UNITED NATIONS UNIVERSITY

UNU-WIDER

World Institute for Development Economics Research

Working Paper No. 2010/07

Development Progress in sub-Saharan Africa

Lessons from Botswana, Ghana, Mauritius and South Africa

Wim Naudé*

February 2010

Abstract

Botswana, Ghana, Mauritius and South Africa are sub-Saharan African countries that stand out for their development progress. Each of these countries has succeeded against the odds, against expectations. This paper synthesizes the common ingredients of these countries' success, and derives lessons. It concludes that smallness, landlockedness, tropical location, distance from world markets, racism, colonialism and other challenges can be overcome through appropriate institutions, governance and good economic policies.

Keywords: sub-Saharan Africa, development, success, country role models

JEL: O55

* UNU-WIDER, email: naude@wider.unu.edu

This study has been prepared within the UNU-WIDER project on Country Role Models for Development Success, directed by Augustin Kwasi Fosu.

UNU-WIDER gratefully acknowledges the financial contributions to the project by the Finnish Ministry for Foreign Affairs, and the financial contributions to the research programme by the governments of Denmark (Royal Ministry of Foreign Affairs), Finland (Finnish Ministry for Foreign Affairs), Sweden (Swedish International Development Cooperation Agency—Sida) and the United Kingdom (Department for International Development).

ISSN 1798-7237 ISBN 978-92-9230-242-9

Acknowledgements

An earlier version of this paper was presented at the UNU-WIDER project conference 'Country Role Models for Development Success', 13-14 June 2008, Helsinki. I am grateful to the participants of the conference, and in particular to Augustin Fosu, Mats Lundahl and Arvind Subramanian for stimulating comments and discussions. All errors and omissions are my own responsibility.

Acronyms

EPZs	Export processing zones
GDP	Gross Domestic Product
HIV	Human immunodeficiency virus
MDGs	Millennium Development Goals
PPP	Purchasing Power Parity
SACU	Southern African Customs Union
SSA	Sub-Saharan Africa
UN	United Nations
UNDP	United Nations Development Programme

UNU World Institute for Development Economics Research (UNU-WIDER)
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

Typescript prepared by Liisa Roponen at UNU-WIDER

1 Introduction

Botswana, Ghana, Mauritius and South Africa—four countries so different that it is hard to believe they are on the same continent. From the dry, sparsely populated desert expanses of Botswana, through the densely populated tropics of Ghana, to the small sub-tropical island of Mauritius with its Asian heritage, and to the multicultural melting pot of densely urbanized, industrial South Africa, these four countries provide proof that the peoples of Africa have succeeded, and can succeed, in all environments and contexts. Their successes show that geography cannot be an insurmountable obstacle to development, and that historical insults can be overcome.

Each of these countries has succeeded against the odds, against expectations. Botswana, due to its harsh environment, was largely bypassed during the colonial era, deemed not to be resource-rich enough for exploitation. Ghana has confounded expectations of political instability to emerge with a democratic dispensation that is fast maturing. Mauritius, as Subramanian (2009) recently pointed out, had all but been written off, as his quotes from two Nobel Prize winners on their dismal expectations for the country's future attest to. And the doomsday prophets have on numerous occasions predicted a violent conflagration that would tear South Africa apart.

Instead of conforming to these expectations, these four countries have chosen, instead, to defy the expectations. Thus, Botswana has been able to achieve such remarkable growth that—despite being landlocked, dry, sparsely populated and endowed with 'lootable' resources such as diamonds—it has been recognized as one of the fastest growing countries on record. In his paper entitled 'Botswana as a Role Model for Country Success', James Robinson (2009: 1) points out that:

> Botswana has not just experienced rapid economic growth since independence, it has also sustained free and fair democratic elections ... Botswana has had no coups, no political instability, no civil wars, no threats of secession, and excellent, dedicated, incorrupt leadership.

