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Working Paper No. 2011/34

## **Economic Development in Sub-Saharan Africa: The Case of the Big Four**

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November 2011

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## **Abstract**

In Sub-Saharan Africa, Botswana, Ghana, Mauritius and South Africa can be considered the “Big Four” economies in terms of economic development and growth. How successful has these countries been in terms of economic development, and can they be considered role models for other Sub-Saharan African countries? And what are the commonalities and differences in their economic development experiences? This paper argues that only Botswana and Mauritius are unqualified development success stories. The jury is still out on Ghana, and South Africa (after 1994) is at most a mixed success. Generally, Botswana, Mauritius and South Africa escaped the factors which caused economic stagnation in much of Sub-Saharan Africa, such as poor policies, poor trade performance, and weak institutions. Geography and history (initial conditions) are also shown to be important in the case of the Big Four, but to have more complex interactions with policies and subsequent outcomes. In Botswana and Mauritius good growth followed from (or even due to) adverse initial conditions. But not all initial conditions were unfavorable: Botswana and Mauritius, as well as South Africa avoided the worst negative impacts of colonialism and slavery, as well as the potential adverse effects of natural resource abundance. The paper finally remarks on two factors which are often overlooked in the economic literature in explaining country performance: good leadership and good luck.

**Key words:** Sub-Saharan Africa, role models, development policy

**JEL classification:** O55, O43, O11

## 1. INTRODUCTION

There is a long tradition in economics, at least from Adam Smith<sup>1</sup> onwards, of dissecting historical episodes and trends in countries' development paths so as to distill some common wisdom from these. In this tradition the present paper focuses on the "Big Four" in Sub-Saharan Africa (SSA): Botswana, Ghana, Mauritius and South Africa. There are three reasons for the concern with these particular countries. First, they are often mentioned as potential role models in SSA<sup>2</sup> as all four are seen as instances of comparatively successful economic development in a continent otherwise noted for its economic distress. Second, their experiences may illustrate whether current views on SSA's generally poor economic performance are borne out in practice, and how country-specific factors may affect the ability of countries to follow advice and/or implement successful development policies<sup>3</sup>. Third, the literature on economic development success in SSA is small: it is overshadowed by a tendency to group SSA together, thereby losing sight of the fact that there may be successes or outliers – from which all developing countries may learn. For development scholars it may be inherently satisfying to study successful countries, not only to extend development theory, but for the counterbalance it may provide, especially in economics where many theoretical developments have been as a result of pathology (e.g. the development of macroeconomics after the Great Depression, the elaboration of game theory during the Cold War, and the birth of development economics in the wake of World War II).

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<sup>1</sup> Adam Smith, in chapter three of *The Wealth of Nations*, drew extensively on the experiences of countries and regions as diverse as Egypt, Scotland, Africa, China, India, North America and Siberia to deduce that the extent of the market determines the division of labour.

<sup>2</sup> See for instance the UNU-WIDER Conference on "Role Models for Development Success"-[http://www.wider.unu.edu/events/2008-conferences/country-role-models/en\\_GB/country-role-models/](http://www.wider.unu.edu/events/2008-conferences/country-role-models/en_GB/country-role-models/).

<sup>3</sup> In a recent assessment of development policy, using country case studies, Hausmann *et al.* (2005: 2) conclude that "There are ...some general, abstract principles - such as property rights, the rule of law, market-oriented incentives, sound money, and sustainable public finances -which are desirable everywhere. But turning these general principles into operational policies requires considerable knowledge of local specificities."

Given these considerations, the remainder of the paper is structured as follows. In the next section (section 2) it is asked to what extent the Big Four as ‘development successes’. In section 3, each country’s experience is analysed. Section 4 concludes.

## 2. BOTSWANA, GHANA, MAURITIUS AND SOUTH AFRICA IN THE SSA CONTEXT

The African Big Four differ significantly in their histories, geographical features, endowments, demography, and size and structure of their economies. This section will focus on their economic profiles as well on evaluating their development success. Although their histories, geographical features, endowments and demography are crucial factors in their development outcomes, a detailed discussion of these fall outside the scope of the present paper. Section 3 will however, when discussing the reason for these countries’ development successes and failure, refer to some of these factors.

### 2.1 Brief Country Profiles

Table 1 summarizes the key demographic and economic profiles of the four countries.

**Table 1: Profile of the SSA Big Four**

Country	Land area (km <sup>2</sup> )	Population	Population density (per km <sup>2</sup> )	Pop. growth (annual %)	GDP, PPP (\$m)	Manuf. as % of GDP	Trade (% of GDP)	Rural population (%)
Botswana	566,730	1,858,163	3.28	1.20	23,241	3.61	83.78	41.84
Ghana	227,540	23,008,443	101.12	2.08	28,646	8.47	103.02	51.46
Mauritius	2,030	1,253,434	617.46	0.82	13,250	19.13	127.08	57.52
S. Africa	1,214,470	47,391,025	39.02	1.06	430,652	18.22	63.06	40.22
SSA	23,606,115	781,821,747	33.12	2.48	1,393,488	14.30	71.75	64.23

*(Source of data: World Bank, World Development Indicators Online)*

It can be seen from Table 1 that the sizes of the Big Four differ substantially. South Africa, with a population of 47 million and a land size of more than a million square kilometers, dominate in

terms of physical and population size. It also dominates in terms of economic size. In terms of GDP in PPP, by 2006 it was six times larger than the economies of Botswana, Ghana and Mauritius *combined*, and its GDP was 31 per cent of that of the entire SSA. It is the only SSA country to count amongst the 25 largest economies in the world. It is also the most urban of the countries and less dependent on trade, with its trade to GDP share around 63 per cent. The size of its domestic market can be expected to have had a positive impact of economic growth in both neighboring Botswana, as well as in Mauritius (given relative proximity by air and sea between cities such as Durban and Port Louis). Botswana benefitted even more directly, by being in a customs union (the oldest in the world) with South Africa<sup>4</sup>.

## 2.2 Development Success Evaluated

In terms of development outcomes or success, a frequently used summary indicator is gross national income (GNI) per capita (adjusted for purchasing power). According to this measure the World Bank<sup>5</sup> classifies Botswana, Mauritius and South Africa as upper-middle income countries and Ghana as a low income country. No SSA country is classified as a high income country, and the only other SSA countries to be classified as upper-middle income countries are Equatorial Guinea, Gabon, and Seychelles. Figure 1 compares the GNI per capita of the Big Four with the SSA average, as well as the average for high income countries in the OECD<sup>6</sup> and outside of the OECD.

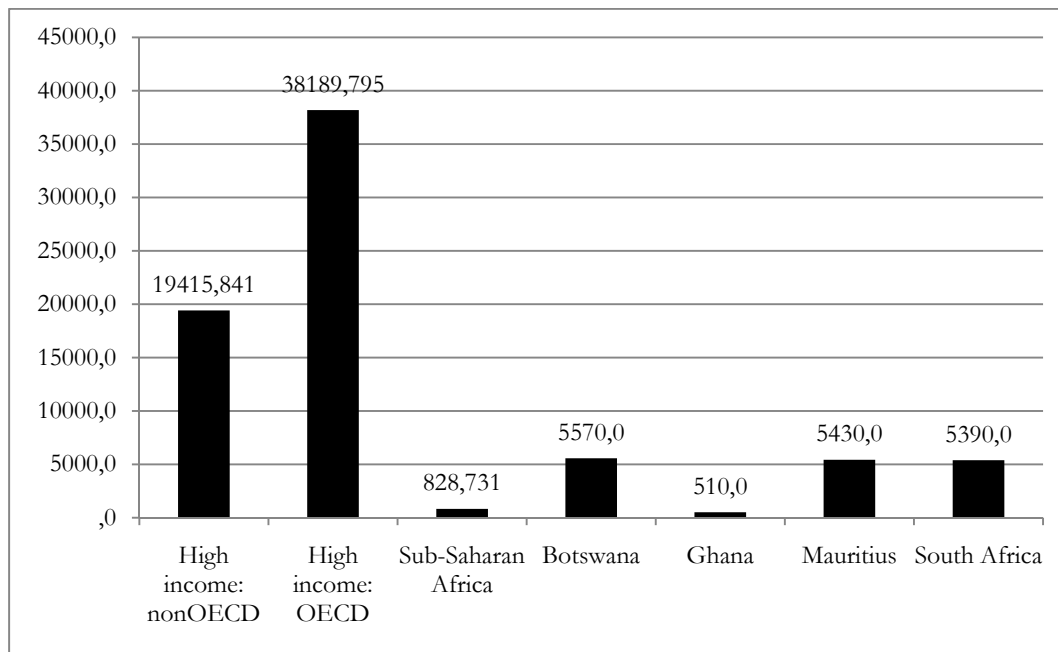
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<sup>4</sup> The Southern African Customs Union (SACU) dates back to 1910 and have as members Botswana, Lesotho, Namibia, South Africa and Swaziland. In terms of this Union, common external tariffs and excise tariffs are levied. The revenues from these tariffs are distributed to members, and make up a significant proportion of the budgetary sources of Botswana, Lesotho, Namibia and Swaziland. In the case of Botswana, receipts from the SACU revenue pool amounted to 9 per cent of GDP in 2006 (it is 28 per cent in case of Lesotho) (Flatters and Stern, 2006).

<sup>5</sup> In the World Bank classification of countries, low income countries have GNI per capita of US \$905 or less; lower middle income countries between US \$906 - \$3,595, upper middle income countries between \$3,596 and \$11,115; and high income countries more than US \$11,116.

