition."\textsuperscript{61} Thus, as in any social group, organization is critical in order to attain common goals and objectives, especially in cases where resources are limited. It is quite plausible then that these disparate interests can appear as chaos or ethnic/sectoral rifts instead of organized attempts to improve critical aspects of the Nigerian society and thus limit the capacity of the civil society to influence change at the governmental level.

Third, the population's level of education is another vital factor to civil society participation. A better educated population implies a more informed citizenry. As it applies to civil society in particular, a highly educated population would mean that organizations would be better able to mobilize and present their aims and agendas to the governments more effectively. According to the World Bank indicators, as of 2010, 76 percent of Nigeria's population had completed primary education;\textsuperscript{62} however, the population's literacy rate was only 51 percent\textsuperscript{63} as reported in 2008.\textsuperscript{64} These figures present two interesting findings; first, the majority of the population has completed primary school, which is a positive trend. However, the data also tells us that slightly more than half of the population is literate. Thus, implying that while a significant portion of the population has completed primary school, this has little bearing on improving literacy. This could possibly mean the quality of education at the primary level is limited

\textsuperscript{60}Ibid.
\textsuperscript{61}Ibid.
\textsuperscript{62}World Bank, "World Development Indicators," (2013).
\textsuperscript{63}Ibid.
\textsuperscript{64}No data on literacy rates was reported for 2010.
or it could imply that a significant portion of the population has not been able to continue their education beyond the primary level. Unfortunately, data regarding Nigeria’s secondary completion rate is not available.

A limited education system would pose severe limitations on civil society mobilization. If a substantial portion of the population is illiterate or has insufficient education, it would be very difficult for individuals to communicate their interests and grievances effectively. This could possibly result in grievances being expressed in the form of violent protests, riots and other forms of non-peaceful demonstrations. This poses substantial problems especially for a society such as Nigeria’s which has been frequently embroiled in ethnic strife. Therefore, one cannot discount the importance of education when analyzing the effectiveness of civil society participation.

And fourth, possibly the most critical factor, the source of an NGO’s funding plays a critical factor in its success or effectiveness. For one, knowing the source of an NGO’s funding helps to pinpoint whether or not an organization is seemingly representing the interests of the population solely to secure funds for their private gain or whether they genuinely intend to utilize the organization as a means to improve specific conditions within the country. Especially when international organizations contribute a substantial amount of money in order to assist in democratic development, one has to consider the agenda or purpose of these organizations to which funding is disbursed. Certainly, there is no precise method in which we can find out with certainty the motive behind a startup NGO. However, it is important to consider whether or not some NGOs are earnestly working towards a developmental agenda or whether they are scrambling to secure external donor funds. If it turns out that a substantial number of NGOs are merely
interested in securing external donor funding then this does not alter the fundamental clientelistic nature of Nigerian society.

Another point to consider where funding is concerned is what percentage of organizations receive funding from the Nigerian government. If there is a high rate of public sector corruption, an NGO sector that receives a substantial portion of their funding from the government would serve little more than mouthpieces for the government’s interests and therefore would fundamentally defeat the purpose that civil society ought to play.

As it applies to the resource curse specifically, the collaboration between domestic NGOs and the global civil society has not been largely successful. While there has been a modicum of progress, the fundamental patron-client structure has not been revamped. The accession of Nigeria to the EITI has only gradually improved its perceived corruption score based on the figures reported by Transparency International.

In 2007, the local Nigerian flagship of the EITI (NEITI) instituted the National Stakeholder Working Group (NSWG) in accordance with the NEITI Act. The NSWG is a permanent body that is elected directly by the President of Nigeria. Unfortunately, this commission which is purportedly supposed to improve transparency and accountability within the resource extraction sector does not change the fundamental cronyism structure in Nigerian society. In appointing equally powerful and influential people to the NSWG, it is highly unlikely that structural changes will be made to combat corruption and to improve democratic governance.

An example of this can be seen in the NEITI audit process from 1999 to 2004 where an independent accounting consultancy firm, the Hart Group conducted a series of
financial, physical and process audits in an attempt to elucidate the more ambiguous and outright concealed aspects of Nigeria’s oil sector.\textsuperscript{65} Unsurprisingly, the report found that there were gross discrepancies in Nigeria’s oil operations. Furthermore, it highlighted that billions of oil dollars were unrecovered and/or unaccounted for. One finding that this audit process revealed was that there is a “serious lack of information sharing between government entities such as the Federal Inland Revenue Service and the Central Bank of Nigeria, which makes payments impossible to reconcile.”\textsuperscript{66}

One good point that Keblusek makes is that transparency without accountability does not make any sense.\textsuperscript{67} Even if Nigeria fully discloses information about its oil production, this does not empower citizens to do anything about the misdistribution and misappropriation of resource revenues. In fact, knowledge of abuses of power in the resource sector without the means or capacity to do anything about it may further incite conflict within the population.

This is part of the reason why compliance to the EITI and civil society efforts in general has not led to an overall reduction in public sector corruption or improvement in democratic governance. In other words, no civil society organization will be able to attain its full potential or have a far-reaching impact on the negative aspects of the resource curse until fundamental patron-client structures are transformed. Also, timing is important. Nigeria is a relatively young democracy. Democratic institutions take time to build and implement and not surprisingly, the role of the civil society will be limited until


\textsuperscript{66}Ibid.

\textsuperscript{67}Ibid.
these institutions are firmly in place. People will also need to feel that they can trust the
government and this again will occur with time.

Conclusion

The resource curse affects the majority of resource abundant developing
countries. Nigeria in particular has experienced a high degree of the resource curse.
Evidence of the large extent of the resource curse can be seen in the myriad of economic
and political outcomes. The country has encountered the negative economic effects of the
Dutch disease, price volatility, and a large debt burden. In addition to this, the political
outcomes of the resource curse have not only deteriorated political conditions but they
have also exacerbated the economic ones. The political outcomes include widespread
corruption, weak governance and high incidences of conflict.

Showing the degree of the resource curse is one part of the puzzle, however, more
importantly we need to explain why there is such a large extent of the resource curse in
Nigeria. This study utilizes a three level typology in order to explain the variation of the
resource curse. The study particularly looks at: 1) the individual/leadership level, 2) the
governmental level and 3) the civil society level. This analysis reveals three important
circumstances that help to determine the extent of the resource curse in Nigeria.

First, due to the lack of a single charismatic and visionary leader Nigeria has not
had a postcolonial transformational leadership. This negatively affected its political
transition after independence. The country struggled with the many regime changes and
also with military coups. As one can imagine this led to a high degree of factionalism and
corruption. It can be said that Nigeria’s leadership is characterized by personal rule rather than a transformational leadership.

Second, the failure to secure a developmentally driven transformational leadership is also reflected in Nigeria’s government. The Nigerian state is characterized by competition over oil revenues among the various ethnic and religious groups and corruption. Corruption especially poses a substantial problem. I point out that there are two plausible explanations for the rampant corruption and divisive competition in the Nigerian government.

The primary explanation for this dynamic can be attributed to the Rentier state effect. This argument maintains that Nigeria’s oil revenues have a non-democratizing effect on the state; because the government does not have to tax due to the large influx of oil revenues it is unaccountable to the population. The secondary explanation looks at the politics of oil as a zero-sum game of competition whereby each political actor is embroiled in an analogous Prisoner’s Dilemma game. Because of Nigeria’s multitude of ethnic factions, this set the tone for intense competition over oil revenues. There is also mutual mistrust among actors and limited time in which to attain as much benefits as possible. Because each actor assumes their rival is will pursue similar strategy (which is to acquire as much benefits as possible), the rational choice is to engage in the same behavior. Unfortunately, the caveat is that both parties would have attained an even greater amount of opportunities if they had opted to cooperate instead of defect.

The third explanation for the extent of the resource curse in Nigeria can be attributed to the moderate effect that the civil society has had in the country. Nigeria was the first compliant member of the Extractive Industries Transparency Initiative (EITI) in
2002. However, this has not had that much of an effect on mitigating the effects of the resource curse. In particular, it has not been particularly successful in mitigating corruption, which is one of the major initiatives of the EITI. Despite the audit process which revealed severe discrepancies in Nigeria’s financial sector, the government remains unaccountable. Arguably, the transparency that the EITI has provided could potentially worsen the resource curse condition because transparency without accountability is not only ineffective but could also exacerbate conflict among ethnic factions.
Chapter 5

The Political Economy of Botswana

Introduction

Botswana is an arid, landlocked, sparsely populated Southern African country slightly smaller in area than Texas. Similar to many African countries it was colonized by the British during the mid to late nineteenth century. After its liberation from Britain it was one of the poorest countries in the world. However, unlike most African countries, it managed to dramatically improve its economic and political conditions after independence. Many authors posit that it was able to do so because of a cohesive, firmly entrenched traditional Tswana elite culture that bore resemblances to modern-day democratic institutions. This united elite tradition continued into the post independence period under the direction of a few central political leaders.

In addition to the salience of traditional Tswana underpinnings, because of Botswana’s hostile climate the British found it difficult to setup settlements in Botswana. Furthermore, unlike some of its other colonies, the British was unable to exploit cash crops because of the arid features of the country. Many authors cite these as the primary reasons that the British utilized Botswana as a Protectorate and not a Crown Colony.

This greatly benefitted the Botswana people however because the local chiefs were able to rule semi autonomously. Unlike many other African countries, the Tswana chiefs utilized this opportunity to improve the economic conditions in the country instead of trying to exploit economic resources for their personal gain. The decision of the
Tswana chiefs to take developmental matters in their own hands during the colonial period was particularly important. Because Botswana was a Protectorate and not a Crown Colony, the British did not see the necessity of investing heavily in capital and infrastructure. Thus, the Tswana chiefs played a vital role in ensuring that the basic needs of the population were met.

Conditions eventually deteriorated which led to the Tswana chiefs to request for reforms. Upon recognition that the British was not amenable to substantial economic and political reforms, local leaders formed the two major political parties, the Botswana Democratic Party and the Botswana People’s Party. This ushered in the nationalist movement era, which eventually led to independence.

In 1966, Botswana gained independence from Britain and charted the path for a series of instrumental leaders: Seretse Khama, Quett Masire, Festus Mogae and Ian Khama. These four leaders paved the way for Botswana’s economic turnaround and strong political development.

Post independence, the Botswana government lead the country under a developmental state model. This stood in sharp contrast to the majority of the other post-colonial African states. For one, Botswana opted not to pursue statist policies or import substitution industrialization policies. Instead, it pursued a hybrid of state-led, market-oriented policy with strong regard for private property institutions. Furthermore, under the guidance of the first president Seretse Khama, Botswana was able to renegotiate a more beneficial deal with the South African mining company, DeBeers.

The strong leadership and guidance combined with a developmentally-driven state provided the necessary ingredients that Botswana needed to overcome its initial
developmental hurdles. Lewin shows that “Botswana’s per capita income was a mere $70 at independence.”\(^1\) Furthermore, “in the first few years of independence about 60% of current government expenditure consisted of international development assistance (primarily from Great Britain). There were only 12 kilometers of paved roads, and agriculture (predominantly cattle-farming) accounted for 40% of gross domestic product.”\(^2\) By the 1980s, a little more than a decade after the discovery of diamonds Botswana’s economic record started to dramatically improve. Lewin further illustrates that “by 2007 Botswana had 7000 km of paved roads, and per capita income had risen to about $6100, making Botswana and upper middle income\(^3\) country comparable to Chile or Argentina.”\(^4\)

What is most remarkable about Botswana however is that it managed to improve its economy while maintaining a stable democratic system with a relatively low level of public sector corruption. The remainder of this chapter discusses in-depth the history and central characteristics of the social, economic and political environment that has contributed to Botswana’s overall developmental success. The chapter is organized as follows: 1) Geography, Population and Ethnic Composition, 2) A Brief Historical Overview, 3) The Structure of the Government, 4) The Structure of the Economy, 5) The Role of the State in Economic Development, and 6) An Overview of Critical Economic and Political Indicators.


\(^2\) Ibid.

\(^3\) Upper Middle Income countries are classified as having a GDP per capita between $3,976 and $12,275.

\(^4\) Lewin, “Botswana’s Success: Good Governance, Good Policies, and Good Luck.”
Geography, Population and Ethnic Composition

Botswana is a relatively medium-sized landlocked Southern African country with 582,000 square kilometers in geographical area width. Because of the country’s central geographical feature, the Kalahari Desert, the climate is characterized as dry, dusty, subtropical and semi-arid and thereby suffers from extensive periods of drought. Because of this, agriculture has been a challenge for the rural population. The country is sparsely populated and has approximately 2 million inhabitants with an annual population growth rate of 1.48 per cent. In addition to this, in 2009 the UN measured its population density as approximately 3.4 persons per square kilometer. Thus, the population density is relatively low compared to Nigeria and other highly populous sub-Saharan African countries.

However, it is important to take into consideration that a significant portion of the population has migrated from rural to urban areas. It is estimated that sixty-one percent of the total population resides in urban dwellings. And the annual rural to urban migration rate is approximately 2.3 per cent. Therefore, although the population density is 3.4 this figure accounts for the entire country; it does not take into account the rural-urban breakdown. The urban centers are substantially more populated than the rural areas as is the case in most sub-Saharan African countries.

Another key component of the population breakdown is the age structure. Botswana has a relatively young population because of the high incidence of the

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5 http://www.botswanaembassy.org/botswana-at-a-glance/
HIV/AIDS virus. The average life expectancy is 55 years old and the median age is 22.5 years.\textsuperscript{10}

Botswana is relatively ethnically homogenous. It is composed of three major ethnic groups: "Tswana, Kalanga and Basarwa (or San)."\textsuperscript{11} The Tswana group accounts for 80 per cent of the population.\textsuperscript{12} It is subdivided into eight major polities: "Kwena, Ngwato, Ngwaketse, Tawana, Tlokwá, Kgaatlá, Rolong and Malete."\textsuperscript{13} Thus, although Botswana may not be as ethnically fractionalized as Nigeria, it is by no means wholly ethnically homogenous because the Tswana group can be subdivided into several other ethnic identities. It is important to note however that "the government has made a commitment to a non-ethnic and non-racial society."\textsuperscript{14}

The country however is relatively homogenous in terms of religious faith; approximately 72 per cent of the population is Christian.\textsuperscript{15} English is the official language despite the fact that the majority of the population speak Setswana. Molutsi accounts that "80-90\% of the population speak the same language."\textsuperscript{16}

\section*{Historical Background}

\subsection*{Pre-colonial Era}

It is difficult to pinpoint precisely the date that people began inhabiting the territory that is now known as Botswana. However, in speaking about Botswana’s pre-

\begin{thebibliography}{9}
\bibitem{10}https://www.cia.gov/library/publications/the-world-factbook/geos/bc.html
\bibitem{11}https://www.cia.gov/library/publications/the-world-factbook/geos/bc.html
\bibitem{13}Ibid.
\bibitem{14}Ibid., 5.
\bibitem{15}https://www.cia.gov/library/publications/the-world-factbook/geos/bc.html
\end{thebibliography}
colonial era, most texts tend to focus on the period immediately preceding the establishment of the Bechuachaland Protectorate. Therefore, this narrows the time frame down to the arrival of the Tswana speaking groups. There were many groups that existed in the area prior to the arrival of the Tswana speaking people, however, because “the Tswanas were more powerful than their counterparts, they conquered wide swaths of territory from the indigenous Kgalagadi people.”

The Tswana culture underpins modern-day Botswana. Thus, examining the roots of this pre-colonial heritage is instrumental in understanding Botswana’s social, economic and political context. The Tswana were primarily cattle farmers. Because of the nature of their industry, they were also itinerant. This characteristic worked to their advantage. Due to the abundance of land and also the predominance of the cattle-farming industry, pre-colonial tribes found it easier to flee rather than to fight invaders. Consequently, many Tswana tribes became widely dispersed across the country. Because tribes were so widely dispersed, Tswana tribes were relatively autonomous.

Picard states that “the Sotho-Tswana speaking groups of Southern Africa started to inhabit this region between the 5th and 6th centuries A.D.” Thus, the chronological order of the arrival of the various ethnic groups can be organized as follows:, “the Kgaladadi were the first to arrive, who met the San people who had already inhabited the eastern part of the area, followed by the Rolong and the Tlhaping. The last movement brought ancestors of all other Tswana groups into the southwestern Transvaal and later

19Ibid.
However, the Tswana was not the only ethnic group in the region. The Transvaal and Orange state areas were also occupied by Dutch settlers, the Voortrekkers (or Boers).

Some authors posit that traditional Tswana culture bore a resemblance to modern-day democratic institutions. Leith cites Crowder, Parsons and Parsons that the Tswana culture was rooted in a "strong sense of constitutionalism." This placed checks and balances on the chiefs, so that no one was above the law. Furthermore, Leith quoting Schapera states that in a traditional council meeting "since anybody present is entitled to speak, the tribal assemblies provide a ready means of ascertaining public opinion. ..The discussions are characterized by considerable freedom of speech, and if the occasion seems to call for it, the chief or his advisers may even be severely criticized." This traditional practice could possibly explain Botswana’s adept capability of combining its traditional customs with modern post-colonial institutions. Picard illustrates that “Traditional leaders in Botswana have been able to selectively adapt aspects of Weberian and other European bureaucratic and political norms without undermining the existing value structures of their societies.”

