Institutions and Economic Prosperity: The Case of Botswana

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Abstract

Although many theories exist on how to attain it, economic prosperity remains a challenge for much of Sub-Saharan Africa. Such theories include that of geography, culture, trade, factor endowments (human and physical capital), policy and institutions. Through a detailed historical case study based on primary and secondary literature, this paper studies how one of the few Sub-Saharan African countries to raise itself out of poverty, Botswana, was able to attain economic prosperity. The case is studied from an institutional perspective, but also considers the alternative hypotheses of geography, culture, trade, factor endowments and policy. Much literature has been written on the country presenting different explanations for the source of its economic success, in light of the many failures in Sub-Saharan Africa. Thus, this paper seeks to validate these arguments for Botswana's economic progress. Although evidence was not found to support factor endowments, the results of this study validate institutions, geography, culture, trade, and policy hypotheses. In Botswana, political and economic institutions worked with elements of geography such as natural resource endowments; cultural aspects such as cooperation of different ethnic groups; negotiating favorable commodity prices when trading; and adoption of good policies that broadly benefit the population. As such, the research concludes that institutions matter for economic prosperity, but not exclusively.

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Introduction

Although many theories exist on how to attain it, economic prosperity has been a challenge for much of Sub-Saharan Africa. Such theories include that of geography, culture, trade, factor endowments and policy (Bloom *et al.* 1998, Diamond, 1998, Hjort 2010, Harrison & Huntington 2000, Hayward and Kemmelmeier 2011, Gullup, Sachs & Mekkinger 1999, Glaeser *et al.* 2004, Greif 1994, Olsson & Hibbs 2005, O'Toole 2007, Ravenhill 2005, Sachs 2001, Sachs, 2003). More recently, the foremost theory has been that of institutions (Acemoglu and Robinson 2012, Acemoglu and Robinson 2006b, Acemoglu *et al.* 2001, Easterly and Levine 2003, Evans 2004, Hall and Jones, 1999, Rodrik *et al.* 2004). This paper will study the case from an institutional perspective, while also considering the alternative hypotheses of geography, culture, trade, factor endowments and policy. Given that Sub-Saharan African is one of the poorest locations in the world, this research seeks to examine these theories through a historical case study; by looking at one of the few countries in the region to raise itself out of poverty: Botswana.

So why is the case of Botswana exceptional? Botswana is one of the few countries in the modern age to have sustained rapid economic growth for decades; even outperforming the East Asian tigers (Leith 2005, Leith 2000). Botswana was also Africa's poorest country at independence in 1966, but has transformed itself into one of its wealthiest (Dunning, 2005, pg. 460). Between 1965 and 1998, Botswana had on average the fastest economic growth rate in the world. During this period, the GDP per capita of the country grew at an annual rate of 7.7 percent (Acemoglu, Johnson and Robinson 2001 in Rodrik 2003, pg. 80). In this phase of rapid economic growth between 1965 and 1998, Botswana went from being one of the least developed countries in the world, to a middle income country, and has maintained this level of economic prosperity. Botswana has also maintained its status as Africa's longest continuous multi-party democracy. It is also rich in minerals and has avoided the resource curse that plagued other Sub-Saharan African countries such as Nigeria, Democratic Republic of Congo (DRC) etc. (Pegg 2010).

In addition, the country did not start out with favorable conditions at independence in 1966. At independence, it was the second poorest country in the world and the least prosperous in Africa, with poor human and physical capital (Dunning, 2005, pg. 460). Its GDP per capita in 1966, stood at $69 (Hjort, 2010, pg. 693,). By 1998, it had attained a GDP per capita of $5 796; which was almost four times the African average (Acemoglu, Johnson and Robinson in Rodrik 2003, pg. 92). In 2012, its GDP per capita had grown to $16 792, and it had established itself as an upper middle income country (IMF, 2012). At independence, its economy relied on beef exports which were the main source of income in the early years (Darkoh and Mbaiwa 2002). The discovery of diamonds and addition of mineral revenue in the 1970s resulted in economic growth reaching double digits at an annual growth rate of 12 to 13 percent (Hjort, 2010, pg. 693). However, the political and economic elites did not expropriate the resources. Instead, the rents were invested and transformed into other forms of wealth (Lange 2004).

Much literature has been written on Botswana presenting different explanations for the source of the country's economic success, in light of the many failures in Sub-Saharan Africa (Acemoglu and Robinson 2001 in Rodrik 2003, Acemoglu and Robinson 2012, Daniele 2011, Hillbom 2008, Hjort 2010, Lange 2004, Leith 2005, Pegg, 2010, Poteete 2009). This paper contributes to the literature by confirming the validity of some of these arguments. As such, the main question of this thesis is as follows: *why was Botswana, unlike other Sub-Saharan African countries, able to develop so spectacularly?* The first hypothesis is that it was due to its institutions. Accordingly, the second question is as follows: *why was Botswana, unlike other Sub-Saharan nations, able to develop and consolidate good institutions?* The second hypothesis is that it was due to a fortunate mix of structural factors and legacies. Additionally, this research will also seek to determine if other Sub-Saharan African countries can learn from the experience of Botswana. Therefore, the third question is as follows: *are there generalizable lessons that can be drawn from this case?*

The paper will be a primary and secondary literature based analysis of Botswana's economic progress between 1965 and 1998. Therefore, most of the statistics and data utilized will cover this time period. The paper will mainly follow Acemoglu and Robinson (2012) typology of theories of economic prosperity that includes historical institutionalism, geography, culture, and policy. To complement this typology, theories of trade, quality of institutions and factor endowment will be added for a more comprehensive assessment of the case.

The research method of the thesis will be a detailed historical case study that combines academic and government literature with statistical data. The literature used will include academic journals, books, and official government documents. The academic journals and books will assist with getting an overview of general arguments presented by scholars, for both the sources of economic prosperity, and how Botswana was able to attain it. The government documents will give insight into government policy and provide official data and statistics. Additional statistical data will also be collected from other sources such as the World Bank and IMF for analysis of the country's economic progress. The case of Botswana will then be used to demonstrate the applicability of the theories of economic prosperity, in one of the few Sub-Saharan countries to raise itself out of poverty.

Chapter 1 will first present the theories of economic prosperity divided into structural explanations and other theories such as culture and policy. Structural explanations include: geography, factor endowments, and trade. The chapter will then move on to discuss the shortcomings of these theories followed by a presentation of the historical Institutionalism and quality of institutions theories and their criticism. This first chapter will then conclude by discussing the main ideas drawn from the theoretical chapter, to be used in the analysis of the case. Chapter 2 and 3 will be a presentation and analysis of the case of Botswana. Chapter 2 will focus on the pre-colonial, colonial, and transition to independence years to give us an understanding of how political and economic institutions survived colonialism, and supported elements of trade and culture. The chapter ends with the events leading up to the country's independence to give insight into how these political and economic institutions were integrated into the post-colonial democratic system. Chapter 3 discusses how well established political and economic institutions were able to support elements of geography, culture, trade and policy hypotheses to turn Sub-Saharan Africa's poorest country, into one of its richest. The thesis then concludes by summarizing and presenting the major findings from the analysis of the case study.

The results of the thesis confirm that the economic success of the country between 1965 and 1998, when it raised itself out of poverty, was due to a combination of elements of the theories of economic prosperity; supported by inclusive political and economic institutions of democracy and secure property rights. These political and economic institutions worked with elements of geography such as natural resource abundance; cultural aspects such as cooperation of different ethnic groups; negotiating favorable commodity prices when trading; and adoption of good policies that broadly benefit the population. As such, supported by institutions of democracy and secure property rights, elements of geography, culture, trade, and policy hypotheses all worked together, to turn Africa's poorest country, into one of its wealthiest. *Therefore, the case of Botswana demonstrates that even the poorest Sub-Saharan countries, can transform themselves into economically prosperous nations; although other countries cannot be expected to easily replicate its economic achievements, given that Botswana had unique institutional conditions at independence.*

CHAPTER 1 Theories of Economic Prosperity

Scholars have put forth various explanations for sources of economic prosperity. This chapter will consider some of these arguments, while mainly following the typology of Acemoglu and Robinson (2012), which includes structural, culture, policy and institutional hypotheses. Structural explanations of determinants of economic prosperity consist of that of geography, factor endowment (such as human and physical capital), and trade; other alternative explanations include that of culture, policies as well as institutions.

1.1 Structural Explanations: Geography, Factor Endowment, and Trade

1.1.1 Geography

The general idea behind the geography viewpoint of underdevelopment can be summarized in the words of Montesquieu who stated:

> You will find in the Northern climates peoples who have few vices, enough virtues, and much sincerity and frankness. As you move towards the countries of the south, you will believe you have moved from morality itself: the liveliest passions will increase crime… [t]he heat of the climate can be so excessive that the body there will be absolutely without strength. So, prostration will pass even to the spirit: no curiosity, no noble enterprise, no generous sentiment; inclinations will all be passive there; laziness there will be happiness… (Montesquieu (1748) 1989, pg. 234)

This old version of the geography perspective Easterly and Levine (2003) state was used by some to explain why countries of the south have failed to attain economic prosperity. Therefore, hot weather in the south was said to make the inhabitants lazy and unmotivated to work. Acemoglu and Robinson (2012) state that the modern supporters of the geography viewpoint argue that tropical location, landlocked location, and commodity dependence negatively affect a country's potential for economic success (Gullup, Sachs & Mekkinger, 1999, Sachs 2001, Sachs, 2003). Thus, Africa's tropical location is said to be hindering its economic progress (Bloom *et al.* 1998). In addition, another version of this viewpoint maintains that some regions have superior grain species and had people who developed a resistance to animal based germs, were able to attain a head start in technological innovation

(Diamond, 1998). Thus, this modern version of the geographic perspective adds that tropical diseases, such as malaria, affect people's productivity; while tropical soils are not suitable for agriculture. As such, Acemoglu and Robinson maintain that global inequality as suggested by ecologist and evolutionary biologist Jared Diamond is said to be caused by differences in plants and animal species, which affected agricultural productivity. While areas such as the Fertile Crescent in the Middle East had animals available for domestication, others such as the Americas had none before the Europeans arrived, and African cattle were infested with germs carried by tsetse flies, which affected their distribution. This resulted in societies transitioning from hunting and gathering to farming first in areas where animals could easily be domesticated, such as the Fertile Crescent. Transitioning to farming led to increase in population, specialization of labor, trade, urbanization, and political progress. In societies that switched to farming, technological innovation followed. Thus, differences in availability of animals for domestication and plant species affected productivity in farming; which resulted in dissimilar progress in technological change and wealth (Olsson *et al*. 2005).

1.1.2 Factor Endowment (Human and Physical Capital)

Other structural arguments include that of human and physical capital accumulation. The explanation put forth for human and physical capital has been presented by scholars such as Glaeser *et al.* (2004). They consider what they state are the two main arguments for economic development: institutions and human and physical capital, and support the latter. Their argument is that human and physical capitals improve institutions. This view holds that nations differ in their supply of human and physical capital, but these can be acquired through good policies adopted by even dictators; which would eventually result in improved institutions and economic development. Glaeser *et al.* maintain that this perspective explains the experiences of South Korea, Taiwan, and the People's Republic of China (PRC) that grew rapidly under dictatorships; before Taiwan and South Korea eventually turned into democracies.

1.1.3 Trade

Trade has also been presented as a reason why countries are unable to attain economic prosperity (O'Toole 2007, Ravenhill 2005). O' Toole (2007) maintains that one of the most influential structuralists was economist Raul Presbisch, who highlighted the unfair exchange in international trade in causing underdevopment. This view maintained that the world was divided into a center and periphery. The center was the industrialized nations while the periphery was made up of countries that produced agricultural goods and raw materials. This division was a result of colonial history (Ravenhill 2005). Prebisch argued that industrial products produced by the center countries had a higher value than the raw material and agricultural goods from the periphery. This meant that periphery countries were at a disadvantage when trading with the center, as the prices of imports from the industrial nations often rose or stayed the same; while the prices for the goods produced by the periphery declined. Therefore, periphery countries needed to export more to get the same amount of imports from the center in the long run. As such, free trade was said to be not beneficial to countries exporting raw materials and agricultural goods. Consequently, Prebisch maintained that the current structure of the economy would result in a surplus of labor as sectors such as agriculture, would lose people because of the need to control production costs; due to the unfair trade. This is said to result in low incomes given that the workers in the periphery countries would not be easily absorbed by other sectors; thus, this unbalanced exchange in international trade would lead to underdevelopment. As a result, the gap between the rich and poor countries would get bigger, and the periphery would not be able to catch up, because of deteriorating terms of trade. Consequently, Presbisch advocated that countries needed to change the structure of their economies by creating their own industries, and relying less on primary goods; thus, import substitution industrialization and regional trade were encouraged. The state was also to play a major role in this economic transformation (Ravenhill 2005).

