African Center for Economic Transformation

THE EXCEPTIONALITY OF BOTSWANA

ECONOMICS, POLITICS AND CHALLENGES

WORKING PAPER No. 2

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November 2008

Abstract

For the past three decades, Botswana has not only recorded the highest annual growth rate in Africa but also the highest annual growth rate in the world. The country grew from a per capita income of $210 in 1960 to an astonishing $3800 in 2005. This paper examines the economics and politics of Botswana's success and her current challenges. It juxtaposes Botswana's performance with those of East Asia and Mauritius and draws on lessons for other sub-Saharan African countries.

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1. Introduction

Botswana is a land-locked country in the southern part of Africa with a population of about 1.6 million. It shares borders with South Africa, Namibia and Zimbabwe. It became independent from British rule on September 30, 1966.

At the time of independence, Botswana's modern sector was virtually non-existent. There was no electricity system, no telephone system, no pipe-borne water or sewage, and no public transportation. The housing stock consisted almost entirely of the traditional rondavels. There was only a 5km stretch of paved road (Leith, 2005). In addition, only 22 Batswana had graduated from university and 100 from secondary school (Acemoglu, Johnson, and Robinson, 2003).

In spite of such daunting circumstances, Botswana has remarkably transformed its economy from a low-income country to a middle-income one and has sustained economic growth for more than three decades at a rate higher than those of the East Asian Tigers: Singapore, Hong Kong, Taiwan, and South Korea. Botswana had the highest annual per capita growth rate amongst the group of thirteen countries identified as high performers by the Commission on Growth and Development (2008). It grew from a per capita income of $210 in 1960 to an astonishing $3800 in 2005.

Other than China and Indonesia, Botswana began from the lowest per capita income amongst this group. Consistent with modern growth theory, Botswana should grow faster than those who began with a higher per capita income. Yet Botswana's achievement is remarkable because there were (are) other countries with similar per capita incomes who were unable to increase their per capita income over such a long period. What is even more remarkable is that Botswana achieved this feat through the judicious use of its natural resource (i.e., diamonds) which has paradoxically been a curse for other resource-rich sub-Saharan African countries. Our goal in this paper is to offer some insight into how Botswana achieved this feat.

There is the tendency to dismiss the impressive growth of countries like Botswana based on the superfluous argument that their population is small. Countries like Gambia, Jamaica, Panama, Swaziland, and Togo have small populations but have dismal growth records while a heavily populated country like China has recorded high growth rates for three decades. Similarly, while Botswana's ethnic homogeneity may have helped her, it must be noted that there are equally homogeneous or even more ethnically homogeneous countries like Zimbabwe, Lesotho, and Somalia[i] with very disappointing growth records. There are also disadvantages of being small such as the inability to enjoy the economies of scale that stem from large national markets and a huge labor force (e.g., China). Finally, Botswana's achievement is remarkable in view of the fact that much of Botswana is part of the Kalahari Desert, with a dry and drought-prone climate.

We shall also discuss how Botswana can transform her economy. In this respect, it is important to note that economic transformation is a means to an end and not an end in itself. A transformed economy is necessary because it is required for sustainable growth. To this end, economic transformation is used in this study to refer to changes in the structure (sectoral composition of output and employment), organization, technology, management, and institutions of an economy to achieve high, inclusive, and sustainable growth and development. This definition is broad as it encompasses structural, spatial, technological, organizational, managerial, and institutional changes as well as issues of distribution and poverty alleviation through high rates of employment generation.

In the next section, we review Botswana's macroeconomic performance. Section 3 explains the factors that account for her remarkable performance. Section 4 juxtaposes her performance with those of East Asia and Mauritius and discusses some of Botswana's challenges. Section 5 discusses the way forward. Section 6 draws on what other sub-Saharan African countries can learn from Botswana. Section 7 concludes the paper.

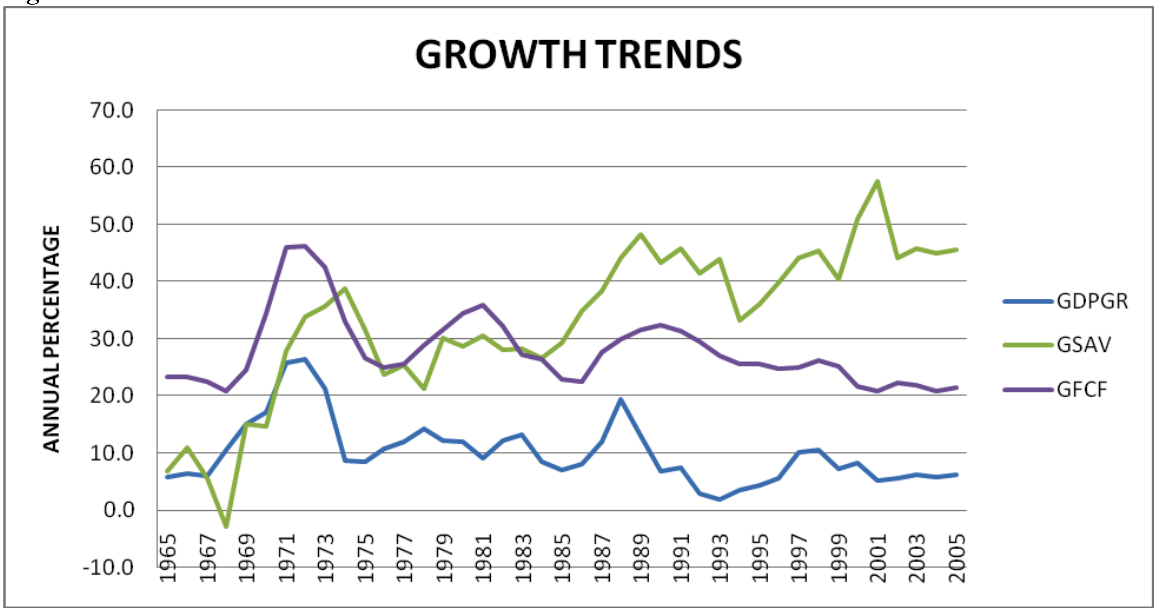
2. Review of Macroeconomic Performance

2.1. Output

As with many economic aggregates, GDP growth fluctuated from year to year. Despite the fluctuations, Botswana managed to maintain a growth rate above 7% from 1968 to 1989. Within this period, GDP per capita grew from US $ 313 to US$2287 using constant 2000 US $ prices. While real GDP continues to grow, it has not been as dramatic as it was between 1968 and 1989. Also, during the periods of high growth, the volatility of growth was high. According to the 2008 national budget speech, preliminary estimates from the Central Statistics Office indicate that real GDP is estimated to have grown by 6.2 percent during the 2006/2007 national accounts year, which is from July 2006 to June 2007. This growth rate fell short of the 6.8% required to meet the vision 2016 objective of trebling GDP per capita from its 1996 level of US $ 2649 at 2000 US $ prices.

The decline in real GDP growth (GDPGR) could be associated with a declining trend in Gross Fixed Capital Formation (GFCF) since the begining of the 1990s. Ironically, this decline in investment occurred at a time when there was an increasing trend in Gross National Savings (GSAV) as shown in figure 1. There appears to be a problem of converting national savings into viable domestic investment.