Another aspect of Tswana culture that Leith highlights is its penchant for long-term saving. Leith shows that since the climate in Botswana is so harsh, many Tswana people found themselves having to stock up during the abundant times. This prevented starvation during periods of drought. Harsh climate also reinforced the spirit of

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21Ibid., 26.
23Ibid.
24Ibid., 21.
26Leith, Why Botswana Prospered.
egalitarianism. Leith explains that long-term saving for drought forced the Tswana people to share their resources with less fortunate groups.\textsuperscript{27}

The Tswana occupied the Botswana region peacefully up until the late 19\textsuperscript{th} century. Eventually, they came into contact with Europeans. Picard notes that “the first Tswana people to come into direct contact with Europeans were the Thlaping in 1801 (although indirect contact was more than likely established through trade prior to this time).”\textsuperscript{28} Eventually, this interaction led to tensions; and the Tswana clashed with the Boers occupying the Transvaal and Orange state areas. The threat from Dutch settlers forced the Tswana chiefs to seek a more formal relationship with the British; therefore, they requested protection from the British. Reluctantly at first “the British administration setup an informal protectorate between them and the Tswana chiefs.”\textsuperscript{29} Finally, in 1884 the British decided to establish a formal protectorate in order to prevent Boer and German influences from taking over the region.\textsuperscript{30} Therefore, the last group of immigrants into the Bechuanaland were the British; which has had the most significant impact on the Bechuanaland territory.

\textbf{Colonial Era}

Despite the fact that the catalyst for the establishment of the Bechuanaland Protectorate was the protection of the region from Boer and German influences, the relationship that ensued between the British and Tswana was predominantly based on trade. Thus, trade became the most important link between the Tswana and the British.

\textsuperscript{27}\textit{Ibid.}
\textsuperscript{28}Picard, \textit{The Politics of Development in Botswana: A Model for Success?}
\textsuperscript{29}\textit{Ibid.}
\textsuperscript{30}\textit{Ibid.}
Another major motivational factor for British colonialism came from the Missionaries. Tlou and Campbell emphasize that Missionaries were instrumental in persuading the British to colonize Bechuanaland. The Missionaries had several incentives for motivating the British government to pursue Bechuanaland as a colony. These included: “1) they wanted their own country to rule the lands of Botswana, 2) they wanted to use British power to protect their spiritual empire, 3) they wanted Britain to change those African customs they considered heathen and 4) they wanted to prevent the lands from being taken away from the Boers.”

Despite the potential benefits that the Tswana people and the Missionaries stood to gain, the ultimate decision to colonize Bechuanaland was based on the significant benefits that Bechuanaland could provide the British government. According to Picard, there were three predominant factors that spurred British colonialism in the Bechuanaland Protectorate: “cultural-religious, strategic, and economic.” Moreover, the cultural-religious reasons were espoused in “Britain’s pseudoscientific racism.” The British believed that they could “civilize” the primitive Africans and thus make them better off. Second, the Protectorate also served as a strategic vantage point for the colonial Administration. Picard remarks that “for Cecil Rhodes Bechuachaland was a steppingstone to central Africa and it was a vital strategic point for the British South Africa company’s operations north of the Limpopo, serving as both a base and a rear guard.” And third, the Protectorate also possessed vast untapped natural resources. Thus

32Ibid.
34Ibid.
it was seen as territory that held “high prospects of trading stations, mineral exploitation and the possibility of European settlement.”

Despite Botswana’s potential of untapped resources, the climate was harsh and arid and the British did not find it to be a conducive environment in which to settle. Because of these reasons, Leithemphasizes that “Botswana was established as a Protectorate and not a Crown Colony.” Furthermore, Britain had little incentive to establish a maximal presence in Botswana due to the arid climate and the consequent poor agriculture. Therefore, “the British administration allowed Tswana chiefs to govern internally.”

The Tswana chiefs used this opportunity to self-govern as a means to improving the country’s economic conditions. This Tswana-driven development was important especially since the British invested little capital according to Morton et al. They add that the British exploited more capital than they reinvested. Morton et al account that major contributions in terms of “development projects such as hospitals and schools came primarily from the initiatives of Africans themselves and Missionaries.”

Despite the efforts of Tswana chiefs, social, economic and political conditions gradually worsened. In addition to this because of the Tswana dominance in internal governance, this quickly led to resentment by minority groups. Bleak economic conditions combined with ethnic tensions and political strife spurred nationalist movements that would eventually lead to independence. Tlou and Campbell assert that at

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36Ibid.  
37Leith, Why Botswana Prospered, 22.  
38Ibid.  
39Ibid., 24.  
40Morton, Ramsay, and Mgadla, Historical Dictionary of Botswana.  
41Ibid.
first the Batswana did not want to overthrow the British administration; they just wanted reforms that would improve their social, economic and political conditions. However, upon observing that the British were not amenable to make substantial reforms, a nationalist movement eventually emerged. The nationalist movement was instrumental for Botswana’s independence because the first political parties were created out of this movement.

**Nationalist Movement**

In 1960, the first political party of note was the Bechuanaland People’s Party (this later became known as the Botswana People’s Party) was formed by K.T. Motsete. Unfortunately, it was not widely received by the rural class or the British. “The rural class rejected it because it called for the abolition of the kingship.” The British opposed the BPP because it rejected and spoke out against racism. However, the BPP did receive political support in the urban areas. Urban residents were drawn to the rhetoric of the BPP because of the dire economic conditions in these areas.

In 1962, Seretse Khama formed the Botswana Democratic Party (BDP). This party stood in contrast to the BPP because it was not as radical in its beliefs. The BDP’s differences from the BPP are also explanations for its relatively higher rate of success. For one, it called for a multiracial Botswana as opposed to a pan-African Botswana as the BPP espoused. Second, it did not pursue as aggressively the abolishment of the kingship. Third, Seretse Khama’s rural background as a Ngwato chief made him a favorite among the rural population. Fourth, because it was not as radical as the BPP it

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42Tliou and Campbell, *History of Botswana.*
43Ibid.
44Ibid.
45Ibid.
was better received by the British administration. In fact, Tlou and Campbell emphasize that even some British citizens joined the BDP.46

Postcolonial Era

As mentioned above, the nationalist movement greatly contributed to independence from Great Britain because it proliferated the rise of political parties and nationalist sentiment. Thus, in 1965 the first presidential elections were held. The Botswana Democratic Party won an overwhelming majority of votes over the Botswana People’s Party and the BDP leader, Seretse Khama became Botswana’s first president. Picard explains that there were four major reasons for the BDP’s victory:

"First, there was Seretse’s position and prestige as a traditional leader. Secondly, the BDP received unqualified support from the colonial Protectorate Government...Third, the BDP represented an intellectual tradition which was clearly linked historically with the intellectual nationalism of the 1930s...and Fourth, the BDP received the financial and organizational support of the bulk of the financially influential European and Asian communities which feared the consequences of the more radical BPP coming to power."47

A year later, on September 30, 1966, Botswana gained independence from Great Britain. Since independence, the Botswana government has made several critical decisions that have improved its social and economic conditions.

A key event that affected Botswana’s development occurred in 1967, the discovery of diamond ores in the Kalahari Desert. From the outset Botswana took control of the management of its mineral reserves. Under the direction of Seretse Khama,

46Ibid.
47Picard, "From Bechuanaland to Botswana: An Overview."
Botswana made the decision to maintain ownership of its natural resources. This stood in contrast to many other African countries who allowed foreign interests to own the rights to their resources. Morton et al. illustrate that President Khama made two pivotal choices that greatly influenced the outcome of Botswana’s natural resource development:

"First, Botswana declared that all rights of ownership to minerals, whether located in districts on freehold land, in national parks, or in other state land, were vested in the Republic as a whole. Second, the Botswana government was to decide the method by which these resources would be explored and exploited."48

This second decision significantly contributed to the type of business arrangement in which Botswana engaged with the South African mining company, DeBeers Corporation. Morton et al demonstrate that the Botswana government renegotiated its contract with DeBeers after it gained sufficient capital and knowledge about the diamond industry.49 Thus, "in 1975 it renegotiated its agreement with DeBeers and formed government-company partnerships, Debswana and Botswana Diamond Valuing Company."50

Undoubtedly, the policymaking of individual Botswana leaders such as Khama, Masire and Mogae has been instrumental to its economic success. In addition to this, government has played a central role in the economy. Therefore, the next section covers a more in-depth look of the structure and composition of its government administration.

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49 Ibid.
50 Ibid.
Structure of the Government

Classification of Political Regime, Electoral System and Political Parties

In 1965, with British assistance, Botswana wrote its constitution. Botswana’s democratic structure is firmly entrenched with its traditional customs and institutions. Tlou describes that “Botswana’s government is divided at two levels: national and local.” The country is a constitutional multiparty parliamentary democracy with the “President serving as both head of state and head of government.” Elections are based on a first-past-the-post system and are held every five years.

Botswana has seven major political parties: Botswana Congress Party (BCP), Botswana Democratic Party (BDP), Botswana Movement for Democracy (BMD), Botswana National Front (BNF), Botswana People Party (BPP), Botswana Tlhoko Tiro Organization (BTTO), and the MELS Movement Botswana (MELS). Since independence, Botswana has held ten free and fair elections according to international electoral observers. This is a record that is rare for any sub-Saharan African country. Despite the frequency and fairness of Botswana’s elections however, the BDP has won an overwhelming majority of elections since 1965 which has caused critics to label Botswana as a one-party dominant state despite the fact that it is a de jure multiparty democratic state.

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51 Tlou and Campbell, *History of Botswana.*
52 Ibid.
Branches of Government

Executive, Legislative and Judicial Bodies

Botswana's central government comprises of the President, the Vice President, the Cabinet, a Legislature consisting of the President, the National Assembly, the House of Chiefs, and the Judiciary. The Executive body is primarily responsible for ensuring that the laws that the legislature passes are carried out. It consists of the President, Vice President and the Cabinet. The Cabinet consists of the President, Vice President, the Ministers and the Attorney General. The President is elected by the Parliament (the President and the National Assembly) and serves a five year term, which is renewable once, for a maximum of ten years. He/She serves as both Commander in Chief of the armed forces and is also head of the National Assembly. According to Morton et al, the Executive Body, in particular the President plays a significantly more important role than the Legislative body in Botswana. They account that “almost all bills originate from the executive branch, and ministers and the president play by far a more important role in policymaking than does Parliament.”

The Legislative Body makes all the laws according to the Constitution and consists of the President, the House of Chiefs (advisory powers only) and the Parliament. The Parliament serves a five year term and consists of the 57 member National Assembly, the vice president, and four specially elected members nominated by the president and other members of the National Assembly. The function of the National Assembly is to make laws or Acts which govern Botswana. Once an act is made no person, not even the President can change it. Therefore, the National Assembly is the

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56 Ibid.
only body capable of enacting legislation. However, a bill cannot be enacted without the President’s approval. Tlou and Campbell note that “if the President disagrees with any bill, he sends it back to the National Assembly for further discussion. If the National Assembly disagrees with the President, it must send the bill back to him within six months. If he still disagrees, “he must dissolve Parliament and call for new elections.” The National Assembly is also responsible for approving the Government’s Budget which is prepared by the Ministry of Finance and Development Planning. Furthermore, it is also responsible for approving the country’s National Development Plans. The National Development Plan is the primary document that maps out in detail government expenditure in five year increments.

The House of Chiefs was formed in order to appease the dikgosi (plural form of kgosi-chief). Because of their influence in the rural areas, the dikgosi plays a significant role in the BDP’s victory. Therefore, it was prudent that the Government recognized and respected the important role that the dikgosi played in the newly independent country. The House of Chiefs represent the eight main merafe (or tribes) in Botswana: Bangwato, Bakwena, Bakgatla, Bangwaketse, Balete, Batlokwa, Batawana and Barolong. as mentioned above they have no legislative powers. They only have the authority to advise. However, because of their influence in the rural areas, it is in the best interest of the National Assembly to heed the advice of the House of Chiefs. Tlou and Campbell demonstrate that there have been cases of former members of the House of Chiefs vacating their posts in order to run for other political positions in the government. Furthermore, “in 1969 Chief Bathoen II resigned from the bogosi and joined politics just in time for the general election. He later became a member and leader of the Botswana

57 Tlou and Campbell, History of Botswana.
National Front (BNF)." This example illustrates the influence of the traditional chiefs in Botswana.

Botswana has an independent Judiciary Body. This mitigates against any interference in the judges’ rulings from the Executive or the Legislative Body. Not even the President has the right to interfere in the judgment of the Courts. However, he does have the prerogative to grant mercy after a ruling has been passed. The Judiciary Body consists of a High Court, the Court of Appeals, the Magistrates’ Court and the Customary Courts. The members of the Court of Appeals are appointed by the president (at the nomination of the Judicial Services Commission) and occupy their positions until the age of 70, have the power to interpret the constitutionality of any legislative act, upon appeal from any party from a lower court.

Local Government

The local government is comprised of five town councils and nine district councils. Tlou and Campbell describe that the local government is important because it allows the local populations to voice their opinions. The local government does not replace or override the national government; however, the local government can quickly resolve matters that are relatively easier to handle at the local level. Furthermore, Tlou and Campbell express that “the local government works under the direct supervision of the national government.” In cases where the matters supersede the local government’s jurisdiction, the matter is then presented to the national government. Botswana’s
Judiciary Body operates under a combination of the influences of Roman-Dutch law, British common law, and indigenous legal institutions.

**Structure of the Economy**

Upon independence Botswana’s economy was strongly guided by the government. However, unlike its counterparts it did not implement import substitution industrialization (ISI) policies. Instead, it pursued more of a mixed economy with a strong role for the private sector. Presently, Botswana is classified as an upper middle income country according to the World Bank. Its estimated GDP per capita is $7,238.61

Botswana’s economy is comprised of three major sectors: industry (which includes mining), services, agriculture and manufacturing. Among these three sectors, services is the primary sector. It comprises approximately 52 per cent of the country’s GDP and includes activities such as tourism. Industry is the secondary sector and accounts for approximately 45 per cent of Botswana’s GDP. The industry sector includes mining production of not only diamonds but also other minerals such as as copper, nickel, and coal. Agriculture and manufacturing comprise the tertiary sector. Each accounts for 3 per cent of Botswana’s GDP and thereby contribute the least to GDP. One of the major reasons for the decline of the agricultural sector is because of inadequate rainfall and frequent bouts of drought. This poses a challenge for small rural farmers because a major portion of the Botswana population continues to earn their livelihood from arable agriculture. In addition to this, the dominance of the mining sector

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63Ibid.  
64Ibid.
since the discovery of diamonds in 1967 has dramatically decreased the importance of non-resource boom sectors such as agriculture and manufacturing. The discovery of diamonds has placed less importance on agriculture and manufacturing as major drivers of economic growth. This is evidence of the Dutch Disease problem that the resource curse literature discusses. However, what is puzzling is that it does not appear to negatively affect the overall economic development of the country although it adversely affects two very important sectors of the economy.

Another important sector of the Botswana economy is its government. Presently, the government provides a significant percentage of employment. Morton et al illustrate that “the government of Botswana will probably remain the nation’s largest employer, because of the steady expansion of infrastructure, public services and energy supplies, and business and commerce will remain dependent on government contracts rather than creating wealth and employment through manufacturing for export.”65 Thus, it is a major source of income for a substantial portion of the population.

Last, it is also important to mention that Botswana’s cattle farming industry continues to be an important source of income for the elite (despite the overall low contribution of agriculture to GDP). Recall that historically the elite classes garnered their wealth from cattle farming. Therefore, this industry continues to be a valuable source of income for a very small percentage of the population.

It is often cited that the unique combination of Botswana’s governmental structure and its economic structure has been central to its overall success and strong economic performance. The literature frequently refers to Botswana as a developmental state because of the close connection between the state and its developmental interests. The

purpose of the next section is to look at the role of the state in Botswana and how this has had an impact on social, economic and political conditions within the country.

Overview of Social and Economic Conditions

The major social and economic areas in which Botswana has overcome developmental hurdles include: health care, education and infrastructure. Acemoglu, Johnson and Robinson emphasize that in addition to "a fiscally responsible regime, strong system of law and contract, limited state and private predation and a minimal public service sector, the Botswana also invested heavily in infrastructure, health and education."\textsuperscript{66} The improvement in these critical areas have led to an overall high level of development for the country. Table 1 depicts the UN Human Development Index score for Botswana. It also presents data for other regions of the World in order to contextualize Botswana’s HDI performance across countries. As indicated, Botswana is categorized according to the UN as a medium human development country. Its score of 0.634 stands above the average medium development score of 0.630. Furthermore, Botswana’s score is higher than the mean HDI score for Sub-Saharan Africa, which is 0.475. Finally, as compared to the global average HDI score of 0.682, Botswana performs slightly lower than the mean.