Similarly, Ghana had showed that it is possible for a sub-Saharan African country to escape from the downward spiral of collapsing growth, escalating debt, rising poverty and political instability that have so marred the landscapes of many African countries during the 1980s. As Augustin Fosu (2009a: 14) reports in his 'Country Role Models for Development Success: The Ghana Case':

> … the liberal reforms instituted in the early 1980s have succeeded in positively changing the historical direction of the Ghanaian economy. Economic growth has increased substantially, and so has income, supported by productivity increases initially and then by strong capital formation ... it has ... been translated to considerable poverty reduction...

Mauritius, despite being an extremely vulnerable, relatively isolated small island state in the Indian Ocean, managed not only to raise its per capita income to levels higher than that of the average Pacific Island to be on par with the richer Caribbean Islands, but also to achieve a remarkable structural transformation of its economy. Hence Subramanian (2009: 3) writes:

> In terms of growth performance, moreover, very few countries outperformed Mauritius ... improvements in human development indicators have been equally impressive. Life expectancy at birth increased from 61 years in 1965 to 73 in 2005; primary enrolment increased from 93 to 107 between 1980 and 2005 compared with 78 and 96, respectively in Africa. Income inequality has also seen impressive improvements: the Gini coefficient declined from 0.5 in 1962 to 0.42 in 1975 and 0.37 in 1986-87 and 0.34 in 2004 ... high growth rates have been delivered along with macroeconomic stability.

Finally, South Africa, the largest economy on the continent, scarred by the racist social engineering of its apartheid regime, and which during the 1980s saw declining growth and escalating conflict threatening to boil over into full-scale civil war, seems to have averted catastrophe. In 1994, through peaceful elections described as ‘miraculous’, the country turned over a new leaf, adopting a progressive constitution, reverting back to more robust growth, and entrenching its democracy—it has held four successful national elections since 1994. In their paper ‘Post-Apartheid South Africa: An Economic Success Story?’ Mats Lundahl and Lennart Petersson (2009: 9) note that one of the favourable consequences was:

> Between 2000 and 2004 almost three million people were lifted out of poverty and the per capita income of those in the two lowest quintiles rose by more than 30 per cent. The massive expansion of the social grants system (22 billion constant (year 2000) rand or more than 70 per cent in real terms 2000-04, in a situation where the total income of the poor amounted to 27 million in 2000) and its good targeting of the poor in combination with the probable increase in employment during the same period had done the trick.

In each of the four studies mentioned here, by Robinson, Fosu, Subramanian and Lundahl and Petersson, respectively, the aim is to establish the reasons why these countries managed to be successful, each in their own way. The stories that they tell are fascinating and insightful, and therefore I will not attempt here to repeat what these authors have done so eloquently in their studies. Rather, my aim is to attempt a synthesis of their core conclusions by trying to examine what these four countries had in common with regard to their success, and what other countries can adopt from them as role models.

The rest of the paper is therefore structured as follows. In Section 2, I provide a brief demographic and economic profile as background to the four countries. The purpose of this exercise is to provide the reader with a quick overview and comparison of the salient features of these countries, before moving on to Section 3 where I summarize the broad determinants of these countries’ development performance. Section 4 concludes.

2 Country profiles

The diversity offered by these African country role models is obvious even when considering only a selection of demographic and economic variables.

As can be seen from Table 1, the sizes of the four countries differ substantially. South Africa, with a population of 47 million and a land size of more than a million square kilometres, dominates in terms of physical and population size. It also dominates in terms of economic size. In terms of GDP in PPP, it was by 2006 six times larger than the economies of Botswana, Ghana and Mauritius *combined,* and its GDP was 31 per cent that of the entire SSA. It is the only SSA country to rank amongst the 25 largest economies in the world. South Africa 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 on economic growth in both neighbouring Botswana, as well as in Mauritius (given the relative proximity by air and sea between cities such as Durban and Port Louis). Botswana benefited even more directly, by being in a customs union (the oldest in the world) with South Africa. In fact the Southern African Customs Union (SACU) dates back to 1910 and has 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 (28 per cent in case of Lesotho) (Flatters and Stern 2006).

But despite the size of its market, South Africa has been less successful than the much smaller Mauritius in terms of structural change. As Table 1 shows, the manufacturing sector's contribution, at 19 per cent, to the Mauritian economy is larger than in any of the other countries. In fact this highlights the one failure in Botswana: its lack of economic diversification. Manufacturing still contributes only a mere 4 per cent of its GDP.