Figure 1: Growth Trend in Real GDP and Investment



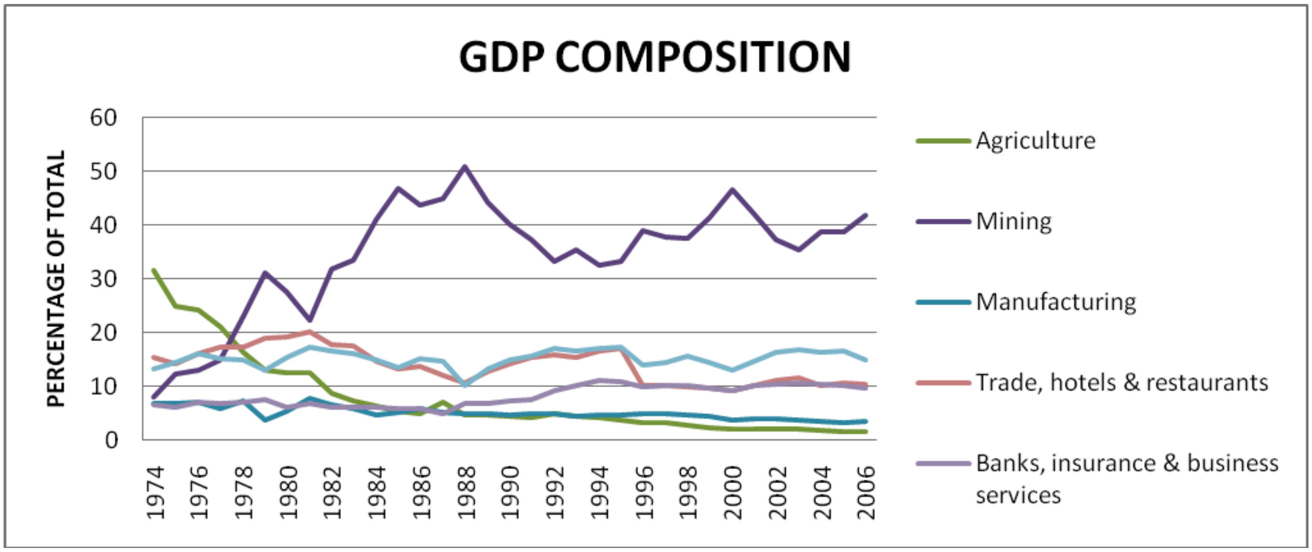
Data source: World Development Indicator Online.

Figure 2 provides a disaggregation of GDP into its principal components. Mining (which is in turn dominated by Diamond mining) is the most dominant contributor to GDP. Its contribution has increased from 8.1% in 1974 to 42% in 2006. Prior to 1998, Agriculture was the dominant sector. It is interesting to note that there has been a transformation from a predominantly agrarian economy to a predominantly mining economy.[ii]

The contribution of manufacturing to GDP has been declining, though not as much as the decline in the contribution of agriculture. The contribution of government has mainly fluctuated between 10% and 17% of GDP. The moderate growth in government sector indicates a cautionary approach to government expansion. With fiscal policy being the root cause of most macroeconomic instability in developing countries, Botswana has an impressive record of macroeconomic stability. For example, the country's sovereign credit rating by Moody's Investor Services and Standard and Poor's remained unchanged at "A" grading for the seventh year running. These ratings reflect Botswana's continued strong financial position, well managed and growing economy, prudent fiscal policies, and political stability.

Although trade, hotel, and restaurant services are below their level of contribution in the early 1980s, banks, insurance and business services have shown an increasing trend in their contribution to GDP. Indeed, the services sector (including trade, hotels and restaurants) has become the second largest contributor to GDP after mining. Another potential area of growth within the services sub-sector is tourism. The Okavango delta and the Chobe national park, both in the north-western part of the country attract a considerable number of international tourists every year. Hotels and associated services continue to be viable developments in that region.

Figure 2: Composition of GDP



Data source: Statistical Bulletin

2.2. Prices and Employment

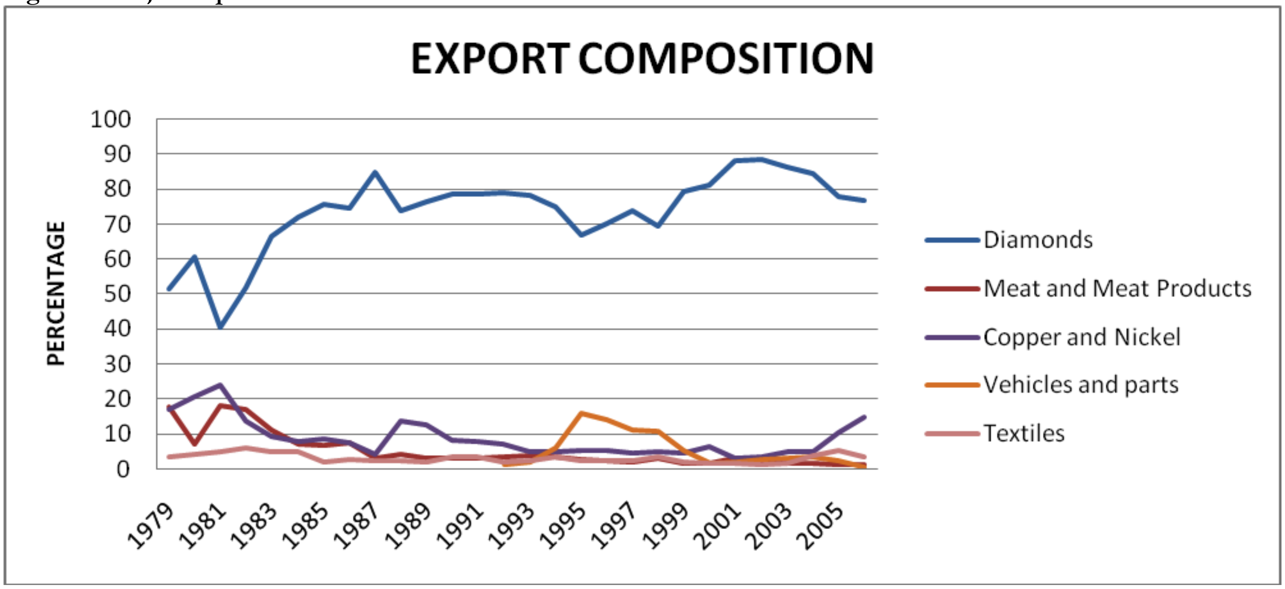
Good macroeconomic management has enabled the country to maintain reasonable inflation levels. As a net importer of oil and manufactures, the country is susceptible to international fluctuations in oil and import prices.

Despite the adoption of an inflation objective for monetary policy since 2000, the stated long term inflation target of 3 – 6 percent has never been achieved though the realized levels have not been far from this range. This could be a reflection of the country's vulnerability to external shocks stemming from the undiversified nature of its economy. Furthermore, the mining sector is characteristically capital intensive. As a result, employment opportunities in the sector are very limited. This is reflected in the relatively slow decline in unemployment in the country despite the impressive growth it has been experiencing over the last three decades. From the preliminary results of the 2005/06 Labour Force Survey (LFS), the national unemployment rate is estimated at 17.6%, which is an improvement from 19.5% and 21.5% in the 2001 census and 1995/96 LFS respectively. Moreover, despite the country's graduation to a middle income country status since 1994, poverty remains at unacceptable levels, currently estimated at 23% using US $1 per day as the poverty line.[iii]

2.3. Exports and Terms of Trade

The dominance of the mining sector in the Botswana economy is also reflected in the composition of exports. In figure 3, mining contribution to total exports shows an increasing trend for diamonds. Additionally, the increase in international commodity prices since 2004 has boosted the contribution of copper and nickel to total exports, although it is still below the level achieved in late 1970s and early 1980s when diamond production was still meagre.

