

**Politics, Policy, and Poverty  
in Botswana, Mauritius,  
and other developing countries**



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PhD Dissertation

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in Botswana, Mauritius,  
and other developing countries**

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Who cares about the poor? When considering the dire situation of many people in Africa – my home more or less permanently for the last ten years – and in so many other places around the world, one is tempted to feel that very few in fact care about the poor. However, I think that everyone does care, or at least, no one likes to be exposed to abject poverty. But the urge to help the poor also competes with many other interests and concerns. In a world where the poor rarely have a strong voice and the political processes are controlled by the non-poor, we need to understand better *how* domestic interests and political bargaining affect policy making and social outcomes. Although the non-poor attempt to promote their own preferences, the compromises drawn between different interests have the potential to create welfare policies promoting prosperity for all. Indeed, a main conclusion of this dissertation is that broad-based welfare and economic policies – including all citizens as both beneficiaries and contributors – bodes for societies in which there will be less poverty; even if the policy focus is not specifically pro-poor.

Now at the end of my ‘PhD journey’, I believe I have offered some interesting and valuable contributions to our understandings of how politics affect welfare policy development and the consequences of such policies for poverty. More importantly, I feel I have learned tremendously in all areas of political science – theoretically, empirically and methodologically. Many people have joined me on my journey and made it insightful, rewarding, and fun, and while their help and suggestions have only improved the dissertation at hand, none of them are to be blamed for any errors or misinterpretations.

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*I dedicate the book to my parents and Cayleigh & Gareth*

*because,  
the preceding generation reminds us:  
Much is to be learned from history,  
and the succeeding generation tells us:  
Nothing is ever quite the same.*

# **1. Questioning the pro-poor growth strategy: The research agenda**

“Poverty amid plenty is the world’s greatest challenge”, states the World Bank (2001: v), while renowned development economist Jeffrey Sachs calls it “the greatest tragedy of our time” that one-sixth of humanity is caught in a poverty trap in which they are unable to escape extreme deprivation (2005: 19). Few would disagree that poverty across the globe is a serious concern, and the eradication of poverty and hunger is actually the first of the eight Millennium Development Goals agreed to in 2000 at the UN Millennium summit. The *pro-poor growth* strategy is the predominant approach for reducing poverty throughout developing countries. Promoted largely by international agencies and with the World Bank in the lead, this strategy encourages economic growth endeavours which seek to expand the opportunities and capabilities of the poor so that they can participate in and benefit from economic activities (World Bank, 2001; Besley & Cord, 2007).

This dissertation questions the pro-poor growth strategy by presenting an empirical puzzle: Why is poverty in Botswana so prevalent when the country has largely followed pro-poor growth strategies? In the following, I elaborate on the actual strategies usually promoted in the name of pro-poor growth and discuss how developments in Botswana are in line with these strategies. I then conceptualise the understanding of poverty and analyse the extent of poverty and well-being in Botswana. Then acknowledging that adherence to pro-poor growth strategies cannot explain poverty in Botswana, I suggest that the developmental literature must (re-)discover the important role of politics and redistributive policies (broadly defined here as welfare policies) in fighting poverty, and I end the chapter with an articulation of the research design.

## **1.1 Strategies for pro-poor growth**

The objectives of the pro-poor growth agenda are, quite obviously, to create economic growth to the benefit of the poor. How to achieve such objectives is possibly less obvious. In a World Bank report entitled “Delivering on the promises of pro-poor growth”, the strategy for achieving growth for the particular benefit of the poor is described as follows:

A successful pro-poor growth strategy would [...] need to have, at its core, measures for sustained and rapid economic growth. These measures include macroeconomic stability, well-defined property rights, trade openness, a good investment climate, an attractive incentive framework, well-functioning factor markets, and broad access to infrastructure and education [...] in particular, the

[strategy calls] for good economic policies and political stability combined with public investments in physical and human capital (Cord, 2007: 19).

While there is a strong focus on policies and mechanisms that ensure economic growth, it has nevertheless been acknowledged that economic growth in itself is not necessarily particularly advantageous to the poor, as the income of the poor tends to rise at the same rate as the average incomes of the whole population (Dollar & Kraay, 2004). The pro-poor strategy therefore also includes aspects meant to ensure that the poor are able to take advantage of economic opportunities. Such areas include public investment in health and education and focus on good governance and political stability (Stiglitz, 1998; Kimneyi, 2006).

Advocates of the pro-poor strategy do acknowledge that the more successful experiences of pro-poor growth transpired when jobs were accessible to the poor (Cord, 2007: 12), and the facilitation of productive economic activities for especially the rural poor are encouraged (Whitfield, 2008). Even so, the “obsessive focus on increasing growth rates” (Sabates-Wheeler, 2009: 2) means that policy measures related to macro-economic stability, market efficiency, and property rights, combined with investments in infrastructure and enhancement of human capital, overshadow the prescribed strategies. Consequently, although employment creation may be deemed critical, the general diagnosis and remedies tend to follow tactics promoting economic efficiency and public expenditure cuts. Moreover, welfare policies of any redistributive nature are generally seen to conflict with economic policies. Instead, welfare policies such as social security expenditures have been treated as a residual category, only relevant to vulnerable groups and a remedy to be kept at a minimum (Mkandawire, 2004: 6-7; Nissanke & Sindzingre, 2006: 361).

The developmental philosophies are no longer dominated by the notion that economic growth will also trickle down to the benefit of the poor. However, the change of policy advice from international agencies has not been dramatic. The mainstream position underlying the pro-poor growth agenda is: “Washington Consensus growth policies, plus increased spending on health and education, plus good governance, civil society participation and empowerment” (Whitfield, 2008: 12).

## **1.2 Botswana: A rare African miracle**

Botswana has clearly done well from a developmental perspective; whether intentionally or not, the development process has been much in line with the pro-poor growth strategy. In other words, developments in Botswana have been characterised by economic growth, public spending on infrastructure,

health and education, opportunities for democratic participation, and good governance.

To elaborate, the government has succeeded in combining high economic growth with low inflation and sustained budget surpluses. The business climate in Botswana is claimed to be “superior for Africa and a model for the world” (Holmes et al., 2008: 113-14), where the government has ensured property rights, investment freedom, financial freedom, and labour freedom, while the financial sector is a regional leader with little government intervention and an independent central bank (ibid.). In fact, largely due to diamond exploration, Botswana experienced the highest sustained economic growth of any country in the world from 1966 to 1996, only matched by China in the 1990s. Per capita income at independence in 1966 was about US\$70 per annum, making Botswana one of the poorest countries in the world. In 2005, this figure had risen to US\$12,387, making Botswana one of the few upper-middle-income countries on the African continent (Good, 2008: 9; UNDP, 2005:14-15; UNDP, 2007: 231).

The government has consciously invested in human capital formation and infrastructure development. While having only very rudimentary physical infrastructures of seven kilometres of tarred road, few water access points and no other communications services in 1966, the national road network has been expanded to almost 7,000 kilometres, Botswana has developed a fully digital telecommunications infrastructure, and 97 percent of the population enjoys access to safe drinking water (UNDP, 2005: 14-15; UN 2001: 16). There has been similar prioritisation and investment in the education and health sectors. From being a largely uneducated population at independence, 90 percent of all children around the millennium completed primary school, with some 70 percent of the children going on to secondary education (UN, 2001: 29). Equally, Botswana developed its health infrastructure and personnel such that 88 percent of the population lived within eight kilometres of a health facility in 1998, and trained health personnel attended to 99 percent of all births (UNDP, 2005: 20). Such substantial spending on health, education, roads, communications, and water ensured that Botswana was among the best in Africa on the Human Development Index in the 1990s. Unfortunately, the HDI figure subsequently took a dip due to the HIV/AIDS pandemic and first recently began rising again (ibid.; UNDP, 2007: Table 2).

Botswana also has well-entrenched formal democratic institutions. A recent update on democratic governance in Botswana states:

Botswana operates a strong executive which is embedded in parliament and leads the governmental process. The executive draws its members from, and is accountable to, parliament through various institutionalised processes which

have been used effectively to enforce accountability [...] Botswana has a constitution that empowers the judiciary to uphold constitutional rights and liberties of individuals, to protect property, and to review the actions of the executive and parliament for compliance with the constitutions (Maundeni et al., 2007: 58-59).

Furthermore, more traditional institutions, e.g., the *Kgotla* (an open meeting place where issues are discussed freely between political leaders and the public), have been formally institutionalised (ibid., 2007: 28). Whether democracy in Botswana is fully consolidated is debatable, as the same political party has been in power since independence and popular participation is rather low in elections and at Kgotla meetings (UNDP, 2001: 14; Maundeni et al., 2007: 23-39). However, such possible lack of democratic consolidation appears to be less about institutional entrenchment than democratic behaviour.

State institutions are recorded as being formalised and effective in that Botswana is a top-performing African country when measuring such governance indicators as government effectiveness, rule of law, control of corruption, political stability, voice and accountability, and regulatory quality (Kaufmann et al., 2007). Public opinion surveys have shown that unlike many other African countries in which “informal modes of action prevail in both polity and economy” (Bratton et al., 2005: 158), Botswana is one of the few countries where people almost routinely rely on formal state institutions and their officials (ibid.). Moreover, when comparing a range of African countries, Botswana is the only country in which more than 60 percent of the population find it easy to obtain government services (65.4 percent); South Africa and Cape Verde are relatively close, with 55.6 and 59 percent of the population, respectively, finding it easy to obtain government services. On average amongst the 18 African countries studied, this figure is only 36 percent.<sup>1</sup> Thus, formal government institutions are in place, and they function well. Similarly, Botswana’s well-managed and capable bureaucracy – with a reputation for administrative integrity – has been singled out (together with Mauritius) as supporting the remarkable general development experienced in these two countries (Goldsmith, 1999).

Given such impressive records, it is not surprising that Botswana has been dubbed the African ‘miracle’ (Samatar, 1999; Acemoglu et al., 2001). Furthermore, it seems as though Botswana has achieved a development path, just as the pro-poor growth strategy prescribes promoting economic growth in combination with good governance and investments in human capital.

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<sup>1</sup> Using data from the Afrobarometer Survey Round III (2005/06), an index can be created for whether the respondents find it easy or difficult to obtain various government services. See Appendix 1.

### 1.3 Poverty

The question then becomes whether Botswana's success at the macro level is also reflected at the individual level. Have the economic and political achievements improved the well-being of all Botswana's citizens and substantially reduced poverty levels? More broadly, the question is whether a development strategy with a focus on growth, governance, and human capital development is enough to ensure pro-poor development. In order to answer this question, I first discuss how one can conceptualise and measure poverty and well-being before analysing poverty in Botswana compared to other developing countries.

#### *1.3.1 Poverty: Defining and measuring well-being*

The conceptualisation and measurement of poverty is a rather disputed affair. There is no single way of understanding poverty: It may be defined narrowly to merely comprise economic deprivation, most commonly as a lack of income, or it may include non-material aspects such as social exclusion and a lack of voice and thereby be understood more broadly. It is also disputed whether universal measures of poverty are available or whether the experience of being poor is so culture-bound that comparisons between countries are meaningless. In a similar vein, it is debated whether poverty should be measured in absolute terms as a lack of certain specified resources or can best be understood relatively, where the number of poor is calculated in relation to the well-being of the non-poor in a given country. Because of the different understandings of well-being, various poverty measures tend to yield different results with implications for scientific inference as well as policy outcomes (Lister, 2004: 3, 12-13; Brady, 2003: 716-17).

The difficulty is, on the one hand, to acknowledge that poverty is a multifaceted phenomenon with no single definition capable of capturing all aspects of poverty (Alcock, 2006: 80; Bratton, 2006: 2); and, on the other, to identify measures that are "accessible, statistically defensible and methodological feasible" (Brady, 2003: 732). To guide me in such a sea of predicaments, I follow the lead of Amartya Sen, who argues that it can be reasonable when studying poverty to consider income or consumption as an indication of material well-being *as a beginning*. However, he suggests that income is a limited guide when considering quality of life. Instead, "an alternative to focusing on means of good living is to concentrate on the *actual living* that people manage to achieve" (Sen, 1999: 73).

From this perspective, lack of income defines the experience of being poor too narrowly. Rather, and in order to capture the many dimensions of poverty, poverty is the denial of choices and opportunities for living a life one has

reason to value. Poverty is the deprivation of basic capabilities and is reflected in significant undernourishment, persistent morbidity, widespread illiteracy, and other failures (Sen, 1999: 20, 87).

This definition of poverty recognises that a lack of income represents one aspect of being poor but that non-monetary resources must be included to reasonably cover the notion of well-being (Palmer et al., 1988: 10-16). However, the understanding of poverty in this dissertation is not so broad that it includes a comparative lack of information, rights, and freedoms (Sen, 1999: 74-75; Webster & Engberg-Pedersen, 2002: 2-3).

It follows from the above that the extent of poverty in a country is best grasped by measuring the proportion of the population that goes without basic needs and resources. The Human Poverty Index (HPI) is a useful poverty measure in this regard. The HPI covers deprivation in health, knowledge, and a decent standard of living. Deprivation of health is measured in terms of the probability at birth of not surviving to age 40; deprivation in knowledge is estimated as the percentage of adults who are illiterate; and deprivation in a decent standard of living covers, first, the percentage of people not having sustainable access to a water source and, second, the percentage of children under age five who are underweight (UNDP, 2007: 357). The advantage of this poverty measure is that it covers the broad understanding of poverty advocated here, while it is also comparable between numerous countries. One potential drawback is that income has been entirely excluded. However, in developing countries where livelihood is not necessarily, or entirely, determined by the formal economy and hence money, it is reasonable to consider alternative aspects of well-being.

One alternative measurement of poverty, the so-called 'Lived Poverty Index' (LPI) (Bratton, 2006), measures poverty in terms of people's own experiences. The LPI is calculated from public surveys in which respondents are asked to rate their access to certain commodities (e.g. food, medical care, water, cooking oil, cash), while leaving out other aspects of poverty such as freedom or representation; exactly in line with the poverty definition used here. This measure is informative in that it complements other statistics on poverty while it is also valuable, because one can certainly argue that the respondents are best placed to assess their quality of life (Afrobarometer, 2009: 4). Furthermore, the LPI is practical, as it combines numerous aspects of poverty which can also be considered individually. Unfortunately, however, comparison is only possible between the African countries that are part of the Afrobarometer surveys from where the data are acquired.

A commonly used poverty measure in developing countries is the US\$1 or US\$2 poverty line, which measures the percentage of the population who



must live for less than US\$1 or US\$2 a day, respectively. Other than narrowly focusing on economic income, this poverty measure has been criticised for various reasons. First, even though the threshold for being poor is based on substantial research and sophisticated calculations in which countries' own ('subjective') poverty lines are compared and a level is found in accordance with the standards in the poorest countries (Ravillion et al., 2008), such poverty lines remain arbitrary and require regular revision (ibid.), the results being very sensitive to the line chosen (Lister, 2004: 41-42). Furthermore, such a poverty line tells us nothing about the depth of poverty (ibid.), and greater value is given to growth that moves individuals from just below to above the poverty line and no value on changes of living standards of those well below or above the established line (Easterly, 2007: 4).

Income poverty defines the concept of poverty used in this dissertation too narrowly. Nevertheless, the US\$1/day is drawn into the analysis of poverty in Botswana as compared to other countries, even though HPI and LPI cover the experience of being poor much better. In addition, relative measures such as the national poverty line are also applied to better grasp the extent of, and change in, poverty levels in Botswana over time. Finally, income inequality is included as an alternative aspect of well-being. The Gini coefficient is the standard measure for income inequality and measured on a scale from zero (perfect equality) to one. Inequality is considered high if the Gini coefficient is above 0.4 (Cornia & Court, 2001: 6). Income inequality is not directly a measure of poverty, as it compares (economic) well-being between groups in a country. However, more equal societies tend to have less poverty, and economic growth, which at the same time reducing inequality, can be considered a 'double good', as economic growth in this case benefit the poor more substantially (Lister, 2004: 23, 52-53; Dağdeverin et al., 2004: 131; Ravillion, 2004: 68-70).

Hence, numerous poverty measures are included in the analysis below. As discussed, due to the different implications of the various poverty concepts, it is likely that different measures provide somewhat diverging results with regard to the estimated poverty levels across countries. However, while a broader understanding of well-being is considered to better reflect the experience of being poor in developing countries, additional poverty measures are included to complement the analysis and ensure a more comprehensive understanding of poverty in Botswana and how it compares to other developing countries.

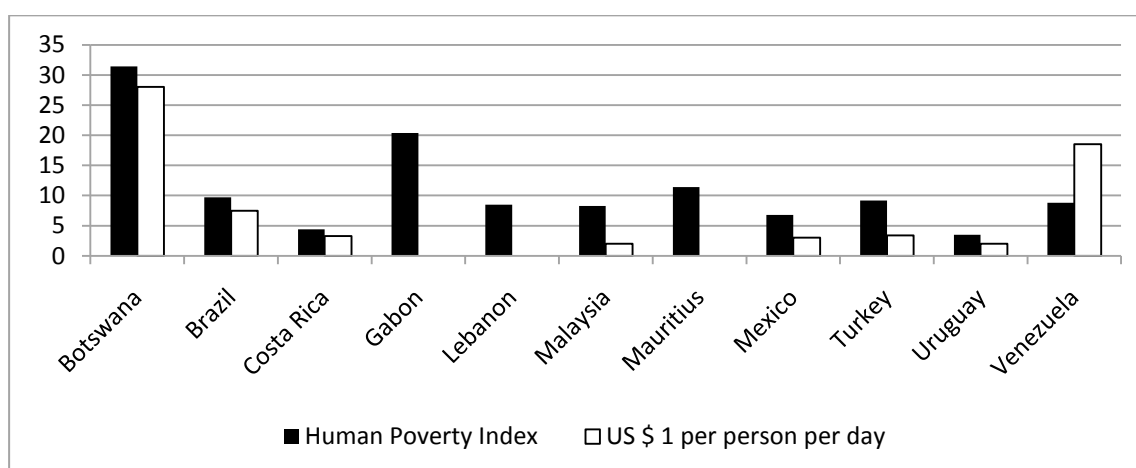
### *1.3.2 Poverty in Botswana*

Is Botswana's success also reflected in the country's poverty levels? Certainly, on average, the Botswana are much better off than upon receiving independ-

ence. The dramatic increase in GDP per capita has meant that Botswana has gone from being one of the poorest to one of the wealthier African countries. Poverty levels have also fallen substantially. The Household Income and Expenditure Surveys in 1985/86 and 1993/94 indicate that the proportion of the population living below the poverty datum line – the government’s official measure of poverty – fell from 59 to 47 percent (UN, 2001:10); while dropping to 30.6 percent in the Survey of 2002/2003 (Seleka et al., 2007: 25). The drop in poverty seems quite remarkable. However, one must exercise caution when considering national poverty figures, because the official level for being poor may change (Bar-On, 1999: 103); moreover, national poverty levels cannot be compared between countries.

When comparing to other countries on Botswana’s level (i.e., other upper-middle-income countries) in values that are comparable, Botswana is not faring particularly well (see Figure 1.1). Among these countries, Botswana has in fact by far the highest HPI-value as well as US\$1 score.

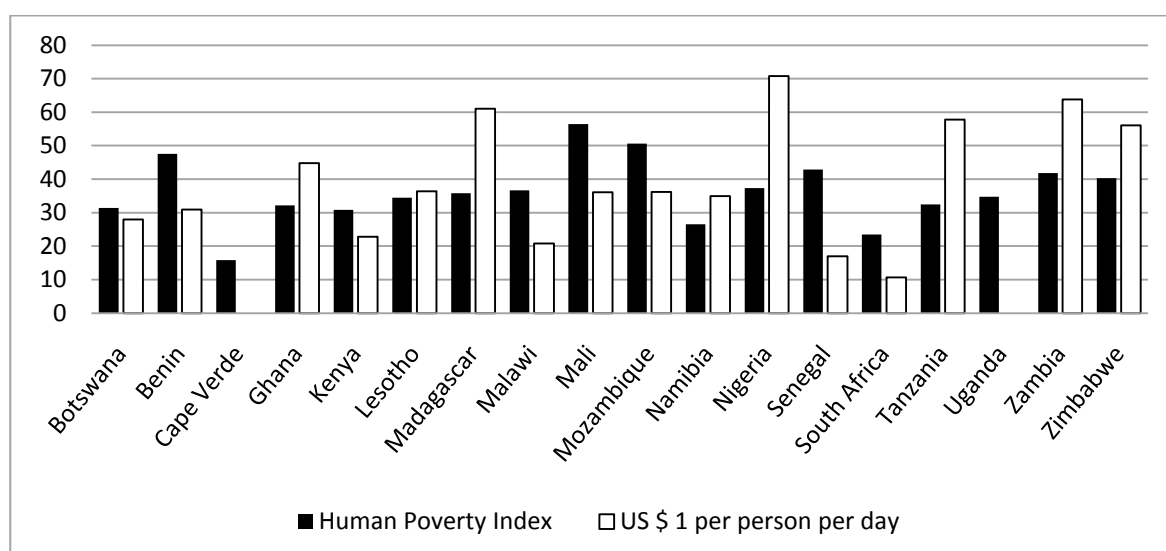
Figure 1.1: Poverty levels in Botswana and other upper-middle income countries



Source: UNDP 2007

It may be argued that it would be fairer to compare Botswana with other African countries to account for regional aspects, e.g., structural disadvantages as well as the HIV/AIDS pandemic, which greatly affects most Southern African countries. Even in this context (Figure 1.2), Botswana is not doing as well as one would expect. Several African countries, such as Mali, Tanzania, Mozambique, Zimbabwe, and Nigeria, certainly have much higher poverty levels than Botswana; nonetheless, Botswana is just on par with the economically poorer – and in some instances more corrupt – countries of Kenya, Malawi, Senegal, Uganda, and Namibia, and barely better than Ghana and Lesotho, while South Africa and Cape Verde are placed much better.

Figure 1.2: Poverty levels in Botswana and other African countries\*

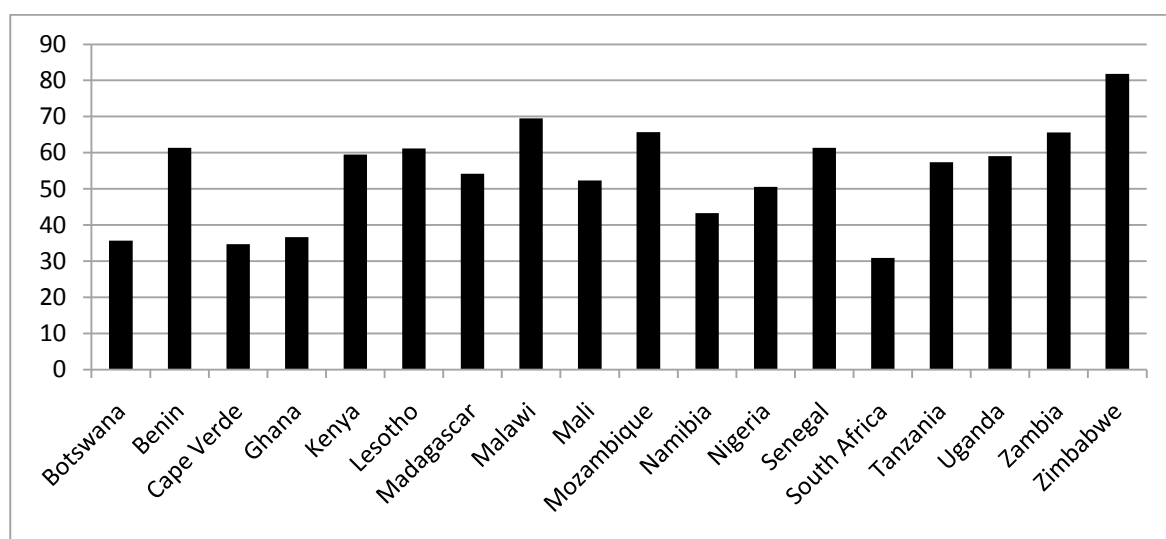


Source: UNDP 2007

\* To allow for further analysis and comparison, the countries selected are those for which the Afrobarometer has data.

As discussed, we can also compare African countries using the Lived Poverty Index, where people are asked how often they go without certain basic needs. According to this measure, one can define ‘a poor majority’ as those who go without basic commodities several times, many times or always over a year (Bratton, 2006). Figure 1.3 shows the percentage of the ‘poor majority’ in a range of African countries. Once again, Botswana can hardly be claimed to be a top performer, even though the proportion of the ‘poor majority’ is lower than average for the countries in the survey.

Figure 1.3: Percentage of ‘poor majority’, selected African countries



Source: Afrobarometer Round III, data available at [www.afrobarometer.org](http://www.afrobarometer.org) (for details, see Appendix 2)

By considering the various aspects of the Lived Poverty Index separately, we acquire a better understanding of the nature of poverty in Botswana. Table 1.1 demonstrates that Botswana is much better than average when it comes to access to water and medical care, which is plausible given better governance and conscious political decisions to provide such services in Botswana. Conversely, Botswana is barely better than average on the other three aspects. In Botswana, as in other African countries, little more than half are fortunate enough to always have enough food and cooking oil, and 15-16 percent of the population always go without a cash income.

The researchers behind the Afrobarometer surveys have calculated changes in the Lived Poverty Index from 2000 to 2008 in ten African countries. Due to a number of changes in survey questions for the different periods, the poverty index only includes access to water, food, and medical treatment. They find that whereas poverty has been reduced in most countries, well-being has dropped in Botswana (along with Zimbabwe and Nigeria), at least as related to access to water, health facilities, and sufficient food (Afrobarometer, 2009).

Table 1.1: Going without basic needs – Botswana compared

Frequency of going without basic needs*	without food		without cash income		without water		without medical care		without cooking fuel	
<i>(figures in %)</i>	Bots	All	Bots	All	Bots	All	Bots	All	Bots	All
Never	52.2	47.3	38.9	21.8	63.3	51.8	62.4	43.1	56.7	56.1
Once or twice	15.5	15.8	16.5	13.1	14.4	12.1	16.6	15.7	18.5	14.4
Several times	19.7	19.6	17.5	24.5	11.9	15.6	14	20.7	15.6	15.7
Many times	10.0	12.8	10.9	25.0	8.1	11.9	5.6	13.9	7.5	9.0
Always	2.5	4.5	16.2	15.6	2.3	8.6	1.4	6.6	1.7	4.8

Source: Afrobarometer Round III, available at [www.afrobarometer.org](http://www.afrobarometer.org)

N (Botswana): 1,200; N (all): ) :  $\pm$  24200

Questions asked: “Over the past year, how often, if ever, have you or your family gone without: enough food to eat, enough clean water for home use, medicine or medical treatment, enough cooking fuel to cook your food, and a cash income”.

Countries included in this survey: Benin, Botswana, Cape Verde, Ghana, Kenya, Lesotho, Madagascar, Malawi, Mali, Mozambique, Namibia, Nigeria, Senegal, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe.

The above analysis demonstrates that although the well-being of the average Botswana has certainly improved during the country’s forty years of independence, Botswana – otherwise a top performer – is only an average performer when it comes to poverty alleviation. Indeed, given Botswana’s otherwise remarkable records, one could expect poverty levels to be much lower

than is actually the case. Instead, poverty levels, as in US\$1/day, have actually increased recently from 19.9 in 1993/94 to 23.4 percent in 2002/03 (CSO, 2004: 25), and income inequality has, if anything, only been exacerbated. The Gini coefficient was 0.57 both in the early 1970s and in 2002/03, while the figure now stands above 0.6 (CSO, 2004: 21; Hudson & Wright, 1997: 114; UNDP, 2007: Table 15). What may explain these relatively high poverty levels?

#### **1.4 How to explain poverty in Botswana: Do we miss the point?**

Three common explanations for the disappointing poverty records in Botswana are HIV/AIDS, structural factors, and unemployment. I discuss these explanations in turn and then suggest that in order to obtain a more comprehensive and full account of poverty and economic inequality in Botswana, there is a need to analyse the character of welfare policies and how they have developed.

Botswana has had one of the highest HIV/AIDS prevalence rates in the world. While the government was slow to start, much effort and many resources have been directed at combating this disastrous disease. The HIV prevalence in Botswana stood at 24 percent of those aged between 15 and 49 in 2006, and there can be no doubt that the pandemic has an impact on the well-being of not only those infected but also those affected. HIV/AIDS reduces the labour productivity of the infected and often eventually leaves children stranded as orphans and grandparents as caretakers (UNDP, 2007: 259; UNDP, 2005:18-20). It is therefore clear that HIV/AIDS has a negative impact on well-being, particularly when poverty is considered broadly to include capabilities. Even so, other countries in Southern Africa have equally high prevalence of HIV/AIDS while still performing better than Botswana. Thus, South Africa, a similarly wealthy and democratic country, has lower poverty levels than Botswana, although South Africa is still struggling with the legacy of apartheid. And Lesotho, a much poorer country, has only slightly higher poverty levels (Figure 1.2 above; UNDP, 2007: 231, 259). Furthermore, the HIV/AIDS pandemic, while grave, can hardly cause the extent of food insecurity and lack of cash income as is the case in rich Botswana; nor can HIV/AIDS be blamed for the continued high level of income inequality.

There is some consensus that the high unemployment level in Botswana is largely a root cause of poverty (UNDP, 2005: 18; Siphambe, 2005). According to the latest Household Income and Expenditure Survey in 2002/03, unemployment was 23.8 percent of all economically active persons (CSO, 2004: 41), and unemployment has been persistently high and is rising both for the unskilled and university graduates alike (AfDB, 2008: 158). It is plausible

that the lack of employment may account for problems of income security and lack of basic commodities in Botswana.

It is equally suggested that the problems of poverty and unemployment in Botswana are structural (Siphambe, 2005: 207). The general reasoning is that Botswana has certain disadvantages such as being a huge, land-locked, and resource dependent country with a harsh climate leading to a small domestic market, high transportation costs for both products and services, and which renders arable farming difficult (UNDP, 2005: 18). These arguments are supported in the pro-poor growth literature, which perceives such structural factors as impediments to economic growth (Sachs, 2003). Nevertheless, Botswana has overcome many of its structural obstacles in that it remains quite successful at delivering public services and has had high and sustained economic growth for decades. The underlying structural factors are thus not impediments to economic growth, but they may affect efforts at economic transformation.

As discussed, pro-poor growth advocates tend to focus on how to create economic growth; any redistributive economic and welfare policies which may address issues of income security, state-supported employment creation, or economic transformation are regarded with suspicion (Jolly, 2009). Welfare policies, particularly redistributive welfare policies, are seen as likely impediments to growth and should merely address the most vulnerable groups. In Botswana, there has also been some focus on the specific role of social safety nets, and a common argument is that safety nets only have an insignificant impact on poverty and may even have unfortunate side-effects. This is so, as the safety nets in place are not well targeted and because the provisions create an unhealthy reliance on the state, thereby leaving people in a trap of passiveness and dependency (UNDP, 2005: 18; Siphambe, 2003: 23-24).

This dissertation challenges such arguments. Welfare policies do have a substantial impact on poverty, particularly if generous and broad-based. In fact, it is in the character of its welfare policies where one may find an ignored explanation to the high poverty levels in Botswana. On the one hand, social services such as education, health, and housing have been prioritised and received substantial funds in Botswana. For this reason, it is hardly surprising that poverty in Botswana is less associated with broad-based capabilities of education and access to water and health facilities. Conversely, social benefits and transfers have largely been neglected. In 2005/06, the Botswana government spent a meagre 1.1 percent of its total expenditures on pensions, social security, and other social provisions, compared to Mauritius (a similarly successful country in economic, democratic, and institutional terms), where

about one-fifth of government expenditures were used on social policies (Bank of Botswana, 2007; Ministry of Finance, Mauritius).

There is no coherent social security scheme in Botswana covering workers and non-workers, and the existing social safety nets are arbitrary and inadequate (Nthomang, 2007: 192-93; 200-01). Needless to say, anyone in informal or temporary employment has few rights at times of working incapability. Thus, there seems to be little income security for many Botswana. From this perspective, it comes as no surprise that poverty in Botswana (besides being related to poor health indicators) can be associated with a lack of income and food.

Hence, it is proposed that the nature of welfare policies in Botswana has a major negative effect on well-being, and it is implied that welfare policies can complement economic policies rather than obstruct efforts at economic growth. In order to understand why and how welfare policies affect poverty, however, it is crucial to analyse the long-term development of welfare policies and the politics behind policy-making. Let me elaborate on this in the following.

### **1.5 Do politics and welfare policies matter for poverty reduction?**

This chapter started with an empirical puzzle: Why is poverty so rife in Botswana when this country has been so successful on economic, institutional, and democratic parameters? Or more generally, is a pro-poor growth strategy sufficient to ensure substantial poverty reduction in developing countries?

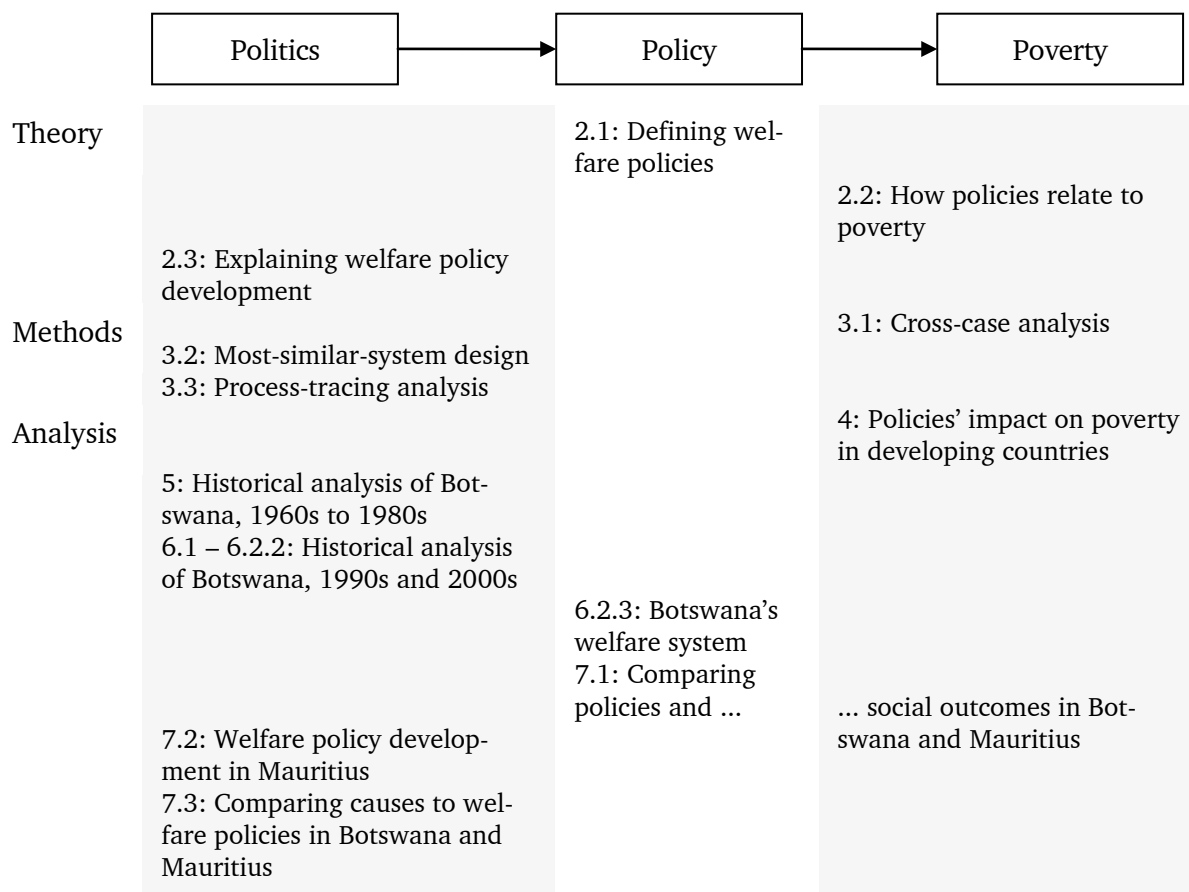
This dissertation confronts the pro-poor growth strategy on two grounds. First, the disregarded and subordinated role given to welfare policies compared to economic policies leads to misguided strategies as regards the type of policies actually benefitting the poor. The brief analysis of poverty in Botswana suggests that the character of welfare policies may be a neglected explanatory factor which can account for disappointing social outcomes, not only in Botswana but also in other developing countries. As has been argued: “policies of redistribution have been shunned and neglected by mainstream development policy for over 30 years, and it is time to ‘bring them in from the cold’” (Sabates-Wheeler, 2009: 4).

Second, and related, as policy-making is a domestic affair, we must understand and acknowledge the role of politics. Policies are developed within a political context in which various political and economic actors seek to influence policy making according to their interests – something largely ignored in the work of, for instance, Sachs (2005). Thus, politics is expected to shape welfare policies (as well as economic policies) such that a certain welfare system develops with consequences for the level of poverty and inequality in a country. In other words:

In any society, it is obvious that the state will not institutionalise [welfare<sup>2</sup>] policies that conflict fundamentally and consistently with principles of the dominant economic system and power relations. Consequently, the study of [welfare] policies in *developmental* contexts must be sensitive to the *political* contexts within which they are formulated and implemented (Mkandawire, 2004:12).

On this basis, I will theoretically and empirically analyse how politics – and in turn policies – have an impact on poverty in developing countries. Specifically, I seek first to enhance our knowledge about how welfare policies are related to poverty; and, second, how politics – understood as class relations and political struggles – affect the development of welfare policies. In its simple form, the causal argument to be analysed in this dissertation may be viewed as in Figure 1.4, which also outlines how the analysis will be conducted.

Figure 1.4: Outline of dissertation



Chapter 2 discusses the relationship between politics, policies, and poverty theoretically with inspiration mainly from the welfare regime literature, but

<sup>2</sup> Mkandawire uses the term 'social' policies. In section 2.1, I will explain how I define and why I prefer the expression 'welfare' policies.



also with the inclusion of knowledge and findings from the developmental literature. In this chapter, I define the concept of welfare policies before exploring how welfare policies relate to poverty. The last part of the chapter discusses how the literature explains welfare policy development, and I clarify how I expect politics to have an impact on welfare policy development.

It will become apparent in Chapter 3 that the theoretical arguments and empirical evidence vary to such an extent that different methods are required to sufficiently analyse the proposed theoretical framework. As regards the relationship between welfare policies and poverty, it is argued that this relationship is best analysed as a cross-case study to test whether or not broad-based and generous welfare policies do in fact reduce poverty more in developing countries than minimal and targeted policies. This thesis is confirmed in Chapter 4, where the relationship between welfare policies and poverty in developing countries is tested whilst controlling for alternative explanations to poverty. The cross-case study further reveals that economic transformation has a stronger impact on poverty than economic growth.

How politics affects the development of welfare policies is a more complex argument. Basically, policies are outcomes of political bargaining between various influential political and economic groups. Included in this explanation is also the understanding that economic structures and strategies coincide with welfare policy development; in this sense, the high unemployment levels in Botswana must also be understood in relation to the long-term developments of its welfare system. In Chapter 3, the discussion therefore also addresses how to design case studies enabling the in-depth analysis of how politics affects welfare policies and ensuring controls for competing explanations to welfare policy development. In order to meet such demands, the study of welfare policy development is an asymmetric comparative historical analysis of Botswana and Mauritius in two parts. One is a historical process-tracing analysis of welfare policy development in Botswana (Chapters 5 and 6), and the other a comparison of Botswana and Mauritius based on a most-similar-system design (Chapter 7). The main theoretical, methodological, and empirical findings and contributions are summarised in the conclusion (Chapter 8).

On the basis of the empirical analyses, we become confident that welfare policies have a positive impact on well-being in developing countries, and we gain insights into *how* politics affects welfare policy development. The historical analysis of Botswana and the comparison with Mauritius not only offer new perspectives on policy developments and the factors contributing to poverty in the two countries, but – given the methodological design – the case studies also have broader relevance to other developing countries. It may be

that Botswana and Mauritius are examples of better-off developing countries, certainly in the African context, but the countries serve as convenient examples for that very reason: We are able to judge the social effects of different welfare systems, which may only be established in countries at a certain level of development, but which have also, as we shall see, tended to follow a specific path upon which policies have persisted from early on.

Methodologically, the dissertation casts light on the advantages and disadvantages inherent to different approaches to research and reveals the specific gains and challenges related to the process-tracing analysis. Theoretically, I take the pro-poor growth strategy to task, as it neglects the importance of politics and welfare policies in seeking remedies for poverty in developing countries. Furthermore, I bring theoretical insights to the field of “social policy in developmental context”, an area which arguably lacks theoretical and conceptual underpinnings (Mkandawire, 2004: 4-5). Finally, I contribute to the largely Western-focused welfare regime literature by including empirical findings from developing countries, thereby strengthening the theoretical knowledge in this field. It is to the theory on welfare policy development and its impact on poverty to which I now turn.

## **2. Why and how politics matter for poverty reduction: What the theories say**

We need to bring politics back in, centrally, to the analysis and promotion of pro-poor development and welfare regimes (Leftwich, 2008: 5).

Developmental theorists and practitioners tend to focus on pro-poor growth strategies when explaining and finding solutions to poverty problems in developing countries; this is, if not misleading, then partial. Certainly, economic growth can be seen as a prerequisite for poverty reduction (Shorrocks & Hoveen eds., 2004), just as weak state institutions and poor governance are serious barriers to eliminating poverty (Moore & White, 2003: 81). There is equally some agreement that investments in education and health are important poverty eradicating strategies (Kanbur, 2004: 16-17). Yet considering the case of Botswana, these factors cannot fully explain variations in poverty levels across countries or time, as Botswana has successfully followed a track many pro-poor growth propagandists would have prescribed but even so, the country still has a high prevalence of poverty.

In a sense, the importance of growth as a tool for poverty reduction is a repetitive and uninteresting debate as much empirical research has shown that economic growth is really distribution-neutral and as such a “rather blunt instrument for poverty reduction” (Dağdeviren et al., 2004: 148). Real disputes can rather be found in relation to the role of policies in reducing poverty. While some acknowledge the need to focus on policies that ensure redistribution and equality (ibid.; Ndulu et al., 2007: 27), the actual character of such policies is less clear, and much debate centres on the appropriate *policy packages* and their likely social consequences (Kanbur, 2004:24-25).

My dissertation contributes to this debate by focusing on welfare policies as an explanation to variations of poverty levels across developing countries. However, the argument is not centred on putting in place social safety nets merely targeted at the poor. Rather, we need to analyse the character of welfare policies, their interrelation to economic policies, and the politics behind policy-making to fully grasp how welfare policies develop and their consequent impact on social outcomes. Simply put, focus is on politics, policy and poverty.

In this chapter, I elaborate on the claim that politics matter for poverty reduction. First, I define the intermediate variable – welfare policies – followed by a discussion of why and how welfare policies affect poverty and the relevance of such theoretical knowledge to developing countries. Next I offer a theoretical explanation to welfare policy development and discuss alternative explanations before the final sum up and conclusion.

## **2.1. Welfare policies: The intermediate variable**

Conventionally, there have been two fairly distinct traditions within the literature of comparative social policy.<sup>3</sup> One fraction has mainly concentrated on investigating the causes of policy emergence, whereas the other has primarily been interested in assessing the effects of policies across countries (Clasen, 2004: 93-98). The welfare regime literature has also been criticised for being ethnocentric as it has almost solely focused on classifying and explaining welfare states and policies in OECD countries with little regard to relevant policy experiences elsewhere (Walker & Wong, 2004; Midgley, 2004).

Even though there are earlier examples of welfare policy research outside the 'West' (such as MacPherson & Midgley, 1987; Esping-Andersen ed., 1996; Ahmed et al., 1991), there has been a recent upsurge in scholarly analyses on welfare regimes and social policies in developing countries. Much of this research focuses on middle-income countries (for instance Haggard & Kaufman, 2008; Bangura ed., 2007; Sandbrook et al., 2007; Aspalter ed., 2003), but there are also examples of studies including low-income countries (Gough & Wood et al., 2004; Hall & Midgley, 2004; Adesina ed., 2007).

In this study, I follow in the footsteps of these initial strides and hence contribute to the nascent welfare regime literature in the developing world. I also bridge the traditional divide between treating welfare policies either as the dependent or the independent variable by analysing both the causes and consequences of welfare policies. Welfare policies are clearly the central (intermediate) variable, and in the following I will define this concept.

In Western literature, the welfare state is often seen to build on principles of social justice and assigned to guarantee social investments which not only increase the well-being of the individual (by for example increasing income security), but also ensure economic development of the state (for instance through promotion of labour market productivity) (Esping-Andersen, 2002: 9-10; Standing, 1996: 226). More narrowly, social policy has been defined as 'actions aimed at promoting social well-being' (Alcock et al., 2003: 7).

I prefer the term welfare policies to emphasise that policies aimed at ensuring a higher standard of well-being need not only consist of traditional social policy areas, such as social security and safety nets, health and personal social services, but may also include state involvement in education and housing (Hill, 2003: Ch.1). Furthermore, besides including the spending side, the definition of welfare policies also incorporates the financing side – particularly the role of taxation.

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<sup>3</sup> I regard comparative social policy and welfare regime literature as interchangeable concepts because my focus is on welfare policies in a comparative perspective into which both these overlapping fields offer insights.

It is important to analyse policies on taxation in the context of welfare policies for several reasons. First, taxation in itself is a policy mechanism for redistribution, which may impact on poverty (Amenta, 2003: 108, 121), even though it seems unclear exactly which types of taxation are best to alleviate poverty. Second, although welfare policy studies have mainly focused on the spending side, voices have been raised saying that to study spending and taxation isolated from one another is like leaving out half of the equation from the analysis (Timmons, 2005: 531) and questioning whether it is really possible to separate politics of taxes from politics of spending (Jensen, 2008a: 208) and vice versa? Interestingly, both Harold Wilensky (1975) and Walter Korpi (1983) included taxation in their welfare policy concept thereby indicating that the revenue side is important, even if subsequent analyses do tend to neglect this aspect. Third, despite the acknowledged importance of taxation for redistribution as well as an instrument for economic policies and state building, its role is little understood and has only received limited attention in scholarly research (Steinmo, 1993; Brautigam et al., 2008).

The definition of welfare policies employed here is linked to the concept of public policy with focus on government policies and as such on the state's ability to fight poverty. I do not hereby imply that the state is the only relevant actor in welfare policy development and related poverty reduction, but more that it is outside the scope of this dissertation to understand the role of for instance civil society, the international environment, and the private sector (Hall & Midgley, 2004; Gough & Wood et al., 2004) other than how they may influence welfare policy decisions.

However, the welfare policy concept is not as broad as the understandings of some welfare policy definitions which include the state's role in wage setting, employment, and general macro-economic steering (Esping-Andersen, 1990:1-2). Certainly, these aspects of public policy play important parts in poverty reducing efforts; one may for instance query the exclusion of employment policies from the concept of welfare policies, as employment creation can be a useful way for governments to fight poverty. However, low levels of unemployment in a country may, or may not, be due to specific government policies. Besides, to apply parsimony to the concept of welfare policies, it is important to separate policies aimed at ensuring redistribution, income security, and well-being from general economic policies. Hence, policies related to employment and economic steering are excluded from the concept of welfare policies, but not from the general analysis – these policies, which shape the economic structures, are underlying features affecting welfare policy development. I will return to this discussion in section 2.3.

In this regard, it may be useful to distinguish between welfare policies and welfare *systems*. The term, welfare system, refers to the broader economic and social structures in which welfare policies are embedded and may in this sense be equated to Esping-Andersen's broader understanding of the welfare state. However, as developing countries are generally in the process of expanding their welfare policies and have substantially different levels of development to their Western counterparts, the term welfare system more appropriately captures the social and economic context of welfare policies.

Welfare policies are thus conceptualised as policies aimed at promoting social well-being and include social policy provisions (policies of spending) where the state delivers essential benefits/transfers and services to ensure acceptable living standards for all citizens (Hall & Midgley, 2004: 4), and taxation (policies of revenue) where the state ensures redistribution of resources and, related, revenue for the financing of social policy provisions. While it is clearly necessary to study specific policies in detail, it is important to emphasise that the overall character of welfare policies is the focal point of the analysis. In Gøsta Esping-Andersen's words: "we are concerned with the architecture and not simply a window here or a doorstep there" (2002:6).

## **2.2 Welfare policies and poverty**

Now that the conceptualisation of welfare policies is in place, it is time to examine how theories link welfare policies to poverty and discuss how such knowledge can assist us in analysing this relationship in the South. Focus in the next two sections is Western based theories and analyses on how welfare regimes and welfare policy characteristics relate to poverty levels. In the last section, I review, based on the preceding discussion, how and why welfare policies are also important to poverty reducing efforts in developing countries.

### *2.2.1 Welfare regimes and poverty*

Despite the fact that Harold Wilensky & Charles Lebeaux (1958: 138-47) and Richard Titmuss (1974: 30-32) in their works distinguish between different welfare models, it is fair to say that Esping-Andersen with his book *The Three Worlds of Welfare Capitalism* (1990) kicked off welfare regime theory. Esping-Andersen famously identified three welfare regime types in the Western World named the 'liberal' welfare state, the 'corporatist' welfare state, and the 'social democratic' welfare state. In categorising these regime types, he found that countries clustered depending on the arrangements between state, market and family, and how these institutions shaped the extension of social rights and social stratification, i.e. the idea that the welfare state 'is an active force in the ordering of social relations' (Esping-Andersen, 1990: 3-4, 23).

To clarify, in a liberal welfare state the extension of social rights is limited as benefits are typically modest, and entitlement rules are strict. The role of the state is marginal, and welfare policies are targeted to those unable to provide for themselves in the market. This creates a social stratification that is in a sense dual – the majority seeks welfare security in the market, whereas the poorer minority relies on minimum transfers from the state.

In the corporatist welfare state, the state tends to play a stronger role than the market as a provider of welfare. The state is strongly committed to preserving traditional family structures, and the family's role is central in securing the well-being of individuals. Even though social rights tend to be more comprehensive than in the liberal ideal type, social rights are attached to class and status, and social stratification is therefore strengthened according to the existing class system, and the redistributive impact of welfare policies is negligible.

In the social democratic welfare state, the state plays a dominant role as a welfare provider and guarantor of full employment. Social rights are extended to include also the middle class and based on principles of universalism, equality, and de-commodification (that is, the right to services so that an individual 'can maintain a livelihood without reliance on the market' (ibid.: 22)). As such, social stratification becomes less well-defined compared to the other two ideal types – all groups in society rely on and benefit from the state (ibid.: 26-28).

In defining the different welfare regimes, Esping-Andersen refers to various characteristics actually concerning both institutions and outcomes of welfare states (Korpi & Palme, 1998: 665). Therefore, maybe, it is not surprising that he concentrates less on the actual relation between a certain type of welfare state and a specific outcome, such as poverty. Nevertheless, he does note that research has shown startling cross-national differences on poverty rates relating to regime types (Esping-Andersen, 1990:57), and that in periods of welfare state crisis, the liberal regimes experienced rising inequality and poverty whereas the other regime types were more stable (Esping-Andersen, 1996:16).

Studies analysing the relation between type of welfare state and poverty generally find that social democratic welfare regimes display lower rates of poverty and are more egalitarian, whereas the liberal regimes have the highest rates of poverty and inequality. The corporatist welfare states are placed somewhere in between as they are in general much more generous than liberal regimes, but less redistributive than social democratic ones (Fouarge & Layte, 2005; Korpi & Palme, 1998; Huber & Stephens 2001; Hedstrom & Ringen, 1985; Smeeding, Torrey, and Rein, 1988).

Although studies from the West confirm a relationship between type of welfare state and poverty, and although the exercise of regime classification helps to characterise welfare systems across multiple dimensions, it seems futile to follow the track of regime typology for a number of reasons.

First, and in relation to welfare regime theory in general: When we are interested in a rather specific outcome of welfare policies such as poverty, there could be a danger of categorising the welfare regimes on a linear scale going from the best to worst ‘poverty-alleviators’ without understanding the complex mix of state-market-family relations in each welfare state and the related issues of social rights and social stratification (Esping-Andersen, 1990:76-77). The concept of welfare state also constitutes an overall problem as many different phenomena are often discussed and analysed under the same heading (Stiller & Kersbergen, 2005:12); for instance, analyses of welfare state as the dependent variable tend to pool both inputs, such as legislature and welfare expenditures, and outputs, i.e. provision of specific services and transfers, as well as outcomes – inequality and poverty (Huber & Stephens, 2001: 50-57; Gough, 2005:4). More radically, it may be argued that policy making is such an incremental and contradictory process that no welfare state exhibits the type of internal consistency displayed by the categorisation of regimes (Kasza, 2002).

Besides, even though welfare states do cluster into specific regime types, there is not always agreement on where a specific country belongs (Abrahamson, 1999: 404-09). To give an example, in Fouarge & Layte’s analysis (2005), the Netherlands is considered a social democratic welfare state, whereas Moeller et al. (2003) and Huber & Stephens (2001) categorise the same country as a corporatist (or Christian democratic) welfare state. Furthermore, some analyses include an additional category of welfare regime types, such as the Southern regime type (Fouarge & Layte, 2005).

Second, and in relation to research in the South: Analyses on welfare policies, and, particularly, on relations between welfare policies and poverty, are rather limited outside the Western World. Much of the existing literature takes as the starting point Esping-Andersen’s welfare regimes followed by a discussion of how welfare states (or welfare systems) in other parts of the world relate to these. This generally leads to the development of yet a number of welfare regime types, which are considered to better characterise these newer welfare states (Aspalter, 2006; Gough & Wood et al., 2004; Rudra, 2007; Barrientos, 2009). It seems reasonable to analyse how welfare states differ across regions and how best to categorise them. However, such attempts do not necessarily increase the understanding of the relation between welfare policies and welfare outcome; particularly as there is a tendency to



mix welfare input, output and outcomes when categorising welfare regimes (Gough, 2004a).

In order to continue, one may ask instead what it is about the social democratic welfare states that make them likely to have lower rates of poverty compared to their liberal and corporatist counterparts, why again do the corporatist and liberal regimes differ, and how we can use this knowledge to understand the relationship between welfare policies and poverty in the developing world.

### *2.2.2 Studies on the relationship between welfare policies and poverty*

When analysing developing countries, it may, given the above discussion, prove more informative to avoid focusing on welfare regime typology and instead consider scholarly contributions that investigate the impact of welfare policies on poverty and inequality. Going through various studies that analyse the effects of welfare states/policies on poverty, one gathers that a number of welfare policy features (often related to welfare regime typologies) are salient in determining a welfare state's ability to secure low levels of poverty or a high degree of equality.

First, many studies refer to the size/generosity of the welfare state or specific welfare policy transfers to indicate the importance of welfare policies for poverty reduction. The general conclusion is here that a more generous welfare state (i.e. one with more extensive welfare policies) will have lower levels of poverty which is quite in accordance with the regime typology saying that social democratic welfare regimes are the most generous and the liberal ones the least. Size and generosity are typically measured as government transfer expenditures as a share of GDP, or as the percentage of government spending on social security, public health, and/or other social spending compared to GDP (Huber & Stephens, 2001: 50-57, 313; Moller et al., 2003; Kenworthy, 1999; Scruggs & Allan, 2006).

This type of welfare policy measure may give a reasonable initial indication of the welfare state character and the general coverage and size of welfare provisions. On the other hand, sole focus on generosity fails to reveal some of the distinct differences between the corporatist and social democratic welfare regimes, which are both seen as generous (Huber & Stephens, 2001: 39). Furthermore, expenditure size does not say anything about either the quality or nature of social services and transfers nor who or how many actually benefit – we make the erroneous assumption that “all spending counts equally” (Esping-Andersen, 1990: 19). This problem is likely to become aggravated in developing countries where there is even less certainty about the quality of implementation and, for that matter, data.

Turning to another welfare policy indicator, some studies analyse the extent of redistribution that a welfare state is responsible for – measured as for instance the difference between pre- and post-tax-transfer incomes (Kim, 2000), or as the percent reduction in the Gini index from before to after taxes and transfers (Huber & Stephens, 2001: 50-57). Here it is found that social democratic welfare states, in general, are more redistributive compared to both liberal and corporatist regimes; in fact, what differentiates the two regimes is not so much the extent of redistribution, but rather that the corporatist regime is more generous than the liberal regime (*ibid.*: 313).

Clearly, as much of what welfare states do is to undertake redistribution of one kind or another (Broadway & Keen, 2000: 679), it seems to be a crucial indicator for understanding the impact of welfare policies on poverty. Furthermore, by measuring the extent of redistribution we move away from welfare policy inputs, where we are uncertain of the quality of actual implementation, to the output side, where we measure the effectiveness of a set of policies. Conversely, these measures of redistribution tell us nothing about which specific tax and transfer policies are put in place. However, recent studies have found that especially the extent to which labour incomes are taxed differentiates welfare states in the West – those with high reliance on taxes from labour income tend to have higher tax revenues and be more generous (Castles & Obinger, 2008; Cusack & Beramendi, 2006), and hence have lower levels of poverty. Nevertheless, the relationship between tax policies and poverty has generally received little attention and is clearly an unspecified area.

A third strategy to identify differences in welfare policies could be to distinguish specific social policies with regard to state vs. market involvement. Korpi & Palme (1998) develop five models for social insurance institutions (regarding pension and sickness benefits); the models basically follow a continuum from the highest degree of market involvement compared to state involvement to the lowest degree of market involvement and the greatest state encroachment on distribution. They find that the encompassing social insurance model, in which public involvement dominates and private insurance institutions are minimal, is also the most efficient model to reduce poverty. At the other end of the continuum, countries that generally follow the targeted model turn out to also have the highest poverty figures.