Table 1
Profile of the four countries, 2006

	Botswana	Ghana	Mauritius	South Africa	SSA
Land area (km^2)	566,730	227,540	2,030	1,214,470	23,606,115
Population	1,858,163	23,008,443	1,253,434	47,391,025	781,821,747
Pop. density (per km^2)	3.28	101.12	617.46	39.02	33.12
Pop. growth (annual %)	1.20	2.08	0.82	1.06	2.48
GDP, PPP ($ m.)	23,241	28.646	13,250	430,652	1,393,488
Manufacturing (% of GDP)	3.61	8.47	19.13	18.22	14.30
Trade (% of GDP)	83.78	103.02	127.08	63.06	71.75
Rural population (%)	41.84	51.46	57.42	40.22	64.23

Data source: World Bank (WDI).

Table 2
Development outcomes in Botswana, Ghana, Mauritius and South Africa (latest available)

	Botswana	Ghana	Mauritius	South Africa	SSA
HDI (Human Development Index)*	0.60	0.50	0.80	0.70	0.49
Life expectancy at birth, yrs****.	49.7	56.6	72.4	50.7	51.2
Pop. with incomes <US$.1.25/day, %***	31.2	30.0	n/a	26.2	50.91
Net enrol./primary education, %*	84.1	71.9	95.0	93.4	71.0**
Access to improved drinking water, % of pop*.	96	80	100	93	58**
Seats held by women in parliament, %*	11.1	10.9	17.1	32.8	17.3**
Child mortality rate (per 1,000 live births)*	124	120	14	69	157**
People living with HIV (15-49 yrs old), %*	23.9	1.9	1.7	18.1	5**

Notes on data and data sources:

*Latest available from the United Nations Statistics Division, January 2010; see UN Statistical Division;

** United Nations (2008): The Millennium Development Goals Report;

*** World Bank World Development Indicators Online, January 2010 – data is for 2005 for SSA and Ghana, for 2000 for South Africa, and for 1994 for Botswana.

**** World Bank World Development Indicators Online, January 2010 – data for all countries for 2006.

Table 2 compares a broader set of development outcomes for these four countries. It shows that despite having achieved much success, many challenges remain.

Table 2 summarizes the outcomes, including a number of indicators used to track progress towards the Millennium Development Goals (MDGs).[1] These show that Mauritius' outcomes tend to be best overall of the four role models. It is the only one of the countries to be classified by UNDP as a 'high human development country'[2]. All of the others have slightly below-average performance in one category: for instance South Africa and Botswana with respect to HIV and Ghana and Ghana and Botswana with respect to the number of seats held by women.

Furthermore Botswana, despite its rapid economic growth, has life expectancy of around 49 years, lower than the roughly 51 year averages for SSA, and substantially lower than the 72 years for Mauritius. A reason for this is its high HIV prevalence rate, which at 24 per cent is the highest in SSA. More recent data on Botswana's poverty rate is not readily available. However, high levels of income inequality—borne out by its Gini coefficient at 66.42 (Bigsten and Shimeles 2007: 154) may suggest less recent success in reducing a poverty headcount rate which stood at 31 per cent in 1994.

South Africa, although its economic growth since the 1960s has not been as high or as consistent as either that of Botswana or Mauritius, still appears to have apart from Mauritius in all likelihood (for which data is not available) the lowest poverty

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

2 See www.hdr.undp.org/en/statistics/.

headcount ratio. In 2000 South Africa's poverty rate was 26.2 per cent. It is also noticeable that the country has achieved a favourable outcome in promoting gender equality with around 33 per cent of all its parliament seats now held by women. As in Botswana, however, South Africa has a HIV prevalence rate substantially higher than the SSA average, at 18.1 per cent. Its income inequality is also high, with a Gini coefficient of 57.7.

In Ghana, progress is evident in that the country's development outcomes are now in all but one of the indicators in Table 2 better than the SSA average. It is only in terms of gender equality (as measured by the seats held by women in parliament) where it has to reach the continental average. Its progress in reducing poverty is notable. Although it is not shown in Table 2, recent World Bank data shows that the poverty headcount ratio in Ghana declined consistently from 51 per cent in 1987 to its most recently (2005) estimated rate of 30 per cent.

