Department of Sociology, Political Science and Community Planning

Growth and Development

Leading sector and institutions role in economic development: a case study of Botswana and Mauritius

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Abstract

This thesis focuses on the extent to which entrepreneurial actors can be considered as the engine of economic development in the cases of Mauritius and Botswana. Based on the theoretical approaches used in this thesis I found that, from a take-off approach, entrepreneurial actors played a substantial role in cases of Mauritius and Botswana (in Mauritius to a much greater extent than in the case of Botswana) in boosting investment rate, government revenues, and trade performance which other sub-Saharan African states could envy. In Botswana, diamond production contributed significantly to the high and sustainable performance of the economy. In order accelerated the engine of growth and development, entrepreneurial actors need to actively venture more into the manufacturing sector to give the economy's growth a sustained and cumulative character. As regards Mauritius, the country decided to create an export-processing zone (EPZ) in the 1970s, and it has been recognized as a uniquely successful EPZ implementation. The creation of EPZ is considered as the main driver of Mauritius' growth and development. In addition, I find that, from an institutional evolution framework, entrepreneurial actors have been a decisive factor in building institutions that are favorable for growth and development. In Botswana, the key institutions that were determinant for the country's economic growth and development were the tribal institutions and the importance of the cattle industry; while in the case of Mauritius it is worth noting the pivotal role of the inherited institutions from its colonizers. The French left a legacy of formal institutions for the landowning elite and the French language while the British colonizers brought a number of important inclusive institutions such as democracy, the rule of law and a constitution that guaranteed the protection of private property.

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Acronyms

AU	African Union
EEC	European Economic Community
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GNI	Gross National Income
IMF	International Monetary Fund
NAM	Non-Aligned Movement
SACU	Southern African Customs Union
ISI	Import Substituting Industrialization
D.C.	Development Certificates
SMMEs	Small, Mdium, Micro Enterprises
CEDA	Citizen Enterprises Development Agency
LEA	Local Enterprise Authority
SADC	Southern African Development Community
ACP	African, Caribbean and Pacific
BDP	Botswana Democratic Party
BMC	Botswana Meat Commission
PMSD	Parti Mauricien Social Démocrate

Chapter I

1 INTRODUCTION

This thesis takes an extended look at Mauritius and Botswana, countries which are found to depart from the common pattern of African states and therefore they may be considered as special cases. According to available literature, both countries have exceeded expectations in terms of growth and development. At independence, Botswana's economy was based largely on agriculture and migrant labor, and the country was among the poorest in the world. However, with the discovery of diamonds in the 1970s, Botswana has witnessed dramatic economic growth rates in GDP, per capita income. According to the World Bank (1990) per capita income is estimated to have risen from US$ 110 in 1970 to over US$ 1.000 in 1987 and to around US$ 6.788 in 2016, reflecting sustained high levels of economic growth. While population grew at a rate of roughly 3.5% per annum, GDP per capita expanded at very impressive 8.8% per year from 1965 to 1987(World Bank 1900).

Similarly, Mauritius defied the predictions of James Meade, a Nobel Prize recipient in economics who famously predicted a dismal future of Mauritius in 1961 due to its vulnerabilities to weather and price shocks as well as lack of job opportunities outside of the sugar sector, the small island nation in the Indian Ocean transformed itself from a poor sugar economy into a country with one of the highest per capita incomes among African countries (Zafar 2011). Hence, Mauritius economic performance is impressive. Real GDP growth has averaged more than 5 % since 1970 and real annual growth in per capita income, likewise, has been strong. GDP per capita increased more than tenfold between 1970 and 2016, from less than US$ 500 to more than US$ 9.000 (Zafar 2011, World Bank Data 2018).

The prospects for growth and development in Africa and elsewhere are prominently on the agenda and in the current public debate within individual countries. While some African states, especially those in sub-Saharan African region are aiming to transform their economies into middle-income economies by 2025 with US$ 1.240 per capita, Mauritius and Botswana have already attained a middle-income status and today they are ahead with the upper-middle-income status over US$ 6.000 per capita. Additionally, Mauritius and Botswana are further ahead and continue to aim for high-income status by 2025.

Generally, the theoretical framework in this thesis are based on various theoretical and empirical works discussing growth and development. Even though some of these are not specifically related to African experience, it is my ambition that this thesis contributes to ongoing debate about entrepreneurial actors' impact on growth and development in cases of Mauritius and Botswana. This thesis will, in some aspects, help us get a deeper understanding of the inconclusive empirical evidence on the impact entrepreneurship has on growth and development. Furthermore, it will help us identify some important areas for future research in the debate about African growth and development.

1.1 The importance of the topic

The principal reason for selecting the topic is to understand, within Botswana and Mauritius contexts, the interaction between the state and their entrepreneurial actors with a view to achieving sustainable growth beyond the usual defeatist narrative of Africa. Moreover, both counties enjoy the status of upper-middle-income while most African countries are still striving to achieve the middle-income status by 2025. In addition, The Norwegian foreign aid and development policies in Africa are being geared toward private sector development, and in recent years comparative political economy has come to focus on the analysis of the effects of the political and economic intuitions in coordinating different patterns of economic growth or decline. This has been a subject of interest for a long time. Thus, thesis attempts to explore more the role of entrepreneurship in terms of economic development as it is seen as vital. Kuada's (2014) argues the following:

> "It is now accepted that entrepreneurship is a necessary condition for long-term economic growth. Entrepreneurship is regarded as an important factor in economic growth through its effect on innovation and employment."

This thesis seeks to investigate the role of entrepreneurial actors and their impact on economic performance over time within the cases of Botswana and Mauritius –as these are respectively called the African economic miracle, and, the African economic success. Hence, this thesis will, among other things, focus on different ways of growth prescriptions and knowledge about Botswana and Mauritius political development path.

1.2 Research question

To what extents can entrepreneurial actors be considered as the engine of economic development in the cases of Botswana and Mauritius?

1.3 Perspectives on development

This section gives a brief overview of the standard perspective on political and economic development. According to Lofchie (1994), the discipline of comparative political economy is ideologically nondenominational and encompasses the entire range of theoretical approaches that interpret the economic activities of governments. However, it is to be registered that the theoretical framework used in this thesis is used in the wider debate about African development.

The main contending perspectives on development enjoy general consensus in the broader development field. The neoliberal writing inspired by classical political economy set the tone in the 1950s and the early 1960s. The main concerns was the insertion of colonies into the world economy, and the subsequent presence of multinational investments in them as independent nations. This combination of factors, it was maintained, facilitated the rise of entrepreneurial classes and modern governmental intuitions destined to play roles similar to their counterparts in Western industrial societies (Himbara 1994, p. 17). In this category there are neoliberal writers who follow the nineteenth century classical political economy that insists on the universality of competitive markets, capital accumulation, and individualist material incentives as the engine of development, at the periphery as well (Himbara 1994, p.31). Himbara (1994) asserts that the opponents of this view, who operated mainly in a dependency perspective, stressed that African capitalist classes and states as agents for foreign interests during the discussion of underdevelopment of most African economies during the 1980s and the 1990s. Further, Himbara (1994) asserts the following on dependency theorist's assumptions on perspective on African development debate:

> "From a dependency perspective, for example, Samir Amin asserted that African underdevelopment was the result of its "integration into the world capitalist system as an exploited and dominated periphery, fulfilling specific functions in the process of accumulation at the centre of system." In order to overcome this structural impediment, according to Amin, African states have to adopt a "strategy of delinking, that is to refuse the imperatives of the international division of labour (Himbara 1994, p.18)".

Thus, dependency theory understood underdevelopment as a result of the incorporation of the developing countries into the capitalist system which was the result of imperialism and colonialism, and, which sought to facilitate further exploitation of the ex-colonies. This resulted in external forces such as multinational corporations, foreign assistance, and any other means by which the advanced industrialized countries can impose their economic interests upon the underdeveloped states. However, following the path to economic development, the thesis is based on the elements of neoliberal economics and some elements of neoclassical economics based on the assumption that Botswana and Mauritius are not underdeveloped economies. In this context to the thesis integrates the theory of institutional change elaborated by Douglass C. North (1990) as the "backbone" of understanding Botswana's and Mauritius's economic performance over time.

1.4 Theoretical foundation for this thesis

This thesis draws upon the modernization theory of Walt Whitman Rostow (1916- 2003), economic growth theory- "*The Take –off into Self- Sustained Growth theory*». Walt Whitman Rostow (1916- 2003) is American economist, historian and political theorist. Rostow proposed a five-stage model of development that further explained modernization of economies. This was illustrated through Rostow's "the stages of economic development". The Rostow's stages of economic growth and development postulates that economic growth occurs in five basic stages, namely: (a) Traditional; (b) Preconditions for take-off; (c) Take-off stage; (d) Drive to maturity; and (e) Age of high mass consumption. Thus, the upper-middle-income countries can be found to be aligned with the take-off stage theoretical model.

Many upper-middle-income counties such as Botswana and Mauritius are experiencing change and consolidation of a more manufacturing-oriented productive structure. However, I do not a priori reject the explanatory of dependency theory that argues that the capitalist world economy itself represents a constraint and a source of influence on the domestic elites and on the governments of developing countries. Nevertheless, this thesis does not focus on issues related to the consequences of periphery countries adopting policies of the advanced countries rather it tries to investigate patterns that are necessary for growth and development in the so-called economic development economies in Africa.

The motivation for using more than one theoretical approach in this thesis is solely for appreciating and learning about competing theoretical perspectives on the wider debate about African development. Second using multiple perspectives approach will deepen and enhance my interpretation of the research results, and, moreover it allows me to consider the topic through multiple perspectives and thus each of these perspectives suggests a reasonable explanation about the entrepreneurial actors' impact on growth and development within the cases of Botswana and Mauritius. Both are now upper-middle-income countries, after being two of the poorest countries in Africa few decades ago.

1.5 Terms and Concepts

The following terms and concepts are used across the whole thesis:

The concept of the state (polity): A state (polity) is a compulsory political organization with a centralized government that maintains a monopoly of the legitimate use of force with a certain geographical territory. Furthermore, Giddens (1985) notes "the state" is comprised of the apparatus of government. The features of the "state" consist of much more than central governments: the institutions that comprise the state includes the judiciary, state bureaucracies, the military, and the police. The state is a cluster of apparatus and it is the government, the agent through which it acts, and the law, the vehicle through which of its power is exercised (Giddens 1985). This is my working definition of the state (polity) as a system where politics takes place, and as a machinery of government with power to enforce their decisions (policies), to legislate and take administrative action within a certain territory.

Entrepreneur actors: The term "*entrepreneur*" was first coined by Richard Cantillon (1697-1734). He described an entrepreneur as somebody who buys goods or services at certain prices with a view to selling them in the future at uncertain prices and who thus takes a risk (Engelmann 1994, p. 67). In this thesis the attention is given to entrepreneur actors as risk bearers.

Upper-middle-income economies: According to the World Bank (2017), Algeria, Botswana, Equatorial Guinea, Gabon, Libya, Mauritius, Namibia and South Africa, however, lags other upper-middle-income countries in these categories. The definition of upper-middle-income economy is an economy in which gross national income (GNI) per capital, calculated using the World Bank Atlas method, is between $ 3, 956 to $ 12,235 in 2017. Thus, the GNI per capita is in the US dollar value of a country's final income in a year, divided by its population. In other words, it reflects the average income of a country's citizens. Hence, among the few African countries in 2017 that can claim the title: upper- middle-income economies –Botswana and Mauritius will be the backbone of my research and case study of an economic success stories in the African context.

1.6 Structure of the thesis

The thesis consists of seven chapters. Following this introductory part chapter 2 will present the historical backgrounds of Mauritius and Botswana, including a brief review of the economic development profile of both countries. Chapter 3 will explain the theoretical framework of the thesis, consisting of Rostow's "take-off" stage approach and North's institutional change and economic performance approach. Chapter 4 presents the methodological framework and hypotheses used in this thesis. In chapter 5 I present the empirical results of the thesis while the main analysis will be presented in chapter 6. Chapter 7 concludes the thesis, sums up my main findings and their theoretical and practical implications, in addition to pointing out a few possibilities for future research.

Chapter II

2 BACKGROUND

Botswana and Mauritius have been selected in this thesis because of their reputation for their notable efforts in successfully fostering development in African context. According to Sebudubudu and Mooketsane (2016) there is a general consensus regarding Botswana and Mauritius as extraordinary cases of economic and political development in Africa. Furthermore, their success is indeed exceptional, and this has been well documented by various academic analysts.

In the 2016 Freedom on the World report, Botswana and Mauritius's scores show outstanding record in Africa, in terms of political rights and civil liberties. Moreover, Mauritius appears to at the top of the democracy rankings, as figure 1 and figure 2 show. Armah (2015) argues that:

"Political leadership is often considered the cause of Africa's woes, political leadership is also showing promise of allowing democratic institutions to function rather than political leadership rooted in " praetoriansim" and " clientelism", for which have been the reputation of most of African countries. This notwithstanding, Botswana and Mauritius's economic and political developments gains are results of years of careful policy planning and reforms commitments that tended to enhance well-being and quality of life for their citizens within the African terrain (Armah 2015, p.3)".

The African continent has been hosting a club of authoritarian leaders who have maintained an iron grip on power in parts of Africa, either by amending constitutional laws to extend their terms of office, or by repressing the opposition and civil society. However, African countries are not alone in this. Nevertheless, Botswana and Mauritius have made very exceptional advances on economic and political development and it as a hopeful model for other countries either in the African context or elsewhere in the World.

Figure 1: Democracy in African countries

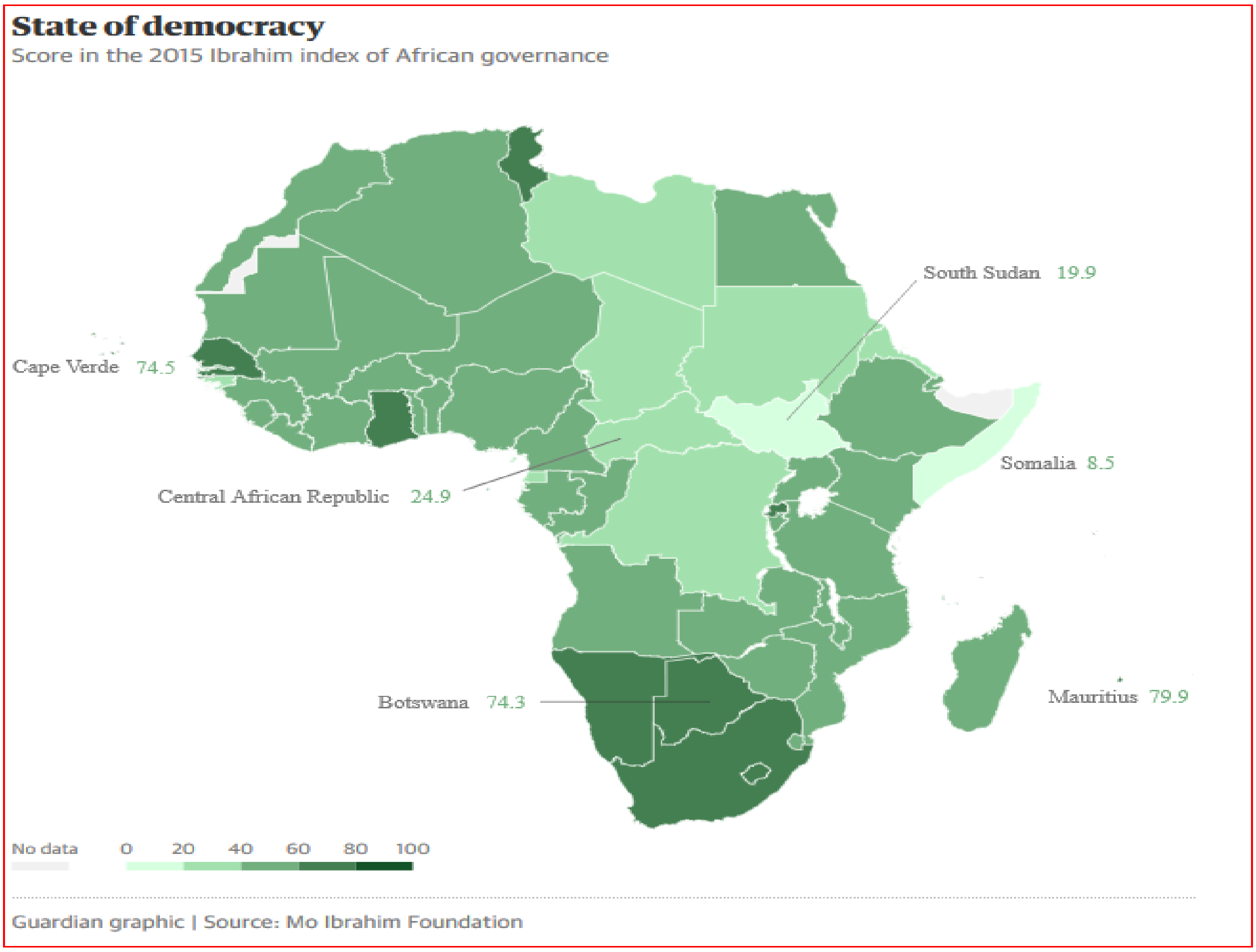
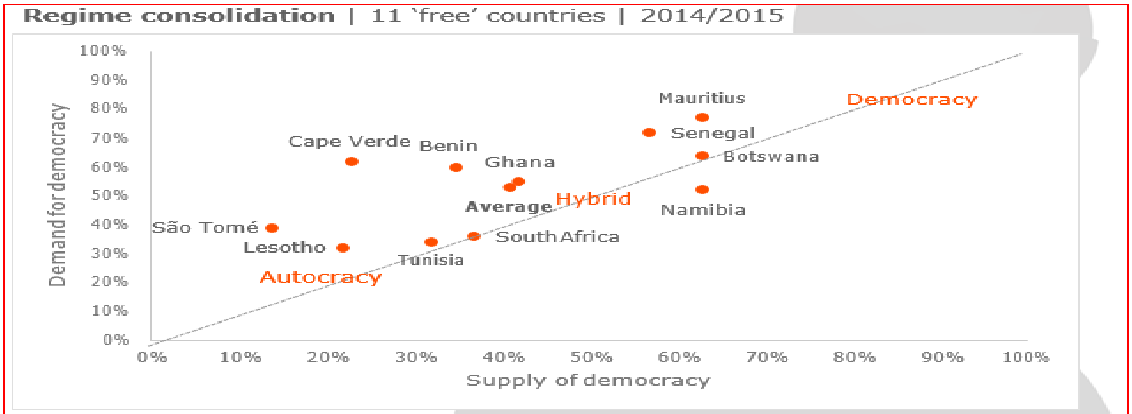


Figure 2 :Regime consolidation in African countries



Namibia and Tunisia are the only countries that have made progress on both measures of democratic consolidation since the previous round of surveys in 2011/2013 (Figure 10). Most countries have experienced an increase in demand (3 percentage points, on average), with significant rises in Namibia (14 points), Senegal (11 points), and Tunisia (7 points). Conversely, perceived supply has declined by 7 percentage points on average, with significant declines in Ghana (-23 points), Benin (-16 points), Cape Verde (-15 points), Lesotho (-15 points), and South Africa (-12 points).
Source: Afrobarometer 2016

2.1 Botswana

According to IMF Country Report No. 17/250 Botswana has a population of 2.1 million people. In addition, according to the US Central Intelligence Agency (2018) Botswana is surrounded by four Southern African states namely Zimbabwe, South Africa, Namibia and Zambia. Botswana gained its independence from Great Britain in 1966.