O' Toole maintains that from the structuralist approach developed dependency theories, that accepted the center and periphery idea, but blamed underdevelopment on external factors. While structuralits argued that the problem of unfair trade could be solved through internal structural changes, dependency theorists maintained that underdevelopment was caused by external factors, such as policies of industrialized nations. As such, the center countries wanted to maintain a cheap supply of primary goods and labor from the periphery for their industrial products; to keep themselves prosperous at the expense of the periphery. Thus, these theories maintained that the rich center countries benefited from keeping the poor periphery countries underdeveloped. Periphery countries could not stop this given that this would result in economic sanctions or military intervention; as such, these theories maintain that revolutionary ways might be necessary to keep the rich nations from underdeveloping the poor.

1.2 Culture Explanation

Another common argument for what influences economic prosperity is that of culture. This culture theory can be traced back to German sociologist Max Weber. Acemoglu and Robinson (2012) and Hayward and Kemmelmeier (2011) state that Weber maintained that the Protestant Reformation and work ethic was key to the success of modern industrial societies of Western Europe. However, its modern version does not focus on religion alone, but also includes other factors such as beliefs, values, and ethics (Greif 1994, Harrison & Huntington 2000, Hayward and Kemmelmeier 2011).

1.3 Policy Explanation

Another common alternative hypothesis is that of policies, that maintains that people or their leaders do not know how to make poor countries rich. Acemoglu and Robinson

(2012) maintain that this view is held by most economists, and holds that the science of economics needs to focus on the utilization of scarce means to attain the right social ends. The policy hypothesis holds that when market failures are not properly dealt with, the country will become poorer. As such, world inequality is said to result from the fact that poor nations have many market failures, and economists as well as policy makers follow the wrong advice, or do not know how to fix the failures. Easterly and Levine (2003) add that the creation of international financial institutions is often meant to address these issues. They state, "[t]his perspective is clearly imbedded in the policy recommendations adopted by major multilateral institutions. Indeed, a motivating factor for creating international financial institutions is to facilitate the adoption of sound national policies that foster economic development (Easterly and Levine, 2003, pg. 11)." As such, poor countries are said to have not economically developed, because of bad economic policies. Rich countries are thus better off because they have adopted better policies, and are able to effectively address market failures.

1.4 Shortcomings of the Structural, Cultural, and Policy Explanations

1.4.1 Pitfalls of Arguments Based on Geography

As maintained by Acemoglu and Robinson (2012), the geography theory has some flaws. One of the main arguments presented by this hypothesis is that temperate climates are better for economic development than tropic or semitropical ones, and this continues to have advocates such as economist Jeffrey Sachs; however, they maintain that this is contradicted by the rapid economic advance of countries such as Botswana, which has a hot climate. They also maintain that the argument for tropical diseases affecting economic prosperity is also not supported by historical facts. They give the example of 19th Century England which had an unhealthy population; however, once the government invested in proper treatment of the water supply and a good health system, health and life expectancy increased. As such, people's health was not the reason for England's economic progress, but the results of its previous political and economic changes. Therefore, "[d]isease is largely a consequence of poverty and of governments being unable or unwilling to undertake the public health measures necessary to eradicate them" (Acemoglu and Robinson, (2012) pg. 51) Another part of the geography argument is that tropical regions cannot have productive agriculture. Although they concede that there is some merit in the argument, soil quality is said to not be the main reason for agricultural productivity. Instead, it is the incentives the government provides, and the ownership structure of the land. Also, they state that the level of agricultural productivity can no longer be used as a measure of poverty in the modern world; given that the inequality in the contemporary world resulted from differences in industrial technologies and manufacturing, not agricultural performance.

In addition, Acemoglu and Robinson maintain Diamond's version of the geography argument also fails to explain world inequality. For instance, Diamond states that the Spanish were able to conquer the Americas because they had been farming longer; which resulted in them attaining superior technologies. This idea they state implies that once the civilizations of the Americas had been exposed to all the species and technologies brought by the Spanish, they would have rapidly gotten as rich as their conquerors. Yet, the conquered civilizations became poorer rather than richer. As such, they maintain that modern inequality cannot be explained in these terms. Rather, modern inequality comes from the uneven distribution of industrial technologies, not agricultural productivity.

1.4.2 Pitfalls of Arguments Based on Factor Endowment (Human and Physical Capital)

According to Acemoglu and Robinson (2012), the argument for human and physical capital also has its merits as well as faults. They assert that institutions determine whether or not the society will have better technology and education, which are necessary for economic prosperity. As such, educating the people works best when first provided with the inclusive institutions that will get the best out of the people.

1.4.3 Pitfalls of Arguments Based on Culture

As also mentioned by Acemoglu and Robinson (2012), the culture theory has some merits in terms of explaining modern inequality; although it is also faulty. They state that social norms which are part of culture are important, because they are difficult to change and are sometimes useful for understanding institutional differences. However, advocates of this theory are said to over emphasize religion, national ethics, and values which are not important for comprehending modern world inequality. Acemoglu and Robinson maintain that supporters of this theory believe that Africans are poor because of a poor work ethic, prevalent primitive ideas such as magic, and they refuse to adopt Western technology.

They state that factors such as how much people in a society trust each other and cooperate are significant; however, they are a result of institutions rather than an independent cause. Max Weber's argument for the protestant work ethic spearheading economic prosperity is also said to have some defects. Although protestant countries such as England and Netherlands were the first to experience modern economic success, they state that it does not necessarily mean religion was the key factor. They give the example of France, which is a predominately catholic country that quickly caught up, and modern East Asian success stories that demonstrate that religion has little to do with economic advance. However, they state that one may also turn to the Middle East which has very poor non oil producing Muslim countries to support Weber's hypothesis. Supporters of Weber's theory could highlight that even the oil producing Muslim Middle Eastern countries have failed to diversify their economies; thus, they could conclude that religion is a factor in economic development. However, if one accepted this conclusion, they argue that they would be ignoring other more important factors that determine economic prosperity; such as the history of these nations. According to Acemoglu and Robinson, how these countries developed was heavily influenced by their colonial history. These countries were part of the Ottoman Empire before they were eventually taken over by English and French colonizers; who left them with hierarchical, authoritarian political systems, and few economic institutions that can support economic development. Therefore, how these countries are today is largely influenced by historical institutions.

1.4.4 Pitfalls of Arguments Based on Trade

O' Toole (2007) maintains that structuralist ideas have been criticized by economists in industrialized countries who argued that international trade would equalize incomes of countries in the long term. However, he states that some economists have found the opposite to be true; confirming the structuralist arguments. The structuralist argument that the terms of trade for developing countries will decline overtime is also said to be not as straight forward for all countries. In addition, he mentions that dependency theories have also been criticized as evidence does not always shows that the stronger the ties between the rich and the poor country, the more underdeveloped the periphery nation will get. Opponents of dependency theories he states suggest that without access to markets and foreign capital that can come from the wealthy countries, poor countries would lack the investment and foreign exchange needed to grow.

1.4.5 Pitfalls of Arguments Based on Policies

While Acemoglu and Robinson (2012) concede that there are cases were leaders adopted disastrous economic policies, they state that this cannot explain world inequality. Rather than the poor policies adopted by leaders, the difference is said to be caused by institutional constraints the leaders and elites have to deal with. They give the example of Africa, were leaders have continued to enrich themselves at the expense of their people supported by institutions of insecure property rights and authoritanism. They assert that they do this because the institutional set up allows them to get away with it, or because they can keep themselves in power by buying the support of followers. Thus, the policy hypothesis is said to have defects as it fails to explain the origins of prosperity in the world, and cannot tell us why other countries have institutions and policies that do not favor the majority of the population. In order to understand world inequality, they maintain that we must first comprehend the role played by history and politics in shaping modern societies.

1.5 Historical Institutionalism and Quality of Institutions Explanations

1.5.1 Historical Institutionalism

If we are to study economic prosperity, therefore, we must understand the historical political and economic developments that can explain modern inequality. One such hypothesis considers the role of historical political and economic institutions in determining economic prosperity (Acemoglu and Robinson 2012). These institutions are divided into extractive and inclusive ones.

According to Acemoglu and Robinson, extractive economic institutions lack law and order, have insecure property rights, entry barriers for new business, and have regulations that prevent properly functioning markets or even playing field. Extractive political institutions are said to concentrate power in the hands of few elites and lack constraints or checks and balances. As such, these countries tend be authoritarian regimes. According to the Democracy Index (2011) provided by the Economist Intelligence Unit, authoritarian regimes tend to be complete dictatorships and sometimes with some institutions of democracy in existence, but not effective. If there are any elections, they are frequently not free and fair, and civil liberties are infringed upon. The media is usually state owned or under people loyal to the government in power. Criticism of the regime is repressed with censorship prevalent, and an independent judiciary is nonexistent.

Acemoglu and Robinson state that extractive political and economic institutions often come together; given that the unconstrained elites are able to use their political power to economically dominate the rest of the society. As such, extractive economic institutions often depend on extractive political institutions for their survival. On the other hand, inclusive political institutions they state allow for rule of law, are pluralistic, have a certain level of political centralization to enforce the rule of law, and have sufficient checks and balances. Therefore, nations with inclusive political institution tend to be democracies. However, one needs to note that there are different types of democracies. Using the Democracy Index's definition, full democracies have political freedoms and civil liberties supported by a political culture that encourages democracy. The government functions well and the media is independent and diverse. The judiciary is also independent and its rulings are enforced. Flawed democracies have free and fair elections; although there can be other issues such as violation of media freedom. Basic civil liberties are also respected, but there are problems with an underdeveloped political culture, governance, and low political participation. However, Acemoglu and Robinson maintain that for inclusive political institutions to be effective there must also be sufficient state or political centralization. Therefore, instead of a dictatorship to attain economic prosperity, what is necessary is political or state centralization. The state needs to be able to play its role as the enforcer of law and order, provider of public services, and encourager as well as regulator of economic activity. If the state cannot attain sufficient political centralization, the society is said to become unstable and economic development stagnates.

Inclusive economic institutions they state have secure property rights, sufficient law and order, regulations that support the market, relatively free of barriers for new businesses, enforce contracts, and provide sufficient access to education and other opportunities for the citizens. However, the most important of these factors is secure property rights. As stated by Adam Smith:

> Commerce and manufacturers can seldom flourish long in any state which does not enjoy a regular administration of justice; in which the people do not feel themselves secure in the possession of their property; in which the faith of contracts is not supported by law; and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short,

> can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government…In a rude state of society… [t]he individuals who hoard whatever money they can save, and who conceal their hoard, do so from a distrust of the justice of government, from fear that if it was known that they had a hoard…they would quickly be plundered (1863, pg. 413).

Thus, secure property rights are important for economic prosperity because they make people more willing to invest and be productive. Acemoglu and Robinson assert that if people believe that they will benefit from their hard work, they will have incentive to invest and innovate. On the other hand, when property rights are not secure, it is said that people will have less motivation to work and invest; given that there will be reason to believe that their output could be taken away, completely taxed away or expropriated. As such, secure property rights are said to be central to economic prosperity. However, secure property rights can come in different forms. As stated by Rodrik *et al.* (2004), "…when investors believe their property rights are protected, the economy ends up richer. But nothing is implied about the actual form property rights should take. We cannot necessary deduce that enacting a private property regime would produce superior results compared to alternative forms of property rights (pg. 157)." Therefore, institutions of secure property rights differ depending on the location.

In addition, the political and economic history of countries is important in order to comprehend their failure or success in attaining economic prosperity. Acemoglu *et al.* (2001) highlight the significance of historical institutions in bringing about economic success by examining countries that were European colonies. They argue that differences in colonial experiences, could explain the varying degrees of institutional success at bringing about economic development. Acemoglu *et al.* state, "Europeans adopted very different colonization strategies, with different associated institutions. In one extreme, as in the case of the U.S., Australia and New Zealand, they went and settled in the colonies and set-up institutions that enforced the rule of law and encouraged investment. In the other extreme, as in the Congo or the Gold Coast, they set up extractive states with the intention of transferring resources rapidly to the metropole. These institutions were detrimental to investment and economic progress" (Acemoglu *et al.*, 2001, pg. 1395). As such, the institutions the countries were left with after colonization affected their potential to develop economically. They add that the types of institutions installed were based on the ability to settle in the location. For those countries that Europeans could not settle due to high mortality rates, the areas were turned into extractive states. The type of institutions installed during colonialism affected potential incomes of these countries. However, this is not to say that institutions are already predetermined by colonial history, and cannot be changed or improved; as Acemoglu and Robinson (2012) add that extractive political and economic institutions can be transformed into inclusive ones.