\textsuperscript{66}Acemoglu, Johnson, and Robinson, "An African Success Story."
Table 5.1: Botswana Performance on the Human Development Index

<table>
<thead>
<tr>
<th>Category</th>
<th>HDI</th>
<th>Life Expectancy at Birth</th>
<th>Mean Years of Schooling</th>
<th>Expected Years of Schooling</th>
<th>Gross National Income per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>0.634</td>
<td>53.2</td>
<td>8.9</td>
<td>12.2</td>
<td>13,049</td>
</tr>
<tr>
<td>Very high human development</td>
<td>0.889</td>
<td>80.0</td>
<td>11.3</td>
<td>15.9</td>
<td>33,352</td>
</tr>
<tr>
<td>High human development</td>
<td>0.741</td>
<td>73.1</td>
<td>8.5</td>
<td>13.6</td>
<td>11,579</td>
</tr>
<tr>
<td><strong>Medium human development</strong></td>
<td>0.630</td>
<td>69.7</td>
<td><strong>6.3</strong></td>
<td><strong>11.2</strong></td>
<td><strong>5,276</strong></td>
</tr>
<tr>
<td>Low human development</td>
<td>0.456</td>
<td>58.7</td>
<td>4.2</td>
<td>8.3</td>
<td>1,585</td>
</tr>
<tr>
<td>Arab States</td>
<td>0.641</td>
<td>70.5</td>
<td>5.9</td>
<td>10.2</td>
<td>8,554</td>
</tr>
<tr>
<td>East Asia and the Pacific</td>
<td>0.671</td>
<td>72.4</td>
<td>7.2</td>
<td>11.7</td>
<td>6,466</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>0.751</td>
<td>71.3</td>
<td>9.7</td>
<td>13.4</td>
<td>12,004</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>0.731</td>
<td>74.4</td>
<td>7.8</td>
<td>13.6</td>
<td>10,119</td>
</tr>
<tr>
<td>South Asia</td>
<td>0.548</td>
<td>65.9</td>
<td>4.6</td>
<td>9.8</td>
<td>3,435</td>
</tr>
<tr>
<td><strong>Sub-Saharan Africa</strong></td>
<td>0.475</td>
<td>54.4</td>
<td><strong>4.5</strong></td>
<td><strong>9.2</strong></td>
<td><strong>1,966</strong></td>
</tr>
<tr>
<td>Least developed countries</td>
<td>0.439</td>
<td>59.1</td>
<td>3.7</td>
<td>8.3</td>
<td>1,327</td>
</tr>
<tr>
<td>Small Island Developing States</td>
<td>0.640</td>
<td>69.6</td>
<td>7.3</td>
<td>10.8</td>
<td>5,200</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td>0.682</td>
<td>69.8</td>
<td>7.4</td>
<td>11.3</td>
<td>10,082</td>
</tr>
</tbody>
</table>

Source: United Nations Human Development Index

In terms of health, Botswana spends approximately 8.3 per cent of its GDP on health care\(^{67}\); more than several other African countries.\(^{68}\) However, one should note that this does not necessarily lend support to the developmental state argument. The government of Botswana was compelled to contribute substantially to the fight against the HIV/AIDS epidemic since the 1990s. Thus, the government’s large spending budget on health care could very well be a palliative measure against a disease that has ravaged the country and reduced the population’s overall life expectancy. On the other hand, an above average health expenditure could imply that the Botswana state perceives health care as a vital component of a strong developmentally oriented mandate.

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\(^{67}\)Chuhan-Pole et al., *Africa's Pulse*.

\(^{68}\)The average health expenditure for Sub-Saharan Africa is 6.5 per cent according to the World Bank’s World Development Indicators.
Another area in which Botswana has made vast improvement is in education. Samatar citing Luke notes that upon independence "most of the country's schools were single-room 'tribal' schools staffed by untrained teachers." Samatar further notes that a lack of education also made other developmental challenges more difficult because of the lack of a skilled labor force. Presently, approximately 94 per cent of the population have completed primary education. In addition to this, the adult literacy rate is 84 per cent.

Finally, similar to most newly independent African countries, Botswana did not have worthwhile infrastructure such as comprehensive road networks and basic utilities such as electricity, running water, and telephone land lines. The lack of basic road networks especially compounded developmental obstacles for Botswana. Without paved roads trade becomes increasingly difficult and more costly. Furthermore, as Beaulier and Subrick point out "without sufficient road coverage the state does not build social infrastructure that allows for increased specialization." By 2010, Botswana had 25,798 km of total paved road networks. Furthermore, approximately 92 per cent of the rural population have access to an improved water source. In terms of electricity, the World Bank uses electric power consumption per capita as an indication of the level of a country's development because reliable and affordable power is critical not only for the functioning of domestic households and businesses, but it is also an attractive feature for

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69 Samatar, "National Institutions for Development: The Case of Botswana."
70 An African Miracle (Portsmouth, NH: Heinemann, 1999).
71 Chuhan-Pole et al., Africa's Pulse.
72 Ibid.
74 Chuhan-Pole et al., Africa's Pulse.
75 The World Bank, World Development Indicators.
foreign investors. Botswana’s electric power consumption per capita is 1,503 kWh.\textsuperscript{76} Lastly, fixed line telecommunications has also improved with approximately 7 subscriptions per 100 people.\textsuperscript{77} However, the burgeoning of telecommunications technology has substantially benefited the population more than fixed subscription lines (approximately 1118 subscriptions per 100 people).\textsuperscript{78}

\textbf{Overview of Political Conditions}

Undoubtedly, Botswana has been able to maintain this relatively high level of economic development because of its conducive political environment. Botswana has portrayed four critical attributes that has facilitated strong political development: 1) it is a stable democratic state, 2) the government has exercised good governance practices, 3) the state upholds a high regard for civil and political liberties and 4) the public sector is relatively non-corrupt. I will elaborate on each of these features in the following paragraphs.

First, Botswana is one of the few African countries that has maintained a stable democratic state since independence. There has been no coup d’états, no military takeovers, assassinations or other forms of interruption in governance. A strong indicator of a state’s regime type is the \textit{polity2} variable in the POLITY IV dataset. This variable measures the type of governing authority in a country on a scale of -10 to 10; where -10 indicates a fully autocratic state and +10 indicates a fully democratic state.\textsuperscript{79} Table 2 displays an overview of descriptive statistics for the Polity IV data set. As you can see,

\textsuperscript{76}\textit{Ibid.}
\textsuperscript{77}\textit{Ibid.}
\textsuperscript{78}\textit{Ibid.}
the regional mean for the polity2 variable is 2.67. Botswana’s polity2 score of 8 implies that while it may not be a fully institutionalized democracy such as the U.S. or Canada, it certainly is a strong democratic state. As compared to other countries in the sub-Saharan African region, Botswana has one of the most stable democratic polities.

Table 5.2: Polity IV Political Authority Indicators-Botswana compared to Sub-Saharan Africa

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Botswana</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type of Governing Authority (-10 to 10)</td>
<td>43</td>
<td>-9</td>
<td>10</td>
<td>2.67</td>
<td>8</td>
<td>5.112</td>
</tr>
<tr>
<td>Institutionalized Democracy (0 to 10)</td>
<td>43</td>
<td>0</td>
<td>10</td>
<td>4.47</td>
<td>8</td>
<td>3.232</td>
</tr>
<tr>
<td>Regime Durability (No. of Years)</td>
<td>43</td>
<td>0</td>
<td>44</td>
<td>13.21</td>
<td>44</td>
<td>10.776</td>
</tr>
<tr>
<td>Regulation of Chief Executive Recruitment (1 to 3)</td>
<td>43</td>
<td>1</td>
<td>3</td>
<td>2.26</td>
<td>2</td>
<td>.492</td>
</tr>
<tr>
<td>Competitiveness of Executive Recruitment (1 to 3)</td>
<td>43</td>
<td>0</td>
<td>3</td>
<td>1.65</td>
<td>2</td>
<td>1.110</td>
</tr>
<tr>
<td>Openness of Executive Recruitment (1 to 4)</td>
<td>43</td>
<td>0</td>
<td>4</td>
<td>3.02</td>
<td>4</td>
<td>1.711</td>
</tr>
<tr>
<td>Executive Constraint</td>
<td>43</td>
<td>2</td>
<td>7</td>
<td>4.40</td>
<td>7</td>
<td>1.775</td>
</tr>
<tr>
<td>Regulation of Participation</td>
<td>43</td>
<td>2</td>
<td>5</td>
<td>2.84</td>
<td>2</td>
<td>.814</td>
</tr>
<tr>
<td>Competitiveness of Participation</td>
<td>43</td>
<td>0</td>
<td>5</td>
<td>3.30</td>
<td>4</td>
<td>1.013</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Second, Botswana has also exercised good governance practices. The World Governance Indicators dataset assesses 215 countries according to six major dimensions: "voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption" and ranks countries along these dimensions according to their governance score. The governance score ranges from -2.5

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81Ibid.
Furthermore, countries’ performance is also measured according to their percentile rank. Again, Botswana depicts above average performance on all six governance indicators.

Table 5.3: World Governance Indicators -
Botswana compared to Sub-Saharan Africa

<table>
<thead>
<tr>
<th>Governance Indicator</th>
<th>Year</th>
<th>Botswana Percentile Rank (0-100)</th>
<th>Regional Average, Percentile (0-100)</th>
<th>Governance Score (-2.5 to +2.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice and Accountability</td>
<td>2010</td>
<td>59.7</td>
<td>31.3</td>
<td>0.43</td>
</tr>
<tr>
<td>Political Stability</td>
<td>2010</td>
<td>78.3</td>
<td>34.1</td>
<td>0.91</td>
</tr>
<tr>
<td>Government Effectiveness</td>
<td>2010</td>
<td>67.5</td>
<td>26.5</td>
<td>0.51</td>
</tr>
<tr>
<td>Regulatory Quality</td>
<td>2010</td>
<td>67.5</td>
<td>29</td>
<td>0.47</td>
</tr>
<tr>
<td>Rule of Law</td>
<td>2010</td>
<td>67.8</td>
<td>28.4</td>
<td>0.66</td>
</tr>
<tr>
<td>Control of Corruption</td>
<td>2010</td>
<td>79.9</td>
<td>32.1</td>
<td>0.97</td>
</tr>
</tbody>
</table>

Third, Botswana has also demonstrated a relatively higher level of respect for civil, economic and political freedoms. Freedom House annually reports data on “the degree of political rights and civil liberties in 195 countries.”

Countries are ranked on a scale from 1 to 7 for each category with 1 indicating “most free” and 7 indicating “least free.” Based on these scores, countries are assigned a freedom rating: “Free (1.0 to 2.5), Partly Free (3.0 to 5.0), or Not Free (5.5 to 7.0).” Botswana was ranked as “free” with a political right score of 3 and a civil liberty score of 2. As compared to the region, Botswana is in the minority. The report further shows that only 22 per cent of Sub-Saharan Africa is free, 37 per cent is partly free and 41 per cent is not free.

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83 Ibid.
84 Ibid.
85 Ibid.
Fourth, the country has also maintained a relatively low level of corruption in its public sector. Transparency International's Corruption Perceptions Index (CPI) illustrates that Botswana is the region's top performer on the CPI with a score of 65. The CPI measures countries perceived level of corruption based on calculations from a number of governance sources and ranks them on a scale from 0 to 100 where 0 indicates the highest perceived level of corruption and 100 indicates the lowest perceived level of corruption. The regional CPI average is 33.4, which implies that the overall perceived level of corruption in sub-Saharan Africa is much higher than the level in Botswana.

Despite the positive facets of Botswana's economic and political development, it continues to face significant social and economic challenges. Critical among these include: rural poverty, income inequality and the HIV/AIDS epidemic. One of the major contributing factors for the first challenge, rural poverty can be attributed to the dominance of the mining sector and the directly related slow performance of the agricultural sector. As reported in the literature, the population segment that has been most adversely affected by the dominance of the diamond sector is rural farmers. The second challenge, income inequality also seems to be significantly higher in the rural areas. Molutsi accounts that "close to 40 percent of the rural household are estimated to live in poverty, and inequality of incomes is high, with the Gini coefficient of over 50 percent."\(^8\) Therefore, there is a distinct difference between the standard of living in the rural areas as compared to the cities. Third, the HIV epidemic is another major challenge for the Botswana government. Leith illustrates that "more than one third of the sexually active population is now HIV positive."\(^8\) The government has apparently made dramatic

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\(^8\)Molutsi, "Botswana: The Path to Democracy and Development," 174.
\(^8\)Leith, Why Botswana Prospered, 16.
improvements in its response against this disease. A substantial portion of its GDP is allocated towards health expenditure. Whether or not this is effective in mitigating the spread of the disease goes beyond the purview of this study.

Regardless of these few drawbacks (as important as are), Botswana’s economic and political conditions are above average. In terms of its economic development, Botswana invests more in health care, education and infrastructure than the majority of the other sub-Saharan African countries. This dedication to its developmental goals is evident in its strong performance on several social and economic indicators such as the Human Development Index. Furthermore, it has done so in a free, democratically stable, and relatively non-corrupt environment.

**Conclusion**

Similar to many African countries, Botswana was impoverished upon independence. However, the country made a positive economic transformation during the 1980s. Undoubtedly, the discovery of diamonds played a significant role in its economic growth, however this is just one piece of the puzzle. If the discovery of diamonds in itself was enough to transform Botswana from a low income to an upper middle income country then every resource-rich African country would have encountered similar fates. Instead, the most significant contributing factor to Botswana’s economic transformation can be found in the constitutional nature of the Tswana culture.

Botswana's traditional roots have overwhelmingly contributed to its economic trajectory, more so than the discovery of diamonds. Furthermore, the contemporary Botswana elite has syncretically blended traditional Tswana culture with British
postcolonial institutions. This is evident in the decision to appoint selected members of each tribe to the House of Chiefs. The decision to maintain an advisory governmental body in order to reflect the opinions of represented tribes depicts the emphasis that the Botswana state places on its traditional culture.

Presently, Botswana continues to depict a strong economy within a stable political environment. This is reflected by its continually good performance on several critical measures of economic development and governance. Despite a few drawbacks such as the HIV/AIDS pandemic and a high rate of economic inequality, the country overall represents an 'African miracle' in that it is a thriving democratic polity despite the fact that it is resource-abundant. As such, one cannot ignore the glaring question, what sets Botswana apart from other resource-rich African countries? The following chapter shows and explains the relatively lower incidence of the resource curse that Botswana has had in relation to Nigeria.
Chapter 6
Examining The Resource Curse in Botswana

Introduction

A resounding theme throughout this discourse is the exceptionality of Botswana’s economic success. However, the importance of this study is not merely to elucidate the salient aspects of Botswana’s economic growth. More importantly, the goal is to find out why there are substantial differences between these two countries in terms of the degree of the resource curse. Similar to Nigeria, Botswana confronts the resource curse; however, Botswana depicts a significantly lower degree of the resource curse than Nigeria. Thus, the purpose of this chapter is to explain why that occurs.

Before explaining the variation of the resource curse in Botswana it is important to first illustrate if there is a resource curse in Botswana and if so to what extent. Second, we must explain what is special or different about Botswana that can explain the relatively low extent of the resource curse. Consequently, this chapter is divided into two major sections: 1) Showing the Extent of the Resource Curse and 2) Explaining the Extent of the Resource Curse.

The first section shows that Botswana has experienced a low to moderate degree of the resource curse. It shows this by analyzing the same four major aspects of the resource curse as examined in Chapter 5. First, it shows that the Dutch Disease has not been an impediment to development as seen in Nigeria. Although some authors disagree that Botswana has not escaped the major facets of the Dutch disease: exchange rate
appreciation and the crowding out of manufacturing and agricultural industries, the majority of the evidence shows that other factors outside of resource abundance could have accounted for these experiences. The major reason cited for Botswana's exchange rate fluctuation is attributed to the country's complex trading relationship with South Africa and the U.S. Botswana primarily imports consumer products from South Africa which are priced in rand, while the majority of its diamond exports are priced in U.S. dollars. Thus, at various points throughout Botswana's history, the pula has either appreciated against South Africa's rand or depreciated against the U.S. dollar. In regards to the agricultural sector, the evidence shows that because of geographical factors such as drought and Botswana's overall arid climate, the industry started to decline since the 1980s irrespective of natural resources. Likewise, the crowding out of the manufacturing sector is due to extraneous factors. The literature shows that because of Botswana's close proximity to South Africa, it is more cost effective to import goods rather than to produce them domestically. Therefore, the evidence shows that although Botswana has experienced an appreciation of its exchange rate and the crowding out of non-resource boom sectors, it is ambiguous as to whether or not this would have occurred regardless of resource wealth.

Second, it shows that although one would assume that Botswana would be less vulnerable to commodity price volatility than Nigeria because of the relative stability of world diamond prices, this is not the predominant reason that Botswana appears to be immune from this aspect of the resource curse. In fact, the evidence shows that the demand for diamond output significantly decreased during the 2008-2009 global recession period. Undoubtedly, this exogenous shock had an effect on Botswana's
economy. However, the measure that allowed Botswana to escape or rather mitigate this phenomenon associated with the resource curse is the implementation of its stabilization funds, which served as a safety net during periods of external vicissitudes.