Additionally, Botswana does not exist in isolation, thus it has intricate economic, political, and social links to the international community of nations. Botswana is a member of the United Nations, the Non-Aligned Movement (NAM), the Commonwealth, the African Union (AU), and the Southern African Development Community (SADC), and it is a member of the Southern African Customs Union (SACU) (Molutsi 1993, p. 51).

Additionally, as a primary commodity producer of beef and diamonds, Botswana is influenced by interstate relations on the one hand and by the vagaries of international commodities markets, international financial capital, and multinational corporations on the other (Molutsi 1993, p. 53-56).

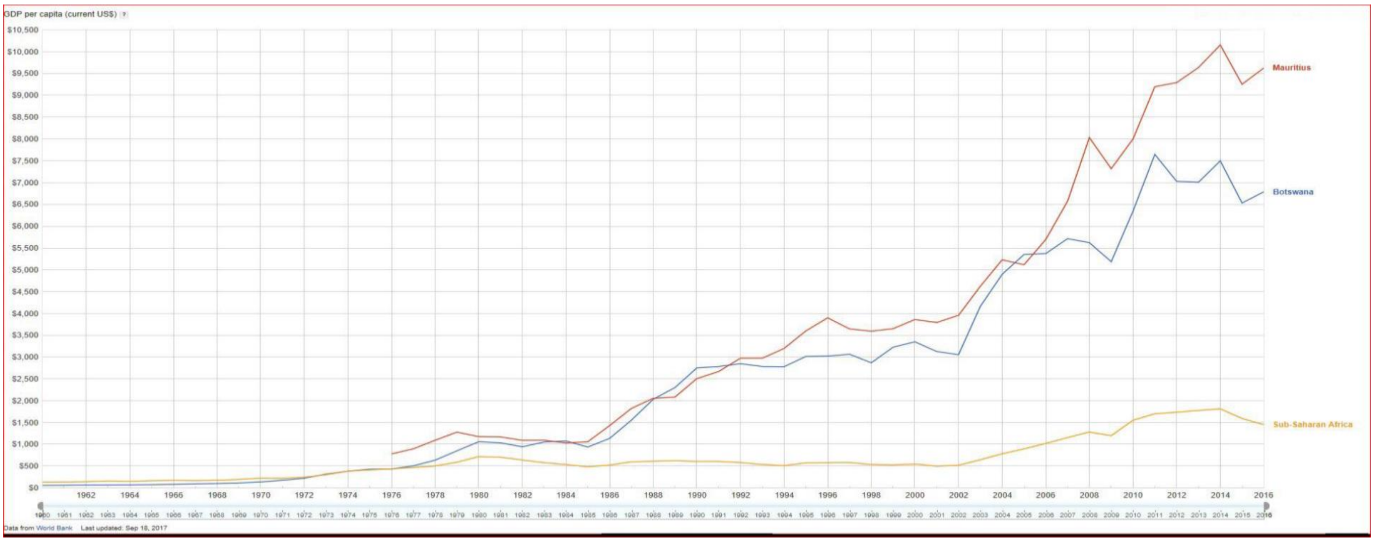
2.1.1 Botswana - economic miracle

In lights of political economy arguments, there is a consensus that Botswana provides a striking contrast to the rest of Africa. Harvey (1992) notes that Botswana was the world´s fastest growing economy from 1966 to 1989. Thus, rapid growth was to be expected due to the discovery of large diamond deposits. At the same time, Paul Collier (2008) assets in his book *The Bottom Billion: Why the Poorest Countries Are Failing and What Can Be done About It* that real per capita incomes have been falling in much of the African continent. Moreover, some countries in Africa have recently been through, or still in the midst of a civil war. Such wars usually drag on for years and have economically disastrous consequences, as it has been the case for Angola, Congo (formerly Zaire, formerly Belgian Congo), Sierra Leone or Nigeria. In Botswana there were no civil wars or intense infighting to control the revenues from diamonds (Acemoglu et.al 2001). Hence, Meredith (2005) points out the following on Botswana's uniqueness in terms of economic development:

"Botswana provided a rare example of an African state that used its bonanza of mineral riches wisely. At independence in 1966, Botswana, consisting of large areas of desert, with a population of only half a million was one of the poorest countries in Africa, heavily dependent on British support. But the discovery of rich seams of diamonds shortly after independence transformed its prospects. By 1980 its per capita income had risen to more than $ 900 a year. Avoiding extravagant expenditure on prestige projects, Seretse Khama invested in infrastructure, health and education and built up substantial reserves. Private businesses were allowed to grow. Corruption hardly existed. In the 1980s per capita income rose to $ 1,700 a year (Meredith 2005, p.285)".

Figure 3 and figure 4 illustrates that in 2016 Botswana's per capita gross domestic product of $ 6.924.15 was four times the average per capita income of $1.464.273 of the sub-Saharan African region while Mauritius counted six times the average per capita income of $9.630.944. Hence, from 1965 to 1985, Botswana attained the highest rate of economic growth in sub-Saharan Africa. From having a gross domestic product (GDP) per capita of less than $ 100 in 1966, by 1993 it claimed GDP per capita over $ 1, 600, and GDP per capita in 2016 was claimed to be $ 6.924.15.

Figure 3 source World Bank Data: Series GDP per capita (current US$): Created on 03/04/2018



Collier (2008) argues that African countries with abundant natural resources tend to get the natural resource curse. This is the case of certain African countries with abundant natural resources, but where governments in these countries have failed to respond effectively to public welfare needs and where the overall productivity of investment has declined precipitously. Furthermore, Collier (2008) and Lewis (1993) argues that other major factors in the lack of development of economic policymaking capacity in Africa have been the relatively high degree of political instability in many countries and a substantial lack of political freedom. However, this has not been the case of Botswana. Stedman (1993) maintains that Botswana stands out in the African context as an example of economic development, functioning governance, and multiparty, liberal democracy. Thus, since its independence in 1966 Botswana has been a multiparty liberal democracy, albeit dominated by one party (Stedman 1993). Further, Meredith (2005) notes that Botswana, in particular, stands out as an example of a liberal democracy, tolerant of opposition activity, where the rule of law has been respected since the 1960s and where economic development proceeded apace (Meredith 2005, p. 386). However, this is largely absent in most parts of Africa, and it has implications on economic development as explained by Meredith (2005):

"…But for the most part, Africa has suffered grievously at the hands of its Big Men and its ruling elites. Their preoccupation, above all, has been to hold power for the purpose of self-enrichment. The patrimonial systems they have used to sustain themselves in power have drained away huge proportion of state resources (…). The World Bank estimates that 40 per cent of Africa's private wealth is held offshore (...). A report prepared for the African Union in 2002 estimated that corruption cost $ 148 billion annually – more than a quarter of the continent's entire gross product. Research results published in 2010 estimated that at least $ 850 billion has been siphoned off from Africa since 1970 (Meredith 2005, p.698)".

Among scholars in political economy, there is consensus that a situation where an elite that dominates the economy, and an atmosphere of anxiety are not conducive for economic growth. In Africa as elsewhere, people work best in an environment of freedom, not in context of fear. The context in Botswana is and has been propitious to economic activities and consequently Botswana has achieved an enviable economic and political record in contrast to the rest of Africa. For Lewis (1993) some considerable share of Botswana's economic success can be attributed to the government's unwillingness to yield to pressures for ideologically based development policies that produced investment failures in so many other countries in Africa.

Botswana is today referred to as an economic miracle assets despite the fact that the country came into independence in 1966 as one of the poorest countries in the world. Lewis (1993) notes that over half of Botswana's government budget was financed through grants from Great Britain, about two-thirds of its workers had jobs in South Africa, and drought had killed about a third of its total cattle herd, which at the time was Botswana's only significant assets. In addition to the disastrous beginnings, there was a dangerous regional context, especially during the liberation struggle in Southern Africa in terms being a neighboring state of both Rhodesia (currently Zimbabwe) and South Africa. To explain Botswana's extraordinary record in both economic and political terms Lewis (1993) argues that this was due to two broad categories of factors: luck and management –the latter including economic policymaking:

"On the side of luck, Botswana was fortunate in a few critical areas. Debeers, the managers of the world's diamond cartel, discovered and developed three diamond mines between 1969 and 1982. Botswana is now one of the top two diamond producers in the world. A rich copper-nickel deposit was discovered; the investment to develop it was over one and one-half times the size of Botswana's gross domestic product (GDP) at the beginning of the project. In agriculture, for most of the first fifteen years after independence Botswana enjoyed the wet phase of a major 20-year climatic cycle in southern Africa. On the political side, Botswana did not have the major tribal differences of other countries in Africa, since a substantial majority of the people come from Tswana-speaking tribes (…). The other major category of explanations falls under the heading of "management". Good management explains most of Botswana's sustained political and economic success. Certainly, look at the record of most oil-producing and hard-mineral-exporting countries demonstrates that mineral wealth alone is no guarantee of sustained economic development (Lewis 1994, p.14)".

The miraculous economic turnout in Botswana has its roots in a conducive political and economic environment in the country. According to Stedman (1993), this lies in excellent choices –which shows that Botswana's leaders understood the importance of employing good policy choices for sustaining long-term growth, of good organization for optimal bargaining with donors and foreign corporations, and of discussion and learning for reconciling tradeoffs between political and economic goods. In a terrain described as arid and landlocked, Botswana emerged from its initially impoverished status to become one of the economic giants of the African continent. From an economy initially based on commercial agriculture and domestic capital accumulation to export production in cattle. Armah (2015) observes that Botswana's economy has been one of the fastest growing economies in the world:

"Botswana's economy has metamorphosed into the fastest growing economies in the world with an average growth rate of 9% per year from 1967 to 2005(US Department of State, 2009). Between 1965 and 1995, Botwana's economy grew at rate of 7.7% per annum (Beaulier 2004:p.231), according the country a middle-income status with a per capita GDP of $ 7,343 in 2008 (US Department of State, 2009). The growth was so rapid that by the year 2001, Beaulier (2004) assesses that Botswana's per capita gross domestic product of $ 7, 820, was twice the average per capita income of the Asian tigers ($3,854), and four times the average per capita income of $ 1,826 of the sub-Saharan African region (Armah 2015, p.11)".

Aforementioned Botswana' economic turnaround is so remarkable that it has been termed the "African miracle" given its humble beginnings.

2.2 Mauritius

Mauritius became an independent country in March 1968. According to the World Bank country overview on Mauritius 2018, Mauritius is located off the southeast coast of Africa, neighboring the French island of La Reunion. Mauritius is an island state of 1.3 million inhabitants. It possesses an immense maritime territory of over 1 million square kilometers. Moreover, Mauritius is typical of the African continent, ethnically and linguistically diverse. According to The World Bank (2015) *Mauritius - Systematic Country Diagnostic* Mauritius have four main ethnic groups: Hindus, Muslims, Sino-Mauritians, and General Population, an official designation made up of African, European, and other ethnicities. Further, in 2012, Hindus constituted the biggest share of the population (50 percent), followed by General Population (32 percent), Muslims (17 percent), and Sino-Mauritians (1 percent)

In terms of international influences, Mauritius has intricate economic, political, and social links to the international community of nations. Hence, Mauritius has signed a number of political and trade agreements both at the multilateral and bilateral levels. At the wider international level, Mauritius is a member of the United Nations. The pursuit of sustainable economic development by Mauritius follows in the continuum of a well-established outward-looking strategy based on the realization that a small island state cannot progress if does not open its economy to trade, foreign investment and technology. The same analogous story as Botswana in this case of foreign relations with the outside world.

2.2.1 Mauritius - success of Africa

Svirydzenka and Petri (2017) estimates that Mauritius' economic performance since independence in March 1968 has been invariably labeled the "success of Africa". Moreover, Svirydzenka and Petri (2017) argue that the island started out with the disadvantages of a typical African economy such as:

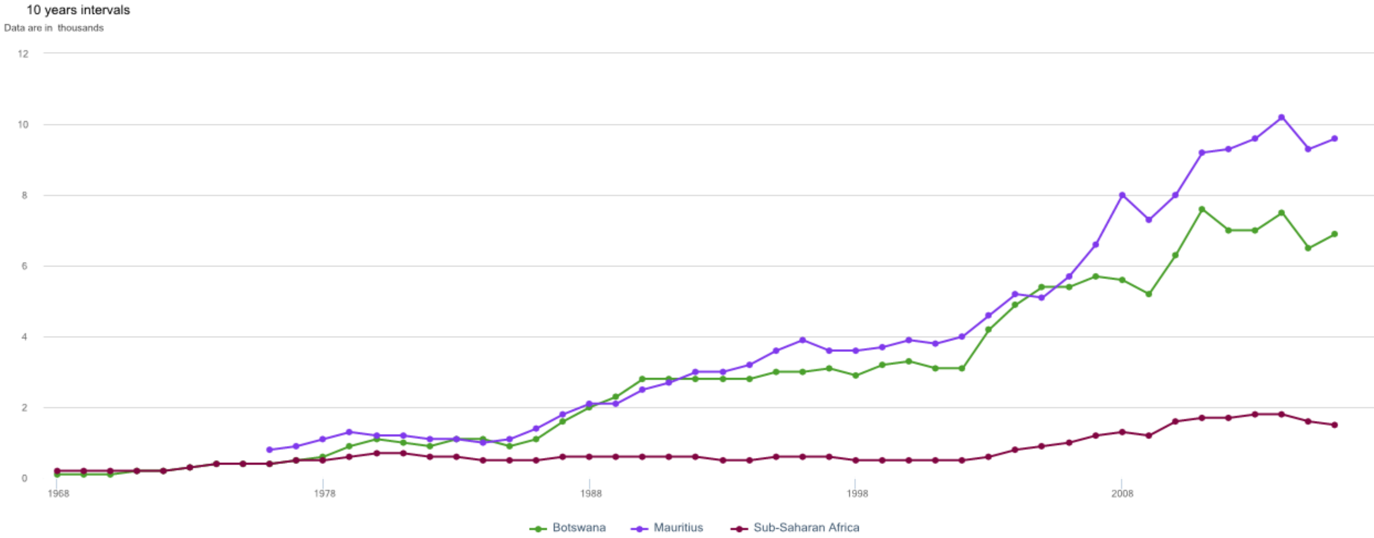
" … a low-income monocrop exporter with a fully tropical climate, subject to significant terms –of-trade and output shocks, high population growth, and ethnic tensions. Observing the country's adverse inheritance, James Mead, a Nobel Prize laureate in economics, who led the economic survey mission to Mauritius in 1960, famously predicted: "Heavy population pressure must inevitably reduce real income per head below what it might otherwise be. That surely is bad enough in a community that is full of political conflict. But if in addition, in the absence of other remedies, it must lead either to unemployment (exacerbating the scramble for jobs between Indian and Creole underdog for the Franco-Mauritian top dog). The outlook for peaceful development is poor (Svirydzenka and Petri 2017, p. 55)".

Furthermore, Frankel (2010) points outs that there was a consensus among political economy experts in the 1960s that Mauritius was doomed rather setup for success due to its geographical location. Frankel (2010) notes the following on what was predicted about the Mauritius in line the geographical variable:

"**Geography:** A country that is small lacks internal economies of scale and a complete array of endowments. Many small countries make up for these limitations through international trade. But a country that is located remotely from the centers of population and economic activity is at a disadvantage for trade. Mauritius ranks as more disadvantaged than Madagascar, and alongside eleven South Pacific countries, as the most remote in the world (p. Frankel 2010, p.13)".

However, figure 3 and figure 4 illustrate that in 1970s Mauritius had an income level above the one of the sub-Saharan Africa, and, according to The World Bank (2018) in 2016 Mauritius counted six times above the average per capita income of the sub-Saharan Africa. Surprisingly, following its geographical location.