<sup>6</sup> Organization for Economic Co-operation and Development (see [www.oecd.org](http://www.oecd.org))

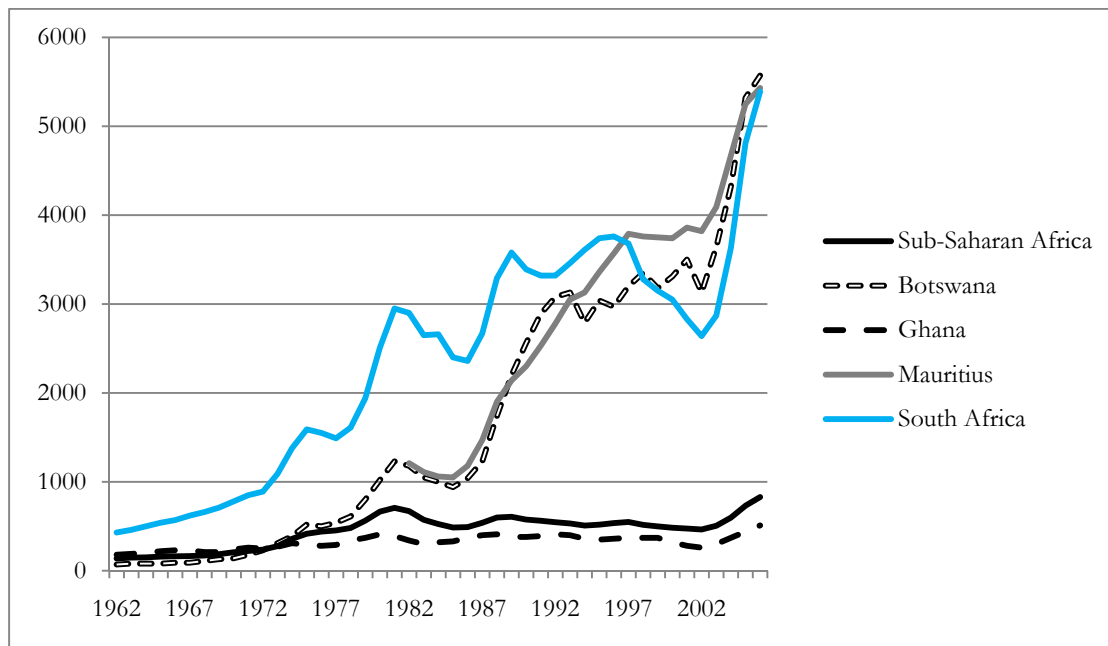
**Figure 1: GNI per capita of the Big Four in Context, 2006 (Current US \$, Atlas method)**



*(Source of data: World Bank Development Indicators Online)*

Figure 1 shows the huge gap in terms of GNI that exists between SSA and the high-income countries, showing that average GNI per capita was 46 times higher in the OECD countries than in SSA. Within the SSA countries however, Botswana, Mauritius and South Africa stand out with GNI per capita of respectively \$ 5,570, \$ 5,430 and \$5,390 – almost 7 times the average for SSA. In the SSA context therefore, it may be argued that in terms of achieving relatively high per capita incomes, Botswana, Mauritius and South Africa are exceptional cases. Ghana on the other hand, seems based on the criterion of per capita income, not to have done very well – its GNI per capita of \$ 510 was in 2006 substantially lower than the SSA average. Where does its macroeconomic success lie? To investigate further, Figure 2 plots GNI per capita in the four countries, in comparison to the SSA average, over the period 1962 to 2006.

**Figure 2: GNI per capita in Botswana, Ghana, Mauritius and South Africa, 1962-2006**



*(Source of data: World Bank Development Indicators Online)*

Figure 2 shows that at the start of the period, roughly when these countries started to gain independence<sup>7</sup>, that GNI per capita in all the countries were low (below \$ 500), and that the lowest was Botswana (at \$ 70 per capita in 1962) with GNI per capita less than 50 per cent of that of Ghana. Figure 2 shows that subsequently, Botswana and Mauritius experienced sustained increases in GNI per capita, Mauritius overtaking South Africa in the first place in 1997 and Botswana following in 1998. Compared to Botswana and Mauritius, South Africa's GNI per capita was much more subject to swings and reversals, with a long period between 1989 and 2002 when per capita GNI declined (from \$ 3,580 in 1989 to \$2,640 in 2002). At that stage the gaps between South Africa on the one hand, and Mauritius and Botswana on the other, was expanding; however, subsequent to 2002, South Africa managed to significantly narrow the gap. By 2006, Botswana, who started out the poorest in per capita terms, was the richest in per capita terms of the four countries.

<sup>7</sup> Botswana gained independence in 1966, Ghana in 1957, Mauritius in 1968 and South Africa gained independence from Britain in 1934 (although it would only in 1994 hold its first fully democratic elections).



Figure 2 also shows another stark reality: that for most of the post-independence period, from 1962 onwards, GNI per capita in SSA stagnated<sup>8</sup>. Moreover, Ghana, who started out in 1962 with per capita income more than twice that of Botswana, and higher than the SSA average, ended the period in 2006 with per capita income 10 times smaller than that of Botswana, and 40 per cent lower than the SSA average.

Although a popular and relatively easily available measure, GNI per capita is not a perfect yardstick for development success. Table 2 below therefore compares a broader set of development outcomes for these four countries.

**Table 2: Development Outcomes in Botswana, Ghana, Mauritius and South Africa**

Country	HDI	Life expectancy at birth	Population with incomes < US \$ 1 per day	Net enrolment in primary education	Population with improved access to water	Seats held by women in parliament	Child mortality rate	HIV prevalence
Botswana	0.60	46.6	28%	86.6%	95%	11.1%	120	24.1%
Ghana	0.50	58.5	44.8%	70.4%	75%	10.9%	112	2.3%
Mauritius	0.80	72.4	11.5%	95.1%	100%	17.1%	15	0.6%
S. Africa	0.70	53.4	10.7%	92.0%	88%	32.8%	68	18.8%
SSA average	0.49	49.6	41.1%	70%	47%	16.6%	166	6%

(Sources of data: United Nations Statistical Division at [www.mdgmonitor.org](http://www.mdgmonitor.org) and <http://mdgs.un.org/unsd/mdg/data.aspx/> and UNDP, Human Development Report 2007).

Table 2 summarizes the outcomes with respect to a number of development indicators, including a number of indicators used to track progress towards the Millennium Development Goals (MDGs)<sup>9</sup>. These show that only one of the potential country role models in SSA have

<sup>8</sup> This conclusion also holds even if one calculates population-weighted growth rates: for instance Collier and O'Connell (2007) finds that between 1960 and 1999 the average annual population-weighted GDP growth rate in SSA was only 0.13 per cent, compared to a 3.63 per cent average for the rest of the developing world.

<sup>9</sup> The eight broad MDGs, which these countries have set for achievement for 2015, are to (a) eradicate extreme poverty and hunger, (b) achieve universal primary education, (c) reduce child mortality, (d) improve maternal

achieved above average development outcomes as compared against the continent, namely Mauritius. It is the only one of the countries to be classified by the UNDP as a 'high human development country'. All of the others have below-average performance in one or other category and are classified by the UNDP as 'medium development countries' (see <http://hdr.undp.org/en/statistics/>). For instance, Botswana, despite its rapid economic growth to have achieved the highest per capita income levels in SSA by 2006, has a life expectancy of only 46 years, lower than the roughly 50 years average for SSA, and substantially lower than the 72 years for Mauritius. One reason for this is due to its high HIV prevalence rate, which at 24.1 per cent is the highest in SSA.

Botswana's comparatively high poverty rate suggests high levels of income inequality – borne out by its Gini-coefficient which is amongst the highest in SSA, at 66.42 (Bigsten and Shimeles, 2007:154). South Africa, although it had not grown as consistently since the 1960s as either Botswana or Mauritius did, managed to reduce extreme poverty to the greatest extent – to around 10.7 per cent, and to promote gender equality in a significant manner after 1994 as is reflected in its achievement that almost 33 per cent of seats in its parliament are held by women. As in Botswana however, South Africa has a HIV- prevalence rate substantially higher than the SSA average, at 18.8 per cent, and its income inequality is high, with a Gini-coefficient of 57.7<sup>10</sup>. Finally, table 2 confirms the conclusion that Ghana is unlikely to withstand scrutiny as case study of a successful SSA economy: its poverty and gender equality measures are worse than the SSA average, and its HDI and net enrolment in primary school is on average<sup>11</sup>.

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health, (e) combat HIV/AIDS, malaria and other diseases, (f) ensure environmental sustainability and (g) develop global partnerships for development ([www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)).

<sup>10</sup> Bigsten and Shimeles (2007) argue that with relative modest but sustained GDP growth rates many countries in SSA would be able to meet the first MDG, which is to eradicate extreme poverty by at least halving the proportion of people living with less than 1 US \$ per day. However, they point to high inequality in Botswana and South Africa as putting constraints on this, finding that if the Gini-coefficient increases by only 1 per cent by 2015, significantly higher growth would be required in these countries to achieve the first MDG.

<sup>11</sup> Kiiza (2007) argues that Uganda should be seen as an additional successful SSA economy.

### 2.3 Development Success in Context

The picture that emerges from the above is that Botswana, Mauritius and South Africa seems largely to have avoided the fate of stagnating incomes and other dismal development outcomes that have befallen much of SSA since the 1960s – and that Ghana has not. The former may therefore have succeeded in aligning their policies with institutional designs ‘fit for purpose’, and as such offer useful insights for unpacking the ‘black box’ of institutions<sup>12</sup>.

The apparent development success of Botswana, Mauritius and South Africa should be framed within the broader context of the circumstances within which these countries achieved their success.

Consider first Botswana. The country achieved its success as noted above in the context of both facing natural (renewable) resource scarcity (low rainfall, low soil quality) and (non-renewable) resource abundance (diamonds). Both of these factors have elsewhere in Africa been associated with low productivity, conflict and macro-economic crisis. Furthermore, the country face geographical constraints such as being landlocked, and being geopolitically located in a region that has seen long periods of political instability and civil strife (as in neighboring Angola, Namibia, South Africa and Zimbabwe). The latter, through various direct and indirect effects have been found elsewhere in Africa to undermine countries growth prospects, particularly if it is landlocked and resource scarce (Collier and O’Connell, 2007). Finally, the country’s success is despite a small local market (of just less than 2 million people) and very low population densities (at 3 persons per km<sup>2</sup>, Botswana’s population density is 10 times smaller than the average SSA population density).

As far as Mauritius is concerned, it also had to overcome significant obstacles in achieving its development success. It is a small island economy, environmentally highly vulnerable<sup>13</sup>, subject

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<sup>12</sup> According to Chang (2007:3) for the concept of ‘institutional building’ to be meaningful across countries, ‘it becomes even more important that we are able to identify the exact conditions under which particular institutions (and the exact forms they take) help economic development or otherwise’.

<sup>13</sup> According to the environmental vulnerability index (EVI) of the South Pacific Applied Geoscience Commission (SOPAC) and the United Nations Environment Programme (UNEP), Mauritius is classified as a ‘Highly Vulnerable’ country.

to natural hazards such as cyclones<sup>14</sup>, remote from world markets, located in the tropics<sup>15</sup>, and facing a relative scarcity of natural resources. Its performance, compared to other small island economies has been good. For instance, in 2005 the average GDP per capita for 11 small island countries in the Pacific was US \$ 4,718 and four 16 small island countries in the Caribbean US \$ 6,869 (including high-income countries and territories such as the Bahamas and Puerto Rico). In comparison, Mauritius's corresponding GDP per capita was US \$ 5,059 places it ahead of the average Pacific island, approaching the income levels of the better located and more developed Caribbean islands. And unlike Botswana and most other small island developing states, Mauritius achieved a substantial structural transformation of its economy, to the extent that manufacturing contributed 19 per cent to its GDP by 2006, exceeding even the share of manufacturing in the South African economy.