By using the state-market features of social policies as a guiding line, Korpi & Palme are able to differentiate policies on a fairly simple principle. While their categories seem to resemble Esping-Andersen's typologies, the role of the family has been discarded (Esping-Andersen has also been criticised for neglecting this aspect of welfare states, at least in his 1990-book

(Gough, 2004a: 25-26)). This leads to the first concern with this way of analysing welfare policies – because how would such models fit in developing countries where not only the family, but also the community and informal sector play large roles? Also, though Korpi & Palme elaborate on state vs. market involvement in the different models, it is unclear how one can understand and analyse the state-market mix and its relation to poverty in other welfare policy areas, such as for instance tax or the provision of health services.

A fourth aspect of welfare states that has been put forward is de-commodification, which is central in Esping-Andersen's regime typologies. The extent of de-commodification measures the degree to which individuals "can uphold a socially acceptable standard of living independently of market participation" (Esping-Andersen, 1990:37). Analyses demonstrate that the extent of de-commodification correlates with welfare regime types and poverty – such that higher degrees of de-commodification are related to lower levels of poverty (ibid.: 35-53; Kenworthy, 1999).

De-commodification indicates how comprehensive the welfare state is as it attempts to measure exactly how well the welfare state provides for the individual so that its well-being does not rely on the market (or the family / community). However, many developing countries have not reached an appropriate level of commodification which means that if some means of de-commodification are put in place they, in fact, may only benefit a small group (i.e. those lucky enough to be in formal employment) (Rudra, 2007). In such a scenario, de-commodification does not necessarily indicate a broad and egalitarian welfare state, but rather one that upholds social stratifications and inequality.

To sum up, I have identified four overall areas of welfare policies affecting poverty levels.<sup>4</sup> These areas are generally related to the three welfare regime types. Essentially, we saw that states with generous social policy provisions – with high taxation levels and with the state in a leading role over the market in providing social security transfers – have the welfare policy characteristics that lead to the lowest level of poverty.

According to Esping-Andersen, the differences in the nature of welfare policies lies in middle-class commitment to the welfare state (1990: 29-33). The liberal welfare state does badly with regard to poverty, exactly because

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<sup>4</sup> Other welfare policy indicators have been used in research, such as for instance social wage (income an individual will receive when he is not working) (Kenworthy, 1999), means-tested benefits, different types of allowances, and unemployment compensation (Moller et al., 2003). These indicators are very specific and can arguably fall under some of the more general welfare policy features outlined above.

the welfare state essentially caters for the working class and the poor, whereas the middle class benefit from private insurances and benefits; this limits the middle class' loyalty and support to the welfare state and the generosity and redistributive effects of welfare policies consequently become minimal. Furthermore, the market is seen as the main tool for social security, which also limits the coverage of de-commodification related policies. On the contrary, especially social democratic regimes are more equal and with a smaller proportion of poor people, because of middle class commitment to the welfare state; the welfare state does not split the population as in the liberal model – rather it incorporates all groups and thus becomes more encompassing and generous.

Thus, at least in the Western world, one can argue that poverty reducing welfare policies are not about the poor but about the middle class. Korpi & Palme (1998) support this argument in their analysis. They show that welfare states with more encompassing welfare programmes have less poverty, whereas welfare states with targeted and private programmes tend to have higher levels of poverty and inequality. As they say: “the more we target benefits at the poor only and the more concerned we are with creating equality via equal public transfers to all, the less likely we are to reduce poverty and inequality” (ibid.: 681). Also, Kim (2000: 125) argues that specific anti-poverty programmes matter less in relation to poverty than the overall level of redistribution undertaken by the welfare state. The main conclusion on welfare policies in the OECD is that broadly based and generous welfare policies (essentially also including the middle classes in a meaningful way), rather than targeted anti-poverty programmes, lead to the lowest levels of poverty. In the next section, I discuss how such knowledge may be applicable to analyses of developing countries.

### *2.2.3 The expected importance of welfare policies for poverty reduction in the developing world*

From the numerous studies on the relationship between welfare policies and poverty in Western countries, welfare policies clearly play a crucial role in reducing poverty levels and increasing equality. In fact, it has been argued that the effects of welfare policies are larger than economic and demographic sources of poverty (Brady, 2005). Principally, there seem to be no obvious reason why welfare policies cannot also positively affect social outcomes in developing countries.

Regrettably, however, it is also obvious that no simple lessons can be drawn regarding which specific policies are the best poverty-alleviators as welfare states contain complicated combinations of welfare policies. Esping-Andersen asserted, already before his book was published in 1990, that one

should be careful to expect welfare policies in different states to follow the same logic (Esping-Andersen, 1987: 6-9). It may be that outcomes of welfare states are fairly universal as welfare policies by definition are concerned with improving the well-being of citizens. Yet it can certainly be argued, that the means – which exact welfare policies are relevant for such outcomes – are relative, and that, most definitely, one cannot just copy a system of welfare policies from one country to another (Wood & Gough, 2004: 323-24).

Yet another lesson from the above discussion of scholarly work is that, to a large extent and most simply, it matters how *inclusive* welfare policies are. Not only do more generous welfare policies lead to lower poverty levels, welfare systems with broad coverage of welfare policies also tend to have higher levels of well-being. It may seem counter-intuitive that welfare policies reaching broad segments of society and therefore also non-poor groups are actually the most effective policies to decrease poverty. As argued by Korpi & Palme, the reason for this lies in how the overall welfare system develops. In the following, I elaborate on how both generosity and coverage are important aspects of welfare policies – and how they relate to not only social transfers (on which Korpi & Palme concentrate), but also to social services and taxation.

Much research on the relationship between welfare policies and poverty concentrates on social security transfers and less on the importance of social services, such as provisions of education and health. Initially, this may seem surprising as we saw in Chapter 1 that investments in human capital are considered important poverty alleviating strategies in developing countries. All the same, even if important for poverty reduction, social services may account for less of the variation across countries. Studies including social services, most notably public health expenditures, may find that they have some effect on poverty (Brady, 2005). However, it has also been shown that within the OECD, welfare states vary little as regards health expenditures (Castles, 2008; Jensen, 2008b). From the developing countries' perspective then, it is likely that social service provisions impact on poverty, but also that this type of welfare policies will reveal little about the general character of a specific welfare system as, in the long term, (health) services may receive reasonably high priority in most countries (Jensen, 2008b: 160). Expenditure and delivery are of course two different things. If social services have broad coverage and is of a reasonable quality, such services may give the welfare system legitimacy and ensure support for possible welfare policy expansions.

It is somewhat unclear and even contradictory how the financing side of welfare policies relates to poverty. It is considered commonsense that progressive taxation is a tool for redistribution. Yet arguably, the effects of public spending are substantially more redistributive than steeply progressive taxa-

tion (Steinmo, 1993: 2). Using Sweden, US and UK as examples, Sven Steinmo shows how 'big-welfare-state' Sweden in fact relies less on progressive taxation than the US and UK. Rather, in Sweden, a heavy tax burden is borne by all income groups thereby generating huge revenues to the state which in turn spends generously on social transfers and services. Of course, the argument here is not that countries must do as Sweden; the argument is merely that the direct impact of a specific tax policy on income distribution will not reveal how the overall structure and design of a tax system determine the level of welfare policy spending (ibid.:195).

Generous social services and benefits are obviously desirable if the goal is to reduce poverty and inequality, and in this regard taxation is an important tool to ensure sufficient revenue. If policies are targeted and not reaching the majority of tax payers, most self-interested individuals want to pay as little as possible. Conversely, in the case of high-benefit provisions for the majority, tolerance to increase the tax burden will be higher and constitute a self-enforcing process where taxation ensures majority support for generous social services and transfers (Kato, 2003: 203-4). This link between the spending and financing side of welfare policies is also confirmed by Timmons (2005) who, based on a quantitative study of about ninety countries, contends that states will tend to provide more benefits and services to the groups of taxpayers who provide more revenue. He thus finds that if the state raises most of its revenue from the wealthy, the state is more likely to provide goods they desire (which, he argues, is mainly to protect property rights), whereas the state will be inclined to provide basic public services and improve social welfare if the main bulk of revenues are received from lower-income groups, as that is what this group desires. Once again, then, the logic is that welfare policies need to be inclusive in that broad based taxation not only ensures more funds, but also the possibility of reverting the money back to large segments of the population. The areas of spending may be social services, as already discussed, or social transfers.

Regarding social transfers such as pension, unemployment funds, sickness benefits and poverty relief, the contention is once again that broad coverage is better than targeted provisions. An argument also made in the developmental literature (Mkandawire, 2005). A distinction is hereby made between universal and targeted, also called means-tested, policies. However, social transfers may also be insurance based with benefits paid based on contributions and entitlement related to employment status. While these insurance based policies, a defining character in corporatist welfare states, may not be redistributive as only those employed receive benefit, they are still characterised by being just as generous as social transfers in the social democratic

models (Bonoli, 1997) – not surprising in our logic as insurance based policies ensure the support of the middle class. While universal policies may in themselves be more redistributive than insurance based ones (but potentially less generous),<sup>5</sup> we also find that countries tend to have a mix of different types of policies. Indeed, Korpi and Palme (1998) find that it is not the countries with mainly universal welfare policies that have the lowest levels of poverty and inequality, but rather those countries that *combine* generous universal programmes with earnings-related policies. Hence, insurance based policies cannot be cast aside as less important than universal policies with respect to social outcomes. Rather, both the coverage and generosity of the overall welfare policy mix matters.

Accordingly, we find that welfare policies are inclusive if taxes, services and benefits are such that most pay but also benefit some. Welfare policies are not inclusive if taxes are generally negligible for large segments of the population, and if benefits are only targeted at specific groups and not relevant to most income groups. The expectation is further that a set of fairly inclusive welfare policies is accompanied by lower levels of poverty compared to non-inclusive welfare policies. Botswana's comparably high level of poverty is in all probability because welfare policies in Botswana exclude large segments of the population as both beneficiaries and contributors. And it is probable that generous and broadly based policies reduce poverty levels in all developing countries – just as in the developed countries.

By taking advantage of the welfare regime literature, I not only expand this theory to new grounds, but am also able to explain why and how welfare policies are expected to impact on poverty levels in developing countries. Furthermore, I elaborate on the theoretical framework by including not only the spending but also the financing side of welfare policies.

Evidently, the relationship between welfare policies and poverty has also in developing countries received some scholarly attention, mainly as evaluations of specific policies' impact on social outcomes in a number of countries. A notable example of a study of broader appeal is the works of Dréze & Sen (1989) who convincingly make a case for the state's importance in eradicating extreme deprivation, though mainly in relation to provision of education and health services. Hall & Midgley (2004: 244-57) give interesting insights into the diminishing role of social security programmes in developing countries, the challenges involved in expanding welfare policies, but also the po-

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<sup>5</sup> Even if universal policies by definition also include the middle class, they may be of little relevance to this group if the policies only provide negligible supplements to their income. If this is the case, it is likely that the middle class rely much more on private benefits and, therefore, are more likely to promote such policies.

tential value of such policies. Developing countries clearly face serious obstacles such as economic constraints and institutional incapacity which complicates expansion of welfare policies. Welfare policies may also have unwanted (for some) negative consequences if only specific, well-off groups receive benefits (ibid.). Yet many developing countries have introduced welfare policies and expanded their welfare systems to such an extent that it is worthwhile to analyse how such policies have come about.

## **2.3 Welfare policy development**

A central argument in this dissertation is that the character of welfare policies affects poverty levels in a country. Some states end up with costly but generous and comprehensive welfare policies, whereas others, intentionally or not, end up with less redistributive, cheaper welfare policies; in the latter, people will rely more on the market, family or community for their well-being than on the state, which often leads to more unequal societies and groups of poor who find it difficult to fend for themselves.

Part of the argument is also that the welfare policy mix is an outcome of an incremental and complex process influenced by the interest of various groups. Welfare policies are hardly ever introduced fully on a clean slate, but rather initiated in specific social, political and economic contexts, and expanded as well as changed over time allowing for certain welfare policy characteristics to develop. Thus, rather than considering welfare policies as instruments easily transferred across countries with the noble aim of improving well-being, we need to understand the underlying causes of welfare policy development. If we ignore the politics of welfare policy development, we may misinterpret these policies' exact role in reducing poverty.

In the next section, I present three main theoretical fields from which I draw inspiration. Based on these major fields, I elaborate on the theoretical framework of welfare policy development before discussing alternative causes to a specific welfare policy mix.

### *2.3.1 Origins and expansion of welfare policies – the theoretical fields*

Unlike the relationship between welfare policies and poverty, there are examples in the welfare regime literature that concentrate on the causes of welfare policies and welfare states in developing countries (most notably Haggard & Kaufman, 2008; Sandbrook et al., 2007; Bangura ed., 2007). While I draw inspiration from such contributions, suggest modifications to the theoretical arguments, and hence expand our accumulative knowledge of welfare policy development in the South I – like these scholars – also build on insights from the traditional welfare regime literature.



The theoretical focus is on welfare policy expansion rather than on retrenchment as developing countries are considered to still extend their welfare systems, even though there might be periods of stagnation or cutback. Furthermore, the theoretical framework is in particular based on aspects from modernisation theory, the power resource approach as well as the ideas of path dependence. I will briefly introduce these three theoretical fields in the following, before turning to the discussion of how to explain welfare policy development in the South.

The earliest explanations to the origins of welfare policies and their subsequent expansion fall within the field of *modernisation theories*. According to this perspective, welfare states developed as a response to the era of industrialisation such that escalating industrial sectors, changing demographic structures and rising economic prosperity were critical determinants of welfare policy expansion. Equally, the age of the welfare system – as in the sheer number of years the welfare programmes have existed – was considered an important cause (Wilensky, 1975; Pierson, 2004). The modernisation perspective has for long been out of favour as it is unable to explain variations of welfare states across similarly, economically wealthy nations (Esping-Andersen, 1987). Besides, contrary to the beliefs in the 1950s and 1960s, developing countries have not experienced the same economic and industrial development as in the West. Even so, certain aspects of the modernisation thesis may still have some merit. While not discrediting the potential importance of some level of economic prosperity, I argue that particularly the organisation of a country's economy create important underlying features which can explain variations in welfare policy development.

Following these structural and rather deterministic explanations to the emergence and expansion of the welfare state, politics and specifically class analyses gained dominance as an explanatory factor in Western welfare regime theory. According to the *power resource approach*, welfare policy development is caused by the struggle of different classes over who is to benefit from welfare policies. The working class, represented in parties on the left, plays an important role in promoting welfare policy expansion, whereas higher income groups will be less inclined to support welfare policies, especially if they are highly redistributive (Korpi, 1983; Hicks & Swank, 1984; Therborn, 1986; Korpi, 1989). From being traditionally focused on mainly the role of the working class, the power resource approach has been modified over the years and is still a relevant causal factor in both Western welfare regime literature and the newer literature on welfare states in developing countries (Haggard & Kaufman, 2008; Sandbrook et al., 2007).

The third and final theoretical contribution, from which I draw inspiration, is the concept of *path dependence* (Pierson, 2000). The path dependence perspective is not confined to the welfare regime literature, but is able to explain how policy expansion (or retrenchment) tends to follow a certain path of development, where subsequent policy decisions are bound by previous policy initiatives and institutional frameworks.

### *2.3.2 Explaining welfare policy development in developing countries*

Overall, the theoretical framework falls within the approach of historical institutionalism. Historical institutionalists view institutions (such as welfare policies) as products of concrete temporal processes. When we focus on the themes of power and interests of actors, we must remember that actors are constrained by institutions. It is not that the institutions determine the behaviour, they merely provide a context for action which enhances our understanding of why actors make the choices they do (Thelen, 1999; Immergut, 1998).

Thus, historical institutionalism allows us to bridge the usual structure-actor divide: Though agency is the immediate influence on welfare policy choices, the actors' preferences and choices are shaped by the context of institutional constraints and policy legacies. Furthermore, the actors' power resources are in large parts determined by economic structures influencing the position of actors vis-à-vis others in the policy bargaining process. To clarify these propositions, I discuss in the following three theoretical factors which, I argue, together explain the development of a certain welfare policy mix in developing countries; namely political alignments, production regime, and path dependence.

#### Political alignments

In the early 1980s, Walter Korpi argued that “we have to focus on the distribution of power resources between the main classes” (1983: 4) if we are to understand the development of Western welfare states. He goes on to suggest that there are two types of power resources: 1) capital and control over the means of production, and 2) ‘human capital’ as in labour power, education and occupational skills. Whereas the first power resource is in the hands of business, the second is in the command of the wage earners. However, as human capital is a resource spread out across many actors (unlike capital, which is concentrated and convertible), the wage earners' bargaining position depends on their organisation into trade unions and political parties. If wage earners are able to organise, they will seek to promote welfare policies favouring redistribution and income security. Hence, to Korpi, the main promoter of welfare policies is the working class: “My general hypothesis is that

the presence of reformist socialist parties in the government can bring public policies closer to wage earner interests” (ibid.:25).

The critical role of the working class, mobilised along socialist ideologies and organised into trade unions and leftist political parties, has not necessarily in itself been disputed by subsequent researchers. Rather, the main critique centres on the almost sole focus on socialist parties and trade unions and the assumption that the mobilisation of wage earners is the direct cause of welfare policy development (Esping-Andersen, 1990: 17-18). Prominent welfare regime theorists have instead argued that to explain variations in welfare policies across nations, one needs to analyse ‘class-coalitions’ (ibid.) or alternatively ‘the class power balance’ (Huber & Stephens, 2001:3) of different organised interests. Hence, not only do the power relations between labour and capital explain variations in welfare policies. It also matters whether the working class forges alliances with other classes, such as farmers’ organisations and emerging middle classes, just as much as conservative and religious interests may influence the policy bargaining process and hence the welfare policy outcome. The essential point of the power resource approach is therefore not the role of the working class itself, but rather how different dominant classes are able to organise and promote their interests vis-à-vis other classes. It is “variations in [...] power relations over time and across countries [that] account for variations in state policy, particularly the distributive impact of state policy” (Huber & Stephens, 2001: 13).

Research on the formative years of Western welfare states confirms that mobilised interest played a critical role in affecting different welfare policy characteristics. For instance, parties representing the working class dominated in the Scandinavian social democratic models, whereas the conservative, catholic parties were prominent in the creation of the welfare states in Germany, France and other central European countries (Castles, 1998; Huber & Stephens, 2001; Esping-Andersen, 1990). And while the working class is a primary advocate of welfare policy expansion, the crucial factor in explaining the characteristics of welfare policies is how other classes relate to the rise of working class interests and the coalitions created in the policy bargaining process. It is thus indicative that the first example of welfare policies were not initiated by working class based socialist parties, but rather by the conservative and autocratic German Chancellor Bismarck (as a response to a perceived threat of working class uprising) (de Swaan, 1988: 187-92). It is equally suggestive that the working class and union movements initially favoured targeted welfare policies and only later supported principles of universality, while in fact the working class alliances with small farmers ensured the de-

velopment of broad based welfare policies in Scandinavia (Sandbrook et al., 2007: 29-30; Esping-Andersen, 1990: 31).

The power resource approach is a compelling explanation to welfare policy development in the West, and I contend that this theoretical perspective also has validity in explaining the development of various welfare systems in developing countries. Nevertheless, before I elaborate on how the ideas of power resources and political bargaining may prove useful in explaining welfare policy development also outside the West a note of caution is in place.

In a sense, a class analysis, such as the power resource approach, is quite appropriate when analysing welfare policies, as the notion of class is often associated with the struggle over resources between different groups in society – particularly between the ‘haves’ and ‘have nots’ (Thomson, 2004: 82). Nonetheless, to blindly use class analysis in developing countries may be problematic as it is less straightforward to identify the traditional classes and related political parties than it is in the West (even ideological party labels may be misleading) (Sandbrook et al., 2007: 19-22). In some developing countries, most notably in Africa, capitalism is mixed with pre-capitalist modes of production, and industrialisation has not developed as it did in the West. Therefore, class structures are very different – one can hardly speak of a proletariat, the middle class is often insignificant, and the elite is a rather heterogeneous group as sources of domination are not only related to economic resources, but also to positions in society (Thomson, 2004; Sklar, 1979; Bayart, 1993). A class analysis of developing countries may then turn out rather illusionary with the researcher identifying classes which either barely exist or with substantial different features than their Western counterparts. Even so, various groups of organised interests seeking to influence the policy making process can also be identified in developing countries.

In their analysis of welfare state development in East Asia, Latin America and Eastern Europe, Haggard & Kaufman (2008) follow the power resource approach and analyse the role of political elites and how they incorporate or exclude the interests of urban labour and rural poor. Specifically, they are interested in the change of power positions at a critical juncture which may affect the interrelation between political elites and other organised groups with consequences for welfare policy development. To describe this situation, they use the terminology ‘critical realignments’ which refers to “a discontinuity in both the composition of political elite and in the political and legal status of labour and peasants organisations and mass political parties” (45).

Like the Western based power resource approach, Haggard & Kaufman also bring to our attention the importance of inter-class power struggles for policy outcomes. The urban labourers as well as the peasants are critical ac-

tors. From this perspective, Haggard & Kaufman are sensitive to the settings of developing countries as large parts of the populations often still live in rural areas, and the political elite needs also to relate to the group of poor peasants. Common for both urban labourers and rural peasants are that they have an interest in welfare policy expansion – both groups have very low and insecure incomes.

Whereas Korpi (1983: 26) focuses on the relation between labour and capital and, in this sense, may pay more attention to the power position of the economic elite, Haggard & Kaufman concentrate on the political elite. The organisational strength of the lower income groups has an influence on the political elite's policy decisions, but the elite is also affected by its own ability and resources to either incorporate or exclude such groups from the political system (Haggard & Kaufman, 2008: 46).

How elites perceive and react to poorer groups in society and the consequences of their awareness on poverty reducing policies have also received some attention in the developmental literature (Reis & Moore eds, 2005). From this viewpoint, the elites will be more inclined to bring about policies beneficial to the poor if they are conscious of the poor's situation. Elites can be driven to action either negatively through a perception that the poor is a threat to their security and position, or positively due to an understanding that poverty reduction will produce gains and make most people better off (De Swaan, 2005: 184-87; Moore & Hossain, 2005: 200-06).

Undoubtedly, we must include the positions of political and economic elites as well as the organisation of both urban and rural lower income groups in a power resource analysis of welfare policy development in the South. Still, the analysis must also include the 'middle class' – the groups that are in between the political and economic elites and the lower income groups. Even though the groups 'in the middle' is a rather heterogeneous group including actors such as small farm owners, white collar employees, and small entrepreneurs in formal and informal sectors, these actors figure centrally in class coalitions (Sandbrook et al., 2007: 22). In fact, as we saw, the middle classes' commitment to welfare policies is crucial to the expansion of such policies.

Based on the above discussion, I argue that to explain variations in the character of welfare policies in developing countries, it is central to study the *political alignments*. Political alignments<sup>6</sup> refer to power resources and posi-

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<sup>6</sup> Though fairly similar to the concept 'critical realignments' presented by Haggard & Kaufman, political alignments are different because there need not be a discontinuity of the different groups' compositions – particularly the power resources of economic elites may not change as swiftly as the idea of critical juncture entails. Hag-

tions of different groups; that is, the organisation and mobilisation of groups as well as their scope of influence vis-à-vis other groups.

The actual interests of the main groups in welfare policy expansion and their likely alliances are expected to be as follows: *Economic elites* (capitalists) promote policies that will enhance their investment opportunities, such as property rights, low taxation and limited, preferably non-redistributive, social policies. However, they may be willing to make (to them) costly compromises, if it still ensures their own livelihoods (businesses). *Political elites* are drawn by their need for political support; thus their approach to welfare policies depends on who influence them, their need to make political compromises and on how potential policies affect their own livelihoods. *Middle classes* (urban and rural) are likely to support broad-based welfare policies if they stand to benefit; if the middle class as a whole gain little from policies, they are not likely to support their expansion. *Urban workers* support welfare policy expansion – they may promote policies benefitting labourers as a specific group or may advocate for more broad-based policies if forging alliances with other groups (such as the middle class). *Rural labourers* (such as agricultural workers) support welfare policy expansion but may not have a very strong voice due to their lack of economic and political resources. Both rural and urban lower income groups (where some of them may be classified as poor) thus support welfare policy expansion, particularly if the policies are redistributive; however, it is critical that these groups are organised if they are to gain any political clout vis-à-vis the more resourceful elite groups.

Policy demands and results are thus consequences of different representation of interests and how these interests are able to influence the political process. In this regard, politics link political alignments to policy outcomes. Welfare policies are initiated and changed through the process of bargaining and negotiation between different influential groups – it is through politics that collective and binding decisions are made about resource use and allocation (Leftwich, 2008: 5-6).

It is not simple to analyse the political process of negotiations that takes place between various groups, both formally and informally, just as the notion of bargaining also implies that the outcome of interaction cannot easily be pre-determined (Korpi, 1983: 20). To trace the political bargaining behind policy decisions, my starting point is the political alignments. That is, I identify the extent of mobilisation and organisation of different groups; I then establish the groups' different policy interests and preferences and seek to iden-

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gard & Kaufman also fail to consider the changing compositions of groups after a particular juncture in their analysis – unless when it relates to the introduction of democracy.

tify the alliances between different groups and to find out who dominated policy-making. As such, I expect policies to reflect the interests of the main decision-makers and the dominant groups influencing them.

Thus, the formation of specific political alignments is critical in explaining variations in welfare policy expansion. From proponents of the power resource approach, we also take with us that the power resources of different classes are dependent on the organisation of the economy (Korpi, 1983: 4).

### Production regime

It has been argued that a state will not institutionalise welfare policies which “conflict fundamentally and consistently with principles of the dominant economic system and power relations” (Makandawire, 2004: 12). We have already at length considered the importance of power resources, now we turn to the organisation of the economy – here termed the *production regime*. Economy plays a role in welfare policy development along two lines: First, the organisation of the economy determines the strength and behaviour of various organised interests in society (Huber & Stephens, 2001: 86) and as such the economy is an important underlying feature in identifying the political alignments of relevant economic and political groups. Second, economic policies may also be part of the policy bargaining process and complement or conflict with welfare policies with long term consequences for welfare policy development. I will discuss the two lines in turn.

The modernisation theories may often be disapproved given the rather deterministic outlook and hence inability to explain welfare systems across developing countries that have not had similar experiences of industrialisation and modernisation as in the West (Haggard & Kaufman, 2008: 6-7; Amenta, 2003: 91,100). However, modernisation theories still draw our attention to how changing economic structures affect the routes of development and policy making which is particularly relevant to developing countries with varying experiences of economic transformation.

For instance, Timmer & Akkus (2008) see economic structural transformation as a defining characteristic of the development process. They do not focus on welfare policies but, nevertheless, suggest that structural transformation in the economy, such as a declining share of agriculture and a rise of a modern industrial and service economy, creates a more productive economy with consequences for growth and poverty reduction.

Within the welfare regime literature, Nita Rudra argues that welfare states in developing countries vary not only with respect to specific welfare policies but also with regard to economic development strategies. The author specifically distinguishes between ‘protective welfare states’ with historically protected domestic markets and prioritised decommodification, and ‘produc-

tive welfare states' with prioritised commodification which, according to the author, initially evolved from systems actively encouraging participation in export markets (2007: 382-85). Whether one finds Rudra's distinction of welfare states in developing countries useful or not, the scholar highlights a crucial difference between welfare state development in the West and in the developing countries. Because while commodification – i.e. where the majority of the population is dependent on wage labour in a formalised, capitalist market – was a prerequisite to welfare policy development in the West (Esping-Andersen, 1990: 35-37), this is not a given in developing countries. In fact, many developing countries have introduced welfare policies at lower levels of economic modernisation than their Western counterparts (Hort & Kuhnle, 2000; Pierson, 2004), and large parts of the population are still in informal and/or non wage based employment in many of the developing countries.

Haggard & Kaufman equally suggest that the initiation of welfare policies in developing countries unfolded in predominantly rural societies and that in the subsequent decades societies were “dramatically transformed by economic growth and corresponding processes of structural change, most notably the dramatic expansion of the industrial sector” (2008: 61). This transformation had important influences on welfare policy because the development strategies, as they conceptualise such structural changes in the economy, “structured the incentives facing firms and workers” (ibid.).

To capture the structural transformation to a country's economy, I borrow the concept *production regime* from Huber & Stephens (2001). Unlike them, who focus on OECD countries, I argue that production regime must include the basic organisation of the economy, thereby clarifying the main areas of production which again will establish the main interest groups and their likely interests in economic and welfare policy bargaining. Similar to Huber & Stephens, however, I also agree that production regimes include institutions and policies that shape wages, employment and investment levels (2001: 86).

Clearly then, the production regime not only shapes the organisation of interests, but also characterises economic strategies. Just as specific production regimes tend to fit with certain types of welfare states in OECD (ibid.: 87-90), arguably, so do specific economic strategies also influence the character of welfare policies in developing countries. In fact, as argued in section 2.1, welfare and economic policies – though theoretically separated – are often empirically interrelated and in combination define a specific welfare system.

When analysing the relation between economic and welfare policies, a sharp distinction can be made between those who argue that the policies are



complementary, and those who see welfare policies only as residual and secondary to economic policies. The view that welfare policies are only remedial measures and should be limited to safety nets for vulnerable groups has dominated in developmental literature and in international organisations such as the World Bank and IMF (Makandawire, 2004: 7). This camp generally finds welfare policies to be overly expensive, inefficient and with a tendency to obstruct economic growth, while also blunting incentives to seek employment and creating dependency and passivity (Haskins, 2006; Mead, 1986). The other group instead suggests that welfare policies complement economic strategies. From this perspective, public investments in welfare policies may for instance improve the quality of the labour force and thus raise productivity rather than being incompatible with economic development (Chang, 2004; Midgley & Tang, 2001; Bellettini & Ceroni, 2000).

Which of the two perspectives dominates may indicate the role given to welfare policies in a country's overall development strategies – so that the group who regards welfare policies as complementary to economic policies will find broad based welfare policies appropriate, whereas the other group will only accept minimal and targeted welfare policies. The argument here is not that we must turn the theoretical explanations of welfare policy development to ideology. Rather, the arguments presented above may be used by different groups depending on their interest in welfare policy expansion.

Hence, it is central to recognise that both welfare and economic policies are part of the policy bargaining process. For instance, lower income groups may accept lower wages in return for some social security provisions, or economic elites may agree to contribute to education and training against tax relief or more lenient employment requirements. It is equally crucial to appreciate that both sets of policies create feed-back loops in the sense that the policies affect political alignments (Haggard & Kaufman, 2008: 71-72) and welfare policies impact on the production regime which is, inevitably, also transformed if economic policies change. For instance, policies on social security, social services, wage setting and employment creation may affect both how the economy is organised and the dominance of certain modes of production, just as the policies may benefit certain groups and arguably strengthen (or weaken) their position vis-à-vis other groups. In this sense, the political process is path dependent, and I will now turn to this last aspect of the theoretical framework.

### Path dependence

The arguments about path dependence help us to understand the inertial 'stickiness' of political developments (Pierson & Skocpol, 2002: 700). The basic idea is that institutions create positive feedbacks (increasing returns)

which reinforce the recurrence of a particular pattern over time. Two main types of feedback effects are common. One refers to the incentive structures created by specific institutions so that actors adapt their strategies in ways that reflect but also reinforce the system in place. The other concerns the distributional effects of institutions where policy feedbacks actively facilitate the empowerment of some groups and marginalise others (Thelen, 1999: 392-96).

In the welfare regime literature, we also find similar arguments on path dependence: Huber & Stephens (2001: 29-32) and Haggard & Kaufman (2008: 196-97) thus suggest that existing regimes and institutions affect the actors' preferences and strategies just as the introduction of specific policies will positively reinforce the future expansion of such policies; or conversely, that retrenchment of welfare policies will be complicated by opposition from welfare policy beneficiaries.

Some researchers focus on the role of formal political institutions (such as veto point in the decision making process) in determining a specific path of policy development (Pierson, 1994; Steinmo, 1993). And while such aspects may be of relevance, particularly at times of welfare policy cutbacks, I mainly regard institutions as policies. As already reasoned – welfare and economic policies shape both the production regime and political alignments with consequences for future welfare policy development. An argument also supported by Pierson & Skocpol: “the specific design of policies can have enormous effect on the resources and strategies subsequently available to political actors – indeed, in many contexts, policies can be as important as formal political institutions in shaping political processes and outcomes” (2002: 710).

The path dependence argument is therefore that once a certain type of welfare policies is in place, the cumulative commitments to such policies and the interests entailed herein will make it difficult to make dramatic changes to such policies. However, it is wrong to suggest that welfare policy expansion is locked in a self-reinforcing path. Rather change may continue, but it is a bounded change (Pierson, 2000: 265). Actors may introduce new policies or change old ones, but the decisions will be influenced by already existing policies as well as the broader political and economic context.

Finally, it may be added that path dependence analyses often include the notion of a critical juncture – a critical moment in history with lasting consequences for subsequent political and economic developments (Thelen, 1999: 388-92). Certainly dramatic historical moments, such as independence from a colonial power, create new political institutions and hence substantially change the power resources of various groups in a society. However, the focus on critical junctures tends to neglect that also little events may have ma-

jor consequences over time (Pierson, 2000: 263). As regards, welfare policy development, it is therefore likely that the initial introduction of a policy – however, small and insignificant – may gain momentum and subsequently be a defining feature of a welfare policy mix.

To sum up, I regard the development of welfare policy policies as an outcome of a historical process where actors in political alignments, and through political bargaining processes, are the immediate cause. However, the behaviour and choices of organised interests are shaped not only by their scope of influence vis-à-vis other groups but also by the underlying production regime characterising the organisation of the economy and economic strategies. Finally, as welfare (and economic) policies develop through a process unfolding over time, initial policies may affect subsequent policy decisions, such that there is an element of path dependence in the character of the evolving welfare system.

### *2.3.3 Alternative explanations*

Above I have presented a fairly comprehensive theoretical framework to account for the development of welfare policies in developing countries. It should come as no surprise that the literature readily offers alternative explanations. Indeed, most of the alternative explanations probably have some merit in explaining the cause of welfare policy development. However, as I seek not to test their theoretical ability, the aim is to control for them sufficiently to be able to verify the empirical relevance of the theoretical framework promoted here. In the following, I present alternative suggestions to welfare policy development ordered in five broad categories: economic growth, democracy, state capacity, international influence, and demography, whereas the issue of controls will be dealt with in Chapter 3.

#### Economic growth

Economic wealth is generally seen as a precondition for welfare policy expansion – a necessary, though not sufficient condition. From this perspective, economic growth and rising affluence enable sustainable increase in welfare spending and extension of welfare policy coverage. The argument in the Western welfare literature is further that once a certain threshold of prosperity is reached, other factors explain variations of welfare policy efforts (Wilensky, 1975: 27-28; Hicks & Swank, 1984; Castles, 1998: 305-06).

In their analysis of Latin America, East Asia and Eastern Europe, Haggard & Kaufman (2008) show how periods of economic growth allow for welfare policy expansion, just as periods of economic stagnation may obscure efforts to extend welfare policies. Through their rich country analyses, they also present their case convincingly that different explanatory factors may have

different relevance depending on the economic situation; i.e. the argument of path dependence and stickiness of policies are particularly prevalent in periods of stagnation when policy cutbacks may be on the agenda (Paul Pierson (1994) presents a similar argument in the Western based literature). Hence, the extent of economic growth and level of economic prosperity may influence the path of welfare policy expansion.

Another influential economic explanation is that of economic openness. Here it is argued that countries with open economies tend to have large public sectors because economic volatility increases demands for social security (Mares, 2005; Rodrik, 1998). Openness can for instance be considered as openness of the financial markets or the proportion of export and import of GDP. The extent of foreign trade is seemingly a defining characteristic of a country's production regime (and thus part of my explanatory framework). Nevertheless, if economic openness refers to the level of freedom to exchange and compete in a country's domestic market, then economic openness may be a competing explanation to welfare policy development.

## Democracy

The processes of democratisation and welfare policy development were, arguably, two interrelated and mutually reinforcing processes in Western countries (Stephens, 2007). Even if welfare policies were not necessarily introduced due to the universalisation of franchise, democracy gave the poor a voice and enabled the working class to rise thereby leading to increased demands for redistributive policies (Bangura & Hedberg, 2007: 6-7).

Democracy, then, clearly seems to be an important condition for welfare policy expansion in that democracy forces the political elite to be responsive to popular demands and also enables the free organisation of interests. Even so, researchers disagree whether democracy actually has any significant effects on welfare policy spending (Mulligan et al., 2004; Rudra & Haggard, 2005). Haggard & Kaufman, though regarding democracy as a crucial factor in explaining welfare policy development, argue that the effects of democracy are conditional on economic circumstances and organised interests, and they use Communist Eastern Europe as the obvious example of welfare policy expansion in authoritarian regimes. Eastern Europe aside, Haggard & Kaufman, however, also point out that the extent of political competition has been crucial in advancing welfare policies further than what political elites may have intended (2008: 77-78; 362).

Hence, democracy and the extent to which the democratic regime fosters political competition and increasing levels of contestation may have some impact on welfare policy development. A sign of competition, and the political elites attempt to garner votes, is the extent of electoral budget cycles.

Scholars working with budget cycles suggest that government budgets increase in election years due to political competition for votes (Rogoff, 1990; Block, 2002). Equally, different types of political institutions within a democratic system may have different impacts on the policy bargaining process in that such institutions (for example, the electoral system) shape the entry points of influence and need for coalition making (Iversen & Soskice, 2006; Steinmo, 1993). The concept of political alignments (my main explanatory variable) also entails political competition and alliance making of interests. However, political alignments do not require the existence of democracy, *per se*, nor suggest that policies are only negotiated and expanded immediately prior to elections.

#### State capacity

State bureaucracies capable of administering and managing welfare policies were important in the development of the Western welfare states (de Swaan, 1988: 223-30), and it is certainly plausible that this also applies to developing countries. Leftwich (2008: 4) suggests that an effective state with a capable and impartial bureaucracy is a requirement not only for economic growth but also for the establishment of welfare regimes in the developing world. And Mares (2005: 644) argues, based on an analysis of both developed and developing countries, that the introduction of social protection policies is conditional on the presence of strong state institutions. One may then expect that the extent of state capacity influences a country's ability to develop welfare policies.

#### International influence

Not only internal but also external factors are likely to influence the path of welfare policy development. One external factor is the era of globalisation. From one perspective, globalisation offers easy diffusion of ideas and may lead to a convergence of welfare policy solutions allowing countries at lower levels to 'catch up' in their developmental efforts. Another perspective is more pessimistic and instead suggests that, due to increasing competition between global corporations, countries are forced to down scale their welfare policies to remain attractive economic markets, and welfare policy development is instead welfare retraction and a 'race to the bottom', and thus a reversed argument of convergence (Hill, 2006: 261-73). Whereas it is unclear whether any level of convergence actually takes place (*ibid.*, Castles, 1998: 312-16), it is not unlikely that globalisation may have some impact on developing countries given the pressure to open already weak economies and, to varying degrees, inability to protect the working population (Pierson, 2002).

Another type of external influence, particularly relevant to developing countries, is that of international agencies, such as the World Bank and IMF. Generally, international organisations drive the current debate on pro-poor growth, and developing countries are likely to be influenced by such diffusion of ideas particularly if countries are reliant on aid and other assistance (Moore & Hossain, 2005: 198-99). Although ideas and ideology are here considered as an external factor, ideology may also be a domestic issue. As for the Western countries, we have discussed how ideologies of the left and right determined welfare policy paths (Boix, 1997), and perhaps political actors are also ideologically inspired in developing countries. However, as Haggard & Kaufman (2008: 361), I expect the impact of partisanship to be far from obvious given the very different context of party development.

### Demography

The last set of competing explanations concerns a country's demographic characteristics and the age of the welfare system. Quite simply, the age of the welfare system refers to when welfare policies were initiated, the argument being that programme duration determines the extent of such policies. While it may be that welfare policies had a narrower reach initially, and only over the years expanded to include other groups, this explanation cannot account for rapid increases of welfare policies in some countries and more incremental or even stagnated welfare policy expansion in others (Wilensky, 1975: 9-12).

As regards demographic features, age of the population is most commonly considered a determining factor as an increase in pensioners will increase welfare policy expenditures. As such, the influence of an ageing population is less related to this group acting as an interest group and thus mainly affects the expenditure side of welfare policies rather than the actual character of welfare policies (Wilensky, 1975: 10-28; Huber, Ragin & Stephens, 1993: 723-43).

In the Western welfare literature, it has further been claimed that more heterogeneous societies tend to have less generous welfare states as redistribution to poor and often racially different groups is unattractive to many voters (Alesina et al., 2001). The debate – that ethnic homogenous societies should be more prone to develop broad based policies – has not yet been concluded (Banting, 2005), but in the developing world ethnic heterogeneity may impact on welfare policy development; if for no other reason that high ethnic diversity may create political instability, poor policies and lack of development (Easterly & Levine, 1997).

## **2.4 Conclusion: Politics, policy and poverty in the developing world**

Welfare policies also reduce poverty in the developing world. That is a core argument in this dissertation. However, we fail to understand the role of welfare policies in creating well-being if we focus on the influence of a single specific policy. Rather we need to analyse the character of welfare policies as more inclusive welfare policies – to which also the non-poor benefits and contributes – tend to lead to lower levels of poverty.

To fully grasp why inclusive welfare policies are better poverty alleviators, we need to understand the politics of policy making. Welfare policies are initiated and expanded through political bargaining processes where groups of mobilised interests seek to enhance their preferences through negotiation. The preferences of different groups depend on the political and economic context, but also on what they already have gained or potentially will gain from welfare policies. The development of welfare policies, and, consequently, its influence on poverty, is therefore best appreciated if analysed as a long-term process where welfare policies and economic strategies develop alongside each other to eventually create a particular type of welfare system.

For this reason, the welfare policy mix (of different types of social transfer, social service, and taxation policies) is the intermediate variable between politics and poverty. I do not attempt to categorise welfare systems in developing countries into specific welfare regimes. Instead, I – by focusing on the overall character of welfare policies – leave the welfare policy concept sufficiently open to not, a priori, determine the value of specific types of welfare policies.

The theoretical argument of the relationship between welfare policies (here the independent variable) and poverty is reasonably simple and well supported by literature from Western studies on comparative social policy. In order to explain the development of welfare policies (now the dependent variable), the theoretical framework gets more complicated and includes a number of relevant and interrelated explanatory factors. Both are appropriate, but the two separate theoretical arguments call for different solutions to the empirical analyses, which I will discuss in the next chapter on methodology.

By thus building on the primarily Western based comparative welfare policy literature, do I then commit the misdeed of being ethnocentric? Of using a theoretical foundation which reflects ‘a Western bias’ (Walker & Wong, 2004: 116), and thereby analysing aspects in developing countries through lenses of misinterpretation and even prejudice? I think not. I rather believe this approach provides both theoretical and empirical gains.

Theoretically, I strengthen the arguments of the welfare regime literature – regarding welfare policies as both cause and effect – by extending the analysis to other geographical fields. If, for example, the revised power resource approach has merit, and if policy bargaining of groups is prevalent in not only the OECD, Asia and Latin America (ref. Haggard & Kaufman, 2008), but also in Africa, then the theoretical propositions have been further tested, modified and improved. Equally, we are likely to gain additional knowledge on the role of economic modernisation in welfare policy development, as the economic circumstances in developing countries differ markedly from those of OECD. An added argument is that welfare regime theory has come so far in understanding the social mechanisms behind the development of welfare policies and their effect on poverty, so that crucial knowledge is lost if these theories are simply ignored. Clearly, research is essentially an accumulative undertaking that builds on other enquiries of similar topics.

Empirically, I bring new insights into the political economy of developing countries, particularly Botswana and, as we shall see, also Mauritius. I offer different perspectives to the prevalence of poverty and the role of policies and politics herein. A danger is that stringent adherence to the theoretical framework leads one to misunderstand concrete features in developing countries – that one sees a lot of trees but miss the actual wood. To meet these challenges, I have concentrated on welfare regime theories covering the earlier stages of welfare policy expansion and, whenever possible, referred to studies on welfare policies in developing countries. Further, I conduct an in-depth analysis of Botswana whereby I will be more open to other relevant features which may be of theoretical relevance. Finally, in the research design, I seek to control for potentially competing explanations, many of which are particularly relevant to developing countries, such that the theoretical arguments proposed here can be tested. This way, we also ensure that important political, economic, and social conditions of developing countries are taken into consideration. How to properly conduct the empirical analysis and the methodological challenges in this regard is the topic of the next chapter.

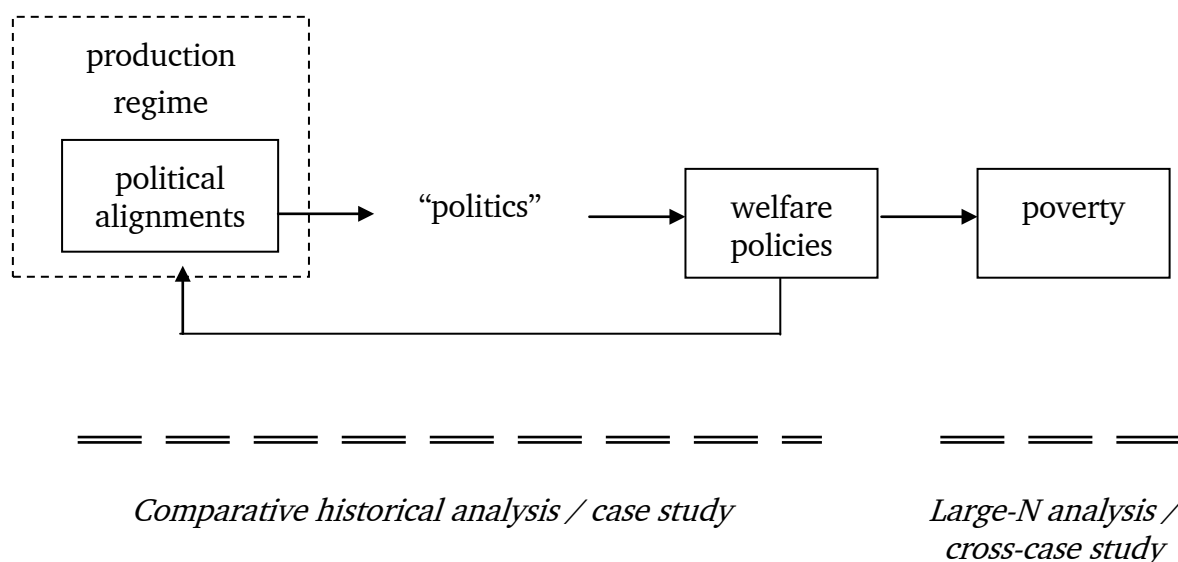


### 3. How to analyse the effect of politics on poverty: Methodological deliberations

My aim in this dissertation is to find plausible answers to the question: How does politics affect poverty levels in developing countries? In this chapter, I discuss how I intend to analyse the link between politics and poverty in the developing world. Given the research goals, theoretical propositions and challenges of empirical research, I propose to utilise a number of methodological tools, and I consider their usefulness, pitfalls, and the trade-offs one invariably has to make.

In the previous chapter, we discussed several theories and scholarly studies on why and how welfare policies and, indirectly, politics matter to poverty. Figure 3.1 below may clarify the theoretical arguments proposed. Political alignments (and as an underlying factor, the production regime, i.e. how the economy is organised) reflect the power resources and positions of different groups and as such their bargaining power in society (“politics”), which again will influence the types of welfare policies established. The welfare policies in turn affect both poverty levels and the (re)distribution of economic resources that again may shape the relative distribution of (political and economic) power among (direct and indirect) participants of the policy-making processes.

Figure 3.1: A simplified model of the theoretical arguments



The theoretical expectations are thus that a more immediate cause of variations in poverty levels is the extent and character of welfare policies implemented. This argument is a theoretically well established relationship confirmed by many empirical studies in the Western world. Furthermore, as there are suitable quantitative data, it is reasonable to conduct a large-N

analysis (what may also be called a cross-case study) to test whether one can expect more inclusive welfare policies to lead to lower poverty levels, also in the developing world.

However, the theoretical propositions go further. Inspired by the power resource approach, the point is that the economic and political position of various groups, their (welfare) policy preferences and interrelated bargaining determine the extent and types of policies put in place. Along the arguments of path dependence, an additional catch is that initial welfare policies will lay down the fundamental principles to guide future expansion. Consequently, to grasp how politics affect poverty levels, one has to analyse the processes behind the policy decisions over the long term while, at the same time, including the important aspect of underlining economic structures.

A major methodological trade-off occurs at this juncture; for though the theoretical argument is encompassing and seeking to explain as much of the world as possible, it may be at the cost of a concretely specified theory where variables are easily observable and the propositions straightforwardly falsifiable (King et al., 1994: 100-14). Both goals are important, and the challenge is to draw a balance (ibid.: 113).

Where some may choose to maximise concreteness by simplifying variables, seek ways to increase the number of observations, and theorise about the relationship of the variables (ibid.: 105-07, 109-12, 127), I agree with the statement that we must recognise that most scholars of comparative politics are moving “towards ontologies<sup>7</sup> that acknowledge more extensive endogeneity and the ubiquity of complex interactions effects” (Hall, 2003: 387).

The challenge is then, as Hall convincingly highlights, to find methodologies that fit our ontology – for, arguably, our current conventional methods (such as standard regression analysis) are unable to deal satisfactorily with the way we often understand and theorise about the world; that is, how do we handle complex causal relationships stretching over an extensive period of time? One solution could be to carry out a *comparative historical analysis*, which is an approach to causal analysis emphasising processes over time and making use of systematic and contextualised comparison; otherwise the approach is not unified by one theory or one method (Mahoney & Ruschemeyer, 2003: 10).

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<sup>7</sup> “An ontology consists of premises about the deep causal structures of the world from which the analysis begins and without which theories about the social world would not make sense” (Hall, 2003: 374).

Studies in the category of comparative historical analysis have beyond doubt contributed greatly to the social sciences<sup>8</sup> (ibid.: 3-4). And, as is argued, such contributions have only been possible due to theoretical and methodological flexibility: “comparative historical scholars press for substantively rich research informed by historical process and variety. And they remain resolutely committed to methodological and theoretical eclecticism as the best way for social science to proceed toward genuinely cumulative “substantive enlightenment”” (Skocpol, 2003: 411). However, for the young scholar searching for ways to ensure that her research is methodological sound, such methodological flexibility can cause moments of despair – for *how* exactly does one make a historical comparative analysis?

In a sense, this discussion of methodological flexibility in comparative case study research<sup>9</sup> goes right to the centre of the current methodological debates of social science. Probably because they found the methodological status of most qualitative research rather dubious, King, Keohane & Verba, (KKV) wrote their prominent book, *Designing Social Inquiry* (1994), on how qualitative research can benefit from the logic of quantitative methods. Needless to say, their contribution sparked many reactions from qualitative scholars (such as Brady & Collier, 2004; Goertz et al, 2006; Mahoney & Rueschemeyer, 2003; Gerring, 2007; George & Bennett, 2005). This debate has been useful for many reasons, not least – whether one agrees with KKV’s other points of criticism – as qualitative researchers have been less explicit about *how* they conduct their empirical analyses to ensure that their results are plausible and verifiable (Gerring, 2007: 8).

Recent reactions to KKV’s book have moved the debate on case study research past the issue of case selection (which, though still lively debated, has actually been the hallmark of qualitative comparative methodology as it is common in this field to explicitly discuss the selection of cases in relation to

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<sup>8</sup> Often cited examples are Ertman, 1997; Collier & Collier, 1991; Skocpol 1979 and 1992; Haggard & Kaufman, 1995; Steinmo, 1993; Tilly, 1990; Linz & Stepan, 1996 (see Mahoney & Rueschemeyer, 2003 for more examples). Of more recent examples one could also include Haggard & Kaufman, 2008; Tilly, 2004; Kohli, 2004 to mention but a few.

<sup>9</sup> Rather than qualitative method, I prefer the term case study research that refers to comparative small-N studies of, usually, countries but not exclusively. Such studies may include analysis of one case, but only if the research has comparison in mind (if only implicit). In case study research, evidence is drawn from a single (or few) case(s), but the number of observations may be many. It follows that case studies may also use quantitative methods, but unlike cross-case studies (large-N), qualitative analysis comprises a significant portion of the research (Gerring, 2007, 3-36). Unless specified, when using the term qualitative research, I generally have case study research in mind.

research question, theoretical framework and prior knowledge of potential cases (Ebbinghaus, 2005: 141)) towards other issues such as data collection and data analysis; that is, the *how*. In fact, the book has pushed qualitative scholars towards a more comprehensive systematisation of their methodologies (Brady, Collier & Seawright, 2004: 6). The recent literature has also highlighted many of the strengths of case study research vis-à-vis cross-case research.

Arguably, both types of research are committed to causal analysis and emphasise the need to systematically use empirical evidence (Goertz, 2006: 223); whether to do case studies or cross-case analyses will largely depend on the research goals and the empirical universe of which the researcher is trying to make sense (Gerring, 2007: 50). What is important on the whole, however, is that whatever the approach, good social science research needs to “recognise strengths and weaknesses of different combinations of goals and tools” (Collier, Brady & Seawright, 2004: 226).

Based on these overall considerations, I conduct a cross-case study (large-N analysis) of the relationship between welfare policies and poverty. In order to analyse how welfare policies develop in developing countries (the left side of Figure 3.1), I make an asymmetric comparative historical analysis of Botswana and Mauritius, such that Botswana is examined in-depth using the process tracing approach and subsequently compared to Mauritius. I thus follow Hall’s ontology in the second and main part of the empirical analysis where I study a complex causal process over a lengthy period of time. However, regarding the relationship between welfare policies and poverty, a cross-case study is appropriate in that I seek to confirm a relatively simple and theoretically well established causal relationship.

In the following, I discuss how these methodological choices fit my research goals and the empirical data available, and elaborate on the strengths and shortcomings of the different approaches. Specifically, I will take on issues that may be particularly precarious in each approach should my research results be deemed plausible. As regards cross-case studies, I will bring to the fore case selection, challenges of using linear regression analysis in country studies, and internal validity, whereas I, in relation to case studies, will discuss case selection, risks of selection and omitted variable bias, use of systematic comparisons, and the challenges of gaining verifiable results in process tracing. Finally, I will elaborate on how to conduct a process tracing analysis of Botswana.

### **3.1 Cross-case study of the relationship between welfare policies and poverty**

In Chapter 1, we explored, in an inductive manner, what may be the cause of Botswana's comparably high poverty levels, and it was suggested that a plausible cause of poverty could be the type of welfare policies in the country. That is, it was proposed that rather than turning to the usual explanations of poverty, one should consider Botswana's welfare policies in order to gain a more comprehensive understanding of the issues of poverty and inequality in Botswana.

The first chapter then established that certainly, in Botswana, poverty can be related to the limited extent and the very nature of welfare policies in place – people are to a large extent poor due to lack of income security, which at least partly can be remedied through welfare policies; furthermore, the welfare policies in place are meagre and mostly targeted, leaving poor people trapped in their destitution.

Our interest in the relationship between welfare policies and poverty goes beyond the case of Botswana; rather, the research goal is to test whether the proposed causal relationship is also relevant elsewhere. Thus, a cross-case analysis, specifically a linear regression method, is useful in this situation where we would like to determine whether countries with more inclusive welfare policies also tend to have lower levels of poverty. What countries would be relevant to my analysis, and are there any threats to the validity of my cross-case study?

#### *3.1.1 Selection of countries for linear regression*

Unlike case study research, where the issue of case selection is discussed at great length and several different case selection methods are suggested and debated (Lijphart, 1975; Lieberman, 1991; De Meur & Berg-Schlosser, 1996; Gerring, 2007; Eckstein, 1975; Przeworski & Teune, 1970), the issue of case selection in cross-case studies seems at first more straightforward. Drawing from statistical inference, the idea is to sample cases randomly from an identified population of relevance to the research question (King et al., 1994: 124). However, as cases in comparative studies are usually countries, the number of cases is already limited and cases of analysis and the population of general interest may therefore often be the same.

This is not necessarily a problem as the analysis can certainly draw inference from all relevant cases and, as such, still generalise results on a broader scope than case studies. Nevertheless, the concern may be that the delimitation of population – countries to where the empirical analysis is applied and inference is made – is not carefully justified and well-founded in relation to

theory and research question, but rather based on common arguments of say similar socio-economic development or EU membership (Ebbinghaus, 2005: 136; Ragin, 2000: 45-49).

It is very common, for instance in the field of welfare regime theory, to find analyses that include only so-called 'advanced industrialised countries' or OECD countries. Sure, some of the theoretical arguments may purely apply to these countries. However, it may also be that because there is only sufficient data for these countries, the conviction has developed that welfare policy studies only really make sense in the context of OECD countries. But why would this be? Voices have been raised that there are good reasons to also study welfare policies in other parts of the world (Walker & Wong, 2004; Gough, 2004b). Besides, and this is normally a common criticism of case studies (King et al., 1994: 147-49), if some aspects of welfare policies / systems are special to the OECD, surely it would strengthen the arguments to test cases outside this group?

Of course, the Achilles' heel here is the availability of data. Good data are often only accessible for a limited number of countries, and certain countries tend to be over- or underrepresented (Ebbinghaus, 2005: 134-36). Even so, we are definitely better off with research of at least some countries than none at all. In this sense, researchers on welfare regimes in advanced industrialised countries are excused – for they will generally, with the type of data available, have little grounding for inferring outside this defined population. Where they may be guilty, however, is in their reluctance to discuss whether their theories are expected to apply elsewhere or, the reverse, their neglect to explain why their theories are only expected to make sense within for example the community of OECD countries.