Figure 4 shows Botswana and Mauritius's growth performance, measured in GDP per capita to be multiple of that of sub-Saharan Africa



Socure World Bank Data
Series : GDP per capita (current US$)
Source: World Development Indicators
Created on: 03/04/2018

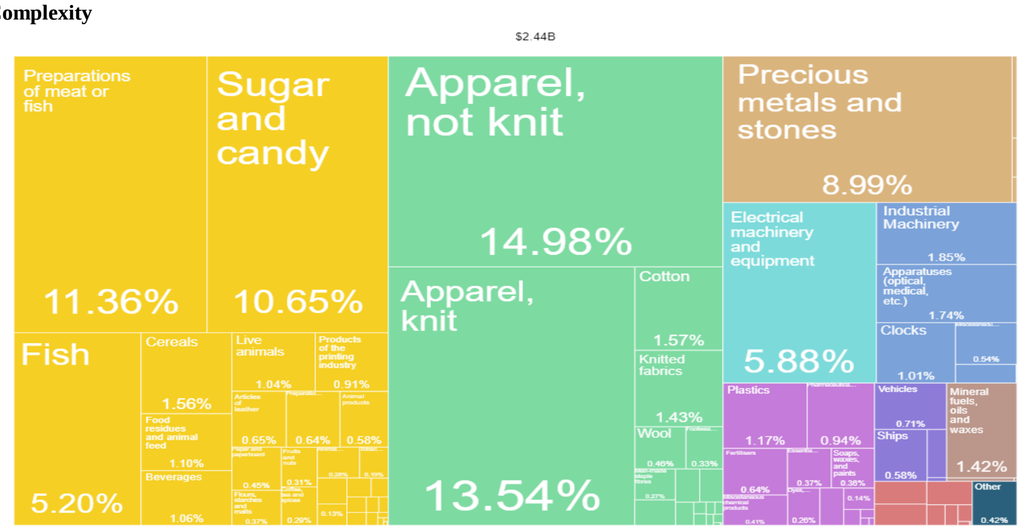
The reason why Mauritius is labeled as the African success story is that the country implemented different development strategies, that have been undertaken and resulted in success. Thus in 1964 the Mauritius legislation passed the Import Substituting Industrialization (ISI) following the guidelines of the Meade Report (1961) which emphasized that Mauritius needed to industrialize in order to cope with the pressing population and unemployment problems. However, the Import Substituting Industrialization (ISI) did not bring about the desired growth and solve the issues of unemployment and therefore, at independence the new government was faced with clear options for the country's industrialization as a path to economic development. Thus, following the move of Mauritius towards export orientation emerged the Export Processing Zone (EPZ) Act No.51of 1970. In case of Mauritius, the EPZ Act was passed in the 1970s, creating distinctive arrangements where forms specializing on export would qualify for duty-free imported inputs regardless of their location on the island. According to Ramasamy (2014), the expansion the EPZ in 1980s was the catalyst for economic growth for Mauritian state, and, moreover, firms that fell under the EPZ Act were concentrated within the textiles and clothing sector. By the mid-1980s textiles and clothing constituted as much as 80% of investment and exports and 90% of employment in the EPZ sector (2014, p. 35 -38). Furthermore, due to the expansion of the EPZ in the 1980s Mauritius managed to develop into an upper middle-income diversified economy (figure 5), generating an average real GDP growth of 5.3 percent between 1980s and 2013 compared to 3.8 percent for sub-Saharan Africa (Svirydzenka and Petri 2017, p.55). In this respect the EPZ became an important pillar of the economic development of Mauritius. Ramasamy (2014) notes the following:

“ With regard to employment, it is noted that barely two years after its establishment, the EPZ was already employing more than, 2.500 workers, compared to only 1.200 jobs created by the ISI during the period 1964-1968(…). During the 1980s the EPZ became the number one sector in terms of employment generation, when it started employing more workers than all the other taken individually (Ramasamy 2014, p.39)”.

However, there is also a common agreement that the possible explanation for the success of Mauritius can indeed be attributed to good trade policy regime and those of the sugar plantation. Frankel illustrates this notion as follows:

“When UK joined the Common Market, the Commonwealth sugar preferences were replaced by the 1975 Sugar Protocol of the Lomé Convention. It happened that ACP sugar producers were negotiating terms for the access of their product at a time (1974) when world prices were very high. Most chose the option of relatively small EEC quotas, seduced by transitorily high world prices. But Mauritius negotiated a large quota at the domestic EEC price. Even though the EEC price was well below the world price then, during most of the time since it has been far above, due to the political power of European farmers domestically. Thus the decision by Mauritius to place priority on quantity turns out to have been a brilliant strategy. The government was able to capture part of these rents for many years thereafter. The government was able to capture part of these rents and use the revenue for social spending. Another part of the rents went to investment (Frankel 2010, p.25)”.

Figure 5: What did Mauritius export in 2016: Source: Center for International Development at Harvard University: The Atlas of Economic Complexity



Subramanian (2001) argues Mauritius was a strong candidate for failure because of being a very typical African economy –monocrop, prone to terms of trade shocks; witnessing rapid growth rate in population; and susceptible to ethnic tensions (Subramanian 2001, p. 4).

In addition, these two countries described above as a backbone of this thesis are either arid, landlocked or island, nevertheless, Botswana and Mauritius emerged from its internally impoverished status to become two of the economic giants of the African continent.

Chapter III

3 THEORY

This chapter outlines the theoretical foundation for the thesis, consisting of modernization theory and the new institutional economics theory. The object is to investigate the research question: *To what extents can entrepreneurial actors be considered as the engine of economic development in the cases of Botswana and Mauritius?*

3.1 The core assumptions of Rostow's "take-off" stage

Rostow's theoretical model, the "take-off" requires 20 to 30 years intervals during which to demonstrate that a society is capable of overcoming the structural crisis which the initial surge of growth is likely to bring and is capable of introducing the changing flow of technology upon which sustained growth depends (Rostow 1968, p. 8). Moreover, in the stages of take-off, the economic development process becomes automatic and the economy becomes self –sustaining. Hence, economic growth is the result of an interacting process involving the economic, social, and political sectors of a society, including the emergence of a corps of entrepreneurs who are motivated and technically prepared to lead the way in introducing new production functions into the economy (Rostow 1968, p. xxiv).

Furthermore, Rostow (1968) suggest that there is 5 to 10 per cent behavior of the investment rate during take-off periods. Rostow (1968) argues that the rise in the investment rate during take-off and a sharp rise in the rate of growth of total national product defines the take off stage (Rostow 1968, xiv). The take-off stage is "the beginning of a steady growth" of a country's economic development. In addition, Rostow (1956) notes that the determinant of development are entrepreneurial actors who are willing and able to respond to the possibilities opened up for them and interrelated to changes in techniques modern technology can provide, and, landholding arrangements, transport facilities, and forms of market credit organization (Rostow 1956, p. 42).

However, the role of governments during the take-off is notable in mobilizing social overhead capital. Rostow (1956) explains the theoretical conceptions of the take-off stage as follows:

> "The take-off is defined as an industrial revolution, tied directly to radical changes in methods of production, having their decisive consequence over a relatively short period of time …. What this argument asserts is that the rapid growth of one or more new manufacturing asserts is that the rapid growth of one or more new manufacturing sectors is powerful and essential engine of economic transformation. Its power derives from the multiplicity of its

forms of impact, when a society is prepared to respond positively to this impact. Growth in such sectors, with new production functions of high productivity, in itself tends to raise output per head; it places incomes in the hands of men who will not merely save a high proportion of an expanding income but who will plough it into highly productive investment; it sets up a chain of effective demand for enlarged urban areas, whose capital costs may be high, but whose population and market organization help to make industrialization an on-going process; and, finally, it opens up a range of external economy effects which, in the end, help to produce new leading sectors when the initial impulse of the take-off's leading sectors begins to wane (Rostow 1968: p. xvii)

Thus, the beginning of the take-off can usually be traced to a particular sharp stimulus. According to Rostow (1956) the stimulus may take the form of a political revolution which affects directly the balance of social power and effective values, the character of economic institution, the distribution of income, the pattern of investment outlays and the proportion of potential innovations that are actually applied (Rostow 1956, p. 29).

3.1.1 "The take- off "- the analytical bone structure for economic development

Rostow (1956) argues that historically, the leading sectors have varied from cotton textiles, heavy industry complexes based on rail, road and military requirements to timber cutting, dairy products and finally a wide variety of consumer goods. Admittedly, no single sector provides a key to rapid economic development but the following conditions are necessary for economic development such as:

(i) There must be enlarged effective demand for the product or products of sectors which yield a foundation for a rapid rate growth in output. Historically this has been brought about initially by the transfer of income from consumption or hoarding to productive investment; by capital imports; by sharp increase in the productivity of current investment inputs, yielding an increase in consumers' real income expended on domestic manufactures; or by a combination of these routes.

(ii) There must be an introduction into sectors of new production functions as well as an expansion of capacity.

(iii) The society must be capable of generating capital initially required to detonate the take-off in these key sectors; and especially there must be a high rate of plough-back by the (private or state) entrepreneurs controlling capacity and technique in these sectors and in the supplementary growth sectors they stimulated to expand.

(iv) Finally, the leading sector or sectors must be such that their expansion and technical transformation induce a chain of Leontief input-out requirements for increased capacity and the potentiality for new production functions in other sectors, to which the society, in fact, progressively responds.

Rostow (1956) suggests that everybody has the potential to develop, improve, and gain economic improvement. The take-off requires, therefore, a society prepared to respond actively to new possibilities for productive enterprise induced by leading sector or sectors. According to Rostow (1956), this notion requires political, social and institutional change which will both perpetuate an initial increase in the scale of investment and result in the regular acceptance and absorption of innovations (Rostow 1956, p. 1)

Rostow (1968) stresses the notion that the take-off must be defined in two steps: first, it is the period in the life of economy when, one or more modern industrial sectors take hold, with high rates of growth, bringing in not merely new production functions but backward (depending on its technological character, the sector, in its rapid growth phase will set up requirements for new inputs of raw materials and machinery which require, in turn, an extension of modern contriving attitudes and methods) and lateral effects (the leading sector will induce around it a whole set of changes which tends to reinforce the industrialization process on wider front). Second, for a take-off to be said to have occurred, the economy must demonstrate the capacity to exploit the forward linkages (attract talent, attract substantial foreign capital and entrepreneurship). It is this demonstration of the capacity to shift from one set of leading sectors to another which distinguished abortive industrial surges of the transition period from a true take-off (Rostow 1956, p.1, Rostow 1968: p. xix & 6). In addition, Rostow (1968) notes that the central analytical position is to look directly at the take-off process in the sectors, not at the aggregates alone (Rostow 1968, p. xvii).

3.2 North's institutional change and economic performance model

3.2.1 Institutions

There are many theories on institutions evolution, and their impact on economic performance over time. However, it is not in the scope of this thesis to deliver any comprehensive review of the different approaches. Nevertheless, to understand some major arguments on institutions and their role on economic development this thesis draws upon the work of Douglass C. North (1990): *Institutions, Institutional Change and Economic Performance***.** North (1990) argues that one should examine institutions, changes in them, and their impact on economic performance over time through analyzing their interplay between entrepreneur agents (organizations) which are agents for change within (formal and informal) institutions. Hence, drawing upon the work of North (1990) the thesis regards organizations as analytical abstraction such as defining organizations as entrepreneurial actors in terms of facilitating adjustment to change in intuitions by spotting opportunities and risk bearers for improving the institutional structure of a society. Furthermore, North (1990) provides the following definitions of institutions and institutional change:

"Institutions are rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change. That institutions affect the performance of economies over time is hardly controversial. That the differential performance of economies over time is fundamentally influenced by the way institutions evolve is also not controversial (North 1990, p. 3). "

North (1990) identifies institutions as "*the rules of the game in a society",* including both formal constraints (e.g., rules, laws, constitutions) which are enforced by the state, and informal constraints (e.g., norms of behavior, conventions, self-imposed codes of conduct) which are enforced by conventions that solve coordination or exchange of goods problems.

This definition can be interpreted as referring institutions as rules, which governs political or economic exchanges in a polity. Moreover, North (1990) notes that the existing structure of rights (and the character of their enforcement) defines the existing wealth-maximizing opportunities of the players, which can be realized by forming either economic or political rules to facilitate exchange. According to North (1990) exchange involves bargains made within existing set of institutions, but equally the players at the time find it worthwhile to devote resources to altering the more basic structure of the polity to reassign rights (North 1990, p.47). In addition, North (1990) assert that political rules (formal constraints) in place leads to economic rules, such as the likelihood of, property rights. Hence, individual contracts are specified and enforced by political decision-making, but the structure of economic interests will also influence the political structure. Thus, informal constrains such as *"codes of conduct, norms of behavior, and conventions"* are generally enforced by the members of the relevant group (North 1990, p. 36).

North (1990) outlines the primary purpose of institution as follows:

"Institutions reduce uncertainty by providing structure to everyday life. They are a guide to human interaction, so that when we wish to greet friends on the street drive automobile, buy organs, borrow money, form a business, bury our dead, or whatever, we know (or can learn easily) how to perform these tasks. We would readily observe that institutions differ if we were to try to make the same transactions in a different country - Bangladesh for example. In the jargon of the economist, institutions define and limit the set of choices of individuals (1990, p. 3-4)

According to North (1990) this implies that institutions serve as a coordination device in the way others will respond in a given interaction made predictable by institutions, whether by formal rules of the road or sport, or through informal social and cultural norms of behavior. Furthermore, North (1990) makes a distinction between institutions and organizations. Both are components of the structural framework that supports human interaction in a society but they are not the same (Donnelly 2005). In this regard, North (1990) considers institutions as the rules of the game and organizations as the players. Hence, the purpose of the rules is to define the way the game is played (Donnelly 2005).

North (1990) notes that organizations are groups of individuals who works toward a common goal or objective and have common interests. Political parties, churches, schools, unions, or economic and government agencies are some examples of organizations. Therefore, North (1990) consider organizations primarily as the agent for institutional change with emphasis on the interaction between the rules (institutions) and the players (organizations). Donnelly (2005) assert that North contends that any theory on institutions must be based on human behaviors since all institutions (rules) are created and changed by humans (organizations). It is to be understood that the major role of institutions in a society is to reduce uncertainty by establishing a stable structure to human interaction. In the next section I will give account of the theory of institutional change.

3.2.2 North's Institutional change theory: Agents, sources, process, direction

3.2.2.1 Agents of change

The analytical approach of institutional change implies studying empirical observable changes with the linkage of the agent of change (e.g., organizations and their entrepreneurs).

North (1990) considers the organizations primarily as the agent for institutional change with emphasis on the interaction between the rules (institutions) and the players (organizations and their entrepreneurs). North (1990) distinguish between institutions and organizations. Both are components of the structural framework that supports human interaction but they are not the same. As stated previously, institutions are considered to be *"the rules of the game"* and organizations as the *"the players"*. Hence, North (1990) illustrates this interaction as follows:

"The purpose of the rules is to define the way that the game is played (North 1990, p.4)".

According to North (1990) organizations are groups of individuals who work toward a common goal or objective and have common interests. Political parties, churches, school, union, or government agencies are some examples of organizations. However, North (1990) emphasizes that both what organizations come into existence and how they evolve are fundamentally influenced by the institutional framework. In turn they influence how the institutional framework evolves. North (1990) notes that the focus on institutions that are the underlying rules of the game and the focus on organizations (and their entrepreneurs) is primarily on their role as agent of institutional change; therefore the emphasis is on the interaction between institutions and organizations.

In addition, North (1990) points out organizations are created with purposive intent in consequence of the opportunity set resulting from the existing set of constraints (institutional ones as well as the traditional ones of economic theory) and in the course of attempts to accomplish their objectives are a major agent of institutional change (North 1990, p. 5). Moreover, this thesis focuses on the notion that organizations (entrepreneurs) as purposive entities designed to maximize wealth by the opportunities afforded by the institutional structure of the society. Thus, North (1990) notes:

"In the course of pursuing those objectives, organizations incrementally alter the institutional structure. They are not, however, necessarily socially productive because the institutional framework frequently has perverse incentives. Organizations will be designed to further the objectives of their creators. They will be created as a function not simply of institutional constraints but also of other constraints (e.g., technology, income, and preferences). The interaction of these constraints shapes the potential wealth-maximizing opportunities of entrepreneurs (economic or political) (North 1990, p. 73)".

North (1990) asserts that the sources of change are the opportunities perceived by organizations (entrepreneurs). Hence, the source of change stem from either external changes in the environment or the acquisition of learning and skills and ideology that constructs agents of change. Moreover, North (1990) points out that maximizing behavior of economic organization in terms of investment in knowledge, skills, and learning that the members of an organization will acquire will reflect the payoff – the incentives – imbedded in the institutional constraints (North 1990, p.74). Thus, North (1990) argues that institutional framework that will shape the direction of the acquisition of knowledge and skills and that direction will be the decisive factor for the long-run development of that society (North 1990 p. 78). North (1990) explains that:

" if the firm or other economic organization invests in knowledge that increases the productivity of the physical or human capital inputs or improves the tacit knowledge of the entrepreneurs, then the resultant productivity increase is also consistent with the growth of the economy (North 1990, p78)".

North (1990) assert that organizations with sufficient bargaining strength will use the polity to achieve objectives when the payoff from maximizing in that direction exceeds the payoff from investing within the existing constraints. According to North (1990) in terms of transaction cost model in the relations between the state and the agents of change will presume choosing rules that will "minimize costs" of transacting. For North (1990) change is induced in the differences between the rules and the players and the interactions between them that shape and change institutions. Interactions is all about choices. Actors make choices based on costs and benefits (rates of return) with many of the benefits based on subjective perceptions. Actors frequently make choices based on imperfect information and the resultant institutional changes often have unintended consequence that are not always the optimal choice for improving the economic welfare of the organization (Donnelly 2005, North 1990).