South Africa's performance since the 1960s may perhaps be less remarkable than those of landlocked and renewable-resource poor Botswana and the vulnerable small island economy of Mauritius, but it nevertheless had to overcome significant constraints in order to avoid the fate of many SSA countries. More pertinently though, its post-apartheid experience after 1994 has seen the country reducing a widening gap in per capita income with Botswana and Mauritius in only a few years, and have seen, as Lundahl and Petersson (2008) finds, reductions in poverty over a relatively short time period. Rich in 'lootable' mineral resources it is subject to Dutch-disease type of effects, which is reflected in the volatility of its growth record and its exchange rate – despite this it has managed to develop the most substantial manufacturing sector in SSA. Its resource wealth was, and perhaps still is, a potential for conflicts over control or for rent-seeking and corruption. Though conflict over these resources was avoided for most of the 20<sup>th</sup> century, it was perhaps due to the fact that huge armed conflicts, such as the two Anglo-Boer

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<sup>14</sup> Mauritius is subject to annual occurrences of cyclones, which affects the island's agriculture and tourism. Between 1900 and 1997 nineteen natural disasters occurred, which is slightly higher than the island-average of 16 in the Caribbean and similar to the island average (nineteen) in the Pacific (see Pelling and Uito, 2001)

<sup>15</sup> Tropical countries tend to have average growth rates 0.5-1.0 per cent lower than those of temperate countries. Furthermore, life expectancy in the tropical zone is on average seven years less than in temperate countries (Hausmann 2001: 46). In cross-country empirical studies, location in the tropics or elsewhere is often measured by latitude. Latitude is strongly and positively correlated with per capita income (Bloom et al. 2003: 361). Of the successful SSA countries, only Mauritius lies wholly within the tropics.

Wars during the late 19<sup>th</sup> century, and which can be traced to the discovery of diamonds and gold, settled patterns of control and appropriation of these resources. Furthermore, South Africa is a country with a high degree of ethnic and linguistic fractionalization<sup>16</sup> which has managed to avoid, even despite more than 40 years of discriminatory policies under the apartheid-regime, significant civil conflict. Indeed, to a large measure the country's current standing in the international community is due to its attempts to overcome the legacy of apartheid peacefully, and constructively, both in terms of nation-building and in restarting growth and development after the stagnation of the later apartheid-regime years.

### **3. COUNTRY CASE STUDIES**

Having outlined the degree to which the four countries can be judged to have been successful in terms of development, this section explores the factors which had contributed to that success and to consider the extent to which these countries' experiences bear out the theoretical literature on economic development. Even though Ghana is not an unqualified success in economic development terms, it is useful to provide it as a case study, as the Ghanaian case is more similar to the average SSA case, and thus offer useful comparison.

In section 3.1 the broad reasons for SSA's economic stagnation is discussed, and contrasted with the situation in the four countries. Thereafter, sections 3.2 to 3.5 consider each of the countries in turn, in order to determine why and how their situation differed from the rest of SSA.

#### **3.1 Background**

To understand why some of the countries studied here have been relatively successful in the SSA context, it may be necessary to have a basic understanding of SSA's poor economic performance. Without claiming to be exhaustive, the economics literature has variously found the most important reasons for this to be due to combinations of policy failures - or policy

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<sup>16</sup> According to the ethnic and linguistic fractionalization indices of Alesina et al (2003:184-189) South Africa's ethnic and linguistic fractionalization is 0.7517 and 0.8652 respectively, compared to the already high SSA averages of 0.6554 and 0.6347.

'syndromes'<sup>17</sup> (e.g. Ndulu et al. 2007a,2007b), institutional weaknesses (e.g. Birdsall, 2007; Sachs et al., 2004), adverse history (e.g. Acemoglu et al. 2001, 2002; Nunn, 2008;2007; Nunn and Puga, 2007), political instability and civil conflict (Easterly and Levine, 1997; Collier and Hoeffler, 2002;2004), and geographical constraints (e.g. Gallup et al., 1999; Barrios et al., 2003; Naudé, 2004;2008). A large number of studies have also been concerned with Sub-Saharan Africa's trade orientation and performance, and the impact of globalization on SSA – including consideration of foreign direct investment and regional integration (e.g. Carrère, 2004; Foster, 2006; Fosu, 1990; Naudé and Krugell, 2007; Nissanke and Thorbecke, 2008). As remarked by Bigsten and Shimeles (2007:162) '*African countries seem to suffer from many deep seated, structural problems that propagate poverty*'. As a result of the interaction between these reasons, it has been concluded that SSA countries are caught in various self-reinforcing underdevelopment 'traps'. Sachs et al. (2004) identifies a savings trap, a demographic trap and a low capital-threshold gap. Collier (2006a) identifies four reinforcing traps namely a conflict trap, a corruption trap, a primary commodity trap and a fractionalized society trap. Birdsall (2007) identifies an institutional trap in SSA.

As a consequence of the belief that SSA countries are caught in various possible underdevelopment 'traps', scholars and international development agencies have advocated that a concerted effort—a *big push*, especially in governance, basic infrastructure investment, aid—is needed (e.g. UN Millennium Project, 2005; Africa Commission Report, 2005; UNCTAD, 2006). Criticisms of the 'poverty trap-big push' argument for SSA are given in Jones and Olken (2005), Easterly (2006) and Kraay and Raddatz (2007).

In the subsections that follow, it will be argued that the experiences of Botswana, Mauritius and South Africa are examples that may suggest that growth and development may be obtained without a sudden, concerted intervention or 'big push'. As Robinson (2008:14) points out '*Botswana got richer slowly, step by step, it did not need a "big push", just a cumulation of little sensible things*'. In Mauritius as well, as Subramanian (2008) discusses, there was no 'big push', indeed the country's performance is ascribed to judicious, selective and pragmatic

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<sup>17</sup> Ndulu et al. (2007b) identify four *policy syndromes* as central to Africa's poor economic performance: state controls, adverse redistribution, intertemporally unsustainable spending, and state breakdown.

implementation of a heterodox trade policy. In South Africa, a planned 'big push' in the form of a 'Reconstruction and Development Plan' (RDP) had to be abandoned within two years after adoption due to an insufficient 'administrative structure needed for efficient implementation' (Lundahl and Petersson, 2008:8). Here, as in Botswana and Mauritius, the eventual adoption of policies was characterised by pragmatism, and considerable debate.

These countries did not require a 'big push' to escape from their initial underdevelopment. Instead, their development success can be seen to be due to reasonable favourable conditions in terms of each of the factors or circumstances which lead to economic stagnation in most of the rest of SSA.

Table 3 contains a broad summary of the salient conclusions from the literature on SSA's economic performance and highlights the main features in each of the countries under scrutiny. Column 1 lists the main factors behind SSA's poor economic performance as found in the literature referred to above. Column 2 summarises, very broadly, the way these factors have impacted on SSA, while columns 3 to 6 compares the situation in Botswana, Ghana, Mauritius and South Africa, respectively. The remainder of the paper discuss the contents of this table in greater detail

**Table 3: Comparing the Determinants of SSA's poor economic performance in Botswana, Ghana, Mauritius and South Africa**

<b>Broad determinant</b>	<b>Relation to economic outcomes in SSA</b>	<b>Botswana</b>	<b>Ghana</b>	<b>Mauritius</b>	<b>South Africa</b>
<b>Policy choices</b>	Unsustainable and inconsistent fiscal and monetary policies reduced investment, distorted prices and depressed productivity and growth.	Managed macro-economic stability and consistent policies.	Unsustainable fiscal and monetary policies results in high fiscal deficits, spiraling inflation and growing government debt before an World Bank /IMF Economic Rescue Plan (1983) and Structural Adjustment Plan (1986) is needed.	Managed macro-economic stability and consistent policies.	Managed macro-economic stability and consistent policies (since 1994).
<b>Institutions</b>	Lack of good governance (accountability, transparency) lead to clientism, poor	Achieved high levels of good governance, avoided conflict, strengthened the state and provided good	Experienced failures of good governance. Political instability, civil conflict and coups. Political stability only	Achieved high levels of good governance, avoided conflict, strengthened the state and provided good	Good governance, avoided conflict, development-oriented constitution, raised provision of public



	policies, reductions in public good provision, state failure/collapse, and a failure to mediate conflict.	levels of public goods. Secure property rights and stable democracy. Inclusive process of policy formulation. Focus on nation building. Good leadership. Pragmatic approach to policy making.	since mid to end 1990s, but since then positive political transformation to more inclusive democracy.	levels of public goods. Secure property rights and stable democracy. Inclusive process of policy formulation. Focus on nation building. Good leadership. Pragmatic approach to policy making.	goods since 1994. Secure property rights and stable democracy since 1994. Strong decentralization to local level. Inclusive process of policy formulation. Good leadership preceding and after transition in 1994. Pragmatism and vigorous debate on policy directions.
<b>History</b>	Slavery and colonialism caused direct economic losses as well as long-term political instability. Artificial borders contributed to high	Avoided negative impacts of slavery, and of colonial exploitation. Strong precolonial centralization benefits state formation.	Significantly affected by slavery and colonial exploitation. Artificial borders. High degree of ethnic and linguistic fractionalization.	Natural borders. Avoided negative impacts of slavery. Relatively low (for SSA) degree of ethnic and linguistic fractionalization.	Avoided large impact of slavery but extensive colonial heritage in terms of mining exploration, governance structures, and legal origins

	levels of ethno-linguistic fractionalization.	Borders less artificial. Lower degree of ethnic fractionalization.		Strong colonial heritage (British and French). Strong historical networks with India and China.	Strong historical networks with Britain and the Netherlands. Moderately artificial borders, with high ethnic and linguistic fractionalization.
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**Table 3: Comparing the Determinants of SSA's poor economic performance in Botswana, Ghana, Mauritius and South Africa (continued)**