The other side of the coin to the issue of defining the relevant population and selecting cases is the issue of homogeneity. Already now one could argue that countries in general are very heterogeneous and to wish for an even broader population would further violate the requirement of homogenous cases in statistical inference (Munck, 2004: 112-13). Often, in large cross-case studies, homogeneity seems to be assumed away due to the necessity of including a sufficient number of cases, even though it may be considered as a methodological shortcut. From this perspective, it may in fact be perfectly in order to stick to for example 18 advanced industrialised countries. However, the snag is that, as Ebbinghaus points out, the selection of cases may have considerable impact on dependent and independent variables and therefore lead to potential selection bias (2005: 138). In the case of welfare regime theory, one could for instance imagine that an assumed relationship between democracy and welfare policies (Stephens, 2007) may be overstated, or just

slightly misunderstood, due to the countries actually included in the usual analyses. Also, with a relatively small number of cases, one should be careful not to overrate the findings of linear regressions. Deciding whether cases are sufficiently comparable is a tricky task and may largely depend on the ontology of the researcher (Gerring, 2007: 53), but at least the issue of homogeneity deserves to be mentioned.

As for the cross-case study in Chapter 4, my theoretical argument is that inclusive welfare policies tend to lead to lower levels of poverty when controlled for levels of economic development, good governance and other competing explanations of poverty; this hypothesis is expected to apply to all countries (with the additional justification that very poor countries are unlikely to have any welfare policies in place, but that does not necessarily disprove the point). Nevertheless, the actual population to which I make inference is the developing world (i.e. low and middle income countries). The main reasons are that even if inclusive welfare policies cause lower poverty levels in both developed and developing countries, lack of homogeneity may be so severe that the results may be disputed; besides, as we saw in Chapter 2, this theoretical relation has been proven for developed countries.

A common drawback is, as we have seen, availability of data. While it is less of an issue that data covering all countries is unavailable for key variables, the requirement to have reasonably reliable data limits the number of cases that can be included in the analysis. In order to ensure the highest number of cases, I therefore include all developing countries with available data, which gives me 39 cases in my last regression models.<sup>10</sup> As such, I may risk, as Ebbinghaus indicates, a certain selection bias because, most likely, certain developing countries are underrepresented. However, generally the poorer countries seems to be missing from the data set, and as some level of economic development may be expected for welfare policies to be put in place, the problem may not be that severe.

Will a linear regression analysis of the developing countries meet the requirement of homogeneity? I will argue so. Indeed, as I only make use of the cross-study to establish the relationship between fairly simple macro-level variables, the cases are sufficiently similar to be included in the analysis – though the variables may simplify the context, they paint a reasonable picture of the state of welfare policies, level of poverty, extent of economic prosperity etc. in each country to give valid indications. Were I instead to understand the political processes behind welfare policy making in the cross-case analysis, the assumption of homogeneity would be less acceptable as welfare policy

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<sup>10</sup> A list of these countries can be found in Appendix 3.

development is expected to be caused by a number of interrelated, and to some extent, context-specific factors.

Despite these caveats to the case selection issue, one of the strengths of the cross-case study in my dissertation is clearly that I will be able to generalise more confidently to the (better-off) developing countries about the relationship between welfare policies and poverty albeit the empirical contribution will be limited to testing a causal relation between two variables at one point in time.

### *3.1.2 Concepts, measurement and validity*

It is crucial for any social science research to ensure that theoretical concepts are meaningful and can be operationalised to quantitative or qualitative indicators, because if the indicators, identified for our theoretical variables, do not measure what we expect them to do, then our results are inconsequential.

Though the issue of concepts and measurement validity is certainly relevant for both case and cross-case studies (Brady, 2004:62-66; Rose, 1991), I would like to discuss it in relation to my cross-case study as the plausibility of my results could potentially be attacked from this perspective. First, do my theoretical concepts really apply to the countries of analysis, and, second, do the data measure what I intend them to?

The first issue relates to concept stretching (Satori, 1970; 1991; Collier & Levitsky, 1997), where a well-defined concept is stretched – made more general – to include more cases or, in reverse, the concept is so refined – including more defining attributes – that it applies to fewer cases. In the first scenario, the risk is that one ends up saying very little as the concept loses its meaning and, in the second scenario, the concept may become so specific that little of general interest can be drawn from the analysis. The challenge is of course to find a balance between the two goals when moving up and down the ‘ladder of abstraction’ (Sartori, 1970: 1053; Collier & Levitsky, 1997: 434-37). The second aspect concerns measurement validity – do the indicators I measure meaningfully cover my theoretical concepts (Adcock & Collier, 2001).

In a cross-case study, one should pay attention to the issues of concept stretching and measurement validity. Does it make sense to measure ‘inclusive welfare policies’ across developing countries? And does the poverty measure truly reflect the notion of being poor? In the theoretical chapter, my concept of inclusive welfare policies is fairly comprehensive: Welfare policies are defined to include both social services, benefits and taxation, and if welfare policies are to be *inclusive*, the policies must be generous and have a broad coverage. As is most often the case in cross-case studies, measurements of variables are mere proxies of a concept. In the regression analysis in Chapter 4, the inclusive welfare policies variable combines social policy expendi-



tures as a percentage of GDP and an index for social policy coverage. Thus, the concept of welfare policies is not particularly refined as it only includes one aspect of welfare policies, but I will maintain that the variable gives a fair indication of the inclusiveness of welfare policies, and that the concept at hand has not been stretched beyond the acceptable.

As regards poverty, I use the well-known Human Poverty Index (HPI). Compared to the US\$1 per person a day poverty measure, the HPI measure covers, more broadly, various aspects of poverty (such as lack of knowledge, health, and food) rather than merely seeing poverty as material deprivation and therefore falls well in line with my understanding of poverty as discussed in Chapter 1. Even so, this poverty measure may easily be challenged. Hence, Øyen asks, “which parts of the poverty phenomenon are of such a nature that they can be said to be inherent in all societies?” (2004: 285-86). Others argue that concepts need to be understood and located within the national and disciplinary contexts where they are produced thus complicating the comparison of such socially constructed variables (Hantrais, 2004: 261). The pragmatic angle taken here is that even if the poverty measure fails to include all aspects of being poor, it is better to have a reasonable proxy than no measure at all.

My various control variables may also be criticised along the lines of concept stretching and measurement validity. For instance, one could argue that there is more to economic development than GDP per capita, or that the indicator for government effectiveness may lack validity as the measurements are mere sums of the experts’ own opinions. I elaborate on the concepts, variables and their exact measurements and potential problems in Chapter 4, where I also take up additional requirements and assumptions relevant to linear regression analysis. And while the indicators in the cross-case study may not be perfect, I argue that they suffice. In fact, to conclude, it is easy to find disagreements in social science disciplines of what constitutes the better solutions to difficult challenges. To return to the beginning of this chapter, there is a balance between maximising concreteness and respecting theoretical comprehensiveness and, I might add, the actual context of the various countries. The case study analysis facilitates stronger internal validity since I can better elaborate on the central concepts and establish the truthfulness of causal relationships in the few countries studied. On the other hand, the cross-case study is more representative of the population of interest thereby increasing external validity (Gerring, 2007: 43).

### **3.2 Comparative historical analysis of Botswana and Mauritius**

Unlike the cross-case study, where I am interested in confirming a causal relationship between welfare policies and poverty, the objective of the com-

parative case study is to analyse the causal process from a country's production regime through to the enactment of welfare policies. In this process, 'politics' – i.e. the struggle and bargaining between different groups for influence over policy – is expected to play a major role (in fact, since 'politics' is viewed as a process, rather than a simple, measurable variable, this factor is not in a box in Figure 3.1). Thus, the research goals of the two types of studies are distinctly different – cross-case studies are apt for testing hypotheses of causal relations whereas case studies are appropriate for analysing hypotheses on causal processes or mechanisms (George & Bennett, 2005: 21).

In this respect, it is worth mentioning, that the object of study – my dependent variable – has changed from poverty to welfare policies. Both through a brief, inductive study of Botswana and the cross-case study, the relationship between welfare policies and poverty is already confirmed, and my research interests will henceforth be to clarify the aspects *behind* the development of welfare policies. Of course, it could be interesting, and relevant, to further explore how welfare policies lead to poverty (other than what is already discussed in the theoretical chapter), specifically as relates to actual implementation of policies, but such research objective is outside the scope of this dissertation.

The hasty reader may demur that Botswana is part of the comparative case study research design and argue that one should not study the same (data of) case(s) again when new theory on the same research question needs to be tested (Munck, 1998: 26). However, such a comment would be inappropriate as the case of Botswana was merely explored with respect to the relationship between welfare policies and poverty and not as regards the development of welfare policies. So, to reiterate, although explanations of poverty is a major goal of my dissertation, in the case studies of Botswana and Mauritius, the development of welfare policies is the outcome of interest (yet, out of interest, we shall, when relevant, consider the level of poverty in Mauritius so as to also put this country into the general model of the project).

In considering how best to conduct a comparative historical analysis of Botswana and Mauritius, we may discuss a whole host of methodological issues, but let us first elaborate and reflect on the selection of the two cases.

### *3.2.1 Case selection – deviant and most-similar-system design*

In Chapter 1, we were presented with an empirical puzzle – how come the 'miracle of Africa' is experiencing so relatively high levels of poverty? Given Botswana's high and substantiated economic growth, good administrative institutions and democratic stability, the theoretical expectations would generally be that the level of poverty would be substantially lower in this than in other countries in the region which, as we have seen, was not the case.

In this sense, Botswana can be seen to represent a *deviant* case – the case is atypical in that it is poorly explained by the general theories and therefore entices the researcher to investigate this theoretical anomaly and inductively probe for new, but yet unspecified, explanatory variables or causal mechanisms. Of course, as the case is abnormal, the inductive study requires testing to ensure that the proposed explanations not only apply to the case of Botswana (Gerring, 2007: 105-07; George & Bennett, 2005: 111). The suggested relationship between welfare policies and poverty will, as already discussed, be analysed in a cross-case study, whereas the causal processes leading to the development of welfare policies will be analysed in a comparative study of Botswana and Mauritius in a most-similar-system design.

The general idea of the most-similar-system design is that cases are deliberately selected so that the cases vary on the explanatory variable of interest but are constant on all competing explanations to the outcome. In this sense, the selection is strongly related to the research question and the theory available. It is by no means easy to identify comparable cases and the search for sufficiently similar countries requires that the researcher has considerable knowledge of potential cases.

In the selection of cases, some aspects are worth considering: for instance, one should seek to maximise variance on the independent variable of interest and seek to minimise variance on control variables (Lijphart, 1975: 163-64). This recommendation is useful as well as pragmatic; we should at least expect considerable variance on the explanatory variable to decrease the likelihood of extreme selection bias, whereas the idea of minimising variance on control variables acknowledges that control variables need not be exactly the same, but should rather be similar. In fact, it is argued that control variables need not be measured to a high degree of precision and, furthermore, it is suggested to consider the variables as dichotomous (high/low, present/absent) rather than on a continuous scale (Gerring, 2007: 133). Control variables need not be included if the deviation in such a variable runs counter to the predicted hypothesis (*ibid.*), or if such a variable is partly a consequence of our key causal variable (King et al., 1994: 173).

Of course, completely similar cases can never be identified, but if they share a number of relevant characteristics, it is methodologically defensible to define the cases as sufficiently similar. At the same time, however, there should be full awareness of and reasonable arguments for non-included variables, and it should particularly be ensured that these variables do not affect the relationship of interest (De Winter et al., 1996: 216).

As may be recalled, we theoretically expect the production regime in a country to largely shape political alignments, i.e. the strength and positions of

different actors in society, and that their bargaining for influence ('politics'), affects the types of welfare policies enacted. These welfare policies subsequently influence poverty levels. Initial welfare policies will, furthermore, affect political alignments in a feed-back loop and hence influence future political battles over welfare policies. Hence, though 'politics' covers the main causal process of interest, the independent variables from which we should select cases is production regime and political alignments as they are the underlying background variables. In the theoretical chapter, a range of competing explanations to welfare policy development were also defined and categorised into five broad areas: 1) economic growth, 2) democracy, 3) state capacity, 4) international influence, and 5) demography.

Table 3.1 lists the measures for the independent variables of interest and the competing explanations for Botswana and Mauritius. As for production regimes, the two countries are clearly very different; Botswana's economy relies very much on the diamond industry, whereas Mauritius has an export-oriented market economy. The political alignments are also crucially different, particularly as Mauritius, in contrast to Botswana, has long had strong and influential middle and lower-income classes.

Regarding the control variables, Botswana and Mauritius are capitalist, free and open economies that have experienced long periods of sustained, high economic growth and are currently on a similar level of economic wealth. Indeed, both countries rank well and have quite similar scores on state capacity and good governance indicators, just as they are rated as mature democracies with parliamentary systems and indirectly elected heads of states. Botswana and Mauritius have furthermore been subjected to external influences in similar ways; both have managed to negotiate beneficial access to the Western markets of their main agricultural products (sugar in Mauritius and beef in Botswana), and both have been reasonably free of internationally subscribed development strategies as their aid dependency has been limited; official development assistance was 3.8 percent of GDP for Botswana and 3.7 percent for Mauritius in 1990, with these figures down to 0.7 and 0.5 percent in 2005, respectively (UNDP, 2007: Table 18). Equally important, both have been exposed to first ideologies of state-directed development and modernisation theories and subsequently neo-liberal thinking.

The two countries also have close to identical sizes of elderly and similarly small population sizes. Furthermore, even though Mauritius consists of more visibly different ethnic groups, the citizens of Botswana also come from distinct tribal groups. The Tswana group dominates, and particularly the San people are economically and socially marginalised just as the Afro-Creoles are argued to be in Mauritius (Good, 2008: 103-41; Laville, 2000). Even if Mau-

ritius is considered to be ethnically more heterogeneous, the theory would then expect welfare policies to be more generous in Botswana than in Mauritius, but as we shall see in Chapter 7 that is not the case.

Table 3.1: Comparison of Botswana and Mauritius on independent and control variables

	Botswana	Mauritius
<b>Economic growth</b>	High eco growth for years	High eco growth for years
GDP per capita <sup>i</sup>	Value 12,387 # 54 / 174	Value 12,715, # 52 / 174
Economic Freedom Rating <sup>ii</sup>	Score 7.1, # 35 / 130	Score 7.1, # 40 / 130
<b>Democracy</b>		
Index of Democracy <sup>iii</sup>	Score 7.60, # 36 / 167	Score 8.04, # 25 / 167
Form of democracy	Parliamentarism	Parliamentarism
<b>State capacity</b>		
Corruption <sup>iv</sup>	Score 5.6, # 37 / 163	Score 5.1, # 42 / 163
Governance Indicators <sup>v</sup>	Among best performing African countries	Among best performing African countries
<b>International influence</b>	Was a British protectorate Though a receiver of aid, less controlled by donors and other international agencies	Former British colony Equally less external control / influence compared to other countries in region
<b>Demography</b> <sup>vi</sup>	About 1.8 million people 5.4% of population 65+ Diverse tribal groups	About 1.2 million people 6.4% of population 65+ Diverse ethnic groups
<b>Year of Independence</b>	1966	1968
<b>Production regime</b>	Initial dependence on beef Diamond industry	Initial dependence on sugar Export Processing Zone
<b>Political alignments</b>	Political elite with own interests in cattle Diamond sector	Educated Hindu political elite Franco-Mauritian economic elite Hindu class of small planters

i) Human Development Report 2007/08: Country Fact Sheets – Value is US\$ 2005, # measures rank out of countries

ii) Economic Freedom of the World, 2006 data set (year 2004) – Score from 10 (highest economic freedom) to 0 (lowest), # measures rank out of countries

iii) The Economist Intelligence Unit's index of democracy 2007 – Score ranges between 10 (most democratic) and 0 (least democratic), # measures rank out of countries

iv) Corruption Perception Index 2006 – Score ranges between 10 (highly clean) and 0 (highly corrupt), # measures rank out of countries

v) Africa Development Indicators 2006 (World Bank) – measures on 'voice and accountability', 'political stability', 'government effectiveness', 'regulatory quality', 'rule of law', 'control of corruption'

vi) Botswana: Household Income and Expenditure Survey 2002/2003, Mauritius: Household Budget Survey 2001/02

Thus, Botswana and Mauritius are sufficiently similar to be systematically compared. As it happens, Botswana and Mauritius are often put together in order to compare the two countries with the rest of Africa (Goldsmith, 1999;

Carroll & Carroll, 1997; Green, 2009:192-94), but the two countries have rarely been critically compared with each other. Equally, the countries are not just African cases, but also cases of developing countries in general. A few justifications and reservations to the design are wanted, however.

As discussed, the theory on welfare policy development, presented in Chapter 2, is rather encompassing in that the theory includes several interrelated conditions that in combination shape welfare policies. Of course, such theoretical comprehensiveness comes at a cost of concreteness and also provides challenges with respect to inclusion of relevant control variables in the most-similar-system design. The critique may be twofold: first, will it not be necessary to also control for aspects as for example trade unions and corporatism? The answer would be that it would not make sense as these (intermediate) aspects are interrelated to production regimes and political alignments and therefore partly explained by these factors. Besides, the arguments of welfare policy development cannot be understood if one does not analyse how economic structures shape and are shaped by the interrelation between institutions and actors. To this the critics may then say: In that case, we are unable to identify and test which exact causal factors explain welfare policy development, particularly when only two cases are analysed. I would agree to this, but it would be beside the point. The aim is to analyse the causal processes from production regime and political alignments to the enactment of welfare policies; that is, to analyse *how* 'politics' play out in the two countries. The object is not merely to study co-variation of variables, but rather to analyse the mechanisms leading to an outcome.

Another concern with the most-similar-system stems from the historical part of the research design – does one compare the countries on current parameters or when the analysis will start (in my case around the time of independence in the two countries, i.e. the 1960s)? This question is less of an issue with respect to the control variables as both countries have similar political institutions which have not changed over the years and otherwise have experienced similar (successful) developments in economic growth, state capacity building, and democratic development – though it may be worth adding that Botswana did start its existence as an independent country at a particularly low level of economic development, as we shall see in Chapter 5.

The issue of time may matter more in relation to the underlying explanatory variable. In Chapter 2, it was mentioned that production regimes and welfare systems are not directly linked, but that the two are mutually enabling. The question is then: Is it not obvious that the two countries will have different welfare policies, as the production regimes (today) are so vastly different? Though the causal relationship is not necessarily straightforward, we

expect the different production regimes to be reflected also in the welfare policies; this is acceptable as, once again, the case studies will analyse *how* production regimes and political alignments have influenced the welfare policy development. Furthermore, given the arguments in the theory and the objectives of the most-similar-system design, the point is exactly to study substantial different production regimes to understand how these, via politics, have led to the expected different paths of welfare policy development.

That said, it will certainly widen our understanding of welfare policy development when we consider the situation of the two countries at the time of independence – then both depended on one main type of agricultural export (cattle in Botswana and sugar in Mauritius); that Mauritius subsequently moved towards export-oriented market economy, and Botswana found diamonds are essential developments expected to have influenced welfare policy development, and in the case studies, we will explore how. From this perspective, I do not necessarily disagree with comments that dependence on diamond mining is somehow to blame for Botswana's poverty and inequality problems (Siphambe, 2005), but I explore more thoroughly why.

### *3.2.2 Selection and omitted variables bias*

An advantage of linear regression is that one relatively easy can control for the effects of other potential explanatory variables, whereas the issue of controls is more complicated in case studies. Generally, by including relevant control variables, the chances to avoid omitted variable bias is better; this is crucial, as the exclusion of an important explanatory variable may lead the researcher to over- or underrate the effect of a preferred variable, or – even worse – identify a relationship that is in fact spurious (King et al., 1994: 168-82; Brady & Collier, 2004: 296, 307).

However, there are two reasons why this advantage is not really that ideal when doing cross-country studies. First, given the limited number of cases, the researcher must be careful not to include too many variables in the analysis.<sup>11</sup> The danger is thus that important explanatory variables are still left out, even though this risk can be met by careful theoretical consideration and hence inclusion of the most crucial variables in the model or, alternatively as KKV advice, increase the number of observations if possible. Second, and associated to the issue of measurement validity, the researcher may theoretically identify factors that have an essential impact on the outcome of interest, but it may be very difficult to grasp this (or these) feature(s) in a quantitative manner, forcing the researcher to leave out potential essential

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<sup>11</sup> The greater the number of observations compared to variables, the higher the degrees of freedom which increase inferential leverage (Brady & Collier, 2004: 284).

explanations. This may for instance explain why ‘politics’ has been so little analysed in much poverty research where the methodological focus has often been on cross-case research, if not instead on what one may call research of a hermeneutic nature where the experience of being poor is at the centre (ex. Iliffe, 1987).

From these perspectives, comparative case study research may in fact not be at such a disadvantage, though the challenges remain. Given the deliberate selection of cases in relation to research question, theory and previous studies, sufficiently similar (or dissimilar) cases can be selected to exclude (or make irrelevant) competing explanations (Landman, 2003: 29-34; Ulriksen, forthcoming). Of course, the main challenge in selecting most-similar or most-different cases is that cases are rarely so similar or so different that it has been possible to eliminate all central rival explanations. Thus, just as in cross-country studies, the researcher in a small N comparative design must be careful to consider potential alternative explanations outside the model in order to avoid (or at least make notice of potential) omitted variable bias.

In the case of comparing Botswana and Mauritius, it is therefore important to ensure that all *theoretically relevant* competing explanations are included. One issue may be that even though both countries are democracies, the nature of electoral competition differs to such an extent that my explanatory framework is contested; equally it may be pointed out that differences in the duration of welfare policies cause variations of current policies – both issues to which I will return. On the other hand, it may seem important that Mauritius is a small island and Botswana a huge landlocked country, but such a structural aspect does not feature directly in welfare regime theory as a potential cause to the development of different welfare regimes; as such this difference is inconsequential and need not be included in the most-similar-system design.<sup>12</sup>

In addition, case study research designs are often attacked for the risk of *selection bias*; findings from a few cases studied may be subjected to systematic error, so that the inference made to a larger population may in fact be wrong (Brady & Collier, 2004: 305). For instance, it has been argued that selection bias is likely when the selection of cases is based on the dependent variable. The risk is that the cases do not actually cover the whole variance of the dependent variable but are instead over-represented at one end of the

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<sup>12</sup> It has been argued that access to sea is an advantage for economic growth (Sachs, 2005: 57-59), but it is not clear that Mauritius has had such an advantage given its distance to the nearest trading partner (Subramanian & Roy, 2003: 214-15).



dependent variable thereby potentially leading the researcher to identify causal relations irrelevant to the entire population of cases (Geddes, 2003).<sup>13</sup>

Are the cases of Botswana and Mauritius subject to selection bias? At the outset, one could argue that selection bias has been minimised in the research design as the two countries vary greatly on the independent variables of interest. However, a number of critiques may also be raised. First, the variable 'production regime' is not a dichotomy; this means that even if the two countries are markedly different on this aspect, we may not cover a sufficient range of production regime types – in fact, would it not be necessary, additionally, to analyse a previous import-substitution economy in Latin America or a socialist plan economy in Eastern Europe? Second, as Botswana is a rather atypical case due to its well-run diamond economy, one should be careful not to overestimate the general causal importance of the context-specific aspects found in this case (Collier, Mahoney, Seawright, 2004: 98). Third, when discussing selection bias, the issue depends on which countries the analysis is expected to make inference to (Ebbinghaus, 2005: 144). What are Botswana and Mauritius cases of? African countries, middle-income countries, or developing countries in general?

Methodological concerns naturally limit broader aspirations. Even though I will maintain that Botswana and Mauritius are cases of (better-off) developing countries, I hold no ambition that the analysis of the two cases will lay down general theoretical principles of welfare development in developing countries neither in the past nor in the future. In this sense, the case study analysis is more concerned with internal validity; that is, whether the causal arguments outlined in the theoretical chapter do explain the cases in question. Still, I expect that the analysis of the political processes in the two countries will complement other research on welfare policy in the developing world (such as most notably Haggard & Kaufman, 2008) – in fact, one can argue that I do not just compare Botswana and Mauritius but also compare these cases with the theory and empirical findings in other cases (Rueschmeyer, 2003: 317); the combined considerations of such scholarly work can lead us towards more general statements of the importance of politics in welfare policy development and consequently poverty reduction. Finally, Botswana certainly has some special features, but no country is so unique that one cannot make fruitful comparisons to other countries, and, more importantly, despite having to be careful with generalisations, the case of Botswana may reveal aspects that are important but yet understudied in the fields of

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<sup>13</sup> Other scholars argue that it is in fact acceptable to select cases based on the dependent variable, and that the risk is not so much selection bias but rather overgeneralisation (Bennett, 2006).

welfare policy theory as well as in the pro-poor growth literature (for instance, as we shall see, the issue of taxation).

Despite these methodological misgivings, a comparative study of Botswana and Mauritius is expected to increase our understanding as to how politics and the underlying economic structures influence the development of welfare policies. The particular advantage of this research design is that we can analyse the two cases more in-depth and yet still control for main competing explanations of welfare policy development; the point is not that, for example, economic growth, state capacity, and democracy are irrelevant, but rather that in the cases of Botswana and Mauritius we can be certain that these factors do not explain differences in welfare policy development. Consequently, we can also be confident that economic wealth, democratic systems, and good governance do not sufficiently explain variations of welfare policy development in other developing countries.

Whereas selection bias and omitted variable bias are relevant in comparative case study research, these issues may be less so in relation to within-case studies (Collier, Mahoney & Seawright, 2004: 95-97), which, in fact, can provide additional research tools that will strengthen our course for making causal inference. In the next section, I will elaborate on this point and discuss how I plan to conduct a comparative historical analysis of Botswana and Mauritius.

### **3.3 Asymmetric comparison and process tracing method**

A trademark of comparative historical analysis is the systematic and contextualised comparison of similar or contrasting cases. Furthermore, in this approach, causal propositions are tested rather than introduced in an ad hoc manner and historical processes explicitly analysed. Historical institutionalism, which we discussed in Chapter 2, fits well within this approach, but only if the historical institutionalist is engaged in systematic comparison (Mahoney & Ruschemeyer, 2003: 11-13).

No doubt much can be gained by moving beyond a single case (Ruschemeyer, 2003); however, it may be worth noting that a within-case study (such as process tracing) can make up for some of the limitations of controlled comparisons as process tracing can help to assess the causal significance of each of the potential explanatory variables which cannot be held constant (George & Bennett, 2005: 214). Comparative historical work often engages in both within-case and comparative analyses, and there is growing consensus that the combined use of within-case and comparisons allows for the strongest means of drawing inference from case study research (ibid.:18; Ruschemeyer, 2003: 324). In fact, it has been argued that when path dependence is an important feature, it is useful to combine systematic comparison

with process tracing (Bennett & Elman, 2006), and that such process analysis falls within the comparative historical methods (together with the studying of necessary and sufficient causation and descriptive inference) (Mahoney, 2004).

So analytic tools are available for my case study of Botswana and Mauritius, but there is still the question about how to conduct the process tracing analysis and how much systematic comparison is required. A very real dilemma is the need for in-depth country knowledge and stringent analysis over a lengthy period of time, on the one hand, and the desire to compare cases on the other. Some may prioritise comparison of many countries over the detailed process tracing exercise, such as Haggard & Kaufman (2008), who compare welfare policy development in twenty-one countries covering the three different regions: Latin America, East Asia and Eastern Europe. Alternatively, one may rather focus on tracing the political processes over time in one or a few countries at the cost of a larger comparison. I opt for the latter option – I will study Botswana in-depth in line with the process tracing approach and, subsequently, systematically compare these findings with Mauritius, which will not be subjected to the same meticulous investigation.

The analysis of Botswana provides the opportunity to spell out the actual causal arguments in a historical, but, nevertheless, theoretically informed, narrative. This analysis tests the theoretical arguments in depth but also allows the researcher to be open to alternative and context-specific factors. The drawback is that it requires substantial country-specific knowledge and various types of (sometimes hard-to-get) data. Given such requirements Mauritius is not analysed as much in-depth as Botswana, instead critical findings in the analysis of Botswana are compared systematically to the case of Mauritius. It is considered acceptable that Mauritius is not subjected to the same scrutiny as Botswana because the inclusion of Mauritius in an asymmetric comparison allows further testing of the findings – both those that confirm or disconfirm theoretical expectations and the potential new aspects, which the case of Botswana may reveal.

As mentioned in the introduction to this chapter, case study researchers have increasingly become more explicit about their applied methods. Thus, even though process tracing in some form may have been practiced for a long time (Hall, 2003: 391), this approach has only recently undergone serious scrutiny (for example by George & Bennett, 2005 and Gerring, 2007). Yet, there still seems to be lack of clarity about what process tracing may in fact entail and how it may differ from other within-case analysis methods. For instance, Gerring emphasises that process tracing relies heavily on deductive logic (2007: 172), whereas George & Bennett are more open to a variety of

process tracing analyses, where some types of analyses may rely less on theory and explicit creation of hypotheses (2005: 210-11).

Numerous approaches are related to process tracing; for example, systematic process analysis (Hall, 2003), pattern matching (George & McKeown, 1985), analytic narrative approach (Bates et al., 1998; Levi, 2004), strategic narrative (Stryker, 1996), narrative event-structure analysis (Griffin, 1993), and causal narrative (ref. Mahoney, 2003). Certainly, it can be justifiable to give different labels to approaches with specific characteristics that have specific traits to them; like analytic narrativists who stress the use of rational choice theory (Levi, 2004: 204). And one can sympathise with Hall's argument that "because I want to outline the requisites of the method in highly specific terms, with which some of these scholars [of process tracing and pattern matching] might disagree [...] I adopt a distinct label for it" (2003: 391). However, there is a trade-off between wanting to make different approaches distinct and the need for a broader method, which includes a variety of approaches guided by similar logics. I believe that the case study analysis of Botswana can well be conducted within the logics of process tracing, and in the following I will elaborate on this method.

Process tracing is claimed to be "the only observational means of moving beyond covariation alone as a source of causal inference" (George & Bennett, 2005: 224). In process tracing, the ambition is not so much to identify values of specific variables and measure their covariation but rather to understand the processes linking the different relevant factors to the outcome (Hall, 2003: 393-94). Or as Gerring argues (2007: 172), "it is not sufficient simply to examine the covariation of X1 [ex production regime] and Y [welfare policies], because there are too many confounding causal factors and because the latter cannot usually be eliminated by the purity of the research design or by clever quantitative techniques."

This method clearly emphasises the mechanisms linking the independent and dependent variables. Rather than testing multiple instances of a relation between an independent and a dependent variable as in cross-case studies, one examines a single instance of a causal chain where multiple factors lead to an outcome; this causal path is not necessarily linear, but may be circuitous with multiple switches and feedback loops (ibid.: 173). It is acceptable that endogeneity is present in the causal chain in the sense that the outcome may have feedback effects on factors leading to the outcome in the first place (Bennett & Elman, 2006: 258-59). This is not to say that endogeneity is not a problem in a research design, but rather that endogeneity is a challenge to be confronted rather than avoided (Collier, Seawright & Munck, 2004: 47-49). Since scholars using the process tracing method usually study causal

processes over a long period, it may be possible to single out when and how different factors influenced each other.

According to Gerring (2007: 173), the “hallmark of process tracing ... is that multiple types of evidence are employed for the verification of a single inference.” The individual observations drawn in to test the expectations are, in a sense, noncomparable as the empirical indications are bits and pieces of evidence drawn from different units of analysis. The understanding of observations thus differs markedly from most cross-case analyses. In process tracing, observations are not different examples of the same thing – they do not comprise observations in a larger sample; they are instead different things, and all pieces of evidence are relevant. In fact, it is “the quality of the observations and how they are analysed, not the quantity of observations, that is relevant in evaluating the truth claims of a process tracing study” (ibid.: 180).

The process tracing method then allows for an in-depth and context sensitive analysis in situations where the theory foresees a complex causal process over a lengthy period of time. The question still remains: How can we ensure that the analysis tests theories in a reasonable manner – how can we be sure that “the findings and inferences yielded by a given research design [are] interpretable, in that they can plausibly be defended” (Collier, Brady & Seawright, 2004: 238)?

### *3.3.1 Credibility – verification of results*

In order to elaborate on and assess the validity of theories, the process tracing exercise should be focused on testing propositions derived in a deductive manner; in this sense, the process tracing evidence tests whether the observed processes in a case match those predicted by theory (Hall, 2003: 395; George & Bennett, 2005: 217). Even though the researcher need to be open to “serendipitous discovery” (Hall, 2003: 395), I therefore agree with the scholars arguing that process tracing methods gain most leverage when used in a deductive, rather than inductive manner.

To clarify the analytical approach and to ensure whether the empirical analysis can be verified (or not), the idea is that explicit expectations, based on theory and previous research, are laid down prior to the empirical investigations; in the next sections, I discuss the empirical hypotheses – or as I prefer to call it: the chain of causal arguments – for the case of Botswana and also take up the issue of data collection and use of historical sources.

In the process tracing approach, the theoretical expectations go through a fairly hard test as just one wrong observation of any of the theoretical expectations can falsify the case. Said differently, I must prove that all specified (and context related) expectations are plausible given all the available evidence and, along with an estimate of relative uncertainty, there should be a

comfortable fit between the evidence and the assumptions of the process tracing account (Gerring, 2007: 184-85).

In a sense, this follows the Bayesian logic, according to which not the number of pieces of evidence one can find verifies the analysis, but rather the likelihood that the theory is true given the evidence at hand opposed to the likelihood of finding evidence if alternative explanations were true (Bennett, 2006: 341-42; Goldstone, 2003:47).

In line with the above, the confidence in the study will furthermore be increased by analysing not only the preferred theoretical propositions but also alternative hypothesised processes brought forward by other scholars (George & Bennett, 2005: 217). An alternative route could be to bring in counterfactuals (Fearon, 1991; Lebow, 2000); for instance, in my case, I could have made an argument for what would have been the likely economic structures and consequently interest grouping in Botswana had diamonds not been found. Of course, this seems a tricky alternative given the long time horizon and therefore many steps between the counterfactual episode and outcome of interest. However, if used thoughtfully, such counterfactual arguments can make probable and further justify findings. (Even if I do not intend to use counterfactuals as an explicit method, the role of diamonds (or not) is a crucial element in understanding the development of welfare policies in Botswana, particularly as the role of the diamond industry in providing government revenue gives new inputs to the theoretical understandings of tax bargaining).

Finally, using a process tracing method – as a complement to other analyses (Gerring, 2007: 185) and including and analysing an additional case according to similar expectations – would further prove my theoretical claim. Hence, even if Mauritius does not undergo the same in-depth process tracing analysis as Botswana, further leverage will be gained by bringing in an additional case that also tests the proposed explanations of welfare policy development and poverty variations across countries.

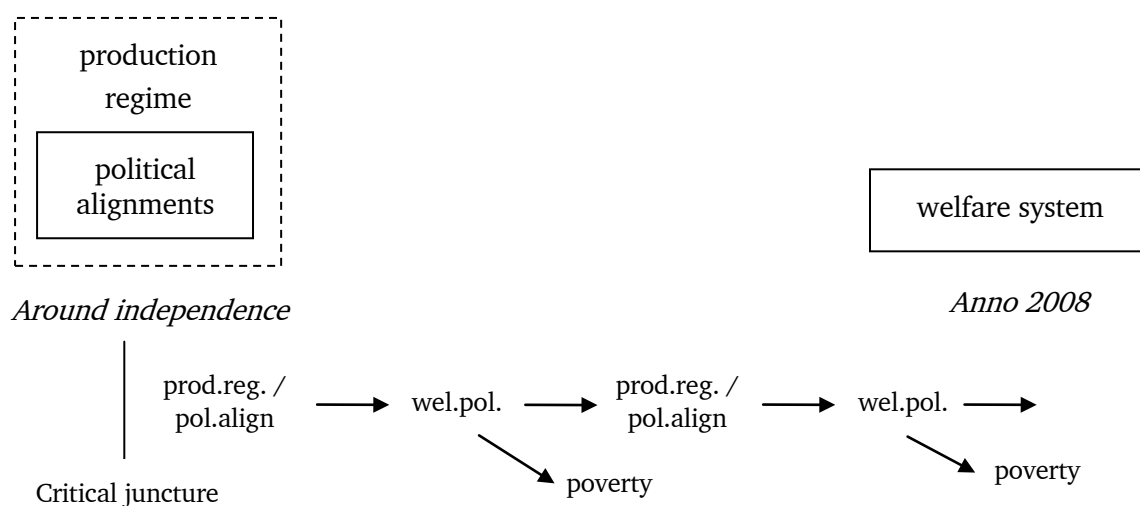
### *3.3.2 Process tracing analysis of Botswana – causal chain of arguments and alternative explanations*

Thus, we have learned that comparative historical analysis and particularly process tracing are useful when “the overriding intent is to develop, test and refine causal, explanatory hypotheses about events or structures integral to macro-units such as nation-states” (Skocpol, 1979: 35-36). Of course, process tracing is also applicable to micro-level analysis linking individual decisions and relations to certain outcomes; just as it can be used at the macro-level where focus is on the interrelationship between (groups of) actors on the one side and national structures and institutions on the other. More importantly, process tracing encourages the researcher to carefully spell out the theoretic-

cally expected causal arguments and link these arguments with the actual historical event; that is, process tracing “places theory and data in close proximity” (Checkel, 2006: 369).

The historical process of interest in this dissertation may be called a *cyclical process* (Bennett & Elman, 2006: 259) and is illustrated in Figure 3.2. The process to be analysed starts with the production regime and political alignments at independence and then explores how Botswana over time has developed the welfare system it has today. At separate stages in the process, the production regime as well as political alignments affect the choice and extent of welfare policies (as well as economic policies). The policies in turn shape the production regime and political alignments just as welfare policies impact on poverty levels.

Figure 3.2: The process of welfare policy development



It is here of main interest to study the development of welfare policies. Therefore, the analysis mainly focuses on specific processes of how the production regime and political alignments at certain points in time affect the enactment of welfare policies. Each separate process is not a long chain of causes, but rather an attempt to trace the political bargaining behind policy decisions – who were the main decision makers and which groups influenced them. This way, the process is broken into smaller sections which will receive specific in-depth analysis, and as such the problem of endogeneity is met. Put together, the sections make up the historical trajectory of welfare policy development in Botswana.

As discussed in Chapter 2, groups in society may have different preferences regarding welfare policies, which will affect the political process. Thus, whereas lower income groups such as rural labourers and urban workers will support welfare policy expansion, the middle income groups are only likely to

support such efforts if they themselves stand to benefit. Political elites will promote policies that suit them and their constituencies, whereas economic elites will tend to be against welfare policies – particularly if they are redistributive and costly. Which groups are able to promote their preferences best depends on the political alignments and the policy bargaining process.

Based on this general chain of causal arguments, which I expect applies to Botswana, Mauritius and any other developing country, I have developed a context specific chain of causal arguments on the expected process of welfare policy development in Botswana as illustrated in Figure 3.3 (pp. 82-83). With the purpose of covering, in a reasonable way, the entire historical process from independence through to today, I have divided the analysis into four periods; within each period, I will predominantly analyse specific years in which policy developments took place to ascertain who influenced policy making and whose interests these policies catered for. Thus, the first period, the 1960-70s, centres around the years 1965-67 and again 1974-79; the second period, the 1980s, pays particular attention to 1981-84; the 1990s mainly analyses 1995/96 though it also covers the later years around 1998/99; and finally the last period with main focus on the years 2002-6. In each period, the analysis commences by describing the production regime and political alignments at the beginning of the period and continues to explore who were the decision-makers and the reasons behind various welfare policy decisions. The analysis of each period will end with a status of welfare policy development and a consideration of policy influences on the production regime and political alignments.

Overall, the main causal explanation to welfare policy development in Botswana is expected to be the initial lack of middle and urban working classes. Even though, initially, there was a push for a broad-based development as most Botswana was rural poor, these initial policies have developed into a “dual” welfare system. This is so because the upcoming middle classes have come to rely on the market for social security and therefore have little interest in promoting welfare policy expansion. This basic overall theoretical expectation fits well with Esping-Andersen’s explanation of welfare policy development in developed countries:

The solidarity of flat-rate universalism presumes a historically peculiar class structure, one in which the vast majority of the population are the ‘little people’ .... Where this no longer obtains, as occurs with growing working-class prosperity and the rise of the new middle classes, flat-rate universalism inadvertently promotes dualism because the better-off turn to private insurance and to fringe-benefit bargaining to supplement modest equality with what they have decided are accustomed standards of welfare. Where this process



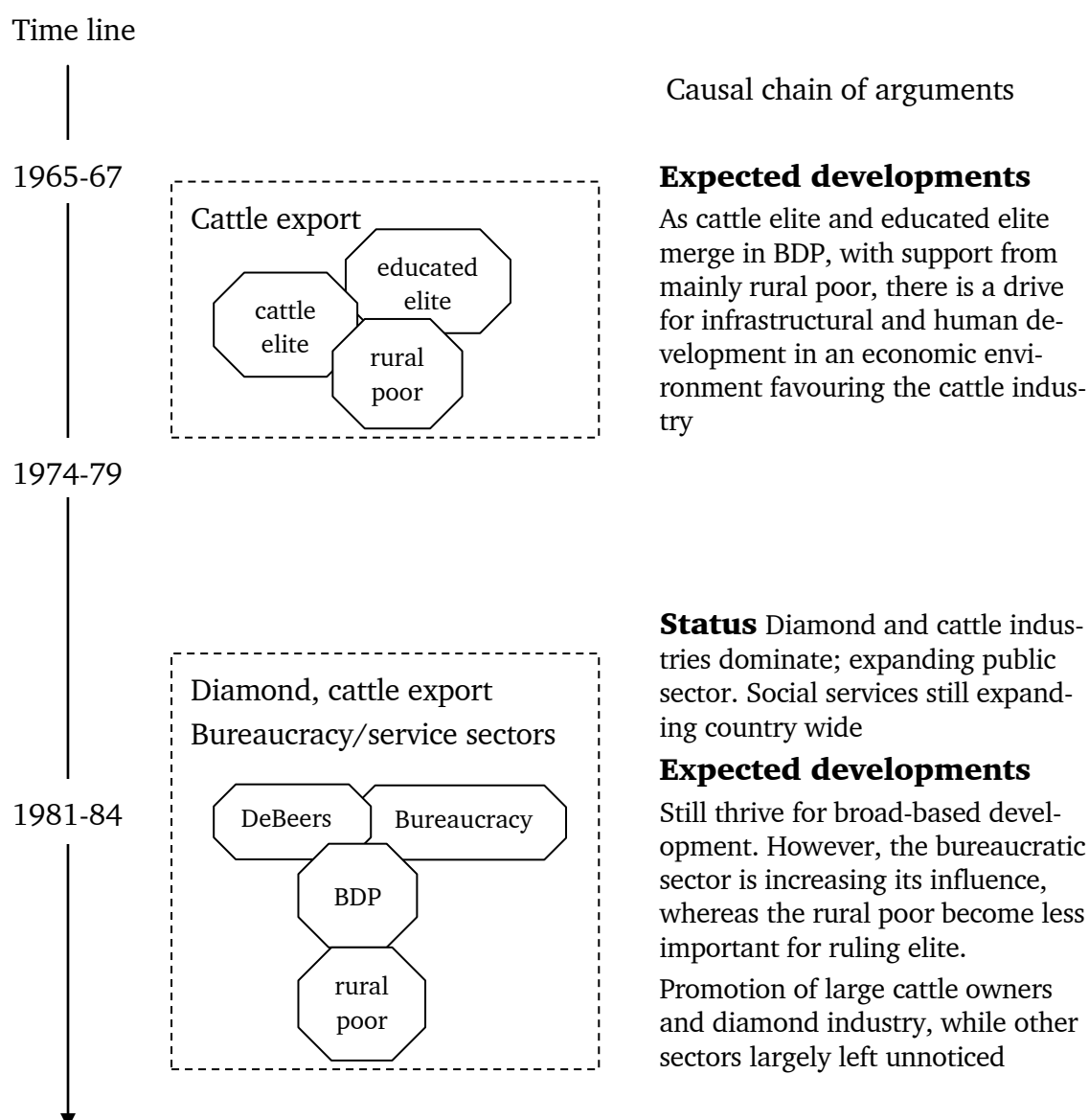
unfolds.., the result is that the wonderfully egalitarian spirit of universalism turns into a dualism similar to that of the social-assistance state: the poor rely on the state, and the remainder on the market (1990: 25).

The analysis of Botswana is expected to confirm the historical causal arguments outlined in Figure 3.3. The process described has been greatly simplified, and the actual analysis exposes some important aspects not included here such as the interrelationship of welfare and economic policies, and the analysis may also reveal under-theorised or unexpected factors. Moreover, as discussed above, to properly test the theoretical expectations, it is important to include alternative explanations in the analysis.

An important explanatory factor in welfare regime theory is party ideology. Research in Western countries reveals that the ideology of incumbent parties – whether for instance liberal or social democratic – to a large extent determines the character of welfare policies, particularly in periods of expansion (Castles, 1998: 309-10). Even though, as argued in Chapter 2, it may be less straightforward to identify the ideological values of political parties in developing countries, it is plausible that ideologies and policy ideas, such as the dominant neo-liberal thinking, have influenced policy making. Consequently, welfare policy development may have less to do with political bargaining and may rather be associated with the dominant party's promotion of own ideologies. If this is the case, my findings should be that the arguments for welfare policies lie in their ideological appeal.

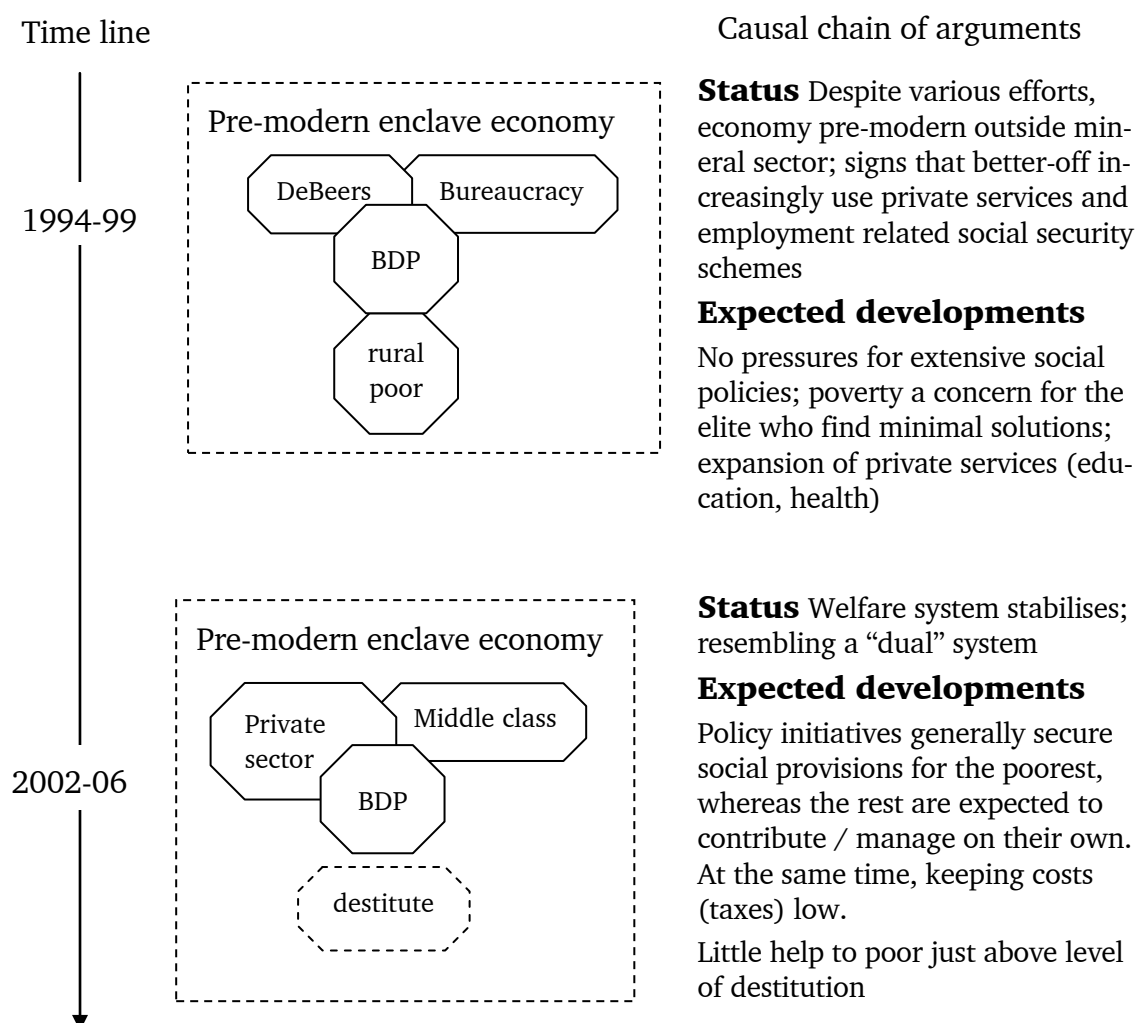
It may also be that welfare policies expand during election years; that welfare policy development is subject to political budget cycles (Rogoff, 1990: 21). If this predominantly explains welfare policy development, I should find that welfare policies are dramatically changed in the periods leading up to elections – social services and benefits expanded and tax rates cut. Posing the political budget cycles argument as an alternative explanation should not lead to the understanding that elections and the existence of democracy are contradictory and incompatible to the power resource approach advocated here. Certainly, to some extent democratic institutions arrange which groups will be in the driving seat and can therefore be important in shaping groups' abilities of influencing policy making. However, welfare policy bargaining also takes place in less democratic countries, and one should not treat elections as a mechanical factor automatically leading to welfare policy expansion. It may be that some elections of a particular competitive nature will lead to policies that favour some groups whose support is necessary for the political elites. But, conversely and if the power resource approach holds some water, it may also be perfectly possible to find welfare policy expansion between elections.

Figure 3.3: The process of welfare policy development in Botswana



Including alternative explanations in the analysis encourages the researcher to more rigorously test the theory on data and to ensure that dangers of confirmation bias are met, i.e. that I do not just find what I want to find. Including alternative causes also cautions the researcher not to “succumb to the common cognitive bias toward univariate explanations – explanations in which there appears to be a single clear and dominating reason for the decision in question” (George & Bennett, 2005: 98); instead the analysis must be sensitive to the fact that there may be several factors leading to certain policy decisions (ibid.). Thus, it is unlikely that the alternative explanations do not play a role in the process of welfare policy development in Botswana. However, and in accordance with the Bayesian logic, the evidence found should make the proposed theoretical account more likely than the alternatives.

Figure 3.3: The process of welfare policy development in Botswana; continued...



### 3.3.3 Finding the evidence

One last methodological issue remains. What data should be used in the process tracing analysis, and how do I find credible evidence? The process tracing literature does not give much guidance on how best to identify suitable data for the empirical research. Other than raising the common concerns on use of qualitative data (selection bias of material, objectivity of historical accounts, trustfulness of interviewees etc.), it is merely pointed out that process tracing analysts use histories, archival accounts, interview transcripts and other sources, and that the analysis requires enormous amounts of information – with the addition caution that the study is weakened if data is not accessible on key steps of the hypothesised process (George & Bennett, 2005: 6, 223).

Faced with in some respects daunting amounts of historical accounts and policy documents and in other respects resource demanding challenges of identifying and obtaining suitable records close to the decision-making

processes, I rely on the following principles in acquiring and handling data: need of primary data that is also timely, use of a variety of historical accounts to avoid selection bias, and careful consideration of the sources of the histories and documents to consider potential bias towards the issues at hand (Lustick, 1996; Ankersborg, 2007).

Based on these considerations, I use primary data such as autobiographies and historical accounts of former leaders and other stakeholders close to the political processes in Botswana. In addition, I analyse parliamentary debates (Hansards) at times when specific welfare policies were debated; that is, I focus on the enactment of the National Policy on Destitutes in 1980; introduction of old age pension in 1996 and World War II veterans pension in 1998; revision of the destitute policy in 2002; and the re-introduction of school fees in 2006. The advantage of using parliamentary debates is that they are timely – I get to know what was said then, and not what actors say now in retrospect. Unfortunately, after the millennium, parliamentary debates are predominantly held in Setswana. Therefore, I have supplemented the analysis of the later years by using newspaper cuttings from the debates, just as – like the general analysis throughout the historical process – I benefit from other resource materials available on Botswana.

Hence, I furthermore use a variety of sources such as official policy documents, historical and secondary accounts. Of the various historical books and articles, I pay attention to the authors' background. For example, the autobiography of the second President, Sir Masire, may paint particularly rosy pictures of Botswana's development, and it is therefore worthwhile to be cautious but also make note of his areas of criticism. One would tend to treat academic research as more objective, though analysts of a single country may draw misleading inferences simply because comparisons to other countries are often limited or selective (Gerring, 2007: 208-09). Moreover, even academics are not necessarily detached and unrelated to the history of Botswana; it is not necessarily surprising that Kenneth Good's recent contribution (2008) is unfavourable to the Botswana political elite as he was expelled from the country in 2005 for raising critical political issues. Or that Clark Leith's analysis of Botswana's economic development (2005) is particularly positive given the authors' happy and memorable working experiences in the country. Nevertheless, their empirical findings can be very relevant and correct, even if their conclusions may potentially be stretched. My challenge is to critically and analytically use a variety of sources to analyse the process of welfare policy development in Botswana.

### **3.4 Conclusion: Different tools, same challenge**

In this chapter, I have discussed how I propose to analyse welfare policy development and its consequences for poverty in developing countries. I have also elaborated on the challenges evolved when selecting different methodological tools, and why I still believe that the chosen strategies have substantial leverage.

The trade-offs involved in using different methodological approaches are well-known: Do you ensure internal rather than external validity? Is it better to analyse broadly across many cases or rather go in-depth? Should we focus on causal mechanisms or the effects? And so on. The logics of analysis are also somewhat different as, for example, the need in process tracing for various pieces of evidence covering a chain of events versus the cross-case study's focus on many observations of one incidence. Yet whether we call it control variables or alternative explanations, in studies based on observational data (as opposed to experimental) and with an interest in making causal inference, we all face a fundamental challenge – namely, the challenge of eliminating (or at least handling) rival explanations (Brady, Collier & Seawright, 2004: 10). The following chapters will disclose how well I manage just that, and the empirical investigations begin with the cross-case analysis on the relationship between welfare policies and poverty in developing countries.



## **4. The effects of welfare policies on poverty levels in developing countries**

The ambition of this chapter is two-fold. First, I will test whether welfare policies have an impact on poverty – not only in Botswana – but also in other developing countries. This would be the obvious expectation given the relationship between welfare states and poverty in advanced industrialised countries, but since most literature on welfare policies in developing countries has centred on either implementation of specific types of social policies or classification of welfare states rather than on outcomes (such as poverty levels), it is important to ascertain the role of welfare policies also in lesser advanced countries. Second, I seek to elaborate on the role of economic factors for poverty reduction and welfare policy expansion; I particularly wish to clarify the importance of economic wealth relative to actual structural transformation of the economy as regards substantial poverty reduction and the development of welfare policies. The purpose of this is that, based on the preceding theoretical discussion, I expect that welfare and economic policies are interrelated, and that economic structures (production regimes) partly shape the character of welfare systems. In this sense, the character of the economy, and specifically the extent to which it has modernised, may have both direct and indirect consequences for social well-being in developing countries.

In order to meet these two challenges, I proceed as follows: First I identify and operationalise variables for poverty and welfare policies. Second I present relevant control variables and discuss their expected relationships to poverty. Next, I conduct a statistical regression analysis to test whether welfare policies have any impact on poverty and discuss how these results apply to developing countries in general and to Botswana in particular. Finally, I introduce the aspect of economic modernisation and discuss how this variable is related to both poverty and welfare policies.

### **4.1 Identification of variables and data collection**

It is quite difficult to conduct a statistical analysis of developing countries on the relation between welfare policies and poverty also including, of course, the most relevant competing explanations to poverty. To identify valid measures for the variables in the models and to ensure that data was also available for the countries of interest has been most challenging. The population for analysis is developing countries identified as low and middle-income countries.<sup>14</sup> It may be that a certain level of economic development is a prerequi-

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<sup>14</sup> I have used the World Bank list of economies (July 2007) from website: <http://siteresources.worldbank.org>.

site for the introduction of welfare policies (Bangura & Hedberg, 2007: 3-5; Hicks, 1999). However, it is unclear what the appropriate level of economic development would be; furthermore, though some countries may focus on economic growth, others “have not *waited* to grow rich before resorting to large-scale public support to guarantee certain basic capabilities” (Drèze & Sen, 1991: 25). For this reason, it is justifiable to include all developing countries; but in the final statistical models, many low income countries will be excluded from analysis simply because poorly developed countries either have no social policies or lack records of any such policy.

High-income countries are excluded as the relation between welfare policies and poverty in these countries have been analysed thoroughly (for example by Korpi & Palme (1998), Huber & Stephens (2001), and others as discussed in Chapter 2), but also because focus here is simply to understand the importance of welfare policies in developing countries. Furthermore, it has not been possible to find a poverty measure covering both advanced and lesser advanced countries.

In the following, I will present the variables selected for the statistical analysis and discuss their expected relation to poverty. As availability of data on some variables is limited to a small number of countries,<sup>15</sup> the strategy has been to include only the most crucial control variables. This is acceptable as this chapter does not aim to find the best model for explaining poverty, but merely to determine the relation between welfare policies and poverty.

#### *4.1.1 Poverty*

As discussed in Chapter 1, the understanding of poverty is a much disputed affair – definitions of poverty ranges from *narrow* (as for example lack of income) to *broad* (to include more non-materialistic aspects such as lack of freedom and influence) on the one hand, and from *absolute* (proportion of population living for less than a certain amount of income) to *relative* (proportion of population under for example 50 per cent of the average income in a country) on the other (Lister, 2004; Alcock, 2006).