This adds an element of transparency as a technical requirement for efficiency, thus North (1990) argues that perfectly informed agents will act in a rational way, since perfect information tends to bring transactional costs to nearly zero, and this bringing about the efficiency and performance of economies over time. However, North (1990) argues that the issue of efficiency should be thought of in a context different than straightforward allocative efficiency. In a allocative efficiency, the standard neoclassical Pareto conditions obtain. However, adaptive efficiency, on the other hand, is concerned with the kinds of rules that shape the way an economy evolves through time (North 1990, p. 80). Furthermore North (1990) notes:

"It is also concerned with the willingness of a society to acquire knowledge and learning, to induce innovation, to undertake risk and creative activity of all sort, as well as to resolve problems and bottlenecks of the society through time. We are far from knowing all the aspects of what makes for adaptive efficiency, but clearly the overall institutional structure plays the key role in the degree that the society and economy will encourage the trials, experiments, and innovations that we can characterize as adaptively efficient. The incentives embedded in the institutional framework direct the process of learning by doing and the development of tacit knowledge that will lead individuals in decision-making processes to evolve systems gradually that are different from the ones that they had to begin with(…). In a world of uncertainty, no one knows the correct answer to the problems we confront and no one therefore can, in effect, maximize profits. The society that permits the maximum generation of trials will be most likely to solve problems through time…Adaptive efficiency, therefore, provides the incentives to encourage the development of decentralized decision-making processes that will allow societies to maximize the efforts required to explore alternative ways of solving problems (North 1990, p. 80 – 81)".

North (1990) uses U.S. economic history as an example of institutional change that have occurred over time and have for the most part persistently reinforced the incentives for organizations to engage in productive activity. It is worth underlining that there have also been some negative changes that have occurred as well. On the other hand, North highlights many Third world nations economic history as being the obverse of the U.S. model where institutional changes encourage organizations to engage in redistributive activity, to create monopolies and stifle competition and to restrict opportunities (Donnelly 2005, North 1990).

3.2.2.2 Sources of change

According to North (1990) another source of institutional changes is in opportunities perceived by organization and their entrepreneurs. Further, Skoog (2005) asserts that changes in relative prices that delivers from changes in the ratio of prices of production-factors (due to changes in ration of land to labour, labour to capital or capital to land) in information costs and technology. Relative prices and costs reflect scarcity of resources and alter power structure and the bargaining power of actors. And it is the continuous competition for scarce resources between economic and political actors (individuals and organizations) that is the key to institutional change (Skoog 2005, North 1990). Furthermore, Skoog (2005) argues that changes in African land rights may illustrate the role of price change. However, North (1990) argues that changes in taste have also played an important role as a source of institutional change, in history. The acquisition of learning and skills will lead to the construction of new mental models by organization and their entrepreneurs to decipher the environment; in turn the models will alter perceived relative prices of potential choices. North (1990) notes:

"The process of institutional change can be described as follows. A change in relative prices leads one or both parties to an exchange, whether it is political or economic, to perceive that either or both could do better with an altered agreement or contract. An attempt will be made to renegotiate the contract (North 1990, p. 86)".

3.2.2.3 Process of change

North (1990) points out alterations produced by discontinuous institutional change, such as changes in formal constraints and informal constraints. Changes in the formal rules may come about as a result of legislative changes such as the passage of a new statute, of judicial changes stemming from court decisions that alter the common law, of regulatory rule changes enacted by regulatory agencies, and of constitutional rule changes that alter the rules by which other rules are made (North 1990). Moreover, changes come about in informal constraints such as in norms, conventions, or personal standards of honesty. North (1990) states that informal constraints have the same originating sources of change as do changes in formal constraints; but they occur gradually and sometimes quite subconsciously as individuals evolve alternative patterns of behavior consistent with their newly perceived evaluations of costs and benefits (1990). In addition North (1990) emphasizes that while changes in formal constraints (rules) are made and enforced by the polity, informal constraints are linked to cultural inheritance (Chavance 2008, North 1990). Furthermore, North (1990) stresses the interaction between formal and informal rules as follows:

"… a major role of informal constraints is to modify, supplement, or extend formal rules. Therefore, a change in formal rules or their enforcement will result in a disequilibrium situation, because what makes up a stable choice theoretical context is the total package of formal and informal constraints and enforcement aspect (…) a change in either institutional constraint will alter the transaction costs and give rise to efforts to evolve new conventions or norms that will effectively solve the new problems that will have arisen (...). A new informal equilibrium will evolve gradually after a change in the formal rules. However, sometimes formal rules are developed deliberately to overrule and supersede existing informal constraints that no longer meet the needs of newly evolved bargain structure (North 1990, p. 88)".

In addition, North (1990) points out change in enforcement also provides organizations and their entrepreneurs with new avenues of profitable exploitation that in turn shifts the direction of institutional change. North (1990) illustrates this as followed:

"The history of U.S land law in the nineteenth century was a spectacular case in point. The mix of changing specific disposal rules (size, credit, terms, price, and requirements) and profitable opportunities (resulting from changes in transportation, population, technology, and resources) and the small amount of resources the federal government devoted to enforcement (although that too varied) led to a vast array of individuals, groups, and organizations attempting to capture the benefits from exploiting land. Frequently, evading the law in the context of lax enforcement was a successful strategy (North 1990, p. 88)".

North (1990) points out that changes induced by formal and informal constraints gives emergence of incremental change, and, according to North (1990) incremental changes means that the parties to exchange reconstruct to capture some of the potential gains from trade (at least for one of the exchanging parties). Moreover, the key to continuous incremental changes is institutional contexts that makes possible new bargains and compromises between the players. The incremental change process consist of a slow evolution of formal and informal constraints and enforcement changes (North 1990, p. 96).

3.2.2.4 Direction of change

Institutional change and sustainable economic performance is determined by path dependence. Hence, North (1990) notes that institutions are path dependent. Further, North (1990) assert that path dependence is useful tool to understand the differential performances of various economies through time. North (1990) notes that path dependence implies that the emergence of any specific institutional constraints is determined by the already existing institutional constraints structure. In other worlds, institutions evolve as outcomes on the path of previous institutions – as an enduring influence. North (1990) regards path dependence as a fact of history and as the most enduring and significant lessons to be derived from studying the past because all economies have institutional framework that create both productive and unproductive opportunities for organizations, the history of any economy will reflect the incremental evolution of formal and informal institutional constraints and enforcement change because path dependence exhibits the characteristics of choices set and link decision making and enforcement of formal constraints trough time. Moreover, countries that adopt the formal constraints of another developed economy will have very different economic performance because of different informal norms and enforcement mechanism. Furthermore, this discrepancy results in putting limits on expected revolutionary (formal) changes and in disappointment in terms of economic performance when imitating formal rules of successful countries (Chavance 2008, North 1990). North (1990) explains the nature of how institutional change for economic performance affect two societies differently as follows:

"In each society the change will result in adaptation at the margin, and the margins affected will be those where the immediate issues require solution and the solution will be determined by the relative bargaining power of the participants – that is, the organizations that have evolved in the specific overall institutional context. But note that it will be a marginal adjustment, built upon the preceding institutional arrangements. Because the bargaining power of groups in one society will clearly fifer from that in another, the marginal adjustments in each society will typically be different as well. Moreover, with different past histories and incomplete feedback on the consequence, the actors will have different subjective models and therefore make different policy choices. Marginal adjustment in such cases does not lead to convergence (North 1990, p. 101)".

North (1990) illustrates the proximate causes of differences in economic development from an historical point of view as such:

" The U.S. Constitution was adopted (with modifications) by many Latin American countries in the nineteenth century, and many of the property rights laws of successful Western countries have been adopted by Third World countries. The results, however, are not similar to those in either the United States or other successful Western countries. Although the rules are the same, the enforcement mechanisms, the way enforcement occurs, the norms of behavior, and the subjective models of the actors are not. Hence, both the real incentive structures and the perceived consequences of policies will differ as well. Thus, a common set of fundamental changes in relative prices or the common imposition set of rules will lead to widely divergent outcomes in societies with different institutional arrangements(North 1990)".

3.3 Summary

These are theories that will influence my analytical framework attempting to understand the interaction between the state and entrepreneurs into the path of economic development in the Botswana and Mauritius cases. Institutions matter –thus North's analytical framework is a tool for understanding of economic development both over time and across countries.

Another analytical framework put forward in this thesis is Walt Whitman Rostow's take-off theory of economic growth. The "take-off" being the crucial transition stage between a stagnant, tradition-bound economy and a mature, developed one. The take-off stage is characterized by leading industries emerges, and substantial entrepreneurs in leading industries plough back a substantial portion of their profits to productive investment in the national economy that helps drive economic growth. Moreover, the main characteristic of this economic growth is that growth becomes self-sustaining, and, additionally, the take-off stage is marked by the rise in the rate of grow *per capita* and hence of total income.

Chapter IV

4 METHODOLOGY AND DATA COLLECTION

This chapter presents the research method, research design, and, discusses issues related to the type of research undertaken for this thesis as well as the reasons for adopting specific methods to address the research question. It is through process-tracing that I will develop an answer to the research question: *To what extents can entrepreneurial actors be considered as the engine of economic development in the cases of Botswana and Mauritius?*

4.1 Case study method

This thesis is to be regarded as case study subset of qualitative methods and at the same time, it is important to note that this thesis does not offer in-depth description of the concept on qualitative research methods. Thus, George et.al (2005) maintains that the term "qualitative methods" is sometimes used to encompass case studies. In another words, case study indicates that its method is qualitative. George and Bennett (2005) defines a case as an instance of a class of events. The term "class of events" refers here to a phenomenon of scientific interest, such as revolutions, types of governmental regimes, kinds of economic systems, or a "federal", "parliamentary," "presidential," or "authoritarian" "democracy" and a case study as "the detailed examination of an aspect of a historical episode to develop or test historical explanations that may be generalizable to other events (George and Bennett 2005, p. 17-20).

Levy (2008) explains and illustrates with an example of what a case study is:

" … the dominant one among qualitative methodologist, a historical episode like the Cuban missile crisis is not itself a case, but different aspects of the Cuban missile crisis are cases of broader, theoretically defined classes of events, such as coercive diplomacy, crisis management, the operational codes of political leaders, etc. This conception of case studies explicit in the method of "structured, focused comparison", which George (1979) defined as the use of a well-defined set of theoretical questions or propositions to structure an empirical inquiry on a particular defined aspect of a set of events… one problem with this conception of a case an instance of a broader class of events is that it excludes studies that aim to explain or interpret a single case but not to generalize beyond the case (Levy 2005, p. 2-3)".

As mentioned above a case study is thus well-defined aspect of a historical episode that the investigator selects for analysis, rather than a historical event itself (George and Bennett 2005, p. 18). And as (Yin 2009) points out the need for case study arises out for the desire to understand complex social phenomena within its context. Furthermore, George and Bennett (2005) explains that social science methodology has truly been the distinction between the study of small versus a large number of instances of the phenomenon. Moreover, case studies were characterized as *"small-n"* studies, in contrast to *"large-N*" statistical studies, again this was based on the number of units being studied (George and Bennett 2005, p. 17).

As Andersen (2013) points out, the qualitative methods in case studies emphasize the general research approach and various forms of data collection and analysis. Research design, selection of research units, interpretation and analysis are based on analytical reasoning and additional knowledge roots from empirical and theory-guided rather than statistical procedures. However, it does not in any way exclude numbers and statistics in the description of survey. Additionally, interpretation and explanation is based on theory or ambitions to contribute to theory development, the challenge is to show how single case can be seen as a theoretically representative case of a class phenomenon. In fact, case studies are one of the most important sources of theory development in social sciences (Andersen 2013, p 14).

In addition case study methods include both within-case analysis of single cases and comparisons of small number of cases, and, George et.al (2005) argues that there is a growing consensus that the strongest means of drawing inferences from case studies is the use of a combination of within-case analysis and cross-case comparisons within a single study or research program, and, this method is generally strong where statistical methods and formal models are weak (George and Bennett 2005, p. 18 - 19). Similarly, Gerring (2011) makes a notion that even in economics and political economy, fields not usually noted for their receptiveness to case-based investigation, there have been something of a renaissance. For example, recent studies of economic growth have turned to case studies of unusual countries Korea, and those ones being conducted in this thesis: Botswana and Mauritius (Gerring 2011, p.1). Hence, case studies have been subjected to criticism for being unable to discriminate between competing explanations on the basis of the evidence, for the a lack of representativeness of diverse populations and for over-generalizing findings to types or subclasses of cases unlike those studied (George and Bennett 2005, p. 22-32).

In this regard, George and Bennett (2005) argues that process tracing, tracing the links between possible causes and observed outcomes in close detail can be used to remedy some of the shortcomings of the case study method (George and Bennett 2005). However, there are many explicit ways to perform case studies, but as they are not relevant for this thesis I would rather put great emphasis on the discussion of one of the methods used in this thesis, that is process-tracing. There are many good general reviews of case study methodology and their specific research designs such as George & Bennett 2005, Robert K. Yin 2009 used in this thesis.

4.2 Research design

Theory-oriented approach have been adopted as the appropriate research design. According to George and Bennett (2005) in social science research, theory testing aims at using cause theories to explain why something occurs either in a particular case or similar cases. Researchers attempt to use established theories to explain a case. Hence, if a theory is sufficiently developed that it generates or implies predictions about causal processes that lead to outcomes, then process-tracing can assess the predictions of the theory (George and Bennett 2005). In this thesis, my aims is to investigate the extent to which entrepreneurial actors can be ascribed the successful economic development in both Botswana and Mauritius. And, process-tracing was found to be appropriate for the reasons that adopting process-tracing offers possibility of tracing the links between possible causes and observed outcomes in close detail that can be used to remedy some of the shortcomings of the case study method (George and Bennett 2005). In theory testing social science research, the ambition is to use causal theories to explain why something occurs either in a particular or similar cases. Hence, to avoid serious biases in case selection George and Bennett (2005) notes the following:

> "The first notion is testing competing explanations of cases and additionally, an explanation of a case is more if it is more unique, or if the outcome it predicts "could not have been expected from the best rival theory available." If a phenomenon has not previously received wide study, a theory can only make a rather weak claim to being the "best" explanation. For closely studied phenomena, however, the finding that a case fits only one explanatory theory is powerful evidence that the theory best explains the case (…).In testing competing historical explanations of a case, then, it is important to find instances where explanations make unique predictions about the process or outcome of the case (George and Bennett 2005, p. 117-118).

In this case, process-tracing has been applied because the method is useful in content analysis and helps in counterbalancing any tendency on the part of the researcher being trapped by the empirical data based on one's cognitive interest or over-confirming one's favorite hypotheses. Moreover, several different theoretical considerations are needed in the process-tracing research method, and, hence, this makes process-tracing research probes the theoretical causal mechanism linking causes and outcomes together (George and Bennett 2005). Similarly, Gerring (2011) notes that even in economics and political economy, fields not usually known for their receptiveness to case-based investigation, there have been something of a renaissance.

For example, recent studies of economic growth have turned to process-tracing approach of unusual countries such as Korea, Botswana and Mauritius –this is the same as the goal of this thesis to investigate the cases of Botswana and Mauritius growth and development path.

4.3 Process tracing and “hoop” test

Checkel (2005) notes that the intention of this methodology is to trace the operation of the causal mechanism at work in a given situation. One carefully maps the process, exploring the extent to which it coincides with prior, theoretically derived expectations about the workings of the mechanism. George and Bennett (2005) argues that using process-tracing is a unique tool for discovering whether the phenomenon being investigated is characterized by equifinality. This implies that process-tracing offers the possibility of identifying different causal paths that lead to similar outcome in different cases. Hence, the data for process tracing is overwhelmingly qualitative in nature, and includes historical memories, interviews, press account and documents (Checkel 2005, p. 6). George and Bennett (2005) describes process tracing method as follows:

“The process-tracing method attempts to identify the intervening causal process – the causal chain mechanism – between an independent variable (or variables) and the outcome of the dependent variable (George and Bennett 2005, p.206)”.

Process tracing is applied in this thesis, however in conjunction with process tracing test the “hoop tests” for testing causal inferences. The reasons for using “hoop test” is that the test offers the best predictor using the available evidence. As Collier (2011) notes the test is important tool directed to investigate if the inference holds, especially within-case analysis such as this thesis. However, what are process-tracing tests? According to Collier (2011):

“The test are classified according to whether passing the test is necessary and / or sufficient for accepting the inference. Based on the criteria, present in table 1 (see Collier 2011, Tabel 1) the four teste: straw-in-the-wind, hoop, smoking-gun, and doubly decisive (Collier 2011, p825)”.

As the thesis does not offer the descriptions of the different tests I would refer the readers interested in the tests for causality in process tracing to the cited sources, especially Collier (2011). However, turning back to the “hoop tests”, which is applied, hoop tests implies that the hypothesis must “jump through the hoop” to remain under consideration, but passing the test does not by itself confirm the hypothesis. As Collier (2011) points out:

“Although not yielding a *sufficient* criterion for accepting the explanation, it establishes a necessary criterion (Collier 2011, p. 826)”.

In addition, George and Bennett (2005) argues that in the case of using process tracing – as a data analysis method it is preferable also using theory testing processes aligned as it is frequently valuable to establish a series of forecasts from theories before conducting the investigations. Moreover, it is sufficient that all the intervening steps in a case are as predicted by a hypothesis (George and Bennett 2005, p. 207).

