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World Institute for Development Economics Research

Research Paper No. 2006/73

Institutions and Economic Performance in Africa

A Comparative Analysis of Mauritius, Botswana and Uganda

Julius Kiiza*

July 2006

Abstract

This paper examines the relationship between institution building and economic performance in Mauritius, Botswana and Uganda. The rationale for comparing these cases is simple. While the three have been super-economic stars in their own right, they have achieved substantially different outcomes. Mauritius has achieved Asia-type rapid growth, backed by the structural transformation of the economy from colonial commodity production (sugar) to postcolonial higher value-added industrial and information outcomes. Botswana has delivered rapid and sustained growth with no structural economic transformation. Uganda has attained rapid growth for a shorter postcolonial period (since 1992) and with no structural transformation. This paper contends that these cross-national differences largely arise from the presence of developmental nationalism *plus* Weberian bureaucracies in Mauritius and Botswana, and their absence in Uganda.

Keywords: developmental nationalism, economic performance, Africa

JEL classification: B52, O57, P16, P17

* Makerere University, Uganda; juliuskiiza@yahoo.com

This study has been prepared within the UNU-WIDER project on Institutions for Economic Development: Theory, History and Contemporary Experiences, directed by Ha-Joon Chang.

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

ISSN 1810-2611 ISBN 92-9190-851-7 (internet version)

Acknowledgements

I acknowledge, with thanks, the comments I got from Ha-Joon Chang, Howard Stein, John Toye and other participants at the UNU-WIDER Helsinki Workshop of 18-19 April 2005. Unfortunately, but perhaps inevitably, I was unable to adopt all the suggestions made. Errors and omissions, if any, are mine.

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

Camera-ready typescript prepared by Adam Swallow at UNU-WIDER

Introduction

The last few decades have witnessed spirited debate over the role of institutions in fostering or frustrating economic development. The debate appeared, for a time, to be polarised between the orthodox New Institutional Economists (e.g. North, 1990; Hall and Jones, 1999) and a variety of heterodox institutional analysts (Evans, 1995; Chang, 2002). The former camp focused on 'market-enhancing' cum 'enabling' institutions (e.g. World Bank, 2001); the latter grappled with institutional development from a context-specific perspective. One group called for democracy, property rights and the rule of law as instruments of capitalist development; the other doubted the effectiveness of these 'best practice' institutions *without* country-specific institutional innovations. One team appeared to address the symptoms of poor economic performance; the other attacked the root cause of the problem.

By the beginning of the new century, some degree of consensus had emerged. That institutions matter in the performance of economies is no longer controversial. That cross-national variations in the performance of economies are shaped by the presence or absence of 'good' institutions is not controversial either. What is controversial is the real meaning of 'good' institutions and in what ways countries with 'bad' institutions may attain 'effective' institutions. That effective institutions (in a developmental sense) are not acquired via the wholesale importation of 'best-practice institutions' is evident from the effectiveness of homegrown developmental states in northeast Asia (Johnson, 1982). That effective institutions are not necessarily *Western* is also clear from the superb economic performance of China, which has built capitalism with distinctly *Chinese* (read 'imperfect') institutions (Yingyi-Qian, 2001).

It is the purpose of this paper to examine the relationship between institution building and economic performance in three 'successful' African economies – Mauritius, Botswana and Uganda. 'Successful' is used in inverted commas for a simple reason. While all the three have been super-economic stars in their own right, they have achieved substantially different outcomes. Mauritius has achieved Asia-type rapid and sustained growth, backed by the structural transformation of the economy from colonial commodity production (sugar) to postcolonial higher value-added industrial and information outcomes. Botswana has delivered rapid and sustained growth with no structural economic transformation. Uganda has attained rapid growth for a shorter postcolonial period (since 1992) and with no structural transformation.

The central question of this study is: Why, on a developmental continuum, does Mauritius outperform Botswana, which in turn outshines Uganda? The corollary of this is: What difference did developmentalist institutions make in the economic miracle of Mauritius and Botswana? And in what ways can Uganda-like economies learn from the Mauritius-Botswana experience? This paper identifies developmental nationalism as a key explanatory factor. A clear understanding of developmental nationalism, however, calls for an outline of the history of mercantilism and institution building.