The fact that there are more authoritarian than democratic regimes in Africa also shows that extractive institutions from colonialism are still persistent (Democracy Index 2011). This is due to the fact that elites who are replaced under extractive institutions are often replaced by people who then continue to take advantage of the society as well; because of the few constraints on their power that they inherit through the extractive institutions (Acemoglu and Robinson 2006b). As such, the new elites are said to have no motivation to change the extractive political and economic institutions. Thus, they maintain that the main barrier to attaining inclusive institutions is due to resistance from political and economic elites; who stand to lose by changing from extractive to inclusive institutions. Economic elites are said to fear losing their monopolies or sources of income; while political elites do not want to lose their privileged political status and monopoly on power. While both play a major role in blocking economic progress, Acemoglu and Robinson maintain that political elites are the most effective at suppressing the emergence of inclusive institutions.

1.5.2 Quality of Institutions

Another argument presented for institutions is that their quality matters for economic prosperity. Rodrik *et al.* (2004) maintain that the quality of institutions is essential; however, other factors such as geography and trade have an indirect effect on the quality of the institutions. In addition, they argue that "…there is growing evidence that desirable institutional arrangements have a large element of context specificity, arising in differences from historical trajectories, geography, political economy, or other initial conditions (pg. 157)." As such, institutions need not be transplanted from one country to another. Institutions that work best in another country may not necessary work well in others (Evans 2004). Thus, Evans (2004) also promotes a deliberative approach to development that emphasizes public discussion and exchange of ideas, when setting goals and allocating public goods.

However, even the institutional explanations for economic prosperity have their weaknesses. Some have highlighted that good institutions could be endogenous; meaning they could be as much a result of economic prosperity as much as they are the cause (Przeworski, 2004). Although Glaeser *et al.* (2004) concede that institutions matter, they also argue that measures of institutions have conceptual flaws, and that researchers should focus more on specific issues that can be utilized by policy makers. Easterly and Levine (2003) also recognize the importance of making institutional quality indicators more useful for officials who can make laws and regulations. They maintain this can be done by presenting more detailed historical case studies.

1.5.3 Incentives for Development

In addition, Acemoglu and Robinson 2006 and Knutsen 2011 maintain that political elites that often bring countries out of poverty are often pressured into doing so by elements beyond their control, such as an external security threat. The type of security threats the elites face often determines whether or not they will pursue the necessary institutional development that leads to economic prosperity. Political elites faced with a severe external security threat such as a foreign army, are more likely to foster good for growth policies; while those faced with an internal security threat, promote bad economic policies to survive. Knutsen and Acemoglu and Robinson concur that external security threats make political elites pursue good for growth institutional changes and policies. Acemoglu and Robinson maintain that "…external threats may be an important determinant of whether elites want to block technical and institutional change... [w]ith a more powerful external threat or a more developed perpetrator, the ruler will be 'forced' to allow innovation so as to reduce the likelihood of an invasion" (2006, p. 124-125). As such, when the threat comes from outside, the political elites will most likely adopt good economic policies and the necessary institutions in order to maintain their grip on power. Knutsen also supports this point of view, as he provides an explanation for the success of the Asian authoritarian regimes by stating, "A strong and modern military apparatus requires a relatively developed economy and effective state institutions, and the external threats therefore provided incentives for these regimes to develop their economies and state-institutional apparatuses" (2011, p. 417). As such, external security threats reduce incentives to block economic prosperity.

However, in the absence of an external security threat, the political elites have little motivation to grow the economy; in fact, when faced with an internal security threat, they are more likely to promote bad economic policies, and deny institutional improvement. Acemoglu and Robinson argue that political elites will "…block beneficial economic and institutional change when they are afraid that these changes will destabilize the existing system and make it more likely that they will lose political power and future rents (2006, p.115)". Thus, the inclusive institutions necessary for economic development will often be blocked to prevent the rulers from being political and economic losers. Similarly, Knutsen mentions internal security threats as an incentive for blocking institutional improvement. He states that this sought of behavior can be explained through a statement once made by the

Zaire (modern day DRC) dictator Mobutu Sese Seko to Rwandan President Habyarimana; whose regime was under attack from RPF rebels. Mobutu Sese Seko stated "I've been in power in Zaire for thirty years, and I never built one road. Now they are driving down your roads to get you" (Knutsen 2011, p. 418). As such, the Zaire dictator was well aware of the fact that promoting policies good for growth such as improving his country's infrastructure, would not extend the longevity of his regime; as it would give an advantage to rebel groups that wanted to topple him. Therefore, this anti development behavior is worsened by the fact that most African dictatorships face internal security threats to their hold on political and economic power. As stated by Knutsen, "African dictators have not had to fear external invasion as much as internal groups seeking to grab power. The main threats to most of Africa's strongmen have arguably come from within the juridical borders of their own states, often from leaders of rival ethnic groups. On a conflict-torn continent, only a handful of wars have been traditional interstate wars…" (2011, pg. 429). Thus, the resistance to adopt inclusive institutions is said to be perpetuated by internal security threats to the political and economic power of the elites.

However, external and internal threats alone are not the only reasons for promoting or blocking economic prosperity. Acemoglu and Robinson (2006) maintain that high competition in a democracy can also be an incentive for political elites to encourage economic development in order to not lose elections. Elites are also unlikely to block development when they feel secure in power. On the other hand, if there is little competition and their power is threatened, elites will tend to block economic development.

1.6 Implications

Although institutions are crucial, this alone is not sufficient to bring about economic prosperity. Rather, it is a combination of elements of these different alternative explanations; supported by inclusive political and economic institutions such as the elite power constraining democracy; as well as established secure property rights. These inclusive institutions support elements of geography such as natural resource endowments; cultural aspects such as cooperation of different ethnic groups; ability to negotiate favorable export prices when trading; and adoption of good policies that broadly benefit the population. As such, institutions matter for economic prosperity, but not exclusively.

Botswana (Pre Colonial – 1998)

Sub-Saharan Africa is one of the poorest locations in the world; yet, it has been host to one of the few countries in the modern age to sustain rapid economic growth for decades: Botswana (Acemoglu, Johnson and Robinson in Rodrik 2003, Hjort 2010, Leith 2005). The Republic of Botswana is a landlocked country in Sub-Saharan Africa with a population of 2 038 228 (Government Statistician, 2011). The country is also Africa's longest continuous multi-party democracy. At independence in 1966, its economy relied on beef exports which were the main source of income in the early years (Darkoh and Mbaiwa 2002). Diamonds were discovered in the 1970s, and have fueled its growth and development; as the resource rents were successfully transformed into other forms of wealth (Lange 2004). In addition, the country has also avoided the resource curse that plagued other African countries such as Nigeria, Democratic Republic of Congo (DRC) etc. (Pegg 2010).

Between 1965 and 1998, Botswana had on average the fastest economic growth rate in the world. During this period, the GDP per capita of the country grew at an annual rate of 7.7 percent (Acemoglu, Johnson and Robinson 2001 in Rodrik 2003, pg. 80). Given the aforementioned, this paper will focus on these years of rapid economic growth, in order to analyze the country's accomplishments during this time period. However, to comprehend the developments during the years between 1965 and 1998, we must first examine the nation's previous political and economic history by going back to the pre-colonial years. In spite of this economic success, Botswana did not start out with favorable conditions. When it got its independence from Britain in 1966, it was the second poorest country in the world and the poorest in Africa (Dunning, 2005, pg. 460). Its GDP per capita in 1966, stood at $69 (Hjort, 2010, pg. 693,). By 1998, it had attained a GDP per capita of $5 796; which was almost four times the African average (Acemoglu, Johnson and Robinson in Rodrik 2003, pg. 92). In 2012, its GDP per capita had grown to $16 792, and it had established itself as an upper middle income country (IMF, 2012). The following chapters 2 and 3 seek to demonstrate and argue that Botswana was able to achieve this spectacular economic success by continued cooperation among the Tswana tribes and minority ethnic groups since the pre-colonial years; state legitimacy with centralized political institutions of the chieftaincy surviving colonialism, and integrated into the post-independence nation; continued respect of property rights originating in the pre-colonial era; political centralization at the national level after colonialism; and democracy as well as good governance and policies after independence.

Chapter 2 Pre-Colonial and Colonial Political and Economic History

2.1 The Pre-Colonial States and Inclusive Political and Economic Institutions

In the eighteenth century, the Tswana tribes moved from what is now modern day South Africa to what would later be named Bechuanaland during British colonial rule and Botswana at independence in 1966. They were able to conquer the indigenous inhabitants of these lands: San and other tribes, and integrate them into the Tswana society. In this early period of their history, the Tswana states were traders, already had centralized political institutions, secure property rights, and there was cooperation with minorities as well as between the Tswana states.

In this pre-colonial era, the Tswana tribes had a history of *commerce* that thrived under *secure property rights*. They lived in large towns with Shoshong having a population of 30 000 in 1886, and acted as the center of the eastern Kalahari trade; second only to Cape Town in the region of Southern Africa. The Tswana controlled the trans-Kalahari trade routes between the Cape and Zambezia, which meant the tribes were exporting ivory, cattle, skins, and ostrich feather to the south by the 1840s. This brought in some modest wealth to the Tswana. For instance, Shoshong had nine stores for trading, and one of them alone could make up to fifty thousand pounds (Hjort, 2010, pg. 701). By the nineteenth century, the Tswana had also developed contract systems. Using credit was also a common feature in the Tswana tribes; as commoners lent to each other, especially the rich to the poor. One such system was that of mafisa, in which the wealthy could lend their cattle to the poor in exchange for labor. If the person defaulted, they could be taken to the chief, who would then act as a judge. As such, rule of law was in place, and this commerce thrived as the Tswana states had inclusive politically centralized states, and respected property rights.

The Tswana also had politically centralized states with the chief as the head, minorities were integrated into the society, and property rights were secure. At this time, they were divided into four different classes: royalty, commoners, settlers, and serfs. However, the Tswana did not stay in the towns throughout the year. During the rainy seasons, the people went to the agricultural areas with their cattle, and returned to the town during the dry season; which allowed for a hierarchical and centralized power structure to develop. In the Tswana tribes, the chief was the main political figure, and there was an established political hierarchy; with some of the chief's powers delegated to the relatives, officials, and ward headmen. Therefore, the Tswana states were some of the most politically centralized in the region, with some tribal capitals having up to five levels of political authority.

There was also a kgotla or public assembly location. The kgotla had several purposes as it was used as a court for the chief, and a public advisory council in which commoners could make their concerns heard, and criticize the chief. As such, this allowed for ordinary people to play a key role in the political process, and *constrain the political power* of the chiefs. The Tswana tribes also had multiple kgotlas, with the main one being that of the chief. At the kgotla, all adult males including those from minority ethnic groups could contribute to the debate. As such, the political institutions of the Tswana allowed for *cooperation* and integration of minority ethnic groups into the society. Decisions on which laws to adopt were often reached collectively. Councilors for the kgotla were appointed based on merit, and there were also other advisory forums beyond the kgotla.

In addition, *secure property rights* also flourished in this pre-colonial era. Although land was *collectively owned*, the chief allocated land for residential and grazing purposes to all his people. At this time, only customary land existed, and it could not be taken away once it was allocated to a family. The land was also passed on from generation to generation through inheritance, and could be lent or transferred to others. Also, women were allowed to own fields and cattle. Cattle were *private property*; however, major owners were the aristocracy and the chief. Although the land was collectively owned unlike the privately owned cattle, the land rights were still secure as property rights can come in different forms (Rodrik *et al.* 2004).

2.1.2 The Role of Culture: Cooperation

The nineteenth century was troublesome for the Tswana states as they defended their land against aggressors, but the Tswana states cooperated to fight off these external threats. The Tswana tribes faced a major challenge in a period of great instability, migrations and conflict caused by the expansionist Zulu kingdom under Shaka Zulu. This conflict period known as the difaqane began in 1818, and continued on until the 1830s. However, this was not the end of their problems, as they soon faced another threat in the Boers, who began to move into Tswana territory. The Boer advance into Tswana land was finally stopped by the Tswana tribes at the battle of Dimane in 1852. Faced with these external threats, *cooperation* between the Tswana tribes was high; as they fought off their common enemies; which created a sense of unity among the Tswana states. After these conflicts, it was not long before the Tswana tribes eventually had to face the issue of colonialism. Although the Tswana tribes had successful fought off foreign threats, they did not have standing armies; thus, the political elites recognized the need for assistance against the Boers, if they are to hold on to their lands and power, and looked towards the British for help.