Figure 3: Major Export



Data source: Botswana Financial Indicators

The contribution of agriculture to exports (through meat and meat products) has been steadily declining. Agriculture is now one of the least contributors to exports.

A boom in diamond production, coupled with oil price shocks and an expansionary fiscal and monetary environment, led to high inflationary pressures in the mid 1980s to the early 1990s.[iv] This combination of factors in turn led to a negative real interest rate. This affected the development of the financial sector to the extent that there was excess liquidity in the economy. These developments in the economy may have led to an overvalued real effective exchange rate during part of this period.

However, Botswana's terms of trade index show an increasing trend. This improving TOT contributes to the country's continually increasing international reserves which are now estimated to be the equivalent of 28 months of the country's imports as at the end of 2007.[v]

3. A Political Economy Analysis of Botswana's Economic Success

Michael Spence, Nobel laureate and Chairman of the 2008 Commission on Growth and Development (CGD), in an interview with *Foreign Policy* in May 2008, had this to say about the economic performance of the 13 successful countries in the post-war period: "… the biggest surprise was how important political leadership is in looking at cases of sustained high growth in developing countries. ... I started out thinking this was a subject that was mainly about economics, and I ended up thinking that was about half of it, but the other half is really political."

While we believe that markets are *very important* to economic growth, we also believe that politics as echoed by Michael Spence matters. The political environment can put severe impediments in the path of the markets and stifle incentives. For example, markets cannot function properly if the State grants monopoly powers to special interests. Therefore, in understanding Botswana's economic success we shall rely on the socio-political economy of the country.

3.1. Politics and Leadership

We recognize that democracy is neither a necessary nor sufficient condition for development. [vi,vii] We nevertheless believe that a well-functioning and effective system that places effective checks and balances on politicians and the state is crucial for development. A key ingredient of such a system, regardless of how we label it, is to reward good performance by politicians and bureaucrats and punish bad performance. Botswana's democracy seems to have met this criterion. On checks and balances, Leith (2005) notes that the judiciary in Botswana has on repeated occasions declared specific government actions as illegal with the government accepting the decision of the judiciary. Ordinary citizens such as the minority Basarwa ethnic group have won legal cases against the government.[viii] Also, free and fair elections have been regularly held at the national and local levels. The opposition has controlled key local government councils, including the capital.

Indeed, Botswana has a long history of democracy with roots in the traditional Tswana[ix] culture of *Kgotla* in which the chiefs consulted both the elders and the community on important issues and were criticized by commoners (Ngcongco, 1989). According to the government of Botswana, "The "way of life" of Botswana society is the entrenched belief in consultation and democratic practices. This "way of life" is encapsulated in the Setswana saying that, *"ntwa kgolo ke ya molomo"* (the highest form of war is dialogue)."[x] On this issue, Schapera (1953, p. 47) notes that

"All matters of public policy are dealt with finally at an assembly open to all men of the tribe ... Since anybody present is entitled to speak, the tribal assemblies provide a ready means of ascertaining public opinion ... The discussions are characterized by considerable freedom of speech, and if the occasion seems to call for it, the chief or his advisers may even be severely criticized."

Although one might be inclined to argue that these features were common to all pre-colonial African societies, this is not the case. For example, Schapera (1967, p. 64) noted that this feature was "… far more characteristic of Sotho, and especially Tswana, than any other Bantu." And according to Ngcongco (1989), Tswana political culture "taught the people the necessity of observing and participating in their own governance."[xi]

In modern times, Maundeni (2004) also argues that "State/civil society interaction in Botswana displays patterns characterised by mutual criticism in each other's presence, the willingness of state officials to meet and exchange views with non-state leaders, and the media's role of reminding the contestants to meet and exchange views."

Of course, such criticism is not an end itself. It is a means to an end (i.e., good governance). Therefore, such criticism is only useful if it leads to good governance or has significant consequences if the government does not act accordingly or change its behavior.

As noted above, in addition to national elections, Botswana has city council (municipal) and mayoral elections. This decentralized system of governance allows citizens to participate in decision-making that affects close aspects of their lives and makes the monitoring of politicians much easier.

Notwithstanding Botswana's democratic culture, we do not want to argue that Botswana's leaders were committed to the common good because they grew up in a democratic culture. Proving this causality is difficult, if not impossible, because it is possible that they would not have governed differently even if they had grown up in a different culture. We return to a similar point in section 6.

Botswana's first president, Seretse Khama had an encompassing interest and put the interest of the nation ahead of ethnic or parochial interests. Despite being a traditional chief,[xii] Seretse Khama was interested in a strong central state that would not be impeded by the powers of traditional rulers. He achieved this by successfully controlling negotiations with the British for Botswana's first constitution. The constitution created a House of Chiefs that consists of the eight chiefs of the eight Tswana tribes, four representatives of other sub-chiefs (from minor ethnic groups), and three members selected by the House of Chiefs. The Botswana House of Chiefs is a purely advisory body to Parliament and has no legislative or veto power (Proctor, 1968).

One of the most crucial decisions of Seretse Khama's presidency was the passing in 1967 of the Mines and Minerals Act that vested sub-soil mineral rights in the national government. Prior to this, the tribes held these rights. Given that the main diamond mines were under the lands of the Bamangwato, whose chief was Seretse Khama, this was again ample demonstration of the fact that Seretse Khama put the interest of the nation ahead of tribal, ethnic, or parochial interests. Indeed, in his 1965 Election Manifesto, Seretse Khama was very clear about his intentions:

"… leaving mineral rights vested in tribal authorities and private companies must necessarily result in uneven growth of the country's economy, as well as deprive the Central Government of an important source of revenue for developing the country … [I]t will be the policy of the BDP Government to negotiate with all parties concerned with the takeover of the country's mineral rights by the Central Government." (quoted in Leith (2005, p. 60).

At the level of local government, much of the powers of chiefs were transferred to elected district councils (Proctor, 1968). In addition, Khama's government took away the power to allocate land from the chiefs to tribal land boards in 1970.[xiii] According to Acemoglu et al. (2003) and Leith (2005), these steps were crucial to the construction of the state.[xiv]

Weakening the powers of the chiefs was a risky strategy and may not have been successful in other countries. Indeed, Seretse Khama had to repeatedly fight the chiefs led by Chief Bathoen of the Bangwaketse tribe who, among others, wanted the House of Chiefs to be given legislative powers in a bicameral parliament, an idea that Khama was firmly opposed to (Proctor, 1968). We believe that three factors contributed to Khama's success: first, he was still perceived as a chief and so this gave him some significant credibility, moral authority, and respect. Second, Khama's party, the Botswana Democratic Party (BDP) had a broad political base and support. According to Leith (2005), the BDP won 80% of the popular vote in the 1965 elections. Third and most importantly, these reforms stood the test of time because the civilians or the modern democratic state led by Khama governed very well and delivered good economic outcomes which were to the benefit of all. Since the modern democratic state had been successful in bringing economic progress, the likelihood of the populace clamouring for or seeing the economic relevance of chiefs was minimal.[xv]