Mercantile roots of developmental nationalism

Mercantilism has been a controversial term in political economy. Liberal and Marxist political economists conceptualize economic mercantilism in pejorative terms. In the liberal tradition, mercantilism implies the use of protective tariffs, the shielding of inefficient firms from market efficiency and, in short, the distortion of markets (Coleman, 1969: 5-6).[1] This view springs from Adam Smith's (1776/1937) *The Wealth of Nations*, in which Smith outlined the 'mercantile' system. The term was not his invention, but the exposition was.[2]

Marxian analysis is also pitted against mercantilism. The Marxian variant of the German historical school describes mercantilism as 'the ideology of the monopoly trading companies' (Coleman, 1969: 7). In Marxist theory, mercantilism is 'a system of State-regulated exploitation through trade … [It is] essentially the economic policy of an age of primitive accumulation'.[3] Neither Marxism nor liberalism appreciates the *dynamic* character of mercantilism; the fact, that is, that mercantilism changes in character, depending on the contingent needs of the national economy.

My point of departure is that the *contents* of economic mercantilism (or developmental nationalism) are not set in stone. The tools used might involve *direct* state involvement in promoting development or *indirect* approaches such as subsidizing private entrepreneurs. It might involve protectionism at one time and economic openness (or globalization) at another, depending on the concrete demands of the national economy.[4]

Evidence suggests that the countries that are now advanced used nationalistic policies to grow (Chang, 2002). Importation of manufactured or luxurious products was discouraged (via high tariffs or even a total ban). Second, to stimulate domestic industrialization, importation of raw materials was encouraged while the export of raw materials was prohibited. Under the reign of King James I, England for example, banned the export of unfinished cloth to the Netherlands (the economic hegemon of the time). Third, the hemorrhage of gold or silver (a mercantilist measure of wealth) was

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1 For a newer (but under-researched) account drawing on the neo-liberal tradition, see George O'Brien, 'An Explanation of Mercantilism', at http://www.daft.com/~rab/liberty/misc/mercantilism.html, accessed 5 January 2005.

2 The earliest use of 'mercantile system' appears in Victor Riquetti's (1763: 329) *Philosophie Rurale*, in which he talks of the 'Absurd inconsistency of the mercantile system' (*systeme mercantile*). This was a critique of the view that a nation benefits from importation of money, an earlier theoretical perspective that understood mercantilism as an economic doctrine 'based on the principle that money alone is wealth' (Coleman, 1969: 1).

3 Dobb (1946: 209) quoted in Coleman (1969: 7). I hasten to point out, though, that mercantilism does not figure much in Karl Marx's treatment of history.

4 The German literature shows that *Merkantilismus* (mercantilism) is no ordinary economic policy. It is above everything else, 'a policy of state-making (*Staatsbildung*) carried out by wise and benevolent rulers' (Cameron, 1989: 129). Gustav (von) Schmoller (1896: 69) argued that mercantilism 'in its innermost kernel is nothing but state-making – not state-making in a narrow sense but state-making and national-economic-making at the same time'.

discouraged.[5] Fourth, imports of skilled artisans and machinery were encouraged; while ‘exports’ of skilled industrialists and equipment were restricted. Fifth, navigation laws were formulated to promote domestic shipbuilding industries and create business for domestic investors.

These policies of mercantilism – which are central to modern developmental nationalism – historically took roots in countries that acquired an ideology of nationalism, backed by improvements in state bureaucracies. Typical examples are seventeenth century France under the reign of King Louis XIV and the economic leadership of Jean-Baptiste Colbert (Cole, 1939/1964). Another case in point is the reign of the Tudor Monarchs in England (named after Henry Tudor) particularly Queen Elizabeth I (1558-1603). Evidence clearly shows that nationalism as an ideology plays an insignificant developmental role unless it is *institutionalized* in some form of state bureaucracies. According to Chalmers Johnson (1982), the institutionalization of a developmentalist ideology was perfected by Japan’s MITI in pursuit of rapid ‘late’ industrialization.[6]

By implication, therefore, developmental nationalism needs to be embodied in formal institutions or state bureaucracies if it is to serve the goal of development. The ‘developmentalist bureaucracy’ documented in this paper, is the institutional embodiment of the ideology of developmental nationalism. According to Chang (2002), the establishment of a meritocratic bureaucracy was a major step in the history of development:

> The pioneer in this regard was Prussia. An extensive bureaucratic reform was implemented by Frederick William I from 1713, the year of his accession to the throne. The key measures included: the centralization of authorities scattered over two dozen separate territorial entities (many of them not even physically contiguous)… the transformation of the status of bureaucrats from private servants of the royal family into servants of the state; regular payments in cash (rather than in kind as before) of adequate salaries; and introduction of a strict supervision system. Thanks to these measures and to the additional measures introduced by his son, Frederick the Great (1740-86), by the early nineteenth century Prussia could be said to have installed the key elements of a modern (Weberian) bureaucracy – an entrance examination, a hierarchical organization, pension systems, a disciplinary procedure and security of tenure (Chang, 2002: 80).

This paper grapples with the presence or absence of these essential ingredients of ‘Weberian’ bureaucracy (after Max Weber, 1904-11 (1964)) and how they explain cross-national differences in economic performance. To what degree are the Prussia-like Weberian reforms helpful today? This paper does not pretend to develop a new theory

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5 Spain for example declared the export of gold and silver punishable by death in the early sixteenth century. France declared the export of gold and silver illegal in 1506, 1540, 1548 and 1574 (Frieden and Lake, 1987: 67).

6 The Asian tigers such as Taiwan, Singapore, and South Korea that followed the Japanese example have reaped substantial developmental dividends – in comparison with Southeast Asia and sub-Saharan Africa that have been relatively unsuccessful in building developmentalist institutions.

of development. I only attempt to explain the association between a developmentalist ideology, Weberianness and the level of economic performance attained in Mauritius, Botswana and Uganda (also see Evans and Rauch, 2005).

Conceptual challenge

Two conceptual challenges persist. First, there is no universally acceptable definition of institutions (although the accent in the literature is placed on institutions as 'rules of the game' and/or as 'organizations' – e.g. van Arkadie, 1990). Second, no consensus exists on the role of institutions in promoting or blocking development (Chang, 2006).

Two major varieties of literature exist, one expounding the 'good bureaucracies' thesis and the other developing the 'institutions first' hypothesis. The 'good bureaucracies' literature (e.g. Rauch and Evans, 1999) argues that replacing patronage systems of state officials with a professional bureaucracy is a necessary (though insufficient) condition for a state to be 'developmental'. This echoes the view that a merit-based, professional system of administration is superior to the spoils system that existed prior to the reforms of the late nineteenth century. Simply stated, (i) having entry requirements for civil service; (ii) paying reasonable salaries; and (iii) a merit-based system of internal promotion all seem to result in 'better quality' bureaucracies – the very antithesis of the spoils system (Rauch and Evans, 1999).[7]

The second variety of literature builds on the first. It examines the interface between institutional development and economic growth. This literature argues that institutions matter for explaining cross-country differences in growth. The orthodox discourse, as already hinted, focuses on the minimalist version of institutions. State activism, for example, is restricted to the creation of an 'enabling environment' for private sector-led development. The heterodox variant argues that while the 'enabling' institutions may *influence* economic outcomes, the real *determinants* of the quality and pace of growth are developmentalist institutions whose role is shaped by the concrete contingencies in individual countries.

What seems to be agreeable to both orthodox and heterodox institutionalists is that poor bureaucratic quality (measured by the degree of Weberianness) lowers investment and growth (Knack and Keefer, 1995). Evans and Rauch (2005) emphasize this point in their empirical study of the association between bureaucratic structure and growth. Using an original data set, they examine the characteristics of core state economic agencies and the growth records of a sample of 35 developing countries for the period 1970-90. They use a Weberian scale to measure the degree to which state agencies employ meritocratic recruitment and offer predictable, rewarding and long-term careers. Their main finding is that Weberianness significantly enhances prospects for growth.

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7 The term spoils system sprang from the maxim: To the victor belongs the spoils. In nineteenth century USA, for example, a party that won elections ensured that civil service jobs (from state governments to federal government) were filled by members of the winning party. This was the spoils system at work. In Uganda today, President Museveni has asserted that members of his National Resistance Movement (NRM) party who lose in the NRM party primaries (*Monitor* 9 December 2005: 1) should not defect to opposition parties. Under his leadership, jobs in public institutions will be allocated to NRM cadres – supposedly as a way of fighting official corruption (*Monitor* 12 December 2005: 5).