2.2 British Colonialism

2.2.1 Limited Impact of Colonialism

After the conflict with the Boers, the Tswana worked to keep their lands away from them. To protect the Tswana lands, chief Sechele went to Cape Town in 1853 to request that the British protect the Tswana against the Boers. However, the British saw little importance in colonizing Tswana lands. In addition to the chief's pleas, the London Missionary Society (LMS) located in the Tswana lands attempted to assist as well; as they also lobbied the British to protect the area, although to no avail. However, the situation changed for the British in 1885 after minerals such as diamonds were discovered in Kimberley in 1867, and gold was found on the Witwatersrand in 1884-85. With the Germans taking over South West Africa (modern day Namibia) in 1884, the British now had the opportunity to use the Tswana land as a *strategic colony*. As such, Britain created British Bechuanaland and the Bechuanaland Protectorate in 1885 to stop further expansion by the Germans and the Boers. Given that the Tswana lands were colonized for strategic reasons, and not for resources, the country avoided being turned into an extractive state mentioned by Acemoglu *et al.* (2001).

The fact that the country was colonized to stop the German and Boer expansion meant that it would later avoid being turned into either a settler or extractive state. British Bechuanaland was later integrated into South Africa in 1895, while the Bechuanaland Protectorate is now modern day Botswana. However, both British Bechuanaland and Bechuanaland Protectorate were administered at first from Vryburg, and eventually Mafeking (modern day Mafikeng, South Africa) in British Bechuanaland. The Bechuanaland Protectorate was *not made a settlement* for Europeans; with only a few settlers in the border areas. The protectorate was generally left alone with little commercial and administrative investment. Few funds were used for investment or development. This is demonstrated by the fact that 75 percent of the money spent during colonialism, was for administrative costs (Acemoglu, Johnson, and Robinson in Rodrik 2003, pg. 96). The attitude the British had towards the protectorate can be summarized in the words of High Commissioner Rey who stated:

> We have no interest in the country to the north of the Molope [the Bechuanaland Protectorate], except as a road to the interior; we might therefore confine ourselves for the present to preventing that part of the Protectorate being occupied by either filibusters or foreign powers doing as little in the way of administration or settlement as possible (Acemoglu and Robinson, 2012 pg. 405).

As such, the British had little interest in completely colonizing Bechuanaland Protectorate. Thus, they attempted to make the country as independent as possible, while still keeping it as a colony. The British did not focus on the country because they were not aware it had exploitable resources that would later be discovered after independence. Therefore, the *impact of colonialism on the country was limited*, and it avoided being turned into an extractive or settler state.

Although the country had not been turned into an extractive state, the Tswana still had to fight off being transformed into a settler one by continued cooperation with each other. By 1895, the Bechuanaland Protectorate was under threat of annexation. Cecil Rhodes began taking over land that became Northern and Southern Rhodesia (modern day Zambia and Zimbabwe respectively); with Bechuanaland Protectorate as his next objective for seizure. However, Bechuanaland Protectorate represented by three Tswana chiefs, Khama, Sebele and Bathoen reacted, and convinced the British to prevent annexation by Rhodes. Therefore, the Tswana political elites at the time feared being political losers, as they viewed being turned into a settler state, as a threat to their hold on power. Consequently, they worked to block any changes that could result in them losing more control over their territories, such as being incooperated into the surrounding settler states. As such, through cooperation, Bechuanaland Protectorate *sheltered its political institutions* that remained relatively unaffected by colonial rule; as the chiefs continued to rule as usual.

2.3 Political and Economic History under Colonialism

2.3.1 Survival of the Chieftaincy and Secure Property Rights

During the colonial era, the chiefs continued to rule their people with *limited interference* from British, and property rights were still respected. Thus, the political and economic institutions survived colonialism and were reinforced by cooperation among the different Tswana states; however, there were still some changes made to the structure of the economy with the introduction of taxes.

The country was officially under British rule; however, the native chiefs were allowed to govern their people as usual, with the British High Commissioner mostly exercising authority over the Europeans. As stated by Hjort (2010):

> Botswana was largely neglected by the British; on 30 May 1890 an Order-in-Council was issued for the High Commissioner instructing him 'to confine the exercise of authority and application of law, as far as possible, to whites, leaving the native chiefs and those living under their authority almost entirely alone'. As a result, the traditional state institutions and the authority of the chiefs and their advisers remained intact throughout the colonial period.

Therefore, even during colonialism, the traditional political institutional organization of the Tswana remained the same. The chief was also still the main political figure. During colonialism, the chiefs continued to allocate most of the land (customary) (Mathuba, 2003). However, it was no longer just customary land that existed as the land was divided into three: Native land (now customary), Crown land (now state), and freehold; with most of the people still allocated customary land by the chiefs. Each family was entitled to land for residential, grazing and arable farming. These *property rights were secure* and transferable. As stated by Mathuba (2003):

> Customary land was allocated free and each family was entitled to land for residential, livestock grazing and arable farming. The families were given exclusive rights to residential and arable land and these rights were secure, inheritable and transferable. The customary land rights did not lapse with time. Grazing land was used communally by those who had livestock. The farmers were allowed to drill boreholes or open wells and had exclusive rights to such developments only (pg. 4-5).

As such, institutions of secure property rights were in place before and during British rule, and continued to flourish long after colonialism. In the nineteenth century, the only element missing from the land property rights idea compared to the modern one was the ability to sell land; although this has remained the same in modern day Botswana, as most of the land still cannot be legally sold; however, it can be transferred to others. As such, in modern day Botswana, only the buildings on customary land can be sold, but not the land itself. However, with the creation of freehold land in the colonial era, the owners of this type of land continued to have exclusive rights to it, and could sell it. Therefore, freehold land is individually owned. As in the pre-colonial era, the people could not be forced to give up their land once it had been allocated to them. Once a family built itself a home in the allocated land, it remained property of that family, and was passed on to later generations though inheritance. These economic institutions were also *inclusive* as secure property rights also applied to women. Women were allowed to own land such as fields that their husbands could not control. People were also allowed to transfer or lend their land to others. Therefore, incentives to invest in land already existed. Women could also own cattle, which was an asset that even the chief could not control. In addition, young adults were also eventually allowed to own their own cattle. The individual ownership of cattle allowed for the creation of a *cattle market* during the twentieth century. Exporting cattle to Kimberley was one of the main sources of income for the Tswana in the 1880s, and would become a crucial sector in the early years after independence. The institutions of secure property rights continued to prosper as they were extended to other areas as well. For instance, in the 1930s, boreholes were also recognized as private property. As such, by independence, institutions of secure property rights were well established.

With the introduction of taxes by the British, the *thriving retail market* gave the colonial power more income than it expected. The Tswana chiefs were among some of the few native leaders who had been given the power to collect taxes, and share some of the profits. A hut tax of one pound was established in 1899. The addition of a native tax of three shillings increased the tax amount in 1919. These taxes were introduced to make Batswana join the labor market. In order to pay the taxes, Batswana joined the labor market at Witwatersrand in South Africa. In 1930, 4,012 Batswana were working in South Africa (Acemoglu, Johnson and Robinson in Rodrik 2003, pg. 96). Also in the 1930s, local farmers produced 90% of the required cereals for consumption, and the country was self sufficient in food production (Hillbom, 2008, pg. 197). However, half of the males between 15 and 44 were employed outside Bechuanaland Protectorate by 1943 (Acemoglu, Johnson and Robinson in Rodrik 2003, pg. 96). Consequently, local food production decreased and stood at 50 percent by 1980, and the government has been unsuccessful at returning the country to self sufficiency (Hillbom, 2008, pg. 197). Therefore, trade has also not been beneficial to these import competing industries such as local food production; given that locals now had to compete with imports from countries such as South Africa. As stated by Hillbom (2008), "[t]he country is today totally dependent on SACU [Southern African Customs Union] for [food] imports… (pg. 197)." However, trade has not been entirely unbeneficial as it has had positive results for export oriented sectors such as beef and minerals. Therefore, although the country was able to protect its political institutions of the chieftaincy and economic institutions of secure property rights, the structure of its economy was still affected.

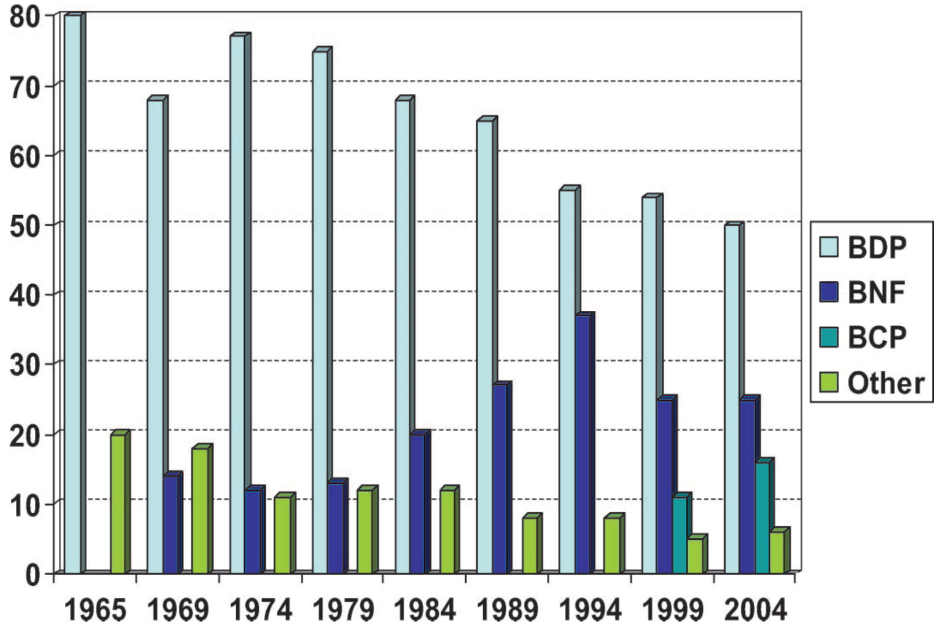
In addition, even though political institutions such as the chieftaincy, and inclusive as well as centralized power structures in the tribes remained the same during the colonial period, the British did make some attempts to fully colonize the country, and alter the political institutions of the chieftaincy. From 1934, the British attempted to establish and solidify their authority over the chiefs and their territories. However, the chiefs continued to block any political institutional changes to avoid losing any more control over their territories. For instance, some chiefs such as Tshekedi Khama and Bathoen challenged these actions in court. Although they eventual lost the case, the *cooperation* among the chiefs in opposition to the new policies, and the break out of the Second World War, ensured that they were never implemented.

2.3.2 Transition to Independence and Creation of a Legitimate State with Constraints on Elites

With the end of the Second World War, the British had originally planned to eventually incooperate the protectorate into South Africa; however, with the National Party taking over in 1948 in South Africa, this became less viable. In 1948, the man who would later become the first president of independent Botswana, Seretse Khama, was also exiled from the Protectorate for marrying a white woman while studying in Britain. Seretse Khama was the hereditary chief of one of the largest Tswana tribes: the Ngwato. His interracial marriage enraged the South African government, and forced Seretse Khama to remain in Britain until 1956, when he and his regent uncle abdicated their claims to the throne.

Upon his return, he took an active role in the country's politics. He joined the Joint Advisory Council that had been formed by the British in 1951 combining the old African and European Councils. In 1960, the first political party in Botswana was formed: Bechuanaland (Botswana) People's Party (BPP). However, the BPP had an anti-colonial agenda. This allowed Seretse Khama and others to form an opposing party: Bechuanaland (Botswana) Democratic Party (BDP). In the early 1960s, the BPP got most of its support from the urban groups and workers, which were very few at the time. On the other hand, the BDP was made up of teachers, civil servants and most importantly chiefs; thus, it appealed more to the rural Tswana, who made up most of the population. The presence of *chiefs* in the BDP, including Seretse Khama, meant that most Batswana viewed it as a *legitimate* governing body; as such, the political and economic elites being the chiefs and their allies, knew they did not have to fear being political losers after independence; given that the chiefs could rely on the support of their tribes, even in a new system of democracy. Therefore, transitioning to democracy did not come as threat to their hold on political power. When the first election was held in 1965, the BDP won comfortably, and continued to win subsequent elections as demonstrated in figure 1 below.