<b>Broad determinant</b>	<b>Relation to economic outcomes in SSA</b>	<b>Botswana</b>	<b>Ghana</b>	<b>Mauritius</b>	<b>South Africa</b>
<b>Trade, globalization</b>	Declining terms of trade, trade restrictions, commodity price volatility and small, fragmented internal markets and being landlocked	Overcome landlockedness through economic integration (SACU), investment in infrastructure. Avoided exchange rate overvaluation or	Commodity price volatility, overvalued exchange rate, high import restrictions (before 1986). Isolationist and import-protection industrialization	Heterodox trade policies and favourable trade preferences underpinned export-led growth. Avoided exchange rate overvaluation or excessive taxation of	Traditionally slow growth in exports over long-term. Isolation and import-protection industrialization resulted in slow growth of manufactured exports

	contributed to a lack of economic diversification, slow growth in manufactured exports and inflows of FDI.	excessive taxation of key agricultural sector (cattle farming) production and exports.	policies favoured. Policy breaks in 1983-86. Realization of need to further exports of non-traditional goods.	cash-crop (sugar) production and exports.	and inefficiencies before 1994. Policy break in 1994. Significantly opened up the economy since 1994; TDCA with EU in 1999. Realization of need to stimulate growth in non-traditional exports.
<b>Geography</b>	Climatic factors such as tropical climates (low soil qualities, diseases), unpredictable rainfall (water scarcity) and ruggedness affected the productivity of investment and	Climate and resource scarcity may have facilitated inter-group co-operation and pre-colonial centralization. Low incidence of malaria. Good institutions reduced impact of	High incidence of malaria. High settler mortality. Tropical climate (low soil qualities, diseases).	Remoteness from world markets. Small island state with susceptibility to natural hazards (cyclones). No/Low incidence of malaria.	Largely non-tropical location, low incidence of malaria and other tropical diseases; Relatively fertile / arable soils, summer and winter rainfall regions. Large coastline, six large

	<p>institutional formation.</p> <p>Distances from world markets, lack of navigatable rivers reduces trade.</p> <p>'Lootable' natural resources often results in a 'resource curse'.</p>	<p>geography, but the latter may place future limits on growth.</p>			<p>harbours, location on major trade routes influenced economy since 16<sup>th</sup> century.</p> <p>However, relative remoteness from major world markets results in high international transport costs.</p>
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### 3.2 Botswana

According to Robinson (2008) one must, in order to draw the appropriate lessons from Botswana's success in the SSA context, distinguish between the proximate and ultimate determinants of development. In Botswana, the proximate determinants of development success are straightforward: apart from natural endowments (minerals and an environment for cattle farming) these include prudent macro-economic management, political stability and good institutions such as secure property rights (due to 'good governance' -see column 3, row 1 in Table 3). Robinson's (2008) argument is therefore broadly consistent with the framework in Table 3. His explanation for why Botswana was able to have good governance, and avoid neo-patrimonial rule/clientism which elsewhere in SSA lead to poor state formation, refers to its historical-institutional legacy. There are five related aspects to this legacy.

First, he argues that pre-colonial centralization (although he does not use this term) in the region was strong, formalized under eight Tswana states. This benefited post-independence state formation through making it easier to put controls on politicians, facilitate conflict resolution, and forge a national identity. There is some cross-country evidence to support this explanation. Recently Gennaioli and Rainer (2007) compiled measures of pre-colonial centralization in SSA. Pre-colonial centralization entails the existence of a hierarchy which 'made local chiefs accountable to higher-level traditional authority' (Ibid, p.186). What is important here is the 'checks and balances' on politicians, and not *per se* contestation of political power through elections<sup>18</sup>. They find that in countries where the share of the population belonging to such centralized institutions in pre-colonial times was higher, there was also better provision of public goods after independence, and present evidence which suggest that this was due to the fact that post-independence governments could better coordinate public good provision and hold local leaders to account<sup>19</sup>. Gennaioli and Rainer (2007) established

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<sup>18</sup> In this regard Collier and Hoeffler (2007:31) remark that Botswana's democracy today is one of limited electoral competition, but with strong checks and balances on political power. They contrast this with the democratic systems elsewhere where there are significant electoral competition, but weak checks and balances, which they see as having poor outcomes in resource-rich countries,

<sup>19</sup> They find a significant positive relationship between a SSA country's degree of postcolonial centralization and subsequent provision of public goods. It can also be that strong pre-colonial

that in Botswana, 89 per cent of the population belonged to such centralized institutions, compared to the median of 54 per cent for SSA. In comparison, for poorer-performing Ghana this was 65 per cent (values for Mauritius and South Africa not provided).

It is important here to stress the conflict reduction role which a state, strengthened by pre-colonial centralization played. Elsewhere in SSA, the abundance of non-renewable resources, such as diamonds, and the high incidence of poverty (Botswana was poor at independence, as figure 2 suggests) have been used as explanations for the large number of civil wars which has plagued the continent (e.g. Homer-Dixon, 1999; Collier and Hoeffler, 2004). More recently Welsh (2008) generalized the determinants of conflict to depend on the relative payoffs from either production or appropriation. This is a useful approach, as from this one might argue in Botswana serious conflict was avoided despite the combination of both poverty and appropriable resources, because of its high opportunity costs. A number of factors raised this: government spending on education and health, stable and sustained economic growth, the political constraints due to strong pre-colonial structures, relatively low ethno-linguistic fractionalization and relatively low population pressure relative to natural resources (elsewhere in SSA conflict is significantly associated with population size and density – see e.g. Collier and Hoeffler, 2002).

Second, Botswana avoided many of the negative impacts of the slave trade and colonialism, either by prudent actions (such as sending a delegation to Queen Victoria – see Robinson, 2008:6) or just due to neglect by the colonial powers<sup>20</sup>. Elsewhere in SSA the slave trade exacted serious immediate economic costs on local economies, as well as an adverse long-term impact on political stability (Nunn, 2008:165). For one, the slave trade has been found by Nunn (2008) to be negatively associated with pre-

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centralization could have contributed to lower ethnic and linguistic fractionalization later on (based on argument from Robinson, 2008). Running an OLS regression of the degree of pre-colonial centralization on ethnic fractionalization in SSA, it is found that there exist a negative and statistically significant relationship between these two variables, which would be consistent with both higher pre-colonial centralization reducing later ethnic fractionalization, or of lower ethnic fractionalization contributing to stronger centralization. The causality is likely to run in both directions.

<sup>20</sup> For instance as the Bechuanaland Protectorate the country did not even have a capital city, but was administered from Mafikeng in South Africa (Somolekae, 1998).

colonial centralization in SSA. Botswana, as well as Mauritius and South Africa largely escaped the effects of the African slave trades, in contrast to Ghana. According to the estimates constructed by Nunn (2008:152) there were no slave exports between 1400 and 1900 from either Botswana or Mauritius, about 2,031 from South Africa, but a significant 1,614,793 from Ghana. They show that the number of slave exports from Ghana over the period was the third highest in SSA, after Angola and Nigeria. Also colonialism is widely regarded as having had negative impacts on SSA's economic performance which, through path-dependency effects, is still being felt (Nunn, 2007; see also Acemoglu et al. 2001; 2002).

Third, Robinson (2008) recognizes that there is a good fit between the borders of the modern state of Botswana and the areas that resorted under the Tswana states. The poor fit of borders elsewhere in SSA continues to be seen as one of the worst legacies of colonialism. Recently, Adebajo (2008) called it the 'curse of Berlin', referring to the process in Berlin in 1885 where the colonial powers largely determined the borders of today's African states. This process resulted in borders that are artificial<sup>21</sup> - being 'imposed arbitrarily, defended illogically and blamed incessantly' (Anon, 1997:17). Borders not only fragmented SSA into a large number of small economies<sup>22</sup> but contributed to the high levels of ethnic and linguistic fractionalization seen in SSA (Alesina, et al., 2003).

Fourth, Robinson (2008) discusses how elites were well represented in the first post-independence government, The fact that these elites were substantially involved in cattle ranching, facilitated the establishment of secure property rights. This could also be seen to have furthered the vested interest and legitimacy in the Botswana state and contributed to political stability: what Botswana, together with the other successful cases in SSA such as Mauritius and South Africa have in common, is the absence of any coups or civil wars.

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<sup>21</sup> Easterly et al. (2006: 2) define an artificial state as one in which 'political borders do not coincide with a division of nationalities desired by the people on the ground'. According to these authors, most of Africa's borders were drawn up by former colonizers and more than 80 per cent of these borders can be deemed artificial.

<sup>22</sup> Africa has the highest number of countries per square kilometre in the world (Ndulu et al. 2007b: 102).

A fifth reason identified by Robinson (2008) for the fact that Botswana followed good governance is one perhaps less often discussed in economics, but somehow of crucial importance in many of SSA's successes (and absent in its failures) . good leadership. The recent 'Growth Report' of the World Bank (2008:3) is a notable exception in highlighting the importance of good leadership for successful development, stating that '*such leadership requires patience, a long planning horizon, and an unwavering focus on the goal of inclusive growth*'. Referring to Botswana's leaders during the 19<sup>th</sup> and 20<sup>th</sup> centuries Robinson (2008:5) remarks '*One is struck by the incredibly pragmatic, serious and intelligent way these men addressed the problems of developing the institutions of the new state*'. Particularly notable aspects of Botswana's leadership was its farsightedness in not in initially killing the cash cow (cattle farming) through over-taxing /rent-seeking, and by taking a long-term, patient view of economic development (see for instance the number of long term national plans adopted). To the patience and pragmatism qualities of leadership mentioned here, one also needs to add the necessity of nation-building, and of accommodating ethnic diversity. Robinson (2008) sees this as something in which Botswana has been successful, even in pre-colonial times, as he considers the country's relatively low degree of ethnic and linguistic fractionalization to have been the outcome of this nation-building process. In the cases of Mauritius and to an extent South Africa, the issue of good leadership and nation building will again be noted.

Historical circumstances and good leadership can thus be claimed to be the underlying reasons why Botswana enjoyed good governance over the period. While recognizing that Botswana will not be a good role model for other countries due to the very context-specific nature of this, Robinson (2008) nevertheless maintains that a central lesson from Botswana's experience is that that '*adopting the type of economic policies advocated by mainstream economists and by the World Bank can be very successful*' (Ibid, p. 14).

A conclusion in the literature that Botswana's success has solely been due to good governance and policies similar to those promoted by the World Bank and the mainstream is more open to criticism (e.g. Robinson, 2008). He recognizes that although we know that Botswana's historical-institutional legacy played a significant



role in its good governance post-independence, *'we still do not know enough about the historical reasons which lead to the Tswana's adopting these institutional arrangements'*.

The influences of geography or location<sup>23</sup> are very seldom considered in the case of Botswana's economic development performance. Two possible geographical factors could have benefitted Botswana. One is the low incidence of malaria, due to the country's elevation and dry climate. There is wide agreement on the huge burden that malaria imposes on development in SSA (see Chima et al., 2003). Gallup and Sachs (2000) found cross-country empirical evidence that countries where malaria is significant had reduced GDP growth of 1.3 per cent per year between 1965 and 1990.