Their conclusion is twofold. First, Weberianness should be included as a factor in the general models of economic growth. Second, developing countries should build better bureaucracies if they are to promote durable development.

To what degree do the cases of Mauritius, Botswana and Uganda uphold or falsify the ‘good bureaucracies’ and the ‘institutions first’ propositions?

Mauritius: triumph of hope over endowments?

Mauritius is a tiny Island state in the Indian Ocean. With a total area of 1,865 km^2 and a population of 1.2 million people, Mauritius has one of the world’s highest population densities: 602/km^2.

Mauritius obtained political independence in 1968 after a unique colonial history. It was first colonized by the Dutch (1638-1710), followed by the French (1715-1810) and the British (1810-1968).[8] French colonialism established sugar estates using slave labour imported from Africa. The colony became so prosperous that it was the object of struggle between the French and the British during the Napoleonic wars.

Even when Britain captured the colony from France, several French institutions remained intact. For instance, the Napoleonic code of law was maintained. The French language also remained and is still used more widely than English. More importantly, the Franco-Mauritians (descendants of French planters) remained key players in the economy. While they account for only 2 per cent of the total population – in comparison with Indo-Mauritians (68 per cent), Creoles (27 per cent) and Sino-Mauritians (3 per cent) – they constitute the proverbial sugar oligarchy (Meisenhelder, 1997: 280).[9] Today, the Franco-Mauritians dominate banking and other modern businesses.[10]

At the time of independence (1968), the ‘initial conditions’ of Mauritius were deplorable. The 1961 Royal Commission headed by Professor J. E. Meade documented the hurdles to Mauritian development in no uncertain terms. Mauritius had no mineral or oil deposits. It had a narrow domestic market (about 700,000 people then). The long distance separating Mauritius from European and American markets posed a challenge for industrialization. The Mauritian economy lacked technical skills and capital for investment. Most importantly, the Island was a monocrop (sugar) economy (Meade Report, 1961). By 1967, sugar accounted for 95 per cent of total export earnings, over 30 per cent of GNP and about 35 per cent of total employment. According to Naipul (1972) Mauritius was ‘an agricultural colony, created by empire in an empty island and

8 The Dutch named the Island Mauritius in honor of Prince Maurice of Nassau.

9 Indo-Mauritians are descended from about 500,000 Indian immigrants who were brought by the British in the nineteenth century to work as indentured laborers (after slavery was abolished in 1835). Mauritian Creoles trace their origins to the plantation owners and slaves who were brought from Africa to work the sugar fields.

10 Franco-Mauritians control nearly all of the large sugar estates and are active in business and banking. Initially, they were even active in politics. As the Indian population became numerically dominant and the voting franchise was extended, political power shifted from the Franco-Mauritians and their Creole allies to the Hindus.

always meant to be part of something larger, now given a thing called independence and set adrift; [it was] an abandoned imperial barracoon, incapable of economic or cultural autonomy'.

By the 1980s, however, the Mauritian economy had experienced *structural* transformation. Sugar exports, which accounted for 95 per cent of export earnings in 1967 declined to about 60 per cent in 1979 and 37 per cent in 1987. The contribution of sugar to total GDP also declined from over 30 per cent in 1967 to 20 per cent in 1979 and less than 14 per cent in the late 1980s (Mauritius, 2004). On the other hand, the share of manufactured exports – coming primarily from the Export Processing Zone (a politically constructed developmental institution) – increased from 25 per cent in 1979 to 58 per cent in 1989. [The contribution of EPZ manufacturing to total GDP, national employment and export earnings continued in the 1990s and beyond.] The service sector, which was initially dominated by tourism (a 'commodity service'), qualitatively changed in favour of the higher value-added banking and the ICT services.[11] Today, the Mauritian economy is one of the healthiest in Africa. Total GDP stands at $6 billion while per capita income is $4,900. The real growth rate is 4.6 per cent, while the average inflation rate is 4.8 per cent.

What institutional variables account for Mauritius' structural transformation into a high value-added industrial and information economy? This question will be addressed once an outline of the economic trend in Botswana and Uganda is given.

Botswana: possibilities in barren land

Botswana, like Mauritius, is a former colony – of Britain. Like Mauritius, Botswana is a 'small' country (600,370 km^2), with about 1.6 million people.[12] The traditional economic activity – cattle rearing – was still dominant at the time of independence in 1966.