Despite these diverse understandings of poverty, there seems to be some consensus that poverty goes beyond mere material deprivation, i.e. income poverty gives a too narrow description of the experience of being poor (World Bank, 2001: ch.1). Still, even if vulnerability and lack of influence are acknowledged as aspects of poverty (Sen, 1999), few seem to go this far when defining poverty measures that can also be compared across countries. Rather, you can argue that essentially poverty is about lacking certain basic needs – that is, if you are poor you do not only lack income but also other ba-

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<sup>15</sup> The final model has N = 39, see Appendix 3.



sic commodities such as food, water, and health facilities (Lister, 2004: 12-36; Bratton, 2006; Moore & White, 2003: 66).

Unfortunately, when looking for readily available poverty data for developing countries, one is left with really only two options. You can either use poverty measured as the proportion of the population living for less than US\$1 or US\$2 a day or the Human Poverty Index (HPI). The US\$1 or US\$2 per person per day is a very simple measure, but it has been criticised for, among other things, lacking other aspects of poverty and for being unable to capture the depth of poverty (Lister, 2004: 41-42); it may be added that the purpose of welfare policies is generally to improve people's welfare more than ensure material income above a certain minimal level.

For the statistical analysis of the relationship between welfare policies and poverty, I have chosen the HPI measure which best captures the broader understanding of poverty used in this dissertation. HPI measures the proportion of people below a threshold level in basic dimensions of human development – i.e., living a long and healthy life, having access to education, and a decent standard of living. The poverty measure is distinctly different from the measure for social policies presented below; poverty relates to outcomes, whereas social policies relate to outputs (how much money is spent on specific policies and which groups are covered); social policies also cover a narrow (though key) aspect of welfare policies, whereas poverty is a broad measure for human welfare. The poverty values are measured from 0 to 100, and higher scores indicate greater incidence of poverty (UNDP, 2007: 355-57 + Table 3). More details about the poverty variable as well as other variables can be found in Appendix 3.

#### *4.1.2 Social policies*

In Chapter 2 we saw that, at least in advanced industrialised countries, the welfare states with the lowest level of poverty are those that have *inclusive welfare policies*. It was found, that the point is not so much whether welfare policies focus on the poor – rather the opposite in fact – the more the non-poor are included in welfare policies, the more likely it is that welfare policies are *generous* and have broad *coverage* which also benefits the poor. Welfare policies primarily focusing on the poor will only have limited support from the non-poor – who feel that they just pay – and hence such welfare policies are more likely to be meagre and to further marginalise those reliant on these policies. The brief inductive analysis of Botswana in Chapter 1 also seems to support this thesis – here the welfare policies that have developed over time are in reality minimal and limited.

The concept of welfare policies used in this dissertation not only includes traditional social policy areas, such as social security, health and personal so-

cial services, but also state involvement in education, housing and taxation. To understand the long-term development of welfare policies, it is necessary to understand how different policies interrelate – for instance, as also discussed in Chapter 2, if the non-poor benefit from generous social services and benefits, they will also be more willing to pay for these through the tax system and, hence, the state get the necessary resources to finance its policies.

However, at this point we are not interested in the development of welfare policies, but rather whether countries with more inclusive welfare policies also have lower levels of poverty. It is therefore appropriate to find a simple measure that can serve as an indication of welfare policies. For this purpose, I have chosen to focus on a key area of the welfare regime, namely social security. I have combined two measures to cover both generosity and coverage of social security policies in a formative index.<sup>16</sup> I term the variable *social policies*, thereby excluding other major aspects of my welfare policy definition such as social services and taxation.

The first measure is *social security expenditures*<sup>17</sup> as a percentage of GDP (ILO, 2000: 312-14) which expresses how generous a welfare system is. It may be more appropriate to use data for social security expenditures as a percentage of total public expenditures because this measure reflects more directly how the government prioritises social security in relation to other government expenses. However, unfortunately, this measure would cut the number of available cases in half thereby decreasing the degrees of freedom substantially. Besides, previous analyses using data of social security expenditures as a percentage of public expenditures show similar results as the analysis conducted in the following.

The second measure is the so-called social policy protection index which Isabela Mares (2005) has developed and kindly made available. This index covers the scope of *social insurance coverage* (on old-age, sickness, disability and unemployment insurance) and the redistribution undertaken by these social policies across occupations. Mares assigns universalistic policies the highest value, followed by contributory social insurance policies differentiated by

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<sup>16</sup> I argue that the index is formative as social security can have fairly broad coverage without being very generous and vice versa; for instance, Botswana has a universal pension scheme, but with about Pula 100 per month (approximately US\$ 17) it is hardly generous – even at an aggregate level. Thus, the two variables each cover essential aspects of welfare policy inclusiveness, and even though the two are empirically correlated (Alpha 0.6), their relationship is hardly straightforward, as discussed in Chapter 2, pp. 29-30.

<sup>17</sup> Covers expenditures on pensions, health care, employment injury, sickness, family, housing and social assistance benefit in cash and in kind, including also administrative expenses (ILO, 2000: 320-21).

the scope of coverage provided by the insurance policies; lowest are residualistic social policies such as private policies or social assistance policies. Basically, the higher the score, the wider the coverage of social policies.

The two measures (social expenditures and social coverage) have been recoded and combined with a score from 0 to 100. The higher the score, the more inclusive the social policies are seen to be. The expectation is thus that a higher score will give a lower HPI value – countries with more inclusive welfare policies will have lower levels of poverty.

In a regression analysis, as presented in this chapter, the causal arrow between two correlated variables is merely theoretically assumed and cannot in itself be tested. Therefore, one may be tempted to ask whether poverty does not actually instead affect welfare policy levels. This, however, seems unlikely. Following the theoretical logic developed in Chapter 2, welfare policy development may not solely be aimed at reducing poverty, but rather focused on increasing the general welfare of the population. In fact, countries with mostly poverty targeted (and cheaper) welfare policies tend to have the highest level of poverty. Empirically there is, in the Western world, a negative relationship between welfare policy spending and social outcomes – the more spending, the lower poverty levels; whereas if the causal arrow was the reverse, the argument would be that rising poverty figures would increase welfare spending. Or as aptly put by Castles: “Unless the entire logic of a century or more of social intervention has been utterly mistaken, high levels of poverty and inequality seem hardly likely to turn out to be a stimulus to low levels of social spending” (2008: 57).

#### *4.1.3 Control variables*

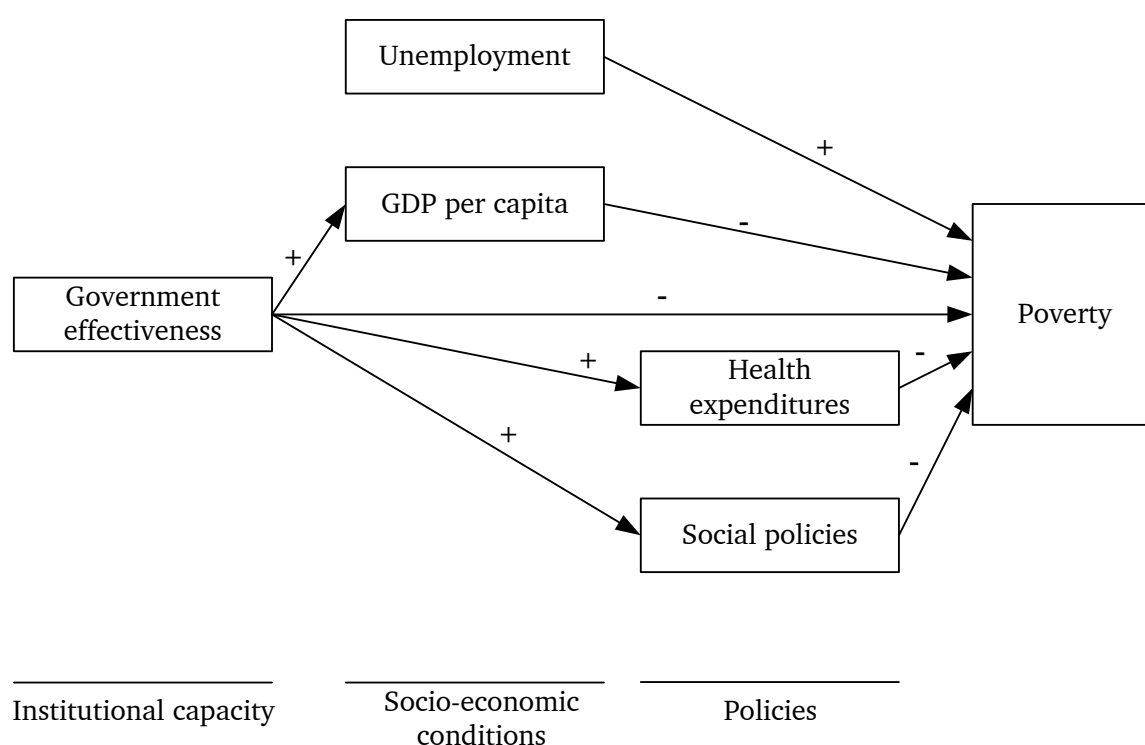
The developmental literature deals extensively with poverty and discusses at length different poverty reduction strategies (recent examples are Sachs, 2005 and Besley & Cord, 2007). However, this literature is somewhat confusing as it is not always clear when it deals directly with poverty and when it is more concerned with creating economic growth for poverty reduction.

In order to ensure that the analysis explains poverty rather than economic growth, I have attempted to select variables most clearly expected to affect poverty according to the pro-poor growth literature discussed in Chapter 1. The main competing explanations to poverty are thus government effectiveness, GDP per capita, level of unemployment, and public health expenditures. These four variables cover three main aspects – i.e. institutional capacity, socio-economic conditions, and policy for investment in human capital. Figure 4.1 shows my expected overall causal model, though, of course, simplifying the complex relations of the real world. In the following, I will elaborate on

how the control variables are measured and how they are expected to relate to poverty.

It has been noted that weak state institutions and poor governance to a large extent can be blamed for the appalling poverty figures in the developing world (Moore & White, 2003: 81). And vice versa, research has emphasised how well-functioning state institutions are better to ensure economic development as well as more effective delivery of services and implementation of pro-poor policies which in turn improve poverty figures (Henderson et al., 2007; Chong & Calderón, 2000).

Figure 4.1: Expected analytical model; relation between social policies, control variables and poverty



To test the relation between states' institutional capacity and poverty, the analysis includes a variable for *government effectiveness* (Kaufmann et al., 2006: 82-84). This index measures the quality of public and civil services and the degree of its independence from political pressure, the quality of policy formulation and implementation, and the credibility of government's commitment to such policies. This index has scores from -2.5 to 2.5 where higher scores correspond to better government effectiveness. The government effectiveness index forms part of the governance indicators developed by Kaufman and his colleagues at the World Bank, and despite being criticised for certain measurement problems such as reliance on expert opinions and potential different standards of government effectiveness across countries (Kurtz &

Schrank, 2007), this measure is generally acknowledged as an appropriate measure of state capacity. The expectation is that better institutional capacity leads to lower poverty levels. However, it seems likely that government effectiveness is an underlying condition as it mainly affects poverty indirectly through economic development and/or effective implementation of policies.

Economic growth is often seen as a prerequisite for poverty reduction as increased economic welfare in a country on average makes everyone better off (Shorrocks & Hoeven, 2004), and the strategy in many poverty reduction efforts is therefore to ensure that countries “climb the ladder” of economic development (Sachs, 2005: 73). The expectation is thus that the higher *GDP per capita* (PPP US\$ 2005 (UNDP, 2007: Table 1)), the lower the levels of poverty.<sup>18</sup>

No one disputes the importance of economic development – particularly not if the efforts of increased growth are also pro-poor (Moore & White, 2003). Yet there is also some agreement that economic growth is really distribution neutral – that is, growth benefits all groups in society evenly unless combined with efforts of redistribution. As such, increased economic welfare may be an important component for poverty reduction, but more so if growth is combined with redistributive policies (Gough & Thomas, 1994; Dollar & Kraay, 2004; Dağdeviren et al., 2004).

The developmental literature also emphasises the importance of employment creation (for the poor) for poverty reduction (Cord, 2007; World Bank, 2001). Indeed, it is very plausible that high levels of *unemployment* lead to higher poverty levels as employment is the main way to ensure ones livelihood – particularly in countries where welfare policies (or alternatively more informal systems) fail to take care of those outside the labour market. Research from advanced industrialised countries also confirms this line of reasoning (Moller et al., 2003; Gallie & Paugam, 2000). The total unemployment rate as the percentage of the total labour force (UNDP, 2007: Table 21) is here used as a measure to indicate levels of unemployment. The higher the unemployment rate, the higher the HPI score is expected to be.

In Chapter 2, we discussed how welfare policies tend to be interrelated with economic policies and how together these two characterise a welfare system. Many inclusive welfare states in the West were inclined to advance economic strategies of full employment, thereby creating employment for all

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<sup>18</sup> GDP per capita is preferred to a measure for economic growth because growth does not indicate the actual level of economic development achieved, but merely the annual growth over a number of years without recognition of initial economic welfare. It could be interesting to use growth in an analysis that dealt with change in poverty levels rather than, as here, a specific poverty level at a certain time.

groups in society. However, the measure for unemployment used here does not indicate a specific welfare system, but merely a socio-economic condition affecting poverty levels. In the later qualitative analyses, it will be possible to better grasp the role of the welfare system in employment creation, and how this may have affected poverty levels in a given country.

The last control variable in my figure above is public health expenditures measured as a percentage of GDP (UNDP, 2007, Table 6). This variable is included as the pro-poor growth literature argues that investment in human capital is important, not only for economic growth but also, more directly, for poverty reduction (Cord, 2007; Hughes & Ifran, 2007). Investment in human capital is generally seen to entail public investment in better health and better education for the population. Health is included in this analysis as research has shown that expenditures on health are particularly important for poverty reduction (Brady, 2005). The higher the public expenditures on health, the lower the poverty levels are expected to be.

This measure of health expenditures is seen as a policy variable competing with the prime variable of inclusive welfare policies in this dissertation. Health expenditures reflect social service policies which form part of the welfare policy concept, but my point is that this measure may not reveal the character of welfare policies, i.e. whether the policies are inclusive or not. Furthermore, as discussed in Chapter 2, social services do not have any considerable effect on variations in welfare systems as health services, generally, will receive priority (Jensen, 2008b). Looking at the health expenditure figures for developed countries (UNDP, 2007: Table 6), one finds support for this argument – countries with different welfare state characteristics may easily have similar expenditures (ex. Denmark, USA and Belgium all use about 7 per cent of GDP for public health). Thus, the measure of health expenditures challenges my project's welfare policy hypothesis as some may argue that the mere existence of welfare policies rather than their specific characteristics is important; or even that it is more important for poverty reduction in developing countries to invest in social services than in social policies.

Finally, I include two structural control variables in the analysis; they are not featured in Figure 4.1 above as I see them as structural conditions literally featuring behind the variables in the figure. First, it may be argued that political systems (democracies) with more representative decision-making processes will have less poverty as they are likely to distribute the resources more fairly (Halperin et al., 2005: 25-64). In the analysis, I use Polity IV and, as an alternative, Freedom House to measure democracy; Polity IV has scores from -10 to 10 with the highest scores for more democratic systems; while Freedom House gives 1 for most free and 7 for least free countries. Like the

measure for government effectiveness both Polity IV and Freedom House can easily be criticised for being unable to grasp important aspects of democracy (Munck & Verkuilen, 2002; McHenry, 2000). Nevertheless, I do not expect democracy per se to affect poverty, but more certain characteristics of political systems such as the number of veto points, the necessity of creating party alliances, and the extent of political competition. Thus, democracy in itself is unlikely to impact on poverty levels in any straightforward way, but the qualitative analyses in the next chapters may reveal the importance of certain democratic political institutions.

The other structural variable included in the regression analysis is resource dependency, measured as natural resource export as a percentage of GDP.<sup>19</sup> The reliance on mineral wealth has been brought forward as a factor leading not only to unequal development but also often to lack of development (Rosser, 2006). However, the aspect of resource dependency is complicated because its direct causal relation to poverty and other social outcomes is unclear. Empirically, a country's dependency on resources may tend to lead to economic underdevelopment just as if the country was land-locked (Sachs, 2003). However, if such impediments are overcome as evident by economic growth – like in Botswana – why then would one expect higher poverty levels? I therefore do not expect resource dependency in itself to impact on poverty. However, the existence of mineral wealth may influence the ability to transform the economy in a country and as such have an impact on poverty. I will return to the role of economic structures towards the end of this chapter.

Having now identified the variables for analysis, how they are measured and established their expected relation to poverty, we are ready to test whether countries with more inclusive social policies do in fact also have lower levels of poverty.

## **4.2 The relation between social policies and poverty in developing countries**

Table 4.1 provides a set of regressions testing the robustness of the effects of social policies on poverty. In essence, I test whether social policies explain some of the variations in poverty levels across countries even when other, competing explanations to poverty are taken into account.

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<sup>19</sup> I also here use an alternative measure as both variables are arguably imperfect proxies of resource dependency, see Appendix 3.

Table 4.1: Social policies and control variables' effect on poverty (HPI value)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
<i>Structural/ Institutional variables</i>							
Government effectiveness	-12.125*** (2.775)	3.190 (3.051)	3.114 (3.406)	2.905 (3.371)	2.543 (3.492)	-1.757 (1.811)	-1.447 (1.899)
Democracy	-.203 (.276)						
Resource dependency	-.221 (.145)						
<i>Socio-economic variables</i>							
GDP per capita		-.003*** (.001)	-.002*** (.001)	-.002*** (.001)	-.002*** (.001)		
Economic modernisation						-.416*** (.042)	-.383*** (.064)
Unemployment		.322* (.172)	.586* (.299)	.556* (.294)	.538* (.300)	.478*** (.130)	.753*** (.238)
<i>Policies 1</i>							
Health expenditures		-1.245* (.667)	-.709 (1.016)			-.707 (.676)	
<i>Policies 2</i>							
Social policies			-.273*** (.091)	-.297*** (.084)			-.170** (.067)
<i>Social coverage</i>							
					-.506** (.195)		
<i>Social expenditures</i>							
					-.559* (.331)		
Constant	23.215*** (2.439)	41.240*** (4.167)	39.532*** (4.698)	38.701*** (4.515)	40.644*** (4.867)	44.377*** (3.222)	44.253*** (3.784)
Adjusted R square	.225	.490	.611	.616	.608	.710	.764
F-test	8.344	19.021***	14.804***	18.622***	14.649***	37.776***	31.750***
Number of cases	77	76	45	45	45	61	39

Notes: Unstandardized coefficient given, numbers in parentheses are standard errors, all tests are two-tailed.

\*\*\* p < .01    \*\* p < .05    \* p < .10

The table presents seven models; the first tests the effects of government effectiveness, democracy and resource dependency on poverty; the second model includes all main competing explanations to poverty (government effectiveness, GDP per capita, unemployment and health). Models 3 and 4 test the relationship between social policies and poverty; in model 3 the main control variables are included and in model 4 health expenditures are left



out. Model 5 tests the separate effects of social expenditures and social coverage. Models 6 and 7 bring in a new variable, 'economic modernisation', for reasons and conclusions that I will return to shortly.

Parsimony of the models has been prioritised. The ambition is not to identify all valid explanations to poverty in developing countries and create the strongest explanatory model, but mainly to ascertain the relation between social policies and poverty; therefore, the models include the theoretically most important control variables. Also, given the small number of cases, it is statistically precarious to add a great number of variables, and my ambition has thus been to include about four and no more than five variables in each model. Finally, and in line with these goals, the models include the highest possible number of cases; even though all models have been run with the lowest number of cases (N=39) with similar results (see Appendix 4, Table A).

First and foremost, we can see from the table that the social policies variable adds considerably to the explanatory power of the model. The adjusted R square increases from 0.490 in model 2 to 0.616 in model 4, and the effects of social policies are highly significant. Hence there can be no doubt that more inclusive social policies are strongly related to lower poverty levels in developing countries. Also, even though both social coverage and social expenditures are, per se, significantly related to poverty (model 5), the combined effect of the two variables has the strongest impact. Thus, for social policies to positively affect poverty levels, it is not only important to increase expenditure levels, but even more crucial<sup>20</sup> that social policies cover broadly across different occupation groups.

The control variables pretty much behave as expected. In model 1, both democracy and resource dependency are insignificant, which also applies to the other analyses run (also using the alternative measures). Therefore, they are excluded from the other models in Table 4.1.

The effect of government effectiveness on poverty is significant, and in the expected direction, such that better institutional capacity leads to lower poverty. However, this only applies until other variables are added to the models which confirm the expectation that government effectiveness has a more indirect effect. Separate analyses seem to indicate that institutional capacity has a particularly strong relationship to GDP per capita and to some extent social policies.<sup>21</sup> Hence, as also confirmed in other research, institutional capacity increases the likelihood of economic development (Englebert,

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<sup>20</sup> Separate analysis shows that social coverage is both more robust and strongly related to poverty than social expenditures; see Appendix 4, Table B. In Model 5, social coverage is nearly significant at the  $p < .01$  level with  $p = .013$ .

<sup>21</sup> Such separate analysis can be found in Appendix 4, Table C.

2000), and government effectiveness may mainly in this sense play a role in poverty reduction.<sup>22</sup> Government effectiveness is also related to social policies, though less so. It is likely, that countries with better institutional capacity are better at delivering public services and goods – as we saw in Botswana where poverty was less related to lack of water and health facilities (which the government has been successful in providing) and more to lack of food and income. Therefore, it cannot be refuted that government effectiveness may also play a role with respect to policy implementation and thus may have an additional impact on poverty other than through economic development.

The level of unemployment is significantly related to poverty in all models, and thereby higher levels of unemployment increase the likelihood of higher poverty levels in developing countries. However, the impact of unemployment seems to be less straightforward than initially expected; an issue I return to below. GDP per capita has a strong and significant effect on poverty such that higher economic wealth increases the probability of lower poverty levels.

The relationship between health expenditures and poverty is significant in model 2 and in the expected direction. However, this variable loses its effect when social policies are added to the model.<sup>23</sup> In fact, models 2, 3 and 4 show that social policies have a stronger impact on poverty than health expenditures. This seems to indicate that the social policies variable is a much better predictor of poverty levels than the health expenditures variable. Thus, as expected, social policies are better able to explain variation in poverty levels than social services.

Summing up on models 1 to 5 in Table 4.1, the statistical analysis confirms that social policies significantly and strongly affect HPI scores. Therefore, it is fair to say that developing countries with more inclusive welfare policies tend to have lower levels of poverty.

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<sup>22</sup> In Henderson et al.'s analysis, the authors argue that "the bureaucratic effectiveness of public institutions ...is likely to be decisive for the country's ability to reduce poverty" (2007: 528). Thus, they argue that government effectiveness is rather an intermediate variable between economic development and poverty, but they do not theorise over it at any length. Others have also argued that economic development improves governance rather than vice versa, although the theoretical arguments are limited (Kurtz & Schrank, 2007). This project maintains that, theoretically, it is more likely that government effectiveness promotes economic development (certainly, bad governance can spoil economic prosperity – Zimbabwe springs to mind as a clear example of this), but it is also acknowledged that the causal relation is disputed.

<sup>23</sup> Others have also been unable to prove that policies for investment in human capital raise the incomes of the poorest (Dollar & Kraay, 2004).

The importance of social policies can also be illustrated with our case of Botswana. Below are two figures each combining the value of the dependent variable as predicted by a statistical model with the actual value of the dependent variable. Figure 4.2 plots the cases' actual dependent variable scores (HPI value) against the regression-predicted scores as calculated by model 2 – that is, the model without the social policies variable. Figure 4.3 does the same, but for model 4 where social policies are also included.

When comparing the two figures, one can see that the cases are somewhat closer to the line in Figure 4.3 than in Figure 4.2. This means that by including the social policies variable, we have increased the ability to predict the value of cases. This is not surprising as the regression analysis has already proven that social policies improve the explanatory power of the models – the graph just shows the same in a more illustrative manner. Furthermore, Figure 4.2 shows that Botswana (BWA) is clearly an outlier case, as claimed at the outset of this dissertation; while a comparison of the two figures also confirm that when social policies are included in the model, Botswana is a much better predicted case.

Figure 4.2: Predicted values from model 2 and actual HPI values

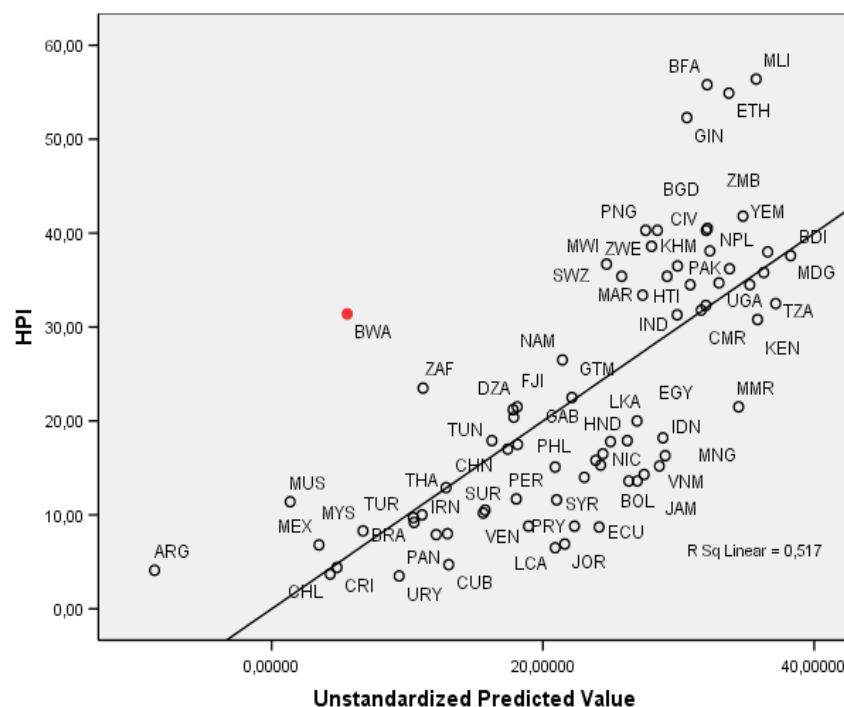
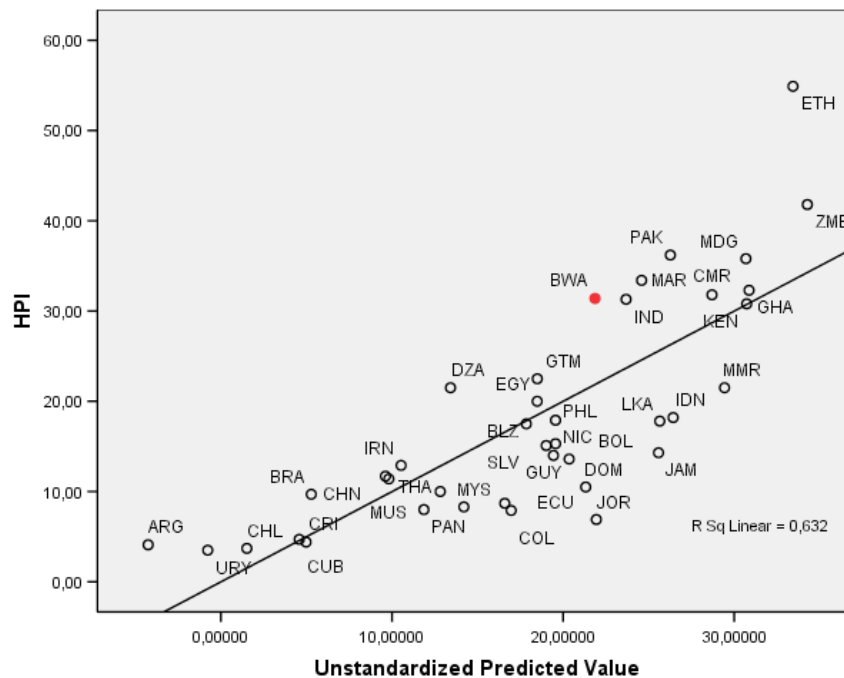


Figure 4.3: Predicted values from model 4 and actual HPI values



The statistical analysis is robust, except for the multicollinearity issue with GDP per capita<sup>24</sup> as this variable is highly correlated to government effectiveness as well as unemployment and social policies. Moreover, when looking at Figure 4.3 with a critical eye, Botswana is still not particularly well predicted by model 4 even though, of course, the inclusion of social policies greatly improved the ability to explain poverty in Botswana. The question is therefore whether any other aspects of the Botswana economy can better uncover why this relatively wealthy country has such high poverty levels.

It has been argued, that the economic wealth in Botswana, based as it is on mineral resources, has not resulted in structural transformation of the economy. That is, there has been high and sustained economic growth largely based on the diamond industry, but the rest of the economy is essentially pre-modern – the modes of agricultural production have not changed much, and there are few sophisticated and successful manufacturing industries (Hillbom, 2008). Economic modernisation is important in relation to poverty reduction as expanding manufacturing industries and service sectors give people the opportunity to partake in formal labour at reasonable salary levels; whereas high levels of occupation in farming may indicate unsophisticated agricultural production, informal employment and even subsistence farming. Furthermore, economic modernisation, also understood as “commodification”, is ar-

<sup>24</sup> In model 4 the tolerance level for GDP is .308

guably crucial for the long term development of welfare systems and their ability to ensure human livelihood (Rudra, 2007).

Therefore, it seems likely that countries with higher levels of economic modernisation have lower levels of poverty. Economic modernisation is here measured as the percentage of the population *not* employed in agriculture, so that the higher the score for economic modernisation, the lower the levels of poverty are expected to be.

Models 6 and 7 in Table 4.1 include economic modernisation instead of GDP per capita.<sup>25</sup> Model 6 shows that economic modernisation improves Adjusted R square remarkably when compared to model 2 in which GDP per capita was included (from .49 to .71). This by no means disturbs the well established consensus that economic wealth is important for poverty reduction. However, the finding does indicate that we need to be better to understand the importance of economic modernisation and how to ensure structural transformation and increased employment opportunities, rather than concentrate purely on (neo-liberal) policies of economic growth. Model 7 confirms that social policies still contribute significantly and substantially to the explanation of poverty (significant at  $p = .015$ ).

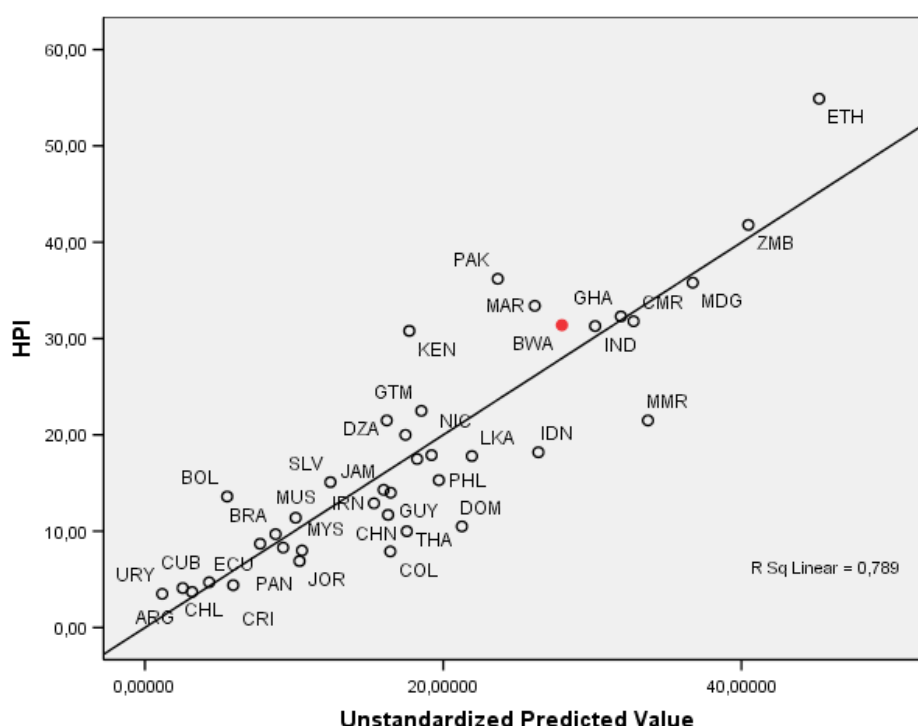
By including economic modernisation instead of GDP per capita in the analysis, Botswana is very well predicted as shown in Figure 4.4. Of course, model 7 is not necessarily the strongest possible model, and other causes of poverty have been left unnoticed.<sup>26</sup> However, the purpose here was not to identify all factors explaining poverty levels in developing countries, but rather to ascertain how important social policies are in reducing poverty and, as an extra bonus, to point to the importance of economic modernisation in both welfare policy development and poverty alleviation.

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<sup>25</sup> GDP per capita has been included in a separate analysis, which then gives an even stronger model (indicating that GDP per capita is an important predictor of poverty), but at the same time reveals high levels of multicollinearity (see Appendix 4, Table D).

<sup>26</sup> It is for instance likely that high HIV/AIDS prevalence would explain Botswana further, though this variable is not very suitable for the linear regression analysis conducted here, because most countries have relatively low levels of HIV/AIDS incidences apart from a few countries in Southern Africa with very high levels. What is more, high HIV/AIDS prevalence may in part be caused by high poverty levels, rather than vice versa. The developmental literature also points to additional possible sources of poverty, such as for instance, demographic trends like high fertility rates (Sachs, 2005); however, it is unclear whether these are more a symptom of poverty than a cause.

Figure 4.4: Predicted values from model 7 and actual HPI values



Economic modernisation thus directly affects poverty levels, i.e., the more modern an economy is (the less the number of people employed in agriculture) the lower the poverty levels. At the same time, economic modernisation is positively associated to social policies such that economic modernisation increases the likelihood of developing and expanding social policies. It seems obvious that changing employment structures increase the ability to expand, and the demand for, social policies. Moreover, as was argued in Chapter 2, a certain set of economic structures (production regime) is likely to shape how different political and economic groups in society are able to influence (social and economic) policy making, thereby affecting the long-term development of a welfare system.

A final interesting finding<sup>27</sup> is that unemployment only has a significant impact on poverty when associated with economic modernisation. This seems to indicate that while economic modernisation in itself leads to less poverty it also increases (formal) unemployment resulting in higher poverty levels. An important implication of this is that as an economy modernises, it is important for a government to identify measures that can tackle not only unemployment but also support the unemployed through their (hopefully short) period of austerity.

<sup>27</sup> See Appendix 4, Table E.

### 4.3 Conclusion: Economic transformation and welfare policies

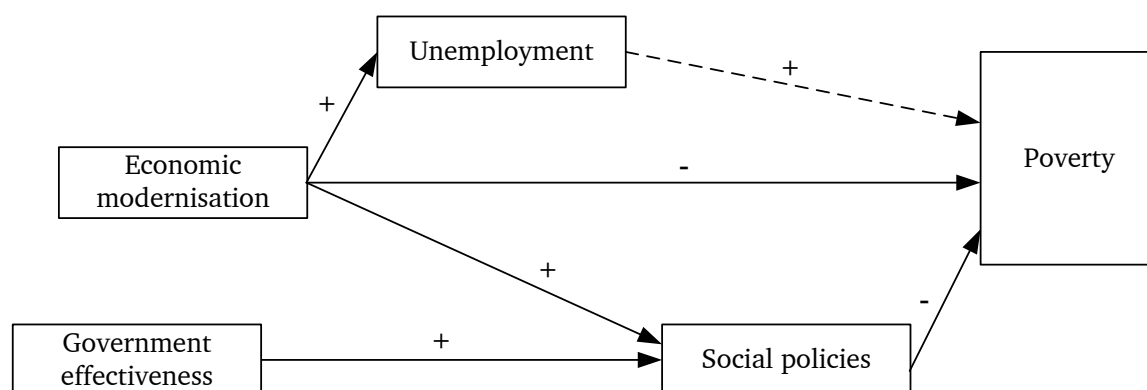
The aim of this chapter was mainly to test that inclusive welfare policies actually lead to less poverty also in developing countries. Given the challenges of finding appropriate indicators and measures in large-N analyses, a key area of welfare policies – that is, expenditures for and coverage of social policies – was used to analyse the hypothesised relationship. It was found that, indeed, the more generous the welfare policies are and the broader their coverage, the lower the levels of poverty. The analysis also clearly proved that the pro-poor growth literature neglects an important strategy in poverty reducing efforts; evident as Botswana's high poverty levels – unexplainable from the pro-poor growth perspective – was much better explained once the social policy variable was included in the model.

As developing countries are generally in the process of expanding their welfare systems, it may be suggested that the relationship between social policies and poverty is more about the *extent* to which any social policies are in fact in place, than the level of inclusiveness of social policies. Unquestionably, it is better for poverty reduction to have just a few social policies, even if they are minimal and mainly targeted at certain groups, than none at all. Even so, due to path dependence (an aspect being analysed and discussed in the coming chapters), the risk is that a system based on targeted and minimal assistance may be difficult to expand across broad segments of the population; so even with a large number of policies, if social policies do not have a broad reach, they will be less effective poverty alleviators.

The analysis also suggested that while social services, as in health expenditures, are important for poverty alleviation, the impact of social policies was greater. It has already been discussed that social services vary less in Western welfare states. This, combined with current findings, suggests that more effective poverty reduction is achieved through social transfers rather than through social services. This may not be surprising as transfers (together with taxation) are potentially more redistributive than services that benefit better-off groups just as much.

The main findings of this chapter can be illustrated as in Figure 4.5. Government effectiveness only has an indirect impact on poverty, and mainly through social policies. Just as unemployment has no straightforward relationship with poverty, but mainly becomes an issue as economies modernise. Economic modernisation directly affects both poverty and social policies.

Figure 4.5: Final analytical model; relation between social policies, control variables and poverty



In conclusion, welfare policies are important as a measure to reduce poverty in developing countries; economic structures (as for instance the level of economic modernisation) and economic policies (which may affect such conditions as unemployment) are equally important; and more so than merely the extent of economic prosperity. Clearly, welfare regime theory emphasises the interrelationship of welfare and economic policies in defining the character of welfare systems, and also suggests that the economic structures play a part in forming welfare systems with consequences for poverty (ex. Huber & Stephens, 2001; Haggard & Kaufman, 2008; see also the discussion in Chapter 2).

Accordingly, it would be a mistake to entirely relate Botswana's poverty problems to the nature of its welfare policies. Rather, one needs to understand how welfare policies have developed alongside economic policies (particularly salary setting and employment creation), such that both sets of policies in combination create a specific welfare system with consequences for human well-being. The causes to welfare policy development lies in the organisation and power resources of different economic and political groups and their attempts to satisfy their preferences through political bargaining and compromises. Therefore, to understand why welfare policies are so relatively limited in Botswana, it is necessary to analyse the incremental and complex political processes of policy-making. A natural starting point for the analysis is the economic structures in Botswana at the time of the initial policy developments and to explore how such structures shape the strength of different political and economic groups with consequences for policy making. In the next two chapters, I will therefore conduct an in-depth historical study of Botswana to analyse how the particular welfare system in this country has developed.



## **5. Early welfare policy developments in Botswana: 1960s-1980s**

Why have welfare policy initiatives in Botswana been so relatively limited? This and the following chapter concentrate on the creation of the welfare system in Botswana, and through an in-depth historical analysis we shall establish how politics have affected welfare policy developments with consequences for human well-being.

The principal cause of a specific welfare policy path lies in the power resources of different stakeholders (political alignments) and their political bargaining in the policy making process. We thus find that, in Botswana, the dominating and interrelated political and economic elite has controlled the political policy making process and only occasionally considered the poorest rural population. Over decades of rapid economic growth, largely driven by substantial mineral wealth, lower and middle income groups have become established in urban areas. Nevertheless, a potential alliance of the lower and middle income classes for progressive welfare policy development was never an option. Lower income groups have remained without influence throughout. Over time, coinciding with its increasing numbers, the middle income groups have become gradually more independent of the welfare system for their income security, such that they have no interests in (costly) welfare policy expansion.

To fully account for actual power resources and influences of different groups, or classes as it were, it is important to take into consideration the organisation of the economy (production regime). A poor cattle economy, which has developed into a rich diamond enclave economy, has created reasonably narrow economic interests and few strong groups of mobilised lower and middle income groups. Over time, and due to both economic and welfare policies, the production regime has changed. Even so, the political elites have been closely related to the narrow economic elites in the diamond industry and a small private sector and relied on the support of a backward, traditional rural agricultural class. The political process of policy making has also been path dependent. Not only do early policy choices affect the subsequent policy path as policies affect the power resources of different political groups, policies also gain their own life as beneficiaries of policies will defend the continued existence of these policies. In this sense, it not surprising that some policies have persisted even if, at times, obscuring other policy initiations.

On the other hand, there is little evidence that ideology has played any critical role in welfare policy expansion. The dominant politicians in Botswana may certainly have been aware of different political ideas of development,

but particularly in the early years they were reluctant to follow any specific political philosophy and rather more intent to find a suitable solution for Botswana's context. In later years, there seems to be strong leanings towards neo-liberal ideas, ideas which in any case fit well with the interests of the dominating groups and may also be a reflection of times where neo-liberal economic thinking has been dominant in international agencies.

The other alternative cause to welfare policy development was the electoral budget cycle; this theory claims that welfare policy expansion happens particularly immediately prior to elections. While one cannot set a mechanic relation between elections and welfare policy expansion, it is certainly true that in times of elections the political elites reconsider certain appealing policies to ensure electoral support. The existence of elections and a democratic system are important pre-requisites to broad-based welfare policy expansion as also discussed in Chapters 2 and 3. In fact, it does not go against the power resource approach advocated in this dissertation. The elections are important as they give voice to lower income groups and therefore pressurise elites to promote certain welfare policies. Yet political elites relate to the relevant classes both at times of elections and in between elections – and as the political elite's main support groups have been rural poor and, increasingly, the urban middle class, they have sought to satisfy the interests of these groups (with the least costs to themselves).

This leads to the final main finding of the analysis: It was noted in Chapter 4 that social transfers are better poverty alleviators than social services. The analysis of Botswana reveals how different welfare policies also have different appeal to various income groups. Particularly, we should distinguish between social services (education, health and housing), which may benefit better-off groups just as much, if not more, than lower income and poor groups, and social transfers and taxation, which are more redistributive and therefore also more controversial. It may therefore come as no surprise, given the power structurations in Botswana, that social services received high priority while taxation and social transfers received very reluctant and minimal attention.

In the following two chapters, I thus analyse the historical trajectories of welfare policy development in Botswana from around the country's independence in 1966 to the change of presidency in 2008. In accordance with the theoretical and methodological discussions in Chapters 2 and 3, the analysis takes a circular form, each period beginning with the identification of the production regime and the political alignments so as to establish who dominated policy-making. Through the analysis of policy development, I explore the arguments behind the policies and in whose interests the actual policies

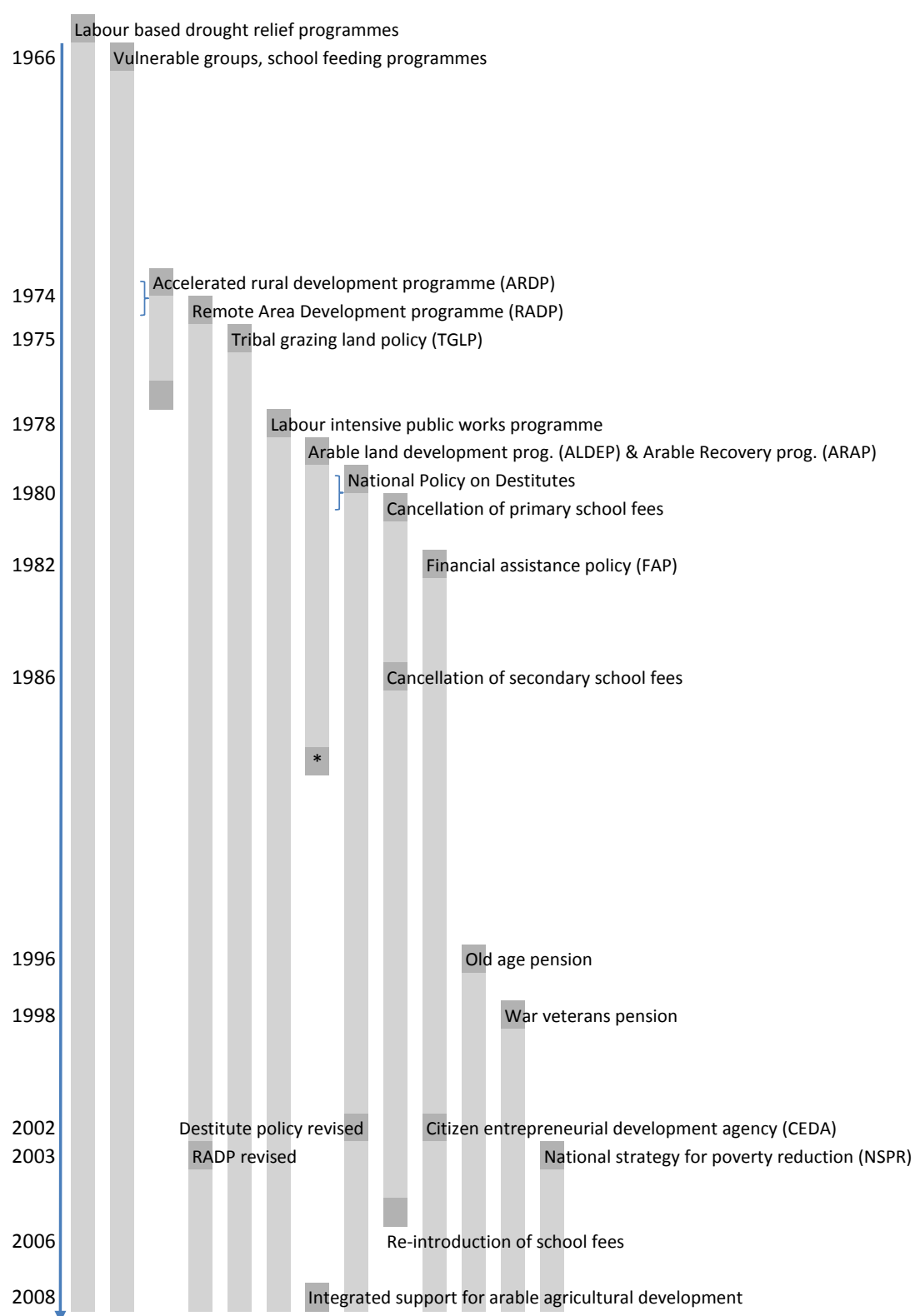
were so as to further establish how politics influenced the choice of policies. It is here important to recall that, while all groups are generally interested in income security and well-being, lower income groups are likely to favour redistributive and comprehensive welfare policies, whereas higher income groups prefer policies which favour their economic interests. Politicians are mainly driven by the need to ensure legitimacy and continued political support. Finally, middle income groups may be sympathetic towards welfare policies but only in so far as they benefit and not if they are expected to merely contribute. The extent to which the different groups are able to ensure their policy preferences depends on their power resources (organisation and position in the decision-making process), and the potential compromises they have to make with other influential groups.

The analysis takes up the most important welfare and economic policies as they chronologically appear (for an overview, see Figure 5.1). In many ways, the welfare policy path is already set in the early years with many policies continuing throughout the period, but there is also an apparent shift in the welfare system as hypothesised in Chapter 3. The first decades analysed in this chapter, see a strong focus on nation building, social service expansion and ideas of self-reliance. However, as we shall see in Chapter 6, the rapid modernisation in the last two decades has led to a 'split' country of the modern and pre-modern where self-reliance is changed to a dependency syndrome; the welfare system has become increasingly dual between those totally reliant on assistance and with the majority finding for themselves in the market, where only those in formal, middle-income employment have adequate income and welfare security through job-based and private schemes. Such a system – even if welfare policies target the poorest – excludes many lower income groups and therefore accounts for the still apparent high poverty and inequality levels.

### **5.1 1960s and 1970s: Promoting nation-building, human development and the cattle industry**

In this section, I analyse policy developments in Botswana's early years, the 1960s and 1970s. The analysis commences with an outline of the country's production regime and the political alignments formed at the time. By further clarifying the political interests and positions of influence by various groups, we are able to explain many of the policy choices taken throughout this period. On the other hand, ideology and elections were less instrumental in promoting policy initiations or expansions, even though some examples show that elections are a convenient time to promote the interests of certain groups.

Figure 5.1: Introduction and duration of welfare and economic policies



\* The ALDEP became dormant in the 1980s and was only later replaced by a new agricultural policy as discussed in Chapter 6.

Given Botswana's low level of development at this stage, one cannot expect it to have a comprehensive welfare system. Rather, these years should be seen as a period when economic and certain welfare policies were introduced, some in their mere infancy. However, as will become clear in this and the following chapter, early policy developments influence later policy choices (as well as the production regime and political alignments) and by analysing the development of welfare policies in Botswana from its early days we gain a more comprehensive understanding of the welfare system in place today.

#### *5.1.1 A poor cattle economy and the Botswana Democratic Party*

On the evening of 29 September 1966, in storming and rather unpleasant weather, the British flag was lowered and the new Botswana flag was raised to celebrate the independence of Botswana from British protectorate rule (Parsons et al., 1995: 249-50). While the independence celebration thus marked the beginning of a new era – a critical juncture – in that the Batswana were now able to rule their own country within a democratic constitutional set-up, the economic and political changes were not that dramatic.

The Batswana citizens inherited a badly neglected and underdeveloped economy. Botswana was one of the poorest countries in the world and after five years of serious drought, widespread poverty was entrenched. In the 1960s, as in previous decades, the Botswana economy was literally a cattle economy. Exports of cattle, beef and livestock products accounted for more than 75 percent of total export earnings, and domestically cattle affected everybody's lives. The rural population accounted for at least 90 percent of the entire population, and the majority of Batswana owned some cattle – if not they worked for and benefited from livestock owners. Botswana was also an arable country, and even though the agricultural system was underdeveloped and much lower valued than livestock, crop production was vital for rural people and the single most common productive activity. Even so, the national distribution of cattle was skewed (about a third of all households did not own any cattle at all) just as a relatively small number of farmers dominated the arable outputs (Colclough & McCarthy, 1980: 23, 54-55, 110-27; Picard, 1987: 114-15; Masire, 2006: 194-95).

Hence, at independence the production regime in Botswana was an agricultural economy dominated by cattle rearing, and it only seemed natural to focus on this area as a development strategy (Masire, *ibid.*). During the 1960s and 1970s, there were general increases in agricultural output and incomes due to good weather cycles, government inputs, and favourable beef prices. Foreign aid provided crucial supplements to the Government's budget to establish the capital city, Gaborone, and for various infrastructural, economic and social services as discussed below. However, the economic turning point

came in the early 1970s when diamonds started to contribute to government revenues thereby making aid proportionally less important. In the 1960s and 1970s, incomes from diamonds and other minerals were still relatively small in comparison to later developments, but increasing revenues gave the government the possibilities to expand spending (Colclough & McCarthy, 1980, 57-99).

Given the economic backwardness, British neglect and uneven distribution of wealth, access to education was limited prior to independence. The privileged few, often sons of chiefs, were educated abroad and later returned to Botswana to work as court clerks, journalists, teachers or government civil servants. It is from this group of better educated, wealthier, (and for some royal) young men that the first generation of post-colonial politicians were found (Molutsi, 1989: 122-24; Sebudubudu, 2009:3). However, already prior to independence, the political alignments which came to dominate Botswana politics for the coming decades were established.

In 1961, the British established a new legislative council (Legco) of Botswana citizens and white settlers in preparation of independence and self-governance. The only party at the time, the Botswana People's Party, boycotted the elections for this organ. The elected members of the legislative council were alarmed by the radical and populist style of the BPP, and in 1962 the Botswana Democratic Party (BDP) was founded by ten of the twelve members of the Legco. The outgoing British administration was sympathetic towards the BDP, and through the legislative and executive councils BDP members became closely involved in the administration of the protectorate. The BDP also drew support from the small but influential white settler community who worried about BPP's ideas of nationalisation, and from traditional rulers who were extremely nervous of BPP's anti-chiefs sentiments (Picard, 1987: 136-42; Ramsay & Parsons, 1998: 136; Fawcus, 2000: 222-23; Colclough & McCarthy, 1980: 35). Thus, politically the day of independence in 1966 was not a dramatic turning point, as BDP by then had already de facto been heavily involved in governing the protectorate. In the words of Sir Quett Masire, Vice President and later President of Botswana: "The people who founded and built the party were the same as those who were leaders in Legco, the Constitutional Conference, the Legislative Assembly, and the government that took Botswana to independence" (2006:60).

It is well-established that the political and economic elites were one and the same in Botswana. Not only were politicians better educated, but the majority of them was also wealthy cattle owners or businessmen. Of the members elected into parliament in 1969, all had three or more years of schooling, compared to the population of which 90 percent had less, and 77 percent

of the newly elected members owned more than 50 cattles (Parsons, 1977: 642; Hilbom, 2008: 208-09). Given their economic interests, politicians were generally committed to rapid economic growth within a system of free enterprise (Picard, 1987: 147).

As for opposition parties, these were generally very weak and even if they did speak out against the government, they were also notably quiet in certain areas of rural development, where they themselves had economic interests due to cattle ownership. Over the years, the BDP backbenchers have rather played the role of critical opponents in parliament (Colclough & McCarthy, 1980: 46; Holm, 1982: 85).

Contrary to the opposition parties, the bureaucracy became an increasingly influential political player. At independence, a large portion of the top management in the bureaucracy was expatriates and the civil service in Botswana only gradually became local. From the beginning, the administration was given freedom to initiate and develop policy documents as the first President, Sir Seretse Khama, “liked sound and decisive advice” (Parsons et al., 1995: 310). Thus a tradition was founded where civil servants played a critical role in policy formulation on technical and bureaucratic grounds and were involved in policy decisions – according to some even more so than the elected representatives (Lekorwe, 1998; Molomo, 1998: 209; Maundeni, 2003: 106-7). Particularly, the Ministry of Finance and Development Planning headed by Vice President Masire became a formidable power within government (Colclough & McCarthy, 1980: 91; Mwansa et al., 1998: 56). As the civil servants, particularly at the top level, were thus close to the policy-making process, they were most likely required to find policy solutions to identified problems, which may be quite difficult. As such it has been suggested that policy making also has an element of uncertainty to it as civil servants (together with politicians) “wonder what to do” (Heclo, 1974: 305). Policies may then simply result from previous experiences and already available policy instruments (Heclo, 1974). This scenario is not unlikely and may also account in part for the expected path dependence of policy-making – it is easier to continue with well-known and tried policies. However, it is unlikely that policy choices will go against the interests of the bureaucracy, if they have sufficient influence. In this period, it becomes clear that the bureaucracy had self interests related specifically to wages and benefits, which increasingly influencing policy making. In some areas, in fact, the preferences of the civil servants were not unlike those of the political elite as top level bureaucrats were also keen to invest their salaries in cattle (Parsons et al., 1995: 321).

The main political alignments were thus a political and economic elite united within the Botswana Democratic Party; but the bureaucracy also had increasingly strong influence over the political bargainings. The rural poor – the majority of the population – was at the margin of the political decision making process. In the elections in 1965, prior to independence, the BDP received overwhelming rural support largely due to their ties to traditional leadership (Picard, 1987: 139). Subsequently, it was recognised that to maintain broad-based legitimacy, developments must benefit all (Selolwane, 2007: 38), and the ruling BDP would project an image of great concern for rural development. Yet it is also clear in this period that the rural citizens did not have any resources to influence the government – the rural population was uneducated, poor, and scattered over vast areas making it difficult for peasants to organise politically (Holm, 1982). On the one hand then, rural support was essential to BDP, and as such, the politicians were sympathetic towards the rural electorate, a sympathy that may also have been natural as there were still strong links between the political elites and the rural areas (Parsons et al., 1995: 321). On the other hand, if preferences of the rural poor and cattle owners were contradictory, cattle owners would likely be given political priority over the rural population (Colclough & McCarthy, 1980: 47). This political framework influenced the policy decision taken in the 1960s and 1970s.

#### *5.1.2 Introducing social services and servicing the cattle industry*

At independence, Botswana was confronted with great political and economic challenges. It had a struggling monocrop economy due to a period of severe draught and was surrounded by unfriendly and unstable white minority regimes with apartheid South Africa as a main economic trading partner. In this taxing atmosphere, the new leadership was intent on achieving economic independence and political stability, and it stressed national unity and social harmony as the unifying factors which would allow for progressive development (Sebudubudu, 2009:21).

Beginning with the 1966 *Transitional Plan for Economic and Social Development*, the government of Botswana has over the years consistently made national development plans to list development needs, outline priorities and plan the development strategies for the coming years. The BDP government reasoned that the process of economic growth and development would be better achieved through planning, and it also considered the state's role in this developmental process as essential. However, this does not by any means entail that the BDP government was driven by a socialist ideology. Rather, the government's stated approach was to agree on the aims of production and



distribution and then choose the appropriate instruments, whether public, private or parastatal (Lekorwe, 1998: 173; Harvey & Lewis, 1990: 48-49).

The BDP government saw itself as pragmatic, rather than ideological (Masire, 2006: 147), and the indications certainly point towards an approach intend on development, plainly, rather than development driven by a specific political philosophy. For instance, the government declared its preference for capitalism and was at pains to ensure that a balance was struck between private initiatives and the government's overseeing role. At the same time, President Khama recruited a private secretary for information and research from the social democratic Ariel Foundation in London. The BDP government, furthermore, promoted *self-reliance* as a pillar for development with emphasis on self-help, and community initiative and control. The idea behind self-reliance was that, when the government was unable to provide many of the desired services and infrastructure, people were encouraged to assist on a self-help basis. In this way many schools, the national library, national museum and even the national stadium and the university were established (Masire, 2006: 81; Parsons et al., 1995: 283, 296, 365; Maundeni, 1998: 130).