A second geographical factor is the relatively harsh and resource-constrained natural environment. For instance less than 1 per cent of Botswana's land area is arable and only 0.3 per cent of land is used as cropland. About 32 per cent of the population is subject to water stress. The argument has been made that such ecological resource-constraints may facilitate inter-group co-operation (Cosmides and Tooby, 1994). We may therefore expect to find high degrees of political centralization (which requires inter-group co-operation) in many other parts of SSA where the natural environment poses particular challenges. For instance both Lesotho and Ethiopia<sup>24</sup>, rugged countries with unpredictable rainfall patterns, had a high percentage of pre-colonial centralization.

To test this possibility and thus go a bit further to explain the reasons for the particular institutional developments in pre-colonial Botswana, Table 4 contains the results of an OLS regression, where the dependent variable is the degree of pre-colonial centralization in a SSA country, and the independent variables include a selection of

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<sup>23</sup> Much has been written about whether geography is an ultimate determinant of economic development, or whether institutions are more important and can moreover overcome any negative influences of geography. The latter standpoint seems to have gathered the majority of support in recent years. The case studies presented here may also suggest that adverse geography and location (Botswana, Mauritius) can be overcome by good governance. However, the point that these case studies also make, is that there is a more complex relationship between geography and institutions, with the former having an influence on the latter. It may be these influences that are not taken into account in most analyses of good governance in Botswana and Mauritius.

<sup>24</sup> The effects of colonialism and slavery had however a negative impact on these pre-colonial institutions in Lesotho and Ethiopia.

possibly exogenous determinants, such as rainfall (as a measure of resource constraints and a harsh environment), latitude (as a measure of distance from the tropics, and thus distance from malaria and other diseases), the number of slave exports between 1400 and 1900 (as a measure of the impacts of slavery and colonialism on indigenous institutions), the elevation of a country (as a measure of ruggedness and of distance from malaria and other tropical diseases), the proportion of people that reside within 100 km from a coast, and a dummy for being landlocked (the latter two could measure the relative isolation from global markets and influences, as well as milder climates).

Data on geographical variables were obtained from the Gallup, Sachs and Mellinger geographical database at Harvard's CID (see <http://www.cid.harvard.edu/ciddata/geographydata.htm>). Data on pre-colonial centralization was obtained from Gennaioli and Rainer (2007), and data on slave exports from Nunn (2007). In addition measures of water stress (from Ohlsson, 1999) and soil suitability (from Harvard's CID) were alternatively included in the regression. In order to avoid problems due to heteroskedasticity the Huber/White/Sandwich estimator of the variance was used so as to obtain robust standard errors.

**Table 4 . Regression estimates of the Determinants of Pre-colonial Decentralization (Dependent variable the share of the population belonging to centralized pre-colonial institutions)**

<b>Variable</b>	<b>Model 1</b>	<b>Model 2</b>
Constant	0.76 (6.75)*	0.41 (1.81)*
Rainfall	-0.0002 (-2.45)*	-0.0002 (-1.80)*
Latitude		0.002 (0.30)
Slave Exports		-0.000 (-0.01)
Elevation		0.0004 (3.57)*
Population <100km of coast		0.50 (1.47)
Landlocked		0.02 (0.17)
	R <sup>2</sup> 0.13	R <sup>2</sup> = 0.46
	N = 39	N = 33

*(Note. robust t-ratio's in brackets. An \* indicates statistical significance).*

The results in Table 4 show that rainfall, taken here as a measure of a harsh environment for planting crops, is statistically significant and negatively associated with the degree of pre-colonial centralization. In column 2, model 1 shows the results only between the dependent variable and rainfall. In column 3, model 1 includes a number of conditioning variables. It can be seen that the effect and significance of rainfall on pre-colonial centralization is robust to alternative specifications. In additional specifications, measures of water scarcity (using the water scarcity index) and soil suitability were used. These did not materially change the results. Soil suitability turned out to be statistically insignificant. Water stress was significant and positive, i.e. of the expected sign, indicating that pre-colonial centralization is stronger where there is higher water stress. Furthermore, dummy variables for Botswana, Mauritius and South Africa were included, but these were insignificant.

Table 4 also shows that, in addition to rainfall, a country's elevation turns out to be statistically significantly associated with pre-colonial centralization. It suggests that regions with higher elevations had more people living in centralized societies, with stronger institutions. Two examples already mentioned, Ethiopia and Lesotho, are both elevated, mountainous countries. Such countries, at higher elevation tend to be more rugged. Recently Nunn and Puga (2007) found that ruggedness may matter for development outcomes in SSA, since rugged countries were less exposed to slave raids during colonial times, thus protecting their institutions. Another reason for the positive relationship could be due to the health benefits from a higher elevation, since malaria is not endemic at higher elevations. For example in Ethiopia 89 per cent of the population live in the northern highlands, a region covering about 45 per cent of the country's area, largely because of its lower temperatures and less exposure to malaria (Benin et al. 2004: 167). With a less exposure to malaria, and subsequently lower levels of mortality and greater returns from human capital, the outcome would have been beneficial to institution building.

A second omission often found in analyses of Botswana's success related to its geography, is its location in close proximity to SSA's largest internal market, South Africa. This location, from where it could access the market and make use of South Africa's transport infrastructure, such as road, railways and ports, helped significantly

to reduce the disadvantages of being landlocked. A key explanation also in Mauritius's success was its ability to overcome the disadvantages of its remoteness (see Subramanian, 2008 and section 3.4 below). Moreover, despite its political troubles and uncertainties South Africa always provided stable and secure transport infrastructure to Botswana, unlike many other landlocked countries where war and instability in neighboring countries negatively impacted on their ability to trade. Of course, Botswana's policy choices and good leadership maximized the benefits of this location, through entering early on (about 50 years before independence) into a Customs Union with South Africa (SACU- see footnote 7). Its tariff revenue from this Union alone amounts to 9 per cent of GDP. It also invested significantly in transport infrastructure linking it with the rest of Southern Africa, such as construction of parts of the Trans-Kalahari Corridor which connects it with Mozambique, South Africa and Namibia, and the Lobatse – Francistown corridor linking it was Zimbabwe.

Thus, while the importance of historical-institutional factors in contributing to good governance in Botswana is without doubt, the potential role that the country's underlying geography has played, including its location relative to the largest agglomeration of economic activities in Africa has been missed in most previous analyses. To the extent that Botswana's institutions may have been influenced by geographical features, and to the extent that its institutions overcome geographical challenges, Botswana is an interesting case study of the interaction that exist between the geography, history and the proximate determinants of development.

### **3.3 Ghana**

From the profile of the four countries given in section 2 it was concluded that Ghana is not the success in terms of economic growth and development as is Botswana, Mauritius and South Africa. Fosu (2008) however argues that Ghana has been successful in stopping and reversing its economic decline, in abolishing poor policies and institutional features, and in adopting better policies and embarking on a political transformation to multi-party democracy. Given that post-independence Ghana suffered from many of the factors which lead to economic stagnation in much of the rest of SSA, its reversal offers potential lessons to other SSA countries. In particular, as Fosu (2008) show, Ghana's turnaround since the late 1980s has been the result of

having implemented a fairly standard World Bank / IMF structural adjustment programme. Herein it was relatively successful in liberalization of trade (although less successful in achieving macro-economic stabilization) and the subsequent expansion of export-growth – in particular of manufacturing exports. Ghana's post 1986 success is thus, similar to Botswana's more long-term success, partly due to having adopted orthodox policies.

As discussed in Fosu (2008), Ghana's economy declined after independence, to such an extent that the economy contracted for most of the post 1970 period until around 1985, following the implementation of an Economic Recovery Plan (ERP) with the assistance from the IMF and World Bank. In 1975 the economy contracted by almost 15 per cent in one year.

Following the scheme in Table 3, one can learn from Fosu (2008) that in Ghana, as in many other SSA countries during the period, there was (a) poor macro-economic policies (fiscal and trade deficits widened and inflation and external debt accelerated), (b) poor governance (the period was one characterized by coup d'états and military rule), and (c) inappropriate trade policies (resulting in overvalued exchange rates and inefficient, protected state-owned enterprises).

In addition to these more proximate determinants of success or failure, what is not discussed in Fosu (2008) are the more long-term or ultimate determinants, including the initial conditions. Table 3 contains a brief discussion of these. First, Ghana had a relatively low degree (65 per cent) of pre-colonial centralization- which has recently been seen as important ingredient for post-independence governments in providing public goods (Gennaioli and Rainer, 2007). Second, Ghana suffered more than any of the other countries here from the effects of colonialism and slavery. Between 1400 and 1900 an estimated 1.6 million slaves were exported from China (Nunn, 2008). Third, colonial extraction was more severe from Ghana, partly as a result of the higher mortality suffered by colonial settlers: settler mortality in Ghana was 668 per 1,000, a figure much higher than the others; for instance in South Africa, as will be further discussed below, settler mortality was only 15.5 per 1,000 (Acemoglu et al., 2001). Fourth, unlike Botswana, Mauritius or South Africa, Ghana's complete location in the tropics made it susceptible to malaria – the incidence of which is much lower in the

others. Finally, Ghana's ethnic fractionalization is quite high: at 0.6733 it is higher than that of Botswana (0.4102) or Mauritius (0.4634) (Alesina et al., 2003).

These factors could all contribute towards understanding the reasons why wrong policy choices were made in Ghana after independence and why institutional development was poor. However, in 1983 and 1986, mainly because it had no choice (Fosu, 2008) the country embarked on a IMF/World Bank structural adjustment programme (SAP), as was mentioned. Was this SAP successful? Here, the answer is that Ghana has seen some mixed success (as in the case of post-apartheid South Africa as will be shown in section 3.5 below). Table 5 below compares Ghana's macro-economic performance on a selection of measures before and after the policy break between 1983 and 1986 (1985 was taken as the break year) and also with the average performance of SSA over these periods.

**Table 5. Ghanaian Macro-Economic Performance before and after 1985: Selected Indicators**

	Ghana		SSA	
	1960-1984	1985-2006	1960-1984	1985-2006
Current account (% of GDP)	-1.80	-5.08		
Exports (% of GDP)	16.07	28.42	25.40	29.13
Exports (annual % growth)	-2.13	8.53	3.67	4.38
GDP growth (annual %)	1.22	4.71	3.78	2.99
GDP per capita, constant PPP	832	956	1,643	1,524
Inflation (%)	39.31	24.80		
Manufacturing (% of GDP)	9.77	9.36	15.75	14.95

*(Source of data: World Bank: World Development Indicators Online)*

Table 5 shows that Ghana's main macro-economic success after 1985 was the good growth it achieved in exporting. Thus whilst exports were contracting in the period before 1985 (reflecting the overvalued exchange rate and the import protection regime) by about 2.13 per cent on average, after 1985 average annual export growth

exceeded 8 per cent. The share of exports in GDP rose from an average of 16 per cent before the SAP, to an average of 28 per cent after 1985. It can also be seen that the impact on economic growth was positive. Whereas average annual GDP growth between 1960 and 1984 was only 1.2 per cent per annum (significantly lower than the SSA average of 3.7 per cent), average annual growth exceeded 4 per cent between 1985 and 2006. As a result GDP per capita (in constant PPP terms) increased from an average of US \$ 832 before 1985 to US \$ 956 in the later period (although average GDP per capita is still 1.6 times lower than the SSA average). It can also be seen that inflation came down, although it is still very high on average. More of a concern from Table 5 is the fact that Ghana's current account balance has worsened (as a result of rising imports due to reduced tariffs and higher economic growth/demand) as well as the fact the manufacturing as percentage of GDP is actually slightly lower on average after 1985 than before. As Fosu (2008) points out, the current account deficit was not covered by sufficient private flows of capital (FDI), and the country's reliance on aid increased.