Following the theoretical framework, which the thesis is built upon the following causal mechanisms were designed:

Figure 6: The causal mechanical model of Rostow's take-off stage

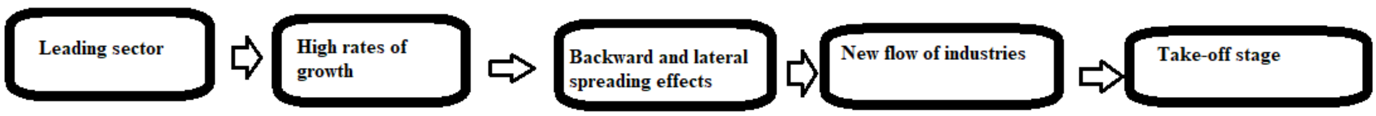


Figure 7: Institutional approach to economic development

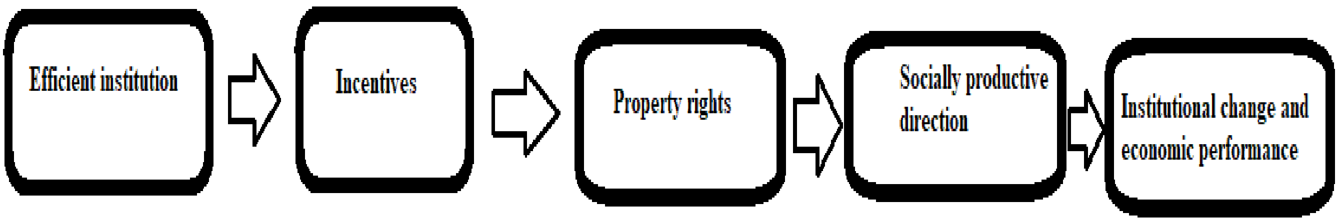


Figure 6 draws on the notion that the take-off stage is characterized by leading industries that emerge and the surplus from the leading sector that is re-invest in new manufacturing industries. Further, new entrepreneurial actors emerge and plough back a substantial portion of their profits to productive investment in new production functions, so that as the new leading sector emerges the older one decelerates. From this perspective the behavior of the leading sector during the take-off is merely to bring new production functions, so that when the new leading sector emerges as the older ones decelerate and entrepreneurial actors acts as the engine of the national economy in terms of keeping the growth and development self-sustained. Hence, figure 7 is when we ought to look at the economic development, property rights and the role of formal institutions as the driving force for encouraging entrepreneurs to endure into activities such as to take risks and undertake creative activities of all sorts in the economy, and, it therefore it makes sense to investigate property rights, as it indicates how economic agents faces the choice of allocating resources between (i.e. to produce something useful for the society as whole) and predation (i.e. to appropriate the property of others due to market inefficiency). Form this this theoretical discussion, I derive the following hypothesis:

H1: Sustainable economic development arises when entrepreneurs are given the opportunity to benefit, invest and capture the economic gains of the country when institutional fabric has a basic structure of property rights

H2: Modern industrial sector led to growth and development in Botswana and Mauritius

In terms of the first (H1) hypothesis, and, according to Barkan (1994) the hypothesis have been fundamentally incorporated in analyzing on the relationship between the role of the state and entrepreneurship in the African countries in terms of understanding their economic performance. These hypotheses and the research question apparently involve an empirical enquiry, and, moreover its best answer is in fact highly theoretical, for the response to entrepreneurships pessimism which is based on a consideration of the ways in which government policies encourage or discourage individual from assuming entrepreneurial roles.

4.4 Case selection

My rational criteria for the choices of these cases was that I had a desire to do research on growth and economic development in Africa or regional parts of Africa. Following the literatures on issues of economic development, my research cases were narrowed down in conjunction with theatrical approach on issues concerning political and economic development, and, theories that help to understand economic performance in a country or in a region over time. In this case, I had to start reading already established books on political economy of economic growth in Africa, and thus Paul Collier's book " The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It". The book emphasizes that most of the bottom billion live in 58 countries, 70% of them in Africa since the 1990s, more than 4 billion people in the poor world have begun to move out of the depths of poverty, some of them very fast like those of Botswana and Mauritius.

Further , Morten Jerven book "why economists get it wrong " provides a history of African economic development through critical examination of the statistical and econometric methods in policy debate on Africa and calls for greater research on the individual experiences of African countries. This inspired me to get in into African development research and, moreover, "*Kenyan, Capitalist, the state and Development*" book elaborated by David Himbara (1990) and the readings on the "Kenya debate" by Colin Leys (1994).

The "Kenya debate" was about whether capitalistic development is possible at the "periphery" of the world capitalist system, or, more accurately (since in the real world nothing is excluded absolutely), "whether or not there are theoretical reasons for thinking that the ex-colonies cannot "adopt the bourgeois mode of production" and develop their productive forces within it (Leys 1994)".

I attempt to challenge the notion that Africa could not develop under capitalism. Regarding Botswana and Mauritius, these countries have transformed themselves into upper-middle-income economies in Africa. This provoked my curiosity to investigate what conditions have been conducive to economic growth in these countries that for a long period have achieved fastest growth rates in the most unlikely region. However, to explore this field it is necessary to use theoretical tools, since theories are used to structure and narrow down a complex world, often with advice on what to emphasize or not. Moreover, George and Bennett (2005) argues that for social scientists, it is necessary to select the theory relevant data and analyze accordingly. In this context the theoretical frameworks employed in this thesis are: new institutional economics theorist by Douglass North's institution change theory and modernization theory through the lens of Walt W. Rostow take-off –stage theoretical model. All these theories, theoretical models are relevant to the analysis performed in fifth chapter. This thesis employs theories that do not emphasize the same, but focus on different aspects of a "broad" approach towards African political and economic development. Further, concerning theory testing in social science research, the ambition is to use cause theories to explain why something occurs either in a particular case or similar cases. This makes process-tracing research probes the theoretical causal mechanisms linking causes and outcomes together. Moreover, theory testing aims to strengthen or reduce support for a theory, narrow or extend the scope conditions of a theory, or determine which of two or more theories best explains a case, type, or general phenomenon (George and Bennett 2005, p.109).

4.5 Data collection

In connection with data collection procedure, my research supervisor provided me with key words that he suggested that I should examine in google scholar for the subject such as: **the meaning of entrepreneurship, African capitalist, case study and process-tracing method,**

institutions in Botswana and Mauritius, economic growth for the Botswana, growth and development in Mauritius and reviewing of the existing literature on economic and political development in Africa.

There is huge amount of published literature on economic development on Botswana and Mauritius. It has therefore been a conscious choice to rely on research data from secondary sources and qualitative data – otherwise, with the great amount of information available, the best could easily become the enemy of the good, due to the scope of the thesis and the limited time before the deadline for submission. The most relevant sources have therefore been selected and relied upon. I have mainly used reports and documents to gather information guided by theories used in this thesis. Moreover, I have extensively used data and information from the World Band and the International Monetary Fund (IMF), the African Development Bank and including business surveys of the countries as resources to collect information about my research question in this thesis.

Other works have supplemented the above, mainly *"Kenyan, Capitalist, the state and Development*" book by David Himbara (1990) and the "Kenya debate" article by Colin Leys (1994) on theory debate concerning political and economic development in Africa. Moreover, the theories used in this thesis were based on the reference list in their work and used the library-searching engine Oria through https://uit.no/ub to gather empirical evidence and these keywords were used in the searching engine: **Political Economy of Botswana, growth in Africa, determinant of development, Mauritius miracle, entrepreneurship and Africa and the state and development in Botswana**

In addition, secondary sources of my research were books, journals, and official government document materials related to my topic and accessed from the university libraries as well as the internet.

4.6 Assumptions and limitations

The key assumptions (hypotheses) for this thesis are:

H1: The overall sustainable economic development arises when entrepreneurs are given the opportunity to benefit, invest and capture the economic gains of the country when institutional fabric has a basic structure of property rights

H2: Modern industrial sector led to growth and development in Botswana and Mauritius

Given that this study is qualitative in nature, it will not be broadly generalizable and its findings are limited to explanations of long-run growth performance: initial conditions, governmental economic policy, institutions in aspects of economic performance in Botswana and Mauritius. As George and Bennett (2009) notes that process-tracing allows close inspection of the observable implications of theorized causal mechanism in the context of individual cases. Moreover, process-tracing are powerful methods for testing theories about causal mechanisms in individual cases and developing contingent generalizations about the conditions under which these mechanism, and conjunctions of different mechanisms, operate in particular ways in specified context (George and Bennett 2005, p. 129).

Another limitation is that some of the documents relating on the case study will not be available in English, especially since Mauritians uses both English and French. This is a limitation since I am not fluent in French. Moreover, there is a difference in these countries in terms of Botswana having had active pre-colonial political and economic activities and institutionalized traditional African administrative systems –and these were later Europeanized in colonial periods. While Mauritius did not have anything of that sort on the record. In this one try to minimize the issue of case selection biases that would to select cases that would over-confirm my hypotheses. However, George and Bennett (2005) notes the following:

"case biased selection can also arise from the fact that evidence on certain cases is more readily accessible than that on others and from the tendency for historically important cases to be overrepresented relative to studies of obscure –but theoretically illuminating –events(George and Bennett 2005, p. 51)".

4.7 Research quality: reliability and validity

Central features when evaluating research quality are reliability and validity. Reliability in qualitative studies implies an openness about your process, making sure to document procedures and decisions in such a way that they could be repeated. Thus, as emphasized by Yin (2009) the objective of reliability, is if a later investigator followed the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator *should* arrive at the same findings and conclusions. Moreover, as noted by (Yin 2009):

"The goal of reliability is to minimize the errors and biases in a study (Yin 2005, p. 45)".

Thus, process-tracing is one form of a research method and one of the criteria for judging the quality of research designs in social science methods is evaluating its validity. Thus, Yin (2009) notes the term in broad sense and discusses the three main forms of validity –categories: *construct* validity, *internal* validity and *external* validity (Yin 2009, p. 40).

(i) Internal validity: according to Yin (2009) in the case studies, the concerns over the internal validity is extended to the broader problem of making inferences. In this regard, a case study involves an inference every time an event cannot be directly observed. In addition, one way of addressing this issue is showing that the causal connections in question are in fact dependent and not merely spurious. (ii) In terms of construct validity, it implies the degree to which inferences can legitimately be made from the operationalization in your study to the theoretical constructs on which those operationalizations were based. Here it emphasizes the question of whether you are measuring what you say you are measuring.

In this context, it is necessary to increase construct validity according to Yin (2009) is use multiple sources of evidence, in a manner encouraging convergent lines of inquiry, and this tactic is relevant during data collection. In addition, one should keep the chain of evidence clear in such a manner that allows external readers the opportunity to trace conclusions back to their premises and the original sources (Yin 2009, p. 42). (iii) External validity implies the problem of knowing whether a study's findings are generalizable beyond the immediate case study.

In this context George and Bennett (2005) notes that case study findings may in some circumstances be generalized to neighboring cells in a typology, to the role a particular variable in dissimilar cases, or even to all cases of a phenomenon. Here overgeneralization is a risk, since the analyst is generalizing cases that differ in the value of variables that have been already identified as causally related to the outcome.

This is why case study researchers usually limit themselves to narrow and well-specified contingent generalizations about a type. Still, some cases may constitute particularly strong tests of theories, allowing generalization beyond the particular cases studied. Furthermore, contingent or typological generalizations are often the most useful kind of theoretical conclusions from case studies, as they build on and go beyond improved historical explanations but present limited risk of being extended to different types of cases that are less common, and often must be stated as only loose generalizations. However, they can be important turning points in research programs, drawing attention toward avenues for future research (George and Bennett 2005, p. 109-111).

4.8 Summary

To tackle the research question, I opted for a case study methodology. This method is very usefully in exploring complex causal mechanisms, such as equifinality. Case studies of these complex causal mechanisms typically develop hypotheses that are limited in scope and require process-tracing evidence in order to document fully these complex interactions. Hence, while the case study methodology has several advantages, this methodology has also several limitations. The most critique of the case study methodology is that of when the researcher only selects cases where the theories support the hypothesis and ignore theories or cases that contradict researcher's hypothesis then overgeneralizes their findings to wider cases. Moreover, researchers doing case studies must justify their selections in terms of theoretical criteria as illustrated above.

Chapter V

5 EMPIRICAL INVESTIGATION AND DISCUSSION

This chapter presents the empirical data collected and used in this thesis. The findings are collected through the theoretical framework by North (1990) and Rostow's (1968) approach for economic growth and development. The chapter is structured as follows: I begin with presenting the acquired information on what initiated the take-off stage in Botswana and Mauritius cases. Then, I will give some takes on the discussion concerning their take-off stage. In the next section I will give some accounts of the historical antecedents of their institutions through the framework of North (1990) to explore both countries institutions, changes in them over time, and their impact on their growth and development. The discussion of the empirical findings are built around the assumptions made in the theoretical chapter. The assumptions are revisited, and under each assumption I endeavor to show what I set out to investigate, whether or not findings are in conformity with the theory presented or otherwise.

5.1 The take-off stage in Botswana and Mauritius

The functional aspects of the take-off stage approach are conceived by Rostow to be the decisive transformation in the historical development of a nation in which it gets onto a path of self-sustaining economic growth. In the case of Mauritius, the empirical evidence indicates that the take-off stage was started during the expansion of Export Processing Zone (EPZ) in the 1980s. On its part, Botswana's take-off was triggered by the diamond production in the 1980s. In this section I will use Rostow theoretical framework to uncover and build a story that can help explain Botswana and Mauritius' sector that initiated the take-off stage of development. The available literature and World Bank's data show that the transition into upper-middle-income economies was underpinned by the export-processing zone (EPZ) in Mauritius and the diamond production in Botswana in the 1980s.

5.1.1 Rate of investment

Rostow (1968) indicated that one of the features of the stage of take-off is a sharp rise in the investment rate during take-off and a sharp rise in the rate of growth of total national product at the growth process.

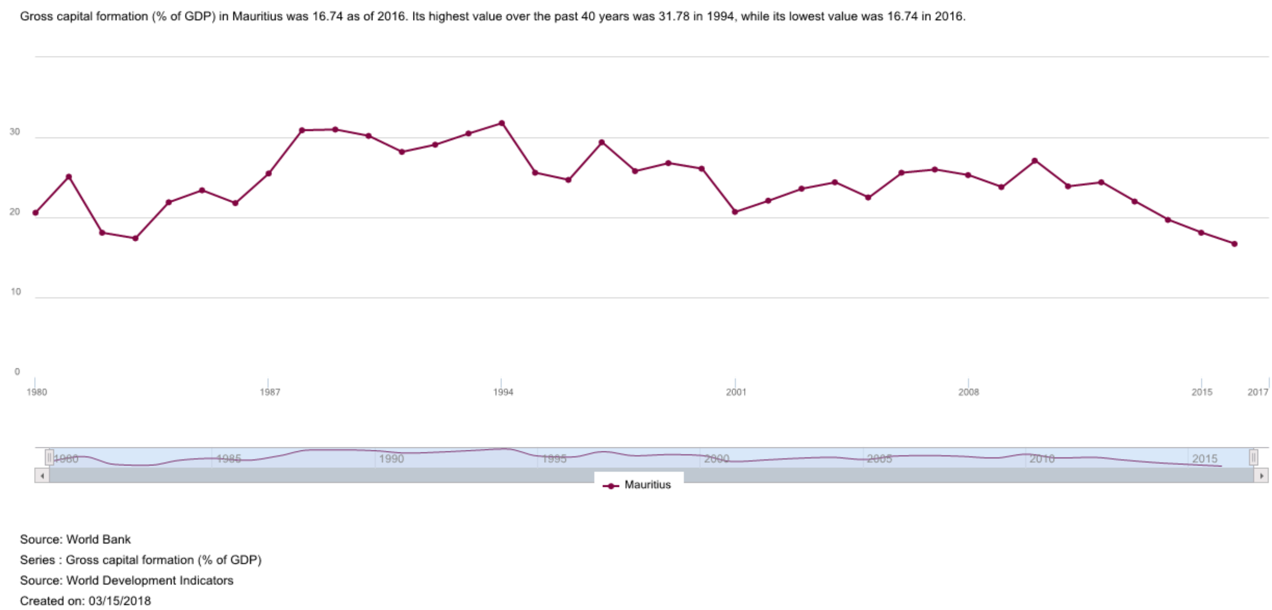
5.1.1.1 The case of Mauritius

Empirical evidence for the causal mechanism during the take-off stage and path to self-sustaining economic growth in Mauritius was the creation and the expansion of the export-processing zone (EPZ) throughout the 1980s, and 1990s with duty free access for imported inputs, tax incentives, and a segmented labor market. Thus preferential access in textiles and sugar resulted in rents of, respectively, 7 and 4.5 percent of GDP per annum in the 1980s and 1990s, which helped the state to anticipate high levels of investment for over two decades after setting up the EPZ (Svirydzenka and Petri 2014). It is conceived by Svirydzenka and Petri (2014) that investment rates in Mauritius during the periods of 1990-2012 have been between 20-30 percent. Additionally, the take-off and sustainability of the Mauritius EPZ throughout the 1980s investment rate had enormous and widespread effect in stimulating further growth in the country. Figure 5 provides Mauritius gross fixed capital formation by % of GDP as indicates a rise in investment from the late 1970s and into 2016 based on the World Development Indicators data.

5.1.1.2 The case of Botswana

In line with Rostow's take-off perspective I can maintain that Botswana obtained the take-off stage following the mining production in the 1980s that created an opportunity for Botswana to rise investment rate, and again created a robust economic and industrial drive of diamond commerce throughout the later part of the 20th century. According to Acemoglu (2001) and Maipose (2008), investment rate between 1980 and 2000 was between 20% and 30% of GDP. (Acemoglu 2001, Maipose 2008, p. 28). Moreover, the industrial growth directly and indirectly was induced by the surge in Botswana's diamond production the last four decades. Moreover, diamond activities contributed about 40 % of GDP over the past ten years, and generated nearly 80% of export income and 50 % of government revenue (Silve 2012).

Figure 5: Gross Fixed Capital Formation % GDP – Mauritius



5.1.2 Development of one leading sector

With regards to the second condition, a feature of Rostow's (1968) explanation of the take-off stage is the central role played by what he calls " leading sector" that provides the impetus to the overall expansion in modern manufacturing industry. Further, these sectors are those which offer the best "possibilities for innovation, risk takers or for the exploitation of newly profitable or hitherto unexplored resources" such as to yield a high growth rate and set in motion expansionary forces elsewhere in the economy (Sunna and Gualerzi 2016, p.20). As a matter of fact, the most historically important leading sector for take-off identified by Rostow (1956) is the railways:

"It was decisive in the United States, France, Germany, Canada, and Russia; it has played an extremely important part in the Swedish, Japanese and other cases (Rostow 1956, p. 45, Sunna & Gualerzi 2016 p. 20)".