Figure 1 Share of Votes in Parliamentary Elections



Source: Poteete (2009)

Although they have won all elections, democracy *constrained the power* of political elites and made them adopt *good policies*. For instance, the BDP has been responsive to possibilities of losing power. In 1974, it introduced a successful Accelerated Rural Development Program that invested in infrastructure for rural areas; after the Botswana National Front (BNF) had won several seats in the assembly of 1969. In 1994, the BDP also reduced the voting age from 21 to 18, and allowed for Batswana outside the country to vote after it lost ground in elections. This was especially important given that many Batswana still worked in South Africa; as a result of the changes in the structure of the economy during colonialism.

2.3.3 Creation of a Politically Centralized State and Democracy

In 1961, the British finally decided to abandon the plan to incooperate the Bechuanaland Protectorate into South Africa. Consequently, in 1962, the capital and administration center of the Protectorate was moved from Mafikeng, South Africa to Gaborone, in transition to independence. During this transition period, Seretse Khama's leadership proved to be crucial as he worked to take away centralization from the chieftaincy level, to the national. The chiefs allowed for this as they could still keep their political power in the new democratic state, and were used to a political system that constrained their power.

During the constitutional negotiations with the British, Khama, who was a hereditary chief himself, worked to create a *centralized state* by stripping powers of the chiefs. The constitutional negotiations resulted in the creation of an assembly that included the speaker, attorney general with no voting rights, 31 members of parliament, and 4 members elected by the president. The president was chosen by the national assembly and had executive power. The constituencies were modeled after the British first past the post system. People running for the assembly also had to announce which presidential candidate they supported. In addition to the assembly, a *House of Chiefs* was also created and included chiefs of the eight Tswana tribes; as well as four *representatives of minority ethnic groups*, and three members elected by the House of Chiefs. As such, minority ethnic groups continued to be included in the political process. The House of Chiefs was not given any legislative power. In fact, the chiefs were stripped of most of their power including allocation of land. New institutions such as landboards, councils and development committees were created to take over some of the powers that used to be vested with the chiefs. In addition, the president was eventually given the power to remove a chief. Instead of impeding government authority, the role of the chiefs was changed to one that compliments the state; as they serve as government agents in rural areas, which further strengthened the *legitimacy* of the new state. The political *institutions of the chieftaincy were thus integrated* into the modern ones, and remain key organs of the modern state (Morapedi, 2010).

As such, the chiefs could still play a role in the management of the new state; thus, keeping some of their political power, with the option to increase it by running for the assembly. However, the members of the House of Chiefs were restricted from being part of the assembly, unless they first resigned from the chieftaincy; although this was also not a good enough reason to block transition to democracy, given that they could always rely on their tribes to vote them into office. They were also already used to a system that *constrained their power* as the kgotla allowed for political participation of commoners in the political process, and criticism of the chiefs.

Chapter 3 Independence and Post Colonial Political Economy

In 1966, the British gave the Bechuanaland Protectorate its independence without conflict, and Seretse Khama became its president. At the time of its independence, the country had no army with only a small police paramilitary unit that was incapable of dealing with security threats posed by powerful perpetrators in South Africa and Southern Rhodesia, which eventually led to the creation of the Botswana Defense Force (BDF) in 1977; it had a weak bureaucracy and middle class; it was one of the poorest countries in world with a GDP per capita of $69; and had little in terms of assets as well as infrastructure (Henk 2006, Hjort, 2010, pg. 693). Apart from the lack of physical capital, the country also lacked human capital. The only sector present was that of cattle exports, and the political and economic elites, who were the main owners of cattle, promoted it to great effect; although it was eventually replaced by mining. With the political and economic elites determined to promote economic prosperity without fear of being political and economic losers, a market based strategy with a strong role for the government was pursued; with heavy investment on development of infrastructure, health and human capital.

3.1 Poor Human and Physical Capital but Rapid Economic Growth

At independence, the country faced many challenges including the *lack of infrastructure and educated people*. Botswana only had 12 km of paved road, 22 Batswana university graduates, and 100 secondary graduates (Acemoglu, Johnson and Robinson in Rodrik 2003, pg. 100). In addition, there were only two secondary schools that offered full five year courses, and the education system was generally poor, with huge classes and high failure rates. With lack of educated people, the civil service was in dire need of human capital. In 1964, the civil service was made up of only 607 people, and 502 of them were expatriates (Eriksen, 2011, pg. 266). In 1969, all newly elected members of parliament had 3 years or more years of education; with 90 percent of the population having less education (Ulriksen, 2012, pg. 1493). Given that few Batswana were educated, only one quarter of the civil service was made up of Batswana in 1965. Seretse khama was well aware of the dangerous of localizing the civil service before qualified Batswana were available; therefore, locals were not employed unless they were qualified. Most importantly, the economy was able to grow rapidly even with most of the population uneducated, and with poor infrastructure. As such, although human and physical capital is important, Botswana demonstrates that it does not always need to come before inclusive political and economic institutions, in order to attain economic prosperity. In the case of Botswana, one of the main elements in its economic success at independence was the ability to maintain its inclusive economic institutions of secure property rights; as the political and economic elites could increase their incomes with the only sector in the country: beef and beef products exports.

3.1.2 The Beef and Mineral Sectors, and Constraints on Elites

The only sector in the country was that of beef and beef products exports which the political and economic elites had a vested interest in developing; given that they were major cattle owners themselves. As such, this sector played a crucial role once the country was independent. The sector expanded rapidly after independence, and was later joined by the more profitable mineral sector; however, with the elites feeling secure in power, democracy constraining their actions, and secure property rights well established, expropriation was avoided; thus, the result was reinvestment of rents.

In the 1960s, cattle, beef, and livestock products made up 75 percent of income from exports, and about 90 percent of the population lived in rural areas (Ulriksen, 2012, pg. 1493). This *sector was well supported by the elites* as the policies adopted were often favorable to cattle ranchers. For instance, drought relief and feeding schemes were introduced to provide temporary safety nets for farmers. Another example is a policy that supported cattle ranchers called the Tribal Lands Grazing Policy (TGLP), which was introduced in 1975; giving large cattle owners rights to commercial land in order to expand their output. By the 1970s, the government already had a budget surplus. The income from the agricultural sector during the 1960s and 1970s increased as the government had *negotiated favorable beef prices* to the ECC market that were above the world average, invested in improving the sector, and there were good weather cycles. The government had also created the Botswana Meat Commission (BMC), which was a marketing board that bought cattle, set prices, and sold beef to other markets in the region and around the world. However, the marketing board was not used to expropriate farmers as most political and economic elites were large cattle owners, including the opposition. Therefore, the opposition also had an interest in developing the agricultural sector, and did not try to stop expansion of this sector. In fact, 77 percent of the people elected to be members of parliament in 1969 owned more than 50 cattle (Ulriksen, 2012, pg. 1493). This meant that the political and economic elites *benefited from continuation of secure property rights*; as cattle had always been private property. As such, they could increase their incomes through the cattle products export sector, and did not have to fear losing their rents by continuing with institutions of secure property rights; rather, they could only benefit. Although the distribution of cattle was unequal and few farmers controlled arable production, this sector did not benefit the elites alone; given that most Batswana owned cattle or at least benefited from them in some way. As such, the economic institutions of secure property rights that emerged after colonialism continued to be *inclusive*; as both the elites and most of the population benefited from them. However, the discovery of diamonds meant that there was another possible and more profitable source of income for the elites.

The government encouraged mining companies to look for minerals in the country after independence. This resulted in the discovery of diamonds, copper, nickel, and coal. The *most important of these minerals were the industrial and gem quality diamonds* discovered in Letlhakane and Jwaneng. An important decision that had been made by Seretse Khama and the BDP after independence in 1967 was that all minerals found in Botswana would no longer belong to the chiefs and their tribes, but the national government. By doing this, the government most likely avoided a potential source of inter-ethnic conflict, as it could now ensure that the resources found in the country benefited all Batswana; which further insured that the country continued to have inclusive political and economic institutions, because most people benefited.

Once it became clear that the mines were highly profitable, the government renegotiated with De Beers mining company in 1975 to get 50 percent of the diamond profits (Acemoglu, Johnson and Robinson in Rodrik 2003, pg. 100). With the addition of diamond revenues in the 1970s, the economic growth hit double digits at an annual growth rate of 12 to 13 percent (Hjort, 2010, pg. 693). Table 1 below demonstrates the growing contribution of minerals to export income since the 1970s.

Table 1 Botswana Export Commodities 1966-1999

YEAR	MEAT AND MEAT PRODUCTS	DIAMONDS	COPPER NICKEL	OTHER
1966	(97.20%)			(2.80%)
1976	(30.1%)	(24.2%)	(33.9%)	(11.8%)
1987	(3.1%)	(84.5%)	(4.4%)	(7.9%)
1992	(3.5%)	(78.9%)	(7.2%)	(10.3%)
1993	(3.8%)	(78.2%)	(5.1%)	(12.9%)
1994	(3.7%)	(74.9%)	(5.2%)	(16.2%)
1995	(3.0%)	(67.0%)	(5.5%)	(14.3%)
1996	(2.5%)	(70.4%)	(5.5%)	(21.6%)
1997	(2.2%)	(71.8%)	(4.6%)	(21.4%)
1998	(3.4%)	(69.5%)	(5.0%)	(21.9%)
1999	(2.5%)	(74.5%)	(4.9%)	(18.1%)

Source: Darkoh and Mbaiwa (2002)

With the discovery of a more profitable industry in diamonds, the elites could not benefit from expropriation for several reasons. The political elites did not have to fear being political losers, constraints on elites were in place, and secure property rights were well established.

The legitimacy of the state and broad coalition gained by having the chiefs in the ruling party, meant that the political elites felt *secure in power*. As such, they did not feel threatened by growth. In addition, *constraints on political elites* brought by democracy meant that they could not easily adopt bad policies without risking turning their broad coalition against themselves. As such, they did not have the option of expropriating the diamond wealth. Consequently, the wealth brought in by the diamonds only reinforced the existing political institutions of democracy and economic institutions of secure property rights. Thus, by the time diamond revenues came in, the country already had *established inclusive political and economic institutions,* that allowed for mineral revenue to be reinvested for the benefit of the majority of the population.

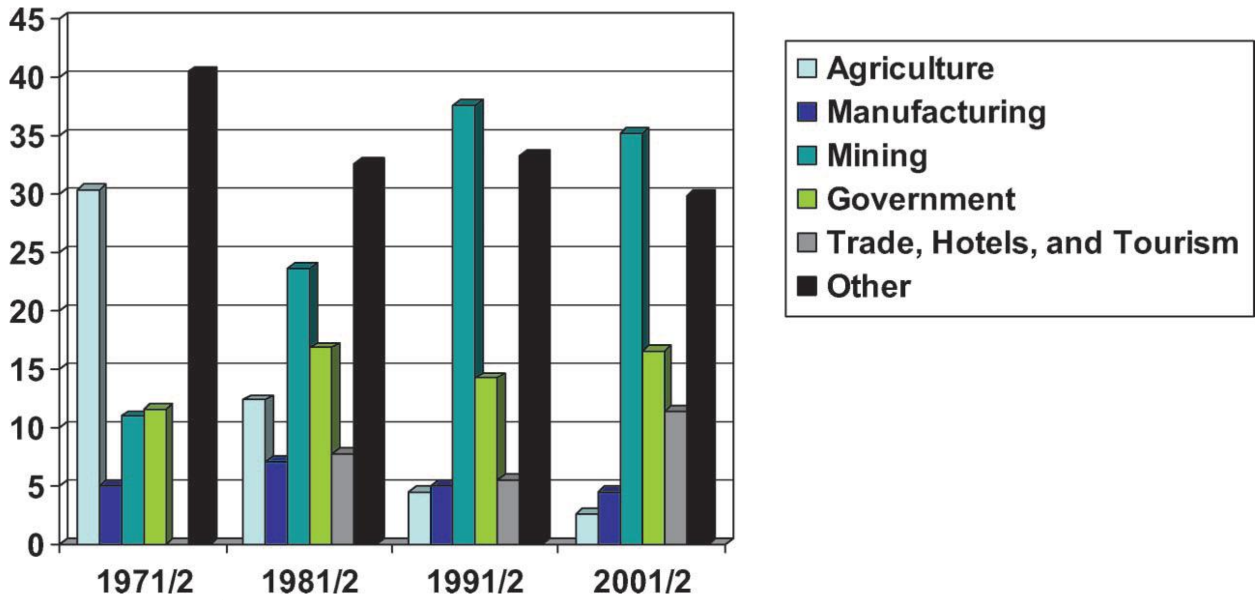
The government used the rents well to invest heavily in infrastructure, health and education. In 1972, 86.6 percent of Batswana working for the government had primary school education or less (Poteete, 2009, pg. 559). The government continued to use expatriates, international advisors, and consultants until well qualified Batswana were available. Therefore, secondary and tertiary education was initially among government priorities, as both the mining and the bureaucracy needed skilled staff. At first, revenue from diamonds was low, but it began to replace agriculture as the main sector from the 1980s. As diamond revenue accumulated, the money was used to invest in the government budget and welfare policies. As a result, the government successfully reinvested mineral rents by turning them into other forms of wealth, through welfare policies (Lange 2004, Ulriksen 2012). As such, the partnership between the government and the De Beers mining company turned out to be fruitful.