3.2. Planning and Management of Resources

The government executed its development goals through a thorough and disciplined use of national development plans (NDPs). As Leith (2005, p. 58) notes that under Quett Masire's leadership "… the planning process was not a mere public relations exercise to attract donor funds,[xvi] to be ignored in actual practice; rather, it became a central part of the process of government." As an example of disciplined and meticulous planning, the size of development projects is reduced even if capital expenditure is affordable but recurrent expenditure is not. It is important to note that plans are supplemented by annual reviews and an *extensive* midterm review. [xvii]

Using the revenue from diamond exports, the governments of Seretse Khama and Quett Masire (Khama's successor), invested in public goods: roads to virtually all parts of the country, health care, schools, education, housing, electricity generation and distribution, etc. The revenue from diamonds was not used to line the pockets of politicians but was instead used to create the modern infrastructure required for economic progress. This was accomplished through state-owned enterprises (SOEs). Acemoglu et al. (2003) note that in Botswana "… there has been massive government intervention in the economy, detailed planning, and central government expenditure is now around 40% of GDP."

In generating revenue from the diamond industry, the government teamed up and *negotiated favorable terms* of revenue sharing with the multinational private diamond company, De Beers, which discovered a substantial diamond deposit shortly after independence. In 1982, the government, under the leadership of Seretse Khama's successor, Quett Masire, formed the Debswana Diamond Company Ltd, an equal partnership between the government and De Beers. Debswana is the world's leading diamond producer by value.

According to Acemoglu et al. (2003) and Leith (2005), the BDP had the incentive to invest in growth-enhancing public goods because this was also in the interest of the political elite and the BDP's base constituency who were cattle owners. This also meant that government had to maintain a competitive foreign exchange rate of the domestic currency, the Pula, in order to boost beef exports. [xviii]

3.3. Agricultural Policy

As noted in section 1, much of Botswana is part of the Kalahari Desert, with a dry and drought-prone climate. Most of the population is partially engaged in agricultural production, but there is little land suitable for productive cultivation. Only about 0.7% of total land area is arable. Grain production, mostly sorghum and corn, fell short of national consumption for most of the 20th century, and foodstuffs from South Africa and Zimbabwe are Botswana's major import commodities.

Low levels of productivity in agriculture coupled with the fact that a majority of the population is in agriculture accounts for the persistence of income inequality and poverty. The revenue from diamonds has allowed the government to spend as much as 40% of agricultural GDP on support schemes that are aimed at improving the welfare of the agricultural population and keep them in the rural areas. These expenditures, which are justifiable on equity grounds, have had minimal effects on productivity (Irz and Thirtle, 2004).

Agricultural research has been devoted to soil conservation, grazing experiments, and developing and distributing improved strains of grain. The construction of dams and the drilling of boreholes to tap underground water are continuing government programs. The Strategic Grain Reserves, Arable Lands Development Program, drought relief programs, and the Tribal Grazing Land Policy are government programs designed to help farmers in communal areas and mitigate negative shocks to food supply. [xix]

3.4. Fiscal and Monetary Policies

On fiscal and monetary policies, Leith (2005) notes the government was disciplined and fiscally responsible. It created shock-absorbers between itself and the rest of the economy during the 1970s and the 1980s in response to shocks to government revenue from minerals and agriculture which was fluctuating between 5% and 10% of GDP annually.

Typically, shocks to government revenue mean shocks to government expenditure. But this would only be the case if the government tied its expenditure very closely to its revenue. The government of Botswana pursued the smart policy of making expenditure grow at a slower rate than revenue. In effect, what the government did was to smooth expenditure by running budget surpluses during favorable shocks to revenue and drawing on these surpluses during negative shocks to revenue. Indeed, Leith (2005) notes that the government accumulated significant credit balances with the Bank of Botswana which reached 80% of GDP at one point and was almost twice government's annual expenditure.[xx]

Furthermore, expenditure smoothing and fiscal discipline also meant that the government was able to accumulate significant foreign exchange reserves in the face of rapid export growth (Leith, 2005). This also meant that the government was able to avoid balance of payments crises, keep the foreign exchange rate at a competitive level, and avoid recourse to drastic policies like import licensing. The lesson for other developing countries is that shocks to an economy need not have negative effects so long as these shocks are not persistent in one direction. One can smooth consumption and investment by saving when shocks are favourable and drawing on such savings when shocks are unfavourable. Being a desert, Botswana has had periodic droughts but remarkably, there has not been a single case of famine. Adequate savings and forward-looking planning account for Botswana's ability to deal with such economic shocks.

Expenditure smoothing and monetary discipline also meant that government was able to provide macroeconomic stability which is crucial to private-sector investment, the allocative efficiency and performance of the market, and growth. However, as noted above, the government has not been able to achieve its inflation target of 3 – 6%.

3.5. Industrial Policy

As part of an industrial policy, Botswana created the National Development Bank (NDB) in 1965 to provide loans to those who could not get loans from commercial banks and the Botswana Development Company (BDC) was created in 1970 as a venture capital company. In addition, the Financial Assistance Policy (FAP) was implemented in 1982 to give subsidized loans to entrepreneurs venturing into new businesses with the potential for employment creation. These were good and well-intended policies. However, their outcomes have not been encouraging. For example, the BDC had to be restructured following significant losses "… including the collapse of the Hyundai motor vehicle kit assembly operation." (Leith, 2005, p. 100). However, the government must be commended for finding the political will to discontinue unsuccessful industrial policies and to successfully restructure some government corporations. For example, the NDB was insolvent in the 1990s but began paying dividends to the government after a thorough restructuring (Leith, 2005).

3.6. Regional Cooperation and Trade

Botswana has been a member of the Southern Africa Customs Union (SACU) since independence. As a member of this union, Botswana does not have the freedom to set its own import tariffs. This policy means Botswana cannot use very high tariff rates to protect import-substitution industries. To the extent that such policies were disastrous and growth-retarding in many post-independence sub-Saharan countries, membership of SACU may have helped Botswana to avoid these policies.

Botswana also made use of regional integration by engaging in trade with countries in her immediate vicinity. South Africa is Botswana's largest trading partner. Botswana imports most of her manufactured goods from South Africa.

4. Juxtaposition of Botswana With East Asia and Mauritius

Based on the discussion in sections 2 and 3, it is clear that Botswana's growth was due to the export of diamonds, macroeconomic stability, a thorough and disciplined process of development planning, high rates of savings and investment, judicious fiscal management, regional co-operation and committed and capable governments who complemented the market and private sector. This was exactly what the East Asian Tigers also did.

The major difference between Botswana and the East Asian Tigers is that Botswana's growth was driven by the export of *capital-intensive* primary commodities (i.e., diamonds and other minerals) while the growth of the East Asian Tigers (and also China's growth) was (is) driven by the export of *labor-intensive* manufactured commodities.[xxi] Governments also used contests to reward performance and stimulate competition amongst firms. For example, they rewarded firms that had better export performance relative to other firms by providing them with access to capital and foreign exchange (Stiglitz, 1996). Similarly, Mauritius, through the creation of export processing zones and foreign direct investment (FDI) from Hong Kong and other countries,[xxii] enjoyed an FDI-export-led growth in *labor intensive* manufacturing of clothing and textiles. The government also diversified exports by promoting non-textile firms that produce footwear, leather goods, clocks, and optical products (Nath and Madhoo, 2004).