According to Rostow (1956) railways provided a major impetus to industry stimulating the coal, iron and engineering industries, by lowering the costs of transport and widening the geographical market for products and by facilitating a “rapidly enlarging export sector” which also enables the economy to obtain foreign capital for development (Sunna & Gualerzi 2016, p. 20). Sunna & Gualerzi (2016) note that in the case of Britain’s take-off, however, Rostow (1956) identified the cotton-textile industry as the key leading sector, generating “demand for coal, iron and machinery” as well as for working capital and cheap transport which, in turn, promoted wider industry investment and technological progress (Sunna & Gualerzi 2016, p. 20). Furthermore, by reason of its export earnings the industry also enabled greater imports necessary to industrial expansion. Hence, according to Rostow (1968) historically the leading sector have varied:

“… from cotton textiles, through heavy industry complexes based on railroads and military end products to timbers, pulp, dairy products and finally a wide variety of consumers’ goods (Rostow 1968, Sunna & Gualerzi 2016)”.

5.1.2.1 The case of Mauritius

In the Mauritius case the export-processing zone (EPZ) by any conventional measures, helped transform the Mauritian economy. According to Svirydzenka and Petri 2014) assesses that the successful recycling of export rents also made possible the heavy investment in human capital, both publically and privately funded. Additionally, the signing of the Double Taxation Avoidance Treaty with India in 1983 spearheaded the development of the offshore financial sector, and was instrumental in making Mauritius the largest source of foreign direct investment (FDI) inflows into India (Svirydzenka and Petri 2014, p. 6). Thus the creation of the EPZ generated new opportunities of trade and of employment, especially for women. In 1984, 79 per cent of total employment in the EPZs were female, compared with 31 per cent in the rest of the economy (Subramanian 2009).

As a result, according to World Bank Group (2015) growth was shared among the population at large. Export-led industries translated into substantial employment creation and subsequent productivity gains supported the rise in salaries. Growing household income not only improved quality of life but also was substantially reinvested into human capital, through government free education and health programs. Hence, responsive institutions ensured that public services expanded for all, and significant social protection programs supported the most vulnerable. This shared economic growth pulled the majority of the population out of poverty and created a vast middle class (World Bank Group 2015). The rapid expansion of EPZ in the 1980s gave birth to structural change and progressive urban development. Furthermore, the EPZ made investment attractive to foreigners, and, according to the World Bank Group (2015) this translated into substantial FDI increase from around US$ 64 million in 1999 to US$361 million in 2012.

According to available literature, the export-processing zone (EPZ) amounted to diversifying revenues accrued from the EPZ to support and build other sectors of the economy, such as the tourism sector, thereby generating jobs as well as attracting foreign direct investments (29). According to Armah (2015) the country's tourism industry grew between 1980 and 1999, the number of tourists arriving in the country doubled from 291.550 to 578.085 and the tourism industry grew with the addition of new hotels and restaurants, increases in employment and grossed between US$ 42 million to US$ 244 million in terms of foreign exchange earnings and with a growth rate of 13 percent per annum (Armah 2015. P.31).

Additionally, in the 1990s, fostering its export processing zone, the country further consolidated diversifying into novel economic avenues, such as the offshore and financial services sectors, thus adding extra support to the economy (Armah 2015, p. 26-29, Boojihawon 2004, p. 1). Furthermore, the EPZ various financial incentives, more precisely, companies (foreign and domestic alike) under the EPZ, benefited from preferences such as duty-free access to imported industrial machinery, reduced taxes and tax holidays, free transfer of revenue and profits, and lower interest rates and costs of doing business compared to the other sector of the economy (Armah 2015, p. 26).

Other spillovers, Mauritius expanded its infrastructure and it reinforced its manufacturing-oriented policies by consistently investing in commercial infrastructures whilst at the same time developing regional strategies to penetrate neighbouring African markets on preferential treaties in hope for economic expansion (Boojihawon 2014. P. 7). This was the spillovers effect, which were induced by the export-processing zone that stimulated growth also in the textile and manufacturing industry.

5.1.2.2 The case of Botswana

Comparatively, Botswana's production of diamonds in the 1980s used its mining sector to diversify the economy, transform agricultural production. Botswana society's economic structure traditionally revolved around the possession of livestock, so it was natural that the rents from the diamonds sector were used to further finance the livestock sector (Silve 2012, Armah 2018). Available research shows that the production and exports rents from diamonds set in motion rapid growth and employment opportunities in areas such as construction and retail, and help transform related industries (Armah 20015, p. 15, Maipose 2008). Additionally, foreign capital played a significant role in the country's development, especially it is argued that Botswana's foreign reserves stood at $ 3.300 million by 1990 and continued to rise, providing import cover of approximately for 16 months (Armah 2015).

Moreover, during the 1990s diamonds accounted for roughly 70% of export revenues and 50% of government revenue. However, the findings show that the diamond sector did not yield fruitful result in relation to the take-off approach in terms of expansion of modern manufacturing industry during the take-off stage. Analyzed from this perspective it is argued that the diamond sector, has not been big employer because the industry is highly capital intensive and automated –with the sector employing on average between 3% and 4% of the total formal sector employment (Maipose 2008, p.13, Zozhou 2009, p. 4).

However, Botswana is still stuck in the take-off stage and the government of Botswana is now in the process of thinking ahead and addressing the next phase that will expand their economy throughout the 21st century using rents from diamonds sector. Hence, key to sustainability and maintaining economic growth is economic diversification which is yet to be achieved in the case of Botswana as the country still wants to maintain or graduate from the take-off stage.

5.1.3 Existence of different frameworks in the society

This implies the existence or quick emergence of a political, social and institutional framework which exploits the impulses to expansion in the modern sector and the potential external economy effects of the take-off and gives to growth an on-going character (Rostow 1968, Sunna & Gualerzi 2016)

This third notion of Rostow's (1968) take-off condition consists of political, social and institutional changes that brings about widespread entrepreneurship for ongoing technical innovation in response to commercial opportunities and leadership in industry and government to provide "social overhead capital" as required and create the capital market to finance the rapid expansion of the investment.

In this regard, Sunna and Gualerzi (2016) maintain that Rostow (1956, 1968) is referring not just to the development of the financial system, but relatedly to the ability to access foreign capital funds and to the redistribution of income (profits) from the traditional agricultural sector to modern sector in order to enable the greater “plough-back of profits in rapidly expanding particular sectors” of manufacturing industry (Sunna and Gualerzi 2016).

5.1.3.1 The case of Mauritius

There was the existence of political, social and institutional framework which exploited impulses to expansion in the modern sector and the potential external economies affected the Mauritian take-off and gave the process of growth a sustained and cumulative character. The Mauritian state invested heavily in quality schooling, granting free education and promoting study abroad (Svirydzenka and Petri 2014, p. 7). It is worth noting that in line with Rostow’s (1968) notion on social overhead capital between 1980 and 1999 there was immense governmental provision of developmental infrastructure such as factory buildings for industries and subsidized electricity. Further, the state guaranteed access to loans (from commercial banks) at preferential rates for importation of raw materials (Kiiza 2007). Hence, Mauritius during the take-off periods induced by EPZ the government made its presence felt through the provision of required facilities and services such as roads, electricity and water-supplies, training of labour, internal and external communications such as telephone, telex, air services and sea port facilities (YeungLamKO 1998).

From Rostow’s take-off perspective it is important to bear in mind the roles of entrepreneurship in the case of Mauritius. In this vein, ethnic links between the Chinese-Mauritians whose ancestors had immigrated long before. Chinse-Mauritians entrepreneurial actors had been instrumental in persuading the government to set up the EPZ in the first place. According to Frankel (2010), another key ingredient was the capital of the Franco-Mauritians, some of whom set up factories in parallel with the Chinese (Frankel 2010, p.18). Hence, through a number of backward and forward linkages in the economy, as a result of the development in the EPZ a large number of jobs had also been created in the tourism industry, as YeungLemKO (1998) notes the following:

“ In 1991, nearly 300.000 tourists visited the island, creating in its wake much employment and bringing into the country substantial foreign exchange as gross earnings reached the level of Rs.4 billion (YeungLemKO 1998)”.

From the literature readings both entrepreneurial actors and political leadership were deeply committed to the process of modern and sustained economic growth in the case of Mauritius, especially, in the take-off period of the Mauritius economic. However, the findings also indicates that Mauritius is having hard times in sustaining the take-off and translating to the next growth stage. This is evident since 2010 growth momentum in the country has been declining.

5.1.3.2 The case of Botswana

One of the most important indicators of sustainable economic growth I relation to the phenomenon of take-off is the existence of political, social and institutional framework which exploited impulses to expansion in the modern sector of the country. Hence, in terms of policy framework, the government established two diamond-cutting factories to ensure that extracted raw materials could be refined right at home before they were sold on the foreign markets. This move led to an all-round capacity in the production of diamonds and gave the country the power to influence the price and volumes of diamonds produced and sold in the foreign markets, especially in relation to price fluctuations (Armah 2015).

In addition, in 2006, the Botswana government and DeBeers mining company signed a deal which created the Botswana Diamond Trading company with the hope that Botswana's diamond income would remain secured for decades as well as the local labor force (Armah 2015, p. 16). According to the commonwealth.org (2018), the mineral sectors have provide the financial base for welfare projects and the development of manufacturing. Since the 1990s, the government has encouraged foreign investment in export-oriented industries, especially in manufacturing, and notably car assembly (which started in 1994, boosted export for the rest of the decade and then ceased production in 2000 when the South African investor company went into liquidation.

The facilitative role of the state in using its diamonds rents for national advancement ensured also that the set of institutional restrictions on different tribes and interest groups made it unattractive for these actors to fight for the control of the resources rents such as in others cases in Africa (Acemoglu 2001, p.20). Hence, the national development projects resulted in increased access to education, job creation and opportunities, urbanization, and social advancements by way of citizen empowerment programs (Armah 2015, p. 17). Kiiza(2006) notes that Botswana now has 888 km of railway and 10.217 km of roads (with 5.619 paved and the rest unpaved) which enables the government creating the conditions that would enable investment opportunities. Additionally, through the years the government have implemented an active industrial policy to support private sector competitiveness while exploiting global trade niches created by diamond rents. As result, saving were high and reinvested in diversifying the economy.

However, there is currently little information on the scale of social actors that have the capacity to exploiting or introducing the changing flow of new technology upon which long-term self-sustaining growth depends on. This can be due to the fact that there is no domestic demand of diamonds.

5.2 Institutions evolution: theoretical framework

North's (1990) model rests on the (neoclassical) assumption that present institutions retain vestiges of the institutions that preceded them. North (1990) argues that path dependency focuses on analyzing the historical antecedents of institutions in order to explain the current state of an institution. Thus, according to Jerven (2015) North defined institutions *as "the rules of the game", or humanly devised rules that constrain behavior*. According to Jerven (2015), in a nutshell, the argument is that some places are richer because they have institutions that are good for growth – such as property rights – whereas other areas are poorer or undeveloped because they have institutions that are bad for growth – such as norms or laws that inhibit innovation, private sector development or equal gender participation in the labor market.

Additionally, North (1990) argues that the success stories of economic history describe the role of the institutional setting as having a historical cause mechanism for the long-term performance of economies (North 1990, p. 107, Jerven 2015, p.46). Hence, in this thesis path dependency is employed to trace mechanisms that explains Botswana's and Mauritius's sustainable development within their institutional framework.

5.2.1 The historical case of Botswana

The underlying institutional framework from pre- colonial times to independence appears to have been important supportive structural framework that supported Botswana's growth and development. Thus, Acemoglu et al. (2011), argues that Botswana's institutions reflect a combination of factors. These include tribal institutions that encouraged broad based participation and constraints on political leaders during the pre-colonial period; only limited effect of British colonization on these pre-colonial institutions because of the peripheral nature of Botswana to the British Empire (Acemoglu et al., 2011, p.3). In this context, one can assert that the political institutions foundation of development in Botswana stems from traditional source. This is the case of political institutions such as the *kgotla (*the traditional village forum for communal decision-making), a pre-colonial and still operative institutions where adult males assemble and freely discuss issue of public interest (Ndikumana and Ondiege). Acemoglu et al., 2001 notes the following:

"… by 1888 several related Tswana societies were established (…). The chief was central political figure in these societies with power to allocate land for grazing crops and residences. His authority was exercised through a hierarchy of relatives and officials and ward headmen. A special type of ward was for outsiders who the Tswana amalgamated into their tribal structures. Alongside this hierarchy was a series of public forums. The *kgotla* was an assembly of adult males in which issues of public interest were discussed. Both wards and the whole society itself had *kgotlas*. Even though they were supposed to be advisory they seem to have been effective way for commoners to criticize the king. They also were the venue where king heard court cases and law was dispensed (Acemoglu et al., 2001, p.9-10)".

Nevertheless, Lewis (1993) argues that from the colonial political dispensation, the colonizers recognized the pivotal role that traditional institutions the *kogtla* played in democratically facilitating social and political disputes and therefore they did not interfere but rather were strongly empowered under the British rule (Gubrandsen 2012, p.3, Lewis 1993, p. 21-22). With a lesson from the colonial dispensation, then the *kgotla* has evolved into consultative machinery through which government policies and initiatives are explained to the people (Moumakwa 2011). Moreover, it is argued that it is also the mechanism through which people can express their concerns and even reject policies initiated by the Government (Moumakwa 2011, p. 6 -7). This institutional contribution provides a possible explanation for its multi-party democratic system of government.

Path dependence features of Botswana's institutions played a crucial role in ensuring some degree of property right; i.e. the capitalist class, especially, cattle farmers owners dominated the state formulation and decision making of the Botswana's state. Hence, most political elites were to a large extent cattle owners and in the aftermath of independence, enforced well property rights in the interests of Botswana's political elites, making economic interests in favor of good institutions for economic development (Acemoglu 2001, p.22). Further, Acemoglu (2001) notes that many scholars have recognized that the close relationship between the cattle owners and the Botswana Democratic Party (BDP) has played a key role in Botswana's development. In addition, Acemoglu (2001) assert the following:

"Harvey and Lewis (1990, p.9) echo the majority opinion when they argue "Botswana's government was largely a government of cattlemen. At independence the only real prospect for a sector of the economy to develop was ranching and this was done successfully by exploiting the EEC market and a great deal of the infrastructure development had the effect of increasing ranching incomes. Moreover, the fact that the elites was invested in the main export sector explains why the marketing board (the BMC) gave the ranchers a good deal and also why the exchange rate was not overvalued, which contrasts with the experiences of many African countries. The political elites were therefore enriched by the developmental policies that were adopted from 1966. They benefited from membership of the Custom Union with South Africa, and they also benefited from the heavy investment in infrastructure throughout the country (Acemoglu 2001, p. 22)".

According to Acemoglu (2001), the members of Botswana Democratic Party (BDP) and the political elite that emerged post-independence had important interests of the cattle industry, the main productive sector of the economy in 1966. This meant that it was in the interest of the elite to build infrastructure and generally develop institutions which promoted not only national development, but also their own economic interests (Acemoglu et al., 2001, p.44). Further, Acemoglu (2001) and Maipose (2008) notes the following:

"…the primary beneficiaries of government policy in the areas of economic and rural development have been the organizational elites, bureaucratic, professional, and political, who dominate the system (Acemoglu 2011, p.22)".

"Botswana managed to negotiate for beef access into the European market – offering market incentive of general interest of Botswana ruling elite based on cattle and land owing, leading to general appreciation of expert market for beef and minerals and well-entrenched system of property rights (Maipose 2008, p.5)".

Additionally, the most prominent among rural elites was the first president of Botswana, Seretse Khama, a former chief in terms of being a traditional leader. He was also a large-scale cattle farmer owner, therefore it is argued that he devoted his presidency to sustaining and creating new avenues for the exports of livestock product given that at that time the economy was initially based on commercial agriculture and domestic capital accumulation through export production in cattle (Armah2015, p. 10). Moreover, it is argued that the key decisions of agents of change such as Seretse Khama and Quett Masire have been crucial. Thus, Seretse Khama's handling of the independence negotiations and constitutional convention, mineral policy, and his contributions to political stability and an environment with secure property rights (Acemoglu 2001, p.25)". In additions, Acemoglu (2001) notes the following:

"For example, it appears plausible that had Seretse Khama not transferred the property rights over sub-oil diamonds away from his own tribe the Bangwato to the government, there could have been much greater conflict among tribes over the control of the wealth from diamonds. Or had he not reduced the political powers of tribal chiefs shortly after independence, tribal cleavages may have been more important (Acemoglu 2001, p.25)".

Most literature on Botswana's political economy suggests that the capitalist elites, traced through their deep-seated traditional inclination, had the desire protecting their common class interest against the narrow schemes of individual member, or the demand and need of other classes. This explains the importance of their entrepreneurial activities. The economic interest of the political elites were sufficient to ensure the large of part of the people to venture into cattle industry opportunities driven by the government's policies. Therefore, the discovery of the diamonds meant that a developmental project could be pursued on the one hand benefiting a nascent middle class through programmes geared toward infrastructure, cattle and commercial development and on the hand, trough the provision of basic services for enhancing its people's lives and their well-beings: granting the project a "national" rather than simply a class appearance (Taylor 2005, p.51). Nevertheless, Acemoglu (2001) notes as follows:

"… it is important to recognize the contribution of diamonds to the consolidation of the of private property in Botswana. Botswana got off onto the right track at independence and by the time the diamonds came on stream, the country had already started to build a relatively democratic polity and efficient institutions. The surge of wealth likely reinforce this. Because of the breadth of the BDP coalition, diamonds cost of undermining the good institutional path – no group wanted to fight to expand its rents at the expense of "rocking the boat" (Acemoglu 2001, p.24)".