Third, the country also depicts a relatively low degree of debt burden. Contrary to the majority of resource-rich African countries, which enlarged their government expenditure during the boom years of the 1980s, Botswana kept their expenditure at a minimum and also chose to invest a substantial portion of their resource revenues into foreign exchange reserves. These reserves have assisted the country during economic downturns and therefore obviating the need to look towards international financial institutions for assistance.

Fourth, corruption has neither served as an impediment to development in spite of resource abundance. Contrary to the majority of resource-rich African countries, Botswana has managed to keep their public sector corruption at a relatively low level. Undoubtedly, this has contributed to the consistency in its economic development and also to its political stability. All these factors combined has led to an overall low degree of the resource curse in Botswana.

Whereas the first section shows the relatively low extent of the resource curse in Botswana, the aim of the second section is to explain why this occurs. In other words, what unique attributes does Botswana possess along these three levels that could potentially account for the relatively low extent of the resource curse. Therefore, it analyzes the country through the same three lenses as seen in Chapter 5: 1) leadership, 2) government and 3) civil society. One, I find that Botswana's leadership has been more cohesive and unified in scope as compared to Nigeria. Furthermore, whereas Nigeria's
leadership has succumbed to personal rule, Botswana's leaders have managed to offer a collective vision across leadership transitions, which allowed the country to transform its diamond wealth into sustained economic growth without succumbing to ethnic skirmishes and internal division.

Two, its government while expected to be as vulnerable to the same Rentier state dilemma as seen in Nigeria has managed to overcome this dynamic commonly seen in resource-rich countries and instead has fostered a developmental state type approach to economic growth and sustainability. In this regards, Botswana has followed more closely in the footsteps of the East Asian Tigers rather than that of a typical resource-rich African country. It has been able to do so primarily because it has managed to syncretically blend its pre-colonial and postcolonial institutions, maintains an insulated bureaucracy, uphold a highly efficient civil service, and meticulously implemented stringent development planning.

Three, while its civil society has been criticized as being weak, it is relatively stronger than Nigeria's. Also, its weak civil society has actually helped to buttress the strength of the Botswana state, which have in turn increased state capacity. While this is not a positive attribute of a democracy by Western standards, in the case of Botswana it has seemingly worked to ameliorate some aspects of the resource curse such as public sector corruption. The remainder of the chapter is thus organized into three major sections: 1) Showing the Extent of the Resource Curse, 2) Explaining the Extent of the Resource Curse and 3) Concluding Remarks.
Showing the Extent of the Resource Curse

Chapter 4 analyzed the extent of the resource curse in Nigeria by looking at four critical outcomes of the resource curse. This chapter section uses the same set of outcomes in order to test whether or not there is a resource curse in Botswana and if so, to what extent? Thus, we will assess the level of four major outcomes of the resource curse in Botswana: 1) Dutch Disease, 2) Price Volatility, 3) Debt Burden and 4) Corruption. Also as explained in chapter 4 arguably some of these elements could occur without resource abundance. However, the argument here is that the resource curse exacerbates these outcomes. In the case of Botswana however, we observe that these aspects usually associated with the resource curse has not hindered the country from sustained economic development. It is for these reasons that I argue that Botswana has experienced a low to moderate effect of the resource curse; while the country is not immune to the curse; it has been able to overcome the developmental hurdles or obstacles associated with the resource curse.

Dutch Disease

First, we will look at if there is evidence of the Dutch Disease and if so to what extent? Dutch disease is typically diagnosed by an appreciation of the exchange rate during a resource boom and is one of the most common features associated with the resource curse. The appreciation of the exchange rate makes the exports in the non-resource sectors uncompetitive and thus the decline of agricultural and manufacturing sectors are typical negative outcomes of the Dutch disease. Figure 1 shows the variation in Botswana’s exchange rate during the period 1960 to 2012. As depicted, the pula has steadily appreciated since the early 1980s. Again, as mentioned before, it is difficult to
prove whether or not an appreciation in the exchange rate is due to resource revenues or other aspects of the economy. Arguably, a number of other factors could potentially lead to exchange rate appreciation such as increase in interest rates or lower inflation.

Figure 6.1: Botswana's Exchange Rate Appreciation, 1960-2011

Nevertheless, several scholars show that Botswana depicts Dutch disease symptoms. Pegg argues that although Botswana’s economy is functioning exceptionally better than most sub-Saharan African countries, the economy remains highly specialized and undiversified.1 Mogotsi also shows that Botswana experienced a Dutch disease during its boom period because it depicted a reduction in manufacturing output.2 Sarraf and Jiwanji illustrate that although agriculture accounts for 70% of the labor force, agricultural productivity as measured as a percentage contribution to GDP dropped from

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1Pegg, "Is There a Dutch Disease in Botswana?"
13% in 1980 to 4% in 1995. Good concurs that Botswana’s agricultural sector steadily declined after 1980; eventually, Botswana began to use its diamond revenues to import food because of the relatively unproductive agricultural sector.

On the other hand, several scholars also highlight that there has not been substantial evidence that Botswana has experienced the Dutch disease. Samatar contends that Botswana did not encounter the Dutch disease because “it carefully invested some of its resources in physical and social infrastructure and in productive areas of the economy such as industry.” Hillbom concurs this evidence by citing that “Botswana has escaped the resource curse and Dutch disease by implementing a long-term plan for the extraction of diamonds.”

Pegg sheds some clarification on this debate by arguing that although Botswana has depicted some effects of the Dutch disease it is not for the typical reasons as cited in the literature. In regards to the appreciation of the exchange rate, Pegg cites that there is insufficient evidence to conclude undoubtedly that Botswana has seen a significant long-term appreciation of its exchange rate. In fact he shows that at various times throughout Botswana’s history, the pula has either appreciated against the South African rand and depreciated against the U.S. dollar or vice versa but this could be because “South Africa accounts for approximately 75% of Botswana’s total imports which are priced in rand, while diamonds which are priced in US dollars have accounted for nearly 80% of total

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7 Pegg, "Is There a Dutch Disease in Botswana?"
export revenues over the six year period from 2000 to 2005." Thus, one cannot conclusively argue that Botswana’s fluctuation in exchange rate is strictly due to the Dutch disease; one also has to take into consideration its complex trade relationship with the regional hegemon as well as the U.S.

In regards to agriculture, Pegg shows that the crowding out of this industry is due to other factors besides the Dutch disease. First agricultural productivity has been limited by Botswana’s arid climate. This forces the country to primarily pursue cattle ranching in lieu of crop farming. Nevertheless, cattle ranching is also limited during extended periods of drought which is not uncharacteristic for Botswana. In addition to this, cattle farming creates disparity between wealthier ranch owners and small-scale farmers; the cattle farming industry favors larger scale owners to small scale farmers thus creating an inequality within the sector. Further complicating this dynamic is the limited investment from the government in the agricultural sector.

Botswana’s manufacturing sector has also witnessed a decline not necessarily because of the Dutch disease but again because of its trade relationship with South Africa. As mentioned above, Botswana obtains the majority of its imports from South Africa. It is possible that importing cheap goods from its closest trading partner is more cost effective than domestically manufacturing these same goods. In addition to this, Pegg shows that “Botswana’s tiny market, landlocked location, high transportation costs

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8 Ibid.
9 Ibid.
10 Ibid.
11 Ibid.
and lack of entrepreneurs"\textsuperscript{13} have all contributed to the lackluster performance of its manufacturing sector.

In order to empirically test the validity of these arguments, Table 1 depicts the results from a bivariate correlation analysis assessing the relationship between mineral rents as a percentage of GDP, agriculture value added a percentage of GDP, manufacturing value added as a percentage of GDP, and the official exchange rate expressed as local currency units per US dollars. While it is important to remember that correlation does not signify causation, what this table tells us is that there is some type of association or relationship among these variables.

\textsuperscript{13}Pegg, "Is There a Dutch Disease in Botswana?"
Table 6.1: Correlation between Mineral Rents, Exchange Rate, Agriculture, and Manufacturing

<table>
<thead>
<tr>
<th></th>
<th>Mineral rents (% of GDP)</th>
<th>Official exchange rate (LCU per US$, period average)</th>
<th>Agriculture, value added (% of GDP)</th>
<th>Manufacturing, value added (% of GDP)</th>
</tr>
</thead>
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<tr>
<td>Mineral rents (% of GDP)</td>
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<td>.067</td>
<td>-.277</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.041</td>
<td>.695</td>
<td>.097</td>
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<td></td>
<td>N</td>
<td>42</td>
<td>42</td>
<td>37</td>
</tr>
<tr>
<td>Official exchange rate (LCU per US$, period average)</td>
<td>Pearson Correlation .316*</td>
<td>1</td>
<td>-.676**</td>
<td>-.760**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td>42</td>
<td>53</td>
<td>44</td>
</tr>
<tr>
<td>Agriculture, value added (% of GDP)</td>
<td>Pearson Correlation .067</td>
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<td>1</td>
<td>.828**</td>
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<tr>
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<tr>
<td>Manufacturing, value added (% of GDP)</td>
<td>Pearson Correlation -.277</td>
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</table>

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

As Table 1 depicts the only statistically significant relationship is between mineral rents as a percentage of GDP and the official exchange rate expressed in local currency units per US$. It is a positive relationship with significant at the p < 0.05 level. This indicates that as the percentage of mineral rents of GDP increases, there tends to be an appreciation of the official exchange rate. The non-significance of the correlation of mineral rents with agriculture and manufacturing could imply that there are other extraneous factors that could affect these sectors as previously discussed.
Commodity Price Volatility

The second aspect of the resource curse that we will analyze is the vulnerability of Botswana to price volatility. Combes and Guillaumont describe vulnerability as "the risk of being negatively affected by exogenous unforeseen and uncontrollable shocks."\textsuperscript{14} It is argued that resource rich countries are more vulnerable to commodity price volatility than resource poor countries for a number of reasons. One, because of the crowding out effect of the Dutch Disease, resource-dependent economies are often left vulnerable to the fluctuation in commodity prices. The literature argues that resource-rich countries are more subject to commodity price volatility than resource-poor countries because they are so dependent on one specific resource for their revenues. In other words, resource-rich countries lack economic diversification and when commodity prices decrease, their economies are adversely affected. On the contrary however, when commodity prices are high, the economy tends to perform well because of the increased value of the resources. Two, many of the resource-rich countries are also developing economies and thus lack institutionalized safety nets thus it is more difficult for these countries to bounce back from external shocks to the economy than in developed economies. Thus, developing countries are less resilient to external shocks than advanced industrial economies.

Compared to Nigeria, Botswana has been relatively less vulnerable and more resilient to commodity price shocks. This is because of the relative stability of diamond prices. As mentioned in Chapter 4, the oil trade is the most volatile commodity market in the world so comparatively speaking one would expect that since Botswana is a mineral exporters and not an oil exporter, one would expect that price volatility would not have as

large an effect on the economy as it would have in oil exporting countries. However, despite the relatively stability of diamond prices, this does not mean that Botswana is completely immune to price volatility.

Botswana has been particularly vulnerable to price volatility especially during global recessions. "In 2009, world diamond output decreased by about 29% to 109 million carats compared with 153 million carats in 2008. African diamond production decreased by almost 36% to about 54 million carats in 2009 compared with about 84 million carats in 2008." These external shocks have not devastated Botswana’s economy however because the country has invested substantially in stabilization funds. Therefore, it has been able to bounce back from recessions without a significant amount of harm done to the economy.

Figure 1 illustrates the mineral rents as a percentage of GDP in Botswana. As Figure 1 shows Botswana’s mineral rents as a percentage of GDP significantly declined during the recession in the 1980s and during the recent global recession starting in 2008. It also experienced a slump during the mid-1990s to early 2000. Figure 2 shows Botswana’s GDP growth rate during the same time period. As depicted, although Botswana’s GDP growth rate fluctuated, the decline in mineral rents Botswana’s economy did not devastate the economy during these slumps because it used its stabilization funds as its economic safety net. In 1972 Botswana established the Revenue Stabilization Fund in order to mitigate against the harmful effects of price volatility.16

16Pegg, "Is There a Dutch Disease in Botswana?"
Also, during recessions, the demand for diamonds significantly decreases and likewise so does the demand; consequently, a normal reaction for diamond exporters is to
reduce production output. For example, in 2008, in response to the global recession Debswana closed down all of its diamond mines.\textsuperscript{17} The temporary closing of the mines in 2008 helped Botswana to adjust to the decreased demand of diamonds.

Global events are not the only factors that affect the volatility of commodity prices. Since such a large portion of Botswana's economy relies on its diamond mining industry, fluctuation in diamond prices is directly reflected in the economy. Until 2001, diamond prices have been set more or less by a cartel, the DeBeers group. Furthermore, van Wyk citing Mineweb shows that "The global diamond industry operates as a De Beers dominated cartel. Through vertical integration, De Beers dominates prospecting, production and marketing. Debswana, as a De Beers' subsidiary, is a prominent producer: contributing 80\% of revenue and 70\% of production for De Beers."\textsuperscript{18} Martin also argues that the price of diamonds is controlled by De Beers central selling office. Van Wyk concurs this in expressing that although De Beers and its subsidiaries produce approximately 50 per cent of the world's diamonds, the majority of diamond marketing is done by De Beers and thus it is able to set and manipulate diamond prices.

On the contrary, price volatility could also potentially benefit Botswana. As emerging markets such as China and India expand their middle class, these households will demand a greater share in the luxury market. Diamond being one of the most precious and rarest gems is undoubtedly in high demand among the middle classes in these countries. The problem is, however, there is a limited or set amount of known supply sources for diamonds. Catherine Boyle argues that "In both base metals and bulk commodities such as copper and iron ore there are known resources which can be

\footnote{\textsuperscript{17}Ibid.}
\footnote{\textsuperscript{18}Jay van Wyk, "Double Diamonds, Real Diamonds: Botswana's National Competitiveness," \textit{Academy of Marketing Studies Journal} 14, no. 2 (2010).}
exploited. By contrast, there are limited known resources and hence very limited new supply is being forecast in diamonds.”

Thus, as the demand for diamonds increase dramatically and the supply remains limited, the price of these gems undoubtedly will increase.

Based on the evidence recently described it would be safe to argue that while price volatility adversely affects Botswana during periods of recession, for the most part it has not greatly harmed the country’s economy. We can conclude that price volatility has had a moderate effect on the economy.

**Debt Burden**

Third, Botswana has maintained a relatively low debt burden despite its resource abundance. It is important to note that it is not only resource-rich countries that have encountered a large debt overhang. For a number of reasons, Sub-Saharan Africa has had an extensive relationship with the international donor community since the 1970s.

Stymne highlights that Africa’s struggle with debt burden began shortly after the first oil crisis in 1973. This struggle was two-fold. On the one hand oil importers found it increasingly difficult to purchase oil because of the price increase and thus had to succumb to external borrowing in order to facilitate continued industrialization. Two, oil exporters who were elated by the sudden increase in value of their exports started borrowing from international financial institutions in order to support lavish public investment projects.  

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Although the 1980s debt crisis affected the majority of African countries, resource-rich states accrued more debt than resource poor ones primarily because of the increase in public spending during commodity booms. During these periods, countries tend to increase their government expenditure that is increase public servants’ salaries, spend on large white elephant type projects. When the boom ends countries usually find it very difficult to cut back on the increased spending especially in terms of government workers’ salaries. Therefore, resource-rich countries typically borrow heavily from international financial institutions and thus acquire an overwhelmingly high debt burden.

As mentioned throughout this discourse, shortly after independence Botswana was very impoverished and thus depended greatly on Britain for foreign aid. Despite this initial reliance on foreign aid, Botswana has not borrowed extensively from international donors. This behavior stands contrary to many resource-rich countries that accumulate a large amount of foreign debt during resource booms; Figure 5 shows Botswana’s external debt stocks as a percentage of its GNI over the period 1960 to 2012. As depicted in the graph, the highest points of debt accumulation were during the early to mid-1970s (shortly after independence) and again in the early 1980s (during the major drought period). Recently, however, during the 2008 global recession, the country had to borrow from the African Development Bank. However, one cannot say that this is as a result of increased government expenditure due to a resource boom but rather this is more attributed to a downturn in the global economic market.

In addition to a low reliance on foreign assistance, Botswana has also used its foreign exchange reserves in order to provide a cushion during resource busts.\(^2\) Figure 6 illustrates Botswana’s total reserves (which include foreign exchange reserves) for the

period 1960 to 2012. As the figure depicts, total reserves have gradually increased over the years. There was a slight decrease in reserves in the early 2000 and between 2008 to 2010. The country's extensive foreign exchange reserves protect the economy from a number of economic setbacks such as those discussed in the aforementioned sections. In addition to protecting the country from the effects of Dutch disease and price volatility, foreign exchange reserves have also enabled Botswana to limit the amount of foreign debt it accumulates during resource busts.

Figure 6.4 Botswana External Debt Stocks as a Percentage of GNI, 1960-2012
Figure 6.5: Botswana Total Reserves (includes gold, current US$), 1960-2012
Corruption

Corruption is yet another prevalent problem associated with the resource curse. As in the case of debt overhang, it is difficult to assess whether or not the level of corruption in Botswana is associated with the abundance of natural resources. Admittedly, rampant corruption can occur because of a widespread institutional breakdown in the public sector regardless of resource wealth.