Over the years, as we shall see, the spirit of self-reliance has dwindled and arguably been substituted for the much less attractive feature of dependency. Recent years has also seen tendencies of a BDP government with neo-liberal leanings though any ideological standpoints are still denied. However, in the 1960s and 1970s national unity, self-reliance and development were political cornerstones. In the following, I first study a number of prominent economic policies and strategies. Second, I analyse, in turn, transfers and taxation as well as the introduction and expansion of social services. Throughout the analysis, I seek to establish the politics behind welfare policy initiation and development, that is, I explore how policies reflect the interests of the main decision-makers and the dominant groups influencing them; when relevant I also consider how elections may have influenced the policy path taken.

### Economic strategies and policies

At the first meeting of Legco in June 1961, Peter Fawcus [Resident Commissioner of Bechuanaland Protectorate] delivered an opening address about our purposes. He said, among other things, that there were three priorities for improving the economic situation in the country: (1) livestock and agricultural improvement; (2) mineral development and associated industries; (3) diversification of the economy through the establishment of other industries. These priorities stayed with us for the next 40 years, though each generation of leadership in politics or the civil service seems to think it has discovered them.

In some cases we were very successful, and in others we did not do as well as we had hoped (Masire, 2006: 37).

Even prior to independence, the main economic strategies were introduced, and, according to the above quote, the approach has been followed – in some form or another – ever since. In reality, however, the choice of economic policies and their development was just as much influenced by the prevalent political alignments. The BDP ruling elites were concerned to maintain legitimacy with the rural majority; even so, they were also influenced by their own economic interests as well as by an increasingly self-assured bureaucracy.

In the first post-independence years, major investments were directed towards the mining sector and supporting infrastructure – roads, water, power supply, telephone systems and housing. The BDP government was committed to mineral exploitation and saw this industry as an avenue to promote economic development through the spin off principle, where revenues from mining would be used to develop new secondary industries and promote urban development. Job opportunities in urban areas would in turn increase the demand for agricultural products and create employment for the rural unemployed (Picard, 1987: 236-40; Masire, 2006: 168-69).

Initially priorities were directed at the development of the mining industry as well as governmental and hence urban expansion as these were seen as vehicles for future progressive development. The government was aware that this developmental route had an urban bias and introduced a policy on wage restraints. The aim of this policy was two-fold: First to maximise employment as wage restraint was assumed to encourage businesses to pursue labour intensive rather than capital intensive production. Second, wage restraints would address existing inequalities. As Government Economist in the Ministry of Development Planning, P.M. Landell-Mills, explains: “If Botswana is to avoid the social unrest caused by gross inequalities of wealth between the rural and urban sectors [...] wage levels on the mines and in Government [...] must be restrained and the surplus resources thus liberated used to promote rural development” (Landell-Mills, 1970: 79). Further, to achieve fairness (Leith, 2005: 88), a minimum wage was established in 1974 for unskilled workers to provide a minimum acceptable standard of living. Government and mining employees were excluded from these regulations as their salary rates were much higher than these minima; also agricultural workers were excluded as “the minimum-wage concept could not readily be applied” for this group (Colclough & McCarthy, 1980: 190). Traditionally, poor farm labourers were considered as dependants of the rich cattle farmers and as such not necessarily entitled to formal wage employment (Iliffe, 1987: 74-81, 145-

47). These viewpoints lingered on, and farm labourers were still outside any formal wage regulations – probably because this suited the cattle owners well. At least, as is evident in Chapter 6, it took more than 30 years before agricultural (and domestic) workers were included in any formal minimum wage regulation.

The BDP government's aim to reduce wage inequalities was reasonably successful at first. The differentials in earnings in formal employment were narrowed considerably between 1964 and 1977 reducing the incomes of professionals and senior employees to between two-thirds and three-quarters of their real value while the salaries of unskilled employees were doubled in real terms in the same period (Colclough & McCarthy, 1980: 191). It was a conscious decision that the private sector should follow the governmental sector as regards salary levels which was possible because the Government worked closely with employers and private capital in formulating employment and incomes policy, whereas employees were a weak party in such negotiations (Tsie, 1996: 606).

However, during the early 1970s, civil servants (and mine workers) became increasingly dissatisfied with the government's salary policy, and, as would be expected given the bureaucracy's increasing influence, the government appointed a salaries review commission in 1974. That same year, high salary increases were granted to the lowest paid government workers – conveniently, as some argued, as this was also election year (Colclough & McCarthy, 1980: 186-87). Nevertheless, two years later, in 1976 (and well beyond the elections), civil servants were granted a 20 percent salary increase across the board (Parsons et al., 1995: 365), and by 1978 the more powerful and articulate groups of civil servants increased their influence, and previous efforts to reduce wage differentials were reversed. From now on, when the Government determined new salary structures, the main criterion was no longer to reduce salary inequalities (Colclough & McCarthy, 1980: 186-87).

It may by now appear as if the BDP government had a strong urban bias, and many academics indeed argue that rural development was neglected in this period (Colclough & McCarthy, 1980, Picard, 1987; Holm, 1982). Yet given the strong links to the rural areas, the BDP government did proclaim commitment to rural development; both to ensure genuine development for their support base and as a way to limit an already massive threat of rapid urbanisation. As Vice President Masire (2006: 217) put it: "We needed first to develop productive opportunities in rural areas so people would voluntarily stay [...]. So, in the late 1960s and early 1970s, we developed long-term programmes for rural development. We subsequently spent large sums of money

on rural services and on agricultural programmes.” So far so good for the intentions. Politics also came into play.

We shall discuss social services and other welfare policies later. As regards economic strategies and, more specifically, the development of agriculture, this sector did not receive much attention before the late 1970s except of course for the livestock sector (Picard, 1987: 257). The main policies put in place in this period were two land tenure reforms – the Tribal Land Act 1968 and the Tribal Grazing Lands Policy (TGLP) of 1975. The Government was painstakingly aware of problems of over-grazing due to over-stocking and poor managements of the grazing areas. There was no support for limiting stock, as “Batswana had always had a right to own as many cattle as they could afford and a right to graze them on tribal land” (Masire, 2006: 187); instead exclusive access of commercial land was provided to those who could manage their farms and afford to drill boreholes. This way it was assumed that large cattle owners, ranchers, would remove their herds from the communal grazing areas which small livestock owners could still use. However, as it turned out, ranchers continued to use communal areas in addition to their acquired lands, and the government did nothing to prevent continued over-grazing even though legislation provided for this possibility (Picard, 1980; Colclough & McCarthy, 1980: 118; Harvey & Lewis, 1990: 86-87).

Thus, the agricultural initiatives in this period turned out to be advantageous to large cattle owners who had the means to pursue private ownership and expand their beef production, whilst it became increasingly difficult for small livestock owners to keep cattle in overgrazed areas with only communal access to water. Politically this is no surprise. As already discussed, most of the politicians were large cattle owners, and it is indicative that opposition parliamentary members were quiet on this issue (Holm, 1982: 85), and just as revealing that top civil servants were also major beneficiaries of the policy (Picard, 1980).

The early agricultural strategy of TGLP was no doubt fostered due to its political support amongst the most influential groups in the country and because there was no vested interest in any different model (Robinson & Parsons, 2006: 121). However, this strategy also meant that no rural structural transformation or agricultural modernisation was initiated in this period. Cattle production is a traditional sector where little technological advancement has seen the light since the drilling of modern boreholes and the establishment of an abattoir in 1954 (Hillbom, 2008: 197-98). Other areas of agricultural development were neglected to this point. Still, the government was aware of its rural constituency and other policies were beneficial to these areas.

## Social transfers and taxation

In the 1960s and 1970s, Botswana was essentially a traditional and largely rural society. Therefore, it is plausible that during this period traditional types of safety nets, including members of the far extended family, were still used, though nonetheless eroding. Historically the chiefs, as the then political authorities, were the critical providers of subsistence goods during periods of droughts. From 1965, aided by the World Food Programme, the BDP government operated drought relief programmes providing food-for-work in years with partial crop failure. The objective was to provide temporary income support with wages paid specifically only at a supplementary level to compensate for real or perceived loss of income due to drought. The drought relief schemes were run in years declared as drought-stricken by the President, which for this period includes at least the years of 1965, 66, 68, 69, 70, 73 and 1978-79. While only of a temporary nature and dependent on a presidential degree of declaring drought, incidents of famine were avoided due to the drought relief schemes (Hansard, No. 67, Part One: 3; Colclough & McCarthy, 1980: 133; Holm, 1982: 93; BIDPA, 1997: 157).

At the same time, the government also introduced a supplementary feeding programme which provided food to primary school children, expectant and nursing mothers and pre-school children. In 1978, 35 percent of the population received supplementary rations. Related to the drought relief programme, though somewhat later, the government introduced the Labour Intensive Public Works Programme in 1978 with the aim of assisting people to lift themselves out of poverty. Through this programme, most often run during periods of drought relief interventions, poor members of rural communities were enrolled in labour-intensive construction programmes and paid at a bare subsistence level for participating in the activities (BIDPA, 1997: 157-60; Ntseane & Solo, 2007: 14). These early programmes of social assistance – introduced as sincere needs of assistance were revealed – were politically popular tools and have become permanent features of Botswana's welfare system.

The introduction and continuity of these social assistance programmes seem to have created little controversy. Most likely because in the first place no one can turn the blind eye to starvation and, second, and luckily for Botswana, funds for such expenditures were readily available, at first from donor aid and later through the substantial revenue from the mineral sector.

Revenue-raising was neither particularly controversial – unlike probably in most countries around the world – as the population in general was not excessively taxed and, specifically, as the main politically dominant group, the cattle industry, was taxed at a bare minimum.

As can be seen in Table 5.1, direct personal income tax (PAYE) and income from cattle exports contributed only to a limited extent to the overall government revenue – combined less than ten percent at the highest. Of major importance to the government was instead ‘customs’, ‘other income tax’ (from companies, including the Botswana Meat Commission), ‘other’ which includes repayment from parastatals to the government of loans, and private sector payment of public provided services, and, finally, of increasing importance, ‘minerals’.

Table 5.1: Government revenue 1968-77; percent of total

	1968/69	1970/71	1972/73	1974/75	1976/77
PAYE	6	5	6	7	7
Other income tax	20	10	14	17	20
Customs etc	20	39	44	47	19
Cattle export	4	2	1	1	1
Other export	1	1	0	0	0
Minerals	..	2	11	5	11
Other	49	41	24	22	42
Total	100	100	100	100	100

Source: Colclough & McCarthy, 1980, Table 4.1, p. 80.

In this period, the Batswana contributed between five and seven percent of the overall government revenue payable through both income and local government tax. The tax system was proportional; less than five percent of the taxpaying public was in the high tax bracket with income taxable at between 30 and 40 percent. By far the largest proportion of the population (90 percent of the rural population) paid less than ten percent of their income in taxes (Colclough & McCarthy, 1980: 81-84; 200-01). The general public then contributed with a relative small part of overall government incomes – 30 to 40 years later this has not changed dramatically.

However, even more significant and a strong indication of the political interests in place, cattle farming made virtually no net contribution to the government coffers even though it was the largest contributor to the gross domestic production in this period. Cattle farmers were taxed in two ways. First, through their income, where well over half of the farmers, who were liable for tax, managed to evade this responsibility. Second, the Government had laid down a cattle export tax in 1952 of P2.25 “upon every head of horned cattle exported from Botswana” (Republic of Botswana, 1952) – an export levy tax which apparently still remains at the same amount despite massive

real increases in price per cattle. Furthermore, for a government otherwise reluctant to create subsidies, the cattle industry received a number of subsidies for construction and maintenance of fences and free vaccinations as well as the possibility of writing off capital expenses; it has been argued that the cattle industry in fact received a net subsidy (Colclough & McCarthy, 1980: 82-83; 202; Harvey & Lewis, 1990: 88-89; Hudson, 1980; Fidzani, 1998: 256).

As far as can be ascertained, the politics behind the nascent social assistance policies and tax policies have caused limited conflict and have been quietly introduced over the years with few and incremental changes. While taxation and transfers are potentially controversial policies given the ability to redistribute, such controversy is not apparent here. The BDP government avoided taxing powerful interests altogether and was able to still provide assistance at subsistence level (and as we shall see increasingly also social services) through donor funds and government revenues from mainly customs and minerals.

### Social services

At the beginning, priority for spending on social and physical infrastructure was adopted for two reasons. First, there were very few employment opportunities in Botswana outside of agriculture. We knew that without water supplies, education, roads or communication, we could not establish enterprises that would employ people productively [...] Second, our people had told us directly that they wanted clean water, educational opportunities, and access to health care for themselves and their families (Masire, 2006: 149).

The provision of social services was a government strategy right from the beginning even though, in the first years, focus was on infrastructural development, and the government had major budgetary limits as regards expansion of education, health and housing facilities. However, in the advent of budgetary independence in 1972, the government indicated that now the time had come to make good of earlier promises to provide services which could improve the life quality of all Batswana (ibid.: 217-18; Colclough & McCarthy, 1980: 94).

In the early 1970s, the largest share of government expenditures still went to physical infrastructure, economic services and communications, but both education and health expenditures doubled their share after 1973 (see Table 5.2). This should be coupled with the real dramatic increases in the actual amounts spent (and available), even if the dramatic salary increases for all branches of government in 1974, as mentioned, account for some of these increases (Colclough & McCarthy, 1980: 98-99).

Table 5.2: Government expenditures (capital &amp; current) 1966-77; percent of total

	1966/67	1968/69	1970/71	1972/73	1974/75	1976/77
General	20	23	23	13	17	17
Economic services	15	18	14	9	12	10
Physical infrastructure	13	17	23	52	21	15
Communications	16	11	15	11	21	26
Health	5	6	5	3	6	6
Education	14	7	8	7	12	16
Community development	6	2	2	1	0	0
Other	11	16	11	6	10	9
<i>Of which Shashe project*</i>			6	45	6	2
Amount in pula million	18	16	24	52	77	114

Source: Colclough & McCarthy, 1980, Table 4.2 and 4.3, p. 86-89.

Note: housing and urban part of physical infrastructure; community development includes famine relief and institutional feeding programmes. The Department of community development was discontinued in 1975/76 (ibid.: 89).

\* Construction of a new town as part of a copper-nickel mining venture.

Of central importance at this point, “of a sudden gush of money coming in from mineral and customs revenue” (Parsons et al., 1995: 300), was the Accelerated Rural Development Programme (ARDP). This programme, launched by President Khama in 1974 only 26 days before the general elections, was to concentrate on rural infrastructures such as water reticulation, primary schools, health clinics and road improvements. Although all elements of the ARDP programme were already part of the National Development Plan at the time, it is unlikely that the programme would have received the same attention and funds had it not been for the political impetus by the President (Picard, 1987: 241; Colclough & McCarthy, 1980: 98).

Certainly, it seems that the healthy budget surplus was the catalyst which made it possible to implement the ARDP. However, even if it was a genuine attempt to satisfy aspirations of the rural population, there may equally have been an element of electioneering given the timing of the programme’s launch and the perceived threat of the main opposition party at the time: Botswana National Front (BNF) (Picard, 1987: 162; Colclough & McCarthy, 1980: 43-46). Nevertheless, it remains inconclusive whether BDP won convincingly (as it did) due to this political move. First of all, the ARDP did not reflect any marginal change in rural incomes as most aspects of the pro-



gramme were public works projects which brought no real payoff to most communities (Holm, 1982: 91). And, second, at the day of election in 1974, less than 30 percent of the electorate were actually aware of any ARDP project (Parson, 1977: 643-45).

Even so, the levels of public investments were sustained after the ARDP itself was completed in 1976/77 (Colclough & McCarthy, 1980: 231-33). The economic conditions facilitated rapid expansion in the social service sector. Such expansion provided the ruling BDP with the opportunity to ensure support from the rural majority, at no particular costs to themselves. Furthermore, it becomes clear from the following that social services are also advantageous to the better-off groups, thereby making social service expansion a much more apparent priority than potentially redistributive taxation and transfer policies.

During the first decade of independence, education was expanded at a rapid and unprecedented rate. Nevertheless, initially more focus was put on secondary and tertiary education as both the government and the mining industry were in dire need of skilled and qualified staff. Primary education received a boost in 1973 when primary school fees were reduced (and abolished in 1980) and more funds directed towards the educational sector. Consequently, by the mid-1970s, about 90 percent of the eligible age groups were enrolled in primary education. Yet given the emphasis placed upon the expansion of the more costly secondary and tertiary education, the quality of primary education still left much to be desired (Masire, 2006: 220-23; Colclough & McCarthy, 1980: 210-14; Harvey & Lewis, 1990: 286).

The health sector also saw a shift in priorities after 1973. From having mainly concentrated on expensive curative facilities, the government now allocated 60 percent of the government capital expenditures in the health sector to construct health centres, clinics and health posts in rural and village areas. As a result, by 1975 about 80 percent of the population lived less than 10 miles from a health facility (Colclough & McCarthy, 1980: 222-23). No mean achievement when we consider the size of the country and lack of facilities at independence.

The provision of housing was solely an urban undertaking, as “in the villages, all Batswana had access to tribal land on which to build a home – land on which they would not have to pay any rent or service levy” (Masire, 2006: 169). The size of the government grew rapidly, and there was a need to build new houses for civil servants. For this purpose, the Botswana Housing Cooperation (BHC) was created in 1970. The BHC provided cheap rental housing for civil servants, at costs must lower than on the open market because the government had committed to exercise restraint on house rentals in order to

get the civil servants to accept the wage restraint policy. Furthermore, civil servants received housing allowances which tended to increase with rent increases (ibid.: 169-70; Colclough & McCarthy, 1980: 227-28). A few years later, the government also established the Self Help Housing Authorities (SHHA) targeted at lower-income urban migrants and residents. Under this scheme, urban citizens were provided with semi-serviced land, a loan for building materials and some technical assistance. This scheme ensured that urban residents lived in relatively safe and sanitary conditions despite the rapid rate of urbanisation (Masire, 2006: 170-17; Harvey & Lewis, 1990: 60).

The final policy of some importance was the Remote Area Development Programme (RADP) established in 1974 with the purpose of bringing government services to and promoting economic and community development in 64 designated areas for citizens living in remote areas. The programme has been small in size, with little staff and with no clarity of aims and objectives. It operates under presidential directive and has never been debated in parliament. Despite many obvious problems, the programme was only to be reviewed in 2003 (Holm, 1982: 87; Good, 2008: 120-24).

The expansion of social services has no doubt benefited all Batswana. However, it is also clear that some policies, such as particularly housing but also education which prioritised tertiary and secondary levels, mostly benefited people in government positions and with higher capability levels.

### *5.1.3 Status of welfare policy development late 1970s*

Right from its independence, but particularly through the 1970s, Botswana experienced rapid growth and development. Per capital income had tripled (to P450) by 1976/77 and whereas Botswana at the outset had been amongst the poorest 20 countries in the world, the country now had a per capita product higher than the average for Africa and Asia (excluding Japan) (Colclough & McCarthy, 1980: 74).

The prominent goals were nation building and development through self-reliance. In its 1979 election manifesto, BDP still emphasised self-reliance: “the nation, the communities and indeed the individual should as far as possible use their own resources to improve living conditions in Botswana and not rely solely on outside help, and others to develop their lives. BDP lay stress on involving our smallest social units in development so that no one is left behind” (BDP, 1979). Moreover, it may be recalled that the BDP was concerned to limit rural-urban migration and that for rural people to voluntarily stay “we needed to first develop productive opportunities” (Masire, 2006: 217). As it turned out, policy choices and their continued development were just as much determined by the political interests and influences of various stakeholders in the Batswana society. Even though rural-urban migration was

still fairly limited by the end of the 1970s, the rural people did not stay due to productive opportunities but more so, one may suggest by default, because of increasing social services and drought relief hand-outs.

The policies of the 1960s and 1970s were outcomes of identified needs, financial ability and within the political and economic elites' interests. Thus, the economic strategies were, other than developing the mining sector, basically agricultural policies benefiting large cattle-owners or wage negotiations which, in the end, benefited the upper-middleclass civil servants. Drought relief and feeding schemes were early reactions to dire needs, and, as we shall see, these programmes have persisted ever since. Finally, social service expansion was initially focused in urban areas, but eventually also expanded to rural areas. Potentially redistributive policies such as taxation and transfers received limited attention.

The above analysis also reveals the interdependence of economic and welfare policies, thereby confirming the usefulness of studying both sets of policies in conjunction. Thus, for instance, early efforts at wage restraints were made possible because civil servants were instead given cheap housing. And the, up to now, inability to create rural productive opportunities may have been accepted as drought relief, feeding schemes and services served to appease the rural population.

It would not be reasonable to define an actual welfare system at this stage of Botswana's development. However, as will become clear, many of these early policies continue to exist and influence later policy initiatives (or lack thereof) such that even these early policies affect the welfare policy development path which will eventually define the specific character of Botswana's welfare system. The policies also affect the production regime and political alignments of the early 1980s, to which we now turn.

## **5.2 1980s: Modernisation and the 'paternalistic' elite**

The 1980s was a period of societal transformation as evident by high economic growth and rapid urbanisation. Throughout the 1980s, there was, however, no obvious transformation of the economic structures, particularly as regards agricultural production despite political attempts to address challenges of economic diversification and employment creation. Welfare policy development was also much the same – social service expansion, and very little else. To explain these outcomes apparent by the end of the 1980s, let us first deliberate on the production regime and political alignments anno 1980 before we analyse actual policy developments.

### *5.2.1 BDP, the bureaucracy and DeBeers*

In the early 1980s, rural agricultural life was still the defining feature of the Botswana society. Ever since independence, urbanisation had been on the increase, but about 80 percent of the population still lived in rural areas or villages. Due to the government agricultural policies, such as the TGLP and advantageous subsidies and benefits to cattle farmers as discussed above, and favourable beef prices, there was an increase in large cattle farmers but also a move away from arable agriculture. Cattle ownership had become even more uneven in the past period; 45 percent of the population did not own cattle whereas five percent owned half the national herd. It has been suggested that less than ten percent of the population were able to derive sufficient income from cattle to cover any more than a third of household expenditures. Instead many rural people relied on farming activities at subsistence level and drought related government hand-outs (Holm, 1982: 87; Picard, 1987: 233; Harvey & Lewis, 1990: 100; Leith, 2005: 13).

Even if livestock keeping and farming was still the way of life, agriculture as an economic sector was diminishing in importance. In the mid-1970s, agriculture had contributed with just over 30 percent of GDP, at the beginning of the 1980s only with 13 percent and at the end of the 1980s, it fell to around five percent of GDP. Instead, the mining industry was quickly becoming the defining feature of the Botswana economy. Mining increased its contribution to GDP from nine percent in the mid-1970s to just over 30 percent in 1979/80 and again to over 40 percent at the end of the 1980s (Seleka, 2004: 2). The share of exports from diamonds and other mineral resources was around 80 percent in 1980, with agriculture – that is the beef industry – contributing with only eight percent of the total export (Republic of Botswana, 2005a).

However, mining is a capital-intensive rather than labour-intensive industry, and throughout the 1980s the mining sector only accounted for six to eight percent of the total labour force in formal employment. What is more, even if formal employment had increased since independence, only 97,400 were formally employed in 1981 out of a formal labour force of 315,475 (this again accounting for about a third of the population). Formal employment was mainly offered in government and service sectors, whereas manufacturing – a potentially important industry – only employed six percent of those in formal employment in 1980/81 (Seleka, 2004: 3; Sentsho, 2005: 143; Gao-lathe, 1997: 412; Leith, 1997: 34).

Given the tremendous growth in mining and associated infrastructure investments, domestic demands on the manufacturing sector also increased and the sector succeeded to keep pace with the growth of the economy as a

whole. Even so, manufacturing only represented about seven percent of total domestic output, which was a small proportion even by African standards. A last defining feature of this industry was that it was largely foreign owned with indigenous Botswana businesses being concentrated in cattle, small general dealers, bottle stores and small scale retail activities (Jones-Dube, 1991: 23-25; Colclough & McCarthy, 1980: 163-64; Harvey & Lewis, 1990: 159-69)

To sum up, at the beginning of the 1980s, the Botswana production regime – partly as a consequence of the policies and developments of the previous two decades – can be characterised as follows: Mining had replaced agriculture as the most important economic sector. And while the formal labour force had increased, only relatively few were in formal wage employment and most of these worked in government and service sectors. Many Botswana still lived in rural areas with few employment opportunities for this mostly unskilled population, and even among agricultural workers some 23 percent earned no regular wages (Iliffe, 1987: 237). Instead people relied on traditional, low productive agricultural activities. Only those with substantial numbers of cattle were able to benefit economically. This left the rural poor with only few options to make a productive contribution to the economy other than migrating either to urban areas or, as many young men had done up till then, to the mines in South Africa. The Botswana government consequently had many challenges in the early 1980s; some of the most prevalent ones were employment creation, threats of rural-urban migration and low agricultural productivity. These challenges affected the development focus and range of policy choices. More so, the prevalent production regime shaped the political alignments and preferences of dominant groups determining the eventual choice of economic and welfare policies.

Politically, if only symbolically, a major change in 1980 was the death of President Sir Seretse Khama and the rise of Vice President Masire to become the second President of Botswana. As regards domestic politics, this shift may largely be considered of little consequence. President Khama was content to leave much responsibility to his Vice President and the bureaucracy in general as “administrative detail of policy rarely captured his imagination. Seretse believed that such matters were for deputies and civil servants” (Parsons et al., 1995: 223). Furthermore, during his years of reign, the president had had a strong focus on foreign affairs; in long periods he also suffered from bad health during which periods Masire was made *de facto* president (Parsons et al., 1995).

The bureaucracy continued to have strong political influence. Public sector employees were as a class a strong economic power in that they were the largest group of well paid employees compared to a private sector (excluding

the mining industry) where many wage earners did not reach similar salary levels; another potential powerful group – the manufacturing and trading community – was largely foreign owned and only had limited influence (Picard, 1987: 221). The symbiotic relationship between the BDP and the civil servants was further intensified as the BDP encouraged many former civil servants to enter active politics, and President Masire included many of these retired bureaucrats in his cabinet. There is thus no doubt that top civil servants dominated policy making. And even if BDP backbenchers were unhappy about administrators' strong influence, party policy orientations were still derived from the top party leaders in cooperation with the administration – with the powerful Ministry of Finance and Development Planning in the driving seat (ibid.: 168-70; Molutsi & Holm, 1990: 327, 332-33).

The diamond sector was another powerful, if less visible, partner in the political decision-making process. The Botswana government and the foreign owned De Beers had formed the company Debswana in 1969, which was a mutual benefiting and equal partnership. With a new agreement in 1975, the two shareholders had even shares and any decisions of importance had to be reached by agreement of both shareholders. While many details of this arrangement were not made public (Harvey & Lewis, 1990: 123-25; Colclough & McCarthy, 1980: 152-53), Debswana was without doubt a strong player with interests in a stable and market-friendly economy with relatively limited social obligations.

At the lower end of the income scales, the political elite still relied on the rural population as their support base, and the rural connections were maintained – also because both politicians and civil servants still had an almost entirely rural background (Harvey & Lewis, 1990: 59). On the other hand, it seems unlikely that the BDP had much more than sympathetic concerns for the increasing urban lower income groups. Any organisations that could potentially mobilise this class were either, as in the case of civil society organisations and trade unions largely controlled by the government and non-political, or as regards opposition parties relatively irrelevant in this period (Molutsi & Holm, 1990: 329-30; Picard, 1987: 171). Thus, even if the number of urban lower income groups were on the increase, the BDP was not forced to seriously consider this power base.

### *5.2.2 Policy initiatives and continuities*

Given political dominance of the BDP and bureaucracy, with the diamond sector as a 'silent' partner, it may come as no surprise that there were only few new initiatives regarding welfare policies. Redistribution was not a concern, rather so a paternalistic caring for the real poor and needy. Economic

strategies for development were instead the main priority, and we begin the analysis of policy making in the 1980s with the economic policies.

### Economic strategies and policies

At the forefront of the government's agenda was, as discussed, the needs for employment creation in towns and rural areas as well as economic diversification. A number of factors can be argued to have influenced the exact strategies chosen in this regard. First, as the linkages between the mining sector and other economic sectors were generally quite weak, the government was the only means of making extra capital available for economic activities (Fidzani, 1997: 89). Second, the state preferred to maintain an open market-oriented economic strategy by supporting private enterprise. Third, it was in BDP's interests to ensure the continuous loyalty of upper-middle income groups (in both public and private sectors) and the rural constituencies (Danevad, 1995: 390-91).

The government launched the Financial Assistance Policy (FAP) in 1982 and the Industrial Development Policy in 1984 to stimulate growth in manufacturing and non-cattle agricultural sectors and to speed up employment creation. The FAP was essentially a grant system, and the main beneficiaries were Mostwana entrepreneurs setting up or expanding private sector businesses (Masire 2006: 181; Harvey & Lewis, 1990: 176; Owusu & Samatar, 1997: 275-76). It is noteworthy in this connection that 1982 was also the year when public servants were accorded legal recognition to engage in private business activities; this arguably came about due to lobbying and reasoning by public servants who found they were the main group in a position to take up the opportunities provided by the policies (Makgala, 2006: 79-80; Good, 2008: 70). Another related initiative was the amendment of the Employment Act in 1984 prescribing minimum standards for contracts in connection with all employment relations. It is fair to say that this Act lays few requirements on the employer as regards benefits and insurance for its employees (IMF, 2007: 25).

The 1980s saw a notable growth of both employment and production in manufacturing, and it has been suggested that FAP-supported projects created about 8,200 manufacturing jobs from 1982 to 1993 (Owusu & Samatar, 1997: 280). Yet considering that 168,000 people sought work in 1978 and Botswana needed to increase employment opportunities by close to 17,000 per year between 1979 and 1989 to satisfy job demands – not including calculated growth in the labour force (Curry, 1987: 74), the claimed success seems somewhat limited. FAP was furthermore subject to abuse as grants were paid based on business proposals and not subsequently monitored, and because the incentives attracted footloose companies who would close and

move on once the five years of special subsidies included in the programme terminated, which left many workers and suppliers unpaid (Leith, 2005: 98-99).

The Arable Lands Development Programme (ALDEP) was another major economic strategy initiated in the late 1970s. The ALDEP targeted small to medium farmers in the arable agricultural sector – traditionally the largest employment sector. The purpose was to assist farmers in increasing crop production through the dissemination of technology packages at subsidised costs (Picard, 1987: 259-60; Harvey & Lewis, 1990: 100-01). There are indications that the ALDEP was largely driven by political concerns of rural poverty and Botswana's lack of food self-sufficiency due to low arable agricultural productivity, as these aspects were much debated in parliament (Hansard No.67, Part One – Three). However, often government assistance and subsidies to agriculture did not benefit the broader rural population. Talking about various subsidies to the agricultural sector, this comment by BDP member, Mr Balopi, is revealing (Hansard No.67, Part Three: 16):

But how many of these rural people have benefitted from that? Instead the very same people who are sitting pretty well here; who know and can anticipate the implementation of the schemes, are the very same people who grab all the subsidies. And after they have achieved all they wanted, the schemes are abandoned. I am not shy, Mr Speaker, and I have no hesitation even to include myself because I find myself in the same position. But that should not stop me from saying the truth.

And it certainly seemed – also with the ALDEP – that the distribution of subsidies was often granted to better-off rather than smaller farmers (Picard, 1987: 263). When the ALDEP was getting up to speed in the early 1980s, the timing of the implementation was, however, equally unfortunate as it clashed with a period of serious droughts from 1982 to 1987. Additional programmes were then set up to assist arable agriculture, most notably the Arable Recovery Programme (ARAP) which provided small farmers with assistance and highly subsidised inputs during the recovery season after drought. Both ALDEP and ARAP required substantial expenditures during the 1980s, but they did little by way of increasing output (Harvey & Lewis, 1990: 56; 100-01).

### Welfare policies

During the months of February through to May in 1980, the parliament debated the National Development Plan V presented by, at this time still, Vice President Masire, Minister of Finance and Development Planning. The Plan was elaborated on economic strategies, some of which are discussed above, and on issues on social services to both rural and urban areas. However, very



little can be found regarding policies on social security and ideas of an overall social welfare plan. In his speech, Masire mentioned that “our rural development objectives must cover a wide range of activities. ... [such as] design measures aimed at specific groups of the rural population with particular needs” (Hansard No.67, Part Two: 142). The Plan itself merely refers to the many social problems facing Botswana due to the breakdown of the traditional extended family system and states that: “Legislation at present in various stages of drafting includes: [...] a national policy on destitute” (Republic of Botswana, 1980b: 90).

This suggested national policy on destitutes was not discussed directly by parliament. Mr Chilume of BDP came as close as to regret the noticed social problems, which is “because we have left our tradition and culture” (Hansard No.67, Part Three: 7). And BDP Member, Mr Balopi (who was being so honest about the problems of agricultural subsidies), spent considerable time discussing the plight of the rural people: “This people have suffered. They are suffering and will continue to suffer for as long as our attitudes remain the same as it has been in the past and as it is today” (ibid.: 18). However, the BDP top apparently saw these issues in a slightly different light. Then Minister of Public Service and Information, Mr Kwelagobe, interrupted Mr Balopi with (one can imagine) a sigh: “Banna, this suffering is exaggerated” (ibid.: 16). Minister of Local Government and Lands, Mr Seretse, whose ministry was responsible for rural development, was more elaborate and direct: “He [Mr Balopi] drew the disparity of services between rural and urban areas [at] such alarming proportions that it reminded me of a poet who for the sake of rhyme turned cottages into mansions and hills into mountains. [...] My gleanings from his carefully prepared, but lopsided treatment of the plan had been minimum. I therefore dismiss his contribution as ‘nil’ in so far as the actual plan is concerned” (ibid.: 34).

As much as can be established, the national policy on destitutes was not discussed any further. Not as part of the National Development Plan, which – to be fair – is a rather comprehensive document; nor later in the year as no draft policy was presented for discussion in Parliament. Then, by November 1980, one gets the feeling almost unobserved, the Ministry of Local Government and Lands had developed the National Policy on Destitutes (Republic of Botswana, 1980a) as an administrative rather than a legal document (Bar-On, 1999: 105). This national statement is a five page document; it indicates who qualifies as a destitute person and gives guidelines as to the kind of help the destitute person can receive. The document recognises that “the society as a whole must provide some minimal assistance to the truly destitute to ensure their good health and welfare, while at the same time having a standard

which excludes those individuals who won't help themselves" (Republic of Botswana, 1980a: 1). Only to be revised in 2002, this policy sets the very minimum standards of support. The qualified destitute person was provided with basic necessities such as food, shelter, health care and education, but the content of the food packages provided less than the minimum average requirement of caloric intake for one person even though many destitute persons had to share with other members in their household (Bar-On, 1999; Dithlong, 1997: 14; Osei-Hwedie, 2004: 11-12).

To recapitulate: The only social security policy introduced in the 1980s merely provided a minimum of assistance, and was initiated almost unnoticed, in a top down manner, due to an identified need which could no longer be ignored. The BDP leadership's reluctance to consider potential redistributive policies is a defining feature of welfare policy development in Botswana. The path dependence of previously introduced policies, such as the drought relief, is another defining feature.

For the most part of the 1980s, Botswana was affected by severe drought. As previously, the government response was relatively quick and consisted in extending the already existing supplementary feeding programmes and of labour-based relief projects. In addition, through projects such as the ARAP mentioned above, subsidies were given to arable farming inputs with the intention to prevent farmers from abandoning farming (and hence potentially leave rural areas) during the drought period. The BDP government, also assisted by the international donor community, was able to provide relief from actual starvation, even if there were some problems with the distribution on the ground. However, the drought related programmes, as may also be argued about the destitute policy, did little to change the structures of the rural sector and the economic position of the rural population (Harvey & Lewis, 1990: 59-60; 300-05; Simmons & Lyons, 1992: 608-10).

Just as drought characterises the 1980s so does the economic boom. In 1982 there was a temporary fall in diamond prices, but subsequently mineral rich Botswana experienced massive economic growth, which allowed the government to increase expenditures at a rate of 16-20 percent per annum between 1984/85 to 1989/90 (Hill & Knight, 1999: 347). Welfare policy expenditures followed the general expansion in government expenditures. In 1981/82, social sector expenditures amounted to 108 million Pula, whereas the government spent 646 million Pula on the social sector in 1989/90. The share of social sector expenditures was fairly consistent, just over 30 percent of total public sector expenditures (Nthomang, 2007: 197).

The economic circumstances allowed the government to continue the expansion of social services in both rural and urban areas. While health care

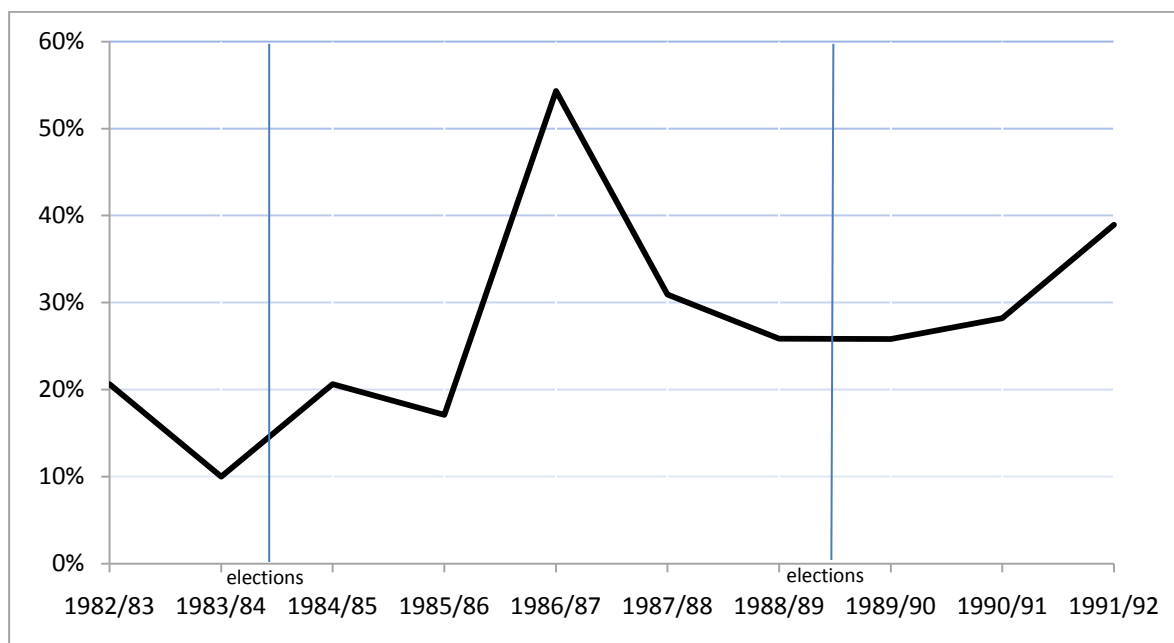
was already virtually free, primary school fees were abolished in 1980 and secondary school fees in 1986 (Ditlhong, 1997: 13; Nthomang, 2007: 199) when the government felt they were “financially able” (Masire, 2006: 223). Housing was still an urban affair. The SHHA schemes targeted the about 70 percent of the urban population who could not afford BHC houses and between 1974 and 1984 nearly 100,000 people (about 10 percent of the population) were housed in such constructions in six towns. The upper income groups continued to enjoy subsidies rents in the publicly provided BHC houses (Harvey & Lewis, 1990: 263-65). As for policies of revenue, there were few changes in the tax system in this period. The government continued to increase exemption limits and various tax brackets so that the non-mining income tax declined. However, a limited sales tax was introduced in 1982 as a response to the temporary fall in diamond prices (*ibid.*: 195).

It seems clear from the above that the initiation and continuity of policies were largely based on the political and economic elites’ preferences for economic opportunities and broad-based services to themselves and their constituencies. Reluctance was prominent regarding more controversial policies, such as social assistance and taxation, which were both generally limited. This reluctance is not surprising as transfers and taxes are potentially more redistributive and costly for better-off groups. At the same time, there were no lower income groups to advocate for the introduction of a more comprehensive welfare system. Instead, the BDP government was able to appease the mainly rural population by extending services as well as food assistance when starvation threatened (i.e. limited transfers); this was at no costs to the elite – or any other of their constituencies – given the favourable economic incomes from the mining sector.

Economic considerations may also have contributed to policy choices, or maybe more so, their timing. Thus, the government introduced sales tax and reduced expenditure in 1982 when there were some concerns of economic slowdown, while school fees were abolished in 1980 and 1986 on accounts of economic ability (Danevad, 1995: 394). None of the above examples can be called election appetisers; the relevant elections were in 1979 before the abolition of primary school fees, and in 1984, after the introduction of tax and expenditure reduction but before the abolition of secondary school fees. It may be that some political benefits were conveniently timed with elections, e.g., the extension of the ARAP programme to cover the 1989 elections, or when the government decided not to push the issue of loan repayments from SHHA beneficiaries before the same elections (*ibid.*: 392; Taylor, 2003: 218). Yet when judging from the overall growth in social sector expenditures, it is hard to find clear evidence of an electoral budget cycle. Figure 5.1 illustrates

growth of social sector expenditures from 1982 to 1992. While expenditures grew for the entire period, the highest increase was in 1986/87, halfway between the 1984 and 1989 elections, when social sector expenditures increased with more than 50 percent compared to the year before. The second highest increase was in 1991/92 well after the 1989 elections. The lowest increase was in 1983/84 which was right before election time.

Figure 5.2: Percentage growth of social sector expenditures, 1982-1992



Source: Nthomang, 2007, Table 8.4, p. 197

It thus seems more likely that the BDP government was influenced by various groups – the better-off and the rural poor – also outside election times, and that their policy decisions may equally be shaped by considerations of economic affordability. Of course, the political position of the BDP was relatively secure, and there was no fierce competition of government power as the opposition was still weak. Figure 5.2 does not allow us to see what the money is spent on, and it may be that favours to important groups are hidden behind official numbers.

Moreover, it is hard to find any evidence of ideological perspectives influencing policy decisions. In the 1980s, the BDP apparently still followed some ideological middle-ground, while mainly influenced by practical concerns and political interests. This comment from the Minister of Public Service and Information, Mr Kwelagobe in 1980 may be illuminating: “we should assist the big farmers because they at least have demonstrated that they can even sell the product [...] I think it is the big farmer who can make

this country self-sufficient in food. I know, Mr. Speaker, that we are semi-socialist. Socialism doesn't mean that you can't run a business. All we are talking about is distributing that which you have so that it benefits everybody" (Hansard No.67, part two: 168). It is actually revealing that the Minister talks about distributing, rather than *re*-distributing. More revealing is maybe this formulation in the BDP 1984 election manifesto: "The party's plans for development aim at equitable *dispensation* of services and resources throughout the country" (BDP, 1984; my italics). Given the economic wealth of the country, the means were there to distribute at no costs to anyone. Of course, that the resources were not just amassed or wasted by the influential few do indicate a concern for rural legitimacy, but it was hardly a socialist philosophy which drove the BDP elites.

### *5.2.3 Production regime, political alignments and welfare policies late 1980s*

The 1980s were in many ways a period of great transformation in Botswana, a transformation largely driven by the now lucrative diamond sector and the consequent growth in government as well as in other economic sectors. Prudent macroeconomic management and government investments ensured that mineral revenues were channelled into economic, infrastructural and social services. There was a massive increase in total formal employment, from 97,400 in 1981 to 228,900 people in 1991 – mainly in government and service sectors, but also in manufacturing though, proportionally, this sector still only employed about 10 percent of the formally employed and contributed with about five percent of GDP. However, the increase in formal employment must be balanced against a constant increase in the formal labour force – rising from 315,475 in 1981 to 441,203 in 1991. Thus, still over 212,303 (against 218,075 in 1981) people were formally unemployed. It may also be added that the number of unskilled labour force had decreased substantially thereby indicating an increase in educational level (Leith, 2005: 4-15; Seleka, 2004: 2-3; Gaolathe, 1997: 412; Leith, 1997: 34).

Urbanisation also rose tremendously in this period. In 1981, around 18 percent of the population lived in urban areas, and in 1991 almost half, 45.7 percent, of the population lived in towns and cities. The gains in health, education and per capita income are reflected in the Human Development Index where Botswana's score rose from 0.492 in 1975 to 0.651 in 1990. And finally, the proportion of poor people declined from 59 to 47 percent of the population living below the nationally defined poverty line (BIDPA, 1997: 20; UN, 2001: 16; Leith, 2005)

These developments as well as the economic and welfare policies accompanying them shaped the position of various groups in society, their interests and political preferences. Economic policies such as FAP and ALDEP were

beneficial to both politicians and top and middle level public and private employees. There are clear indications that in this period the interests of the political and economic elite were steadily diversifying into commerce, manufacturing and real estate without abandoning the cattle base, which was seen to provide an element of economic security. For instance, in a survey conducted by Patrick Molutsi in the late 1980s, it was found that while members of cabinet were still mainly farmers, other MPs and local councillors were increasingly getting involved in businesses, while a number of them still maintained cattle interests (1989: 124-26; Tsie, 1996: 610-11).

As for the rural population, it has convincingly been argued that the government strategy towards the rural sector improved the human capabilities of the population; nevertheless, the rural economic and welfare policies did nothing to change the productive capacity of the rural population. Rather, the rural poor may have become increasingly passive during this period as it expected the government to assist in periods of hardship (Hillbom, 2008: 207-08; Selolwane, 2007: 40-41; 69-70). Policies such as the drought relief schemes may have been popular, but it is also likely that they have created disincentives to continue agricultural production for crop, thereby complicating the implementation of rural development programmes such as the ALDEP and ARAP. In fact, it is indicative that the most important reason given by the rural population in the late 1980s for supporting the BDP was the drought relief programme (Molutsi, 1989: 128). The BDP may thus have secured the support and loyalty of the rural poor, but at the cost of creating a dependent rural population far away from the livelihoods of a modern economy.

Focused on the livelihoods of the rural majority and not least keeping the repercussions of the drought at bay, the BDP paid relatively little attention to the urban lower income groups – other than through the provision of social services and housing. It was expected, given the poor organisation of the urban lower income groups, that the BDP did not feel much pressure from this class. The likely interests of these urban people for employment and redistribution may also be avidly at odds with the interests of the political and economic elites, which may further explain the relatively limited sense of alliance between the two parties. Yet the developments in the 1980s created a sense of urban-industrial exploitation to finance rural development while lower income groups also felt an increasing suppression from labour unions; such developments created a shift in urban support towards opposition parties. An issue the BDP had to reckon with in the coming decades (Maundeni, 1998: 130; Harvey & Lewis, 1990: 47).

### **5.3 Conclusion: Economic growth and modernisation in urban settings; minimum safety nets and structural preservation in rural areas**

By the late 1980s, the chosen welfare policies path fitted the dominant political alignments – that of a political and economic elite within the BDP in alliance with the bureaucracy and, maybe less obviously, the diamond sector; and, when not contradicting these interests, policies also ensured the continued support from the rural majority. Consequently, social services – which benefited both high and low – expanded rapidly, while potentially redistributive policies of taxation and transfers were kept at a minimum.

The conjunction of welfare and economic policies, introduced in the first decades of independence, lays the foundation for the development path in the 1990s and 2000s. Not only do policies affect the production regime and cement the political alignments in Botswana, the policies in themselves have become resilient and are to become defining features of the Botswana welfare system. In effect, agricultural policies, drought relief programmes, and expanding social services have kept many people in the still traditional rural areas. In the rapidly growing urban areas, modernisation is more evident as various private and public sectors benefit from the lucrative diamond industry. In the coming decades, this rural-urban split continues to dominate and is reflected in the production regime, the political alignments and consequent policy choices.





## **6. Welfare policy “expansion” in Botswana: 1990s and 2000s**

Even though nation building and broad-based development framed the initial push for welfare policy expansion, we shall see in the following that policy developments incrementally become less relevant for both urban and rural lower income groups and increasingly in the interests of not only the political and economic elite, but also the expanding (predominantly urban) middle class benefiting from – and therefore supporting – BDP-directed policy making. The political elite surely have some sympathy for the plight of the poor, though in a paternalistic and aloof manner, where any redistributive welfare policies stay minimal and with a tendency towards increased targeting.

The explanation to recent welfare policy developments is still based on the theoretical framework as proposed in this dissertation. As we shall see, the production regime, political alignments and path dependence together shape the political processes of policy-making. The alternative explanations to welfare policy development – ideology and electoral budget cycle – continue to have limited explanatory power. The role of ideology and elections for promoting welfare policies is analysed in the next section, covering the 1990s, though it also covers the 2000s for the sake of discussing these alternative explanations.

### **6.1 1990s: Reluctant politicians**

The 1990s witnessed a brief period of economic slowdown. This created some measure of popular discontent with the ruling BDP. Policy initiatives were reluctant, however, and most policy reform was only incremental. It was also officially recognised in this period that HIV/AIDS posed a serious threat to the Botswana society as the country experienced some of the highest infections rates in the world. Policy initiatives were taken as regards this pandemic (e.g., home-based care and orphan programmes in 1999), but as such initiatives are not seen as classical welfare policy programmes and their developments are likely influenced by different logics given the heavy donor support and critical nature of the issue, HIV/AIDS-related policies will not receive much attention in the following. In line with the theoretical framework and the analysis in Chapter 5, let us also start the investigation of more recent welfare policy developments in Botswana with an outline of the production regime and political alignments early 1990.

#### *6.1.1 Politicians, bureaucrats, and the (narrow) private sector*

For the decades after receiving its independence, Botswana had followed a successful economic strategy relying on the creation of a reasonably open

economy with state-led support for infrastructural and human capital development. This development was primarily intended to facilitate the mineral extraction industry and cattle sector. As seen in the last chapter, these developments led to rising economic growth, rapid urbanisation, and substantial increases in formal sector employment. Yet the economy was also excessively dependent on the mining sector and imported foods and other goods (Hill & Knight, 1999: 304, 315; Fidzani, 1998: 223; Mugabe, 1997: 178).

Despite various efforts at diversifying the economy and encouraging the expansion of manufacturing industries (through for instance the Financial Assistance Policy, FAP), this had not been particularly successful. Certainly, industrial development occurred in congruence with the rapid growth of the mining sectors, but the manufacturing industry remained small in comparison to other countries and employed little more than 10 percent of the total formal employment sector; the state was the largest employer, followed by trade, construction, and services. Many reasons may be put forward to account for the disappointing levels of industrial development, including insufficient numbers of skilled labourers, a very small indigenous and dynamic business class (in 1994, Batswana only owned about one-third of all manufacturing enterprises), and the dependency on South Africa as a trading (and custom union) partner, which provided less freedom with respect to developing industries which were potentially competing with South African industries (Samatar, 1999: 131-75; Siwawa-Ndai, 1997: 365; Mpabanga, 1997: 371; Modise, 1999: 90).

The unsuccessful attempts at economic diversification meant that Botswana had a limited industrial class in the early 1990s. Urban low-income groups certainly had been on the increase, and some were obviously employed in various industries, trade, construction, and tourism. Yet in 1991, only half of the labour force was formally employed, accounting both for lower and middle-income groups. Another 14 percent were either self-employed or informally employed, suggesting also that these were the activities that people turned to in urban areas when formal jobs were unavailable. Moreover, 21 percent of the (registered) labour force was still working in traditional agriculture, and most of these traditional farmers had incomes which were only slightly above subsistence level. Approximately 14 percent of the labour force was unemployed in 1991. During the period 1992-94, however, there was an economic slowdown, and the unemployed counted more than 20 percent of the labour force by 1994 and continued at this level throughout the 1990s (BIDPA, 1997: 53-54; Gabolathe, 1997: 39; Phirinyane et al., 2006: 90-91).

As regards political alignments, the BDP, the bureaucracy, and Debswana (and increasingly other private sector interests) remained the dominating alliance. In fact, it appears as though this alliance was becoming ever more tight-knit over the years. Many of the second and third-generation politicians came from high positions in the civil service and became leading figures within the BDP; in 1989, for instance, retired public sector employees Mogae and Lt. Gen. Merafhe both became specially elected MPs. Mogae later became Vice President and President, and Merafhe is currently (2009) the Vice President. Furthermore, many senior politicians had earlier, when they were senior civil servants, been on the Debswana Board on behalf of the government, and some of these individuals (Mogae and Gaolatlhe (for a period also Vice President and Minister of Finance & Development Planning)) were also executive directors of the company (Sebudubudu, 2009: 20-21, 25; Makgale, 2006: 170-72).

The political and economic elite remained strongly linked to the rural population, though there are indications that this elite was increasingly focusing on the urban economy. As the elite grew in size and diversified their economic interests by investing in private enterprises and property development, their business connections and material dependence was shifting away from the agricultural sector (Sebudubudu, 2009: 23). Evidently, then, the political and economic elite were still in favour of policies promoting their economic interests, the bureaucracy, and upper-middle income groups and very little in favour of redistribution and social security policies favouring the lower income groups. Regardless of increasing urban attention, the rural poor remained loyal supporters and therefore a source of concern.

Despite the growing urban focus, there is little to indicate that the elites were shifting attention towards the urban lower income groups; simply because there were conflicting policy preferences as the urban poor would be in favour of redistributive policies. The expansion of urban lower income groups potentially posed a threat to the BDP, especially as the 1992 economic slowdown and rising unemployment rates meant increasing feelings of economic hardship. This was justified, in fact, as the bottom of the formally employed group experienced a real decrease in income from 1990-93, as inflation increased by 35 percent increase while wages only increased by 20 percent (Edge, 1998: 339; Maundeni, 1998: 131; Auty, 1999: 69).

But the urban lower income groups were poorly organised. Due to restrictive legislation, limited financial resources, and a lack of qualified personnel, trade unions were weak, fragmented, and uncoordinated. They lacked any direct political influence (Nthomang, 2007: 193-94; Masire, 2006: 233). Even so, the BDP experienced its most narrow win in the 1994 elections since the

introduction of multi-party democracy at independence. In the 1994 elections, the BDP received 55 percent of the votes, with the main opposition party receiving 37 percent. The overwhelming pattern was that the opposition enjoyed support in the towns, while the BDP voters primarily resided in the rural areas (Molutsi, 1998: 370; Selolwane & Shale, 2006: 130). While it is possible that some voters punished the BDP for public spending cuts, there are also indications that voters were unhappy with internal conflicts and divisions within the BDP as well as a number of corruption and mismanagement scandals involving top BDP members. The BDP regained some of its lost ground in the elections that followed in 1999, this time also facing an again weakened and divided opposition (Good, 1994; Maundeni, 1998: 131; Masire, 2006: 135). The 1994 electoral scare possibly led the BDP to the reluctant introduction of a universal pension scheme. More likely, however, the few policy initiatives in the 1990s provide indications of the politics in play – a policy-making process dominated by the alliance of the BDP and the bureaucracy, influenced mainly by narrow private sector interests and occasionally – when pressure is mounting – also out of concern for the rural poor.

### *6.1.2 Reluctant policy initiatives and incremental change*

By the 1990s, social spending was the largest post on government budgets, whereas the largest post had previously been expenditures on economic services (Mupimpila, 2005: 88-89). This section therefore begins with an analysis of welfare policies. Most prominent is the reluctant introduction of pensions, which will receive substantial attention. Other than that, as will also become apparent, policies were mainly changed incrementally, if at all.

#### *Social security policies*

By the early 1990s, pension entitlements were limited to long-term civil servants and some private-sector employees. Two statutory instruments regulated the pension schemes. First, the Pension Act of 1966, which provided a pension for civil servants entirely financed by the government on the basis of at least ten years of continuous service. Second, the Pension and Provident Funds Act of 1988 regulated pension schemes in the private and parastatal sector. Pension entitlements in the private sector were relatively limited; furthermore, the large workforce on temporary and short-term employment was excluded from any pension entitlements, as were the informally, self- and unemployed (Mugabe, 1997: 184-85).

In his annual budget speech in February 1996, then-Vice President and Minister of Finance and Development Planning Festus Mogae announced: “Mr Speaker, Government has decided to introduce an old age pension. With effect from 1<sup>st</sup> of October 1996, everybody who is over 65 years old will re-

ceive an old age pension of P100 per month” (Hansard, No.120, Part One: 12).

While it may be suggested that the timing of this universal pension scheme was provoked by the unsatisfactory 1994 election results, the BDP government argued that it was based on an identified need and that the timing was merely related to financial affordability:

Both our observations as politicians travelling around the country and the statistics that were coming out showed us that many of the destitutes were old people, and we could see their conditions were really deplorable [...] By 1996, we felt we had enough revenue coming from diamonds, and those funds belonged to all Batswana. So we discussed it and decided to go ahead. The payment had to be enough to meet reasonable needs, but we did not want it to be so large that people would just stop doing useful things (Masire, 2006: 234).

Certainly, as we shall see in the following, the BDP government have tended to argue along the lines of financial prudence and to introduce policies only when based on sufficient research. Also clear, however, is that the introduction of an old age pension, a social security policy, was very reluctant indeed and based on concerns to ensure continued rural support.

BDP-backbencher Clara Olsen already presented a motion in 1988 to introduce old age pension with the following arguments: “Old age pensions will be a recognition of our full obligation for the care of our parents and must be considered an urgent priority in our scheme of things [...] This is [a] moral obligation” (Hansard, No. 93, Part Two: 970-72). The motion was then supported in parliament by both BDP and opposition members. While the BNF opposition members pointed out that they had already declared that a BNF government would provide old-age pension and other social security benefits in their party Pamphlet No.1 (ibid.: 974), the only reluctance towards the motion came from the two BDP ministers contributing to the debate. Vice President and Minister of Finance and Development Planning Peter Mmusi argued for financial prudence: “The financial implications should be taken into consideration [...] Government must always have it in mind that we should ultimately get to this, but of course it is very important to say what at this stage is our financial position” (ibid.: 974). Mr Kgabo, Minister of Labour and Home Affairs called for a consideration of priorities: “Mr Speaker Sir, Old Age Pension Scheme should be considered against a background of priorities in our society [...] There are various disadvantaged groups within our society that may require immediate assistance other than retired workers who have a chance of self-reliance and survival” (ibid.: 977).