The evidence from the reading indicates that the continuity of institutions from pre-colonial times to independence appears to be important in understanding Botswana's political and economic success. Especially, its institutional development has been built upon and in turn shaped by the class structure of the pre-colonial Tswana state:

"The government established respect for property rights and the rule of law. It maintained a high degree of transparency, which was reinforced by continuing the Tswana tribal tradition of consolations. These consultative institutions, known as *kgotla*, created a degree of trust in the government – the sense that government exists to serve the people and promote development and is not the instrument of one group or individuals for the purpose of getting hold of the wealth. Tswana tradition also respected private property; the fact that many of the tribal leaders who helped usher in modern government were also large cattle owners may have reinforced this respect (Lewin 2011, p. 82-85)".

At the same time the findings tends to indicate that the Botswanan state has not been successful in its policies for diversifying its economy due to the Botswanan peoples 'perception of the public institutions which reflects the traditional customs and values of its tribes, and is not an exception in this respect. Gubrandsen (2012) assert the following:

"The effort to development sustainable institution was in accordance with people's idealizing perception of the state as of authority as "the one from whom good thing comes (Gubrandsen 2012, p.4)".

In many ways people rely on the state for the provision of social welfare rather than venturing into entrepreneurial activities such as manufacturing business which the government of Botswana have been encouraging its citizens to get into.

Based on information and data from World Bank Forum, Botswana is the 63rd most competitive nation in the world out of 137 countries ranked in the 2017-2018 edition of the *Global Competitiveness Report* published by the World Economic Forum. Hence, Botswana's strengths according *the Global Competitiveness Report 2017-2018* are its reliable and stable institutions that contribute to transparency and accountability of public policy and a stable macroeconomic environment (Ali 2017, Schwab et al. 2017, and Ndikumana et al. 2009).

5.2.2 The historical case of Mauritius

To understand the complexity of the Mauritian society and the path-dependent development of the political and institutional structure, one needs to trace its institutional evolution back to the history of the country. As North (1990) emphasizes, institutions are created and changed by humans. The island was colonized by the French in 1722 and renamed the island “Isle de France” (YeungLamKO 1998, p.3). Moreover, according to Ramasamy (2014) the French came with a slightly more inclusive approach, as they quickly started building the first religious institutions on the island. In addition, Ramasamy (2014) notes that slaves from Madagascar were sent to the island, as were a number of Indians, during the French period, especially when Mahe de Labourdonnias was governor of the island from 1735 to 1740. During his reign Mauritius became a stable and promising colony. Moreover, he created several businesses and started sugar production on a commercial basis (Ramasamy 2014, p.29). Further, Ramasamy (2014) asserts that Mahe de Labourdonnais also initiated the refining of sugar with machines imported from France, and, he built the first major non-religious institutions on the island – namely, the city of Port Louis and the Government House. In addition, Mahe de Labourdonnias encouraged workers to become entrepreneurs and turned Port Louis into one of the most important harbours in the Indian Ocean (Ramasamy 2014, p. 29).

Previously in 1598 the Dutch had occupied the island, and, had named the island Mauritius after the President of the Dutch Republic, Prince Maurice of Nassau (Ramasamy 2014, p.29). The Dutch found the island safe, useful for Dutch ships going to and from the Far East around the Cape of Good Hope. According to Ramasamy (2014) the Dutch did not occupy the island with the intention of developing the island. They had a more extractive strategy in mind, aimed at depleting the ebony forests and ambergris. Thus, Ramasamy (2014) notes that when these were considerably depleted, they destroyed their plantations and buildings and left the island in 1658, concluding that Mauritius did yield sufficient profits. Nevertheless, they also estimated that no other colonial power would be interested in the island. According to Ramasamy (2014) the only people remained after the departure of the Dutch in 1658 were the runaway slaves (Ramasamy 2014, p.29).

As mentioned above, the French colonized the island in 1722 but the French reign came to an end in 1810, after the battle of Grand Port, and the British took possession of the island and renamed it Mauritius. It remained a British colony until its independence in 1968. Some French settlers returned to France although a quite number of affluent colonists remained on the island. According to Ramasamy (2014) the French settlers had refrained from actively defending the island against the British invasion. As a result, the British on their side offered generous terms of capitulation to the White French colonists, by offering to respect Mauritius laws and customs. The use of the French language was to continue and the Catholic religion would remain (Ramasamy 2014, p.29). YeungLamKO (1998) gives the following explanation as to why Mauritians are bilingual:

> "Mauritius was conquered from the French in 1810 during the years later at the peace Treaty Paris in 1814(…). However, the British did not rush to settle in droves in Mauritius; there were only a few settlers and the British government was only content to just administer the country and the existing population along Whitehall bureaucratic lines. So, most of the British who were in Mauritius were government officials (including Governor) and they had to deal with people who were mostly of French descent. This accounted for the preservation of the French culture and some French laws such as the "code Napoleon" in the colony. That also explained why Mauritians are at least bilingual (YeungLamKo 1998, p.4)".

For Ramasamy (2014) the significant feature of the transition from the French to the British colonial rule was the peaceful transfer of power, whereby the institutions created by the French would be preserved and even reinforced, and where the interests of the white French coloniers would be maintained. This led to a healthy relationship between the old and new elites (Ramasamy 2014, p.30).

In the colonial period, like many other British colonies in the Caribbean area like Jamaica and Barbados, there was a monocrop plantation economy, a sugar economy. Mauritius raw sugar went to refinery firms in Great Britain, and it is still the case today, albeit in a different economic environment (YeungLamKo 1998, p.4). Hence, in those colonial days of Mauritius all economic activities were centered around King Sugar – the bulk of employment (direct and indirect), output and exports was concentrated in the sugar-producing sector (YeungLamKo). However, most literature on political economy of Mauritius emphasizes that the idea of trade liberalization traced back during the British colonization by the first British governor Sir Robert Townsend Farquhar (Ramasamy 2014, 30-31). According to Ramasamy (2014) Sir Robert Townsend Farquhar believed in free trade and the expansion of agricultural activities. In addition, Farquhar was the one who initiated the creation of the first Colonial Bank in 1813.

Thus, Farquhar provided fiscal incentives and promoted the modernization of techniques and equipment for agriculture. Farquhar abolished duties on importation of agricultural machinery and during his reign, carts which were previously pulled by slaves were now dragged by mules, asses and bullocks. As a result, there was increasing use of machinery to replace human labour

(Ramasamy 2014, p.30-31). Additionally, he also improved the road networks on the island. Thus, Ramasamy (2014) notes that even after Sir Robert Townsend Farquhar returned to Britain in 1823, Farquhar continued to promote the interests of the sugar industry. Likewise, it is alleged that Farquhar lobbied for the reduction of duty on Mauritian sugar imports to Great Britain, which resulted in the Mauritian duty set at the same level as West Indian duties, and, this gave a boost to the Mauritian sugar industry (Ramasamy 2014, p. 30-31). Ramasamy (2014) points out that following this development, the plantation community moved readily towards sugar plantation, cutting down forests and uprooting other crops to replace them with sugar (Ramasamy 2014, p.30).

As trade was enhanced in the mid-1800s and would benefit all members of the society the result was that in the end of the 19th century there was a movement to reform the constitution to extend the electoral vote. The movement was driven by the coloured people to institute the institutions change of the political system, who had over the years been using their position of social equity to become educated, and, especially, those who had acquired Western-style education rose up the social ladder and emerged as political leaders (Ramasamy 2014, p. 31). Thus, Frankel (2010) notes the following on the institutions framework which emerged to balance the ethnic; none is excluded from the underlying system as such:

> "Eventually, locals and even non-whites gained some political rights. Under the 1886 Constitutions, which lasted 60 years, the British governor allowed Creole elite to join the Franco-Mauritians among the national representatives. When a new constitution extended the franchise to all adults who could write in 1948, the Indian-dominated Labour Party suddenly won a majority in the Legislative Council seats. Its members were mainly rural workers and its platform was mainly Socialist. It was opposed by the Franco-Mauriciens, who accurately described themselves as "oligarchs", and who feared "Hindu hegemony". This phrase referred to what the majority ethnic group were expected to do if and when the country became independent, which the Franco-Mauriciens opposed (…). The Labour Party became more moderate under the leadership of Seewoosagur Ramogoolam. By 1960 it had renounced its previous position that the sugar plantations should be nationalized. This decision was to prove a key turning point in several respect. First, it helped establish the important precedent of safeguarding property rights. Second, it contrasted with other African countries that have either expropriated natural resources, taxed them away, or discouraged production through other devices such as marketing boards. Third, it eventually helped reconcile the Franco-Mauritians to independence (Frankel 2010, p.7)".

The evolution of Mauritius historical institutions, which prevailed to encourage institutions development path of inclusive institutions on the island, can be summarized in reference to Ramasamy (2014) as follows:

> (i) The socialist current represented by the Labour Party (its supports were associated with Indian immigrants), which consisted in 1948 of an ideology of nationalization of sugar estates and a radical Gandhian approach to socio-economic and cultural development. The approach of the Labour Party changed, however, as the country got nearer to independence. It became more conciliatory with British traditions, scrapped the nationalization ideology and opted for a mixed economy with free enterprises, plus a substantial welfare state and universal suffrage.

(ii) The oligarchic current, which wanted to stop the constitutional evolution to self-government and independence. They finally accepted independence in 1968 without creating much of a problem and were very cooperative after independence in 1968. This group was essentially composed of whites and supported by rich sugar barons and various politicians from a liberal background. Hence, the oligarchic faction would be completely wiped off the political landscape after the 1948 elections. It adapted by means of pragmatic arrangements with the Parti Mauricien Social Démocrate (PMSD) and Labour Party and eventually helped them to form coalition governments after independence, and well into the 1980s.

(iii) The centrist-elitist liberal current from which the founder of the Labour Party, Dr Curé broke away to start defending Indian immigrants and subsequently form the Labour Party in 1936. The party was based on the British Labour Party with the vision and determination to protect workers' rights and freedoms, including compensation, and a higher wage rate with paid leave. Among other goals were the initial resolutions to obtain suffrage for the working class, representation in the Legislative Council, the organization of a Department of Labour, the prohibition of capitalist exploitation of sugar plantations, as well as the overall implementation of socialist values among Mauritian government agencies. The result was that the centrist were the first to challenge the oligarchs on their own ground since the beginning of the parliamentary system in 1886 (Ramasamy 2014, p.32 -33).

In generally, the available literature indicates that at the time of independence the British left Mauritius with a vibrant democracy, a strong opposition and, more importantly, a fully developed Westminster-style system of parliament. In addition, according to Ramasamy (2014) the dominant Labour Party had over the years undergone reforms which ensured it would not adopt radical nationalistic tendencies. Therefore, the legacies of the British rule provided the country with a political and economic system which encouraged the development of inclusive institutions on the island (Ramasamy 2014, p.33). In addition, according to Ramasamy (2014) Mauritius had, at the time of independence, a history of inclusive economic and political institutions, and all the necessary conditions were in place for this to continue. Hence, Ramasamy (2014) describes the conditions as such:

"…the private sector was given full support and incentives to operate. Chapter 2 of the Constitution of Mauritius (1968), under the tittle " Protection of Fundamental Rights and Freedoms of the Individual", recognises the right of the individual to protection of the privacy of his home and other property and from the deprivation of property without compensation. Chapter also stipulates the "provisions to secure protection of the law". By so doing, the newly independent Mauritius was sending a clear message to potential investors that they could safely invest in the country and that the constitution and the laws of the country would ensure that their properties were protected and the rule of law was applied (Ramasamy 2014, p.41)".

In Mauritius, the trade and development strategy began with the colonial administration in the 1960s. Kiiza (2006) points out that when Mauritius was faced with economic hardships in the sugar sector, the colonial state passed laws in 1964 to promote import substitution industrialization. Thus, companies that met the criteria required by the government agencies were issued with Development Certificates (D.C). However, at the independence the country faced with the problem of a narrow domestic market, and, to exploit its advantages of backwards and achieve dynamic growth, the government and entrepreneurial actors at the time played a leading role in seducing the state to establish the Mauritian Processing Zone (EPZ) in 1970 (Kiiza 2006, p. 11, Ramasamy 2014, p.47). Ramasamy (2014) notes the following:

" The EPZ Act was passed in 1970 with the objective of attracting, promoting and increasing the manufacture of export products. The idea was original in the sense that adopting an EPZ at that time was not the dominant social view of the day. Most countries, especially African countries that had gained independence during the 1960s and early 1970s, were more inclined to move towards nationalistic and anti-colonial policies that would take away power from existing elites in a drastic way(…). As soon as Parliament passed the EPZ Act, the leadership of the unity government quickly organized a large official mission to promote the Mauritius EPZ in Singapore, Malaysia and Hong Kong. The mission was headed by Deputy Prime Minister Geatan Duval and included the Minister of Industry, senior officials and Prof. Lim Fat. This high-level delegation of both the government and private sector committed to the EPZ impressed the Far East business community giving them the confidence to invest in it (Ramasamy 2014, p.47- 48)".

Thus, according to Ramasamy (2014) the decision to adopt the EPZ in 1970, notwithstanding the economic reasoning behind the EPZ creation such as diversification of the economy and attracting FDI to induce economic growth, The EPZ was the only viable strategy (Ramasamy 2014, p.57). Further, Subramanian (2009) note the following:

"… the EPZ experiment in Mauritius has been a resounding success: it has literally helped transform the Mauritian economy. Since 1982, output has grown by 19 per cent per annum on average, employment by 24 per cent, and exports by about 11 per cent. In the early part of this century, the EPZ sector from a base of zero in 1971 now accounts for 26 per cent of GDP, 36 per cent of employment, 19 per cent of capital stock, and 66 per cent of exports (Subramanian 2009, p.14)".

Hence, to get a glimpse into the Mauritius institutions quality, I look no further than the annual World Economic Forum's *Global Competitiveness Report 2017/ 2008* which shows that Mauritius is ranked 45th out of 137 countries. This results in Mauritius occupying the leading position in the Sub-Saharan African region as the most competitive country in Africa for the fourth consecutive year according to the Global Competitiveness Reports. The country is regarded as country with strong and transparent public institutions, well protected property rights, and reasonable levels of judicial independence and security.

5.3 Summary

In the context of this review drawing on the case of Mauritius and Botswana, the conditions that permitted the take-off stage are traced for both countries, and it is clear that each country had a different leading sector that initiate the take-off. In the case of Botswana the leading sector was the mineral sector. Gains made during the diamond boom contributed to increase in investment rate but not enough increase in entrepreneurial activities expected in the take-off stage. As in the case of Mauritius, the take-off was initiated by the establishment of the export-processing zone (EPZ) which ensured the island with rapid economic growth and development. Tracing institutions that evolved and were key determinant for Botswana' economic growth and development can be attributed in part to the tribal institutions and the importance of the cattle industry and moreover, the institutional change prior to its independence.

However, in the case of Mauritius the available literature highlights the role of the inherited institutions from its colonizers, for example, the French left a legacy of formal institutions for the landowning elite and the French language, which is the most widely-used language on the island to this day. And, in the case of the British colonizers, they brought a number of important inclusive institutions such as democracy, a Westminster-style of parliament, the rule of law and a constitution that guaranteed the protection of private property. The existence of these institutions and the inclusive approach adopted by the government of independent Mauritius provided the framework within which the EPZ was successfully created and implemented in Mauritius (Ramasamy 2014, p.40). Drawing from the findings it is established that, contrary to the popular belief that the colonial state hindered African capitalist and institutions their rise, in this this it shows that both countries were permitted to foster their institutions and entrepreneurial activities.

Chapter VI

6 ANALYSIS

To what extents can entrepreneurial actors be considered as the engine of economic development in the cases of Botswana and Mauritius?

In this chapter of the thesis, I will be answering my research question, with the objective to deepen the understanding of the entrepreneurial actors' role in the development processes based on theoretical considerations.

6.1 From a take-off approach

To answer the research question from a take-off approach in the case of Botswana, the findings suggest that Botswana obtained the take-off stage following the production of diamonds in the 1980s. However, the discovery of diamonds in the case of Botswana was made by a private entity, namely the mining company De Beers which discovered the first diamond mine which was opened in Orapa in the Central District in 1971, while production in the second one, Jwaneng in the Southern District, commenced in 1982 (Gulbrandsen 2012, p. 125). Due to De Beers' discovery of these diamonds and the production of the diamonds in the 1980s the findings indicate that this was the factor that kickstarted and still continues to fuel Botswana's economic success story to a large extent. Diamonds production had an impact on the acceleration of growth and development in 1980 onto 2000s, the two decades that followed the production of the diamonds sector, and, moreover, the diamond sector remains the largest in the economy, according to the Bank of Botswana *annual Report 2016* the diamond sector represents 28.6 % of GDP, 86.4 of export revenues and domestically, government revenues continue to be heavily reliant of the mineral which in 2016 accounted for 30% compared to other sectors in the economy which account between the average of 6 to 8 % of GDP (Bank of Botswana 2016). Walking through the memory line, when Botswana obtained the Rostow's (1968) framework of the take-off stage following the mining production in the 1980s this also enhanced the state of Botswana in terms the rise in investment rate. As mentioned in the previous chapter, the investment rate between 1980 and 2000 was between 20% and 30 % of GDP (Acemoglu 2001, Maipose 2008). In addition, the industrial growth was directly and indirectly initiated by the surge in Botswana's diamond production over the last four decades.

Exploring the notion of to what extents entrepreneurial actors can be considered as the engine of economic development in the cases of Botswana? Well, from a take- off approach the findings, such as it is, suggest that rents from the diamond sector were used to diversify the economy. Moreover, exports rents from the diamond sector set in motion rapid growth and employment opportunities in areas such as construction and retail, tourism, and agricultural sector and helped transform related industries (Armah 2015). However, in terms of whether Botswana fulfills the requirements with the reference to the take-off stage such as the "leading sector" providing the impetus to the overall expansion in modern manufacturing industries, the evidence, such as it is, suggest that the economic growth and development, which underpin successful development of manufacturing are not easily established in Botswana. In Botswana, concerns about diversification of the economy are being addressed in the country's vision 2036, which designed in order to support private sector-led investment in nontraditional and non-mining sector. Hence, the argument for diversification arises from the fact that rents made from the "leading sector" should be used into exploitation of new industries that should enhance the country's innovation and productivity gains. Additionally, according to the Bank of Botswana (2016) the need for diversification of the economy is due to the fact that gains boom induced from the diamond sector could decline in the future through decreasing export volumes, as seen currently because of the global slowdown.