3 Determinants of success

To understand why these countries are role models in the African context, it is necessary to have a basic understanding of the reasons why SSA countries have generally performed poorly since the late 1970s. The economics literature suggests that the most important causes of this sluggishness are due to various combinations of policy failures—or policy 'syndromes'[3] (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), political instability and civil conflict (Easterly and Levin 1997; Collier and Hoeffler, 2004; 2005), and geographical constraints (e.g., Gallup et al. 1999; Naudé 2004, 2009). A large number of studies have also been concerned with sub-Saharan Africa's trade orientation and performance, and the impact of globalization on Africa—including consideration of foreign direct investment and regional integration (e.g., Carrère 2004; Foster 2006; Fosu 1990; Naudé and Krugell 2007).

Based on the literature, I highlight certain factors that have contributed to the 'role model' status of these countries.

They all implemented good macroeconomic and trade policies more consistently than the rest of Africa, at least within certain periods. In the terminology of the AERC's Growth Project (see Fosu 2009b), these countries have had significant periods of being free from anti-growth syndromes. In the case of Ghana, unlike the other countries, it was only relatively recently that poor policy choices made way for better choices, as governance also improved. Trade and openness played an important part in all of these countries' growth and recovery. As Subramanian's study (2009: 10) on Mauritius illustrates, successful trade policies need not necessarily correspond to the orthodoxy associated with the Bretton Woods Institutions as it did in Botswana and Ghana. He points out:

[3] 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.

> Clearly, by the most usual measures for determining trade policy openness, Mauritius is not the poster boy for the Washington consensus. Mauritius had a highly restrictive trade regime.

These countries managed to achieve better governance and, more generally, were able to establish better institutions than other African countries. The cases of Botswana and Mauritius, in particular, are intriguing, as the former is very homogenous in terms of population and the latter quite diverse. The former has also been ruled by one party (albeit democratically elected), whilst in Mauritius there have been more fiercely contested elections. Mauritius' good governance also enabled its heterodox trade regime, with heavy reliance on import restrictions and promotion of exports through export processing zones (EPZs) to be successful. Again, in the words of Subramanian (2009: 17):

> … the role of institutions relates to the success of the EPZs in Mauritius compared with the rest of Africa. EPZs have failed in most countries because institutions and governance have not been able to manage the rent seeking, corruption and inefficiency that is required to manage the high degree of selective interventionism embodied in EPZs.

These countries, with the exception of Ghana, have managed to escape much of the ravages of colonialism. Given the long-term impact of colonialism, and specifically slavery on affected African economies (see e.g. Acemoglu et al. 2001 and Nunn 2008) Ghana's so far successful struggle since the 1980s to reduce poverty is perhaps the most heroic of the role models.

4 Conclusion

Botswana, Ghana, Mauritius and South Africa are a very diverse group of countries. Each, in its own way, is an African country role model, as they have each achieved remarkable progress in the face of daunting challenges. They have faced different growth-retarding initial conditions, including colonialism and adverse geography. Their development progress illustrates that history and the environment is not destiny. The message is that smallness, landlockedness, tropical location, distance from world markets, racism, colonialism and corruption and many other challenges can be overcome through appropriate institutions, governance and good economic policies.

References

Acemoglu, D., S. Johnson, and J. A. Robinson (2001). 'The Colonial Origins of Comparative Development: An Empirical Investigation'. *American Economic Review*, 91 (5): 1369-401.

Acemoglu, D., S. Johnson, and J. A. Robinson (2002). 'Reversal of Fortune: Geography and Institutions in the Making of the Modern World Income Distribution'. *Quarterly Journal of Economics*, 117 (4): 1231-94.

Bigsten, A., and A. Shimeles (2007). 'Can Africa Reduce Poverty by Half by 2015?'. *Development Policy Review*, 25 (2): 147-66.

Birdsall, N. (2007). ‘Do No Harm: Aid, Weak Institutions and the Missing Middle in Africa’. *Development Policy Review*, 25 (5): 575-98.