3.2 Elements of Success and Failure

However, not all was a success, as the country did not make substantial gains in industrialization, despite its wealth. The country made attempts to switch to an industrialized economy with relatively little success and had problems with inequality.

Development initiatives such as the Botswana Development Corporation (BDC) and Financial Assistance policy were introduced in 1970 and 1982 respectively. These were created to assist with industrial ventures. The country did not opt for import substitution industrialization, which could be the reason why it failed to significantly industrialize; although its avoidance could also account for why it was able to sustain high economic growth. Therefore, by avoiding developing the industrial sector at the expense of others, Botswana was able to continue growing rapidly. With the country having favorable commodity prices and substantial income from minerals, it was also not under pressure to rapidly industrialize through import substitution. Instead, it opted for subsidized loans for the citizens to start up their own industrial projects. Although the plans to industrialize the country have not been successful on a large scale, manufacturing has kept pace with the growth, stabilizing at around 5 percent of the GDP (Poteete, 2009, pg. 552). Figure 2 below demonstrates the growing role of the mining sector, relative stability of other sectors including manufacturing, and decline of agriculture as contributors to the GDP overtime.

Figure 2 Sectoral Contribution to Botswana's GDP



Source: Poteete (2009)

The BDC's ventures have also not been a complete waste, as it has successfully developed other sectors such as real estate and finance; which have made up for its other unprofitable ventures in agriculture and industry.

More recently, in 2011, the mining sector declined by 12.5 percent, while non mining sectors grew by 11.6 percent (Ministry of Finance, 2013, pg. 3). The fastest growing sectors in 2011 were construction, general government, and trade, hotels and restaurants which grew in real terms by more than 10 percent (Ministry of Finance, 2013, pg. 3) In addition, although the Botswana economy was negatively affected by the recent global economic crisis, it was able to recover as the effects were cushioned by large reserves; which were enough to cover 28 months of imports of goods and services in 2007 (Ministry of Finance, 2008, pg. 5). By 2012, the foreign exchange reserves could only cover13 months of importation of goods and services (Ministry of Finance, 2013, pg. 4). Additionally, due to the global economic recession, in 2008, GDP (PPP) per capita stood at $14 920, but dropped to $14 167 in 2009 (IMF, 2012). However, between 2010 and 2012, the GDP (PPP) capita recovered as it grew from $15 183 to $16 792 respectively (IMF, 2012). In a comparative perspective, in 2012, Botswana had the highest GDP per capita among the former British colonies in Africa (IMF, 2012). Compared to Sub-Saharan Africa, it had the fourth highest GDP (PPP) per capita in 2012, out of the forty four countries (IMF, 2012). Although it has been flourishing compared to most former African British colonies and Sub-Saharan Africa, it remains to be seen how successful the government will be at addressing challenges such as inequality and industrialization.

The country also failed to significantly reduce inequality as demonstrated by Table 2; although it did make some progress.

Table 2 GINI Coefficients for Total Income, Botswana

	RIDS, 1974/75	HIES, 1985/86	HIES, 1993/94
National		0.56	0.54
Urban		0.54	0.54
Rural	0.52	0.48	0.43

Source: Leith (2000)

Therefore, while the poor may be better off than before, so are the affluent people. However, despite these setbacks, the country has not failed at all its objectives.

Although it had failed to significantly industrialize and reduce inequality, the politically centralized state had success in improving infrastructure, education, health and other sectors of the economy. The construction sector had boomed as modern housing was built in the 1980s and 1990s, electricity and means of distributing it were also done locally, and the telecommunications industry had grown rapidly. The construction was mainly in providing public services such roads, water supplies, schools, administrative buildings and clinics. The success of some of these efforts is demonstrated in table 3 below.

Table 3 Health Services

	1980	1985	1990	1994
Doctors per 100,000	15	17	18	24

Nurses per 100,000	124	156	216	217
Hospital beds	2060	2554	3211	3245

Source: Leith (2000)

By 1998, the country had also expanded its provision of public services as 88 percent of Batswana already lived within 8 km of health facilities, and 97 percent had safe drinking water (Uriksen, 2011, pg. 267). Investment in education which started in the 1960s had also been successful as demonstrated by Table 4 below.

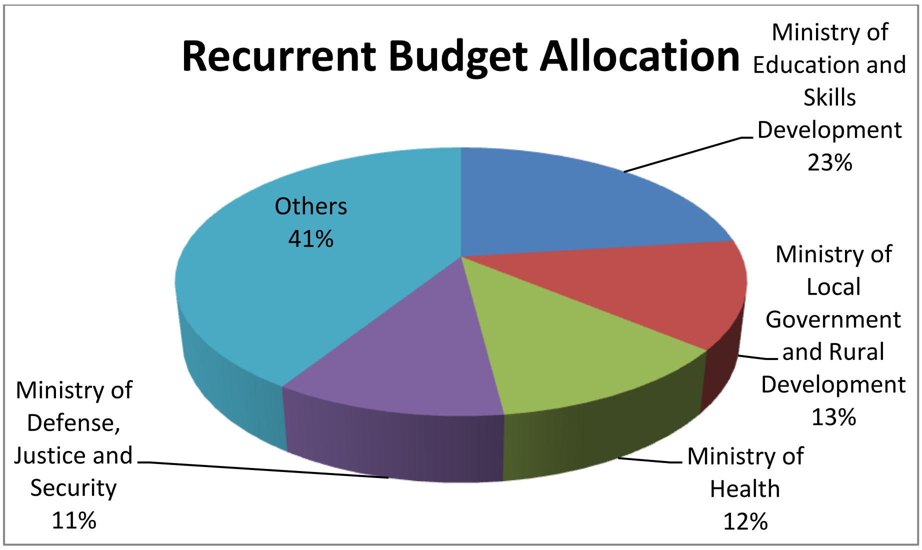
Table 4 Education Enrolments
(thousands)

	1965	1970	1975	1980	1985	1990	1995
Primary	66.1	83	116.3	171.9	223.6	283.5	319.1
Secondary	1.3	3.9	12.1	18.3	32.2	56.9	104.7
University	0.083	0.14	0.465	0.928	1.773	3.677	5.501

Source: Leith (2000)

By 2010, the literacy rate stood at 84.5 percent, which was over 12 percent higher than the Sub-Saharan average of 72 percent (World Bank, 2013). Therefore, the country had successfully invested in human and physical capital, and had an effective politically centralized state. Education also continues to be among government priorities as demonstrated by the figure 3 below.

Figure 3



Source: Ministry of Finance and Development Planning (2013)

As stated by the Ministry of Finance and Development Planning, “As usual, the largest share of P7.93 billion goes to the Ministry of Education and Skills Development to continue building human capital” (Ministry of Finance and Development Planning, 2013, pg. 2). As such, the government has continued with its human capital accumulation. It has also continued to invest in rural development and health as the two hold the second and third largest budget shares respectively. The government has used its revenues well as it usually had a surplus, had large reserves and had not needed structural adjustment loans.

Through a legitimate post-colonial state; continued inter-ethnic cooperation; secure property rights; political centralization; natural resources wealth; democracy and good policies; by 1998, Botswana had transformed itself into a middle income economy with a GDP per capita that was almost four times the African average at $5796 (Acemoglu, Johnson and Robinson in Rodrik 2003, pg 80). This development has continued into the 21st century. In 2012, its GDP per capita stood at $16 792; meaning it is well established as an upper middle income economy (IMF 2012). As such, the once second poorest country in the world, and least prosperous country in Africa, has transformed itself into an economically prosperous nation, in one of the poorest locations in the world.

Conclusion

This paper examined how Botswana was able to attain economic prosperity through a detailed historical case study. The case considered the role of some of the theories of economic prosperity such as geography, culture, trade, factor endowments, policy and institutions. Thus, the thesis looked to determine the validity of these different hypotheses in explaining Botswana's economic success. This paper considered the case from an institutional perspective, and concludes that institutions matter for economic prosperity, but not exclusively. Therefore, the thesis highlights the validity and importance of most of these hypotheses for the case of Botswana; although it did not find support for the factor endowments hypothesis. In Botswana, it was not any single one of these hypotheses working alone. Rather, it was a combination of elements of these different theories such as cooperation, natural resource abundance, favorable commodity prices, and good policies that benefited the majority of the population, supported by inclusive institutions of democracy and secure property rights.

Chapters 2 demonstrated the importance of political and economic institutions of the chieftaincy system and secure property rights, and how they worked with elements of culture such as inter-ethnic cooperation to create a stable trading society needed for economic prosperity. Secure property rights were well established by the time Botswana gained its independence; as they were present in the pre-colonial years, and were not affected by colonialism because the country was a neglected colony. In addition, the elite constraining traditional and centralized political institutions of the chieftaincy, that encouraged cooperation with minority ethnic groups, and their participation in the political process, were also well integrated into the democratic system. To create a politically centralized state, the chiefs willingly surrendering their powers to the government; however, they did this knowing that they would still play an active role in the governing of the democratic state, and could rely on their tribes to vote them into office. This integration of traditional political institutions into the democratic system, and presence of chiefs in the ruling party, created a broad based coalition, and a legitimate government that felt secure in power. As such, with a government that felt secure in power in place, the political elites had incentive to develop the economy without fear of being political losers. Traditional political institutions that were supportive of inter-ethnic cooperation, integrated into the democratic system, also ensured the country's future as a stable and economically prosperous nation. The voluntary surrender of the chiefs' powers also demonstrated the effectiveness of the trust and cooperation that had been around since pre-colonial years, between the Tswana states and minority ethnic groups. This cooperation and trust continued on into the post-colonial years, because the political institution that supported it, the chieftaincy, was well integrated into the democratic system.

Chapter 3 showed how political and economic institutions of democracy and secure property rights helped the country successfully manage natural resource endowments to avoid the resource curse, made it adopt good policies, and helped it negotiate favorable commodity prices as well as broadly distribute the rents. When diamond revenue accrued in the 1970s, the democratic system constrained the power of the elites and forced them to adopt good policies, as they could not expropriate the resources without risking losing their broad based coalition. As such, democracy can improve a country's chances that elites will adopt good policies. Secure property rights were also well established by this time and government ownership of the resources ensured that rents were invested for the benefit of the majority of the population. As stated by Mogae, "If rights to diamonds had been vested in private hands or with regional interests, concentrated and skewed development would likely have resulted" (2005, in Hjort 2006, pg. 187). Instead of only the tribe that resides in the location the minerals are discovered benefiting, state ownership allowed for the rents to be used to develop the whole country. As such, the discovery of diamonds did not come as a curse, but was rather a blessing. The rents from the natural resources were essential for the rapid development of the economy. However, their abundance alone was not a sufficient condition for economic prosperity. Government ownership of natural resources and reinvest into other forms of wealth such as human capital, infrastructure, and social services was encouraged by inclusive political and economic institutions. These policies benefited the majority of the population, and were effective means of avoiding skewed development and inter-ethnic conflict.

In addition, continuation of secure property rights by the elites after independence in order to increase their rents from beef exports was essential, as it helped the majority of the population, who owned cattle or benefited from them in some way. As such, the case also shows that elites are more likely to negotiate for favorable commodity prices, when they are directly involved in the sector, and can profit with secure property rights in place. Nevertheless, it is also important to note that the country may have benefited more from international trade, because it successfully negotiated for commodity prices above the world average. As such, had it not had favorable prices for its commodities, it is unlikely that it would have profited as much as it did. Therefore, commodity prices were important for Botswana, but were not adequate conditions for economic prosperity alone either. The addition of diamond revenue was necessary for economic growth to hit double digits. Institutions of democracy and secure property rights were also needed to encourage the adoption of good policies, and effective utilization of the income for the benefit of the majority of the people.