Every country has some degree of corruption whether it is a resource-rich or resource-poor country. But, in resource-rich countries with weak institutions, corruption is a more far-reaching and insidious problem because the lack of accountability and transparency creates the opportunity for looting and other forms of rent-seeking behavior.

Botswana again stands out as the outlier in this regard. Despite having an abundance of natural resources it has a relatively lower corruption rate than Nigeria and most other resource-rich African countries. In fact, evidence shows that Botswana is one of the least corrupt countries in Africa overall. Table 2 depicts data from the 2012 Transparency International Corruption Perceptions Index. As shown, Botswana is ranked as the least overall corrupt country in Sub-Saharan Africa. However, it is unclear as to whether or not the level of corruption in Botswana can be associated with the presence of natural resources. The low extent of corruption could possibly occur independently of natural resources because of the country’s strong institutional capacity.

One of the reasons Botswana has such a low level of perceived corruption is because the Botswana government implemented policies which would deter corruption and bribery activities. Hope supports this by explaining that “Botswana enacted the Corruption and Economic Crime Bill in 1994. This bill eventually paved the way for the
establishment of the Directorate on Corruption and Economic Crime (DCEC), an independent commission dedicated to prosecuting all perpetrators guilty of corruption and bribery."²² Hope goes on to explain that:

"The DCEC is responsible for the investigation of alleged and suspected offences of corruption and offences against the fiscal law of Botswana. It will assist any law enforcement agency of the government in the investigation of offences involving dishonesty or cheating of the public revenue and it will assist the Attorney General in the prosecution of the offenders, including those instigating and abetting in such offences."²³

Thus, these policies have served the country well in reducing and preventing rampant corruption.

²³Ibid., 546.
### Table 6.2: Comparing Botswana to the rest of Sub-Saharan Africa on the Corruption Perceptions Index

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Based on the evidence provided in this section, it could be argued that Botswana has experienced a low to moderate degree of the resource curse. The Dutch disease and commodity price volatility has moderately affected the economy. This is because the government has implemented several measures in order to mitigate some of the unavoidable economic aspects of resource abundance. However, the area in which Botswana significantly stands out compared to Nigeria is in its management of debt and
its corruption rate. Botswana depicts a low degree of debt and corruption despite being a resource-rich country. The following section will provide explanations for the extent of the resource curse in Botswana.

**Explaining the Extent of the Resource Curse**

The previous section illustrated that Botswana has experienced a low to moderate level of the resource curse by examining the impact of four critical resource curse outcomes on the country’s economic and political performance: Dutch disease, price volatility, debt burden and corruption. This section proffers plausible reasons that explain why it is that Botswana has experienced a low degree of these effects. This section is organized according to three levels of analysis: 1) Leadership, 2) Government and 3) Civil Society.

**Leadership**

The first explanation looks at the role that leadership has played in overcoming economic and political challenges associated with the resource curse in Botswana. The most salient aspect of Botswana’s leadership in comparison to Nigeria is that no leader has ever been overthrown in a military coup. In fact, Botswana is the only sub-Saharan African country that has never had a military coup or overthrown government since its independence in 1966. It consistently has had democratically elected leaders who have served their respective terms and then peacefully transferred power to their successors. The fact that it is the only sub-Saharan African country to do this indicates that there is something uniquely exceptional about the type of leadership in Botswana.
Thus, the aim of this sub-section is to identify the unique traits and patterns that have contributed to the overall effectiveness of Botswana’s leadership. If leadership is one of the independent variables that cause variation in the degree of the resource curse then one would expect that there are substantial differences between the type of leadership in Botswana and Nigeria. In chapter 4 we showed that the majority of Nigeria’s leaders have been characterized by personal rule. Botswana’s leadership stands in contrast to Nigeria’s because not only has its leadership been more effective in maintaining legitimacy, political stability and democracy but it has also been more cohesive and unified in scope.

In describing Botswana’s leadership it is important to bear in mind common traits among all four presidents. However, it is also important to note the distinctively exceptional traits of the first president, Seretse Khama as well because he was instrumental in setting precedents for subsequent leaders to follow. Arguably, Khama is the first president that gave Botswana’s leadership its transformational nature. Although this section by no means represents an autobiographical sketch of Seretse Khama, key aspects of his life are important to mention in order to fully understand the undertones of his dynamic and charismatic leadership. These aspects can be organized along the lines of personal traits and approaches to decision-making and the implementation of critical policies that directly and indirectly affected Botswana’s diamond mining industry.

**The Importance of the First President: Sir Seretse Khama**

One of the most salient aspects of Khama’s personal life was that he was the heir to the Bamangwato chieftainship. This is a very important facet of Botswana’s post-independent leadership not only because it stands in direct contrast to Nigeria’s but also
because it has several ramifications. For one, the fact that Khama was in line for the regency on the tribal level buttressed his legitimacy and also the popular support of his presidency on the national level. In addition to this, because Khama’s family had vested interests in cattle farming, he earned the support of both the wealthy cattle elite and the rural population. And finally, since he directly descended from chiefs, unlike most post-independent African leaders, Khama felt a deep-rooted sense of allegiance and responsibility to his people because of this regal lineage.24

The second personal attribute that stood out was Khama’s uncompromising steadfastness to moral principles. Rotberg accounts that “Khama favored nonracialism as opposed to multiracialism and affirmative action. Furthermore, he was also actively against anti-whiteism.”25 Contrary to the majority of African leaders during the post-independent era, Khama did not adopt a pan-African stance. The implication of this was that he did not impetuously expel British expatriates from Botswana after independence in order to support the widespread pan-Africanism that was enveloping the majority of the pro-socialist African countries. He also opposed tribalism, which would partially explain his decisions to transfer mineral rights from the tribes to the state.26

Khama also adopted this steadfastness to nonracial principles in his personal life. This was most poignantly demonstrated when Khama chose to marry a white British woman, Ruth Williams. Khama met Williams while studying law in Britain. In 1948, the two married and shortly thereafter they returned to Botswana. Khama’s uncle, Tshekedi Khama who was then regent of the Ngwato tribe, was outraged by this interracial marriage. The British colonial administration also abhorred the intermingling of these

24Rotberg, Transformative Political Leadership.
25Ibid.
26Ibid.
two races and demanded the dissolution of their marriage. Despite the disapproval of his interracial marriage however, Khama refused to concede to racial segregation. Added to that, as mentioned above, Khama was in line for chieftainship which would have been abrogated if he defied the regent’s orders. Nevertheless, he was willing to relinquish his title in order to remain steadfast to his principles. Consequently, because Khama was unwilling to divorce his wife, they were eventually exiled from Botswana in 1952 and did not return to Botswana until 1956.

The third personal attribute that Khama possessed was his demonstration of composure and self-control during his rule as president. Admittedly, this trait is difficult to assess or quantify, nevertheless it is worth mentioning because it is yet another way in which Khama stood out from his contemporaries. In his account of Khama’s presidency, Rotberg describes Khama as a “calm and steady leader, conscious of self-mastery, always prudent and democratic, with growing rational legitimacy and some understated inspirational abilities to add to this traditional abundance of legitimacy.” This composure was a critical attribute especially because Botswana’s political and economic institutions were newly created.

The fourth trait that contributes to Khama’s exceptionality was his ability to garner widespread political support despite the poor economic conditions after independence. Rotberg accounts that Khama was able to obtain this support by “demonstrating a quiet vision, by gaining support for that vision among his party and his peers and followers throughout the territory, and by a series of principled political maneuvers that slowly made loyal followers of potential opponents, whether local or

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27 Ibid.
28 Ibid., 80.
This ability to foster political support was critical not only to Khama’s success as president but it was also important for implanting an overall sense of morale and trust in the Botswana administration.

In terms of approach to decision-making and policy implementation, Khama adopted a more gradualist approach. This pattern also stood in contrast to Nigeria’s leaders. An example of this gradualist approach was illustrated by Khama’s slow and deliberate indigenization or Africanization of the civil service. Undoubtedly, Khama’s reluctance to promote or support pan-Africanism or anti-whiteism contributed to his decision to keep several senior level British civil servants in his government. However, it is primarily his gradualist policies that contributed to the careful and steady process of indigenizing Botswana’s civil service. Furthermore, Khama’s stance on this aspect of the administration depicted his prioritization of maintaining efficiency in his administration rather than appealing to nationalist sentiment.

In addition to a gradualist approach to policy implementation, Khama was also in favor of pro-democratic policies. Again, this attribute was uncharacteristic for many African leaders during this postcolonial period. Khama chose to pursue a path that was not militaristic, authoritarian or based on a planned economy. Instead, Khama pursued a model that was primarily market-driven with limited state intervention. Rotberg cites that “Khama had fortuitously been influenced more by the British and the world than by parochial African politics.” Khama’s strongly pro-democratic attitude proved beneficial not only in terms of political development but it was also instrumental in securing foreign grants and loans from advanced industrial economies. In addition to the profits from

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29 Ibid., 81.
30 Ibid., 75.
Botswana’s mineral resources, this assistance from external donors also contributed to Botswana’s rapid economic development. And it was Khamá’s pro-democratic attitude and approach to development policy that allowed Botswana to procure a substantial amount of foreign aid during the immediate post independent period.

Khamá also implemented critical policies that directly affected the degree of the resource curse in Botswana. The first important decision Khamá made was to transfer the mineral rights from the tribes to the state. In doing so, Khamá prevented any possible ethnic skirmishes or conflict over the distribution of rents from natural resources. In addition to preventing conflict, by transferring mineral rights from the tribes to the state, Khamá buttressed the role of the state. Leith confirms that “Khamá’s choice of vesting mineral rights in the central government would prove to be the key to establishing the authority of the nation-state. Rather than choosing to favor his home tribe, and thereby risk losing support elsewhere in the country, Khamá chose to direct the state’s share of mineral wealth to national purposes.”

The second critical decision that Khamá made that directly affected the extent of possible problems associated with resource revenues was the decision not to nationalize the diamond sector. In fact, Khamá decided to enter into a joint venture partnership with De Beers instead of transforming diamond mining activities into a state-owned enterprise. The primary reason for this decision was because the majority of Botswana’s labor pool lacked the necessary skills and education in order to efficiently run a diamond mining operation at that time period. “Botswana had weak educational and health systems and hardly any skilled local professionals; even by 1972, only 30 percent of the top administrative and professional positions were held by citizens in 1966, there were only

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twenty-two university graduates and about 100 secondary school certificate holders. Furthermore, Sebudubudu and Bothomilwe citing Beattie show that at that time Botswana lacked the technological knowledge and skills to extract and take advantage of their diamond windfall. Thus, Khama made one of the most prudent decisions to merge with an external mining company in order to maximize the potential benefits from the diamond mining sector.

**Identifying Common Leadership Patterns and Traits**

Similar patterns of shrewd decision-making and policy implementation were also observed in subsequent administrations. This leads one to question, are there any similarities among these leaders that could possibly contribute to the effective management of Botswana’s natural resources and consequently contributing to its relatively lower degree of the resource curse. Since this level of analysis strictly looks at individual or personal traits, the assumption is that most or all leaders shared some type of similarity in personal characteristics, socioeconomic conditions or experience.

One plausible explanation for the continuity in efficiency and prudent decision-making in Botswana leadership and its ability to transfer this effectiveness from one leadership administration to the next can be attributed to a cohesive collective vision shared by its leaders. Arguably, it is because of this collective vision in addition to unique traits and background experiences shared among Seretse Khama, Quett Masire, Festus Mogae and the current president, Ian Khama that has allowed Botswana to overcome not only its initial developmental hurdles but was also able to avoid the negative outcomes of

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32 Rotherg, *Transformative Political Leadership*, 78.
the resource curse. Rotberg accounts that “Without their mutual vision and Khama’s careful efforts, the young Botswana might have remained a collection of tribal fiefdoms or a purely cattle economy controlled by barons like himself.”

Two, Botswana’s leaders also shared similarities in education and socioeconomic experience. Similar to Khama, Masire received his primary education at the prestigious Tiger Kloof boarding school. Mogae received his tertiary education in economics at Oxford University. Ian Khama stands in contrast with these men, however, in terms of his tertiary education. Unlike his predecessors, instead of studying law or economics, Khama went to the Sandhurst Military Academy in 1972. Despite the slight variations in the education received by the country’s four presidents, the common feature shared among all is the cosmopolitan scope of this education. This helped to engender a sense of liberal values and Westernized thinking that undoubtedly have contributed to the difference in Botswana’s approach to political and economic development. Botswana’s leaders also share similarities in socioeconomic conditions. Samatar explains that the members of Botswana’s post-independence leadership were all medium to large cattle farm owners. This similarity in education socioeconomic conditions is possibly one of the major contributing factors to the homogeneity in Botswana’s leadership structure. While each leader imprinted their personal stamp on Botswana during their respective administrations, the socialization process was common among them.

With that said, the aim of this section is not to show or confirm that all Botswana’s leaders were similar. In fact, some might argue that the differences in leadership style have aided Botswana. For example, Quett Masire was more of a

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34 Rotberg, Transformative Political Leadership.
36 Samatar, An African Miracle.
technocrat than an inspirational leader as Seretse Khama was. However as Morton and Ramsay point out, it was under Masire that Botswana really overcame its developmental challenges and poverty. Masire’s efficient bureaucratic approach was instrumental in the development of the National Development Plans. Leith shows that “central to the success of the NDPs was the role of Masire. As minister, vice-president and BDP secretary general, he carried considerable clout in cabinet and the governing party. Under his leadership, the planning process was not a mere public relations exercise to attract donor funds, to be ignored in actual practice; rather it became a central part of the process of government.” Nevertheless, the common trait between Khama and Masire is that they possessed a mutual vision for Botswana’s development and prosperity.

**Government**

Arguably, the structure of Botswana’s leadership has influenced its government to an extent. Samatar describes Botswana’s political system as “being dominated by a coalition of wealthy, well-educated, cattle owning political elites who are committed to rapid economic growth in the framework of a largely free enterprise system.” Therefore, it would be remiss to assume that the effectiveness of its government is unrelated to its cohesive and competent leadership. Nevertheless, its government structure in itself bears further looking into because a strong leadership in itself does not yield a low degree of the resource curse. Without the cooperation and effort of the government administration, it is unlikely that a resource-rich country can overcome its developmental challenges even with a strong and effective leader.

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Botswana stands out as the exception in this level of analysis as well. The country often has been hailed as the African miracle not only for its economic performance but also its political success. It is the only African country that has maintained an uninterrupted constitutional democracy since independence. The literature often describes Botswana as a pinnacle of good governance. Table 1 illustrates the 2013 Ibrahim Index of African Governance. As pictured, one can see that Botswana’s rating in relation to other resource-rich African countries is significantly higher. The only other country that ranks above Botswana is the resource poor country of Mauritius. Of course one would expect that a country that is more politically stable and that exercises good governance would have less difficulty with the resource curse, however, what is more important in this circumstance is the reason why Botswana has exercised such efficiency in maintaining a stable democratic regime since independence whereas Nigeria has not.
Table 6.3: Botswana's Performance on the Ibrahim Index of African Governance

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<th>Rank</th>
<th>Country</th>
<th>Score</th>
<th>Change since 2000</th>
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Developmental State Aspects

Insulated Bureaucracy

One obvious explanation for this phenomenon is the fact that Botswana is a developmental state. It is unsurprising that the top two countries on the Ibrahim Index are the ones that are frequently deemed as developmental states in the literature. The concept of the developmental state in Africa is not a foreign or novel concept. Because of Africa's history and struggle with state-led development during the 1970s, however, it is often an overlooked element in analyzing and explaining development issues. Very few African states have found the right mix of government intervention and free enterprise. Botswana stands among these few countries that have managed to do that. Botswana achieved sustained high economic growth rates under a democratic regime yet pursued state-led policies. Whereas most other African countries that enlarged the role of the state succumbed to authoritarian regimes or inept and corrupt pseudo democracies.