As noted in section 3.5, Botswana's industrial policy has not been successful. Some of these industrial policies failed because incentives like the subsidized loans and wage subsidies of the FAP attracted footloose or 'fly-by-night' companies, including firms in the textile and garment industry, which closed down and moved to the next region with better incentives as the incentives under the FAP were gradually phased out (Leith, 2005).[xxiii]

So why was Mauritius' textile and garment industry vibrant and successful while Botswana's remained almost stagnant or why did firms in the textile and garment industry leave Botswana after wage subsidies were phased out?[xxiv] In thinking about this question, we have to take cognizance of the fundamental fact that a profit-maximizing firm will not operate in a region if the expected revenue is very low (e.g., small market size, low worker productivity, etc) and/or expected costs are high (e.g., high taxes, high wages, erratic power supply, etc).

Botswana and Mauritius have almost the same population and both have had preferential access to European and American markets under the Africa Growth and Opportunities Act (AGOA) and the Cotonou agreement. We think the answer to Mauritius' superior performance lies in differences in worker productivity between Botswana and Mauritius and the high cost of doing business in Botswana. For example, a 2004 study undertaken by the World Bank and the Botswana Institute for Development Policy Analysis (BIDPA)[xxv] found that there was low worker productivity and a substantial shortage of qualified technical and supervisory personnel in the textile and apparel sector.[xxvi] In this regard, it is noteworthy that the East Asian economies educated large numbers of skilled engineers in order to absorb and adopt the most advanced technology. In addition, the governments promoted technology programs and science centers that identified new products and provided research and development for firms (Stiglitz, 1996). Botswana must invest in human capital that is *appropriate* and *responsive* to the needs of the private sector. In particular, Botswana should pay more attention to technical and business education.

The aforementioned World Bank/BIDPA study also found that over half the manufacturers in the textile and apparel industry experienced frequent electric supply interruptions, especially during the rainy season. These factors increase the costs of doing business in Botswana and exacerbate the problem of low worker productivity. We elaborate on these issues in the next section.

Recall that under a wage subsidy program, job creation and hiring decisions remain in the hands of private firms but the cost is partially borne by the government. If wage subsidies lead to an increase in employment, then it must be the case that, *in the absence of the subsidy*, the maximum wage that firms are willing to pay is lower than the minimum wage that the unemployed are willing to accept. This means that the firm will not retain the worker after the subsidy is phased out if the worker's productivity has not increased by then or labor cost is not low enough. Therefore, a wage subsidy program will not solve the problem of unemployment in the long run or enhance the viability of firms if worker productivity and skills do not improve. In view of the low productivity in Botswana, it is not surprising that most of the firms that were beneficiaries of the FAP closed down or moved to the next region after the incentives were phased out.[xxvii]

5. Challenges Facing Botswana and Some Suggested Solutions

In addition to the challenges alluded to in the previous section, there is the need to diversify Botswana's economy from its heavy dependence on diamonds and minerals and into manufacturing and industrialization. The government of Botswana recognizes the importance of manufacturing. For example, the corporate tax for manufacturing enterprises is 15%, the lowest in Southern Africa, and 25% for other sectors. However, to sustain diversification some of problems indicated in the previous section must be addressed. We elaborate on some of these below.

There must be policies to give industries the support required for success. In this respect, it is important to note that Botswana imports most of her power from South Africa. Eskom of South Africa provides about 75% of Botswana's power needs. This dependence on a foreign country for such a strategic resource has been costly to Botswana since Eskom began to implement a load-shedding policy. From a supply of 410 megawatts (MW) in 2007; Botswana will get 350 MW in 2008; 250 MW in 2009; and 150 MW in 2010 through 2012. Policies to reduce power and telephone costs are needed to increase the country's international competitiveness in attracting foreign investment, as well as improving labour productivity and industrial performance. [xxviii] In this regard, the government of Botswana must vigorously try to reduce other costs of doing business by implementing the recommendations of a recent World Bank/IFC's Foreign Investment Advisory Service (FIAS) report on the need to reduce onerous regulations and procedures for doing business in Botswana. For example, the report found that starting a business in Botswana took 97 days and involved 10 cumbersome procedures. In contrast, it takes less than half the number of days (i.e., 46 days) to start a business in Mauritius.

The services sector has the potential for the diversification of Botswana's economy and, as noted in section 2, has experienced a very high growth for the past three decades. Specifically, financial services, tourism and associated services could provide the opportunities for sustainable diversification of the economy. In the area of tourism, Botswana should take advantage of the 2010 World Cup to be hosted by South Africa. Such a huge boost could have long-run implications for the tourism industry.

Given Botswana's harsh climatic conditions and very small percentage of arable land, agriculture does not seem to be an engine of sustained growth. However, given that most of the people are in agriculture, there must be policies to improve the productivity of the arable land available. In this regard, government must continue the policies of improving soil conservation, grazing experiments, and developing and distributing improved strains of grain and seeds.

An important constraint on productivity growth is the existence of redundant state-owned enterprises (SOEs). Without the major part played in ensuring the availability of essential services in the first decade or two of independence, very little of Botswana's growth would have been possible (Leith, 2005). However, having played their role, some if not most, of them have become redundant.[xxix] There must be a program of retrenchment and retraining of the workers of some of these SOEs.

The incidence of HIV/AIDs is probably the biggest challenge facing Botswana. Botswana has the second-highest incidence of HIV infection in the world. The country's life expectancy has dropped from a high of 65.3 years in 1991 to 54 years as at 2006. Valuable public investments in human capital are being lost to the disease including the shortage of skills in critical technical areas.

In addition, there are the serious problems of the persistence of inequality, a high poverty rate (i.e., currently at 23%), and the treatment of the minorities (i.e., the Basarwa or San ethnic group). Economic diversification into manufacturing and services will help in solving the problem of high unemployment[xxx] and alleviate poverty. The processing of minerals like diamonds will also help in creating employment.

In spite of Botswana's problems, we wish to note that Botswana *owns* her development and socio-economic agenda. Botswana is not seen or treated as a sick patient who needs to be dictated to by foreigners or outsiders precisely because she has managed her affairs very well giving her the dignity, resources, and independence to determine her own future and chart her own course of development. This is a very important point.[xxxi]

6. Lessons for Other Sub-Saharan African Countries

Can Botswana's success be replicated in other parts of sub-Saharan Africa (SSA)? We think the answer is yes. However, this does not mean that every SSA country should follow exactly the policies that Botswana adopted. Each country's socio-economic and historical circumstances are different. For example, as alluded to in section 3 and evidenced in Proctor (1968), it may not be politically feasible in some countries to take away the allocation of land from chiefs or weaken their powers.

Botswana has shown that she is willing to undertake policy experimentation *and* abandon policies within a *reasonable time* when *ex post* results show that such policies are not working. Examples are import-substitution[xxxii] and the financial assistance program (FAP). Sub-Saharan African countries should emulate Botswana's example.

The existence of capable and honest governments coupled with policies like complementing markets, *high* investments in social, physical, and human capital and macroeconomic stability are necessary for growth.[xxxiii]

It is important to note that in Seretse Khama's presidency, national development plans were directed by Quett Masire. As a founding general secretary of the BDP, minister of finance and later vice president, Masire carried considerable clout. It appears that to give development plans enough credibility and to signal a sufficient degree of importance, a senior member of government with enough clout should be in charge of the planning process.