On the other hand, Chapter 3 also illustrated that although continuous inter-ethnic cooperation, good policies, favorable commodity prices, and natural resource abundance were crucial to the development of the country supported by democracy and secure property rights, factor endowments such as poor human and physical capital, proved not to be immediately essential for the country's economic progress. Lack of educated people and infrastructure was not a recipe for economic stagnation. Botswana lacked both at independence, but it was still able to raise itself from poverty. As such, the findings of this paper contradict the factor endowment argument of human and physical capital. However, this is not to say that human and physical capital is not essential in the long run. Good infrastructure and an educated population are necessary for modern technological innovation. Therefore, if Botswana was to become a technological hub, it would need people who are well educated in the fields of science and technology, and good infrastructure.

As mentioned in the introduction, the main question of this thesis was the following: *why was Botswana, unlike other Sub-Saharan African countries, able to develop so spectacularly?* The first hypothesis was that it was due to its institutions. Accordingly, the second question was as follows: *why was Botswana, unlike other Sub-Saharan nations, able to develop and consolidate good institutions?* The second hypothesis was that it was due to a fortunate mix of structural factors and legacies. Additionally, this research also looked to determine if other Sub-Saharan African countries can learn from the experience of Botswana. Therefore, the third question was as follows: *are there generalizable lessons that can be drawn from this case?*

This thesis found support for the institutions hypothesis, specifically historical institutionalism. However, it also came to the conclusion that geography, culture, policy and trade hypotheses are also valid. All the aforementioned are applicable for the case of Botswana, but are not sufficient explanations for the country's economic prosperity alone. In other words, in order to adequately explain the case of Botswana, institutions needed elements of geography (natural resource abundance), culture (cooperation), trade (favorable commodity prices), and policy. However, not all hypotheses were found to be applicable to Botswana. Factor endowments such as human and physical capital did not prove to be immediately essential for the development of the country, as its economy grew rapidly without them.

Even though economic prosperity has been a challenge for much of Sub-Saharan Africa, Botswana demonstrates that it is not an unfeasible task. What other Sub-Saharan nations can draw from Botswana is that even the least developed African countries, can raise themselves out of poverty. Although Botswana had unique initial institutional conditions, democracy and secure property rights alone did not guarantee its economic success. Cooperation between its people was crucial to creating a stable environment suitable for economic progress. It also needed to adopt good policies and effectively use the income from the natural resources and commodity exports for the benefit of the majority of the population. *As such, the case of Botswana demonstrates that economic success needs good institutions. Therefore, institutional development is necessary for economic progress. However, it is important to note that Botswana had unique institutional conditions at independence; thus, other countries cannot be expected to easily replicate its spectacular economic growth.* Lastly, even though Botswana has come a long way from being the world's second poorest country and Africa's least prosperous, to one of the wealthiest on the continent, it still has failed to join the industrialized nations. As such, further research can seek to determine why economic prosperity in Botswana, did not come with considerable industrialization.

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Appendix

Table 5 Botswana Comparisons: Population, GDP per capita, and real growth of GDP per capita 1966-1999

Country	**1999 Population (thousands)**	**1999 GDP/Cap US$**	**11 Year Growth Rate**	**22 Year Growth Rate**	**33 Year Growth Rate**
Botswana	1,610	3,124	4.0%	5.1%	7.0%
Chile	15,020	4,505	5.2%	3.5%	2.1%
China	1,266,840	782	8.0%	na	na
Hong Kong	6,840	23, 247	1.8%	3.9%	4.6%
Indonesia	209, 260	654	2.7%	3.1%	3.8%
Ireland*	3,750	19,644	5.9%	4.2%	4.1%
Korea	46,860	8,684	5.1%	5.7%	6.1%
Lesotho	2,110	437	2.5%	na	na
Malaysia	22,710	3,467	4.4%	na	na
Singapore	3,890	21,837	4.8%	5.0%	6.2%
Thailand	61,810	2,006	4.4%	4.7%	4.6%
Trinidad & T*	1,290	4,701	1.3%	-0.1%	0.8%

Source: Leith (2005)

Notes: US $ GDP per capita calculated current price GDP, converted at average exchange rate for 1999. Botswana GDP data are for national account years ending 30 June.

*Latest data for GDP data is 1998, hence growth rates are 10 year, 21 year, and 32 year to 1998

Table 6 Botswana Comparisons Real Growth of GDP per capita, 1966 to 1996

Country	**1996 Population**	**1996 GDP/Cap US$**	**10 Year Growth Rate**	**20 Year Growth Rate**	**30 Year Growth Rate**
Botswana	1 490 000	3 296	4.9%	5.2%	8.2%
Chile	14 420 000	4 800	6.2%	4.0%	2.8%
China	1 221 500 000	683	8.7%	na	na
Hong Kong	6 190 000	24 898	4.6%	5.3%	6.0%
Indonesia	198 340 000	1 146	5.2%	4.5%	5.7%
Ireland	3 520 000	19 526	5.8%	4.3%	4.5%
Korea	45 540 000	10 641	7.2%	6.8%	7.7%
Lesotho*	2 050 000	420	4.9%	na	na
Malaysia	21 170 000	4 690	5.6%	4.3%	na
Singapore	3 040 000	30 942	7.0%	6.4%	7.8%
Thailand	60 000 000	3 007	8.0%	6.1%	6.4%
Trinidad & T	1 310 000	4 177	-0.8%	-0.4%	0.8%

Source: Leith (2000)

Notes:
* Latest population is for 1995

US$ GDP per capita calculated using latest available current price GDP, converted at average exchange
rate for 1996.
Botswana GDP data are averaged over adjoining national account years ending June 30, to yield calendar year.

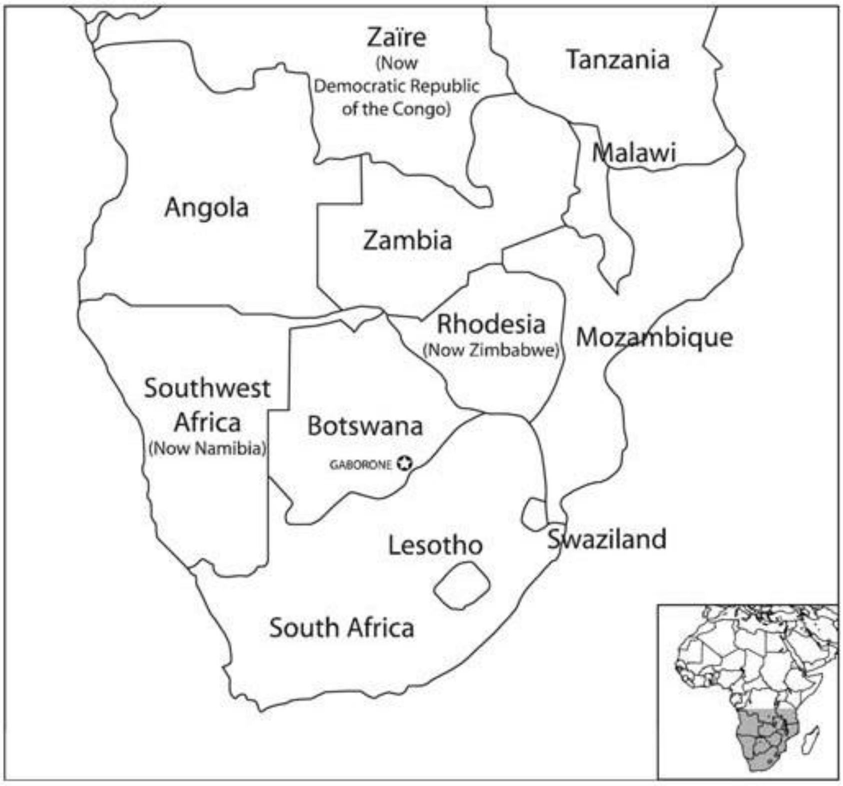
Table 7 Number of Seats by Political Party, 1965-1999

Political Party	1965	1969	1974	1979	1984	1989	1994	1999
Botswana Democratic Party (BDP)	28	24	27	29	28	31	31	37
Botswana National Front (BNF)	______	3	2	2	5	3	13	6
Botswana People's Party (BPP)	3	3	2	1	1	0	0	0
Others*	0	1	1	0	0	0	0	1
Total	31	31	32	32	34	34	44	44

Source: (Molutsi in Gyimah-Boadi, 2004)

Note: * In 1969 and 1974 the one Member of Parliament belonged to the Botswana Independent Party. In 1999, the one Member of Parliament belonged to the Botswana Congress Party; a breakaway party from the BNF.

Figure 4 Southern Africa in the 1970s



Source: Henk (2006)

Figure 5 Map of Botswana in 2013

Source: CIA (2013)

Table 8 Sub-Saharan Africa GDP (PPP) per Capita (USD) (2000-2005)

Country	2000	2001	2002	2003	2004	2005
Angola	2,243.93	2,299.36	2,599.98	2,664.40	2,953.53	3,328.61
Benin	1,151.69	1,212.81	1,247.00	1,281.59	1,314.40	1,371.34
Botswana	8,840.23	9,251.13	10,127.49	10,868.83	12,269.87	12,513.13
Burkina Faso	813.916	862.479	888.804	950.542	928.439	1,013.86
Burundi	407.109	402.925	404.117	411.06	453.083	470.358
Cameroon	1,723.64	1,791.99	1,816.98	1,877.41	1,943.57	1,953.66
Cape Verde	2,029.12	2,174.51	2,284.94	2,401.41	2,357.34	2,602.59
Central African Republic	650.938	656.511	650.135	604.585	627.745	657.923
Chad	886.627	987.67	1,062.33	1,136.78	1,513.37	1,648.44
Comoros	973.869	1,007.57	1,044.13	1,069.68	1,072.60	1,128.00
Democratic Republic of the Congo	213.198	213.438	217.88	228.491	242.749	261.694
Republic of Congo	2,889.92	2,981.15	3,078.93	3,079.93	3,472.81	3,566.12
Côte d'Ivoire	1,600.27	1,606.41	1,580.28	1,562.34	1,551.03	1,580.16
Equatorial Guinea	4,156.61	6,435.88	7,592.78	8,585.36	12,125.22	13,251.95
Eritrea	755.077	807.808	811.151	772.833	788.526	751.395
Ethiopia	475.141	508.289	511.374	498.032	560.329	632.685
Gabon	12,105.14	12,336.37	12,195.71	12,450.63	12,633.84	13,081.16
The Gambia	1,427.77	1,492.77	1,420.36	1,501.42	1,571.10	1,558.62
Ghana	1,442.97	1,503.50	1,559.09	1,631.55	1,928.18	2,030.02
Guinea	865.949	901.534	936.658	949.938	936.172	952.001
Guinea-Bissau	926.253	943.047	922.407	922.226	923.23	944.249
Kenya	1,216.88	1,270.91	1,268.53	1,304.45	1,335.42	1,398.70
Lesotho	999.52	1,052.06	1,082.61	1,135.42	1,203.51	1,275.95
Liberia	500.243	508.348	528.76	381.563	437.838	446.65
Madagascar	762.906	803.211	694.804	757.162	795.425	833.419
Malawi	558.272	535.112	532.719	561.509	606.484	605.55
Mali	654.084	726.018	746.33	795.006	853.584	914.729
Mauritius	8,476.01	8,803.50	9,017.61	9,500.93	10,185.54	10,488.79
Mozambique	474.896	533.67	580.583	619.385	663.574	711.282
Namibia	4,064.39	4,200.56	4,400.68	4,607.67	5,168.87	5,532.25
Niger	488.547	523.525	543.548	576.268	580.83	624.172
Nigeria	1,129.75	1,216.12	1,457.40	1,597.86	1,773.31	1,795.50
Rwanda	566.508	601.585	673.413	691.171	758.609	855.685
São Tomé and Príncipe	1,112.47	1,152.08	1,174.94	1,260.75	1,354.57	1,534.10
Senegal	1,385.78	1,443.59	1,437.63	1,524.18	1,581.57	1,678.70
Seychelles	14,096.10	14,074.93	14,210.12	13,645.23	16,714.65	18,356.78
Sierra Leone	506.101	592.027	732.346	785.554	802.099	857.766
South Africa	6,643.11	6,900.04	7,187.79	7,478.36	7,999.87	8,653.71
Swaziland	3,567.11	3,640.67	3,736.07	3,937.28	4,110.61	4,336.25
Tanzania	780.663	824.111	879.599	941.224	1,004.95	1,076.12
Togo	785.823	767.136	751.119	783.922	797.602	864.904
Uganda	770.922	817.356	865.245	912.193	963.277	971.315
Zambia	909.12	951.796	976.706	1,025.30	1,084.08	1,130.41
Zimbabwe	866.476	904.386	832.665	699.083	308.406	473.674