In sum, one may have doubts of the extent to which Ghana has been successful in overall development. Basically, the story is that the country has had some achievements, but not enough. The main achievements in the economic sphere may have been trade liberalization which leads to a resumption of export growth. On the rest of the economic dimension the success has been mixed, however. Thus, economic growth had taken off, but it may not be enough; Manufacturing exports have increased, but the country has not been able to diversify the economy; Inflation has been brought down, but still remains comparatively high; the fiscal deficit has been reduced, but not enough. And the trade balances remain a concern. As the indicators in Table 2 have shown, poverty remains a significant problem in Ghana, more so than in any of the other countries discussed here.

The mixed and qualified outcome of Ghana's economic success over the past decades is something which it has in common with South Africa (discussed in 3.5 below). Indeed, there may be some useful parallels to draw between Ghana and South Africa, despite their significant differences. Both countries entered the 1960s and 1970s attempting import-substitution industrialization behind high tariff walls. Both countries

have a long period until the 1990s during which political instability depressed investment and trade. Both countries made a significant break with past policies (Ghana in 1983, South Africa in 1994) and turned to substantial trade liberalization to open up their economies, with both experiencing both export and import growth. Like Ghana, South Africa is suffering from a large current account deficit (around 8 per cent of GDP at the end of 2006). Both countries embarked on important political transitions to multi-party democracy. Both countries have made many improvements in their institutions.

Whether growth may be sustained and the economy become more diversified may depend on improvements in Ghana's institutions. In this regard Fosu (2008) highlights the country's political transition as a success story. The country moved, relatively peacefully, from military rule to multiparty democracy (Fosu, 2008). This, as he recognizes has now laid the foundation for continued growth. One factor which stands out from Fosu's (2008) discussion of the political transition as well as the economic policy break during the 1980s is that of 'good leadership'. It needs to be highlighted here again, as it is something which Ghana's limited success has in common with Botswana, Mauritius and South Africa (post 1994). It has played a role in the government sticking to unpopular orthodox policies in the 1980s, as well as in the peaceful transition. Whether Ghana will sustain good leadership and institutional building remains to be seen. The period since its transition may be too short to make firm conclusions; moreover, as the post 1994 experience of South Africa (see 3.5 below) will show, the potential for institutional erosion and loss of good leadership could be a threat to development.

### **3.4 Mauritius**

Table 3 shows that as far as the broad determinants of development in SSA is concerned, Mauritius bucked the trend in all of the cases: it had implemented good macro-economic policies, it had achieved good governance and maintained political stability, historically it escaped the consequences of the slave trade, and may have benefitted from adoption of colonial (British and French) institutions, as well as from extensive networks to India and China: Despite its tropical location it is largely malaria-free, and it has succeeded in overcoming the disadvantages of its remote location and



small domestic market. In particular, what stands out in Mauritius's case, and which sets it apart from Botswana and especially from South Africa, is its successful export-driven growth path. While Botswana has also been notably successful in exporting, it did not succeed to the same degree as Mauritius to diversify its exports, remaining dependent on the exports of agriculture and mining products. In contrast Mauritius moved from exporting predominantly sugar and sugar cane to exporting clothing and textiles and generating increased foreign exchange from international tourism.

How did Mauritius achieve this? According to Subramanian (2008) Mauritius's export-driven growth is relatively unique in that it was achieved not through orthodox free-market, open economy policies, but through a combination of heterodox industrial policies (protection and export subsidies through Export Processing Zones - EPZs) and international trade preferences (such as the Multifibre Agreement (MFA), the EU sugar quota and the AGOA<sup>25</sup>). Countries such as Botswana and South Africa, who desire to diversify their non-traditional exports, may be looking to Mauritius for lessons; for instance Botswana is currently pursuing EPZs and South Africa a softer version described as Industrial Development Zones (IDZs). Subramanian (2008) is cautious however, in holding Mauritius's example forward, and stress that these heterodox policies would not perhaps have been successful without the trade preferences which was afforded to Mauritius. It may have been Mauritius's good luck to have been able to enjoy these when it did, as the MFA is being phased out, the AGOA is expiring and the EU is introducing partnership agreements to replace the Lomé agreement.

The benefits from this growth was wisely spent, improving living standards and reducing inequality (through 'OECD-type social protection') in a country that at independence, faced significant ethnic splits, which could have resulted in violent conflict over scarce resources and the distribution of rents from export markets (Subramanian, 2008). Moreover, as Subramanian (2008:16) notes, the export-led growth strategy based on EPZ's was susceptible to rent-seeking, corruption and inefficiencies which has resulted in its failure in many other countries. Instead of conflict and rent-seeking and corruption, good governance prevailed in Mauritius. From Subramanian's (2008) explanation for this outcome one can conclude that in

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<sup>25</sup> The US Government's African Growth and Opportunities Act.

Mauritius good leadership, pragmatism and historical factors combined in a fortuitous manner to result in institutions which protected property rights, mediated conflict and provided public infrastructure to support private sector activities.. In the case of good leadership and pragmatism he refers to the national consensus that was forged in maintaining economic policies, and moreover in the accommodation of the French minority elite. As he puts it *'The cash cow in the case of Mauritius was the sugar sector and owned predominantly by the minority French community ...it was farsighted of the majority Indian community not to have nationalized or heavily taxed this sector'*. Thus the leadership in Mauritius appears to have been committed to a long-term plan of action, much as was the case in Botswana, and its pragmatism in dealing with ethnic and economic divisions can be seen to have been mirrored in post-apartheid South Africa (as section 3.5 will discuss). In terms of historical factors, which could have shaped the present institutions in Mauritius, Subramanian (2008) is largely silent, except to mention the fact that due to historical settlement patterns, Mauritius benefitted from strong ethnic networks with India and China. These networks resulted in positive spillovers in terms of trade, know-how /technology etc. from these fast growing Asian countries to Mauritius. Perhaps Mauritius was to an extent lucky in being located where it is, and having historical ties to Asia, at the very time when Asia became the world's fastest growing region.

### **3.5 South Africa**

Unlike in the cases of Botswana and Mauritius, not all commentators are of the opinion that South Africa is an example of a successful African country, or a possible 'country role model' (e.g. Subramanian, 2008; Kiiza, 2007). There are a number of possible reasons for this. One is that country, in terms of its history, population composition, and sheer economic size relative to the rest of SSA, is not typical of the continent. It is often grouped in the league of emerging markets that include Brazil, China and India, rather than other SSA countries. A second reason is that it's painful history under the apartheid-regime during much of the 20<sup>th</sup> century does not qualify it as a role model: the country was not a full democracy until 1994, and pre-1994 the majority of citizens was systematically excluded from sharing equally in the benefits of growth and development. Third, although the country has made a successful, even

miraculous transition to an inclusive democracy based on a progressive Constitution, many see the period since 1994 as perhaps too short to be able to evaluate whether the country is successful and whether other countries could learn from this.

Nevertheless, given that the country has bucked the general trend towards stagnation in SSA it may be regarded as a relatively successful SSA country with potential lessons for other countries. Therefore, indeed, it seems appropriate that Lundahl and Petersson (2008) ask whether post-apartheid South Africa is indeed an economic success story. Their answer to this question seems to be positive, although a bit qualified: they conclude that the country's post-apartheid success has been 'relative', and that substantial development challenges remain, of which they identify the country's huge unemployment rate (around 25.5 per cent) as the biggest obstacle to development. In this critical discussion of their assessment, the conclusion will be that South Africa's experience since 1994 has been one of mixed success.

Following Robinson's (2008) distinction between the proximate and ultimate determinants of development in his analysis of Botswana, Table 3 summarizes the broad reasons for South Africa's success with respect to proximate causes such as policies, institutions and trade, and deeper determinants such as history and geography. It can be seen that in many of these, the broad ingredients between Botswana, Mauritius and South Africa (at least after 1994) were rather similar. Thus in post-1994 South Africa generally good macro-economic policies and institutions were adopted, as was the case in Botswana and Mauritius over the past decades. Also, as in the case of Botswana and Mauritius, South Africa's colonial history was relatively less damaging than in the rest of SSA, in that the country largely avoided being raided by slave traders. Furthermore, South Africa seems to have been blessed with better geography than most SSA countries, including Botswana and Mauritius. Like these two, it has a low incidence of malaria. It is also largely outside the tropics, located on global trade routes.

In South Africa's case, it is useful to distinguish between the pre-and post-1994 periods. Pre-1994, it can be inferred from Figure 1, that the country experienced good economic growth rates from during the 1960s until the early 1980s. More specifically, as Lundahl and Petersson (2008) point out, even before the 1960s, the South African

economy was growing very fast, and growth was actually slowing down during the 1970s<sup>26</sup>. The proximate causes of South Africa's economic performance before 1994 have been extensively analyzed. In broad terms, growth was driven by resource extraction (especially of gold, platinum, nickel, coal and precious stones), and protectionist industrial policies around the minerals-energy- complex. Long-term declines in gold prices, rising costs of extracting declining gold reserves, and inefficiencies in manufacturing due to high import protection were some of the factors which already during the 1970s started to slow growth down. From the 1980s international sanctions against the apartheid-regime as well as domestic unrest intensified, which lead to capital flight and disinvestment from South Africa, and a strong reduction in growth rates. By the early 1990s the South African economy was contracting, the government deficit was at historically high rates (of around 9 per cent), and the economy was already suffering from significant shortages of skilled labour<sup>27</sup>, as a result of a combination of emigration and the poor provision of education under decades of apartheid-policies.

Following the 1994 democratic elections, South Africa's experience after 1994 have seen the resumption of economic growth, increases in per capita incomes, and as recent assessments suggests, a possible decrease in the poverty rate (see e.g. Lundahl and Petersson; 2008; Van der Berg et al, 2007a;2007b). As per the schema in Table 3, the proximate determinants of post-1994 seems to have been due to the adoption very good macro-economic policies, which included reducing a large and growing fiscal deficit and turning it into a surplus, adopting inflation targeting and successfully lowering inflation to single digits.