Leftwich describes Botswana as a "dominant-party developmental democratic state"39, thus implying that it is possible for a country to be authoritarian yet depict aspects of a developmental state. Nevertheless, Botswana has managed to maintain this developmental state model while thriving as a strong constitutional democracy. Leftwich pointed out that the similar central features among all these states (whether democratic or non-democratic), include: “a dedicated developmental elite, relative autonomy for the state apparatus, a competent and insulated economic bureaucracy, a weak and subordinated civil society, the capacity to manage effectively local and foreign economic interests and a varying balance of repression, legitimacy and performance, which appears

39Leftwich, States of Development: On the Primacy of Politics in Development.
to succeed by offering a trade-off between such repression as may exist and the delivery of regular improvements in material circumstances.\textsuperscript{40} Although Leftwich's analysis of this type of state is by no means wholly positive it does present an important argument and that is the power, efficiency and autonomy of the bureaucracy. Holm shows that "The two presidents (referring to Seretse Khama and Quett Masire) have protected the civil service from most political interference. Politicians must deal only with permanent secretaries who both presidents have insisted should give no political favors."\textsuperscript{41}

\textit{The Efficiency of the Civil Service}

There are two predominant reasons that can be attributed to the efficient functioning of Botswana's civil service. The first is that entry into the civil service is contingent upon successful completion of the civil service examination. In other words, the civil service is strictly based on a meritocratic system as opposed to the notorious patron-client system that can be found in Nigeria's bureaucratic administration. Holm writes that "entry into the civil service and the position obtained is based almost completely on the level of formal education completed and performance in examinations."\textsuperscript{42}

Second, the indigenization of Botswana's civil service proceeded at a gradual pace. As mentioned in the previous section, this can be partly ascribed to Khama's steadfastness to nonracialism. In addition to Khama's reluctance to quickly expel British officials, Botswana also faced a severe labor shortage upon independence; therefore it would not have been prudent to rapidly indigenize the civil service because there was the

\textsuperscript{40}Ibid., 176.
\textsuperscript{42}Ibid.
workforce was insufficiently educated. Because of this labor shortage the country had to import several British expatriates in order to fulfill the labor requirements in the newly independent administration.\textsuperscript{43} What this gradual localization showed was that not only did Botswana abstain from the rapid Africanization of public servants, depicting the country's steadfastness to non-racialist principles; it also showed that the government was willing to employ the most capable and qualified people in order to run the administration regardless of their citizenship or nationality.

Gradual indigenization of the civil service also served another purpose. Because the British expatriates were experienced bureaucrats and also non-Botswana nationals, they were not easily swayed by political influence. As one author posits "Africanization proceeded at a very slow pace, thus insuring that most technical management positions remain with persons inclined to resist political influence."\textsuperscript{44} This was a critical step in mitigating corruption within the civil service.

The combination of meritocratic civil service system and the gradual incorporation of Botswana local population into the civil service created an unparalleled efficient and relatively non-corrupt bureaucratic administration.

\textbf{The Primacy of Pre-colonial and Postcolonial Institutions}

Another way in which Botswana markedly differs from Nigeria is evident in the strength of its institutions. Again, it is an obvious answer that the resource-rich country with stronger institutions would experience a lower degree of the resource curse, but as seen as in the previous section, a more important or interesting question is to find out why that is the case. I put forth here that in the case of Botswana, a simple yet overlooked

\textsuperscript{43}Samatar, \textit{An African Miracle}.

\textsuperscript{44}Holm, "Development, Democracy and Civil Society in Botswana."
explanation can be found in the seamless merging of its pre-colonial and postcolonial institutions.

In looking at the impact of good institutions on the level of the resource curse in a country it is easy to overlook the effect that pre-colonial institutions have had on the country’s economic and political viability. This is especially relevant to countries that were former colonies because many once subjugated developing countries have witnessed the erosion of their traditional institutions in lieu of the postcolonial institutions of the respective colonizer. Nigeria is a prime example of this.

In contrast to many postcolonial African countries Botswana on the other hand did not experience an erosion of its traditional institutions. As discussed in Chapter 5, because Botswana was a protectorate and not a crown colony the British allowed the Tswana chiefs to play and important role in the formation of the Botswana postcolonial state. It is unusual to look at culture as a contributing factor to a country’s economic and/or political success, however in this circumstance it is critical to assess the impact or the extent that the majority Tswana group has had on Botswana’s historical development. Hjort finds that “economic success is more likely in countries where post-colonial economic institutions are consistent with pre-existing informal arrangements.”

Therefore, the maintenance of its traditional institutions contributed to the capacity to build sound democratic institutions, which undergird the country’s ability to mitigate harmful political outcomes of the resource curse.

Traditional culture is not only important for the continuation of indigenous institutions but it is also a crucial aspect of maintaining legitimacy. According to

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Engelbert, the major difference between African states that are economically and politically successful and those that are not can be found in their legitimacy. He views states that have maintained their traditional institutions into the postcolonial period as 'legitimate states'. Whereas, those countries in which traditional institutions have been supplanted or undercut by colonial regimes as 'illegitimate'. Engelbert argues that the consequence of such a break in continuity is that the illegitimate states have to obtain and maintain power by force rather than by the will of the people.\footnote{Pierre Englebert, \textit{State Legitimacy and Development in Africa} (Boulder, Colorado: Lynne Rienner Publishers, 2002).}

This could explain the unchallenged democratic transition within Botswana's government administration. Because of the state's unchallenged legitimacy, there has been relatively little dissent from traditional communities; especially since the traditional chiefs have been incorporated into an advisory role in the government, the House of Chiefs. Therefore, the preservation of pre-colonial institutions has been paramount in maintaining legitimacy which in turn contributes to the overall political stability evident in Botswana.

\textit{The Nexus between Pre-colonial and Postcolonial Institutions}

The next question would be why is it that Botswana's pre-colonial institutions were preserved while Nigeria's were not. Both countries were former British colonies yet have experienced divergent paths in terms of the development of postcolonial institutions. Whereas Nigeria has witnessed more of a supplanting of its pre-colonial institutions with British inspired postcolonial ones, Botswana has managed to syncretically blend its institutions.

As mentioned above one possible explanation for this could be because Botswana was a Protectorate and not a Crown Colony. Undoubtedly, this had an impact on the type
of governance approach the British administration employed under colonial rule. Rotberg describes the British rule in Botswana as that of a 'neglectful trustee.' This was primarily because of Botswana's arid climate; it was difficult for British administrators to settle. Some authors see this neglectful trustee relationship between colonizer and colonized as an impediment to institution building. Acemoglu et al show that postcolonial countries with strong private property institutions tended to have a large colonial settler population. In contrast, colonies with weaker private property institutions had a smaller settler population. Because of this hands off approach that the British administration employed in the management of Botswana, one would expect that institutions would be relatively weak in Botswana. This goes to show that there must be other contributing factors to Botswana's strong institutions besides the fact that it was a Protectorate and not a Crown Colony.

A compelling explanation for Botswana’s strong institutions could possibly be found in the structure, organization and cohesiveness of the pre-colonial Tswana culture. Due to the fact that Botswana’s arid climate made it difficult for the British to settle, a large number of Tswana chiefs were left in power. Furthermore, because of the efficient organization and structure of the Tswana group, the British saw little need to uproot the pre-existing institutions. Hjort explains that "the centralized and hierarchical nature of the Tswana polities, which proved useful for the British, is one of the reasons why Botswana’s political institutions and culture were not obliterated by

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47 Rotberg, *Transformative Political Leadership*.
49 Ibid.
colonialism."⁵⁰ Added to this, by the late 19th century the majority of the dominance Tswana group, the Ngwato, had all converted to Christianity. This further buttress the overall cohesion and unity within the Tswana ethnic group.

The importance of the Tswana group in the development of current institutions cannot be overstated. One example of a tradition that has carried over into contemporary politics is the use of the communal advisory council, the kgotla. The primary purpose of the kgotla was to mitigate tyranny by the chiefs. It also served the purpose to resolve conflicts and disputed among community members. Rotberg describes the kgotla's functions as:

"A gathering of all the people around a chief for periodic consultations and the thrashing out of village, chiefly or paramount-chiefly business. The several layers of kgotla functioned to resolve disputes, to advise the village heads or superior chiefs on how plaintiffs or defendants should be treated and their cases adjudicated, to decide and to impose collective responsibility, to enable notables and others to air opinions, and to discuss and to provide advice on threats to the village or the tribe. The kgotla could function as a parliament, a court of law, or an administrative body."⁵¹

This goes to show that pre-colonial Tswana culture set the precedent for present-day policies and actions as regards to dispute resolution.

In terms of the management of natural resources, traditional Tswana culture is also evident in present day policies and decision-making. Leith accounts that because Botswana’s climate is so arid the Tswana became accustomed to saving during times of providence so that during the periods of drought they had a stockpiles of food supply in

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⁵¹Rotberg, Transformative Political Leadership, 68.
order to sustain their communities during these harsher periods.\textsuperscript{52} Leith argues that this attitude has carried over into the post-independent period.\textsuperscript{53} We can clearly witness this pattern of saving and long-sightedness during the modern-day administration. As stated in the previous section, Botswana's foreign exchange reserves have served the purpose as a safety net during periods of recession and other harsh economic times where the commodity prices have drastically fluctuated. Arguably, the use of the kgotla and other Tswana traditions has had a great impact on Botswana's efficient development planning.\textsuperscript{54}

\textbf{Development Planning}

Thus, in addition to the syncretic blending of pre-colonial and post-colonial institutions Botswana's government has also carefully engaged in development planning. This careful planning and commitment to development can be found in the implementation of projects through the use of the National Development Plans. These plans also entail strategies on how to spend and invest its resource revenues. Holm notes that the development planners set the developmental agenda. He presents evidence that “the development planners block others from access to this agenda by rigorously enforcing a planning regulation that no development funds are allocated unless a project is in the current plan or has gone through a supplementary review process which takes a year.”\textsuperscript{55}

This planning became instrumental upon the discovery of diamond mines. In order to successfully manage its mineral revenues the government created several funds.

\textsuperscript{52}Leith, \textit{Why Botswana Prospered.}
\textsuperscript{53}Ibid.
\textsuperscript{54}Ibid.
\textsuperscript{55}Holm, "Development, Democracy and Civil Society in Botswana."
As mentioned in the first section of this chapter, one of these funds was the Revenue Stabilization Fund, which it created in 1972 in order to guard against the volatility in commodity prices.\(^{56}\) Another fund it created was the Public Debt Service Fund, which was also created in 1972 in order "to save money rather than spending it; it kept expenditure growth below revenue growth."\(^{57}\) Pegg also highlights that Botswana has mitigated against the most harmful effects of the Dutch disease by only spending nonrenewable resource revenues on public goods and capital investment.\(^{58}\)

The importance of sound developmental planning has also contributed to economic diversification. Admittedly, the Botswana economy is not as diversified as it could potentially be, however what is more important is that the development planners have identified the urgency or the need to improve in this area. Holm points out that "in the 1980s and 1990s, state planners focused on reinvesting this income into coal and soda ash mines, which was an emerging manufacturing sector, and also in transportation and communication systems."\(^{59}\)

As one can expect, success in the governmental sector was and continues to be crucial in Botswana's economic success. As a resource-rich country, it was imperative that the government implement policies that would benefit the country in both the short and long-term. In particular, the strength and autonomy of its bureaucracy has been crucial in this regard. It is primarily because of this bureaucratic autonomy that Botswana has been labeled a developmental state. This stands in contrast to many of its resource-rich counterparts such as Nigeria. Instead of adopting characteristics of a Rentier state,

\(^{56}\)Pegg, "Is There a Dutch Disease in Botswana?.

\(^{57}\)Ibid., 16.

\(^{58}\)Ibid.

\(^{59}\)Holm, "Development, Democracy and Civil Society in Botswana."
the Botswana government has obviated these effects entirely and instead pursued the path of a developmental state framework.

**Civil Society**

The third and final aspect that contributes to the degree of the resource curse in a country can be seen in its civil society. Botswana again presents an exception in this regard because the government has utilized the country’s diamond revenues in order to fund social and development services. Arguably, because the country has had such an efficient provision of public goods and a stable economy, its civil society has not been as vociferous about socioeconomic issues as seen in Nigeria.

While arguably Botswana does not have a strong civil society by Western standards, it appears to be relatively more influential than Nigeria's for several reasons. In this section I show that Botswana has exhibited a higher level of democratic freedoms, an overall better educated and more informed citizenry, and a greater level of collaboration among organizations. All these factors combined have contributed to a relatively more influential civil society which have been mobilized to address socioeconomic and developmental challenges and thus reducing the resource curse. Similar to the Nigeria chapter, donor funding is not as significant as the aforementioned factors because the majority of NGOs in Botswana derive a substantial portion from membership dues and foreign donors.

Several studies have criticized the limited influence that civil society has had in Botswana. Taylor asserts that although Botswana has been a stable democracy since independence, a true test of a democracy should be witnessed beyond the polling stations. He argues that the strength of a country's civil society is a better indicator of the degree of
democracy. Furthermore, he claims that Botswana's civil society is weak and under threat. Taylor cites that a major reason for this is because "the government owns several media outlets including "several radio stations and the daily newspaper, The Daily News." Taylor also describes several laws that hinder the progress of the civil society in Botswana: "the National Security Act of 1986, which gives the State potentially repressive power to penalize legitimate reporting; the Anthropological Act of 1967, which restricts research and limits access to information; and Section 59 of the Penal Code, which provides for penalties for causing 'public alarm'. In addition, the Economic Crimes and Corruption Act of 1994 restricts both access to and coverage of information regarding ongoing police investigations into corruption allegations." Undoubtedly, Botswana faces several impediments to civil society organization, in addition to the reasons Taylor cites, other explanations for Botswana's purported weak civil society include: "lack of sufficient NGO funding, lack of organizational capacity, lack of human capital and a high turnover of senior staff." 

In addition to this, although Botswana has been a stable multi-party democracy since independence, the dominance of the BDP in every election has made Botswana a de facto one-party state. Popular contest of this one-party dominance is reflected in the emergence of opposition political parties. Somolekae citing Dingake (1998) points to the importance of multiple political parties. She shows that "political parties provide the machinery within which differing political views can be formulated and translated into

61Ibid.
62Ibid.
concrete programmes. This affords individuals the chance to take part in policy making process."\(^{64}\)

Furthermore, unlike many other African countries, Botswana was for the most part neglected during British colonial administration. Somolokae shows that "Botswana's poverty and inadequacies at independence went beyond the scarcity of financial resources and skilled manpower. The country also lacked the institutional infrastructure for development. The small civil service inherited at independence had been geared predominantly to the maintenance of law and order. It was inadequate for the demanding development agenda of the new government."\(^{65}\) Therefore, upon independence, the government had to engage in widespread state-building. In fact, it is because of the limited role that the British government played that propelled the enlargement of the state in Botswana. This heavy involvement of the state in institution building and economic growth severely limited the scope of civil society.

Despite these limitations however since the 1990s Botswana has witnessed a resurgence of its civil society. Carroll and Carroll show that in the 1980s only 2 local organizations consistently lobbied the government, however by the 1990s this burgeoned into over 100 civil society groups.\(^{66}\) This goes to show that the country’s civil society has been progressing despite the initial impediments to civil society participation. In addition to this the government has recognized the need to incorporate NGOs into the democratic process and in fact has made concrete efforts in order to do so. In 2001, the Ministry of Labour and Home Affairs enacted a National Policy for Non-Governmental

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\(^{65}\)Ibid.

\(^{66}\)Carroll and Carroll, "The Rapid Emergence of Civil Society in Botswana."
Organizations. This policy clearly stated the urgent need for improvement in state-civil society relations:

"NGOs are an important sector in national development. As with government and the private sector, they are strategic institutions that facilitate the development and sustenance of a vibrant democracy. Experience has also shown that NGOs are key in promoting peoples participation. As the economy unfolds, the role of NGOs will continue to increase and expand. By creating alliances with government and the private sector, the NGO sector will strengthen the environment in which real democracy can flourish. This underlines the need for a healthy civil society that is supported by NGOs, the private sector and the Government."\(^{67}\)

Therefore, while there is room for improvement in Botswana’s civil society, because the government has made a conscious effort to include the participation of organizations into policy discussions, the country has experienced a more profound impact of civil society mobilization. This is reflected by the increased civil society participation in Botswana. According to the civil society umbrella organization, Botswana Council of Non-Governmental Organizations (BOCONGO), which was established in 1995, there are approximately 130 registered organizations. Although this is a substantially lower number of organizations than reported in Nigeria, it is not necessarily because civil society is less vibrant in Botswana but it could be because of the disparity in population between the two countries.

In addition to the fact that the Botswana government has been more receptive to the concerns of the civil society, Botswana’s relatively stronger performance in the

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following areas allows for a relatively more influential civil society, which in turn has had the effect of mitigating certain aspects of the resource curse such as corruption and conflict.

First, in contrast to Nigeria, Botswana is a strongly consolidated democracy with firmly instituted civil and political freedoms. Freedom House ranks Botswana as free with an overall rating of 2.5 (on a scale of 1 to 7, where 1 = best; 7 = worst). Furthermore, the country's civil liberties and political rights were ranked as 2 and 3 respectively. This evidence runs contrary to Taylor's assessment that the government infringes on the rights of the press. This evidence also implies that Botswana would have a more conducive democratic environment in which civil society mobilization would be successful.

Because of the strength of Botswana's civil and political rights, civil society organizations have been afforded latitude to freely protest and voice their opinions in regards to grievances. An example of this was illustrated in 2011, where there was a nationwide public sector strike that included approximately 100,000 union workers. Workers demanded a 16 percent increase in wages from the government. Union leaders argued that the government had not increased the salaries of public service workers for more than 3 years. This resulted in a week-long strike where several public services were disrupted. The resolution of the matter resulted in the government providing a 3 percent increase in public sector salaries. Despite the fact that the initial 16 percent increase was not met, the fact that union leaders and the Botswana government were able to come to a resolution signifies the latitude that civil society organizations have in petitioning for change in government policies.
As mentioned in the previous section, the strength of Botswana's institutions has its underpinnings in traditional Tswana culture and politics. This was especially evident in the consultative nature of the council of elders, the kgotla. To some extent this tradition of engaging in dialogue between leaders and the community has continued into modern day practices. The strength of Botswana's civil and democratic freedoms would allow for a more receptive government and thus a relatively more influential civil society. Furthermore, the introduction of diamonds into the economy has not eroded these democratic rights and freedoms. In fact, as Acemoglu, Johnson and Robinson have cited, it is because of Botswana's firmly instituted democratic institutions prior to the discovery of diamonds that have allowed the country to escape the resource curse. Undoubtedly then it is also because of Botswana's relatively stronger democratic institutions that has allowed to have a relatively higher degree of tolerance for civil society than seen in Nigeria.