After reaching agreement on the motion, nothing happened for several years. Only for the 1994 election (and thus not even for the 1989 elections)

did the BDP election manifesto state, in a manner that could hardly be perceived as more than a vague promise, that “the BDP government will study the feasibility and the affordability of an old age pension scheme” (BDP, 1994: 18; BDP, 1989). After a feasibility study in 1995 (Hansard, No. 117, part one), the pension was then introduced in 1996.

It thus seems clear that, as before, the BDP top leadership controlled the policy process and that they were in no rush to push this social security policy forward. In 1996, however, the BDP may have been nervous regarding the potential opposition inroads into the rural areas, as opposition parties had made promises about social security benefits for years. The pension scheme must then have been a convenient instrument for the BDP to ensure continued rural support at a time of more even electoral competition. It is at least striking that, for a government arguing along the lines of financial responsibility and careful policy consideration, Vice President Festus Mogae confessed that “studies are still being conducted to find how this pension [...] will be funded” (Hansard, No. 120, part one: 12).

There is no doubt that “the old age pension was one of the things that made a real difference to thousands of the poorest Batswana” (Masire, 2006: 234). Yet while based upon the principle of including all Batswana, the scheme also revealed how the government extended limited consideration to lower income groups. First, destitute persons aged 65 or older were to receive the old age pension *instead of* the destitute allowance, thereby providing this group with a very limited extra benefit (BIDPA, 1997: 175). Second, in the parliamentary debate in 1996, the opposition raised the concern that pensioners were only eligible at age 65 despite the official retirement age being 60. BDP Minister Mr Magang reacted to this by declaring that the old age pension in any case was “over and above what a person is entitled to receive” (Hansard, no. 120, part one), thereby ignoring that “the industrial employees that you are kicking out at the age of 60 years do not receive any pension” (Mr Dabutha, BNF, *ibid.*).

Other than the universal old age pension, very little happened as regards social security benefits in the 1990s. True the government introduced a small allowance in 1998 for Second World War Veterans “as a token of appreciation” (Minister of Presidential Affairs and Public Administration, Mr Kedi-kilwe, Hansard, No.126, part seven). As with old age pension, this policy had earlier been discussed in parliament; such as in 1995, when BNF member, Mr Mabiletsa suggested the introduction of this allowance (Hansard, no. 116, part four: 189-90). At the time, however, the BDP government found this unnecessary. “I am aware that some of the surviving [...] veterans are old but not that they are very old to be incapable of supervising the normal food pro-

ducing activities like ploughing and cattle rearing which every Motswana of their age is capable of doing in the usual Setswana way” (Acting Minister of Presidential Affairs and Public Administration, Mr Mothibamele, *ibid.*). It is possible that the allowance was introduced in anticipation of the 1999 elections. However, it is unlikely that the less than 7,000 veterans (Ntseane & Solo, 2007: 98) could shake the BDP power foundation in any way. Rather, the policy offers another example of the reluctant introduction of limited social security policies in a BDP-controlled political process.

Still, in the 1990s the BDP government seemed to assume that the population could ensure their livelihood through rural activities and that intra-household transfers would maintain incomes during critical contingencies such as unemployment (Mugabe, 1997: 180). There was no comprehensive social security system such as that which the opposition parties called for (BNF, 1999; BCP, 1999). In fact, promises to consider such a system already back in the 1980s (Hansard, no. 93, part two) had led to no such sincere effort – even until today. Instead, the BDP appeared content to continue with the drought relief programme, feeding schemes, labour intensive work programmes, and destitute policy.

These trusted social assistance programmes had been running for years, but concerns started to be raised about their social consequences. For instance, some politicians used the destitute policy for electioneering purposes as – in the absence of clear guidelines for eligibility – large numbers of people were encouraged to register in an attempt to gain popularity (BIDPA, 1997: 170-71). What is more, the labour-intensive work programmes tended to be implemented only during periods of drought (*ibid.*: 160), and politicians were increasingly worried about the dependency that these programmes instilled in people: “our people are no longer willing to engage in activities which can improve their lives. They just want to be engaged in drought relief programmes [...] It is a job where there is a lot of relaxation and very little being done at the end of the day” (Mr Tshipinare, BDP, Hansard, No. 120, part two: 8).

One gets the impression that the ideas of self-reliance for broad-based national development were increasingly fading. Instead, urban-based political and economic elites and middle-income groups were gradually turning to private welfare solutions; ever more so in the 2000s. At the same time, their concerns for the poor were both charitable and contemptuous – i.e. the better-off may feel some sympathy for the poor while at the same blaming them of being lazy and dependent. Illustratively, when sworn in as President in 1998, Festus Mogae stated that “one cannot strengthen the weak by weakening the strong and enrich the poor by simply impoverishing the rich” (Taylor, 2003: 228). The BDP leadership may still refute any ideological standpoint,

but this comment has liberal connotations and can directly be linked to the comment that “you cannot make the poor richer by making the rich poorer”, as stated by advocates of free-market policies and welfare spending retrenchment in the Thatcher era in the UK (Alcock, 2006: 256). If ideology were an inspiration, however, the comment above also expresses the interests of the dominant political alignment in Botswana in the 1990s. Even Mr Balopi of the BDP, who spent considerable time in 1980 pondering over the anguish of the rural poor, now wholeheartedly supports Mogae’s comment: “Yes, we must not oppress the able so as to enrich the poor. This is not sound government. We should not be envious of those who apply themselves” (Hansard, no. 128, part three: 24-25).

### Social services and the electoral budget cycle

Contrary to social security provisions, the BDP government has given high priority to the delivery of social services. As we saw in Chapter 5, social services are just as much beneficial to the better-off than lower income groups, explaining the interests of the Botswana politicians to promote them. Given also the mineral wealth and therefore increasing revenues, the government has been able to provide substantial services to all with few direct costs for most citizens. Even so, we see initial indications in the 1990s of the better-off preferring private services. While this may be a logical consequence of the developments, it may also lead to a beginning split in the welfare system, where the elite and middle-income groups increasingly rely on the market for social welfare – as they already do as regards social income security. As this tendency becomes prevalent, the perspective on the welfare system held by the politically influential groups is one in which welfare policies, transfers and benefits in particular, should merely provide for the poor. This forces lower income groups – who do not qualify as being poor – to also seek market options for their welfare but with limited means to do so.

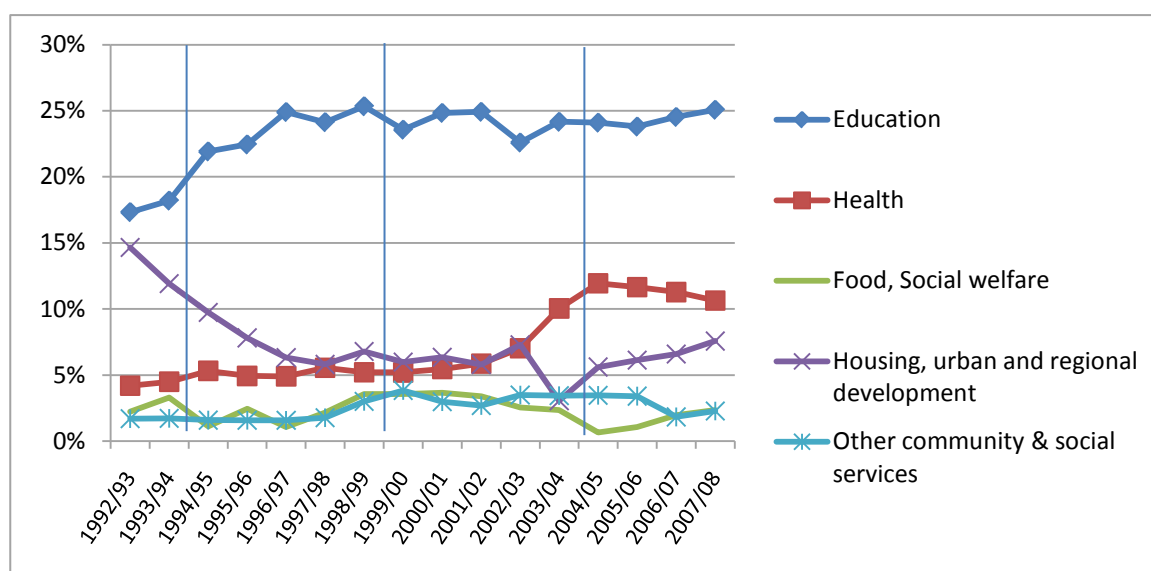
Welfare policy expenditures (including both services and transfers) have increased over the years and welfare policies accounted for close to 40 percent of total government expenditures in the 1990s (Mupimpila, 2005: 88-89). The highest priority is clearly given to education, which, as illustrated in Figure 6.1, increased from 17 percent in 1992 to about 25 percent of total government expenditures towards the end of the 1990s (and beyond).

The priority given to education has ensured that by the end of the 1990s, about 90 percent of school-aged children were attending school (CSO, 2004: xvi). All the same, there had been substantial societal changes since the educational policies were put in place in the 1960s and 1970s, and this period saw a number of shifts in the approach to education. First, possibly due to pressures to diversify the economy, there are indications that the government



expressly came to see education as an instrument for economic development, even if still acknowledging access to basic education as a fundamental human right (Hendricks, 2007: 122-25). Specifically, the 1994 revised national policy on education places emphasis on science and technology education “to prepare Botswana for the transition from a traditional agro-based economy to the industrial economy that the country aspires to” (Republic of Botswana, 1994: 5). Second, based on government policy in 1990 aimed at liberalising the registration of private schools, there was an increase in such schools being available; between 1990 and 1994 alone, 102 private schools registered (Hansard, no. 116, part six: 199).

Figure 6.1: Welfare policy expenditures, percentage of total government spending, 1992-2008



Source: Bank of Botswana, 2007; Annual Statement of Accounts

As in education, the private services in the health sector also increased. Over the years, health consistently accounted for about 5 percent of total government expenditures (though it has increased substantially after 2000, probably due to increased expenditures related to HIV/AIDS and the construction of a number of hospitals). Even though it has been argued that health (and education) performance in Botswana comes at a comparably higher cost than in most other African countries, the progressively increasing public revenues have provided Botswana with substantial and adequate resources for the health sector. The government has dominated the health care sector. It is thus estimated that around the turn of the millennium, 90 percent of all health services were provided directly by government or state-subsidised health centres. Over the years, however, there was increased lobbying for

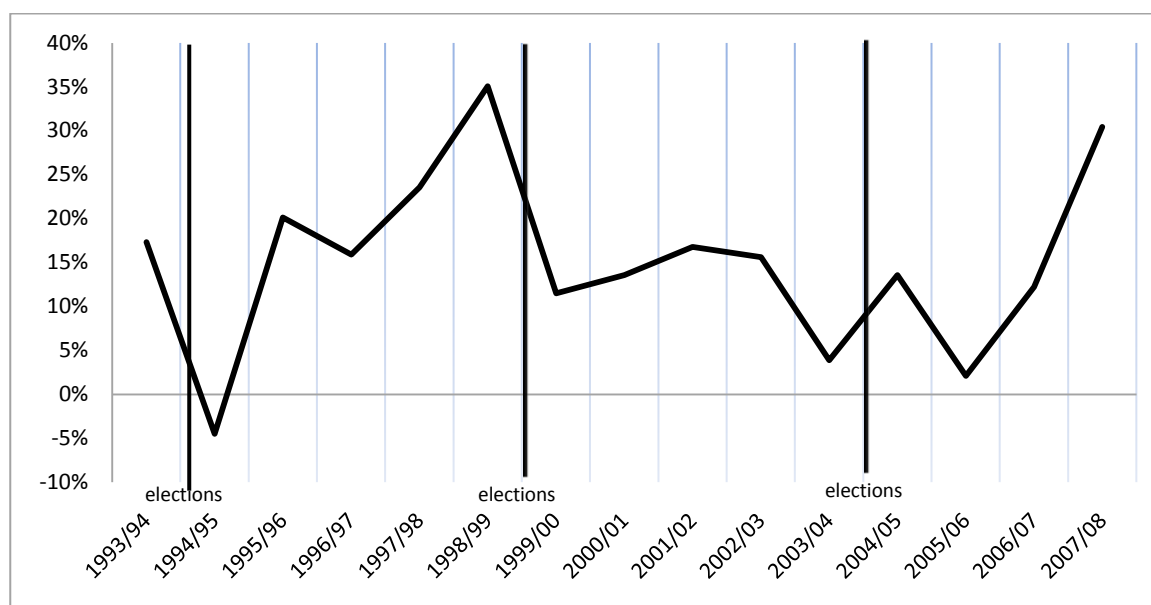
private health facilities, culminating when the government finally granted permission to open a private hospital in Gaborone in 1992. The private health care system has experienced rapid growth since then, obviously catering to a demand by the elite and middle-income groups in urban areas (WHO, 2003: 10-11; Mann et al., 1996: 62-69; Nordås & Gergis, 2000).

Housing services were expanded to rural areas in the 1990s as the SHHA schemes were extended beyond the towns (Nthomang, 2007: 199). However, even the SHHA schemes were never intended for households with incomes below the minimum statutory wages for the private sector. In order to cater to these groups, the government decided to provide housing assistance for such groups in 2000. Furthermore, the government committed “to channel more government resources (and emphasis) to low and middle lower income housing in both urban and rural areas” (Republic of Botswana, 2000: iii-iv; 17-18). Even so, Figure 6.1 indicates that housing had been a reduced priority throughout the 1990s (possibly because housing for urban constituencies had already been catered for?); even beyond 2000, the government expenditures do not reveal a change of emphasis.

Are government welfare policy expenditures subject to the electoral cycle? Judging from Figure 6.2 below, which illustrates the growth in welfare policy expenditures from 1992 to 2008, answers to such questions are again inconclusive. Prior to the 1994 elections, the government cut spending, obviously more concerned at the time with balancing budgets than losing votes, and there also seemed to be more of an increase in 2004 immediately after the elections than right before them. Conversely, however, there was a sharp increase in government spending in the years leading up to the 1999 elections, though less so in the financial year 1999/2000.

If anything, it is possible that the BDP government was punished for expenditure cuts in 1994, as the BDP party then had its worst electoral performance since independence. As previously discussed, however, other factors may account for the reduced support for the ruling party, e.g., internal conflicts and cases of corruption and mismanagement. Along the same vein, the slightly improved 1999 election result may also reflect an again-divided opposition. In fact, the BDP did not receive a larger share of popular votes in 1999 as compared to 1994 but did get a higher share of seats in parliament (Selolwane & Shale, 2006: 130; Sebudubudu & Osei-Hwedie, 2005: 34). This is more a reflection of the first-past-the-post electoral system than any indication of the extent of popular support.

Figure 6.2: Growth in welfare policy expenditures, 1992-2008

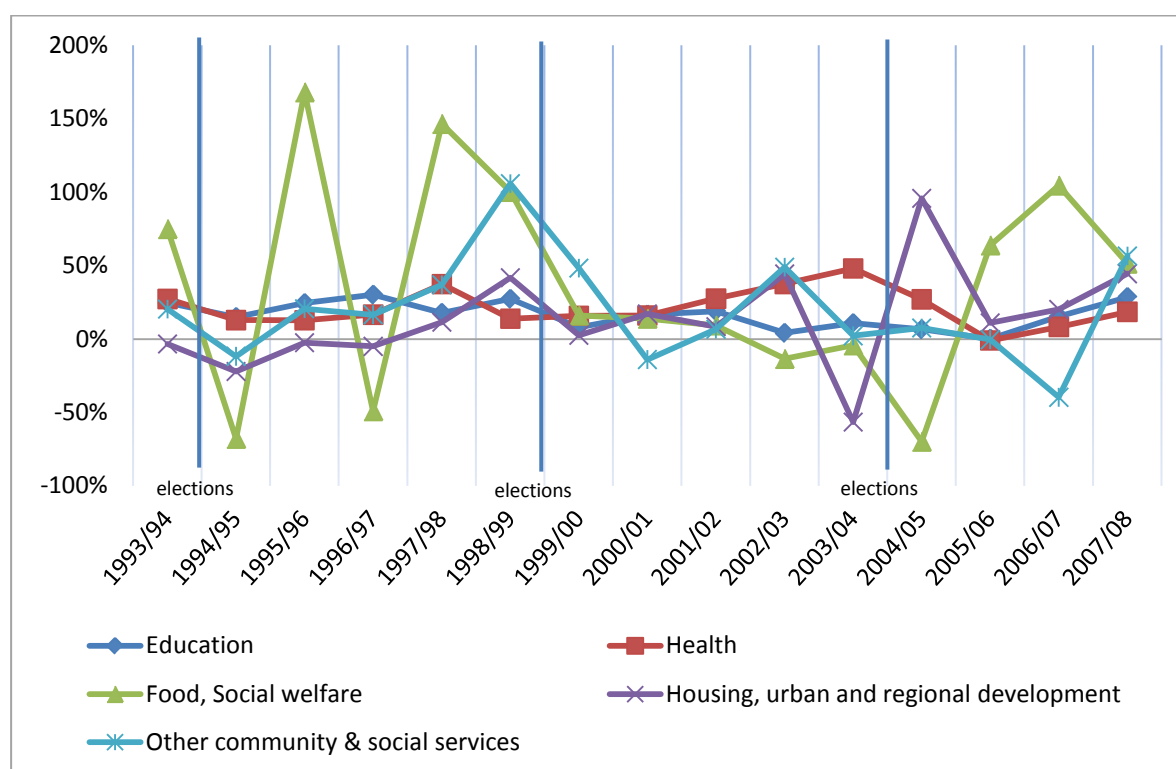


Source: Bank of Botswana, 2007; Annual Statement of Accounts

To further test the theory of an electoral budget cycle, one might instead consider the growth of the different welfare policies separately, as in Figure 6.3. Here again, it is difficult to find evidence which strictly supports the argument. There are no obvious peaks for any of the policies around the years 1994, 1999 and 2004; and the most budget-heavy policies (education, health, and housing) are fairly stable while mainly increasing throughout the period.

There is slightly more movement as regards other community and social services but hardly enough to confirm the theory, even though increases were evident prior to the 1999 elections. The most unstable areas are food and social welfare spending. While there was substantial growth in the years prior to 1999, this increase may partly be explained by the introduction of the universal old age pension in 1996. Furthermore, this post is likely to fluctuate, as it also includes expenditures to feeding programmes, some of which are drought-related; at least the 1995/96 droughts seem to be reflected in the budget, while the 2003/04 droughts are not (Ntseane & Solo, 2007: 99).

Figure 6.3: Growth of various welfare policies, 1992-2008



Source: Bank of Botswana, 2007; Annual Statement of Accounts

### Taxation and economic strategies

Spending on welfare policies has thus been concentrated on social services which also benefit better-off groups, while social transfers have been relatively limited. The spending side of welfare policies can therefore hardly be argued to be highly redistributive across different income groups. The same can be said about the financing side of welfare policies. The taxation system has generally been progressive and subject to incremental change over the years – increasingly to the benefit of the better-off groups. In general, nevertheless, taxation constitutes a minimal proportion of the spending in a typical Motswana household.

Minister of Finance and Development Planning, Vice President Festus Mogae presented a number of incremental changes to the tax system in his 1995 budget speech. This is indicative of a trend where, while still progressive, direct income taxation has been reduced in importance. Hence, in order to “improve our competitive position” (Hansard, No.116, part one: 29-30), corporate taxation was reduced from 35 to 25 percent and to 15 percent for manufacturing firms, while income taxation was reduced from 35 to 30 percent. Furthermore, the threshold under which people were exempt from pay-

ing taxes was increased from P10,000 to P15,000. According to the Household and Income Expenditure Survey of 1993/94, that would mean that at least 70 percent of the population were exempt from paying direct taxes (CSO, 1995: 60).

As only high-income groups then pay some direct tax, the opposition argued that the budget represented a “rich man’s budget”, rewarding the rich with tax cuts on both personal and corporate income (as only the highly paid can afford to own companies) (Hansard, no. 116, part one: 55-56). It is also noteworthy that indirect taxation, e.g. sales tax, was expanded to keep “in line with international trends” (ibid.: 29-30). One government official argued that this move to reduce personal taxation and extend consumption taxes was more equitable (Nteta et al., 1997: 131-32).

The high-income groups alone being subject to income taxation may initially appear to be a very progressive – and hence pro-poor – tax system. Yet as the Batswana in fact pay very few taxes across the board, there is little to be redistributed (back) to the lower income groups. In 1993/94, the citizens of Botswana thus paid on average 4.3 percent of their cash earnings in taxes (down from 10.2 percent in 1985/86). More than 80 percent of the population paid no more than about one (1) percent in tax, while the wealthiest about five to six percent paid about 8.5 percent of their income in tax (down from approximately 15 percent in 1985/86 (see Appendix 5)). While diamond wealth has given the government the luxury to avoid introducing unpopular taxation policies, it is also clear that the inability to tax the citizens – even at lower salary levels – means that fewer funds are available for potentially redistributive welfare policies (as also discussed in Chapter 2). Moreover, when lower income groups do not pay taxes, or only indirect and therefore generally invisible taxes, there is no sense of contribution. It stands to reason that groups that are contributing to the government finances may be more inclined to voice demands for transfers in return; and less inclined to passively expect public service deliveries, a tendency noted with increasing concern in Botswana.

As discussed above, Vice President Mogae argued in the budget speech that income tax cuts and the extension of consumption taxes were in line with international trends. There was certainly an awareness regarding the increased intensity of international competition, and from the late 1980s/early 1990s, the government openly embraced a private sector-led, open market economy strategy (Mwansa et al., 1998: 63). Already in the 1989 election manifesto, the market-oriented outlook is obvious in relation to wage policies: “the time has come to review the Incomes Policy and to allow market forces to play a larger role in the allocation of scarce manpower and the determina-

tion of wage levels and prices” (BDP, 1989: 26). Minimum wages were kept low to ensure a competitive edge, while minimum wages for agricultural labourers and domestic workers were still denied as unworkable (Good, 2008: 48). The FAP was still running, but the government otherwise took a more indirect role in promoting the important goal of economic diversification: “the role of Government in the development of competitive manufacturing and service industries is that of facilitator” (Republic of Botswana, 1998: 7).

Complementing the economic strategies were the taxation reforms, the new emphasis on technical education, and the continued limitation of social security policies. Welfare and economic policies thus continued along the same path towards a welfare system much according to the interests of the political and economic elite with an increasingly ‘charity-only’ concern for the poorest groups.

### *6.1.3 Status of welfare policy development – late 1990s*

The 1990s stand out from the other periods, as a few genuine social transfer policies were actually implemented. However, the introduction of the pension schemes does not indicate that the decision makers were keen to expand the welfare policies towards a more comprehensive income security system. Rather, the BDP top reluctantly introduced the policies. Little change was found in other policy areas: The few economic policies were continued, direct taxation was incrementally lowered, and openings were made to allow for private social services. These trends set the tone for welfare policy development in the 2000s.

## **6.2 Cracks in the African miracle: Pervasive poverty in a dual welfare system**

As in the other sections, the final part of the historical analysis of welfare policy development starts with an outline of the production regime, political alignments, before analysing the politics of policy-making and the general policy developments. The section ends with an exposition of the welfare system anno 2008 (section 6.2.3).

### *6.2.1 The very poor and non-poor in a pre-modern enclave economy*

The economic growth success of Botswana in the forty years since receiving independence has received considerable attention from researchers who have sought to explain this miracle in otherwise unfortunate Africa. The factors contributing to Botswana’s remarkable economic wealth and stability are usually boiled down to sound economic policies, strong state capacity, good leadership, and some measure of luck (Acemoglu et al., Samatar, 1999; Leith, 2005; Robinson, 2009). Also considering that resource dependency is gener-

ally considered in the literature to be a curse in that many countries with high levels of natural resources have poor economic records and high levels of political instability – if not outright civil war (Rosser, 2006; Ross, 1999) – Botswana presents an interesting and, at first sight, positive case.

Nevertheless, it has also been argued that the Botswana experience is in fact one of pre-modern economic growth without actual development (Hillbom, 2008). According to this argument, there have been no structural changes in the patterns of production which would otherwise drive economic development. Instead, outside of the diamond sector, the economic sectors are characterised by limited technological innovation and low productivity. Actually, the existence of abundant mineral resources has caught Botswana in a “natural resource trap” in which the dominance of mineral wealth in government revenues indirectly inhibits the diversification of the economy, providing few incentives to increase industrialisation and production, and, consequently, hinder structural change (ibid.: 202-03).

Diamond wealth is clearly a crucial aspect of Botswana’s production regime. As we saw in Chapter 5, however, political alignments were established before minerals were the defining feature of the economy. While natural resource dependency has then shaped the production regime and created challenges to economic development, the political alignments and preferences of dominating groups have influenced the choice of welfare and economic policies. These policies have in turn cemented the BDP-controlled development path.

As the historical analysis of Botswana reveals, the political and economic elite has generally, and ever more obviously, pursued an economic strategy of growth without equity (ibid., 210; Samatar, 1999: 12). In the words of the IMF, “Botswana has followed textbook macroeconomic advice on attracting investment inflows” (IMF, 2007: 30). Such choices have shaped both economic and welfare policies together with the ability of different groups to mobilise. Hence, in line with this strategy, “Botswana does not seem to have the kind of labour market rigidities often observed in European countries” (ibid.: 25). Employers have few contractual obligations towards the employee; there are (very low) minimum wages and limited social security requirements which may increase costs; and labour regulations are fairly restrictive towards the organisation and mobilisation of the salaried class.

As a consequence of this growth-driven approach and the political choices made over the years, the production regime remains overwhelmingly dominated by the diamond sector at the turn of the millennium. Minerals represented 45 percent of GDP in 2002, 65 percent of government revenue, and not less than 80 percent of all foreign earnings (Good, 2008: 9-10).

Thus, attempts at economic diversification had been unsuccessful. Growth in the industrial sector resulted in increased relative employment; nevertheless, growth had slowed by the early 2000s, with industrial exports in 2000 accounting for a mere nine percent of the total exports. Moreover, ownership in the private sector was concentrated in the hands of a few individuals (Jefferys, 1998: 315; Phirinyane et al., 2006: 128-29; IMF, 2007: 22; Republic of Botswana, 2005a).

By the early 2000s, the government remains the largest single employer in Botswana while mining production only accounts for roughly four percent of total employment. Even though formal sector employment has increased over the years, there are also indications – in line with the arguments of pre-modern growth – that Botswana has not yet fully commodified. Thus, only 55.5 percent of all economically active persons were in paid employment; the rest were paid in kind (0.2%), self-employed<sup>28</sup> (9.3%), unpaid family helpers (1.7%), working on own land or cattle post (9.4%), or unemployed (23.8%). Unemployment is highest among unskilled youth and higher in urban than rural areas; the urban population now accounts for 54 percent of the total population (CSO, 2004: 41; Leith, 2005: 13; IMF, 2007: 24-5; Iimi, 2006: 7-8).

The agricultural sector most clearly reveals a society with sectors of little structural modernisation. Agricultural exports account for a mere two percent of total exports; even so, however, roughly 21 percent of the labour force are still employed in this sector (Republic of Botswana, 2005; CSO, 2004: 125). The livestock sector dominates agricultural production, accounting for approximately 80 percent of agricultural GDP, but there has been no progress in technological innovation or value-added activities (Hilbom, 2008: 197-98; Seleka, 2004). One significant development in the rural sector has been the increasing exclusion of many rural families from agricultural production. Over the decades, crop production for food has decreased, meaning that many families are no longer self-sufficient. Instead, the rural poor seek to obtain casual labour under conditions in which, at this stage, the minimum wages of farm labourers remain nonexistent (Good, 2008: 81; Wikan, 2004: 4-9).

Even if not classifying as poor in the minimal, official sense, where one can register for destitute assistance, many people in rural and urban areas alike clearly subsist on considerably low salary levels with no forms of social security measures in the case of unemployment or illness. The interests of these lower classes have, as we have seen, been of little concern to the ruling elite; this is hardly surprising, as the lower classes have been poorly mobi-

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<sup>28</sup> Understood as running one's own business, which may be seen as a proxy for the informal sector, especially as the vast majority of those who are self-employed have no employees (Kapunda & Mmolawa, 2007: 10; CSO, 2004: 41).



lised. The government has succeeded in forming structural limitations against labour unions, thereby complicating efforts to organise and engage in labour disputes, including strike activity, and even though labour unions are part of tripartite structures such as the Labour Advisory Board and Minimum Wages Advisory Board, the ability of the unions to influence government decisions is minimal. Moreover, most unions are now concentrated in the public sector and mineral extraction, therefore representing as much the middle as the lower income classes (FES, 2008; Taylor, 2003: 226-27; US State Department, 2009).

Opposition political parties are seen as a voice of the (urban) lower classes, and many believed in the 1990s that the opposition could assume power in the 1999 elections. The BNF experienced a major split in 1998, however, and the lack of a unified political opposition has continued to define the political landscape (Makgala, 2006: 125). Finally, civil society organisation could potentially speak for lower income groups, but these organisations have tended to shy away from direct political engagement (Sebudubudu & Osei-Hwedie, 2005: 28; Mogalakwe & Sebudubudu, 2006: 221; Maundeni, 2004).

The predominantly urban middle class is no longer likely to have any interest in redistributive policies. Given their position in relatively well-paid formal employment, they are insured against social predicaments and may increasingly prefer private, employment-related solutions in any case. Hence, this group may be reasonably content with the stability of the BDP government. The political process of policy developments in the 2000s is then continuously dominated by a strong, well-organised ruling party with the executive controlling the process (Mogalakwe, 2006: 16-17; Taylor, 2005: 11-12).

### *6.2.2 Private solutions and poverty strategies*

The production regime and political alignments that have developed in Botswana have largely shaped the choice and timing of both welfare policies and economic strategies such that toward the end of our period of analysis (2008), there are increasing indications of the development of a dual welfare system: A system wherein the majority rely on the market, family, or the community for income security, whereas the poorest minority is left to depend on the state. In the following, we shall trace the development of welfare (and a few economic) policies in the 2000s. We shall see that many policies continue as is or with minor revisions, thus sticking to the already-identified path. The few policy changes point in two directions which confirm the path towards a dual welfare system. First, there are further indications of an increasing shift by the middle class towards private solutions. Second, the influential groups, the political and economic elite, with support from urban middle-income groups, still see no need for any comprehensive social security legislation or any means of income security for lower income groups; instead,

their collective social consciousness is directed at the destitute and 'needy', who (continue to) receive meagre handouts.

From the analysis as well as Figure 5.1 in the previous chapter, it becomes apparent that most policies have either continued unabated, been revised, or substituted for similar programmes. Only the Accelerated Rural Development Programme (ARDP) existed for a short period, but as this was essentially a programme to expand social services, it is reasonable to argue that this exercise has actually continued, quite remarkably as we have seen, after this programme ended. A shift in social service delivery came in 2006 with the re-introduction of school fees, which we shall discuss in more detail below.

The few social security policies, once introduced, have continued to exist – arguably because in their limited fashion they ensure continued BDP support from the rural poor. However, we shall also see below a shift in the outlook of political decision-makers, as there are concerns regarding sustainability and questions regarding the need of broad-based policies, which also indicate the limited relevance of such policies to the influential and well-off groups. Before going into detail concerning the development of welfare policies, we shall discuss a few economic policy developments relevant to the welfare system in Botswana.

### Economic strategies

The economic strategies of attempting to ensure attractiveness in the competitive global market have been supported by welfare policies such as tax cuts and new approaches to education as evident in the 1990s. Part of this approach has also been a wage policy shift from wage restraint to a more market-related approach. The recent trend has been towards an increasing differentiation of salaries in the private and public sectors, evidenced by a much higher average real wage increase in the central government compared to the private sector. Consequently, average government salaries exceed pay in the private sector and parastatals by more than 40 percent in 2005. Moreover, the wage differentials between the public and private sectors widen at the lower end of the salary scale (Republic of Botswana, 2005c: 5; IMF, 2007: 25-26).

These trends may be indicative of the limited voice of the lower income groups. True, labour unions are represented in the Minimum Wage Advisory Board which fixes the minimum wages, but the wage levels are hardly desirable for lower income groups; or anyone else for that matter. Hence, a monthly minimum wage (presuming a 40-hour work week) is about P500–P600 (roughly between US\$75 and US\$90, April 2008), while the food basket in most urban areas is suggested to be well over P2000. In March 2008, domestic workers and agricultural labourers were also included in the

minimum wage regulations, as suggested by a 2005 government review on incomes. Still, both employment groups are to receive even lower salary levels than other groups under the regulations (P336 per month for domestic workers and P408 for agricultural workers), and the costs of feeding agricultural workers residing on the employer's premises can be deducted from their wages (Republic of Botswana, 2005c: 31; FES, 2008: 14; Republic of Botswana, 2008; US State Department 2009).

Despite a market-orientated economic strategy, the government is, as in the past, involved in programmes aimed at employment creation and rural development. In 2002, the Citizens Entrepreneurial Development Agency (CEDA) replaced the Financial Assistance Policy (FAP) to assist small and medium-scale, citizen-owned enterprises in order to develop sustainable businesses. CEDA has the declared intention to monitor projects more closely than was the case with FAP, and the new project provides interest-subsidised loans instead of grants. Even so, the new agency continues to offer cheap credit to marginal enterprises, and recipients still regard the support as grants; just like under the old scheme. Consequently, CEDA has had problems recovering loans and been close to bankruptcy (Republic of Botswana, 2006: 8; Leith, 2005: 100; Sentsho, 2005: 145-46; Mmegi 23 October 2007; Mmegi 28 March 2008). In a similar vein, the Ministry of Agriculture launched The Integrated Support for Arable Agricultural Development in 2008 to replace the dormant Arable Land Development Programme (ALDEP) with the intention of increasing rain-fed agricultural production and rural employment creation (Sunday Standard, 10-16 August 2008; Botswana Guardian 5 September 2008). It is too early to determine whether or not this programme has been more successful than any previous efforts.

### Social security policies

Two unintentionally overlapping policies targeting the very poor and marginalised groups were under scrutiny during this period. The Remote Area Development Programme of 1974 was reviewed in 2003, as it had become apparent that economic development had not been achieved for the people living in the remote settlement areas targeted by the programme. Even though the RADP was aimed at creating employment opportunities in addition to providing social services, the implementation of the programme had been "top-down paternalistic, dominant and controlling" (Nthomang, 2004: 426), not giving the beneficiaries any opportunity to participate in the design and implementation of development programmes. Instead, people in the remote areas had become passive and dependent on the government for service. The review recognised these problems and suggested a shift towards participatory processes in order to promote sustainable livelihoods such that dependency

can be reduced and self-reliance promoted (Republic of Botswana & BIDPA, 2003). A traditionally low-priority programme with few staff and isolated from other government programmes, it is uncertain whether the review has actually reversed the dismal development trends. In fact, the majority of remote area dwellers receive destitute allowances (Ntseane & Solo, 2007: 100).

The National Policy on Destitutes was revised in 2002 in recognition of how conditions had changed in society since 1980. The objective of the scheme nonetheless remained unaltered: “To ensure that government provides minimum assistance to the genuine [sic.] destitute persons to ensure their good health and welfare” (Republic of Botswana, 2002: 2). The main new features in the policy were the inclusion of a small cash allowance to the destitute on top of the food basket and the introduction of an exit option, where temporary destitutes receive a smaller ratio and are to participate in rehabilitation programmes, such as counselling, workshops, education, and job creation efforts, in order to ensure their exit from the programme (Republic of Botswana, 2002; Ntseane & Solo, 2007: 89-91).

The policy was debated at length in parliament. There were great concerns, as the previous policy had revealed problems concerning implementation, lack of manpower, abuse, and lack of clarity as regards food ratios, and the registration of the destitute. On the one hand, the debate indicates a concern to ensure that the new policy appropriately reaches the destitute, an important electoral constituency: “the experience on the ground is that there is some inefficiency. Some people do not get their regular supply and some are given expired foodstuff [...] We are talking about our people and those are the most loyal people, destitute. Those are the people who wait from 5.30 am to 7 pm to cast their vote” (Mr Butale, BDP, Hansard, no.139, part five: 45). On the other hand, the policy is also understood as merely providing a minimum to the categorically needy: “My understanding is that destitution is the lowest level of poverty [...] the policy should be concentrating on people with absolutely no means of self sustenance” (Mr Nkate, Minister of Lands, Housing and Environment, BDP, *ibid.*: 159-60). Or in the words of Minister of Health Joy Phumaphi: “it cannot be argued, Mr Speaker, that giving somebody destitution relief of P 200, because basically that is what it is, will move them above the poverty datum line because they would still be below the PDL. But at least they will be above the survival line if such a line was to be drawn” (*ibid.*: 126).

In fact, there seems to be a sense of a charitable and paternalistic – if still aloof – attitude throughout the exercise. Because even if there are concerns that the revised policy may still be imperfect in its ability to reach the needy and as an instrument to get people out of the poverty trap, many ministers

argue for the support of the policy in any case: “we may not be able to cater for each and every destitute in this country [...] If we can save a few lives, I think our effort will not be wasted” (Minister of Foreign Affairs, Lt Gen Merafhe, *ibid.*: 150).

Coinciding with these policy reviews and revisions, the Ministry of Finance and Development Planning launched the National Strategy for Poverty Reduction of 2003 (NSPR). However, it is difficult to see if anything in this strategy is really new. The NSPR is to stimulate economic growth and expand employment opportunities, provide social safety nets to the most vulnerable and only as a last resort, and improve the coordination and implementation of existing poverty alleviation policies and programmes (Republic of Botswana, 2003; Ntseane & Solo, 2007: 20).

Existing policies are the feeding schemes and labour-based drought relief programmes which have become engrained features of Botswana’s welfare policies. The feeding schemes continue to target vulnerable groups and public primary schools, and orphans and the terminally ill have also received food baskets in recognition of the HIV/AIDS pandemic since the late 1990s (Seleka et al., 2007: 10-11). The drought relief programme continues to provide food aid and part time jobs for rural people during periods of drought to no lesser extent than in the past. In 1992/93, for instance, roughly 100,000 people were employed, while the programme employed about 120,000 people in 2003/04 and 180,000 people in 2007. Participants receive a daily rate of P10, which is approximately the same as a domestic servant would receive for half a day under the minimum wage regulations (Ntseane & Solo, 2007: 98-99; The Botswana Gazette, 18-24 July 2007).

The common feature of the social security policies in Botswana, or rather social assistance programmes, is their consistent existence despite their in effect minimal, often temporal, relief and the problems experienced regarding rising dependency. For instance, drought relief continues to exist despite the recognition that the programme discourages people from ploughing during the planting season (Phirinyane et al., 2006: 57); and the remote areas are the most rampant example of government dependency. The rising concerns regarding a ‘dependency syndrome’ together with issues of sustainability seem to lead policy stakeholders to focus on how well the various policies in fact target the poor, evident for instance in the BIDPA-produced report, *Social Safety Nets in Botswana* (Seleka et al., 2007). Obviously, some policies – such as school feeding programmes and the universal pension – do not target the poor specifically. Growing belief is thus emerging regarding the need to ensure policy sustainability and better pro-poor targeting that excludes the non-deserving who should be capable of self-sustenance: “Means-testing

should be introduced for the OAP [old age pension] programme to eliminate those individuals benefitting from other pension plans and those with enough resources to live decent lives without government financial assistance. In this regard, eligibility criteria should be developed to ensure that *only the needy elderly* are covered by those programmes” (Seleka et al., 2007: 47; my italics). This concern about the universal pension is also echoed by the BDP top: “Old age pensioners who can support themselves should not get pension from government. I feel very strongly about this Mr. Speaker because I think this is unnecessary and these resources could be directed towards relief of people [...] such as destitute” (Minister of Health, Mrs Phumaphi, Hansard, no. 139, part five: 129).

Thus, while the government has evidently avoided the topic of a comprehensive social security system over the years, the various social assistance policies are increasingly under attack for poor targeting. Social security policies are not perceived as a means to ensure income security broadly, but merely as safety nets for the absolutely needy.

#### Social services and taxation

The trends in the taxation system in the 1990s – with a downscaling of income taxes and increases in indirect taxation – has continued. Thus, by now, the top marginal personal income tax rate is 25 percent, with similarly 25 percent for companies and 15 percent for certain manufacturing operations. In 2002, VAT was introduced to replace the sales tax. VAT is set at ten percent and applied to a wide range of goods and services (Mupimipla, 2005: 97).

In the health sector, the increasing demand for private facilities alluded to in the previous section is also confirmed for the 2000s. Government employees have an option to join a medical aid scheme whereby the government contributes 50 percent and the employee 50 percent. Private sector employees also have access to such schemes with varying employer contributions. The medical aid schemes are popular and prestigious; they provide access to the best private medical doctors and hospitals within or outside the country as opposed to the overcrowded government health facilities. Since the first medical aid scheme was introduced in 1970, there are now (2004) five schemes with almost 170,000 members (Republic of Botswana, 2005b; Nthomang, 2007: 198-99). This means that about half of those in wage employment (337,086 in 2002/03) benefit from (private) medical aid; this group make up about one-quarter of all economically active persons (of 606,826) (CSO, 2004: 41). Considering that medical aid members are likely to have included their families, a substantial part of the (better-off) Botswana now have access to private health care solutions.

The most interesting development in the area of social services is the introduction of school fees with effect from January 2006. This news was presented to Parliament, on 7 February 2005, when Minister of Finance and Development Planning Baledzi Gaolathe announced in his budget speech:

government remains committed to providing opportunities for learning at every stage of life [...] It is as a result of substantial investment in education that Botswana attained 100 percent access to primary education in 2000 [...] The remaining challenge is that of increasing access from junior to senior secondary school from 50 percent to 100 percent [...] I must add, Mr. Speaker, that this would require us to make some sacrifices such as re-prioritising of development projects and paying for services in order to attain this goal in a sustainable manner (Republic of Botswana, 2005: 17).

Minister of Education Jacob Nkate later elaborated on the initiative, arguing that this step was necessary due to “sluggish economic growth resulting from turbulent global economic conditions”. The government had found that it was necessary to find “equitable and sustainable methods of cost recovery” leading then to the introduction of school fees; or rather, “cost sharing”. While cost sharing was not being introduced “at this stage” at the primary school level, parents were “expected to make a modest contribution towards the education of their children”, and costs were set between P300 and P750 per annum per child depending on the level of education (ranking from junior secondary to tertiary education). Notwithstanding this new initiative, the government promised “that no child will be turned away from school on account of his/her parents genuine inability to pay” (Hansard, no.147: 212-13). As may be imagined, the opposition reacted sharply, arguing that this policy disadvantaged lower income groups (ibid.). Such protests were futile, and school fees were duly introduced in 2006. As we shall see, however, the protests were not yet over.

Even though the number of private schools has been on the increase, most private schools are likely to be at the secondary level. At the primary level, only 7.5 percent of the schools are privately owned, amounting to 59 schools (CSO, 2008). In 1994 there were already 102 registered private schools, a number that has most likely only increased. As such, there are probably more private secondary schools compared to private primary schools. Even if the use of private education is not as predominant as the move towards private health care, the school fees would have affected the income groups differently. The middle and upper classes were likely either to not have their children in public schools at the secondary level – and therefore would not be affected by the school fees – or if they did, the amounts would have been bearable. For lower income groups, the cost sharing is more inva-

sive; remember that for those earning a salary at the minimum wage level, having a child in secondary school for a year would cost one month's salary.

The government had made clear its intention to ensure that no student would be turned away despite the inability to pay. By late 2007, however, it had become apparent that such situations did in fact occur. The BNF arranged protests to call for the cancellation of school fees, and opposition leader Mr Moupo argued that "there is no real justification for imposing a heavy burden on the poor by trying to collect P60 million from them, while the Government does not hesitate to splash P20 million in building a retirement home for the President, [and] the Ministry of Education returned P600 million of unspent development funds to the Ministry of Finance" (Mmegi, 22 November 2007; see also Daily News 8 October 2007; Mmegi 4 October 2007). President Mogae and Minister of Finance and Development Planning Gaolathe pleaded with the country to appreciate cost sharing in a situation in which Botswana does not have the means for free education (The Botswana Gazette, 7-13 November 2007; Mmegi 29 November 2007).

The debate did not end at that time, and BDP backbencher Mr. Ntuane tabled a motion in April 2008 to place a moratorium on cost sharing pending a review of the impact of school fees on access to education. One week later, opposition MP, Mr Mokgwathi tabled a motion for the abolishment of school fees. Ntuane reasoned that "the reintroduction of school fees hurts the poor people most since the little money they are getting is diverted to school fees", adding that "people who can afford school fees send their children to private schools" (Monitor 7 April 2008). The motions were brushed aside by the BDP top, who had at this stage introduced a threshold policy whereby parents earning less than P1,200 a month or having less than 50 cattle or 250 goats were exempted from paying school fees (ibid.; Monitor 14 April 2008; Sunday Standard 6-12 April 2008).

Whether the BDP top were feeling pressured or were themselves concerned about the affects of the cost sharing policy on lower income groups, the exemption policy is bound to relieve many from an extra financial burden. Even so, the cost sharing policy is a move away from a broad-based welfare policy whereby all citizens benefit equally. Instead, the welfare system increasingly becomes irrelevant to better-off groups while the very poor become entirely dependent upon it. In fact, it would be more inclusive if education and any other social services or social security policies increasingly became tax-financed. This does not seem to be an option, however, as disclosed by Minister of Local Government, Mrs Nasha: "We have to teach Batswana how to survive without totally being dependent on the government. I regret why we cancelled the payment of school fees, local government tax, and hut



tax. We should not have [...] If we re-introduce local government tax we will be in trouble because we are living with a generation that does not know local government tax” (Monitor 14 April 2008).

The disregard of direct taxation accounts for a peculiarity in Botswana’s welfare system as it has developed over the years. I elaborate on this and the welfare system in general anno 2008 in the next section as President Festus Mogae handed over the presidency to Ian Khama, son of the first President, Sir Seretse Khama.

### *6.2.3 Botswana’s dual welfare system, with a twist*

In the theoretical Chapter 2, we discussed how welfare systems with inclusive policies tend to have lower levels of poverty, even though such systems also cater to the non-poor. In short, inclusive welfare policies exist in a system in which everyone pays and everyone benefits, whereas non-inclusive welfare policies in dual welfare systems are characterised by a split in society where the very poor are dependent on the state and the rest rely on the market for their well-being.

In the cross-case study in Chapter 4, we found evidence that developing countries with generous and broadly based welfare policies indeed tend to have the lowest levels of poverty. In Chapter 3, it was hypothesised that Botswana, even if starting its developmental path in a spirit of nation building and broad-based advancement, would eventually end up with a non-inclusive, dual welfare system. Claim was therefore made that such a welfare system offers an alternative explanation to Botswana’s unexpectedly high poverty levels than that which is usually offered in the literature.

In this section, I discuss the outcome of the welfare policy path in Botswana and argue why Botswana’s welfare system is dual, albeit with a twist. The case of Botswana both confirms and reveals a number of important theoretical and empirical points regarding the relationship between welfare policies and poverty and concerning explanations to welfare policy development. First, welfare and economic policies develop in conjunction and the character of welfare policies will tend to fit together with certain types of economic strategies such that, in combination, the policies typify a specific welfare system. Consequently, while welfare policies in themselves are important for reducing poverty and inequality, economic policies also play an important role herein. Second, different types of welfare policies appeal differently to various political and economic groups. Thus, while better-off groups will tend to be loath towards potentially redistributive policies, such as transfers and taxation, they may have strong preferences for social services. We may therefore find that the development of social services follows a different logic than is the case with other welfare policies. This notwithstanding, even though so-

cial services certainly benefit human development, welfare systems (at their advanced stages) may not differ greatly in their priority of social services. Hence, real variations in the character of welfare policies relate to social transfers and taxation and it is also as regards these policies we shall find the corresponding variation in poverty. Third and last, at a time when direct taxation has been scaled down in many countries in the name of competitive advantage and equity, the development of welfare policies in Botswana discloses a number of (possibly extreme) negative consequences of such tendencies; relating both to the ability to redistribute and the potential role of direct contributions for citizens' involvement in and expectations to the welfare system. Considering now the welfare system in Botswana anno 2008, I summarise the characteristics of social services, social transfers, taxation as well as the main economic policy attributes and discuss their relevance to different income groups.

By 2008, the social sector in Botswana takes up the biggest portion of the government budget and has also expanded over the years. Thus, whereas social sector expenditures in the 1980s and early 1990s were between 30-37 percent of total government expenditures (Nthomang, 2007: 197), this sector now accounts for close to 50 percent of total government spending; consequently placing less emphasis on economic services, including services for mining, agriculture, electricity, and water supplies as well as roads. Quite clearly, the focus has been on the delivery of social services at the expense of the more redistributive social transfer policies. Table 6.1 shows that in 2007/08, 25 percent of total government expenditures went to education, 11 percent to health, while a meagre 2 percent was spent on food and social welfare (including expenditures on pensions, feeding schemes, and destitutes).

Botswana has often been praised for its efforts to increase human capital by prioritising social services and, in contrast to other African countries on a similar economic level, Botswana spends a relatively large amount of its GDP on health and particularly on education. For instance, whereas Botswana spends 4 percent of GDP on health, Mauritius and South Africa spend 2.4 and 3.5 percent, respectively. The difference becomes even more apparent with respect to education, where Botswana's public expenditures as a percentage of GDP are 10.7 percent compared to 4.5 percent in Mauritius and 5.4 percent in South Africa (UNDP, 2007: Table 19, 294-97). Indeed, from being a largely uneducated population at the time of independence, 90 percent of all children around 2000 completed primary school, with some 70 percent of the children proceeding to secondary education (UN, 2001: 29). Equally, spending on health, water, roads, housing, and communications ensured that Botswana was among the best in Africa on the Human Development Index in

the 1990s; unfortunately, the HDI figure has since fallen due to the HIV/AIDS pandemic, though within recent years it has once more increased (ibid.:16, 29-30; UNDP, 2007: Table 2).

Table 6.1: Government expenditures for selected years

	2001/02		2004/05		2007/08	
	Actuals	Percent of total	Actual	Percent of total	Actuals	Percent of total
General services incl. defence	3,705	27	4,677	27	7,042	28
Social services	5,835	43	7,960	46	11,899	48
<i>Education</i>	3,407	25	4,190	24	6,224	25
<i>Health</i>	803	6	2,076	12	2,639	11
<i>Food &amp; social welfare</i>	463	3	116	1	587	2
<i>Housing, urban, and regional development</i>	793	6	976	6	1,881	8
<i>Other community &amp; social services</i>	368	3	603	3	568	2
Economic services	2,678	20	2,649	15	3,671	15
Transfers	1,453	11	2,097	12	2,210	9
Total expenditures	13,671	100	17,383	100	24,822	100

Source: Bank of Botswana, 2008

Note: the expenditures include recurrent and development expenditures in Pula million.

As we have seen throughout the historical analysis, social services have benefited all Batswana across income groups. There are indeed indications that many social services were just as much, if not more, beneficial to high income groups in the early years – explaining also, together with a sense of nation building, the political focus on this sector. Hence, priority was initially given to secondary and tertiary education, though primary education facilities also expanded; only much later, in the 1990s, was education considered a part of the economic strategy, with an increasing focus on technical and vocational training. Equally, housing was largely an urban affair in the beginning and expanded to rural and poorer areas only later. There are now indications, however, that the well-off increasingly look to private services for their well-being. The middle and upper classes in particular benefit through their employment from medical aid schemes which grant them access to private health facilities, and there also seems to be an increase in private education. In this sense, politically influential groups may be less reliant on state-

provided social services and therefore less concerned with changes away from broad-based and free social services. Certainly, the re-introduction of school fees may be an indication of this.

Whereas education, health, and housing have received substantial funds, this has not been the case with regard to social security schemes and social safety nets. There is no coherent social security scheme in Botswana covering workers and non-workers, and existing social safety nets are arbitrary and inadequate (Nthomang, 2007: 192-93; 200-01).

Generally, there is little income security for many Batswana. There is no regulatory framework to ensure compensation at times of unemployment. Sickness and maternity leave and work injury regulations are minimal and likely to depend largely on one's position and place of employment (Social Security Worldwide). Needless to say, anyone in informal or temporary employment, including the many in drought-related works programmes, has few rights when unable to work.

There are a number of social assistance programmes in place – some specifically target the needy, including drought-relief programmes (though these programmes are only rural) and the destitute policy; other policies, such as pension and school feeding schemes, have a broader reach. Even so, social transfers – indicative also by the amounts set aside in the government budget – are of little relevance to most Batswana. The old age pension is insufficient to cover monthly costs and require that elderly find additional resources elsewhere in order to ensure a reasonable income security. For example, a monthly pension rate of P191.00 (Seleka et al., 2007: 9-12) takes up a relatively small portion of the income of many households given that the mean disposable income for households where the head of the household is 60 years of age or older was P1,138.75 per month in 2002/03 (CSO, 2004: 33). And for those pensioners with no other means of income, the old age pension is argued to be too low to keep the elderly out of poverty (Wikan, 2004: 7-8). The destitute policy only reaches a small segment of the population; with 38,074 registered destitute in 2005 (Ntseane & Solo, 2007: 89-91), no more than about 2 percent of the population receive destitute allowances. Drought relief tends to have a broader reach but is temporary and, as with feeding programmes, mainly ensures that people stay alive.

In their survey of social safety nets in Botswana, Seleka et al. (2007) estimated that less than one-third of the population actually received any government transfers (23-24). This means that the large majority of the population do not benefit from any social welfare programmes. Of those receiving government transfers (the vast majority of whom only benefit from one programme (ibid.: 30-31)), the share of government transfers for the poorest

quintile was 18.9 percent of the monthly expenditures, whereas government transfers accounted for 2.8 percent of the monthly expenditures for the richest quintile. It is thus safe to say that even though government social welfare policies take up a fair share of the income for poorer households, many do not actually benefit from such policies or receive only marginal amounts.

The insignificance of the otherwise potentially redistributive social transfers to middle and upper income groups in particular means that they already rely on the market, i.e. formal employment, for income security. As such, in the name of efficiency and sustainability, they may be prone to rather argue for the further means-testing of policies; and there are no other politically powerful groups to advocate otherwise. The consequences of such moves will be that non-poor, lower income groups receive even less social security, and expenditures for such policies are likely to remain meagre, especially if – over time – contributions were to come from the Batswana.

In an effort to diversify the economy, the government has seen it as critical to create an environment conducive to both domestic and foreign direct investment; and with a company tax of 15-25 percent and maximum personal income tax of 25 percent, Botswana has some of the lowest tax rates in the region (Beaulier & Subrick, 2006: 110; Cummings et al., 2005). Still, the Government has been fairly successful in raising revenue to implement its policies, but the tax burden has definitely not fallen directly on the Batswana.

Table 6.2 shows government revenue for selected periods over the last decade. The main source of income comes from diamonds and other minerals. Mineral revenue accounts for almost half of the total government revenue. Customs and excise also take up a substantial part of the tax revenue, with around 14-27 percent for the period. Other taxes (export duties, taxes on property and transport, airport tax, and as the by far biggest part: sales tax and VAT) have been increasing over the years. This is largely due to the introduction of VAT in 2002 (Republic of Botswana, 2006: 29).

Non-mineral income taxes include corporate revenue as well as individual income. Over the last decade, revenue from non-mineral income tax has been about 10 percent; even though income tax rates have decreased, the share is higher than in the 1990s, which may at least partly be attributed to improved tax compliance (Republic of Botswana, 2005b: 25). It is suspected that companies and businesses contribute the lion's share of the non-mineral income tax, the low tax rates notwithstanding. Tax expenditures certainly seem to be insignificant to the average Botswana household.

Table 6.2: Government revenue for selected years

	2001/02		2004/05		2007/08	
	Actuals	Percent of total	Actuals	Percent of total	Actuals	Percent of total
Tax revenue	10,583	83	16,245	90	25,831	90
<i>Customs &amp; excise</i>	<i>1,733</i>	<i>14</i>	<i>3,227</i>	<i>18</i>	<i>7,835</i>	<i>27</i>
<i>Mineral revenue</i>	<i>6,996</i>	<i>55</i>	<i>8,682</i>	<i>48</i>	<i>12,334</i>	<i>43</i>
<i>Non-mineral income taxes</i>	<i>1,248</i>	<i>10</i>	<i>2,082</i>	<i>12</i>	<i>2,573</i>	<i>9</i>
<i>Other taxes</i>	<i>606</i>	<i>5</i>	<i>2,255</i>	<i>13</i>	<i>3,090</i>	<i>11</i>
Non-tax revenue	2,067	16	1,364	8	2,221	8
Grants	59	0	348	2	577	2
Total revenue and grants	12,709	100	17,957	100	28,630	100

Source: Bank of Botswana, 2008

Note: revenue in Pula million.

According to the Household Income and Expenditure Survey 2002/03, the average monthly household expenditure in Botswana was P2,160.40. Of this amount, the average household spent a meagre P72.20 on income tax, which is 3.3 percent of the total household expenditures. In comparison, the average household spent P183.00 on drinks and tobacco – more than double what is paid in tax (CSO, 2004: 23)! This figure is obviously an average for all Botswana households – including rich and poor, rural dwellers and urban residents. More importantly, this figure includes households making a living from the informal sector and therefore hardly paying any tax, as well as lower income groups who are not subject to taxation (Republic of Botswana, 2006: 27). A rough estimate seems to indicate that close to two-thirds of the population has an income below the level of tax liability.<sup>29</sup> Nevertheless, if one takes the highest income group in the Household Income and Expenditure Survey, their share of tax is on average only 6.6 percent of their cash earnings (see Appendix 5).