There should be a serious commitment to a program of *real* decentralization and freedom of information laws[xxxiv,xxxv]. This leads to better governance (Fisman and Gatti, 2004; Ferraz and Finan, 2008; World Bank, 2005b).

One might argue, and correctly so, that there are countries that have sustained high levels of growth without democratization, decentralization, or strengthening existing democracies. For example, Rodrik (2008) argues that Vietnam's private sector has achieved a high level of growth in an environment of weak formal enforcement of contracts. And in Botswana, the same party (i.e., the BDP) has won every election since independence.[xxxvi] Fukuyama (2008, p. 27-28) also argues that

"… state capacity would seem to be much more important than either rule of law or democracy, particularly at low levels of per capita GDP (i.e., below $1000). Neither South Korea during the 1960s or 70s, nor China from the period 1978-present, had a strong rule of law; property rights were partial and insecure, and there was a weak legal infrastructure in both countries. They, did, however possess strong developmental states that maintained political order and pursued pro-developmental rather than predatory policies. Their growth rates were not worse than territories like Hong Kong or Singapore that inherited modern rule-of-law systems from the British." He continues "Property rights are more important to growth than individual human rights (e.g., freedom of speech, association, religion) or political rights. We know of many fast-growing regimes that offer full, partial or quasi-property rights without protecting other types of individual rights (China, Malaysia, Singapore, and United Arab Emirates)."

We do not disagree with Fukuyama (2008) and Rodrik (2008)[xxxvii] nor do we wish to claim that there are general rules for every country. If *de jure* or *de facto* autocracies like China, Botswana, or Singapore have been able to sustain high levels of growth, then democratization or strengthening their democracy may not be necessary insofar as their citizens have an instrumental value for democracy as opposed to an intrinsic value for democracy. However, there are autocracies and democracies whose politico-economic *history* is sufficiently bad to warrant democratization or the need to strengthen their existing democracies. In other words, policy reform must be guided by the politico- economic *track record* and *history* of the country.[xxxviii]

A controversial issue in the growth strategies of developing countries is the role of trade liberalization vis-à-vis trade protection. Greenwald and Joseph Stiglitz (2006) argue that "... most successful countries, both today (in East Africa) and historically (including the United States), not only engaged in trade restrictions, but those restrictions were an explicit part of their growth strategies." Rodrik and Subramanian (2005) also argue that a closer look at the growth of China and India shows that their takeoff occurred about ten years *prior* to trade liberalization in 1991, though it was associated with internal liberalization and the removal of internal distortions.[xxxix]

It is important to ensure that trade liberalization is growth-enhancing and must create more jobs than it destroys as opposed to being only a vehicle for reducing the domestic prices of goods and services.[xl] The cheaper foreign goods confer little or no benefits to a majority of the population if they are not gainfully employed to be able to buy such goods.

There is also the need to remove *internal* distortions and trade barriers and thereby promote trade within a country.[xli] Such internal distortions and barriers include, among others, the lack of accessible roads between rural and urban areas, weak institutions of contract enforcement, sluggish internal mobility of labour, irregular supply of power, and a high cost of doing business.

In terms of the tools of trade policy, export incentives such as export subsidies tend to have better incentive effects than import tariffs or import-substitution policies. Export incentives, as pursued by the East Asian Tigers, tend to be effective because the beneficiaries are exposed to the rigorous competitive environment of international markets (Stiglitz, 1996). In contrast, import tariffs and import-substitution policies tend to promote local monopolies who do not face the rigors and discipline of international markets and therefore tend to be inefficient. The historical record of sub-Saharan African countries gives us cause to be very sceptical of infant-industry arguments to justify the protection of local firms.

African countries must also blend cultural/traditional practices that enhance growth with modern practices in order to bring development to the bulk of the population who are in the informal and traditional sectors of the economy. For example, commercial banks in Ghana have provided loans to people in the informal sector by teaming up with traditional "susu" collectors. Susu collectors are individuals engaged in an age-old Ghanaian traditional way of micro banking. They offer basic banking to people who are employed in the informal sector. For a small fee they personally gather the savings of their clients and return it at the end of each month, providing greater security for their client's money. Since 2006, Barclays Bank of Ghana has provided loans to individuals such as market women, hawkers, farmers, hairdressers, taxi drivers and artisans who are clients of "susu" collectors.

We also want to emphasize that it is *important* for governments to complement and facilitate the growth of the private sector. It is the private sector led by an entrepreneurial class that creates jobs. However, the private sector will not be able to grow and create jobs if the cost of doing business is high. These costs are high when it takes a long time to register a business, access to credit is limited, there is very little human capital, power supply is unreliable, transportation and communication costs are high due to poor roads and poor telecommunications infrastructure, enforcement of law and order is poor, the political and macro-economic environment is unstable, and government bureaucracy is corrupt.

However, even if the provision of such complementary inputs by governments leads to a booming private sector and high rates of employment, there is no guarantee that the wages paid by the private sector will be high enough to ensure a decent standard of living for the average worker. Hence even if government is able to facilitate the efficiency of the private sector, there may well remain a distributional problem. In this regard, government can use reasonable levels of taxation on the private sector to subsidize the cost of education, health care, public transportation, housing, etc in order to reduce the cost of living for the average person in the economy and thus increase the standard of living to a reasonable level. Also, in consultation with both employers and employees (e.g., trade unions), government can set reasonable levels of minimum wages.[xlii]

Finally, inclusive policies and attempts to reduce inequality are helpful because they reduce political and social unrest, factional and ethnic tensions, redistributive demands, and predatory behaviour by individuals. Such inclusive policies need not necessarily involve large-scale redistribution from the rich to the poor targeted at specific individuals. They may simply involve the universal provision of essential public goods like health care, which are nevertheless redistributive because the rich contribute more in taxes than the poor. However, the ability of governments to perform this function, among others, depends on a strong economy and an efficient system of taxation. To this end, it is important for sub-Saharan African countries to develop efficient systems of taxation.

7. Conclusion

Failed policies are usually due to the lack of non-human resources, adverse and unexpected events, and human agency problems. Yet good management can mitigate the effects of such unexpected effects and also boost the resources required to complement human efforts. Therefore, human agency problems appear to be the most important reason for failed policies. For example, paying high wages (i.e., efficiency wages) to public employees to reduce shirking and other forms of moral hazard behavior will not be effective if it is not accompanied by effective monitoring. One cannot design a system that monitors everyone. We shall necessarily encounter the infinite-regress problem of "who monitors the monitor".[xliii] Honest and competent superiors are required for such effective monitoring.

From the standpoint of *ideas*, there is nothing particularly extraordinary about policies like export promotion and incentives, disciplined use of development plans, high rates of savings and investment, etc that were pursued by Botswana, Mauritius, and the East Asian Tigers. The reason why they have succeeded but other countries have failed is invariably due to good leaders (politicians and bureaucrats) who were committed to implementing these policies and monitoring them well.[xliv] This explains why Nobel laureate Joseph Stiglitz, in his study of the economic performance of the East Asian Tigers, noted that "[T]he real miracle of East Asia may be political more than economic: why did governments undertake these policies? Why did politicians or bureaucrats not subvert them for their own self-interest?" Stiglitz (1996, p. 174).