However, Botswana had several characteristics that distinguished it from Mauritius. First, is being landlocked.[13] Second, Botswana is larger than Mauritius although over 84 per cent of the landmass is the largely uninhabited Kalahari dessert. In fact, 80 per cent of the Batswana live along the fertile Eastern border.[14] Third, British colonialism in Botswana was one of the most ineffective regimes (in a developmental sense).

11 Mainstream economists argue that a change in the structure of the economy from commodity production through industrialisation to the services sector signifies a qualitative shift. I urge caution. Tourism, I contend, is a 'commodity service' precisely because it involves inviting foreigners to see locals in their 'state of nature'.

12 See Botswana Fact Sheet, http://www.infoplease.com/ipa/A0107353.html, accessed 17 March 2005.

13 Its neighbours are Namibia, South Africa, Zambia and Zimbabwe.

14 Tswana or Batswana are the people of Botswana. The country's original name – Bechwanaland – is descriptive. It means the land of the Tswana.

Bechuanaland was declared a British Protectorate in 1885.[15] From Britain's imperial perspective, the main reason for acquiring Botswana was strategic. With mineral rich South Africa under its control, Britain had no serious economic interest in Bechuanaland (which was deemed to be poor in minerals). But this changed when Germany annexed Namibia in 1884. British strategists feared that Germany would soon acquire Bechuanaland and, thereby, block Britain's major corridor to Northern Africa. As Cecil Rhodes noted, Bechuanaland was the 'Suez Canal into (Africa's) interior' (quoted in Gann, et al., 1967: 203).[16]

At the time of independence in 1966, Botswana was the third poorest country in the world (Tregenna 2003). This was arguably because of *ineffective* British colonialism.[17] The country had just 12 km of paved road and two secondary schools. Only 100 Batswana had completed secondary school and only 22 had graduated from university (Acemoglu, et al., 2003: 1). To worsen matters, Botswana was a dessert and a primary commodity producer of cattle. Most commentators on Botswana's economic prospects at the time of independence concluded that the country's growth prospects were dismal.

They were wrong. Between 1966 and 1974, Botswana was one of the fastest growing countries in the world. Real GDP growth averaged 16 per cent between 1970 and 1974. Between 1975 and 1989, Botswana maintained its rapid growth rate. With the discovery of diamond deposits at Orapa cattle post (1967) and the subsequent opening of Juaneng diamond mines (1982), mining took the place of agriculture as a leading economic sector. Domestic savings started to exceed investment. Government ran budget and trade surpluses. The ratio of government revenue to GDP was a superb 50 per cent (about double the African average) and peaked at 64 per cent in 1988 (Tregenna, 2003). In 1997, Botswana graduated into middle income category.

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15 In colonial usage, colonies were different from protectorates. Colonies were areas of European settlement. They were *homes-away-from-home*. Protectorates, by contrast, were territories of European exploitation, but not settlement. Infrastructural and economic development was more substantial in colonies (e.g. South Africa, Zimbabwe and Kenya) than protectorates, like Uganda. In the eyes of the colonized, however, the difference between colonies and protectorates was academic (Mamdani, 1996).

16 Cecil Rhodes (1853-1902), in whose honour the Rhodes scholarships to Oxford are named, was a son of a Hertfordshire clergy. He first went to South Africa in 1970 and remained active in southern African politics and business till his death. In business, Rhodes acquired substantial shares in Kimberly diamond mines. He later formed De Beers Mining Co. (one of the largest in South Africa) and worked through the British South Africa Co. (a chartered company) to take control of the mineral rich Ndebeleland and Shonaland. In 1888, Rhodes (with Berney Barnato) created De Beers Consolidated Mines, which reputedly had the largest capital in the world. As a politician, he was MP of the Cape Colony (1881-1902), Prime Minister and dictator of Cape Colony (1890-1896), and a key player in the development of Zimbabwe (formerly called Rhodesia after Rhodes). As an imperialist, Rhodes caused Britain to establish a protectorate over Bechuanaland in 1885. He also had a vision of British rule and/or dominion 'from the Cape to Cairo' (Columbia Encyclopedia, 2001-04).