To be fair, as indicated by the increase of revenue due to VAT, the government has increased citizens' contributions to the economy in an indirect fashion. Yet the lack of direct contributions by the Botswana to government revenues accounts for a peculiarity in Botswana's welfare system. On the one

<sup>29</sup> Between 2001 and 2006, any annual income below P25,000 is not subject to taxation (Republic of Botswana, 2006: 27), which is equal to a monthly income of P2,083. In 2002/03, the number of people with a disposable income of less than P2,000 amounted to 64 percent (CSO, 2004: 65).

hand, many Batswana have come to expect the government to provide services without considering their own contribution. On the other hand, without the need to tax the broader population, citizens have partly lost their influence over spending – the government is not reliant on the citizens for revenue and therefore likely to be less concerned (Moore, 2008: 60-62); unless there is a need for political legitimacy. Furthermore, whether taxation would be progressive or regressive, such incomes could have been reverted back to social security transfers had any such demands been made. Hence, taxation is an important part of the welfare system, not only as a direct means of redistribution, but also as a source of revenue for social expenditures. The mineral-financed welfare system in Botswana accounts for the twist – the dominant political groups have been able to avoid redistributive policies (transfers and taxation) while paying off their legitimacy through the provision of social services and a minimum of social assistance. In turn, the citizens have become expectant and, in some instances, dependent on the state, undoubtedly causing some concern for politicians as regards the raising of future revenue, because they must be aware that diamond resources are not forever.

The economic strategies complicate matters further, as they are focused on low taxation. As we have seen, economic policies have been directed at creating economic growth under the assumption that benefits would trickle down to the population at large, and low taxes and low minimum wages were essential features in attracting private sector investments and economic diversification. Strategies involving full employment and the structural transformation of the economy (most evidently in agriculture) have not been prominent. True, the public sector is a main contributor to employment growth (Nthomang, 2007: 191-92). Over the years, the government has also set up various development funds for employment creation and rural development, and the government has spent substantial funds on improving access to health and education facilities. Yet this is as far as it goes. The overall government strategy has been towards ensuring macro-economic stability and creating an environment conducive to the private sector; thereafter, it has been up to market forces to develop industry and businesses for a more diversified economic growth; thus far, it seems, with limited success (AfDB, 2008; Masire, 2006: 216).

In effect, the economic side of Botswana's welfare system is characterised by relatively high levels of unemployment and wage inequality. Furthermore, given the essentially 'pre-modern' growth, many do not rely on proper wage employment for their income, instead seeking to ensure a livelihood in the informal economic and/or traditional agricultural sectors.

To sum up, then, the welfare system is largely dual, where a minority, the poorest of the poor, relies entirely on the state, whereas the rest are left to rely on the market. However, only those in secure, formal employment – mainly the middle and upper classes – are able to ensure their welfare properly through various schemes and employment benefits. Lower income groups (some just above the officially defined poverty line) are generally in more informal or temporary types of employment which do not provide for adequate benefits and insurance in times of illness, unemployment or old age; the market is therefore an unreliable source of income security. In times of need, they must turn to the family or community unless they fall into the category of being destitute, in which case they can receive minimal relief from the state.

It should be clarified that Botswana's welfare system still has great potential for expansion and should not be compared to the full-blown welfare states of the OECD. Nevertheless, as we shall see in the next chapter, other countries with similar economic wealth may have more comprehensive and inclusive welfare systems, accounting in turn for more favourable poverty figures. New welfare policies may be introduced over time, including an unemployment insurance system. However, the characteristics of the Botswana welfare system are unlikely to change dramatically because, as shown throughout this and the previous chapter, the development of welfare and economic policies is a long, mutually reinforcing process influenced by political bargaining between influential groups. In the next and last section, I summarise the explanatory value of the theoretical framework as well as the alternative explanations proposed in Chapters 2 and 3.

### **6.3 Conclusion: Explaining the development of Botswana's welfare system**

The historical analysis of welfare policy development in Botswana makes evident the important role of politics in explaining the creation of welfare systems. Political alignments dominated by an interrelated economic and political elite have controlled the political policy making process. Especially in the earlier decades, the elites were conscious of improving the living standards of the poor majority – from whom they also needed political support. Over time, however, the increasingly dominant middle classes with formal wage employment in the bureaucracy and the narrow private sector – and with little interest in redistributive policies – have formed an important part of the political alignments, thereby shaping the further development of welfare policies (Ulriksen, 2008: 328). Lower income groups with interests in genuine welfare policy expansion have generally been without influence, as manifest in the limited policies which could improve their income security and well-being.



The organisation of the economy (the production regime) has shaped the power resources of the various groups in Botswana. The cattle-dominated economy at independence accounts for the small, well-educated political elite also including the wealthy economic elites. The discovery of diamonds enabled the elite to stay in power through economic strategies promoting the diamond and cattle industries and by distributing mineral revenues via social services and some minimal, and hence not particularly redistributive, social safety nets. Today, the production regime has evolved into a more complicated economy, though still partly traditional and highly resource-dependent. Botswana may have avoided the common attributes of the resource curse, such as economic stagnation, instability, and authoritarianism. Yet side-effects of resource abundance that are less discussed in the literature, including wage dualism, high unemployment, little manufacturing exports, and poverty, are prevalent (Rosser, 2006). With attention to the context and social forces in the political process (ibid.), I have offered an explanation as to *why* diamond wealth, in combination with political alignments, has led to some surprising social outcomes in this otherwise-praised African miracle.

The historical analysis of Botswana has also revealed that the political process is – at least partly – path dependent. In turn, policies affect the production regime and political alignments, thereby creating feed-back loops and shaping future policy development; just as policies – once in place – become resilient to fundamental change. It is possible that the production regime will eventually change more fundamentally due to economic diversification, which could create an increased demand for welfare policies. Unless there is a major shift in political alignments, however, it seems unlikely that economic development will affect the essential character of the welfare system; at least it is difficult to imagine an alliance between the lower and middle income classes for broad-based but costly welfare policies when the middle class are already provided for and diamond funds are running out.

There is little evidence that ideology has influenced policy choices and in any way defined the path of welfare policy development; ideology has played a limited role as political arguments for or against certain policies. The neo-liberal agenda of economic growth and targeted social safety nets most likely suits the dominating political and economic groups well, but if that is the case ideology is still contingent on the groups actually controlling policy making, and thus ideology cannot dispute the importance of politics. The role of elections is less conclusive. The narrow hypothesis regarding electoral budget cycles is not confirmed, as there is no clear relationship between spending and times of elections. However, this may possibly be ascribed to the limited electoral competition in the BDP-dominated political landscape. Even so,

there have been elections with (perceived or real) threats to the BDP victory, thereby enticing initiatives of beneficial policies, though policy initiatives cannot always be linked directly to election cycles. Rather, in a democratic system in which numerous social groups may be organised and have influence at various formal and informal levels, politics affect policy making; also in between elections.

Nevertheless, elections represent an important instrument for policy bargaining. Elections force political groups to ensure their electoral support, but they also determine the number of representative parties and the eventual need for alliance making. In Botswana's first-past-the-post electoral system, the BDP has consistently formed the majority, and there has been no need to form alliances and forge policy compromises with other parties. The role of party alliances, based as they must be on the prevalent political alignments, will be discussed further in the next chapter.

The advantage of the process tracing analysis of Botswana is that we were able to explore *how* political alignments – shaped by the production regime and in conjunction with economic strategies, through political processes and feed-back loops – led to specific policy outcomes. That is, we were able to study complex causal relationships over an extensive period of time. The theoretical framework was furthermore thoroughly tested as the analysis confirmed the expected causal chain of arguments as presented in Chapter 3 – “the wonderfully egalitarian spirit of universalism turns into a dualism similar to that of the social-assistance state: the poor rely on the state, and the remainder on the market” (Esping-Andersen, 1990: 25). The analysis further concurrently tested alternative explanations – ideology and electoral budget cycles – which only had limited explanatory power.

Accordingly, our analysis of Botswana confirmed and strengthened our theoretical knowledge of welfare policy development in developing countries. Moreover, the in-depth analysis revealed aspects deserving further scholarly scrutiny. We should specifically distinguish between social services on the one hand and social transfers and taxation on the other hand: All income groups may have an interest in expanding social services given the potential benefits of education, health and housing services to both high and low. In contrast, transfers and taxation are less appealing to the better-off groups as these policies are likely to cost them and are advantageous to lower income groups. Already, the Western welfare regime literature has noticed that transfers more than social services cause variations in welfare policy characteristics across countries (Castles, 2008; Jensen, 2008b). Acknowledging that policies have different appeal to various groups takes us a step further in un-

derstanding how welfare policies develop, and why welfare systems vary across countries.

The case of Botswana also disclosed some interesting findings regarding the role of taxation. While diamond funds have ensured sufficient government revenue in Botswana for welfare spending, lack of direct personal taxation may have had some unforeseen consequences. First, taxation as a mechanism for redistribution across income groups becomes irrelevant when hardly anyone is taxed. Second, and potentially more important, taxation of all (or at least most) income groups could raise substantial revenue for redistributive social transfers. While it may be unclear whether progressive or regressive taxation is most adequate, it is likely that direct taxation in turn gives a voice to citizens to make demands on actual government spending. Following this logic, broad-based taxation could create broad-based preferences for welfare policy expansion. Third, and conversely, if direct taxation is limited, a mechanism of citizen influence and a consciousness of contribution may be lost. Instead an expectant and passive culture may develop, as we have seen in Botswana, where the state is assumed to provide without any sense of involvement. Taxation then seems an important element in welfare policy development, though the analysis of Botswana merely allows for suggestive inference and points to the need for increased theoretical and empirical attention to the revenue side of welfare policies.

Given Botswana's mineral wealth and praised development records, one may be tempted to consider Botswana as rather unique and therefore not fit for theoretical testing. However, the historical analysis exposed how the political alignments combined with the production regime and path dependence were clearly evident and shaped welfare policy development also in this country. Even so, the case study cannot exclude that other factors, such as economic wealth, state capacity, international influences or demographics, equally determined the welfare policy path, nor can it test the theoretical logic of countries with distinctly different causal variables, which would further strengthen our knowledge of welfare policy development in developing countries. It is therefore useful, as discussed in Chapter 3, to combine the process tracing analysis with systematic comparison. By including a case, which is similar on competing explanations to welfare policy development but is different on the key independent variables, we are able to further test the validity of the theoretical framework while holding alternative explanations constant. Consequently, in the next chapter we compare Botswana's experiences of welfare policy development, the eventual welfare system, and social outcomes with Mauritius.



## **7. Welfare policies, their causes and consequences: Comparing Botswana and Mauritius**

In this chapter, I analyse welfare policy development in Mauritius, a country with many of the same institutional and economic attributes as Botswana. I explore the character of the political alignments and the production regime and discuss how these factors, distinctly different to those in Botswana, along with path dependence affect welfare policy development in Mauritius. Unlike the study of Botswana, this analysis is not an in-depth process tracing investigation. Instead, I examine the theoretical framework on a new case and systematically compare the findings of the two cases, such that the theoretical propositions are further validated. I also test the alternative explanations of ideology and electoral budget cycles just as I discuss the validity of competing explanations which, despite the methodological design, we are unable to control for. Finally, the chapter includes further examination of findings revealed in the analysis of Botswana; namely, the distinction between services and transfer/taxation as well as the under-theorised role of taxation for welfare policy development. But let us first consider how the two countries' welfare systems differ and, second, how such differences relate to variations in social outcomes.

### **7.1 Comparing welfare systems and social outcomes**

Welfare policies are developed in conjunction with economic policies and together these policies define a country's welfare system. In the following, we shall see that the welfare systems in Botswana and Mauritius are distinctly different, and that these variations in welfare systems account for Botswana's comparably worse records on social outcomes.

#### *7.1.1 Welfare systems in Africa's two miracles – similarities and differences*

Botswana and Mauritius have separately been dubbed the 'miracle' of Africa in numerous case studies (Samatar, 1999; Acemoglu et al., 2001; Miles, 1999; Subramanian & Roy, 2003). The two countries have been compared in a few studies (Goldsmith, 1999; Carroll & Carroll, 1997) generally with the purpose of examining how other countries might learn from the success of these two 'African wonders'. However, that Botswana and Mauritius should become developmental success stories have not always been obvious. At independence many were rather pessimistic about the two countries' developmental prospects; some of the looming problems on the isolated island of Mauritius were explosive population growth, increasing unemployment, dependency on sugar, and a society made up of numerous ethnic, religious and linguistic separated groups (Meade, 1968); whereas in Botswana little poten-

tial was foreseen in the underdeveloped, illiterate and cattle dependent semi-desert of a land-locked country where the many tribes had never experienced being ruled as one nation (Fawcus, 2000). Yet, as discussed in Chapter 3, the two countries have developed into stable, capitalist democracies with remarkable records of economic growth and good governance. In fact, Botswana and Mauritius are on similar levels of economic wealth, score alike and well on ratings of economic freedom, indexes of democracy, state capacity, and transparency. Both countries achieved independence from British rule about 40 years ago, and the countries have relatively small and young populations with a diversity of ethnic or tribal groups.

Despite the many similarities, the welfare systems in Botswana and Mauritius are distinctly different. Simply put, Mauritius has – in the context of the developing world – fairly generous welfare policies complemented by economic policy goals of full employment, whereas in Botswana welfare policies are more minimal and focused towards providing citizens with equal opportunities.

Table 7.1 specifies the expenditures of various welfare policies as a percentage of total government expenditures and helps to elaborate on these claims. Both countries spend a substantial part of the government budget on welfare policies in general, and both also prioritise education, health and housing as means to expand human capital. In both countries, access to education and health has traditionally been free and available to all, though school fees have been reintroduced in Botswana. As already discussed, it appears that welfare systems may vary more with respect to social security provisions rather than social services, and it is also with respect to expenditures on social welfare that the two countries stand apart. Whereas Mauritius spent about one fifth of government expenditures on pension, social security and other social provisions, such policies amounts to a meagre one to three percent in Botswana.

Within the social welfare category, both countries have a number of smaller, often means-tested programmes aimed at reaching vulnerable groups (e.g., the destitute policy in Botswana and social aid programme in Mauritius). Mauritius has, unlike Botswana, an unemployment scheme, and in particular its pension programme is much more substantial than Botswana's. Both countries have a universal, non-contributory pension scheme, but in Mauritius the provision of pension is generally more substantial and far-reaching. Not only is the basic pension in Mauritius larger (about the double of Botswana's), it is also paid out at age 60, compared to 65 in Botswana. Furthermore, pension in Mauritius is also available to disabled, widows, and orphans, while it purely refers to old age in Botswana. Finally, the pension

scheme in Mauritius is complemented by a well-developed contributory scheme, which tops up pension for many retired people (Willmore, 2003; Seleka et al., 2007).

Table 7.1: Welfare policy expenditures in Botswana and Mauritius; percent of total government expenditures

	Botswana		Mauritius	
	2001/02	2005/06	2001/02	2005/06
Welfare policies	43	46	55	52
Education	25	24	14	14
Health	6	12	9	9
Social welfare*	3	1	20	21
Housing	6	6	10	7
Other**	3	3	1	1

Source: Bank of Botswana, 2007; Seleka et al., 2007; Ministry of Finance and Economic Empowerment, Mauritius

\*Botswana: Food & social welfare; includes: the destitute persons programme, vulnerable groups feeding programme, orphan care, community home based care, primary school feeding programme, old age pension, World War II veterans grant

Mauritius: Social security & welfare; includes: various non-contributory and contributory pensions, child allowances, social aid, food aid, indoor relief, unemployment hardship's relief, funeral grant

\*\* Botswana: Other community & social services; Mauritius: Recreational, cultural & religious services

Overall, social transfers constitute the second largest source of income in Mauritius with transfer income amounting to, on average, about 13 percent of total gross income (CSO, 2007). In Botswana, on the other hand, government transfers seem to be a minimal part of the Botswana household income – according to a recent study, less than a third of the population appear to benefit from any social provisions and of this group the amount received may be, on average, about 7 to 10 percent of overall incomes (Seleka et al., 2007); if all households not receiving any transfers are included, the average amount is obviously negligible. Hence, while both countries clearly prioritise social services in the form of education, health and also housing, Mauritius has developed more generous social welfare schemes with a broader scope than in Botswana, albeit there is still scope for welfare policy expansion also in Mauritius.

Turning from the spending to the revenue side of welfare policies, there are also some apparent differences. As we have previously seen, Botswana is fortunate as minerals account for substantial parts of the government incomes whereas revenues in Mauritius – as must be the case in most other countries – are obtained from the population.

Comparisons of government revenue in Botswana and Mauritius, as displayed in Table 7.2, must be considered with some caution as the two countries use slightly different categories in their financial reports. This notwithstanding, it is apparent that in Mauritius almost half of government revenue comes from indirect taxation on goods and services, an aspect which only accounts for a tenth of the revenue in Botswana, even though it has been on the increase in recent years. The table also discloses that the Mauritian government receives more from income taxes than the Botswana government. However, the table does not reveal that direct taxation has previously played a larger role in Mauritius. In fact, as we shall see below, Mauritius used direct taxation on sugar exports to finance welfare policy expansion, strategies that also influenced economic developments. Thus, taxation seems an essential part of the welfare system characteristic, even if by now Mauritius has followed international trends and moved increasingly from direct to indirect taxation.

Table 7.2: Government revenue in Botswana and Mauritius; percent of total revenue

<i>Percentage of total</i>	Botswana		Mauritius	
	2001/02	2005/06	2001/02	2005/06
Tax revenue	83	90	85	90
Income taxes <sup>i</sup>	10	13	14	19
Domestic taxes <sup>ii</sup>	5	10	43	48
Trade <sup>iii</sup>	55	50	23	18
Other <sup>iv</sup>	13	17	5	5
Other revenue <sup>v</sup>	17	10	15	10

Source: Bank of Botswana, 2007; Ministry of Finance and Economic Empowerment, Mauritius

i Taxes from personal and company income

ii In both countries revenue from VAT takes up the largest share in this category

iii Botswana: mineral revenue; Mauritius: international trade

iv Botswana: customs and excise; Mauritius: property and stamp duty

v Includes non-tax revenue and grants

Different economic strategies have accompanied the development of welfare policies in the two countries particularly with respect to employment creation and wage setting. Mauritius has successfully followed a strategy of full employment. In the 1980s, the economic structural transformation to an Export Processing Zone resulted in continuing job creation and near exhaustion of labour reserves such that by the early 1990s the unemployment rate was below three percent (Wellisz & Saw, 1993: 248-50; Anker et al., 2001: 29). De-



spite recent increases in unemployment rates in Mauritius to just under 10 percent, they certainly have better employment opportunities than Botswana where official unemployment figures are above 20 percent (UNDP, 2007: Table 21). Contrary to Botswana in later years, wage setting in Mauritius' public sector has explicitly promoted the idea of equity (Bräutigam, 1997: 56), which has ensured a reasonable equal wage development across the board. As indicated in Table 7.3, Mauritius has a higher degree of income equity across different economic sectors than Botswana – the difference between the highest and lowest income groups is twice as large in Botswana as in Mauritius.

Table 7.3: Monthly wages per sector in Botswana and Mauritius, 2005

Economic activity	Botswana		Mauritius	
	Pula	US\$*	Rupees	US\$**
Agriculture, hunting, forestry	697	137	9,824	332
Mining, quarrying	4,518	886	5,588	189
Manufacturing	1,219	239	7,798	263
Electricity, gas, water supply	6,124	1,201	19,457	657
Construction	1,138	223	12,042	407
Wholesale and retail trade	1,725	338	12,772	431
Hotel & restaurants	1,015	199	9,881	334
Transport, storage, communication	3,585	703	15,982	540
Financial intermediation	6,461	1,267	21,478	726
Real estate, renting & business activities	2,294	450	12,822	433
Public administration, defence, compulsory social security***	3,489	684	15,066	509
Education	5,010	982	15,008	507
Health & social work	2,328	456	16,628	562
Other community, social & personal activities	2,629	515	11,427	386
Average	2,141	420	12,067	408
Difference between highest and lowest income groups	5,764	1,130	15,890	537

Source: <http://laborsta.ilo.org/STP>

\* Average exchange rate for 2005: 5.1 BWP to 1 USD

\*\* Average exchange rate for 2005: 29.6 MUR to 1 USD

\*\*\* For Botswana: Average monthly cash earnings for central government (ref. Bank of Botswana, 2007)

To recapitulate, both countries have emphasised human capital development as a part of the economic growth adventure as evident in the focus on educa-

tion, health and other social services. Here, however, the similarities end. In Mauritius, policies have also been of a more redistributive nature highlighting income security and welfare through jobs and social security measures and financed heavily through taxation (Sandbrook et al., 2007: 127). Arguably, Mauritius has achieved its economic success partly because of the strength of its welfare system which has ensured human well-being, social cohesion and stability (Anker et al., 2001: 80-81), whereas the welfare system in Botswana has played a minimal role outside social service provision. How such differences in welfare systems affect social outcomes is the question to which we now turn.

### *7.1.2 Comparing poverty levels in Botswana and Mauritius*

Despite the general rise of prosperity in Mauritius, poverty and social exclusion are still apparent. Particularly, it has been argued that Mauritians of African descent continue to live in dire poverty, experience social marginalisation, and are unable to make maximum use of services and facilities thereby creating a vicious circle of lower educational performances and less occupational chances (Laville, 2000; UN, 2000: 49-53; Sandbrook & Romano, 2004: 1020-21). Equally, gender inequality persists; women are suggested to be at the margin of the labour market with higher unemployment levels and with lower paid, less skilled and more insecure jobs (Bunwaree, 2007b: 192-93; Sandbrook et al., 2007: 130-31). The existence of poverty and social exclusion – at some level – is undisputable. Yet is wealth really so skewed in Mauritius that we need to be amazed at income inequalities going unchallenged (Mistry, 1999: 554)? In this regard, it helps to put facts into perspective and compare Mauritius' achievements over time as well as compare social outcomes with Botswana.

Income inequality, measured as the Gini coefficient, was at a relatively high level, 0.5, in Mauritius in the early 1960s. Yet the Gini ratio declined dramatically to 0.37 by the mid 1980s and stayed between 0.37 and 0.38 up to the 2000s (Gulhati & Nallari, 1990: 20-21; Bundoo, 2006: 186-87; CSO, 2007). Not only did Mauritius experience a decline in income inequality, albeit it has stabilized in recent years, the performance also stands out from Botswana's consistent Gini coefficient well above 0.5 (Hudson & Wright, 1997: 114; CSO, 2004: 21).

Relative poverty, measured as the percentage of the population earning less than half the median income, has also declined in Mauritius. In the mid-1970s, it was estimated that around 17 percent of households were poor decreasing to 13 percent in the early 2000s (Bundoo, 2006: 174, 186-87; CSO, 2007). In Botswana, a conservative calculation of income figures in the Household Income and Expenditure Survey 2002/03 indicates a relative pov-

erty level well over 20 percent (CSO, 2004: 20, 65). If we compare the two countries on the well-known poverty figures of HPI and US\$1/day, the contrast is even more obvious: the Human Poverty Index in Botswana stands at a value of 31.4, while the HPI in Mauritius is 11.4. And while less than one percent of the population in Mauritius live for less than US\$1/day, in early 2000s, 23 percent of the Botswana were still in that position (UNDP, 2007, Table 3; CSO, 2004: 25; CSO, 2006: 25-26).

Mauritius clearly outperforms Botswana on social indicators – both inequality and poverty levels are (whether absolute or relative, narrow or broad) substantially lower here than in Botswana. To what extent can this be attributed to the welfare system? First of all, given the many similarities between the two countries, differences in social outcomes cannot be ascribed to variations in economic wealth, state capacity, democratic stability, or other general development indicators which makes the obvious diversity in the welfare systems an attractive candidate. Furthermore, the findings in Chapter 4 support this, where also Mauritius is better explained once social policies are included in the model (comparing Figures 4.2 and 4.3; Mauritius abbreviated as MUS). The important distinction between Botswana and Mauritius on social transfers is moreover confirmed in the statistical cross-country analysis in which social policies had a stronger impact on poverty than social services. Finally, welfare policy characteristics coincide with certain economic strategies, and it seems evident that Mauritius' efforts at employment creation and wage restraints have ensured job security for the labour force at more equal salary levels which, in turn, are reflected favourably on social outcome indicators.

In both Mauritius and Botswana, the welfare system is not a product of clear strategy or design but rather an outcome of political bargaining between different mobilised groups. As we shall see in the following, the political alignments in Mauritius were distinctly different to those in Botswana, and in combination with developments of the production regime, this in large part account for the different welfare policy path.

## **7.2 Explaining welfare policy development in Mauritius**

This section gives a historical analysis of welfare policy development in Mauritius; I seek to establish a causal link between the explanatory factors (political alignments and production regime) and the outcome (welfare system). The analysis considers both welfare policies and economic strategies as they develop in conjunction while, as regards welfare policies, focus is mainly on transfers and taxation and less on social services as Mauritius and Botswana stand apart in relation to the first. The first part of the analysis makes evident that political alignments and production regimes, established even before in-

dependence, is distinctly different in Mauritius compared to Botswana and therefore account for some of the variations in the welfare systems. The second part of the analysis, with focus on the years from 1980 to today, reveals how also path dependence accounts for continued welfare policy developments, while it is discussed in the last part how the alternative explanations of ideology and electoral budget cycles seem to have less validity. Figure 7.1 gives an overview of the main developments discussed in the following analysis.

Figure 7.1: Chronological overview of main developments in Mauritius



### *7.2.1 The early years: Formation of political alignments and policy development*

At independence Mauritius was, like Botswana, an extreme form of a mono-crop economy. Sugar production accounted for more than 90 percent of exports, close to half of all jobs, and over a third of the gross national product. The economy had several disadvantages not unlike those in Botswana: An open economy with a small domestic market, remoteness from the world's major export markets leading to high transport costs, and vulnerability to exogenous shocks such as fluctuating sugar prices as well as regular cyclones and droughts causing crop damage and fall in production. The little manufacturing in place was rather primitive, on a small scale, and struggled to stay in business whereas the population and labour force grew rapidly; which caused

increasing concerns about unemployment problems (Mead, 1968: 25-58; Carroll & Carroll, 1999: 185; Anker et al., 2001: 5). Despite the many similarities, Mauritius' production regime differed on a few crucial aspects – originating decades prior to independence – which had consequences for the creation of political alignments and welfare policy developments.

The sugar industry was characterised by great inequalities in ownership, where a small group of Franco-Mauritians owned the largest and most productive sugar estates; however, many of them had to sell off parts of their land due to economic difficulties in the 1880s and 1890s. This gradually created a class of small land-owners of mainly Indian descent. In some respects, the small land-owners' interests coincided with the larger sugar farmers such as promotion of sugar exports and insurance of private property. On the other hand, there were strong ties to the farm workers as the labourers were also of Indian descent, and many small planters were, besides caring for their crop, similarly in wage earning employment. The class of small planters furthermore prioritised education for their children and over time this group became an educated and economically independent middle-class with considerable political clout (Teelock, 2001: 301-03, 324; Bowman, 1991: 23-25; Houbert, 1981: 79, 87-88; Bräutigam, 1999: 145; Simmons, 1982: 6-10). Mauritius has no aboriginal population and no pre-capitalist modes of production – such as subsistence farming. Instead, settlers invested heavily in the island's economy, and right from the start both land and labour were treated as commodities. Such historical conditions seem to have created an identifiable rural proletariat of salaried farm labourers who, as we shall see, could be organised and mobilised. Furthermore, the sugar barons – the capitalists – invested and modernised the sugar industry and were also prone to invest in sugar plantations abroad such as in continental Africa and South America (Wellisz & Saw, 1993: 225; Sandbrook & Romano, 2004: 1025; Houbert, 1981: 77; Mead, 1968: 122-25). The existence of an investment-eager, domestic capitalist class may equally have played a critical role in developing the Mauritian welfare system, certainly when compared to the experience in Botswana as will be discussed at the end of this chapter.

#### Nascent welfare policy initiatives

Decades before independence, the Mauritian economy was thus characterised by sugar production. There was a strong, albeit small, capitalist economic elite of Franco-Mauritians. Indo-Mauritians constituted the largest group on the island (some 68 percent) and mainly worked as farm labourers. Some Indians were increasingly climbing the socio-economic ladder through their economic status as landholders and access to education – to illustrate: in 1901 only two percent of the island's medical doctors were Indians whereas

they represented 29 percent of the doctors in 1954 (Simmons, 1982: 23, 103-04).

The Creole community, composed of people of mixed African, Indian and European descent, was another relevant economic and political group. However, the Creoles were a highly heterogeneous group that could be found in nearly any economic positions. Many had high ranking jobs in commerce and the civil service and were part of an urban middle class (together with Muslim and Chinese traders). However, the majority of Creoles were urban labourers working as fishermen, dockers and artisans (*ibid.*: 34, 44; Titmuss & Abel-Smith, 1968: 3; Wellisz & Saw, 1993: 222-23).

As may be recalled, the political alliances in Botswana were set before the actual day of independence. The political landscape in Mauritius also changed much earlier than the critical juncture of independence in 1968 would indicate. In fact, to understand how the political alignments formed in Mauritius influenced policy making, we need to go as far back as the 1930s and 1940s.

Even though the Indian farm labourers and urban Creole workers were separated ethnically and geographically, they shared the agonies of low wages and poor working conditions. As such, both groups could be rallied to press for economic and political improvements in a colony politically controlled by the British government and economically by the Franco-Mauritian elite. In mobilising the lower income groups, both the urban Creole middle class and Indian professionals and middle class farmers (sons of Indian peasants and small planters) played a crucial role. Hence a Creole doctor founded the Labour Party in 1936 – the first political party in Mauritius; Dr Ramgoolam was another prominent member who was a dedicated champion of workers' rights and later became the first President of Mauritius (Wellisz & Saw, 1993: 223-24; Bowman, 1991: 30-31; Simmons, 1982: 58-62).

The Labour party together with the formation of trade unions then became the instrument of working class organisation; the largest and most active unions in the 1940s were the Engineering and Technical Workers Union and the Mauritius Agricultural Labourers' Union. These organisations gave the lower income groups opportunity and voice, evident in a range of strikes and riots that took place during the 1930s and 1940s, and it was obvious that labourers could no longer be ignored or excluded from the political process (Simmons, 1982: 68-69, 86).

During British rule, the colonial government had set up a Legislative Council elected from and exclusively representing the wealthy Creoles and Franco-Mauritians. In 1948, however, suffrage was extended, and although not entirely universal, it opened the door to more substantial Indian and Cre-

ole participation. The British governor was entitled to nominate a large number of members to the Legislative Council and still in the late 1940s he ensured that the body was conservative and elitist in character (Teelock, 2001: 375; Bowman, 1991: 33-42).

It seems likely that the increasing voice of lower income groups, possibly in combination with a Labour government now ruling in Great Britain, pushed the Mauritian government to introduce a number of welfare policies such as a non-contributory means-tested pension for the old and the blind in 1950 – from 1957 a universal non-contributory pension; cash benefits for needy persons; and a Sugar Industry Pension Fund of 1956 which was a statutory, contributory earnings-related pension scheme for monthly paid workers in the sugar industry. Clearly these programmes were fairly modest and still nothing was done for those not working for the Government, the sugar estates and a few other categories of employment (Mootoosamy, 1981: 446-47; Simmons, 1982: 112; Titmuss & Abel-Smith, 1968: 16-26). However, these initiatives set the path for future developments.

#### Indo-Mauritian dominance and political compromises

In the 1950s and 1960s, the political focus and negotiations concentrated on the status of a new independent Mauritius and its constitutional framework, and as such very few welfare policy initiatives saw the day of light. However, it was also during this period that the Indo-Mauritian community consolidated its newly acquired political strength. The Labour party shifted dramatically from being a class party working in the interests of lower income groups to becoming a Hindu dominated party mobilising agricultural labourers around Indian nationalism and Hindu culture. Non-agricultural (mainly Creole) workers were still organised in some trade unions, while other unions continued under the Labour party banner. As such the lower income groups and the union organisations were split and never again became a single voice in the political bargaining processes (Seegobin & Collen, 1977: 112-15; Wellisz & Saw, 1993: 224; Simmons, 1982: 134).

The background for the increasing ethnic-based alliances can be found in the process towards independence as both Creoles and Franco-Mauritians feared a Hindu dominated democracy; thus while the Creoles particularly constituted many different levels of wealth, education, and status the Creole and Franco-Mauritian communities found a common ground in the *Parti Mauricien* (PMSD) opposing independence (Simmons, 1982: 23, 112-19, 134).

Despite some opposition, Mauritius achieved its independence from Britain in 1968. Already the Indo-Mauritians had dominated the political scene with universal suffrage introduced in 1959; Dr Ramgoolam became the first Chief Minister in 1961 and then Premier in 1964 (Titmuss & Abel-Smith,

1968: 8; Simmons, 1982: 140; Dukhira, 2002: 119-20). The country was now run by Mauritians who controlled the political processes without direct interference from Britain.

In the 1967 elections leading to independence, no party was able to foster an outright majority. The Labour party could have created a parliamentary majority with two other Hindu based parties, but Labour discarded its erstwhile allies in the independence battle and created a coalition government 'of national unity' with PMSD (Houbert, 1981: 87-88). It may be argued that this coalition was based on a concern for social harmony and national reconstruction (Dukhira, 2002: 176; Kasenally, 2009: 297-98). However, it is also worth remembering that the Hindu community was not a monolithic majority, but constituted of various groups of different descent and caste (Carrol & Carroll, 1999: 186). It is of equal importance that Labour, as most parties in Mauritian political history, was led by middle class people. This middle class of successful farmers, civil servants and educated professionals, originating from the 'landowning proletariat', also had interests in a well-functioning sugar industry and adherence to private property (Houbert, 1981: 87-88; Meisenhelder, 1997: 279-80; Dubey, 1997: 222).

The Franco-Mauritian economic elite were thus able to ensure some continued political influence, even though their interests were greatly compromised. As we shall see below, they had to accept substantial redistribution in exchange for stability and some business freedom. The political dominant group of Indo-Mauritians had close ties with rural labour and small plant owners, and in many ways the policies reflect these groups' preferences for economic security and redistribution. Thus concerned with their rural constituency and relatively strong unions in the sugar industry, little efforts were put into creating links to the disaffected mainly Creole urban working class (Bräutigam, 1999: 150-54; Gulhati & Nallari, 1990: 36-37; Sandbrook & Romano, 2004: 1026-27).

The urban organised labour, and others frustrated with the alliance between the economically powerful Franco-Mauritian and the politically powerful Labour, found a new voice in the radical party *Mouvement Militant Mauricien* (MMM). The MMM was a class party appealing for the support of urban and rural proletariat and petty bourgeoisie. The ruling coalition sought to curb the MMM's rising popularity by delaying elections from 1972 to 1976 and by eroding the organisational strength and hence influence of trade unions; in fact, the regulations of trade unions were so effective that they lost much of their influence from the late 1970s and onwards (Simmons, 1982: 192-93; Sandbrook & Romano, 2004: 1021; Gulhati & Nallari, 1990: 35; Bunwaree, 2007a: 222-23, 235-36).



The Labour-led coalition managed to stay in power until the early 1980s. But the alliance with PMSD was uneasy and at times the coalition even broke down. Nonetheless, the coalition stuck together, despite of (or owing to) fierce opposition from the MMM. The continued pressure from the MMM party enticed the government to introduce policies aimed at ensuring continued support from lower income groups, as we shall see in the following (Wellisz & Saw, 1993: 236; Gulhati & Nallari, 1990: 32-37).

#### Inclusive welfare policy developments

There are striking contrasts between the political alignments in Botswana and Mauritius during their formative years around independence. In Botswana, an interrelated political and economic elite – with mainly paternalistic concern for a poorly organised rural population – dominated policy making. In Mauritius, a strong Indo-Mauritian middle class with alliance to organised rural labourers dominated politically. And while segments of the Indo-Mauritians were increasingly consolidating themselves as the political elite, they were always distinct from the Franco-Mauritian economic elite. Lower income groups were mobilised from early on but they did not stay as one coherent voice for long. In fact, policy making was not dominated by an industrial urban class organised in strong trade unions – the group many welfare policy analysts otherwise often focus on. Instead, rural workers, organised and mobilised by middle class sympathisers, comprised the politicians' electoral constituencies, and as such lower income groups held their influence in a labour-capital compromise controlled by an educated Hindu middle class.

Given the broad-based political alignments consisting of not only lower and middle income groups but also to some extent embracing the economic elite, it may not be surprising that the early welfare system had an inclusive character. Welfare policies were not merely aimed towards providing relief for the poorest sections but deliberately aimed at achieving equitable distribution of wealth, while economic policies were directed towards creating productive jobs and establishing new investment opportunities for economic growth (Mootoosamy, 1981: 446; Teelock, 2001: 403).

The range of welfare and economic policies – which now characterise the welfare system in Mauritius – were mainly introduced and/or extended during the period from around independence in 1968 through to the early 1980s. Through the forthcoming elaboration of the most important of these policies, it will be clear that welfare and economic policies sought to strike a balance between various interests (of labour, mainly in the sugar industry, and capital). As such the analysis confirms the causal link between political alignments and policies, even though we shall not – due to the methodologi-

cal design – dwell on the political processes as we did in the process tracing analysis of Botswana.

The main policy initiative as regards social transfers was the National Pensions Act of 1976. It built on the non-contributory pension scheme already in place such that it was extended to also include widows under 60, orphans and disabled. Furthermore, it was complimented by a contributory earnings-related pension scheme to include all employees earning above a minimum level. Even though some participants did not contribute on a regular basis, particularly the self-employed, the contributory scheme included all employees right down to persons working in private households, such as domestic servants and gardeners, and was considered to be quite generous in that a minimum pension was guaranteed even if the insured person had only paid contributions once (Mootoosamy, 1981; Willmore, 2003).

During a period of three and a half years in the late 1970s, Mauritius had established an encompassing and generous pension scheme ensuring a large degree of income security across the board. It is indicative of the interests in place, however, that sugar industry workers received greater benefits as their employers contributed more. Moreover, in 1973, a law had been passed that all daily paid farm labourers with at least three years' continuous employment on the same estate should be monthly paid workers and therefore qualified to become members of the Sugar Industry Pension Fund. Generally, sugar workers received larger nonwage benefits than most other low income groups (Mootoosamy, 1981: 447, 459; Willmore, 2001: 14; Gulhati & Nallari, 1990: 29).

Due to relatively high levels of unemployment, there was still some pressure for payment of unemployment benefits in the 1970s. In 1983, an Unemployment Hardship Relief Scheme was introduced, and while it is strictly targeted, any pressures for further expansion are likely to have dwindled thereafter due to the dramatic increase in employment during the 1980s. On the other hand, there was little pressure for sickness benefits perhaps because the legislation already ensured payment of wages during a limited period of illness and maternity leave on full pay. Furthermore, free medical services were provided in well equipped facilities (Mootoosamy, 1981: 460-61; Bundoo, 2006: 174-75). In fact, expenditures for social services increased rapidly from Rs 90 million in 1967/68 to Rs 368 million in 1974/75. Primary education, already free, was made compulsory in the early 1970s and secondary education became free in 1976 – a commitment made by President Ramgoolam during the hard-fought 1976 elections. Expenditures on social transfers also increased and included payments of pensions, relief grants and the family allowance introduced in 1962. It may also be added, even though not strictly a

welfare policy, that the government spent substantial amounts on subsidising food products thereby keeping down living expenses (ibid.: 447; Bunwaree, 2007a: 231; Carroll & Carroll, 1999: 188; Simmons, 1982: 195-96; Titmuss & Abel-Smith, 1968: 4-5).

The government decided to use, in the main, sugar tax revenues to fund the expansion of social transfers and social services. The sugar export tax was graduated such that small sugar producers were exempt from taxation while larger estates with high sugar production were heavily taxed. Throughout the 1970s, the tax was made more steeply progressive, which was highly popular as it mainly affected the wealthy Franco-Mauritian economic elite (Wellisz & Saw, 1993: 239; Bräutigam, 2008: 154-55). Income tax was also progressive with a tax rate of 10 percent for the lowest income brackets, and as high as 70 percent at the highest chargeable income level. However, a number of tax allowances meant that many escaped a heavy tax burden (Mead, 1968: 163-64; Wellisz & Saw, 1993: 247-48).

The welfare policies thus seemed to have a broad reach, with some bias towards the labourers in the sugar industry, while the economic elite generally provided the government with the necessary revenue. This deal was possible as economic policies provided the economic elite with incentives to compromise on their interests. The Labour party had long discarded its earlier ideas to nationalise the sugar industry thereby guaranteeing sugar owners the rights of private property. Furthermore, the government followed a two-pronged industrial strategy each following entirely separate policy regimes. On the one hand, the government supported import-substituting industries (ISI) which catered for the small domestic market, and on the other hand, the government provided various incentives to set up export-processing industries for the foreign markets. The export-processing zone (EPZ) promoted low-wage industries with few labour law requirements and provided preferential access to EU and USA markets. Combined with pervasive controls on exports of financial assets, it gave the economic elites plenty of incentives to invest their sugar profits in the EPZ industry. Mauritian labour also favoured the division of the economy into a highly protected inward-looking sector and an outward-looking free-market sector; the more vocal, long-standing and principally male constituencies of government employees, ISI workers, and agricultural labourers enjoyed higher wages and benefits, whereas the EPZ primarily employed women whose earnings supplemented family incomes (Wellisz & Saw, 1993: 232-34; Bräutigam, 1999: 147-52; Greenaway & Lamusse, 1999: 222-23; Sandbrook & Romano, 2004: 1027).

In the early 1970s, EPZ activities expanded rapidly, coinciding with the sugar boom caused by high sugar prices and record crop. The domestic capi-

talists were clearly heavily involved in the EPZ sector with sugar profits financing as much as 50 percent of the industry. Furthermore, employment opportunities jumped drastically as the numbers of employees in the EPZ sector went from 8,336 in 1970 to 20,673 in 1974. Nonetheless, after 1976 fortunes changed: Sugar profits dried up, the world went into recession, growth in the EPZ industries declined, and the government's budget deficits widened dramatically due to continued high expenditure and wage increases. By 1979, the Mauritian government was forced to turn to the IMF and the World Bank for economic assistance initiating a period of structural adjustment programmes. The effects of economic adjustments on the future development of welfare policies are the topic of the next section (Simmons, 1982: 193-94; Wellisz & Saw, 1993:241; Teelock, 2001: 403-05; Lincoln, 2006: 63; Dukhira, 2002: 209).

### *7.2.2 1980s-2000s: Structural adjustment programmes and path dependence*

Efforts of economic structural adjustment, economic growth and massive employment creation characterised the 1980s. However, as we shall see, adjustments were not necessarily that dramatic, were not controlled by the international agencies and did not transform the commitment to the established welfare system. The causes to such limited transformation can be found in the stability of political alignments and the interests already invested in many welfare policies which confirm the path dependence thesis discussed in Chapter 2 (Huber & Stephens, 2001: 29-32; Haggard & Kaufman, 2008: 196-97; Pierson, 1994). However, the case of Mauritius also suggests an interesting distinction in the inertial 'stickiness' of welfare policies: Welfare policies on the spending side – where the population benefit – are hard to revert, whereas welfare policies on the revenue side – where the population contribute – are easier to retrench (and, in reverse, harder again to expand).

In the climate of economic austerity and the introduction of some economic reforms, the Labour and PMSD coalition lost the 1982 elections to the rival MMM, now in a less radical form than in the early 1970s. The new government, despite earlier criticism, nonetheless, continued to implement the reforms introduced by the previous government. In fact, from the 1980s onwards, Mauritian politics are characterised by stability of policy orientation in the successive governments. True, the political scene constantly changes in that political parties forge new alliances around and between elections. Each of the four major parties (LP, PMSD, MMM and MSM (splinter from MMM)) have, at one time or another, been in a governing coalition with each of the other three parties, and the parties regularly form coalitions with parties they were previously in opposition to. It may reasonably be argued that party coa-

litions seek electoral majority in order to govern – rather than to promote ethnic or ideological programmes – and as such politics continue to be aimed at winning support primarily from the Hindu majority (Gulhati & Nallari, 1990: 40; Kadima & Kasenally, 2005; Srebrnik, 2002; Dubey, 1997: 224).

It is disputable whether the structural adjustment programmes laid the foundation for the economic growth and fall in unemployment rates in the 1980s and 1990s. Certainly, the changing governments did put in place some orthodox measures such as devaluation, demand reduction, cuts in subsidies and initially some decline in government spending. On the other hand, import controls, job security provisions and price controls continued as well as for some time export taxes. Trade liberalisation was very gradual allowing local industries to adjust, and though wage policies were geared towards enhancing export competitiveness, the lowest wage earners received greater wage increases compared to higher income groups thereby compressing wage differentials (Bowman, 1991: 120-21; Anker et al., 2001: 19; Sandbrook & Romano, 2004: 117; Bräutigam, 2005: 65-66). It may be added that the EPZ schemes were already in place; the EPZ industry carried most of the boom during these decades. From 1983 onwards, the EPZ industry and the tourism sector grew rapidly, employment increased dramatically, and following the near exhaustion of labour reserves by the turn to the 1990s there were rapid rises in wage levels (Wellisz & Saw, 1993: 248-50; Anker et al., 2001: 29).

Mauritius was apparently able to adapt to the changing global markets through a combination of policies most preferential (or least intrusive) to the politicians and their constituencies. It is noteworthy that Mauritius has been able to retain its provisions of social transfers and to continue to deliver social services, despite IMF/World Bank recommendations to the contrary. The World Bank advocated that the Mauritian government change its role to a mere facilitator of economic opportunities and provider of safety nets to only the most vulnerable. Such recommendations received large protests, and as we saw in section 7.1, welfare policies continued to take up by far the highest portion of government expenditures in an economy that have overall been growing substantially over the last decades. Furthermore, even though there have been trade liberalisations, the state still provides various subsidies and services to promote businesses as well as employment and training schemes for unemployed, and attempts to change the universal non-contributory pension to one of some means testing were reversed (UN, 2000:2; Bunwaree, 2007a: 229-30; Sandbrook et al., 2007: 127-29; Meisenhelder, 1997: 293-94).

Such commitment to welfare policy benefits clearly reflects the legitimacy generated by the welfare system. In fact, it has been argued that the right to social welfare is embedded in the psyche of the average Mauritian, also in-

cluding the politicians, and that it would be political suicide to suggest major welfare policy retrenchment. Certainly, the welfare system has overwhelming popular support in Mauritius where a public survey in 2002 revealed that 88 percent of the respondents proposed that government should spend more on social security, and 78 percent recommended government to raise taxes on the rich to redistribute to lower income groups (Bunwaree, 2007a, 219; Sandbrook et al., 2007: 127). The survey then suggests that there is also awareness of the importance of contribution even if people wish taxation to be disproportionately laid on the well-off. However, the tax regime is the area most substantially changed since the early 1980s.

With the help of IMF experts, Mauritius overhauled the entire tax system from the mid-1980s. Maximum income tax rates were reduced from 70 percent to 35 percent in 1985, and again down to 30 percent in 1991; the number of tax brackets was also reduced, the lowest income groups were exempt and the lowest tax rate set at ten percent. Corporate tax rates were equally reduced to 35 percent in the 1980s, and are now 25 percent and 15 for manufacturing companies. Even though tax rates were reduced, revenues were maintained due to improvements in tax collections. Moving away from direct taxation, the government instead introduced a sales tax of five percent in the 1980s. In 1994, the sugar export tax was abolished, and in 1998 the government replaced the sales tax with value added tax of 10 percent – today 15 percent (IMF, 2006; Anker et al., 2001: 14, 77-79; Wellisz & Saw, 1993: 247).

As discussed in section 7.1, government revenues reflect the changes in the tax system: Today indirect taxes constitute about half of all government incomes. The move towards reductions in direct taxes is likely caused by the wish to continuously attract investors and promote industries in a competitive international market. At the same time, reduction in direct taxes is hardly something many have opposed. Indicative, the introduction of VAT was criticised for its high rates and argued to be regressive as VAT affects all income groups evenly (Anker et al., 2001: 79).

From the perspective of financing social services and transfers, it may appear to be of little importance whether revenues are obtained from direct or indirect taxation; as long as there are enough revenues to implement the desired policies. Citizens' willingness to contribute may likely continue if there is strong support for the welfare system and a sense that one benefits from the contributions. The political advantage of indirect taxation would be its discreteness, which makes it easier to introduce than direct income taxes which are evident on the salary slip. It may also be argued that since indirect taxation tends to affect lower income groups disproportionately, social expen-

diture will reflect their interests (ref. the study of Timmons (2005) discussed in Chapter 2). In Mauritius, where the welfare system is established and legitimate, the introduction of indirect taxation may very well sustain welfare policy expenditures. At least there is, apparently, awareness that, as everyone pays, citizens also have a right to hold the government accountable and have a say in social expenditure decisions (Bräutigam, 2004: 663).

On the other hand, it may be argued that direct taxation has the benefit, being so noticeable, that it can mobilise interests who insist on participating in the political bargaining process to achieve some benefits from their contributions. For instance, Deborah Bräutigam (2008) argues that the sugar export tax stimulated the mobilisation of the Chamber of Agriculture that negotiated with government on policies related to the sugar sector and was an important element in the government's coalition-building. Bräutigam emphasises the role of organised interests in state building and institutional development, but there is no reason why such interests should not play a role in welfare policy making; especially in early years when the welfare system is not established and has not gained broad-based legitimacy.

The role of taxation is thus ambiguous: Indirect taxation tends to affect lower income groups more and may therefore incite politicians to promote increased welfare spending (to offer some compensation). However, it is not likely that indirect taxation creates strong interest mobilisation. Direct taxation is more likely to urge contributors to pressurise for some benefits from their contributions, and in that case it may matter for policy making which groups are most heavily taxed. As for Mauritius, it is unclear whether changes to the tax system have impacted on the citizens' willingness to contribute to the relatively comprehensive, and therefore costly, welfare system. So far, the welfare system appears resilient. Nevertheless, it is also striking that there have hardly been any substantial welfare policy initiatives (such as for instance an extension of the unemployment scheme) since the mid-1980s. It would be hard pushed to argue that such lack of policy initiatives is caused by changes to indirect taxation. Yet given that lower income groups would mostly advocate for the introduction of a broad-based unemployment scheme, especially now with increases in unemployment levels, it may play a role that they are exempted from direct taxation. It may also partly reflect the character of the tax system (being now generally regressive), that there have been no substantial changes to the inequality levels since the mid-1980s.

To sum up, the Mauritian welfare system, as it has developed, is quite inclusive in that all have benefited from not only extensive social services but also from social transfers and through the creation of productive jobs and attractive investment opportunities. Historically, heavy taxation was laid on the

better-off though no income groups were directly exempted, and even though the taxation system has changed, there appears to be a sense of contribution across the board.

Obviously, there is still scope for expansion of welfare policies, but Mauritius also faces major challenges which will influence the continuous path of welfare policy development. It has for instance been pointed out that given the loss of guaranteed prices and access to European and American markets for both sugar and textiles, the already beginning economic diversification towards ICT and offshore banking and business services is ever more urgent in order to ensure continued economic growth and sufficient employment opportunities. At the same time, there is criticism of an 'elitist' education system where many fail their last year of primary school thus leading to inadequately trained human capital to support the needed economic diversification (Bundoo, 2006: 183-84; Bunwaree, 2007a: 239-41). Whatever the future holds, the dominating political alignments and the interests of their constituencies will likely continue to influence welfare policy developments.

### *7.2.3 Identifying causes to Mauritius' welfare system*

It has been argued that the period of structural adjustment and economic crisis was particularly painful for the poorest in Mauritius who received little relief (Bunwaree, 2007a: 229-30); and that some groups, particularly the Afro-Creole, are socially and economically marginalized, even after years of high economic growth during the 1980s and 1990s (Laville, 2000). And certainly, it may be asserted that the economic and welfare policy trajectories in Mauritius have not been about the interests of the poor, but about the alliances forged by the wealthy capitalists, the middle group of small landowners and the rural workers. However, or maybe exactly for that reason, the welfare policy path taken in Mauritius has generally been more pro-poor than Botswana's – by combining economic policies of full employment and relatively equal wage setting with increasingly expanding welfare policies, inequality and poverty levels in Mauritius have decreased much more substantially than in Botswana.

The analysis of Mauritius confirms that the broad-based political alignments have affected the relatively inclusive welfare policy path – policies were outcomes of political compromises across income groups. In understanding this development, it is furthermore important to acknowledge how the production regime of a sugar based industry partly formed the class structures. Particularly, it was essential that economic developments created an independent rural middle class. Finally, once the basic welfare policies were established, path dependence gained explanatory power. Despite a brief period of economic austerity and an increasingly globalised world, Mauritians



continued to support and uphold their welfare system. However, the analysis also reveals that tax policies were less resilient which suggests that the mechanisms of path dependence differ from policies of revenue to policies of spending.

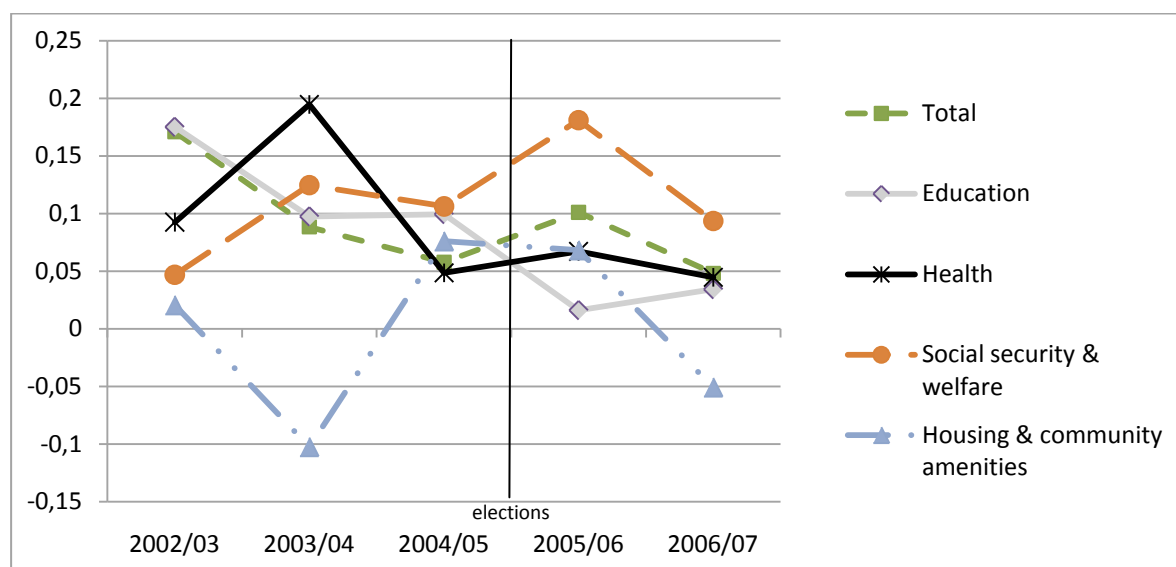
As with the analysis of Botswana, it is now appropriate to question whether the causes to Mauritius' welfare system are not to be found elsewhere. Could it not be that ideology or the electoral budget cycle rather were the dominant causes to welfare policy development in Mauritius?

Regarding ideology, scholars have pointed out that leaders of the Labour party were strongly influenced by British Fabian socialism and basically had centre-leftist political training (Bräutigam, 1997; Carroll & Carroll, 1999: 181). As such, ideology may have formed policy ideas in the early years. However, the Labour party also needed a support base, and it is likely that their Fabian rhetoric appealed to lower income groups, which makes ideology contingent on the actual class formations in place. Furthermore, Labour had to compromise with other political interests and was then not able to solely control a potential ideology-directed development path.

Once the governing alliances changed in the early 1980s, policy directions did not change which suggest that all ruling governments have strived for moderate welfare capitalism. In fact, there are few ideological differences between the major parties who all promote a pragmatic socialist ideology bent on social justice and redistribution of wealth coinciding with moves towards economic liberalisation to ensure continued economic growth (Darge, 2005: 118; Kadima & Kasenally, 2005: 147).

Different scholars suggest that policies have been hostage to the electoral budget cycle. The most common example is in 1976 when the government faced strong electoral competition from the MMM and promised free secondary education and exempted major constituencies from paying export tax (Gulhati & Nallari, 1990: 37; Bräutigam, 2008: 154-55). As in Botswana, there seems to be an element of electoral bribery where specific policies or promises are directed at important constituencies. However, while welfare expenditures have continued to increase in Mauritius, except for a short period in the early 1980s, there is no clear evidence to the claim that "budgets preceding each general election indicate even greater generosity by government" (Bunwaree, 2007a: 230). To take the most recent elections in July 2005 as an example, Figure 7.2 reveals that while expenditure growth in education and housing were higher prior to the elections than after, the reverse applies to expenditures for social security, health as well as the total welfare policy budget.

Figure 7.2: Growth in various welfare policies, 2002-07



Source: Ministry of Finance and Economic Empowerment, Mauritius

Elections are important for welfare policy development in that they give voice to lower income groups. However, it is hard to prove the automatic relation between welfare policy expenditures and elections. Instead, elections may influence the actual formation of political alignments, and as coalition governments have always been a necessity in the Mauritian electoral system, we may perhaps here find an essential difference to Botswana even though both countries are stable democracies with a plurality/majority type of electoral system. One may also question whether, in fact, Mauritius did not have the advantage of being at a relatively higher level of development at independence, compared to underdeveloped Botswana. Could it be that welfare policy development in Botswana is just twenty years behind? These differences and other potential competing explanations will be discussed in the next section where I will compare the causes to welfare policy development in Botswana and Mauritius.

### 7.3 Conclusion: Comparing welfare policy causes in Botswana and Mauritius

In developing countries with a diversity of economic, social and political conditions, a variety of factors are likely to affect the path towards a specific welfare system. Common pre-requisites and explanatory factors are economic wealth, democracy, good governance, ideology, demographics and external influences. Through the theoretically and methodologically justified comparison of Botswana and Mauritius, most of these competing explanations are held constant, and we are able to test the extent to which politics matter.