Similarly, the World Bank (2005c) notes that Asia's import substitution strategy and infant-industry protection involved a mix of incentives and *discipline*, where the government pruned non-productive firms. In contrast, such policies in Africa and Latin America involved incentives without *sufficient discipline* resulting in too many low-productivity firms. The lack of sufficient discipline is a problem of leadership. Good leadership is the secret of Botswana's success.

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9. References

[i]The Tswana ethnic group of Botswana is about 80% of the population. The same is true of the Shona ethnic group of Zimbabwe and the Sotho ethnic group of Lesotho. The Somali ethnic group of Somalia is more than 98% of the population.

[ii] Other minerals produced include copper and nickel, soda ash and coal which have so far been for domestic consumption.

[iii]Botswana has an extensive social welfare system which includes orphan care, transfers to destitute residents, old age benefits, free education services, free health services, Free Anti-Retroviral drugs, free water, subsidized electricity, housing, and telecommunication utilities. This is a very laudable effort. However, a sustainable solution to poverty is not through a welfare system but through a diversified and vibrant economy that can generate growth and employment and can support such welfare systems.

[iv]Government was implementing a Financial Assistance Policy (FAP) which provided for grants to citizen entrepreneurs and subsidised loans to non citizen entrepreneur venturing into new businesses with potential for employment creation. The programme was discontinued in 2001 and replaced with the formation of a Citizen Entrepreneur Development Agency which administers subsidised loans to new small medium and micro business ventures.

[v]See 2008 budget speech by Baledzi Gaolathe, Botswana's Minister of Finance and Development Planning.

[vi] For a very good and balanced discussion of this point including how to strengthen democratic checks and balances, see World Bank (2005a,b). Democracies perform poorly in delivering good economic performance due to ill-informed voters, low voter turn out, polarized groups in the electorate, weak and disorganized opposition parties, strong preferences by voters on non-economic issues like abortion, ethnicity, and religious ideology, and a lack of adequate checks and balances. Recognizing this shortcoming Besley (2005, p. 45) notes that "… if the control of politicians through elections is limited, then improving the quality of government requires an increase in the honesty, integrity, and competence of those who are elected."

[vii] The violence in Kenya as a result of the December 2007 electoral dispute showed that apparently stable democracies could produce extreme inequality and poverty. Kenya's growth appeared to have been concentrated in Nairobi and a few places. Democracy did not "… prevent Kenya's government from exerting its authority to benefit a small, privileged elite." World Bank (2005a). It must be noted, though, that until 1992, Kenya had a constitutionally-mandated single-party democracy.

[viii]We thank Novice Fidzani, director of the Botswana Institute for Development Policy Analysis, for this point.

[ix] The main ethnic group in Botswana is the Tswana ethnic group which is about 80% of the population. Within this ethnic group, there are eight main tribes: Bamangwato, Batawana, Bangwaketse, Bakwena, Balete, Bakgatla, Barolong, and Batlokwa. The language of the Tswana is Setswana. This is one of the national languages of Botswana.

[x]Embassy of Botswana, Japan: http://www.botswanaembassy.or.jp/culture/index2_1.html

[xi]Schapera (1953, p. 46) notes a Tswana chief "... spent much time daily at his *kgotla* (council place), where anybody could approach him directly with news, petitions, and complaints ..." Peters (1995) does not see Tswana culture as democratic on the grounds that it excluded women and such minorities as the San (bushman). While this argument has significant merit, the fact remains that Tswana males, who were *commoners*, had freedom of speech at *Kgotla* meetings and could criticize the chief.

[xii]Seretse Khama was the paramount chief of the largest Tswana state, Bamangwato.
Although a chief had to abdicate the throne before going into politics, the Bamangwato still saw Sereste Khama as their chief.

[xiii]The move was due to the accusation of favoritism in land allocation by the chiefs and the inequities that emerged from such allocation. The tribal boards were not without scandal either. In the 1980s, the minister of local government and lands tried to influence the Kweneng land board to allocate land to the minister of Agriculture of Kweneng district. This became a scandal leading to the resignation of both ministers and the appointment of a presidential commission of inquiry. It must be noted that the resignation of the two ministers was a good mark of political accountability and good governance.

[xiv]Using instrumental variables regression analysis, Acemoglu et al (2003) found that Botswana's economic success was due to her good institutions and not because of her mineral wealth.

[xv] It is important to note that we are *not* attributing Botswana's good governance to the fact that, Seretse Khama, was a chief or was from a royal family. Quett Masire who was also very instrumental in Botswana's success and became the president after Khama's death, was not from a royal family. However, we believe that giving traditional rulers some role, even if it is an advisory role as in Botswana's case, is important because it gives them a sense of participation in decision-making and enhances social cohesion insofar their subjects still revere them or have some modicum of cultural respect for them.

[xvi] In the first few years after independence, Botswana got financial assistance from Britain. Such assistance from the Britain or other foreign donors ceased several decades ago.

[xvii]Leith (2005, p. 84) elaborates on the planning process by noting that "Desired expenditures over the projected plan period, both recurrent and capital, are developed in the spending ministries and state-owned enterprises. … Feasible paths of expenditure are projected by the Ministry of Finance and Development Planning. An important element in those projections is the sustainability of recurrent expenditures. Even if the capital budget is affordable in the plan period, it is trimmed if the ongoing costs cannot be covered with confidence. Priorities are then set in an extensive consultative process, which includes a series of lengthy meetings of all ministers and senior officials, and culminates in adoption of the plan by Parliament. This is supplemented by annual reviews of projects under way and an extensive mid-plan review of the overall picture."

[xviii]Leith (2005, p. 116) makes the point poignantly by noting that "[T]he dominance of cattle ownership in the BDP's base constituency meant considerable support for the maintenance of a competitive real exchange rate, avoiding the peril of an overvalued currency commonly encountered following mineral discoveries or in polities dominated by import-substitution interests." Robinson and Parsons (2006) refer to this effect as "*beefocracy*".

[xix]The Botswana Meat Commission (BMC), established by the government in 1996, co-ordinates the production of beef. Facilities at the BMC headquarters in Lobatse have been designed and constructed as a complete and integrated complex of abattoir, canning, tanning and by-products plant to handle a throughput of 8000 cattle and 500 small stock per day. The BMC owns marketing subsidiaries in the United Kingdom, Germany and Holland, an insurance company in the Cayman Islands, cold storage facilities in the United Kingdom and South Africa, and transport companies in Botswana. The Botswana Livestock Development Corporation was formed for the purpose of buying cattle not yet ready for slaughter - these are fattened after purchase and then sold to the BMC. The corporation is designed to help cattle owners in more remote areas where prices for cattle are lower than in those areas closer to the main abattoirs.

[xx] According to Leith (2005) substantial revenue from Botswana's membership of the Southern African customs Union, minerals, and earnings from foreign exchange reserves enabled the government to reduce tax rates. For example, the top marginal tax rate on personal income is 25%.

[xxi]The capital-intensive nature of mining explains why Botswana's unemployment rate is high in spite of her impressive growth record.

[xxii]To attract FDI, the government gave foreign firms a ten-year tax holiday, tariff-free imports of inputs, no restrictions on ownership and the repatriation of profits, and a centralized wage-setting system in order to keep labor costs at reasonably low levels (Nath and Madhoo, 2004).