Moreover, the newly elected ANC-government rejected the past protectionists industrial policies by significantly liberalizing trade within the context of the WTO,

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<sup>26</sup> Rattsø and Stokke (2007) divides South Africa's economic performance into three periods: a 'high growth' period between 1960 and 1974, when GDP grew on average by 5.5 per cent per annum, a 'closed economy' period from 1975 to 1993, when GDP grew on average by 1.6 per cent per annum, and the post-apartheid period from 1994 to 2005, during which GDP grew on average by 3.3 per cent per annum.

<sup>27</sup> Manifested for instance in slow uptake of new technology, low R&D, low productivity growth, growing capital-intensity in production, relatively low start-up rates of new firms, high and growing unemployment, and an increase divergence between wages of high and low skilled labour.

concluding various free trade agreements (of which the Trade and Development Co-operation Agreement (TDCU) of 1999 with the EU is perhaps the most significant), embarking on the privatization of large, but growingly inefficient, state utilities, and the introduction of a Competition Act. Thus, as far as macro-economic and trade policies as determinants of growth were concerned, South Africa after 1994 implemented what would generally be regarded as prudent and appropriate policies by mainstream economists and international organizations such as the IMF and World Bank. Before discussing whether and how these particular policies may have been responsible for better economic outcomes in the post-1994 period, it is necessary to ask how institutions, history and geography may have contributed to South Africa's relative success (in the SSA) context, both before and after 1994.

As indicated in Table 3, South Africa is generally regarded as having adopted good institutions after 1994. It is a Constitutional state, with a Bill of Rights that is generally seen as very progressive. These institutions ensure protection of economic freedoms and property rights supports contract enforcement, and the provision of public goods. Good macro-economic policy making is further facilitated by an independent Central Bank (which has adopted an inflation targeting regime) and vigorous debate (partly institutionalized through the establishment of NEDLAC) on policy formulation, about which more will be said later. As was implied by the large share of women in parliament shown in Table 2, the South African institutional evolution since 1994 focused strongly on promoting equality in a country with a legacy of discrimination and exclusion.

What were the historical roots of the adoption of good institutions in post-apartheid South Africa? Most analyses are silent on this issue, but as the case studies of Botswana and Mauritius have shown, it may be instructive to consider these roots. As summarized in Table 3, South Africa had largely, unlike most of SSA, favourable historical and geographical circumstances for the establishment of good institutions. First, as in the cases of Botswana and Mauritius the country has largely escaped from the ravages of slavery. Second, as in the cases of Botswana and Mauritius the country has a low incidence of malaria. It also has generally a more favourable geography/location than many SSA countries: largely non-tropical, with both summers

as well as winter rainfall areas, not landlocked, a number of good natural harbours and a location on one of world's major trade routes. Third, it is a good case in point for the thesis put forward by Acemoglu et al (2001; 2002) to explain the colonial origins of country's institutions.

Acemoglu et al (2001) argue that current institutions in former colonies inevitably bear the marks of the type of approach that was followed in their case by their colonial occupiers. The latter was in turn a function of 'settler mortality'. In colonies where this was high they argue that the (European) colonial powers would have resorted to an 'extractive' strategy, utilizing resources but not investing significantly for the long run, and not establishing or transferring any institutions. In contrast, where settler mortality was low, there would be more significant settlement by Europeans, less extraction, and a transfer of institutions that could, in post-independence period, be good for investment and economic growth.

In South Africa, settler mortality was extremely low by SSA standards: in fact according to the estimates of settler mortality provided by Acemoglu et al (2001:1398) it was the lowest of all countries in SSA, at 15.5 deaths per annum per 1,000 – a figure comparable with that of settler mortality in the USA (15) and Hong Kong (14). Furthermore, since 1806 South Africa was a British colony, which may be significant in that it has been found that former British colonies have stronger institutions to protect property rights, amongst others (see La Porta et al., 1999; Landes, 1998). Consequently the degree of extraction from South Africa was perhaps less than elsewhere in SSA and the country benefitted from significant investment in railways<sup>28</sup>, roads, ports, electricity and the financial system, all required in the gold mining industry, and which would during the 20<sup>th</sup> century benefit the development of a local manufacturing sector under import protection measures. A geographical detail which may have benefitted South Africa is that its abundant gold reserves are not a 'lootable' resource in the sense that diamonds or perhaps oil is: the country's deposits of gold lies deep and is relative

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<sup>28</sup> A large portion of South Africa's critical transport infrastructure was for instance already almost finalised during the colonial era: Perkins et al (2005) show how almost all of South Africa's railways were completed by the early 1930s, before independence from Britain.

sparse, requiring extensive investment in labour and capital to extract even an ounce of gold.

Having briefly discussed the historical-institutional legacy in South Africa, the important question can now be asked whether or not the significant changes in policies after 1994 were responsible for changes in economic outcomes, as well as for the remaining shortcomings and challenges that the country faces. To answer this question it must first be noted that the adoption by the ANC-led government of what has been termed neo-liberal policies after 1994 came as a surprise to many (e.g. Pilger, 1998). Indeed, how the mainly socialist ANC-led government came to adopt these orthodox and free-market oriented policies after 1994 has been intriguing a large number of scholars, in including Lundahl and Petersson (2008). In their assessment of South Africa's post-apartheid success they take the reader on a historical overview of macro-economic policy formulation in the country, giving a blow-by-blow account of how the policy-debate in South Africa evolved (is South Africa the only country in SSA where policy makers and academics regular engage in dissecting the minutiae of policy evolution to such an extent?). Implicitly underlying this overview of an interest in the give- and-take of the policy formation process is the assumption that macro-economic policies, on their own matter crucially for economic growth. It has interestingly enough also been the view of the government since at least 1996 that growth targets can be set, and policies suitably adjusted to achieve these targets.

Although South Africa improved its economic growth after 1994 (to a 3.3 per cent average annual growth rate) and there is evidence which suggests that poverty has started to decline over the most recent years (van der Berg, 2007a, 2007b), the country did not achieve the growth, employment and poverty reduction targets that it set for itself in its macro-economic growth strategy. Although the country's poverty is relatively low by SSA measures (see Table 2) its unemployment rate is high, inequality remains high, and growth is less than what many other SSA countries have achieved over the past five years (and less than the more than 7 per cent average per annum that Botswana maintained for more than 25 years).

Thus, the country's experience post 1994 was one of mixed success: success in attaining macro-economic stability, negotiating the political transition, and establishing

a Constitutional State and a Bill of Rights; but failure in achieving economic targets and addressing the fundamental challenges of unemployment, inequality and poverty. The response in the country to these economic challenges and the relative successes and failures is perhaps also one of its 'successes', namely a vigorous debate, or 'social dialogue', about economic and social policies. This debate has been partly institutionalized through the establishment of the National Economic Development and Labour Council (NEDLAC) wherein representatives of the business, labour and civil society communities to debate and attempt to reach consensus on national policies. This debating process and attempt to derive consensus for national policies were also noted to be features of policy making in Botswana (where the government strive for consensus around its national development plans) and in Mauritius.

In South Africa the policy debate is often supported by rigorous academic research and the government has on a number of occasions pulled in international technical expertise in the drafting of policies. Most recently it did so in an attempt to understand better how it could accelerate economic growth. It commissioned a number of Harvard-led economists to work for two years and produce more than 20 papers on how it can accelerate economic growth to beyond 6 per cent per year.

The way in which South Africa's policy formulation has been subject to rigorous debate, consultancy and an attempt to establish a consensus, explains the high levels of pragmatism the government has shown since 1994 in its policy choices. Such pragmatism, partly also the outcome of good general leadership, has also been found to be of key importance in the success stories of Botswana and Mauritius. Many commentators on South Africa do not understand this, being of the opinion that the ANC-government has 'sold out' its principles and abandoned its commitment to a socialist economy<sup>29</sup> (e.g. Pilger, 1998 and Klein, 2007). What they miss is the fact that there are no one-size-fit-all blueprints or recipes for development success, and that the countries who discover how to promote development in their own particular

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<sup>29</sup> Pilger (1998) for instance is of opinion that poverty and unemployment continues to be serious in South Africa because the ANC government 'sold out' to big businesses. In his words 'The US, the British and the World Bank made it clear that South Africa would be "welcomed into the global economy" on condition that its new government pursued orthodox, "neo-liberal" policies that favoured big business, foreign investors, deregulation, privatisation and, at best, offered a "trickle down" to the majority who were to be shut out of the economy.'



circumstances are the ones that tend to be pragmatic, farsighted, open to dialogue, and characterized by good leadership.

Why then, with macro-economic stability, good trade policies, apparently good institutions and pragmatic leadership, did South Africa not quite live up to expectations post 1994? There reasons for this are largely omitted in most current analyses, and is also a weakness in the recent policy recommendations of the Harvard-lead group of international economists. The latter group identified as binding constraints on growth the inability of the country to grow its manufactured exports faster, to save enough, and to attract and maintain skilled labour (see Hausmann, 2008). These are however, only proximate determinants of economic growth, and the more important question would be to ask why these constraints have not been overcome.

Related questions to ask is what is the likelihood that the government may not be able to implement the policy recommendations, or if they do implemented these, that they may not have the desired outcomes? These type of policy dilemmas have been described by Easterly (2001) in his analysis of why policy prescriptions for economic growth most often fail. In the South African case, the most recent policy prescriptions by the Harvard-led group of economists do not contain much that is novel; neither does it contain significant recommendations that have not already been applied unsuccessfully in other countries. The possibility exist, as Easterly (2001) has stressed, that there are 'perverse incentives' which may make such policies incredible, unimplementable and/or ineffective. For instance in South Africa's case it may be argued that despite its good institutions, that these have not yet had time to prove themselves, and moreover that the institutions might have gradually eroded. This in itself can be an important lesson, as it points to the fact that a country's institutions are not static. Moreover they evolve, and not always for the better. They can be eroded, and as the literature has shown, such institutional instability is particularly high during political transitions. The danger is twofold: one, institutions can be captured by special interest groups and the *'entrenched political power of these groups prevents reforms that would be beneficial in the aggregate'* (Dixit, 2007:146), and two, the state itself can fail.

A good example of the first danger is the capture of state institutions in Russia. Wolf (2007:17) describes this as follows : *'Boris Yeltsin's close aide, Anatoly Chubais, used privatisation and, above all, the "loan for shares" scheme of 1995 to create a new rent-owning elite - the "oligarchs" - in place of the discredited communists. This manoeuvre had a political and an economic goal: to create an elite supportive of the new state and dependent upon it'*. Wolf could perhaps here have talked about post-1994 South Africa, where political control of government institutions, BEE, and even privatisation to a degree lead to the creation of a 'new rent-owning' elite in 'the place of the discredited apartheid-era big business'.