Second, there is also a relatively higher level of collaboration between civil society and the state in Botswana instead of confrontation. Again, this could be because of the relative homogeneity of Botswana. In contrast to Nigeria, which has so many competing ethnic factions all working towards dissimilar goals, Botswana's society is relatively cohesive. Cohesiveness does not necessarily guarantee effectiveness but it does guarantee a certain level of unity which not only lowers the degree of potential ethnic rivalry within and across civil society organizations but also contributes to a lower level of corruption and nepotism within the NGO sector. The establishment of the umbrella NGO organization, BOCONGO especially cemented the relationship between civil society and the state. Carroll and Carroll report that "government officials saw the
establishment of umbrella organizations as a way of simplifying and systematizing interactions with civil society.\textsuperscript{68}

Contrary to Taylor's criticisms, Botswana's government has been willing to engage in civil society strengthening and collaboration programs. In 2012, FHI360 in collaboration with the USAID and the Botswana government implemented "the Maatla project, a five-year project aimed at significantly and sustainably strengthening the capacity of the civil society sector in Botswana to support HIV and AIDS and related health service delivery."\textsuperscript{69} This project is one example of the amenable relationship between the civil society and the Botswana government.

Maudeni expresses that the state's willingness to address socioeconomic and developmental issues in collaboration with the civil society is a better indicator of the strength of a democratic society rather than the strong state/weak society dynamic in what he terms as "mutual criticism in each other's presence."\textsuperscript{70} As mentioned before, often times a strong civil society is measured by its potential to challenge and confront the state, however, in the case of Botswana, while the government is receptive to dialogue, it is not so much receptive to open confrontation. Furthermore, Maudeni addresses the purported weakness of Botswana's civil society in elaborating that "the main reason why Botswana's civil society is often considered weak is because it has staged very few violent clashes with the government leading to reversal of policies, the hallmark of a strong Western civil society. This Eurocentric way of measuring the

\textsuperscript{68}Carroll and Carroll, "The Rapid Emergence of Civil Society in Botswana."
strength of civil society seems to be inappropriate for Botswana politics, where lengthy debates are common and confrontations are unusual.\textsuperscript{71}

This could be attributed to traditional Tswana institutions and since Botswana’s population is relatively homogenous, the majority of the stakeholders in the civil society community ascribe to this position of non-confrontation in favor of dialogue. Mauden notes that "in Tswana political culture, violent clashes and public ridicule are rejected, but the state leadership is often willing to meet with trade unions and NGOs and share views with them."\textsuperscript{72} This shows us therefore that an active civil society is not necessarily depicted by vociferous outbursts of discontent but instead it could be shown by mutual critical debates and dialogues.

On a third and related note, another possible indicator of the relatively higher rate of effectiveness in Botswana’s civil society can be found in the country’s level of education. Botswana has a 95 percent primary completion rate.\textsuperscript{73} Furthermore, its adult literacy rate (15 years and older) is 85 percent.\textsuperscript{74} While arguably a higher level of education does not necessarily guarantee greater success in civil society mobilization, it certainly helps in the organization and dissemination of information, suggestions and policy recommendations in a non-violent manner. As previously mentioned the 2011 labor strike was a good example of labor unions and NGOs coming together in order to address a matter of social inequity.

Addressing issues in a peaceful manner is crucial for successful negotiation between NGOs and the state. It is unclear as to whether this is because of its political

\textsuperscript{71}Ibid.
\textsuperscript{72}Ibid.
\textsuperscript{73}World Bank Indicators, http://data.worldbank.org/indicator/SE.PRM.CMPT.ZS
\textsuperscript{74}World Bank Indicators, http://data.worldbank.org/indicator/SE.EDU.LITR.ZS
culture or because of the high rate of education or both. However, one would expect that the degree of education certainly plays a part in mitigating violent incidents of mobilization because education opens up alternative channels of communication. If this is the case then Botswana’s higher literacy rate and primary completion rate would contribute to the higher level of civil society effectiveness as compared to Nigeria.

The fourth and final factor addresses the topic of NGO funding, Botswana bears similarities to Nigeria in that NGOs derives a substantial portion of their funding from membership fees and a myriad of donor sources. NGOs have limited their requests for funding from the government for fear of political persuasion and corruption. Carroll and Carroll show that "a number of NGO leaders viewed that relying on the state for funding other than for specific projects would be dangerous."75 This presents challenges for Botswana's civil society because a substantial portion of external foreign assistance has been reduced over the years because their economy has grown so rapidly.

On a final note, the collaboration between domestic NGOs and the global civil society has also been relatively more successful in Botswana. The Kimberley Process Certification Scheme, which is a multistakeholder initiative consisting primarily of governments has been most pivotal in curbing the course. This KPCS was first formed in 2003 in order to mitigate the prevalence of conflict diamonds in war torn diamond-rich countries such as Angola and Sierra Leone. Moore elaborates that "the scheme regulates the rough diamond trade by outlining the rules that diamond producers, diamond traders, and diamond consumers must follow. Its aim is to protect the legitimate trade in rough diamonds while preventing the flow of conflict diamonds."76 Admittedly, Botswana did

75Carroll and Carroll, "The Rapid Emergence of Civil Society in Botswana."
76Brigit Moore, "The Kimberley Process" (American University).
not have an issue with diamond-related conflicts, however its accession to the KPCS demonstrated once again the government's commitment to engaging in non-state approaches to curb the resource curse. In fact, Botswana was one of the founding governments of the KPCS. This commitment to reducing the negative socioeconomic factors associated with conflict diamonds has been illustrated by the overall relatively lower incidence of corruption and conflict in Botswana. However, the fact that the Botswana government has spearheaded the initiation and implementation of the KPCS again points to the heavy-handedness of the state and the limited scope of the civil society.

**Conclusion**

Botswana has experienced a low degree of the resource curse not because it has avoided all the economic and political aspects of the resource curse, but rather it is because it has tempered the harmful effects of the curse by implementing specific measures in order to prevent or reduce the negative consequences associated with resource dependency.

First, this chapter showed that there is some degree of the resource curse evident in Botswana. It has struggled with diversifying its economy, a common symptom of the Dutch disease and it has been vulnerable to external commodity shocks such as global recessions like any other resource-rich country. However, it has tempered these aspects of the resource curse with the use of stabilization funds and other prudent saving and investment policies.
Furthermore, we have not seen a high rate of foreign debt or prevalent corruption in Botswana. One of the reasons for this is again because the government has carefully implemented development plans that have allowed the country to limit the amount of government expenditure during boom periods. Corruption has also been kept at a minimum with the implementation of specific policies in order to address such illicit crimes such as bribery and rent-seeking. Thus, in showing the extent of the resource curse in Botswana one could say that it has had a low to moderate impact on the country because of critical measures utilized by the government in order to temper these common aspects of the curse.

What is more important however is to explain why or how Botswana has been able to temper these aspects of the resource curse, which have allowed it to experience such a low degree of this phenomenon that rampantly afflicts the majority of resource-rich African countries. The research shows that the country has done so because of certain unique attributes that can be found within its leadership, government and civil society.

For one, Botswana’s leaders have demonstrated a cohesive and united leadership stemming from similar socioeconomic and educational backgrounds. This consistency in socioeconomic standing and unity within its leadership has facilitated consistent decision-making. What this means is that the potential for factional conflict or strife within the leadership has been relatively minimal. In no small terms did the first president, Seretse Khama contribute to this unity and cohesive vision of Botswana’s leadership. Khama’s charisma, composure, moral steadfastness and overall gradualist approach to
development was paramount in setting Botswana on the right path to sustained economic growth.

Two, another factor central to Botswana’s ability to temper the resource curse can be attributed to the stability and effectiveness of its state. It is often argued in the literature that Botswana is a developmental state. Arguably, this is one of the facets of the state that has helped to facilitate its efficiency in tempering certain aspects of the resource curse. The most critical components of the developmental state include an insulated bureaucracy and an efficient civil service. Botswana has depicted all of these attributes. Evidence shows that entry into the country’s civil service is strictly based on meritocratic standards and not nepotism or cronyism as seen in many other resource-rich African countries. This has contributed to the relative autonomy and insulation of Botswana’s bureaucracy. It is difficult to politically sway bureaucrats by granting favors because of the rigid meritocracy.

Undoubtedly, as a resource-rich country, the state-level attributes have greatly helped to curtail critical aspects of the resource curse. Botswana is perceived as one of the least corrupt African countries according to Transparency International. Indisputably, upholding the standards of meritocratic entry into the civil service and keeping its bureaucrats away from the political sway of private interest groups have contributed to the overall low level of corruption in Botswana. This has in turn of course aided the country from succumbing to rampant rent-seeking despite its resource wealth as seen in other resource-rich countries such as Nigeria.
Three, Botswana, similar to most other African countries has an emerging yet weak civil society. Many critics have argued that despite the fact that Botswana is a de jure democracy, the government has repressed political oppression.

Regardless of these criticisms however, it is important to remember that Botswana is still a relatively young democracy in comparison to the U.S. and Western European countries. Thus, in analyzing its civil society it is important to compare it not to advanced industrial economies but instead to countries of similar historical underpinnings. Another important point to remember is that the emergence of the civil society was primarily in response to the state’s failure to provide certain key services that are necessary for a fully functioning democratic society. Because the Botswana state for the most part has been largely effective in providing the requisite goods and services to its population, the rise of an influential civil society has been less urgent than it has been in other African countries.

It is also important to remember that Botswana has invested a significant portion of its diamond revenues into public services. The demand for increased transparency and accountability from grassroots organizations in terms of reporting resource revenues have not been as salient or urgent as depicted in Nigeria. Botswana is often cited as escaping the resource curse because of its government's capable and effective management of its diamond revenues. In other words, because the government has already done such a good job in curtailing the harmful economic and political outcomes of the resource curse, the civil society’s influence is limited in scope because the people do not see this is a developmental issue.

An implication of this is that the Botswana government is able to shape and implement such policies that are prudent to the effective management of its resource
revenues because of the limited scope and reach of Botswana's civil society. This begs the question is civil society really an independent variable that explains the extent of the resource curse or is it more an antecedent variable that helps to explain the relationship between other independent variables and the resource curse.

Overall, we can see based on the evidence that Botswana’s leadership and government bear the greatest magnitude in explaining the extent of the resource curse. Because of critical decision makers that the first set of leaders made, namely Seretse Khama and Quett Masire, Botswana’s economic success was shaped by a path development dynamic. Further, because of the cohesive nature of its leadership, the continuity of these policies only assisted in improving the country’s economy and democracy, which have led to an increased resilience in tempering damaging aspects of the resource curse such as corruption, Dutch disease, price volatility and the debt burden.
Chapter 7

Conclusion

One would expect that oil and hard minerals would be a viable source of economic prosperity for developing countries; in other words, natural resources should be a blessing and not a curse. However, in many developing countries, in particular sub-Saharan African states, the evidence has been the contrary. This is the core of the resource curse argument, that is, there is an observable inverse relationship between resource abundant countries and economic growth. The literature highlights several causes of the resource curse; the most prevalent of which are: the Dutch disease, commodity price volatility, debt overhang and corruption.

Dutch disease occurs as a result of the appreciation of the exchange rate due to a sudden influx of foreign exchange revenues. This in turn appreciates the value of the local currency rendering exports more expensive and imports cheaper. A cycle begins where the country significantly increases the rate of imports at the expense of domestic production. Agricultural and manufacturing sectors typically decline when a country endures the Dutch disease problem.

Resource-rich countries are highly vulnerable to external price shocks because their economies are so dependent on the export of their minerals and/or oil. This can be a double-edged sword for a resource-rich country because when global commodity prices are high, the country experiences a sudden increase in revenues. This situation causes the previously aforementioned problem, the Dutch disease. But on the other hand, when global commodity prices plummet, resource-rich countries typically encounter a bust or a
slump. Again, because of the lack of economic diversification and sole dependence on the export of one particular mineral or oil, these countries are generally very vulnerable to any fluctuation in market prices.

Resource-rich countries also experience a problem with foreign external debt. During boom periods, countries tend to engage in short-sighted borrowing. Because of the high prices of their commodity, many of these countries borrow against the hope that prices will remain high for a long period of time, which is usually not the case. Added to that, during boom periods, governments tend to enlarge their expenditures and public sectors. This usually results in the purchase of white elephant projects.

The most heinous of effects however has been corruption. Widespread corruption occurs predominantly because most resource-rich countries (especially oil exporters) do not need to tax their populations in order to generate government revenues. Because of the lack of a firmly institutionalized tax system, governments within these countries are unaccountable to their populace. Added to this problem, many resource-rich countries are based on neopatrimonial politics; therefore, resource revenues are widely used to buttress clientilistic networks.

Despite the salience of the resource curse thesis, some countries have managed to temper the effects of it. One example of such a country is Botswana. Despite being diamond rich, Botswana has maintained a steady economic growth in a stable political environment. This study has presented a comparative case study of Botswana with sub-Saharan Africa's largest oil exporter, Nigeria. Standing in contrast to Botswana, Nigeria has endured foreign debt, negative economic growth, poverty and inequality. In addition to this the country has had a sordid past with military rule, political corruption and regime
instability. Some of the remnants of Nigeria's history continue to adversely affect the country presently such as public sector corruption.

Based on the divergent experiences that these two countries have had with the resource curse, this study had posed the question: *What accounts for the difference in the degree of the resource curse between Nigeria and Botswana?* I use the word degree here to indicate that the resource curse should be construed not as a dichotomous value as many studies have suggested, but instead should be analyzed as a continuum ranging from very low to very high. I have argued in this thesis that Nigeria has experienced a very high degree of the resource curse whereas Botswana has encountered a relatively low degree because of critical differences in the countries' leadership, government and civil society.

First, Botswana's presidency has been characterized by transformational leadership and cohesiveness. The country's first president, Sir Seretse Khama, especially was pivotal in paving a path for development. Khama implemented critical policies during his tenure that aided in the long-term transformation of resource wealth into sustainable economic growth. Nigeria, on the other hand, has witnessed a series of rulers that were primarily concerned with aggrandizing wealth for their personal coffers. Approximately decades after independence, leadership transition involved the usurping of power by military generals instead of by democratic elections. Again these leaders were solely interested in ruling by their personal whims instead of by constitutional powers entrusted to them.

Second, Botswana followed a governance model that countered the effects of the resource curse. The developmental state governance model emphasizes a strong,
centralized, autonomous bureaucracy. One of the positive results of such a system was that Botswana developed a highly efficient civil service strongly based on meritocracy. This level of professionalism and autonomy in Botswana's bureaucracy has contributed to an overall relatively lower level of corruption in the public sector. Nigeria in contrast has succumbed to the Rentier state effects. In addition to its overdependence on oil, Nigeria also encounters a high degree of political factionalism where disparate ethnic groups are embroiled in a zero-sum skirmish over resource revenues. It is argued here in this thesis that this is the primary motivation for Nigeria's insidious corruption.

Third, civil society in Botswana while arguably weak by Western standards, is relatively stronger than Nigeria. This is because there is a greater degree of collaboration, organization and factionalization. Although, Botswana has fewer domestic civil society organizations than Nigeria, the few that are active has less competing interests and ethnic divisions. This is not to say that all of Botswana's NGOs are working together towards a common agenda but what it does show is that the relatively ethnic homogeneity of the population has contributed to an overall higher level of effectiveness in their civil society than in Nigeria's. Furthermore, because of the more democratic nature of the Botswana government itself, civil society organizations have been able to wield more influence on political issues. Botswana's civil liberties and political rights are relatively freer and thus the potential for societal mobilization is greater. Finally, because the government has so effectively provided public goods and services for the population, the primary concern of civil society groups in Botswana has not been regarding the government's redistribution of resource rents; instead, focus has been giving to other pressing issues such as the State's treatment of the Basarwa people and also the prevalence of the HIV/AIDS virus.
Theoretical Implications

This research suggests a number of theoretical implications for resource endowed African countries. The first implication is that a greater emphasis needs to be placed on the study of leadership in analyzing the resource curse phenomenon. Many political science studies focus strictly on state levels of analysis at the expense of individual traits and behavior. This is a major drawback for the field when it comes to intricate and complex issues such as the resource curse. The role of Botswana's leadership in the successful management of its natural resources has illustrated the importance of studying leadership traits and attributes.

Botswana's first president, Seretse Khama was instrumental in shaping the country's policies in a way that precluded the resource curse. Not only did he renegotiate a favorable agreement with DeBeers but he also managed to persuade the population and other members of government into a unified vision of the country. As discussed throughout this study, Khama was described as a charismatic figure that was able to wield his influence within his Cabinet and also among his constituents. Thus, in looking at the resource curse, one cannot overlook certain individual dispositional factors such as charisma.