[xxiii]Botswana had to discontinue the FAP in 2001.

[xxiv]Under Botswana's five-year wage subsidy program as part of the FAP, the government paid 80% of wages in years 1 and 2, and 60%, 40%, and 20% of wages in years 3, 4, and 5 respectively.

[xxv] This study is available at:
http://www.bidpa.bw/docs/archive/Economic%20Diversification/Botswana_ApparelSub_Sector_Study.pdf

[xxvi] In a different but related context, Teal (1999) finds that Ghana and Mauritius have almost the same capital per worker in the textile and garment sector but output per worker is much higher in Mauritius.

[xxvii]While it is possible that some of these firms who left were simply unscrupulous, the fact remains that when worker productivity is sufficiently high and the costs of doing business are sufficiently low, it is very unlikely that an unscrupulous firm will leave a sufficiently profitable region. One may be tempted to recommend that a minimum residency requirement should be imposed on firms that avail themselves of the generous government benefits and those who violate such a requirement will have to refund a portion of their benefits to the government. The disadvantage of this policy is that it will deter some firms from investing in the country. The advantage is that it will mitigate an adverse selection

problem by inducing only serious and committed firms to invest. Hence there is quality-quantity tradeoff here. This policy could also be seen as a risk-sharing mechanism between the government and the firm. That way, the government does not bear all the risks of failed investments.

[xxviii]In this regard, the Mmamabula coal mine and energy project in south-eastern Botswana which is expected to generate 2100 and 2400 megawatts when fully operational is a step in the right direction. Furthermore, a thriving coal industry would diversify the base of the economy and has the potential to boost employment.

[xxix]For example, the state housing corporation has failed to meet increasing demand for urban housing and has frequently run substantial budget deficits in spite of low-interest government loans. Also, in the 1980s and 1990s, the telephone and postal service corporations were unable to meet rising demand for telephone lines and post office boxes (Leith, 2005).

[xxx]Botswana's high rate of unemployment is evidence that high growth need not translate into low unemployment especially when such growth is based on a labor-saving technology or a capital-intensive sector like mining.

[xxxi] The point is not that foreign advice or expertise should be shunned. The point is that good economic management gives a country the independence and bargaining power to reject bad policies.

[xxxii]Botswana tried import substitution by offering protection to so-called infant industries. Two cases of a soap factory and a brewery yielded disastrous and inefficient outcomes leading to the abandonment of the policy of infant industry protection in Botswana (Leith, 2005).

[xxxiii]On the issue of private investment by household, an important aspect is the investment of parents in the human capital of their children. Households with bigger family sizes are less likely to invest sufficiently in the human capital of their children. This can slow down growth. Hence in thinking about the effect of population on growth, we have to go to the micro level and think about family structure. Also, a reasonable level of investment in education and human capital is not possible if the population grows faster than the rate at which the economy can undertake such investments. Some control of population is not an archaic and moribund Malthusian-type idea. Even OECD countries reduce the inflow of immigrants during recessions and increase them during booms. China's one-child policy was informed by expectations of the ability of the country's resources to handle a super growing population.

[xxxiv]According to the 2008 CDG report "… responsive government often requires a decentralized administration, in which decisions are taken close to home." (CDG report, p. 64). See also World Bank (2005b). Here again, it must be noted that no policy is a guarantee for success. For example, in Kenya local authorities (i.e., councilors) are elected by the public during general elections or in by-elections. However, these local authorities are weak and are over-shadowed by the state.

[xxxv]An example is the Extractive Industries Transparency Initiative (EITI) launched in 2002 under which governments in resource-rich countries must disclose how much they receive in royalties and for oil, gas and mining rights, and companies must also disclose how much they paid to such governments: (http://www.eitransparency.org).

[xxxvi]Note, however, that this has been through free and fair elections. There have not been allegations of corruption in the electoral process. In Sweden, the Social Democratic Party of Sweden was in power for 59 consecutive years (1932-1991). The SDP was also in power from 1920-1926 and 1994-2006. So for a period of 86 years (1920-2006), the SDP was in power for 77 years. The examples of Botswana and Sweden suggest that once a society has agreed on a system of political transition that is conducted in a *free and fair* manner, the outcome, even if dominated by one group, may be politically sustainable especially when government policies are *sufficiently inclusive*.

[xxxvii]Johnson, Ostry, and Subramanian (2007) also argue that East Asian countries were able to sustain high growth rates despite having weak institutions.

[xxxviii] Fukuyama (2008, p. 29) recognizes this point when he argues that "[I]n countries ruled by competent development states, greater political participation , particularly if introduced suddenly, may lead to increased demands for redistribution and rent-seeking, both of which may be detrimental to growth. On the other hand, in countries with some combination of predatory states, low capacity, and high levels of corruption, democratic accountability may be the only route available for institutional change and long-term growth."

[xxxix]These involved reducing taxes, easing access to imported capital inputs, allowing companies in 28 industries to expand the scope of their operations into related activities, and other forms of internal liberalization. Beginning in 1991, India first liberalized the importation of capital and intermediate goods and consumer good imports were liberalized about 10 years later.

[xl] The real world is a second-best world. The problem with arguments about trade liberalization is that theory in a second-best world actually yields ambiguous welfare effects. The application of the law of comparative advantage in a first-best world does not yield ambiguous effects on aggregate income, although the law of comparative advantage is consistent with losers and winners when there is a move from autarky to free trade. But we do not leave in a first-best world. The existence of increasing returns, imperfect information, and oligopolies are key aspect of the new trade theory and strategic trade policy. In a second-best world, the ambiguity of theoretical predictions makes pragmatism, history, and empirical work the cornerstones of policy.

[xli]As noted earlier, Rodrik and Subramanian (2005) argue that a closer look at the growth of China and India shows that their takeoff occurred *prior* to trade liberalization. Instead, this takeoff was achieved through internal liberalization, where domestic distortions were removed. The promotion of internal trade is also very important since there is no guarantee that the OECD countries will open up their markets to developing countries.

[xlii] Similarly, in dealing with the displacement effects of markets and creative destruction on people, the Commission and Growth and Development (2008, p. 44) recommends that governments "… should try as far as possible to protect people, not jobs. Unemployment insurance, retraining, and uninterrupted access to health care are all ways to cushion the blows of the market, without shutting it down." Furthermore, the report also notes that "… equity and equality of opportunity are essential ingredients of sustainable growth strategies." (2008 CGD report, p. 60). The idea that government can facilitate the efficiency of the

private sector and later redistribute some of the surplus could be seen as an application of the second welfare theorem.

[xliii]This also means that different policies may have varying degrees of robustness to corruption but there *cannot* be a fully corruption-robust policy. There must necessarily be someone at the end of the monitoring structure or the hierarchy of an organization who cannot be fully monitored or fully "incentivized" to serve in the public interest.

[xliv]Indeed, sub-Saharan African countries do not lack ideas, at least, not in certain areas where their performance has been disappointingly abysmal. What is needed is effective implementation of already well-known ideas. For example, the fundamental problems facing agriculture in Ghana, were known to 16-18 year old high school students in the 1970s – 1990s in their 'O' level GCE courses in agricultural science, economics, and geography. Some of these problems are the land tenure system, lack of storage facilities, dependence on the weather, lack of credit to farmers, low mechanization of agriculture, etc.