Much has it recent times been written on state failure/state fragility, where states cannot or will not, meet even the most basic needs of their citizens. The concern with fragile/failed states originated partly in the literature on aid, where it was realized that a state's lack of capacity to absorb and effectively utilize aid might make aid less effective. Similarly, there may be factors limited the degree to which states can adopt and implement sound policies, even if it recognizes the merits in what its advisers, such as of the Harvard-group of economists, is recommending. South Africa is not a fragile state, and it is not a failed state. However, there are elements of the functions of every state which is being eroded in South Africa, which may suggest elements of state failure. According to Brown and Stewart (2007) fragile states are 'states that are failing, or at risk of failing, with respect to authority, comprehensive service delivery or legitimacy' (p.5). Thus failure with respect to authority is seen to manifest in violent conflict, high crime, lack of safety and security; failure with respect to service delivery is seen as the inability to extend basic services (health, education, etc); and failure with respect to legitimacy is seen to manifest in lack of democracy, freedoms and civil liberties (pp.5-6).

A number of factors would suggest that South Africa may be failing with respect to authority, and partly failing with respect to service delivery and legitimacy.

With respect to authority: more than 25,000 people are murdered every year, and 137 rape cases reported to the police every day (which are estimated to be only 3 per cent of actual cases) (Van Rooyen, 2000). In May 2008 large scale violence against immigrants lead to over 60 killings. Between 30,000 and 100,000 people were

internally displaced by this violence. Other crimes, including corruption and organized crime are dramatically on the increase. Moreover there has been a failure to acknowledge the crime crisis and to successfully reduce crime, suggesting poor leadership and perhaps reflecting underlying institutional weaknesses in the criminal justice system.

With respect to service delivery and legitimacy: A review found that 136 (out of 283) local municipalities were failing in critical areas. Steytler (2005:208) pointed out that 'local government's legitimacy as a sphere of government is not high' - citing the low esteem in which citizens holds councillors, and the low voter turnout in local elections, as indicators. A further indicator is the rising number of violent protest actions against local governments in South Africa: at the time of writing the popular press has documented such uprisings in more than 20 localities over 2004-2007 alone. The country is losing more than 50,000 skilled labourers per annum due to emigration. There are more than 2 million South Africans in diaspora<sup>30</sup>. Emigration rates have tripled since the mid 1990s (Myburgh, 2004). According to Van Rooyen (2000) around 74 per cent of skilled professionals have considered emigrating.. Furthermore, both service delivery and legitimacy is being eroded by the HIV/AIDS crisis, which is currently resulting in at least 600 deaths per day, which is, as put by Wisner et al. (2004:188) *'the moral equivalent of the crash of two large airliners or a catastrophic flood every day'*. As with crime and the crisis in Zimbabwe and its spillover to South Africa, the South African government had long denied the seriousness of HIV/AIDS.

The erosion of institutions and lapses in leadership suggested by the above is generally can be associated with social and political instability, reduced human capital, lower productivity, and with increasing pressure on fiscal and monetary stability – resulting in poor economic performance.

Finally, the experience of post-1994 South Africa may lend weight to the importance, not of consciously formulated policies steered by a benevolent government for achieving growth, but of luck. Thus, perhaps South Africa was lucky to have achieved

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<sup>30</sup> In the case of Ghana, whose development experience has contrasted significantly with that of the other countries considered here, loss of skills through emigration has been significant: by the 1990s up to 26 per cent of all skilled graduates had left the country (Myburgh, 2004).

the growth it did. Similarly, from the descriptions of Botswana and Mauritius's development success, one cannot ignore the element of luck. Botswana's luck was in discovering diamonds soon after independence and in being located close to the largest internal market in Africa. Mauritius's luck was in receiving its trade preferences and in its choice of sugar quota-regime, and its luck in having strong social networks stretching to Asia. How was South Africa lucky? The post-1994 period was one during which commodity prices started rising, especially of commodities such as the platinum-groups metals (PGMs) and nickel, copper, iron (to name but a few), international sanctions was abolished, and the country enjoyed a 'post-apartheid' dividend in the reinvestment by a number of multinational firms. From 1992 onwards, the number of civil conflicts in Africa also started to decline (Ndulu, et al., 2007a) and growing domestic and international investment in other SSA countries benefitted South Africa as the country was often a 'springboard' for multinational firms into SSA. South African firms themselves became significant investors in other African countries<sup>31</sup>.

Economists are gradually beginning to appreciate that perhaps there is little that governments can do to accelerate growth, but much that they can do to stop growth. Where they avoid bringing growth to a stop, perhaps due to good institutions and policies, the role of luck should perhaps not be underestimated in growth accelerations. Indeed, as stated by Dixit (2007:149) *'I can identify only one consistently valid policy prescription. It is the quality Napoleon valued most in his generals—luck.'* South Africa has been extremely lucky to have entered into its socio-political transition phase against the backdrop of a growing global economy, and with initially good leadership, adopting good institutions. It should attempt to sustain this growth as best as possible and guard against the erosion of institutions. It may not be lucky the second time round.

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<sup>31</sup> Between 1994 and 2005 South Africa became the 2<sup>nd</sup> largest investor in the SADC-region after the UK, responsible for over 17 per cent all investment with more the 200 investment projects (Mhlanga, 2007).

#### **4. CONCLUDING REMARKS**

The purpose of this paper was to focus on the “Big Four” economies in Sub-Saharan Africa (SSA): Botswana, Ghana, Mauritius and South Africa, and to ask whether they are African economic development successes, and to explain the main reasons for their economic development patterns over the past fifty years or so. It was found that only Botswana and Mauritius were unambiguously successful. They started out as poor countries, with apparently limited potential. No one expected them to achieve the success that they had achieved in terms of growth, poverty reduction and stability. The other countries, Ghana and South Africa, has had mixed, and perhaps doubtful success.

Despite Botswana and Mauritius’s development success, one should nevertheless be careful in labeling them ‘role models’ for others to emulate. As the case studies and comparisons of their experiences in this paper suggests, there are too many country-specific factors, including historical-geographical factors at play to make guarantee that copying their detailed policies would result in success elsewhere. However, this does not mean that one cannot learn potentially valuable lessons from their experiences. A number of such lessons can now be summarized.

First, Botswana, Mauritius and post-1994 South Africa largely avoided the factors which are now recognized by most scholars to have been responsible for much of Sub-Saharan Africa’s (SSA) dismal economic performance since the 1960s. Thus they escaped the fate of the rest of SSA due to having had (a) better policies, especially in maintaining macro-economic stability, (b) better institutions, especially in maintaining good governance, limiting conflict and protecting property rights, (c) better trade policies and experiences with integration into the world economy, (d) better historical experiences/influences, for instance these countries all avoided slave raids, and heavily extractive colonial regimes; and (e) better geography in certain aspects, such as having low incidences of malaria.

Second, good policies and institutions can overcome adverse geography, as Botswana and Mauritius did in overcoming poor location from world markets (one is landlocked and the other a remote small island) and relatively poor natural environments. Moreover, the discussion on Botswana suggested that a poor natural environment,

whether it be arid, rugged or remote may, by facilitating co-operation, facilitate the formation of institutional structures that may be good for modern growth. The geography of South Africa's gold endowments likewise required extensive co-ordination and investment to allow economically viable extraction, which facilitated the establishment of financial, trade and investment institutions.

Third, abundant natural resources need not be a 'curse'. Thus neither Botswana's diamonds, South Africa's gold, nor Mauritius's rents from sugar exports became a cause for conflict (at least during the 20<sup>th</sup> century for South Africa), nor were the gains and consequences from these resources not appropriately managed (although there remain questions to the degree to which dependence on mineral exports hindered Botswana and South Africa for further diversifying their economies).

Fourth, in all the countries here good leadership, coupled to pragmatism played a key, even though often not recognized, role in the adoption of policies and design of institutions. Leadership resulted in policy choices that were often not immediately popular, and were based on a long-run vision. Thus neither Botswana or Mauritius, nor South Africa post-1994 adopted rigid or absolutist's approaches towards economic development. In neither economy, despite the political parties elected into office in Mauritius and South Africa having had strong socialist backgrounds, were substantial socialists agenda's applied. In contrast to central and authoritarian formulation and implementation of economic policies as in many other SSA countries, Botswana, Mauritius and South Africa took care to stimulate public discourse, and even criticism of government policy, and to strive for a national consensus on development.

Finally, one should not completely discount the role that good luck has played in these countries' outcomes. Good policies and institutions do not always inevitably result in the same good development outcomes over a particular period of time. Botswana has been lucky in discovering diamonds soon after independence. It has also been lucky in being located close to the largest internal market in Africa. Mauritius has been lucky in receiving its trade preferences and in its choice of sugar quota-regime, and it has been lucky in having strong social networks with Asia at a time when Asia turned into an economy giant. South Africa has been extremely lucky to have entered into its socio-political transition phase at the end of the cold war, seeing the reduction in SSA

conflicts, and enjoying the backdrop of a growing global economy and a post-apartheid re-investment dividend. And perhaps Ghana had been unlucky in losing more than 2 million people through emigration when oil was discovered in neighboring Nigeria.

Can these countries continue to enjoy their positive growth achievements of recent years? The overall prognosis is positive for Botswana and Mauritius. One may have this confidence because these countries' fundamentally strong institutional bases provide them with an amount of resilience. This resilience may enable these countries to confront and overcome their challenges. As for instance put in the case of Mauritius by Subramanian (2008:19) '*...one can be confident that Mauritius will figure out a way. The world can, in fact, stop worry about Mauritius because it has demonstrated the ability to worry for itself*'.

What about Ghana and South Africa? Here there may be more reason for the world to worry, as these two have shown potential, but still seem to be subject to uncertainties. Ghana and South Africa are fundamentally different from Botswana and Mauritius in terms of their much larger populations (47 and 23 million compared to 1.8 and 1.2 million respectively), and in terms of both having very recently gone through a sensitive political transition phase which may not be settled. Whether they would be able to achieve very high growth rates to quickly transform their economies seems doubtful. Rather, what they should take from the lessons of Botswana and Mauritius is the need to sustain moderate economic growth rates for very long periods, and avoid growth collapses. Given their histories and their high levels of ethnic and linguistic fractionalization, such sustainable growth will need continuous investment in strengthening institutions (including making them more inclusive, reducing inequalities and furthering nation building), the continued benefits of wise leadership, and a good measure of luck.

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