With that being said, charisma does not always lead to positive outcomes for a country. There are many examples of similarly charismatic leaders in Africa who led their countries towards an economic downward spiral instead of improving the living conditions of the country. This is where education and socialization become more important. Khama spent a significant portion of his adulthood years studying in Europe; this was one of the reasons why he was not influenced by the widespread pan-Africanism.
and Socialism movements during the immediate post-independent period. Instead, Khama's ideas were more Westernized and cosmopolitan in scope. This is not to say that Western values are in any shape superior to Pan African ideas, but what it does show is that Khama was influenced more by democratic and free market ideas than the majority of other Sub-Saharan African leaders. Therefore, it was a combination of Khama's personal attributes and these acquired Westernized ideas that shaped his unique perspective on leadership. The combination of these attributes and values empowered him to deviate from the prevailing ideological and political doctrines of that era, which turned out to be the most fortuitous direction for Botswana.

A broader implication of this analysis is that it is important to look at not just a country's political system but it is also important to observe and understand the socialization of its leaders. It would be far more difficult to introduce ideas of democratization and free market principles in a country with leaders that have not been exposed to Western ideas and values. Therefore, in looking at the potential for success of newly endowed African countries, it is pivotal that one looks not just at the strength of the democracy but also at critical dispositional factors and also how their leaders were socialized.

Economic and political success is not solely contingent on leaders however. The type of governance is also crucial. Many have argued that resource-rich countries tend to have bad governance policies because of the unaccountability that oil and mineral revenues generate. This has been one of the major arguments of the Rentier state thesis. However, not every resource-rich country that is dependent on the export of their resources succumbs to the Rentier state dynamic. Again, using Botswana as the example
in this circumstance, this study had highlighted that it is possible to generate a significant portion of government revenues from mineral extraction yet avoid succumbing to characteristics of a Rentier state such as corruption and non-democratic tendencies.

Several studies have proposed taking the resources out of the hands of the government in order to combat this dynamic, such as domestic privatization. However, the problem with propositions such as these is that none of these strategies will work if a country has a prevailing Rentier state dynamic within the bureaucracy; how will privatization work if the government and its band of elite political supports are entrenched in corruption? Privatization would simply result in the same cronyism structure where favors are granted to a small band of elites. Therefore, privatization would not help to mitigate the major facet of the Rentier state, corruption.

In fact, one could argue that corruption is not only a cause of the resource curse, but also an effect of the Rentier state dynamic that occurs as a result of the over reliance on natural resources for government revenues. When a country is highly dependent on natural resources in order to sustain the government's coffers, a high degree of short-sightedness is engendered especially if the regime is democratic. In a weak constitutional democracy, the likelihood of siphoning oil or mineral revenues for private gain increases if the Rentier state dynamic is sustained. In a weak and corrupt democracy, when a political leader sees that he/she has a limited amount of time in office, it is in his/her best interest to capture as much rent as possible during this time period. One could argue that the added element of democratic term limits in resource-rich countries plagued with corruption only makes the rent-seeking problem worse. Thus, while corruption is construed as a cause of the resource curse, it can be viewed as an effect also. This is not
to say that there would be no corruption in Nigeria if it did not have oil. However, the presence of an abundant source of revenues combined with neopatrimonial politics creates an even greater opportunity for corruption, squandering and mismanagement of revenues, which all contribute to the Rentier state. Thereby, rooting out corruption is an unobtainable feat if structural government patterns are not altered. A myriad of ad hoc anti-corruption initiatives can be setup and implemented, however, if the undergirding governance model is unaltered, the likelihood of these initiatives being successful is very low.

For example, this study had pointed out that in the case of Nigeria corruption is greater because of the neopatrimonial relationships within the government. Furthermore, due to the heterogeneous nature of the population, this creates a zero-sum competition environment where politicians see the scramble over oil resources on a ‘first come first serve basis’. It is possible that a similar scramble for revenues would have existed even in the absence of oil. Once there is a source of external revenue, that is revenues acquired from sources other than domestic production (e.g. foreign aid), there will be a scramble over resources.

Social movements in sub-Saharan Africa have been particularly instrumental in ending civil conflicts, encouraging government accountability and transparency and improving civil and political rights. They have been especially helpful in playing an active role in the democratization process in sub-Saharan Africa. However, how relevant is the civil society in combating the resource curse?

I have argued in this study that the activities of local and international civil society organizations have been and continue to be instrumental in shedding light on the
resource curse. Especially since the recent discoveries of oil and natural gas reserves in East Africa, international CSOs such as Oxfam have been even more vocal about using this newfound resource wealth to transform these developing states into emerging economies with sustainable economic growth.

However, as we can see in the two cases observed in this study, the scope and influence of the civil society is contingent upon how much the government allows these organizations to mobilize and engage in the politics associated with natural resources. Shedding light on a problem is one thing but actually coming up with solutions to the lack of transparency and accountability is far more difficult. In the case of Nigeria, we saw that the EITI while a useful multi-stakeholder initiative in itself has not markedly changed the level of corruption in the country. An implication of this is that there needs to be a greater degree of inter-relation and inter-communication between the government and civil society. In other words, civil society groups working independent of the government in order to improve transparency in oil revenues may present some modicum of progress however it is insufficient. In order for viable, effective, anti-corruption strategies to work, there needs to be closer collaboration between civil society organizations and government agencies.

Furthermore, in countries such as Botswana where the government has already instituted effective measures to preclude particular aspects of the resource curse such as corruption, how influential can the civil society be in cases such as these? This is not to say that the role of the civil society is unnecessary in these types of countries, but rather how can they be included in the discourse? Again, close collaboration is critical. However, in strong states such as Botswana, this is a less viable path. An implication of
this is that Western notions of democracy with strong democratic institutions and an active and vibrant civil society may not apply to all non-Western countries. The case of Botswana presents an excellent example of a country that has been a stable democracy since independence yet not does not depict the characteristics of an active and influential civil society as seen in the West. Does this mean that Botswana’s democracy is not as effective or institutionalized as Western societies such as the U.S.? Or could it mean that the measure of democracy varies and it adaptable based on critical contextual elements such as region, culture, and colonial history?

Finally, does an active civil society equate to an influential civil society? Is it possible for a country to have far less competing yet more effective and influential civil society groups? In a multifarious country such as Nigeria, it is inevitable that multiple civil society groups will have competing agendas. In a country with a history of internal strife and ethnic conflict, having multiple groups with divergent interests may undermine democracy instead of improving it. However, in a country such as Botswana where the population is relatively less heterogeneous and civil society is relatively weak and passive, it is possible that on critical issues such as those related to the resource curse, the few but organized voices of the people are far more effective.

**Limitations**

There are four major limitations to this study. The first potential limitation relates to the dissimilar resources in the two case studies. As mentioned earlier in this study, both countries possess point-source type resources however while the source of the natural resources are the same, the countries vary in terms of their commodities. It is
strongly plausible that oil presents a greater problem of mismanagement than diamonds. The fact that oil possesses the largest share of the global trade signifies that there are far more actors involved in the production and distribution of this resource. Furthermore, because of the significance of oil in the global trade this also means that the political stakes and potential revenues are substantially higher than that of diamonds. Therefore, another potential direction for future research is to conduct an in-depth study of two oil-rich countries such as Nigeria and Angola in order to test the falsifiability of the study’s theory controlling for similar commodities.

Second, the countries also differ in geographical size, region and population. Nigeria is West Africa’s mammoth with a large heterogeneous population; whereas Botswana is a Southern African country with a significantly smaller population with a strong regional trading relationship with the regional hegemon, South Africa. The possibility exists that Nigeria’s geographical size, large population and multifarious ethnicities present greater challenges for the management and distribution of its resource revenues. In comparing it to a relatively smaller country such as Botswana, it is possibly at an unfair disadvantage. A possible approach that could be taken for future research is to compare resource-rich countries of relatively similar geographical size, location and population. However, again one would run into the problem of comparing countries with similar resources. The African continent is so diverse and divided into many countries with varying geographical sizes, languages and ethnicities that it would be particularly difficult to find two countries with similarities in size, population and commodity type.

Third, this dissertation only focused on two case studies. While, significant differences were observed among the two countries, it is still unclear whether these
observations can be generalized to the larger population or whether Botswana is simply an aberration among the resource-rich African countries. The inclusion of other cases into the study would allow us to test if these patterns in leadership, government and civil society are present in other countries as well, and if so, would similar effects of the resource curse be observed.

Fourth, the study could have also taken advantage of primary data such as interviews, surveys, or direct observation. One of the major advantages of using primary sources is that the research has complete control over how the data is collected. However, this control also has several disadvantages; one of which is the significant cost associated with conducting field research; also, collection of primary data (especially in terms of field research) can take up a considerable amount of time and due to the expedient nature of this particular dissertation, it would not have been feasible to engage in extensive primary data collection in the limited time frame of this project.

**Future Research**

This project has several potential avenues for future research. For one, despite the fact that the resource curse has been studied extensively since the 1990s, there has been no decisive quantitative index that measures the degree of the resource curse within countries. The closest an index has come to measuring the resource curse is Revenue Watch Institute's Resource Governance Index. However, while this index focuses on resource-rich countries it does not measure the extent of the resource curse, instead it measures the quality of these countries governance based on specific criteria. There are also other indices that relates somewhat to certain aspects of the resource curse (such as
corruption and conflict), but again there has not been an index designed specifically to measure all critical aspects of the curse. Thus, a good segue into future research would be to develop an index that measures the degree of the resource curse based on the factors mentioned in this study and any other factors that are central to the resource curse.

Two, a more focused in-depth study of the resource curse in these two countries could be achieved through the use of primary research methods. Therefore, one of the possible paths for future research could be through the interviewing of related officials in the oil and diamond industries in Nigeria and Botswana respectively. These expert interviews would provide us with vital information about how the respective countries governments address issues related to the resource curse.

A third avenue that could be taken is by expanding the research to a multi-case study. Introducing other cases to the study would help us to identify if there is a consistent observable pattern based on the three levels of analysis we described throughout this discourse. Possible cases that could be studied include Namibia and Angola which are diamond and oil producing countries respectively. Another approach that could be taken is to restrict the analysis solely to either oil or diamond producing countries. Thus, the study could potentially include four of Africa’s top producing diamond countries such as Botswana, Namibia, Sierra Leone and Liberia or four oil-producers such as Nigeria, Angola, Ghana and Cameroon.

Fourth, another potential area for research relates to the increase in illicit capital flows since the globalization era. In countries with high corruption rates, public sector officials tend to stockpile these illicit funds into offshore bank accounts. The improvement in mobile technology and other forms of quick or easy pay methods have
made these transactions much easier. Therefore, a plausible research problem could be to examine the relationship between technological advancement and the resource curse. Has there been an increase in corruption within these countries since the era of globalization because of these technological improvements? Or has it more or less remained the same? These would be interesting questions to examine in a future project.

And lastly, another strong point for research would be to examine the tax systems within selected cases. For example, would the tax structure within a country with a low extent of the resource curse be more firmly institutionalized than in a country with a high degree of the curse? No research done to the best of my knowledge on the association between a resource-rich country's tax system and the resource curse. While the literature shows that in general resource-rich countries do not need to tax their population, these studies do not provide in-depth descriptions on these countries’ tax regimes. Therefore, we cannot tell conclusively whether the population is not taxed because of the influx of resources or if it is because the tax system is inchoately established. For example, how strongly institutionalized was Nigeria’s tax system before the oil boom? This leads us to examine whether the timing of tax institutions matter. Is it possible to implement an efficient tax system even after discovery of natural resources? Again, these are questions that are insufficiently addressed in the literature and would be worth examining.

**Policy Recommendations**

In order to ameliorate the critical aspects of the resource curse it is important to address both the economic and political aspects of the curse. Several suggestions for mitigating the resource curse have been provided in the literature. Some of these
solutions have been mentioned briefly throughout this discourse such as economic diversification. However, the problem with all the proffered solutions for the resource curse is that they automatically assume that these countries already have strong democratic institutions.

Therefore, the first and foremost task is to strengthen democratic institutions. Through democracy, transparency and accountability will be improved and this would decrease the instances of corrupt behavior. This is not to say that democracy is a panacea for the resource curse, however based on the strength of Botswana’s institutions and also the success that other resource-rich democracies such as Norway and the U.S. has had there is definitely a positive correlation between democracy and a low extent of the resource curse. What this calls for then is an active agenda for democratization. Many resource-rich countries in Africa continue to rely on foreign aid from Western international financial institutions despite their resource wealth. One of the ways in which the internationally community could assist in this democratization process is to setup more stringent policies regarding the disbursement of aid to non-democratic countries or democratic countries that have not lived up to all the criteria in becoming a full-fledged consolidated and institutionalized democracy.

Another method in which the international community could aid in the fight against the resource curse is to encourage resource-rich countries to join multistakeholder initiatives such as the EITI. Granted, it is impossible to compel a country to join an international organization however they can be persuaded. And a critical way to do this is by creating incentives when a country accedes to particular multistakeholder initiatives. One of the reasons the Kimberley Process Certification Scheme was so successful was
because of the global consensus against conflict diamonds. Many countries refused to trade with diamond exporters who were contributed to rebel conflicts and civil wars. This provided an incentive (or rather disincentive) for countries such as Botswana to join the KPCS. By having the KPCS ‘stamp of approval’ on its diamond trade, this ensured importing countries that Botswana’s diamonds were conflict-free and likewise guaranteed and boosted Botswana’s position as a diamond exporter that was not embroiled in conflict and corruption.

Lastly, it will be important for the governments of resource-rich countries to exercise far-sightedness. One of the major ways countries could ensure that their resource wealth is transformed into economic growth for their country is by securing a favorable deal with the mining companies. As John Ghazvinian points out, unlike monopoly oil producers such as Saudi Arabia, many sub-Saharan African oil producers present lucrative opportunities for oil companies. Most SSA oil producers are poor developing countries that lack the technical expertise and/or the capital to drill and explore for oil. Therefore, they sign PSAs with the oil companies; this allows the oil companies to explore for oil and then split the profits with the host government based on their agreement after the initial costs are deducted.  

This lack of far-sightedness presents problems in the long-term for the host government because the combination of poverty and the low technical skills and experience places foreign mining companies at an advantage during the negotiation process. Thus, it is important to exercise far-sightedness at the initial signing of the deal or in worse case scenario, renegotiate terms at a later stage if the conditions prove unfavorable for the country’s economy.

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77Ghazvinian, *Untapped: The Scramble for Africa’s Oil.*
This is primarily why Botswana was able to use its diamond resources for generating economic wealth. The government negotiated a favorable mining deal with DeBeers from the outset. Newly endowed resource-rich countries could learn a lot from this far-sighted approach. It is best to leave the minerals in the ground until favorable terms can be agreed upon by both parties instead of hastily signing a long-term agreement that places the host country at a disadvantage. An important policy implication is therefore that economic diversification needs to be emphasized in new and existing endowed African countries. If a country has other viable economic options besides its mining industry, this will decrease the incessant scramble over resource revenues and promote far-sightedness during the negotiation process.

Furthermore, it is well known that mining agreements are often not setup in favor of the resource endowed countries. Aside from the fact that mining companies typically have much more experience in resource extracting than the host governments, another major reason for these unfavorable agreements can be attributed to the eagerness of host governments to close the mining deal. However, if the country's economy is diversified into other industries such as manufacturing, agriculture etc., the likelihood of the government making a rash decision that usually results in an unfavorable agreement with foreign mining firms would dramatically decrease.

The prospect of resource wealth ought to bring increased economic growth and stability to African countries. However, the reality is if these resources are managed by corrupt politicians who are further buttressed by similarly unscrupulous elite interest groups, the probability of this wealth providing a vast improvement to the population is low. This study had shown that what sets countries such as Botswana apart in this
resource curse phenomenon is the fact that it had a cohesive leadership, a relatively non-
corrupt bureaucracy and albeit having a relatively weak civil society; it is far less
characterized by factions as observed in Nigeria. This study by no means presents
Botswana as a perfect society neither does it decry the efforts that Nigeria has embarked
on in mitigating the effects of the resource curse. However, what it does tell us is that
overcoming the resource curse cannot be approached solely from one level. Most
strategies to ameliorate the resource curse solely focuses on what the government can do
or should be doing. However, the case of Botswana shows that it is a combination of
multiple levels that contribute to an overall lower level of the resource curse. Granted,
government plays a significant role; however, it was and continues to be the cohesiveness
of Botswana’s leadership that drives the critical efficient policymaking within the
government. Furthermore, while admittedly Botswana’s civil society is not as strong as it
could be by Western standards, the relative homogeneity of the population, and the
relatively low level of conflict and corruption have all contributed to a more united
strategy in improving the livelihood of the overall population. In short, before the
economic aspects of the resource curse can be addressed (i.e. Dutch disease, price
volatility etc.), it is important to first address the inefficiencies within the three pivotal
aspects of a state: its leadership, government and civil society; only then can natural
resources be beneficial to the entire population and not just a small band of elites.
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