Source: IMF World Economic Outlook Database (October 2012)

Table 9 Sub-Saharan Africa GDP (PPP) per Capita (USD) (2006-2012)

Country	2006	2007	2008	2009	2010	2011	2012
Angola	4,034.31	4,954.20	5,614.74	5,650.77	5,748.94	5,923.85	6,244.13
Benin	1,424.37	1,487.97	1,550.78	1,559.98	1,575.70	1,620.37	1,658.02
Botswana	13,471.56	14,343.67	14,920.27	14,167.56	15,183.79	16,105.21	16,792.93
Burkina Faso	1,079.81	1,122.98	1,179.04	1,188.62	1,261.22	1,302.26	1,384.18
Burundi	501.668	530.324	556.104	566.804	582.152	604.964	625.593
Cameroon	2,025.07	2,095.66	2,137.09	2,138.42	2,176.01	2,259.26	2,345.29
Cape Verde	2,915.08	3,212.32	3,438.44	3,547.84	3,730.33	3,947.20	4,126.22
Central African Republic	691.168	723.076	739.113	731.335	744.723	766.535	791.166
Chad	1,662.72	1,672.28	1,695.22	1,648.25	1,841.12	1,866.81	1,986.44
Comoros	1,154.66	1,169.45	1,182.21	1,189.13	1,204.44	1,231.65	1,255.98
Democratic Republic of the Congo	276.92	293.968	309.692	311.889	328.865	348.527	368.337
Republic of Congo	3,800.70	3,740.62	3,922.88	4,132.77	4,426.16	4,543.38	4,708.44
Côte d'Ivoire	1,595.26	1,618.99	1,644.13	1,670.53	1,682.90	1,589.81	1,696.15
Equatorial Guinea	13,462.09	16,347.50	17,974.75	18,430.02	18,056.80	19,320.55	20,163.61
Eritrea	741.977	749.072	669.4	680.181	683.082	735.459	779.617
Ethiopia	709.795	795.587	881.054	953.191	1,018.75	1,092.28	1,159.92
Gabon	13,329.39	14,125.57	14,559.22	14,271.65	15,197.50	16,313.29	17,338.98
The Gambia	1,575.71	1,639.10	1,735.57	1,818.30	1,892.72	1,943.40	1,891.76
Ghana	2,168.44	2,316.29	2,503.29	2,560.45	2,732.61	3,112.88	3,336.98
Guinea	986.846	1,011.49	1,060.92	1,041.14	1,049.25	1,086.34	1,128.63
Guinea-Bissau	972.937	1,010.34	1,042.74	1,059.60	1,086.95	1,144.05	1,105.55
Kenya	1,490.41	1,592.98	1,604.91	1,614.61	1,680.77	1,740.58	1,806.82
Lesotho	1,438.25	1,539.78	1,637.38	1,702.97	1,802.74	1,918.23	2,018.08
Liberia	483.114	536.858	554.269	564.748	582.626	627.326	677.249
Madagascar	879.205	935.571	997.537	939.725	931.791	944.47	953.785
Malawi	620.377	679.751	732.148	782.719	821.345	850.819	876.712
Mali	963.454	1,002.46	1,043.03	1,065.86	1,108.75	1,128.04	1,061.75
Mauritius	11,231.12	12,118.31	13,029.33	13,470.52	14,152.03	14,961.51	15,621.60
Mozambique	782.369	846.76	906.534	953.291	1,014.19	1,089.85	1,167.30
Namibia	6,007.48	6,398.79	6,639.78	6,548.39	7,015.65	7,451.19	7,813.62
Niger	661.256	680.75	739.635	717.095	760.951	771.068	869.937
Nigeria	1,915.90	2,052.49	2,164.04	2,272.34	2,419.82	2,582.18	2,734.63
Rwanda	947.771	1,007.92	1,122.02	1,154.43	1,228.51	1,334.31	1,430.40
São Tomé and Príncipe	1,756.87	1,815.90	1,993.07	2,057.05	2,140.62	2,251.73	2,344.70
Senegal	1,727.97	1,816.62	1,874.25	1,878.59	1,930.09	1,969.96	1,925.30
Seychelles	20,205.91	22,729.54	22,494.12	22,719.36	23,891.46	25,356.68	26,243.07
Sierra Leone	895.396	967.452	1,016.35	1,032.05	1,073.20	1,132.49	1,360.58
South Africa	9,333.84	9,933.76	10,403.63	10,217.46	10,540.87	10,970.31	11,302.21
Swaziland	4,553.71	4,758.69	4,940.26	4,969.47	5,156.34	5,300.69	5,251.36
Tanzania	1,164.01	1,258.23	1,354.69	1,420.38	1,510.53	1,610.02	1,708.49
Togo	906.109	930.221	949.455	970.35	1,000.40	1,048.17	1,094.46
Uganda	1,062.82	1,149.18	1,224.54	1,279.33	1,331.69	1,384.53	1,419.17
Zambia	1,210.60	1,291.19	1,360.99	1,425.19	1,516.53	1,610.70	1,700.70
Zimbabwe	472.621	466.835	387.019	414.869	460.857	514.821	549.439

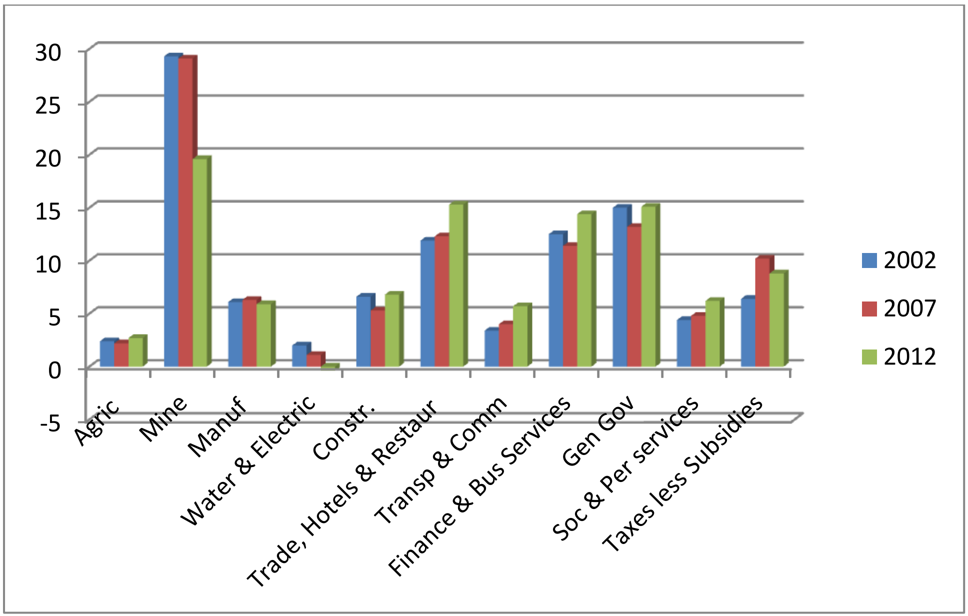
Source: IMF World Economic Outlook Database (October 2012)

Table 10 Former British Colonies in Africa GDP (PPP) per Capita (USD)(2000-2012)

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Botswana	8,840.23	9,251.13	10,127.49	10,868.83	12,269.87	12,513.13	13,471.56	14,343.67	14,920.27	14,167.56	15,183.79	16,105.21	16,792.93
The Gambia	1,427.77	1,492.77	1,420.36	1,501.42	1,571.10	1,558.62	1,575.71	1,639.10	1,735.57	1,818.30	1,892.72	1,943.40	1,891.76
Ghana	1,442.97	1,503.50	1,559.09	1,631.55	1,928.18	2,030.02	2,168.44	2,316.29	2,503.29	2,560.45	2,732.61	3,112.88	3,336.98
Kenya	1,216.88	1,270.91	1,268.53	1,304.45	1,335.42	1,398.70	1,490.41	1,592.98	1,604.91	1,614.61	1,680.77	1,740.58	1,806.82
Lesotho	999.52	1,052.06	1,082.61	1,135.42	1,203.51	1,275.95	1,438.25	1,539.78	1,637.38	1,702.97	1,802.74	1,918.23	2,018.08
Malawi	558.272	535.112	532.719	561.509	606.484	605.55	620.377	679.751	732.148	782.719	821.345	850.819	876.712
Mauritius	8,476.01	8,803.50	9,017.61	9,500.93	10,185.54	10,488.79	11,231.12	12,118.31	13,029.33	13,470.52	14,152.03	14,961.51	15,621.60
Nigeria	1,129.75	1,216.12	1,457.40	1,597.86	1,773.31	1,795.50	1,915.90	2,052.49	2,164.04	2,272.34	2,419.82	2,582.18	2,734.63
Sierra Leone	506.101	592.027	732.346	785.554	802.099	857.766	895.396	967.452	1,016.35	1,032.05	1,073.20	1,132.49	1,360.58
Sudan	1,284.51	1,376.63	1,446.99	1,551.96	1,627.74	1,699.93	1,913.97	2,154.41	2,194.89	2,257.11	2,277.52	2,729.86	2,400.17
Swaziland	3,567.11	3,640.67	3,736.07	3,937.28	4,110.61	4,336.25	4,553.71	4,758.69	4,940.26	4,969.47	5,156.34	5,300.69	5,251.36
Tanzania	780.663	824.111	879.599	941.224	1,004.95	1,076.12	1,164.01	1,258.23	1,354.69	1,420.38	1,510.53	1,610.02	1,708.49
Uganda	770.922	817.356	865.245	912.193	963.277	971.315	1,062.82	1,149.18	1,224.54	1,279.33	1,331.69	1,384.53	1,419.17
Zambia	909.12	951.796	976.706	1,025.30	1,084.08	1,130.41	1,210.60	1,291.19	1,360.99	1,425.19	1,516.53	1,610.70	1,700.70

Source: IMF World Economic Outlook Database (October 2012)

Figure 6 GDP Composition by Sector 2002, 2007 & 2012



Source: Statistician General (2013)

Table 11 GDP Composition by Sector 1995-2002

Year	1995	1996	1997	1998	1999	2000	2001	2002
Agriculture	4.6	3.7	3.5	3.2	3	2.8	2.6	2.4
Mining	30.3	32.1	32.3	29.3	31.5	33.9	32.5	29.3
Manufacturing	5.3	5.6	5.7	6.2	5.6	5.6	5.8	6.1
Water & Electricity	2.1	1.8	1.8	2	1.9	1.7	1.8	2
Construction	6.2	5.9	5.9	6	5.9	5	4.7	6.6
Trade, Hotels & Restaurants	9.7	10.7	9.9	10.3	10.8	10.1	10.7	11.9
Transport & Communication	3.7	3.2	3.4	3.5	3.3	3.3	3.3	3.4
Finance & Business Services	13	12.6	11.5	12.2	10.9	11.1	12	12.5
General Gov	15.2	13.8	15.1	16	15.5	14.6	14.9	15
Social & Personal services	4.3	4	3.8	3.8	3.6	3.5	4	4.4
Taxes less Subsidies	5.5	6.5	7	7.5	8.1	8.4	7.7	6.4

Source: Statistician General (2013)

Table 12 GDP Composition by Sector 2003-2012

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Agriculture	2.7	2.3	1.8	2	2.2	2.5	2.9	2.9	2.5	2.7
Mining	26.2	25.7	31.7	32.2	29.1	26.1	13.9	24.5	24.7	19.6
Manufacturing	5.7	5.6	4.9	5.3	6.3	5.6	6.4	5.9	5.8	5.9
Water & Electricity	2.1	1.9	1.4	1.3	1.1	0.9	0.4	0.4	0.2	-0.4
Construction	5.7	5.7	4.8	4.8	5.3	4.9	6.2	5.4	6	6.8
Trade, Hotels & Restaurants	12.9	12.2	10.8	11.9	12.3	13.2	15.4	14	14.7	15.3
Transport & Communication	3.4	3.4	3.6	3.8	4	4.4	5.5	4.8	4.9	5.7
Finance & Business Services	12.9	12.7	11.7	11.3	11.4	12.3	13.4	12.4	12.9	14.4
General Gov	15.3	14.6	14.2	13.2	13.2	14.4	17	14.3	13.8	15.1
Social & Personal services	4.7	5	5	5	4.8	5.1	6.4	5.6	5.6	6.2
Taxes less Subsidies	8.4	11	10	9.2	10.2	10.7	12.4	9.7	8.9	8.8

Source: Statistician General (2013)