17 Dale (1995) and other sympathisers of British colonialism have used the term 'benign neglect' to describe Britain's role in Botswana, suggesting that British occupation was harmless. This is inaccurate. If, at the very minimum, capitalists agree that *Zeit ist Geld* (Time is Money), and if British imperialism in Botswana postponed national development to an indefinite future, it certainly led to time wastage (from a developmental perspective). British colonialism cannot, therefore, be called 'benign'. I prefer to use the term 'ineffective colonialism' in comparison with Taiwan and Korea, for example, where Japanese colonialism built developmental infrastructure (e.g. dense railway networks) that facilitated postcolonial development.

Today, Botswana's GDP is a comfortable $14 billion (2005). Per capita income is $8,800, while real GDP growth and inflation are 7.6 per cent and 8 per cent respectively. The level of infrastructural development is also high. Botswana now has 888 km of railway and 10,217 km of roads (with 5,619 km paved and the rest unpaved). The country's socio-economic indicators are also impressive, save for the AIDs crisis.[18] Botswana has one of the highest foreign exchange reserves in the world (Jefferis and Kelly, 1999: 212). At a time when most African countries have a huge debt burden, Botswana's foreign debt is only about 14 per cent of GNP. The country has no internal debt and is a net exporter of capital.

How does one explain the superb economic record of Africa's success stories in comparison with economic disasters (e.g. Somalia) and the moderate performers (like Uganda)? This question will be addressed once Uganda's economic record is outlined.

Uganda: stuck in the Garden of Eden?

Uganda, like Mauritius and Botswana, has a history of colonial occupation. The country was declared a British protectorate in 1894 and remained under British rule for 70 years. With a total area of 236,000 km^2 and a total population of 25 million people (Uganda, 2005). Uganda is a relatively small country – which is, nevertheless, larger than Mauritius. Uganda has some of the best god-given advantages in the world. Blessed with fertile soils, heavy and reliable rainfall in most parts, and temperatures ranging between 18-27 per cent throughout the year, Uganda is a Garden of Eden. To Sir Winston Churchill, Uganda was the 'Pearl of Africa'.[19] Whether Uganda's Garden of Eden status has been a blessing or a 'curse in disguise' will become clearer shortly.

When Uganda obtained political independence in 1962, it had one of the most promising economies in Africa. Between 1963 and 1970, GDP grew by 4.8 per cent a year, while population increased at an estimated rate of 2.6 per cent, implying an annual increase in per capita income of about 2 per cent. Uganda's domestic savings averaged 13 per cent, a level that 'permitted implementation of an ambitious investment program without undue pressure on domestic prices and the balance of payments' (World Bank, 1982: 3). In the 1960s, the terms of trade for Uganda's exports were favourable and export earnings were sufficient to finance imports.

With the rise of Idi Amin to power in 1971, Uganda's rosy economic and institutional credentials were reversed. Real GDP declined at an average rate of 3.8 per cent a year

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18 In 2001, Botswana had the highest rate of HIV infection in the world: 250,000 of its 1.6 million people were infected and 50 per cent of the population between 25-29 years were dying of AIDS. In 2002, an ambitious campaign was launched that provides free anti-retroviral drugs to anyone who needs them. By March 2004, Botswana no longer had the highest infection rates in the world. But with 37.5 per cent of the population infected, the country is in deep trouble.

19 Having travelled across Africa and elsewhere in the world, Churchill was amazed by the immense potential of this evergreen country: 'Uganda … is alive by itself. It … ought in the course of time to become the most prosperous of all our East and Central African possessions, and perhaps the financial driving wheel of all this part of the world. … My counsel plainly is: "Concentrate upon Uganda." No where else will the results be more brilliant, more substantial, more rapidly realised.' Winston Churchill – 1904: quoted in Worthington (1946: i).

during 1973-79 while inflation skyrocketed to over 40 per cent a year, compared with an average rate of 8.2 per cent during 1967-70 (Collier and Reinikka, 2001). Gross domestic investment declined from 13 per cent in 1963-70 to 8.6 per cent in 1971-78 and the national savings rate fell from 13.4 per cent to 7.7 per cent over the same period (Uganda, *Vision 2025*: 3-4). The 'liberation' war of 1979 (which led to the overthrow of Idi Amin) worsened matters. GDP declined by 9.7 per cent, with gross domestic investment falling to as low as 6 per cent of GDP (Uganda, 1988).