The comparison reveals significant differences in the political alignments in Botswana and Mauritius. Most crucially, almost from the beginning Mauritius had a relatively strong middle class which not only had own economic interests different to that of the rural economic elite, but it was also instrumental in mobilising lower income groups. Both countries had large rural populations: In Botswana they were poorly organised, whereas in Mauritius they had strong links with the middle class, making it possible to create a broad-based lower and middle income alliance.

Differences in political alignments largely account for the different characters of welfare and economic policies – not so much in relation to social services, but more so in regard to social transfers, taxation and economic strategies. Once different welfare policies were introduced, they tended to continue unabated or only with limited alterations in both countries thereby confirming the path dependence thesis. A partial exception is taxation policies where path dependence may actually reveal the reverse mechanism – taxation is easy to downscale but difficult to introduce or increase. It must also be added that path dependence is not entirely deterministic – policy reform is possible, but most likely only when there are dramatic changes to the political alignments and hence policy preferences.

In the 1960s, when Botswana and Mauritius obtained their independence, the production regimes appeared rather similar as both countries relied entirely on one agricultural commodity produced on largely unequal basis with a very rich economic elite dominating outcomes and exports. However, there were some important distinctions: First of all, due to historical circumstances, an independent rural middle class was created in Mauritius which, as discussed, affected the political alignments. The development of sugar production in Mauritius compared to the traditional cattle rearing in Botswana also influenced the status of agricultural workers. In Mauritius, rural labourers were generally wage employees, which may have eased the ability to mobilise this lower income group. In Botswana, on the other hand, the rural population often lived of subsistence farming and laboured for the large cattle owners, but not necessarily as salaried staff. The rural population in Botswana, also spread across vast areas, may therefore not have been identifiable as one group with similar interests in salary and working conditions and were therefore difficult to mobilise.

Furthermore, given also the different political alignments, the economic elites played distinctively different roles in the two countries which affected not only welfare policies, but also economic strategies. In Mauritius, the economic elite had traditionally been active in investing their profits in sugar production abroad. With a combination of sugar export tax, restrictions of

export of capital, and attractive investment incentives at home, the economic elite were instrumental in expanding the EPZ and tourist sectors to the benefit of employment creation and economic transformation.

Quite the opposite was the case in Botswana. Here the economic elite, with interests coinciding with the political elite, was protected from taxation and stayed content with the traditional cattle industry, which has arguably obstructed attempts at economic modernisation. At the same time, the mining industry was also not an investment-eager partner as accumulation accrued to foreign investors and the government. As noted by Fidzani: “The absence of a kulak class has [...] meant that wealth generated by the mining sector and the cattle industry has not been properly invested to expand and create more employment. [...] Taxes and terms of trade should be turned against such sectors and in favour of ones that create employment” (1998: 239-41). The purpose of this dissertation is not to explain why Botswana has been unable to modernise its production regime and create economic diversification, but the comparison to Mauritius certainly reveals the crucial influence of economic and political interests and the importance of domestic capital in economic development. The distinct outcomes of these economic strategies have, however, been interrelated to welfare policy development and therefore the production regimes, as they were and as they have developed, have influenced both the political alignments in the two countries and the continuous development of welfare policies.

There is thus much evidence to validate the proposed theoretical framework. Table 7.4 highlights how Botswana and Mauritius differ on both the explanatory factors and on welfare policies, economic strategies, welfare system, and social outcomes discussed earlier in this chapter. The study does not dispute that economic wealth, ideology, good governance and democracy are important explanatory factors; it is merely claimed that these conditions do not suffice to explain variations of welfare systems across developing countries. Even so, the comparative design is not perfect and three factors deserve further discussion. First, to what extent do differences of the electoral systems in Botswana and Mauritius cause differences in policy outcomes? Second, can Botswana’s later development account for the limited character of its welfare policies? And, third, what role has an increasingly open and globalised world played?

Botswana’s electoral system is a classical first-past-the-post system with the characteristic majority governments accompanying it. Mauritius has a block vote electoral system; voters vote for three candidates in each constituency supplemented by a best-loser system which ensures “adequate” representation of the officially recognised ethnic groups without really changing

the overall representation of the parties. The special Mauritian electoral system has – in combination with the ethnic division of the population – been seen as a hindrance to pure one-party majority governments and consequently forced governments to form coalitions (Reilly & Reynolds, 1998; Darga, 2005: 126; Bräutigam, 1999: 144-47).

Table 7.4: Botswana and Mauritius compared

	Botswana	Mauritius
Production regime, 1960s	Cattle industry (traditional)	Sugar industry (modernised)
Political alignments	Fused political and economic elites with interests in cattle industry Poorly organised rural population	Educated Indo-Mauritian middle-class Separated Franco-Mauritian economic elite Organised rural workers
Political institutions	FPTP electoral system, single-party majority governments	Block vote electoral system, coalition-governments
Welfare policies	Social services prioritised	Social services prioritised
• Social services	Minimal safety nets, increasing focus on targeting	Comprehensive pension scheme and a targeted unemployment scheme
• Social transfers	Minimal tax and subsidies to cattle industry, minimal income taxation with shift towards indirect taxation	High tax on sugar industry, broad-based and increasingly indirect taxation
• Taxation		
Economic strategies	Facilitate diamond sector and support for traditional cattle rearing Attempts at economic diversification and rural development	Import-substituting industries, export processing zone, tourism ICT, commercial services
Welfare system	Dual: minority rely on the state for welfare and the rest on the market, economy split between formal/modernised and traditional/informal Welfare policies residual and secondary to economic policies	Broad-based both as regards welfare and economic policies – comprehensive social security and full employment Welfare and economic policies complementary
Social outcomes	High poverty and inequality	Lower poverty levels and decreased inequality

There seems to be some evidence that, at least in the West, countries with coalition-governments (though generally based on systems of proportional representation) tend to be dominated by centre-left governments promoting extensive welfare policies, whereas governments in countries with one-party majority governments have more often than not promoted centre-right interests (Iversen & Soskice, 2006). Whatever the theoretical logic behind this, there are thus indications that coalition-governments are more prone to form alliances between middle and lower income groups with consequences for policy making. Accordingly, therefore, specific political institutions more than democracy in itself may explain variations in welfare systems, and the cases of Botswana and Mauritius seem to confirm such propositions (which is why differences in electoral systems are also included in Table 7.4).

Democracy is important for welfare policy development as it can give voice to lower income groups that would otherwise have had little economic and political influence; and certainly democratic political institutions create rules and conditions for how and how much various groups can influence policy making. Even so, for coalitions consisting of broad-based alliances between middle and lower income groups, it is necessary that the groups exist and are mobilised, which was not actually the case in Botswana during the early years of policy creation. Furthermore, the first nascent welfare policies in Mauritius were introduced before the electoral system and independence constitution were in place. Consequently, political institutions, with some explanatory power on variations to welfare policy development, hardly dispute the importance of mobilised and organised interests and the creation of political alliances, whether formally in coalitions, inside political parties, or informally across various political and economic interests.

The second factor to question the idea of similarity between Botswana and Mauritius comes from the modernisation approach, as Botswana was particularly under-developed at independence compared to Mauritius. From one perspective, modernisation is part of the explanatory framework advocated in this dissertation as different levels of economic development are related to the character of the production regime and the creation of political alignments. However, it may be suggested that welfare policies are not developed to the same degree in Botswana – simply because they have not been in existence for as long as in Mauritius (Wilensky, 1975: 9-12); for instance, it could be argued that Mauritius' pension system is bound to be more extensive as it was already introduced in 1950 compared to the introduction of universal pension in Botswana only in 1996. Nevertheless, this argument overlooks the reluctance of policy initiation evident in Botswana and can neither explain why certain types of policies were chosen rather than others. It is striking that

Botswana in many aspects has been able to develop to levels comparable to Mauritius, such as regards state capacity, economic wealth, and literacy where both countries have just over 80 percent of the adult population being literate (UNDP, 2007: Table 12), which questions whether Botswana's initial lower development has been barriers to welfare policy expansion. In a similar vein, arguments of economic affordability are not very convincing when compared to Mauritius as the two countries have, at least since 1980, been on fairly even levels of economic wealth (for instance, GNI per capita was US\$1,570 in 1980 and US\$2,510 in 1985 in Botswana; whereas these figures were US\$1,670 and US\$2,460 respectively in Mauritius).<sup>30</sup>

Finally, it was evident in the analyses of both countries that globalisation and the urge to create attractive domestic market conditions in an increasingly competitive international environment affected (arguments of) policy making. In both Mauritius and Botswana, the evolution of the taxation systems followed similar logics; the aim of both countries was to lower direct income and company tax and to increase indirect taxation. Welfare systems in developing countries may thus be under increasing pressure in a globalised world also dominated (at least until recently) by the neo-liberal ideas of international agencies such as the IMF and the World Bank. The potential impact of globalisation, and how it may differ between the developed and the developing world, is an interesting area which deserves more attention. I will return to this discussion in the next – and final – chapter.

Nevertheless, as globalisation affects all countries, it can therefore not explain variations between the welfare systems in Botswana and Mauritius (and elsewhere). Rather, as we have seen, welfare systems are outcomes of political processes where different groups compromise in the policy-making process, and, as it turns out, broad-based policies tend to be more pro-poor than policies strictly targeted at the poorest.

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<sup>30</sup> World development indicators database: <http://ddp-ext.worldbank.org>





## 8. Conclusion

Botswana has been praised as a successful example of development in Africa. In fact, the developmental records are much in line with the strategies prescribed by pro-poor growth advocates. Yet despite economic growth, human capital investment, democratic stability, and good governance, very high levels of poverty remain in Botswana. Thus, this empirical case questions the ability of pro-poor growth strategies to actually reduce poverty levels substantially in developing countries. Instead, this dissertation suggests a need to focus on welfare policies as well as the politics behind policy-making if developments are to benefit the poor. To substantiate such claims, I conducted both a cross-case study of developing countries and an asymmetric comparative historical analysis of Botswana and Mauritius based on thorough theoretical enquiry.

The analyses confirm that pro-poor growth strategies are not necessarily enough if economic development is to benefit the poor and income-insecure majorities. In fact, for development to be pro-poor, it is necessary to promote inclusive welfare policies and economic transformation. In societies in which all citizens benefit from and contribute to welfare policies and are a productive part of the economy, welfare systems are likely to be more equal and have less poverty. Conversely, in welfare systems in which only the poorest benefit from (often meagre) welfare policies and the rest are left to rely on a market that may not always be able to provide sufficient and reasonably paid jobs, income insecurity and poverty is likely to be rife.

While welfare policies alone have a significant impact on poverty levels, it is important to acknowledge that welfare policies develop alongside economic policies. Conscious economic transformation towards an economy largely characterised by productive wage employment influences the potential spending as well as financing of welfare policies, just as welfare policies may complement economic strategies both as regards a capable and thriving population and in respect to tax incentives.

Both welfare and economic policies are part of the political bargaining that takes place between influential groups seeking to maximise their own preferences. Where there is a need for compromises across income groups, policies are likely to meet (some of) the interests of lower, middle and upper income groups alike such that welfare and economic policies develop into an inclusive welfare system. If welfare policies only play a subordinate role in the political bargaining process, which is likely where lower (and initially also middle) income groups have limited influence, it becomes probable that the welfare system will be less inclusive: Policies will favour the well-off, thereby keeping welfare spending and taxation at a minimum.

Politics then largely determine the welfare policy path. However, the position and influential strength of political and economic groups are also shaped by the structures of the economy already in place as well as the policies that develop. As such, policies (and changing economic conditions) may in turn affect the position and strength of different groups, which may over time lead to a different composition of the political alliances in place. Furthermore, policies tend to prevail, as their beneficiaries will be keen to ensure their continued existence and possible expansion. Policy-making is thus an incremental process in which fundamental changes to policy frameworks are slow, and early policy initiatives tend to have long-lasting consequences. In this sense, the lessons from Botswana and Mauritius are also relevant to countries lower down the developmental ladder. If welfare policies early on are irrelevant to many politically influential groups (such as for instance an emerging urban middle class), it may be difficult to muster broad-based commitments for an inclusive, though also expensive, welfare system.

I will elaborate on these general conclusions in the following, as the findings and contributions of this study have considerable theoretical, methodological, and empirical implications.

### **8.1 Theoretical conclusions and perspectives**

This dissertation bridges the divide between the generally Western based welfare regime literature and the developmental literature: I analyse both the causes and consequences of welfare policies in the context of developing countries, thereby advancing the theoretical field of the welfare regime literature, while I bring new perspectives to the developmental literature, where analyses of welfare policies, mainly social services and to some extent transfers, have tended to be under-theorised and descriptive.

By definition, welfare policies include social services, social transfers, and taxation, while a welfare system characterises the combination of welfare and economic policies in a developing country. These conceptualisations have several advantages. First, by excluding economic policies such as wage setting, employment regulations, and general macro-economic steering from the definition of welfare policies, I am able to examine the singular effects of welfare policies as well as analyse how welfare policies and economic policies interrelate to form a welfare system with specific consequences for social outcomes. Second, by including the financing side of welfare policies as some early welfare policy scholars actually advocated (Wilensky, 1975; Korpi, 1983), I combine the various policies which have the potential of redistributing resources with consequences for poverty and well-being. Furthermore, the inclusion of taxation in the analysis of welfare policy development elucidates the logic of the political bargaining that is involved in policy making, as

welfare policies are not merely about who should benefit from spending, but also about who should contribute to the financing.

Third, by consciously differentiating welfare policies into three distinct aspects – services, transfers, and taxation – in the analysis, the comparison of Botswana and Mauritius revealed how the welfare systems vary more with respect to transfers and taxation than regarding services. The apparent reason for this difference is understandable when it is realised that social services may have a broader appeal – benefiting high and low alike – whereas the potentially more redistributive policies of transfers and taxation are mainly supported by lower income groups (and middle income groups if they perceive they stand to benefit). It then seems likely that transfers and taxation are the key aspects for distinguishing welfare systems in the developing world; this would certainly support recent OECD findings (Castles, 2008; Jensen, 2008b).

Once it is realised that there is a salient distinction between services and transfers, it may come as no surprise that, while both affect well-being positively, social transfers is the better parameter for explaining variations of poverty across developing countries. The analyses of the relationship between welfare policies and poverty – both the cross-case study and the case studies of Botswana and Mauritius – further confirm the theoretical expectation that inclusive welfare policies with generous and broad coverage tend to lead to lower poverty levels, also in developing countries.

It may seem counter-intuitive that inclusive welfare policies which also reach the non-poor should be better poverty alleviators than pro-poor targeted social safety nets. But explanation can be found when including the politics behind welfare policy development in the analysis. Basically, the resourceful are reluctant to contribute to policies from which they are unlikely to benefit. In this case, they will seek to minimise their contributions as much as possible and demand that policies only target the truly needy. Under such circumstances, minimal and targeted social safety nets are demanded with a rationale of economic efficiency. Hence, our theoretical understanding of the relationship between welfare policies and poverty is limited if we do not also include the role of politics. In this, the importance of the financing side of welfare policies again becomes obvious.

In fact, while ordinary pro-poor taxation is considered to be something that should be steeply progressive, it has been suggested that the redistributive role of taxation relates more to the ability to raise sufficient revenue for redistributive welfare spending than to the direct effect on incomes (Steinmo, 1993). In this sense, truly inclusive welfare policies not only spend broadly, they also tax broadly. Taxation across income groups may then increase rev-

venues and may also motivate contributors to demand returns, i.e. taxation becomes a tool for political bargaining, where citizens, qua their contributions, are in a position to demand such things as accountability, representation, and benefits (Ross, 2004; Timmons, 2005). The case studies do point to the importance of taxation not only in revenue raising but also as an element in the political bargaining process. Botswana is particularly interesting, as it relies highly on natural resource rents, which limits the urge to tax the population (Moore, 2008: 59-62), and the analysis revealed that taxation actually played a limited role in policy bargaining. In fact, it is striking that minimal taxation in Botswana coincides with minimal social transfers and, in turn, high poverty and inequality. Unfortunately, we cannot draw conclusive inference on the cases of Botswana and Mauritius alone as to how taxation is best used as a tool for broad-based welfare spending, but the role of taxation in welfare policy development certainly deserves further theoretical and empirical inquiry.

While taxation has received limited theoretical attention, the power resource approach is dominant in explaining early welfare policy developments in the West. This study explores how politically and economically organised interests influence policy-making in the context of developing countries. Like Haggard & Kaufman (2008), the analysis discloses that poor peasants, particularly if mobilised, can push for the initiation of welfare policies. This finding partly diverges from the Western welfare regime literature, where there has been a tendency to focus almost entirely on the urban industrial class and their trade unions. Esping-Andersen did emphasise that small farmers were critical to the promotion of broad-based welfare policies (1990: 29-33); and, while neglected by Haggard & Kaufman, this dissertation demonstrated how the small farmers as well as an urban middle class are also critical for welfare policy development in developing countries (see also Sandbrook et al., 2007). Mauritius offers a clear example of a country in which lower and middle income classes alike have become committed to the welfare system, whereas the welfare system in Botswana is increasingly irrelevant to the emerging middle class.

Underlying the role of politics in policy making is the organisation of the economy (the production regime). Economic circumstances and means of production both condition and are in turn conditioned by policy developments. In a sense, there is a fit between certain aspects of the production regime and certain aspects of the welfare system (Hubert & Stephens, 2001: 87-105). Yet economic conditions in developing countries are very unlike those in developed countries, particularly as there is no guarantee that the developing countries have commodified before the initiation of welfare poli-

cies. The economy in Mauritius was based on a waged labour force early on, and the developments of welfare policies coincided with economic transformation; this was not the case in Botswana. While the larger effects of commodification prior to de-commodification are unclear – and in a sense irrelevant, as they are often coinciding – Botswana does point towards the challenges of economic transformation and how the lack thereof has an impact on policy development and social outcomes.

This study has also confirmed the theoretical expectation of path dependence in that many policies were resilient and continued to exist in both Botswana and Mauritius. The analyses also exposed the reverse logic of tax policies which, unsurprisingly, are easier to remove or scale down than to introduce. Even though welfare policies tend to continue to exist – particularly if they have a strong support base – we also saw a shift in the welfare system in Botswana, which was partly caused by path dependence (e.g. the continued existence of drought relief, which has caused neglect of agricultural production), and the increasing irrelevance of some welfare policies to politically influential groups. Thus, policy change is possible, but it will most likely be incremental and bounded by existing policies and political alignments.

Democracy is generally considered a prerequisite for welfare policy development, and this factor was not analysed per se, although the theory of electoral budget cycles was tested and not proved. However, there is some support in the analysis that elections offer opportune moments for political favours which may transpire into policies; and equally, that democratic institutions (e.g. the electoral system) affecting the possibilities of alliance-making may influence political bargaining and, as such, policy development.

All in all, the study makes evident that political processes and the consequent welfare policies are important factors if we are to understand variations in poverty levels across developing countries and identify development strategies that are also advantageous for the poor.

## **8.2 Mixed methods and the debate on appropriate research designs**

The choice of the appropriate methods for testing one's theoretical propositions entails trade-offs, such as the conflict between ensuring generalisability across numerous cases versus the need to understand a case (or a couple of cases) sufficiently in-depth. At the same time, the research goals, theoretical framework, and empirical reality may guide the methodological decisions, and the main challenge for making causal inference is generally to eliminate rival explanations. This dissertation employs a number of methods, each of which (and in combination) prove to have specific strengths that advance both the theoretical and empirical conclusions.

The cross-case analysis tests and confirms that inclusive welfare policies tend to lead to lower poverty levels, also in developing countries. This method was appropriate because the theoretically assumed relationship was relatively simple and well justified in other scholarly literature. Other advantages are that it is fairly easy to control for alternative explanations and that inference can be drawn to a large number of cases; at least to the better-off developing countries. The validity of the analysis obviously hinges on the reliability of the data and the appropriateness of the measurement of variables. For instance, the measure for welfare policies only included social transfers, and we therefore cannot know if taxation policies would have any impact on poverty. Nevertheless, the cases of Botswana and Mauritius also confirm the relationship between welfare policies and poverty (now as more elaborately defined and carefully examined variables), which further strengthens our confidence in the results.

As the theoretical framework for explaining welfare policy development is complex, it was seen as more suitable to study the causes of welfare policies in-depth – both to confirm *how* political alignments are related to the development of welfare policies (process-tracing study of Botswana) and to test the framework against a different case to increase the external validity (comparison of Botswana and Mauritius).

The process tracing analysis of Botswana proved useful in that we gained more thorough insights into how economic structures and organised interests interact with effects on policy-making. As the analysis built on theoretical expectations, a carefully designed chain of arguments, and selection of alternative explanations – that is, we assessed the causal significance of different explanatory factors – we can be confident that the findings also have validity outside Botswana. The in-depth analysis, while demanding, ensures substantial knowledge of the case and therefore gives the researcher the opportunity to identify other potentially important aspects – such as the minimal role of taxation in Botswana. The study of Botswana also reveals the challenges involved in the study of political processes, as it is impossible to gain access to the various forums where formal and informal decisions are taken. Nevertheless, I am convinced that there was enough evidence to confirm the causal chain of arguments as proposed in Chapter 3.

When studying one case in-depth, there may be the risk that the researcher is more or less automatically led to see the case as entirely unique; i.e. given its diamond wealth and as yet stable development records, Botswana can be regarded as rather special. With strict adherence to the theoretical framework, however, it was evident that Botswana follows the same political

logics as other countries do. An additional way to ensure the broader relevance of a case is to compare it with another case.

The comparison between Botswana and Mauritius strengthens the theoretical propositions both as relates to the development of welfare policies and their effects on poverty. The most-similar-system design ensures not only that we can study the effects of differences in the independent variable (i.e. that political alignments in Mauritius were distinctly different to those in Botswana), but also that we can control for alternative explanations to welfare policy developments which it was difficult to control for in the process tracing analysis. Thus, while the study does not test – and therefore does not disregard – the importance of economic growth, state capacity, demographics etc, we can be confident that these were not what caused the markedly different welfare systems in the two countries. The most-similar-system design is a classical research design. The design poses challenges, however, as cases are never entirely similar. One must therefore be careful to address such differences to clarify their relevance and potential threat to the theoretical framework; in Botswana and Mauritius, this mainly applied to differences in the electoral systems. The comparison is also useful, as aspects revealed in the in-depth case study can be further tested; just as the comparison can increase our understanding of Botswana. For instance, the different role played by domestic capital in the two cases revealed, at least partly, why economic transformation has been so difficult in Botswana, as the country has lacked investment-eager capitalists.

Summing up, when studying complex phenomena such as welfare policy development and its relation to poverty in the context of developing countries, it is highly recommendable to use mixed methods, as the weakness of one method is often the strength of another.

### **8.3 Additional empirical findings and future research agendas**

The empirical focus in this study has been on better-off developing countries, as some level of economic wealth and state capacity are likely prerequisites for welfare policy development (though it is unclear exactly how much). In fact, both Botswana and Mauritius are upper-middle-income countries on a continent where few other countries can claim the same honour. Due to the path dependence of political processes, however, the findings may also have some appeal for lower income countries. This dissertation's questioning of the tendency to subordinate welfare policies to economic policies and to see welfare policies as mere remedies to assist the most vulnerable may also be relevant to many countries.

This study also gives new perspectives on the nature of development in Botswana. We learned that the high poverty levels cannot merely be related

to unfortunate structural conditions, HIV/AIDS, poorly targeted safety nets, and unemployment. Rather, the politically driven developments in Botswana have led to minimal welfare policies and limited economic transformation, which together have created a welfare system that is irrelevant to large segments of the population. The process of welfare policy development has been complex and incremental. From this perspective, it is unlikely that the welfare system in Botswana will change dramatically in the foreseeable future. Nevertheless, this need not lead to the conclusion that welfare policies will never benefit lower income groups or that Botswana is unable to curb its substantial problems with poverty and inequality. Change may occur, albeit only slowly, if for example the electoral system is reformed or the tax philosophy reverted so as to give influence to erstwhile politically excluded groups. Ideas may also cause the initiation of new policies, though it is unlikely that such policies would go against the interests of the dominant decision-makers.

The avoidance of taxation on the population in Botswana reveals mechanisms of bargaining and calls attention to the role of easy rents – whether from natural resources or aid. It is plausible that the minimal personal taxes have further limited any bargaining power that various income groups may have and as such further entrenched an elite-driven development path in Botswana. Whether aid poses similar mechanisms to that of natural resource rents deserves further theoretical and empirical scrutiny.

As regards taxation, it was also clear that both countries followed a trend away from direct income taxation to indirect taxation. There were further signs that concerns of globalisation and international competitive markets were justifying efforts at opening and liberalising the economies. In the midst of a global economic crisis, the question becomes how welfare systems will fare in open developing economies such as Botswana and Mauritius.

One perspective has proposed that open economies which face greater volatility and risk will push for greater social protection (Mares, 2005). Alternatively, it may be suggested that the increasing demands of economic competition force the dismantling of welfare policies in developing countries (Rudra, 2002). The experiences from Botswana and Mauritius reveal that reactions to economic changes depend on the welfare system already in place and the interests of the dominating political alignments. If that is the case, both scenarios may be plausible: In Botswana, where there are no strong interests in favour of broad-based and generous welfare policies, the welfare system may be further retrenched, whilst the strong commitments in Mauritius to the welfare system may call for further protection in the precarious global economic environment. Future research could reveal whether this is a likely interpretation.



# Appendices

## Appendix 1

The '*index for access to government services*' combines four questions from the Afrobarometer Survey Round II (data available on [www.afrobarometer.org](http://www.afrobarometer.org)). The questions are: Based on your experience, how easy or difficult is to obtain the following services? Or do you never try and get these services from government? (1) An identity document; (2) Household services; (3) Help from the police when you need it (4) A place in primary school for a child.

In the index scores range from 4 – 16, which is recoded to:

-1 = score 4 – 8.5 (difficult to obtain government services)

0 = score 9 –11 (neither / nor)

1 = score 11.5 – 16 (easy to obtain government services)

The table indicates the percentage of the population finding it difficult, easy or never try / find it neither difficult nor easy to obtain government services; results for each country and for all countries combined:

Access to government services, in percent

Category	Value	Botswana	Benin	Cape Verde	Ghana	Kenya
Difficult	-1	18.1	46.7	19.3	39.9	53.4
Neither/nor	0	16.5	27.2	21.8	28.6	24.9
Easy	1	65.4	26.1	59.0	31.5	21.7
Category	Value	Lesotho	Madagascar	Malawi	Mali	Mozambique
Difficult	-1	46.6	16	23.1	22.5	41.4
Neither/nor	0	30.7	37.2	33.2	33.1	22.7
Easy	1	22.7	46.8	43.7	44.3	35.9
Category	Value	Namibia	Nigeria	Senegal	South Africa	Tanzania
Difficult	-1	50.6	48.0	36.6	24.9	53.8
Neither/nor	0	20.4	31.0	26.6	19.6	17.8
Easy	1	29.0	21.0	36.8	55.6	28.4
Category	Value	Uganda	Zambia	Zimbabwe	All	
Difficult	-1	31.8	49.9	53.9	36.8	
Neither/nor	0	37.2	27.7	22.3	27.2	
Easy	1	31.0	22.4	23.8	36.0	

Value Labels: 1=Very Difficult, 2=Difficult, 3=Easy, 4=Very Easy, 7=Never Try, 9=Don't Know, 98=Refused to Answer, -1=Missing Data (where 7 is given the score 2.5, and 9, 98 and -1 are missing categories). Cronbach's Alpha: .617. N: 23,435

## Appendix 2

The “lived poverty index” has been created from the Afrobarometer Survey Round III (conducted 2005-06) and in accordance with the method developed by Michael Bratton (2006). Please refer to this paper for further details.

The index combines the five questions: “over the past year, how often, if ever, have you or your family gone without: (1) enough food to eat, (2) enough clean water for home use, (3) medicine or medical treatment, (4) enough cooking fuel to cook your food, and (5) a cash income. A combined table for all countries in survey is below. The table also indicates the classification of groups as defined by Bratton.

Lived Poverty Index for all countries

Frequency of going without basic needs	Response category	Frequency	Percent distribution	Classification
Never	0	3,422	13.7	Well-to-do
Just once or twice	1	8,257	33.1	Occasionally poor
Several times	2	8,117	32.5	Poor
Many times	3	4,169	16.7	Very Poor
Always	4	1,015	4.1	Destitute
N: 24,980				

The *poor majority* consists of the ‘poor’, ‘very poor’ and ‘destitute’.

Below are separate details from the countries in the survey.

### Lived Poverty Index per country

	Benin	Botswana	Cape Verde	Ghana	Kenya
Well-to-do	7.4	20.7	31.2	20.2	5.3
Occasionally poor	31.2	43.7	34.1	43.1	35.3
Poor	38.9	25.1	21.6	25.2	33.5
Very poor	19.9	9.2	11.5	8.9	19.4
Destitute	2.6	1.4	1.6	2.6	6.6
	Lesotho	Madagascar	Malawi	Mali	Mozam- bique
Well-to-do	5.3	8.8	5.1	12.1	5.0
Occasionally poor	33.6	37.0	25.3	35.5	29.3
Poor	44.7	39.7	37.1	34.5	37.3
Very poor	14.9	12.6	25.5	15.5	24.2
Destitute	1.6	1.9	6.9	2.3	4.2
	Namibia	Nigeria	Senegal	South Africa	Tanzania
Well-to-do	16.0	16.9	10.3	39.2	8.6
Occasionally poor	40.7	32.6	28.2	29.9	34.0
Poor	29.8	31.3	30.1	19.4	39.7
Very poor	12.8	15.2	21.1	9.3	16.6
Destitute	0.7	4.1	10.2	2.2	1.1
	Uganda	Zambia	Zimbabwe		
Well-to-do	5.8	5.9	1.6		
Occasionally poor	35.1	28.5	16.5		
Poor	30.3	44.6	38.1		
Very poor	20.8	19.1	31.2		
Destitute	8.0	1.9	12.5		

## Appendix 3

List of countries (39 countries in the last model in grey)

Country Name	Code	Country Name	Code	Country Name	Code
Algeria	DZA	Gabon	GAB	Pakistan	PAK
Angola	AGO	Gambia, The	GMB	Panama	PAN
Argentina	ARG	Ghana	GHA	Papua New Guinea	PNG
Bangladesh	BGD	Guatemala	GTM	Paraguay	PRY
Belize	BLZ	Guinea	GIN	Peru	PER
Benin	BEN	Guinea-Bissau	GNB	Philippines	PHL
Bhutan	BTN	Guyana	GUY	Rwanda	RWA
Bolivia	BOL	Haiti	HTI	Sao Tome/ Principe	STP
Botswana	BWA	Honduras	HND	Senegal	SEN
Brazil	BRA	India	IND	Sierra Leone	SLE
Burkina Faso	BFA	Indonesia	IDN	Solomon Islands	SLB
Burundi	BDI	Iran, Islamic Rep.	IRN	South Africa	ZAF
Cambodia	KHM	Jamaica	JAM	Sri Lanka	LKA
Cameroon	CMR	Jordan	JOR	St. Lucia	LCA
Cape Verde	CPV	Kenya	KEN	Sudan	SDN
Central African Rep	CAF	Lao PDR	LAO	Suriname	SUR
Chad	TCO	Lebanon	LBN	Swaziland	SWZ
Chile	CHL	Lesotho	LSO	Syrian Arab Republic	SYR
China	CHN	Madagascar	MDG	Tanzania	TZA
Colombia	COL	Malawi	MWI	Thailand	THA
Comoros	COM	Malaysia	MYS	Timor-Leste	TMP
Congo, Dem. Rep.	ZAR	Maldives	MDV	Togo	TGO
Congo, Rep.	COG	Mali	MLI	Tunisia	TUN
Costa Rica	CRI	Mauritania	MRT	Turkey	TUR
Cote d'Ivoire	CIV	Mauritius	MUS	Uganda	UGA
Cuba	CUB	Mexico	MEX	Uruguay	URY
Djibouti	DJI	Mongolia	MNG	Vanuatu	VUT
Dominican Republic	DOM	Morocco	MAR	Venezuela, RB	VEN
Ecuador	ECU	Mozambique	MOZ	Vietnam	VNM
Egypt, Arab Rep.	EGY	Myanmar	MMR	Yemen, Rep.	YEM
El Salvador	SLV	Namibia	NAM	Zambia	ZMB
Equatorial Guinea	GNQ	Nepal	NPL	Zimbabwe	ZWE
Eritrea	ERI	Nicaragua	NIC		
Ethiopia	ETH	Niger	NER		
Fiji	FJI	Nigeria	NGA		

## Variables in cross-case analysis

Variable	Explanation	Year	Source
Countries	All developing countries (middle and low income) with HPI value (except Palestine)		World Bank list of economies (July 2007)
Economic modernisation	Percentage of employed work force <i>not</i> working in the agricultural sector; i.e. value turned: 100 minus % employed in agriculture	1996-2005	UNDP 2007, Table 21
Resource dependency	Natural resource export as percentage of GDP. Natural resources comprise 'fuels' (petroleum, natural gas, coal) and 'ores and metals' (crude fertilizers, crude minerals, metalliferous ores and metal scrap, and non-ferrous metals). Excluded from data are oil and precious stones	2004 (or 2003/2005)	Downloaded from World Development Indicators
<i>Alternative measure for resource dependency</i>	Exports from oil or minerals as a percentage of GDP (also data for % of revenue (but fewer countries)); in data only countries included which are seen to derive significant share of revenue from natural resources. Use variable in two ways: 1) where other countries have missing value, 2) as dummy where countries with values have 1 (being resource dependent) and other countries have 0 (not resource dependent)	2000-2005	IMF 2007, "Guide to Resource Revenue Transparency", Appendix 1, Washington DC: International Monetary Fund
Government effectiveness	Government effectiveness; an index that measures the quality of public services, the quality of the civil service and the degree of its independence from political pressure, the quality of policy formulation and implementation, and the credibility of government's commitment to such policies. This index has scores from -2.5 to 2.5 where higher scores correspond to better government effectiveness	2004	Kaufman et al. 2007, Table C3 + p.3
Democracy	Polity IV. The Polity scheme consists of six component measures that record key qualities of executive recruitment, constraints on executive authority, and political competition. Score from -10 to 10	Most recent	Downloaded Polity IV Project homepage: <a href="http://www.systemicpeace.org/polity/polity4.htm">http://www.systemicpeace.org/polity/polity4.htm</a>
<i>Alternative measure for democracy</i>	Freedom House: measures freedom according to two broad categories: political rights and civil liberties; both categories contain numerical ratings between 1 and 7 for each country or territory, with 1 representing the most free and 7 the least free. The variable is the average of political rights plus civil liberties	2004	Downloaded from Freedom House's website

Variable	Explanation	Year	Source
GDP per capita	GDP per capita PPP US\$	2005	UNDP 2007, Table 1
Unemployment	Unemployment rate as a percentage of total labour force	1996-2005	UNDP 2007, Table 21; supplemented by data from the World Bank website May 2008
Health expenditures	Public health expenditures as a percentage of GDP	2004	UNDP 2007, Table 6
Social expenditures	Social security expenditures as a percentage of GDP; covers expenditures on pensions, health care, employment injury, sickness, family housing and social assistance benefits in cash and in kind, incl. also administrative expenses, (also data on social security exp. % of total public exp., but only for 31 cases compared to 61)	1996 (1990)	ILO 2000: Table 14 + pp.320-21; supplemented with data from website: <a href="http://www-ilo-mirror.cornell.edu/public/english/protection/socfas/research/stat/table14">http://www-ilo-mirror.cornell.edu/public/english/protection/socfas/research/stat/table14</a>
Social coverage	The 'social policy protection index' – covers the scope of social insurance coverage (on old-age, sickness, disability, and unemployment) and the redistribution that these particular social policies undertake across occupations; the higher the score the more the policies cover across groups	2005	Kindly made available by Isabela Mares; ref also Mares 2005
Social policies	Social expenditures + social coverage; calculated so that values goes from 0-100		
Human Poverty Index (HPI)	Human poverty index; measures the proportion of people below a threshold level in basic dimensions of human development – living a long and healthy life (probability at birth of not surviving to age 40), having access to education (% of adults who are illiterate), and a decent standard of living (% not having sustainable access to water and % of children below age 5 who are underweight). Values are from 0-100, higher scores indicate greater incidence of poverty	1995-2005	UNDP 2007, Table 3, 355-57

## Appendix 4

Table A: Social policies and control variables' effect on poverty (39 countries)

Independent variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
<i>Structural/ Institutional variables</i>							
Government effectiveness	-11.273*** (3.679)	4.186 (3.760)	1.515 (3.522)	1.299 (3.507)	.811 (3.660)	-1.337 (2.042)	-1.447 (1.899)
Democracy	-.264 (.374)						
Resource dependency	-.344 (.236)						
<i>Socio-economic variables</i>							
GDP per capita		-.003*** (.001)	-.002*** (.001)	-.002** (.001)	-.002** (.001)		
Economic modernisation						-.458*** (.059)	-.383*** (.064)
Unemployment		.764** (.340)	.550* (.316)	.493 (.310)	.473 (.315)	.904*** (.250)	.753*** (.238)
<i>Policies 1</i>							
Health expenditures		-2.173** (1.044)	-.954 (1.033)			-.858 (.804)	
<i>Policies 2</i>							
Social policies			-.267*** (.091)	-.301*** (.083)			-.170** (.067)
Social coverage					-.529** (.204)		
Social expenditures					-.553† (.327)		
Constant	20.855*** (3.208)	33.990*** (4.971)	36.636*** (4.587)	35.724*** (4.470)	37.882*** (4.882)	43.881*** (4.084)	44.253*** (3.784)
Adjusted R square	.228	.495	.587	.589	.580	.728	.764
F-test	4.340**	10.315***	11.795***	14.593***	11.486***	26.407***	31.750***
Number of cases	34	39	39	39	39	39	39

Notes: Unstandardized coefficient given, numbers in parentheses are standard errors, all tests are two-tailed. \*\*\* p < .01 \*\* p < .05 \* p < .10. † p = .10

Table B: Effects of social policy indicators and health expenditures on HPI

Independent variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
<i>Institutional variables</i>						
Government effectiveness	2.488 (3.493)	1.358 (3.020)	2.543 (3.492)	2.905 (3.371)	1.195 (3.069)	4.901 (3.498)
<i>Socio-economic variables</i>						
GDP per capita	-.002*** (.001)	-.002*** (.001)	-.002*** (.001)	-.002*** (.001)	-.002*** (.001)	-.003*** (.001)
Unemployment	.567* (.301)	.188 (.224)	.538* (.300)	.556* (.294)	.162 (.227)	.562** (.235)
<i>Policies 1</i>						
Health expenditures	-1.155 (1.141)	-1.161* (.652)				
<i>Policies 2</i>						
Social policies				-.297*** (.084)		
Social coverage	-.525** (.195)	-.667*** (.178)	-.506** (.195)		-.657*** (.181)	
Social expenditures	-.334 (.399)		-.559* (.331)			-.802** (.331)
Constant	42.472*** (5.189)	48.486*** (4.403)	40.644*** (4.867)	38.701*** (4.515)	45.403*** (4.116)	35.227*** (4.338)
Adjusted R square	.608	.573	.608	.616	.558	.547
F-test	12.387***	19.220***	14.649***	18.622***	22.470***	14.878***
Number of cases	45	69	45	45	69	47

Notes: Unstandardized coefficient given, numbers in parentheses are standard errors, all tests are two-tailed. \*\*\* p < .01 \*\* p < .05 \* p < .10



Table C: Bivariate relations of government effectiveness and other variables

	GDP per capita	Social policies	Health expenditures	Unemployment
Adjusted R square	.511	.136	.058	.030
Standardised coefficient	.719***	.390***	.259***	.207*
*** p < .01    ** p < .05    * p < .10				

Table D: Effects of economic modernisation, GDP per capita and controls on HPI

	Model 6 incl. GDP per capita
Government effectiveness	1.286 (2.287)
GDP per capita	-.001** (.000)
Economic modernisation	-.356*** (.050)
Unemployment	.504*** (.127)
Health expenditures	-.747 (.657)
Constant	46.401*** (3.287)
Adjusted R square	.727
F-test	32.891***
Number of cases	61

\*\*\* p &lt; .01    \*\* p &lt; .05    \* p &lt; .10

Tolerance level for GDP per capita: .280

Table E: Effects of unemployment and other variables on HPI

	1	2	3	4	5
Unemployment	-.183 (.226)	.436*** (.128)	.262 (.172)	.008 (.206)	.291 (.336)
Economic modernisation		-.447*** (.037)			
GDP per capita			-.003*** (.000)		
Government effectiveness				-11.521*** (2.584)	
Social policies					-.504*** (.079)
Constant	24.588*** (2.642)	45.206*** (2.396)	35.241*** (2.303)	18.611*** (2.713)	35.923*** (4.479)
Adjusted R square	-.005	.708	.475	.200	.473
F-test	.655	73.858***	34.897***	10.353***	20.729***
Number of cases	76	61	76	76	45

\*\*\* p &lt; .01   \*\* p &lt; .05   \* p &lt; .10

## Appendix 5

### Contribution to tax per income group in Botswana for the years: 1985/86, 1993/94, 2002/03

#### 1985/86

monthly income, Pula	< 50	50-100	100-150	150-200	200-300	300-500	500-1000	> 1000	all
gross income (cash, in kind)	8.98	75.47	122.48	175.66	242.47	389.14	664.82	2188.91	326.58
cash earnings	5.71	10.93	23.95	50.34	82.33	185.25	423.5	1787.5	188.03
net taxes	0.12	0.11	0.39	1.13	2.04	7.15	21.79	276.77	19.09
tax % of gross income	1.3%	0.1%	0.3%	0.6%	0.8%	1.8%	3.3%	12.6%	5.8%
tax % of cash earnings	2.1%	1.0%	1.6%	2.2%	2.5%	3.9%	5.1%	15.5%	10.2%
% of population (cum)	18.4%	26.9%	43.7%	55.6%	72.0%	84.2%	94.4%	100.0%	

Source: CSO (1988). 1985/86 Household Income and Expenditure Survey, Table 22c, p.66, Table 18, p.49

#### 1993/94

monthly income, Pula	< 100	100-200	200-300	300-500	500-1000	1000-1500	1500-2000	2000-3000	> 3000	all
gross income (cash, in kind)	59.49	150.74	246.74	398.1	713.76	1215.47	1725.81	2452.2	6376.53	1073.63
cash earnings	3.34	29.06	69.06	161.67	348.38	724.86	1207.71	1858.33	4593.31	670.41
net taxes	0	0	0.27	0.34	0.59	7.99	16.42	44.87	392.4	29.16
tax % of gross income	0.0%	0.0%	0.1%	0.1%	0.1%	0.7%	1.0%	1.8%	6.2%	2.7%
tax % of cash earnings	0.0%	0.0%	0.4%	0.2%	0.2%	1.1%	1.4%	2.4%	8.5%	4.3%
% of population (cum)	4.0%	11.6%	21.8%	41.9%	70.4%	82.0%	88.2%	94.4%	100.0%	

Source: CSO (1995). 1993/94 Household Income and Expenditure Survey, Table 21, p.78, Table 18, p.60

<b>2002/03</b>											
monthly income, Pula	< 200	200-400	400-600	600-1000	1000-1500	1500-2000	2000-3000	3000-4000	4000-6000	6000+	all
gross income (cash, in kind)	107.27	305.33	492.23	782.65	1215.28	1733.37	2444.31	3462.51	4844.41	11853.89	2672.43
cash earnings	5.25	44.93	144.05	292.03	581.95	970.53	1446.8	2374.37	3550.95	8616.34	1743.04
net taxes	0	0.2	0	0.35	1.03	3.44	10.06	29.63	83.02	568.52	72.15
tax % of gross income	0.0%	0.1%	0.0%	0.0%	0.1%	0.2%	0.4%	0.9%	1.7%	4.8%	2.7%
tax % of cash earnings	0.0%	0.4%	0.0%	0.1%	0.2%	0.4%	0.7%	1.2%	2.3%	6.6%	4.1%
% of population (cum)	3.3%	1.1%	*	40.3%	54.4%	63.7%	74.9%	81.3%	88.7%	100	

Source: CSO (2004). 2002/03 Household Income and Expenditure Survey, Table 86, p.83, Table 66, p.65

\* Table 66 makes no distinction at P 600; instead an income group from P 500-750

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## **Danish Summary**

### **Kapitel 1 – Introduktion**

Dette kapitel indledes med en kort introduktion af tilgangen til *pro-poor growth*, som går ud på, at udviklingslande skal fokusere på økonomisk vækst, investeringer i menneskelig kapital, god regeringsførelse og demokrati for at sikre en økonomisk udvikling, som også er til gavn for de fattige. Afhandlingen sætter spørgsmålstegn ved denne tilgang, da det påpeges, at Botswana har en forholdsmæssig høj grad af fattigdom og ulighed, selvom landet i store træk lever op til den udvikling, der er foreskrevet af *pro-poor growth*-tilgangen. Kapitlet slutter derfor med at argumentere for, at der er behov for at fokusere på velfærds politikker og de politiske interesser og forhandlinger bag sådanne politikker, hvis udvikling også skal medføre en betydelig fattigdomsreduktion i udviklingslande.

### **Kapitel 2 – Teori: Forholdet mellem politik og fattigdom**

Den teoretiske diskussion, baseret på den primært vestlige velfærdsregime-litteratur og i nogen grad udviklingslitteraturen, koncentrerer sig om forholdet mellem politik og fattigdom, hvor den mellemkommende variabel er velfærds politikker. Velfærds politikker er her defineret som politikker, der drejer sig om sociale *services* (uddannelse, sundhed og bolig), sociale ydelser (for eksempel pension, sygesikring, arbejdsløshedsunderstøttelse) og skat. I relation til forholdet mellem velfærds politikker og fattigdom argumenteres der for, at lande med bredt dækkende og generøse velfærds politikker vil have lavere fattigdom end lande med primært fattigdomsfokuserede velfærds politikker. Hovedforklaringen i forskelle på velfærds politikker skal findes i de politiske processer, hvor forskellige politiske og økonomiske grupperinger søger at fremme deres interesser; typen og omfanget af velfærds politikker afhænger altså af hvilke interesser, der dominerer de politiske forhandlinger. Det er i den sammenhæng også vigtigt, at de økonomiske strukturer i et vist omfang former de forskellige gruppers position, og at økonomiske strategier udvikler sig i et sammenspil med udviklingen af velfærds politikker. Endelig forventes det teoretisk, at politikker har et element af stiafhængighed, hvilket vil sige, at politikker er vanskelige at ændre, når de først er introduceret. Til slut i kapitlet diskuteres en række alternative forklaringer til udviklingen af velfærds politikker.

### **Kapitel 3 – Metodiske overvejelser**

Afhandlingen gør brug af en række forskellige metoder, og i dette kapitel diskuteres årsagerne hertil, samt hvilke fordele og ulemper de pågældende metoder har. Forholdet mellem velfærds politikker og fattigdom analyseres i et

store-N landestudie ud fra argumenter om, at forholdet er relativt simpelt, grundigt teoretisk belyst, og at det er muligt at finde målbare variable, der kan teste sammenhængen. Fordelen er ydermere, at der kan generaliseres til (bedrestillede) udviklingslande. Årsagsforklaringerne til udviklingen af velfærdspolitikker er teoretisk mere komplekse, hvorfor der argumenteres for at analysere forholdet mellem politik og velfærdspolitikker i mere dybdegående case-studier. Således udføres, i to led, en asymmetrisk komparativ historisk analyse af Botswana og Mauritius. For det første undersøges Botswana ved hjælp af *process tracing*-metoden, hvor velfærdspolitikudvikling analyseres over en lang historisk periode ud fra en på forhånd veldefineret og teoretisk funderet argumentationskæde. Dernæst sammenlignes Botswana og Mauritius ved hjælp af et *most similar system*-design, der gør det muligt dels at teste de teoretiske argumenter yderligere, dels at kontrollere for en række alternative forklaringer, der ikke kontrolleres for i analysen af Botswana.

#### **Kapitel 4 – Velfærdspolitikkers betydning for fattigdom i udviklingslande**

Sammenhængen mellem velfærdspolitikker og fattigdom analyseres i en regressionsanalyse med data fra udviklingslande. Velfærdspolitikker defineres i denne sammenhæng mere snævert som omfanget og omkostningerne til sociale ydelser, mens det anerkendte *human poverty index* bruges som fattigdomsmål. Der kontrolleres for variable, som *pro-poor growth*-tilgangen argumenterer for, dvs. økonomisk vækst, god regeringsførelse, demokrati, arbejdsløshed og sundhedsudgifter. Analysen viser, at der er en klar og signifikant sammenhæng mellem velfærdspolitikker og fattigdom, hvor udviklingslande, der har bredere dækkende og generøse velfærdspolitikker, også har en tendens til at have lavere fattigdomsniveau. Analysen viser yderligere, at hvis vi inkluderer økonomisk modernitet (andel af befolkning, der ikke arbejder i landbrug) i stedet for økonomisk vækst, bliver modellen stærkere. Dette tyder på, at økonomisk transformation, snarere end vækst, er afgørende for substantiel fattigdomsreduktion.

#### **Kapitel 5 – Den begyndende udvikling af velfærdspolitikker i Botswana**

Den historiske analyse af Botswana begynder i årene omkring landets uafhængighed i 1966 og strækker sig i dette kapitel til slutningen af 1980'erne. Det vises, at der i denne periode skete en dramatisk økonomisk udvikling styret af en integreret politisk og økonomisk elite, hvor bureaukratiet og diamant-sektoren over årene og i stigende grad blev vigtige aktører. Der var også en vis politisk opmærksomhed i retning af landbefolkningen, som udgjorde hoved-parten af befolkningen, og hvorfra den politiske elite fik sin primære

støtte ved valgene. De økonomiske strategier og velfærdspolitikker, der indførtes i denne periode, er i høj grad et udtryk for dette politiske landskab og den økonomiske situation, som var præget af en meget betydelig kvægproduktion og – i stigende grad – diamanteksport. Således var der fokus på at udvide og støtte kvæg-produktion, hvor såvel den integrerede politiske og økonomiske elite som de højere lag af bureaukratiet havde interesser. Desuden støttede staten diamant-udvindingen ved at investere i infrastrukturer, og opfattelsen var, at andre sektorer ville følge i kølvandet på den økonomiske vækst. Der var også et ønske om at sikre velfærden for den brede befolkning, hvilket dog primært gav sig udtryk i en kraftig udvidelse af de sociale *services*, som også tilgodeså bedrestillede grupper. Derimod var der kun beskednen opmærksomhed omkring indførelsen af mere omfordelende velfærdspolitikker såsom ydelser og skatter, der begge blev holdt på et minimum. De økonomiske strategier medførte heller ikke en egentlig økonomisk transformation ved for eksempel modernisering af landbruget og en mere arbejdsintensiv, industriel produktion. Således var Botswana i slutningen af 1980'erne på mange måder et land i kraftig, men dog uligevægtig, udvikling. De voksende byer blev moderniseret, og der var et stigende behov for arbejdskraft, om end ikke i det omfang den var tilgængelig. På landet var udviklingen mere konstant, selv om udbuddet af social *services* sikrede øget velfærd; traditionelle landbrugsmetoder blev holdt i hævd, og der var et fald i produktionen, således at landbrugsbefolkningen i stigende grad blev passiviseret og var afhængig af minimal social støtte fra staten (eller familien).

## **Kapitel 6 – 'Ekspansion' af velfærdspolitikker i Botswana i de senere år**

Udviklingen af velfærdspolitikker i 1990'erne og siden år 2000 skal forstås i forlængelse af den udvikling, der fandt sted i årtierne før: Tidligere indførte politikker havde en tendens til at fortsætte, ligesom politikker og den generelle udvikling påvirkede den økonomiske situation og forskellige gruppers interesser i fortsat ekspansion af velfærdspolitikker. I den sammenhæng er det afgørende, at den fremvoksende middelklasse i stigende grad fandt velfærdspolitikker irrelevante og søgte mod private løsninger, primært gennem deres formelle jobs, til at sikre deres velfærd. Samtidig var de grupper, der traditionelt har en interesse i (omfordelende) velfærdsekspansion – lavindkomstgrupperne i byerne og på landet – kun dårligt organiserede. Den politiske elite havde fortsat nogle bånd til landbefolkningen, men var stadig sammen-smeltet med den økonomiske elite og i stigende grad den urbane middelklasse; således var den primære politiske interesse med hensyn til velfærdspolitikker rettet mod at sikre en minimal støtte til de mest nødlidende. Dermed skete der i denne periode et skift i velfærdssystemet fra at være et landsdæk-

kende projekt til at få en mere dobbelt karakter. Selv om *services* stadig har et bredt omfang i Botswana, så er velfærdssystemet i øvrigt kun rettet mod de allermest nødlidende, som får minimal hjælp. Resten af befolkningen er henvist til at sikre deres velfærd gennem markedet, dvs. gennem arbejde og private indkomstsikrede løsninger. Problemet i den sammenhæng er, at mange lavindkomstgrupper, selv hvis de har formelt og stabilt arbejde, er dårligt sikrede i perioder med sygdom og arbejdsløshed (i et land, hvor minimum en femtedel af arbejdsstyrken er formelt arbejdsløse). Det er derfor klart, at velfærdssystemet i Botswana ikke afhjælper de store fattigdomsproblemer. For selv om velfærdspolitikkerne er målrettet de fattige, skal man være ekstremt fattig for at få støtte; og så er der oven i købet kun tale om en støtte som oftest ligger under det definerede eksistensbehov. Alle andre må klare sig selv.

## **Kapitel 7 – Velfærdspolitikker, deres årsager og konsekvenser: Sammenligning af Botswana og Mauritius**

En sammenligning af velfærdssystemerne i Botswana og Mauritius viser, at begge lande har prioriteret sociale *services* højt, hvorimod sociale ydelser og skat har et meget bredere omfang i Mauritius end i Botswana. Samtidig har Mauritius i højere grad fokuseret på at skabe fuld beskæftigelse, mens det i Botswana snarere har handlet om at skabe gode betingelser for økonomisk vækst. Disse forskelle i velfærdssystemer kommer til udtryk i de sociale forhold, for mens Mauritius ikke har fokuseret synderligt på de fattigste, er det mere inkluderende velfærdssystem medvirkende til, at Mauritius har en langt lavere grad af fattigdom og ulighed end Botswana. Årsagerne til disse forskelle i velfærdssystemer skal findes i etableringen af politiske og økonomiske alliancer, hvor Mauritius allerede inden uafhængigheden i 1968 havde en stærk organisering af lav- og mellem-indkomstgrupper. Særligt fællesskabet mellem organiserede indo-mauritianske landarbejdere og småbønder, som støttede en efterhånden indo-mauritiansk dominerende politisk elite, samt disses alliance med en uafhængig økonomisk elite, var afgørende i den brede og kompromis-søgende politiske proces, hvor velfærdspolitikker og økonomiske strategier i betydeligt omfang tilgodeså alle interesser. Dette står i stærk kontrast til Botswana, hvor lavindkomstgrupperne var dårligt organiseret, og den voksende middelklasse aldrig for alvor havde interesse i et ekspanderende velfærdssystem. Givet det metodiske design kan vi være sikre på, at forskellene mellem Botswana og Mauritius' velfærdssystemer ikke skyldes forskelle i økonomisk vækst, statskapacitet, befolkningsfordeling, demokrati eller international indflydelse. Dog tyder analysen på, at de forskellige valgsystemer, der gør koalitionsregeringer nødvendige i Mauritius – men ikke i Botswana – også er en væsentlig forklaringsfaktor. Betydningen af politiske institutioner er dog også i et vist omfang betinget af, hvilke interessegrupperinger der fak-

tisk er til stede, og forstås således bedst i sammenhæng med de teoretiske forklaringer analyseret i denne afhandling.

## **Kapitel 8 – Konklusion**

Denne afhandling viser først og fremmest, at *pro-poor growth*-tilgangen overser betydningen af velfærdspolitikker og de bagvedliggende politiske processer for en substantiel fattigdomsreduktion i udviklingslande. Samtidig betyder tendensen til at fokusere på økonomisk vækst – om end den er vigtig – at det måske endnu vigtigere behov for at skabe økonomisk transformation forsømmes. Afhandlingen bidrager også til den primært vestlige velfærd-regimelitteratur ved at vise, at der i udviklingslande er en sammenhæng mellem velfærdspolitikker og fattigdom. Ligeledes bekræftes teorien om de politiske processers – og særligt her middelklassens interesser – afgørende betydning for udviklingen af velfærdspolitikker. Dog har det i udviklingslande i mindre grad været den industrielle klasse og deres fagforeninger, som har været vigtige, men nok så meget organiseringen af befolkningen på landet. Ydermere viser analyserne, at der bør skelnes mellem sociale *services* på den ene side og sociale ydelser og skat på den anden, når der skal differentieres mellem velfærdssystemer: Landene varierer især med hensyn til de mere omfordelende politikker (ydelse og skat) end på service-området, som nok så meget kan være til gavn for bedrestillede som for lavindkomstgrupper. Stafhængighed er også en vigtig forklaringsfaktor, ligesom det er vigtigt at se udviklingen af velfærdspolitikker som et samspil med de økonomiske strategier. I den forstand er der forskel på, om man ser økonomiske politikker som overlegne velfærdspolitikker (som generelt i Botswana), eller om man ser politikkerne som komplementære (som i Mauritius). Analysen understreger ligeledes, at skat er et vigtigt element til forståelse af karakteren og udviklingen af velfærdspolitikker. Det er især interessant, at Botswana har haft en minimal beskatning af befolkningen muliggjort af mineralrigdom. Selvom skattesystemet i Botswana nok er ekstremt, så tyder analysen på – hvilket også bliver yderligere substantieret i sammenligningen med Mauritius – at skat har en afgørende betydning for befolkningens interesser i velfærdspolitikker og for deres muligheder for indflydelse.