Carrère, C. (2004). ‘African Regional Agreements: Impact on Trade with or without Currency Unions’. *Journal of African Economies*, 31 (2): 199-239.

Collier, P., and A. Hoeffler (2004). ‘Greed and Grievance in Civil War’. *Oxford Economic Papers*, 56 (4): 563-95.

Collier, P., and A. Hoeffler (2005). ‘Resource Rents, Governance, and Conflict’. *Journal of Conflict Resolution*, 49 (4): 625-33.

Easterly, W., and R. Levine (1997). ‘Africa’s Growth Tragedy: Policies and Ethnic Divisions’. *Quarterly Journal of Economics*, 112 (November): 1203-50.

Flatters, F., and M. Stern (2006). ‘SACU Revenue Sharing: Issues and Options’. *Policy Brief*. Washington, DC: USAID/SEGA.

Foster, N. (2006). ‘Exports, Growth and Threshold Effects in Africa’. *Journal of Development Studies*, 42 (6): 1056-74.

Fosu, A. K. (1990). ‘Exports and Economic Growth: The African Case’. *World Development*, 18 (6): 831-35.

Fosu, A. K. (2009a). Country Role Models for Development Success: The Ghana Case’. WIDER Research Paper 2009/42. Helsinki: UNU-WIDER.

Fosu, A. K. (2009b). ‘Understanding the African Growth Record: the Importance of Policy Syndromes and Governance’. WIDER Discussion Paper 2009/02. Helsinki: UNU-WIDER.

Gallup, J. L., J. D Sachs, and A. D. Mellinger (1999). ‘Geography and Economic Development’. *International Regional Science Review*, 22 (2): 179-232.

Lundahl, M., and L. Petersson (2009). ‘Post-apartheid South Africa: an Economic Success Story’. WIDER Research Paper 2009/56. Helsinki: UNU-WIDER.

Naudé, W. A. (2004). ‘The Effects of Policy, Institutions and Geography on Economic Growth in Africa: An Econometric Study Based on Cross-Section and Panel Data’. *Journal of International Development*, 16: 1-29.

Naudé, W. A. (2009). ‘Geography, Transport and Africa’s Proximity Gap’. *Journal of Transport Geography*, 17 (1): 1-9.

Naudé, W. A., and W. F. Krugell (2007). ‘Investigating Geography and Institutions as Determinants of Foreign Direct Investment in Africa Using Panel Data’. *Applied Economics*, 39 (10): 1223-33.

Ndulu, B. J., L. Chakraborti, L. Lijane, V. Ramachandran, and J. Wolgin (2007a). *Challenges of African Growth: Opportunities, Constraints and Strategic Directions*. Washington, DC: World Bank.

Ndulu, B., R. Bates, P. Collier, S. O’Connell, and C. D. Soludo (eds) (2007b). *The Political Economy of Economic Growth in Africa 1960-2000*. Cambridge: Cambridge University Press.

Nunn, N. (2008). 'The Long-Term Effects of Africa's Slave Trades'. *Quarterly Journal of Economics*, 123 (1): 139-76.

Robinson, J. A. (2009). 'Botswana as a Role Model for Country Success'. WIDER Research Paper 2009/40. Helsinki: UNU-WIDER.

Sachs, J. D., J. W. McArthur, G. Schmidt-Traub, M. Kruk, C. Bahadur, M. Faye, and G. McCord (2004). 'Ending Africa's Poverty Trap'. *Brookings Papers on Economic Activity*, 1: 117-216.

Subramanian, A. (2009). 'The Mauritian Success Story and its Lessons'. WIDER Research Paper 2009/36. Helsinki: UNU-WIDER.

UN Statistical Division (n.d.). Available at: www.mdgmonitor.org and www. mdgs.un.org/unsd/mdg/data.aspx/.

UN (United Nations) (2008). *The Millennium Development Goals Report*. New York: United Nations.

UNDP (2007). *Human Development Report 2007-2008*. New York: UNDP.

World Bank (n.d.). World Development Indicators Online. Washington, DC: World Bank.