When the National Resistance Movement (NRM) of President Museveni (1986–to-date) came to power, all state institutions had virtually collapsed (Mwenda, 2004).[20] Civil and political upheavals were the order of the day. The civil service, which is the engine of modern governments, had not yet recovered from the underpayment and demoralization of Amin's time.

More importantly, the economy was in bad shape. GDP growth rate declined from 11.7 per cent in 1982 to minus 1.5 per cent in 1986. Inflation averaged 135.6 per cent in 1986 and rose to 232.6 per cent in 1987. Virtually all other economic indicators (e.g. the balance of payments) had worsened. The attempt by the NRM elites to impose price controls on essential products hit a snug. Donors, who were opposed to state-led development, refused to extend credit to the new government unless it made 'friends' with the IMF.[21] The economic crisis continued unabated. In 1987, state elites abandoned their 'Marxist' experiment and embraced orthodox economic and institutional programs of the IMF/World Bank fraternity.

Between 1992 and 2000, GDP growth averaged 6.5 per cent and was 5.5 per cent in 2005. Poverty has, on average, also declined from 56 per cent in 1992 to 35 per cent in 2000, although it rose again to 40 per cent in 2005 (Uganda, 2005).[22]

In short, Uganda, like Botswana, remains a Ricardian economy, stuck in the Garden of Eden. The services sector, for example, which recently attracted the higher quality telecommunications and information companies, is still dominated by tourism, which, as already hinted, is a 'commodity' service. But unlike Botswana, Uganda's 'impressive' postcolonial growth has taken place for a shorter period of time (the 1990s) and with a poorer record of investment in developmental infrastructure such as roads and railways. How does one explain structural economic transformation in Mauritius, rapid, sustained but commodity-driven growth in Botswana and the rather 'stop-and-go' but fairly high rates of Uganda?

[20] Yoweri Museveni (1986–to-date) captured power after a short guerrilla war (1981-86).

[21] For a more detailed analysis, see Sarwar (1991).

[22] The impressive decline in national poverty is true only *on average*. The reality on the ground is that 51.7 per cent of the people in rural areas (where 85 per cent of Ugandans live) are below the poverty line, compared to 19.5 per cent of the urban population (Uganda, 2005). Second, northern Uganda has been left behind, thanks to the 17 years of civil war. The proportion of Northerners below the poverty line fell from 72 per cent in 1992 to 60 per cent in 1997, but rose again to 66 per cent in 2000. A recent 'Uganda Poverty Mapping' Report shows that 75 per cent of people in the North live in poverty, with Kitgum and Kotido districts having a poverty incidence of 91 per cent (UBOS, 2005). These facts suggest that national *averages* need to be handled with care.

Accounting for the economic miracle in Mauritius and Botswana

Three broad theoretical explanations exist. First is environmental determinism, which emphasises the role of geography cum natural endowments in growth. Second is the 'enabling institutions' thesis of the orthodox institutionalists. Third is the theory of heterodox institutionalism that puts the accent on a developmentalist ideology and Weberianness (Evans and Rauch, 2005).

Environmental determinism as a theory of economic progress makes two major claims. First, that geography, proximity to the coast and distance from the equator are key determinants of economic growth (Sachs, 2001). [This suggests that coastal countries such as Mozambique should be more developed than landlocked countries such as Botswana and Switzerland.][23] Second, that tropical countries face insurmountable obstacles to progress. Their wet and humid climate favours a multiplicity of pests/parasites, while the favourable temperatures (17–30°C) are a disincentive to innovation. The claim is that nature was too kind to the citizens of the tropics: You don't have to think hard to survive! By contrast, temperate nations had to innovate, develop and survive environmental challenges like winter. 'Necessity', it is asserted, 'is the Mother of Innovation!' What is not explained is why the Eskimos in the cold Tundra have not advanced. Nor does environmental determinism explain why some tropical countries (such as Mauritius and Malaysia) have advanced while others (like Cambodia) have not.

A variant of environmental determinism alleges that Botswana and Libya (which are rich in diamonds and oil deposits respectively) have advanced because of rich resource endowments. The question becomes: Why have some resource rich countries (such as DR Congo, Nigeria, and Uganda) not advanced? Why was colonialism unable to transform Botswana and Libya into strong economies any way? [Did the resource endowments come with postcolonial regimes?] And why has resource poor Mauritius or Japan been able to advance economically? The answer, it would seem, lies in a developmentalist ideology backed by Weberian institutions.