In these circumstances, the government of Botswana has put in place appropriate policies and initiatives in support of the development of entrepreneurship and small, medium and micro enterprises (SMMEs). Following the introduction of Financial Assistance Policy in early 1980s, the government launched the Integrated Field Services in the late 1980s to co-ordinate all SMME support programmes. Moreover, the government set up the Citizen Enterprises Development Agency (CEDA) in 2001 to provide subsidized loans, as well as mentoring, business advisory service and training, to citizen business start-ups. CEDA has funded 3289 enterprises for the sum of about BWP 2.7 billion since 2008. Established by the Small Business Act of 2004, the Local Enterprise Authority (LEA) offers various services aimed at promoting entrepreneurship. They include business development; training; mentoring and advisory services; identifying business opportunities; facilitating access to markets and finance; facilitating technology adoption; and promoting general entrepreneurship and SMME awareness (Honde 2017). In addition, the Entrepreneurial Development Policy of 2014 was developed to foster entrepreneurship in the country. This is due to the fact that during the past years, the issue of provision and enhancing entrepreneurial activities has been debated widely.

Furthermore, the need for more entrepreneurial actors in manufacturing sector is in response to a widespread perception that entrepreneurial actors are playing only a secondary role since the Debeers group joined the Government of Botswana in establishing Debswana, a 50/ 50 partnership in 1971, and, since then the economic growth and development has been concentrated in the public eye.

Nevertheless, the entrepreneurial actors in the manufacturing sector as highlighted in the Bank of Botswana 2016 annual report, in the last decade, on average, the manufacturing sector has contributed approximately 6 % to overall GDP, while the share of employment has increased from around 6.7 in 2005/ 06 to 9.2% percent in 2016. However, the government of Botswana still needs to diversify the revenue base if it still aims to maintain the take-off stage or accelerate into the next development phase. Despite the entrepreneurial actors contribution to the extraction and processing of diamonds for export remains the country's main growth driver, Botswana still needs to promote industrialization and achieve new revenue base in order to reduce the country's dependence on the diamond industry before diamond reserves are depleted.

Comparatively, when the Constitution of Mauritius was enacted in 1968, there was not much business around apart from the sugar cane, industries accessory to it and basic trade and commerce for the needs of colonial Mauritius. In this case trade liberalization policies were put in place following the independence to diversifying revenues accrued from the sugar industry to support and build other sectors of the economy. Entrepreneurial actors played a crucial role in Mauritius' modernizations such as the ethnic links between the Chinese-Mauritians whose ancestors had immigrated long before. Hence, Chinese-Mauritians entrepreneurial actors had been instrumental in persuading the government to set up the Export Processing Zone (EPZ). Nonetheless, Frankel (2010) points out that another key ingredient was the capitalist class of the Franco-Mauritians, some of whom set up factories in parallel with the Chinese. Moreover, according to Frankel (2010) and Subramanian (2009) Mauritius has a small Chinese population which played an important role in attracting the first wave of foreign direct investment flows from Hong Kong SAR during the set-up of the EPZ. In addition, entrepreneurs from Hong Kong SAR chose Mauritius as an investment location to circumvent the quotas on export of textiles and clothing from Hong Kong SAR (Subramanian 2009, p.11).

Subramanian (2009) and Frankel (2009) suggests that Mauritius economic growth and development was the result of the Export Processing Zone (EPZ) Act in 1970, and established the Export Processing licenses were to launch the industrialization of Mauritius. The EPZ Act provided for reduced taxation, a flexible employment law regime and other facilities for factories. Moreover, it is believed that the evolution of the financial and corporate business sector in Mauritius was much helped by the creation of the EPZ.

Besides boosting growth and development, and initiating the take-off stage, the EPZ also introduced skilled and manufacturing industries through cooperation with experienced foreign partner. Mauritius recognized right after its independence in 1968 the shortfall in labor supply, lack of foreign direct investment and its needs for expanding its sugar exports. In this case evidence available suggest that the EPZ contributed in creating an open and diversified economy and positioned to attract foreign human resources, as well as expand infrastructure in desired end of economy expansions. Concerning increase in investment rate which characterize the take-off stage the investment rate during the periods of 1990-2012 have been between 20-30% of GDP (Svirydzenka and Petri 2014). Additionally, during the period between 1983 to 1999, total factory productivity growth in the EPZ averaged about 3.5 percent a year, compared with 1.4 percent in the economy as a whole (Subramanian and Roy 2001, p.23). Subramanian and Roy (2001) notes that for 1990s, EPZ productivity growth was spectacular, averaging 5.4 percent per annum, a level not matched even in the fast growing countries of East Asia (Subramanian and Roy 2001, p. 23). As noted in the previous chapter the EPZ lifted the Mauritian economy beyond initial projections as well as introduced expansions into the tourism sector, thereby generating jobs as well as attracting foreign direct investments.

For Botswana, in order accelerated the engine of growth and development or sustaining the take-off stage, entrepreneurial actors need to aggressively venture in more manufacturing sector to give their economies ‘growth a sustained and cumulative character. Hence, both countries have had a sharp slowdown in growth and productivity, which means both countries are almost two decades overdue in the take-off stage which in accordance with Rostow’s (1968) take-off stage lasts between 20-30 years.

6.2 From an institutional change approach

To what extents can entrepreneurial actors be considered as the engine of economic development in the cases of Botswana and Mauritius?

Before proceeding answering the question I want to emphasize that institutional change in this thesis emphasizes the direction in which institutions promotes sustainable economic, political and social development, aiming at impersonal exchange necessary to capture the potential economic gains from economic activities in both Botswana and Mauritius. Moreover, according to North (1990) institutional change involves change, modification or dismantling of already existing rules regardless of whether the change is “good or bad”. In addition, institutions are man-made rules, and in this context I analysize institutional change set-off by entrepreneurial actors both in Botswana and Mauritius. Both countries’ path to growth and development appears to have reflected some deep underlying institutional characteristic of their societies. Additionally, institutional fabric in Botswana and Mauritius was the ability of the capitalist class to play a leading role in initiating types of political and economic institutions they evolved in their desire to modernize.

In examining to what extents can entrepreneurial actors be considered as the engine of economic development in the case of Botswana and Mauritius? Thus, in colonial periods traditional leaders of the village community complemented by an array of formal rules dealing with property, especially in the case of Botswana. Prior and post-independence Botswana’s internal economic architecture remained intact and continues to play a pivotal role in the country’ economy. It was both the entrepreneurial actor and political elites whom also was involved in the cattle industry that were consequence of an evolving intuitional framework that produced institutions in favor of growth and development. Thus, the entrepreneurial actors and traditional leaders (political elites) both prior and post-independence heavily invested in the country’s most important economic activity, cattle production. Further, Neil and Robinson (2004) asserts that this gave political and economic agents strong incentive to promote institutions that promoted private property. Moreover, the integrative nature of traditional Tswana political institutions reduced the likelihood that alternative groups would aggressively contest the power of the new unitary state (Robinson 2004, p.1).

In the case of Mauritius, entrepreneurial actors have been a key driver of the growth and development since its colonial periods. Hence, the findings from the literature available emphasizes that the inherited institutions and given Mauritius historical heritage as an "immigrant isle" –everyone who was there came from somewhere else and there no natives to resent the newcomers. Therefore, it was in everyone's interest to develop institutions that fostered co-existence in the society. Mauritius' diversity, especially in terms of positive factors concerning entrepreneurial actors, which enhanced environment for business and social network in terms of promoting trade and investment, for example, the French left a legacy of formal institutions for the landowning elite, and, the British brought a number of important inclusive institutions such as democracy, a Westminster-style of parliament, the rule of law and a constitution that guaranteed the protection of private property (Ramasamy 2014, p.40). Hence, the historically inhabitants were known for entrepreneurship which provided the framework for the creation of the Export-Processing Zones (EPZ) Act in 1970. The findings suggest that EPZ had enormous impact transforming its economy from a sugar-dependent economy into a financial services hub, with a vibrant export sector in tourism, textiles, clothing and jewelry. That is, from 98 percent of exports in the 1970s, sugar now accounts for about 3 percent of exports in Mauritius (World Bank 2016). The case of Mauritius illustrates that institutions have evolved in line with producing political stability and consistent realization of the potential of entrepreneurs. Nevertheless, the state of Mauritius has relied mostly on its entrepreneurial capability to penetrate into economy areas promising viable for growth and development.

Chapter VII

7 CONCLUSION

In this concluding chapter, I summarize the main findings of the thesis. I also discuss the theoretical and practical implications of these findings, as well as suggest some avenues for future research.

7.1 Main findings

In this thesis, I have explored the research question "to what extent can entrepreneurial actors be considered as the engine of economic development in the cases of Botswana and Mauritius?" Based on the theoretical approaches used in this thesis I found that from a take-off approach entrepreneurial actors in both cases played a substantial role (to a much greater extent in Mauritius than in the case of Botswana) in boosting the economy in terms of growth in investment rate, government revenues, and trade performance in ways in which other sub-Saharan African countries could envy at the time of independence and the years that followed. Their growth and development performances reflect the efforts of entrepreneurial actors that participated in expanding their markets.

In the case of Botswana, the diamond sector was instrumental in providing Botswana with growth of a sustained and cumulative character. In the Mauritian case evidence suggests that EPZ was behind the modernization of Mauritius. The creation of EPZ in Mauritius and diamond production in Botswana seem to have triggered the take-off of economic growth and development in both countries. From an institutional framework each of these sectors benefited from exceptionally historical processes of institutional evolution that were favorable for entrepreneurial activities. As a matter of fact, from an institutional change approach, entrepreneurial actors played a big role in inducing institutions that facilitated and are still facilitating entrepreneurial activities.

Hence, both countries understand the crucial role entrepreneurial activities have played in transforming their economies from being the poorest economies in the world prior to their independence and now they find themselves among the upper-middle-income economies that few African economies can match. In addition, both their institutions and their interplay with entrepreneurial actors have developed an international reputation as African economies that stand out among developing countries in general and in Africa in particular. The following two hypotheses were empirically tested using hoop-test:

H1: Sustainable economic development arises when entrepreneurs are given the opportunity to benefit, invest and capture the economic gains of the country when institutional fabric has a basic structure of property rights

H2: Modern industrial sector led to growth and development in Botswana and Mauritius

The table below represents the results of hypothesis testing of the H1

Table 1: Hoop tests (necessary evidence for institutional change and economic development)

Necessary evidence for institutional change and economic development	**Botswana**	**Mauritius**
Efficient institutions by polity that has built incentives to create and enforce efficient property rights	Pass	Pass
Organization will sufficient bargaining power will encourage the society to invest in the kind of skills and knowledge to achieve objectives when the payoff from maximizing in that direction exceeds the payoff from investing within the existing constraints.	Pass	Pass
Entrepreneurs responding to the incentives embodied in the institutional framework	Pass	Pass
Political and economic institutions that create an economic environment that induces increasing productivity	Pass	Pass
As the process of industrialization makes a society overwhelmingly or predominantly urban	Pass	Pass
Organizations have the incentive to acquire knowledge and information that will induce them to evolve in more socially productive directions	Pass	Pass

The result of the hoop-tests of the first hypothesis (H1) presented above in Table 1 in and in the appendix. Table 1 shows that both economies have had institutions that guaranteed the protection of private property and, the existence of property rights as been the foundation of growth and development as an ongoing process. Similarly, the use of incentives shows that entrepreneurs have been driven by their subjective perception for increasing returns or capital accumulations when the state has put in place institutional incentive structure that encourages entrepreneurial activities in the economy. Generally, the evolution of sustained economic growth and development in both countries can be said to have been critically influenced by the capitalist class.

On the basis of the second hypothesis (H2) findings show that both Mauritius and Botswana were monocommodity economies with no manufacturing sector until the 1970s when Mauritius implemented export-processing industrialization strategies and Botswana's production of diamonds sector attained high level of growth and development (Himbara 1994). The result of the hoop-test of the second hypothesis (H2) is presented in Table 2 below and in the appendix. Table 2 shows that industrialization played a substantial role lifting-off both economies into sustainable development. The result reported in this thesis survived (“jumped through the hoop”) “hoop-tests” using process tracing data analysis.

Table 2: Hoop tests (necessary evidence for the take-off)

Necessary evidence for the take-off stage	**Botswana**	**Mauritius**
Leading sector (or sectors) thus set up incentives and open up possibilities for wide range of new economic activities	Pass	Pass
Economic growth is the result of an interacting process involving the economic, social, and political institutions, and, including the emergence of a corps of entrepreneurs who are motivated and technically prepared regularly to lead the way in introducing new production functions into the economy to make growth ongoing	Pass	Pass
A true take-off requires 20 to 30 years intervals due to that some such substantial period is necessary to demonstrate that a society is capable of overcoming the structural crisis which the initial surge of growth is likely to bring and is cable of introducing the changing flow of technology upon which sustained growth depends.	Pass	Pass
For an economy to attain the take-off stage, it must make an annual investment from say 5 percent or less to over 10 percent of GDP	Pass	Pass
Rise in manufacturing exports during the take-off stage	Pass	Pass
The role of governments during the take-off is notably in mobilizing social overhead capital	Pass	Pass

7.2 Theoretical and Practical implications

These results have key implications both on the theoretical and policy levels. First, there are implications for the take-off approach. According to Rostow (1968) the take-off stage is a relatively short period which takes at least 20 years or at the most 30 years. However, in the cases of Mauritius and Botswana the take-off stage has lasted over 30 years and can still be considered as an ongoing process. As far as Botswana is concerned, the findings indicate that the diamonds sector did not yield fruitful results in relation to the take-off approach in terms of expansion of modern manufacturing industry Using the institutional matrix on growth and development we observe that, in the case of Botswana, the state has persistently reinforced the incentives for entrepreneurs to engage in productive activities. Hence the second observation is that people of Botswana still rely on the state for revenue production and for provision of social welfare rather than venturing into entrepreneurial activities such as manufacturing business which the government of Botswana has been encouraging its citizens to get into.

Third, the results of this thesis have important policy implications for Botswana and Mauritius as both countries strive to diversify their economies and promote private sector development as well as put in place policies to support and sustain growth and development. Moreover, sustaining economic growth is an important part of sustaining the take-off stage and graduating into the next stage of modernizations. Hence, according to the World Bank (2017) the government of Botswana and Mauritius focus on boosting economic growth as much as to 5-10 per cent through further diversification and improvements in infrastructure. This effort will also involve institutional change, alongside the creation of new industries as the older ones decelerate.

7.3 Further research

Overall, the findings in this thesis suggest that further research is needed to investigate the significant impact industrial development has had on the national economy in the two countries. Hence, with the absence of business surveys on the number of companies, and their value and their life cycle during the take-off stage, such data supplement would help to assess already existing data. Moreover, this would yield more knowledge about industrialization impact on their national economy. Furthermore, both Mauritius and Botswana are admired for being the African success stories in terms growth and development, but it would also be interesting to conduct a comparative study to investigate their miracle in comparison to the Four Asian Tigers (Hong Kong, Singapore, South Korea and Taiwan commonly are referred to as " the Asian Miracle"). The Four Asian Tigers also implemented similar export-processing strategies similar to Mauritius and Botswana and these had significant effects on their growth and development decades after the implemented export-processing zone strategies.

Returning to the African context, while conducting this thesis I found contrasting literature on African countries such as Ghana, Senegal, Zimbabwe, Namibia, Cameroon, Kenya, Nigeria and Togo which have inaugurated and implemented export-processing strategies, but they did not obtain similar results as Mauritius and Botswana in terms of growth and inducing rapid industrialization. In this context, it would be interesting to investigate why manufacturing export performance failed to accumulate growth and development compared to their counterparts.

Finally, based on debate about growth and development in African context, countries such as: Gabon, Algeria, South Africa, Libya, and Equatorial Guinea are in the same category as Mauritius and Botswana as upper-middle-income economies. In this sense these countries can be interesting cases to study in terms of identifying their important features such as business surveys and role of institutions in economic development of their national economy.

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APPENDIX

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Organization will sufficient bargaining power will encourage the society to invest in the kind of skills and knowledge to achieve objectives when the payoff from maximizing in that direction exceeds the payoff from investing within the existing constraints.	Pass	Pass
Entrepreneurs responding to the incentives embodied in the institutional framework	Pass	Pass
Political and economic institutions that create an economic environment that induces increasing productivity	Pass	Pass
As the process of industrialization makes a society overwhelmingly or predominantly urban	Pass	Pass
Organizations have the incentive to acquire knowledge and information that will induce them to evolve in more socially productive directions	Pass	Pass

Table 2**: Hoop tests (necessary evidence for the take-off)**

Necessary evidence for the take-off stage	**Botswana**	**Mauritius**
Leading sector (or sectors) thus set up incentives and open up possibilities for wide range of new economic activities	Pass	Pass
Economic growth is the result of an interacting process involving the economic, social, and political institutions, and, including the emergence of a corps of entrepreneurs who are motivated and technically prepared regularly to lead the way in introducing new production functions into the economy to make growth ongoing	Pass	Pass
A true take-off requires 20 to 30 years intervals due to that some such substantial period is necessary to demonstrate that a society is capable of overcoming the structural crisis which the initial surge of growth is likely to bring and is cable of introducing the changing flow of technology upon which sustained growth depends.	Pass	Pass
For an economy to attain the take-off stage, it must make an annual investment from say 5 percent or less to over 10 percent of GDP	Pass	Pass
Rise in manufacturing exports during the take-off stage	Pass	Pass
The role of governments during the take-off is notably in mobilizing social overhead capital	Pass	Pass