Orthodox institutionalists such as North (1990) appear to make headway in explaining why some countries grow while others do not. Their central claim is that particular institutions (such as private property legislation) were key determinants of growth in the West. If Botswana and Mauritius are growing, it must be because of 'good' institutions. This view is upheld by Acemoglu et al. (2001) but with a difference. While Acemoglu et al attribute Botswana's economic progress to 'institutions of private property,' their historical analysis focuses on political institutions and the developmentalist ideology of the leadership.

Closely related to the Acemoglu et al. (2001) thesis is the view that Botswana (and Mauritius) made 'good' policy choices. 'The success of Botswana', it is agued, 'is most plausibly due to its adoption of good policy' (Acemoglu et al. 2003). Beaulier (forthcoming), who is critical of the 'enabling' institutions view of Acemoglu et al. (2001; 2003), nevertheless upholds the view that Botswana succeeded because of 'good' policies signified by the adoption of free market capitalism, attraction of foreign

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23 According to Diamond (1997), climatic and geographic differences mattered thousands – if not millions – of years ago.

investment, use of foreign aid for a short time, and allowing the IMF/World Bank fraternity to play an advisory role, rather than a planning role. Beaulier's conclusion is simple: Botswana's success was the result of good postcolonial policies. If other African countries are to develop, they must also make 'good' policy choices. This begs the question: Where do good policies come from? Virtually all countries have the desire to develop (Evans, 1995). Why are some more effective than others in translating their wish into concrete developmental outcomes? The answer seems to lie in the presence or absence of a developmentalist ideology *plus* Weberian institutions.

Developmentalist ideology and Weberianness in Mauritius and Botswana

In Mauritius, no major ideological differences exist between the major political parties. For example, the Mauritian Labour Party (MLP), which has dominated power since independence, is leftist. The Mauritian Militant Movement (MMM) and the Mauritian Socialist Party (MSP) have a far-leftist ideology. Despite these *formal* differences, Mauritian political parties are at the centre of ideology. More importantly, the major parties are united by their common commitment to national development. Developmental nationalism has been the dominant ideology.

The MLP was first led by Sir Seewoosagur Ramgoolam. Alone or in coalition, the MLP ruled from 1947 to 1982. The MMM-PSM alliance won the 1982 elections. In 1983, defectors from the MMM joined with the PSM to form the Militant Socialist Movement (MSM) and won a working majority. In July 1990, the MSM realigned with the MMM and in the September 1991 national elections, won 59 of the 62 directly elected seats in parliament. In December 1995, the MLP returned to power, this time in coalition with the MMM. Labour's Navinchandra Ramgoolam, son of the country's first Prime Minister, became Prime Minister. Ramgoolam dismissed his MMM coalition partners in mid-1997, leaving Labour with hegemonic power over several smaller parties allied with it. Elections in September 2000 saw the re-emergence of the MSM-MMM as a winning coalition. Sir Anerood Jugnauth once again became the Prime Minister on condition that mid-term; the MMM party would provide a prime minister. In September 2003, Jugnauth stepped down and handed power to Deputy Prime Minister Paul Raymond Berenger. In October, Sir Anerood Jugnauth was sworn in as President of the Republic.

Mauritian developmentalism begins with the colonial administration in the 1960s. Faced with economic hardships in the sugar economy, the colonial state passed laws in 1964 to promote import substitution industrialization. Companies that met the criteria set by state bureaucrats were issued with 'Development Certificates.' The 'D.C.' companies, as they were coined, were offered a host of incentives. Infant industries were offered protection. Duties on imported capital goods and industrial raw materials were suspended. Tax exemptions for five years and long term loans from the Mauritius Development Bank (for up to 50 per cent of long term capital employed) were also put in place.

Mauritian developmental nationalism continued even in the postcolonial period. Faced with the problem of a narrow domestic market, state bureaucrats and developmentalist politicians, established the Mauritian Export Processing Zone (EPZ) in 1970. The EPZ offered several incentives to investors. Companies awarded an EPZ certificate were given the nationally prestigious title of ‘Export Enterprises’. They also enjoyed (and largely continue to access) numerous benefits. First is complete exemption from payment of import duty on capital goods. Second, is exemption from import and excise duty on raw materials, components and imported intermediate goods (except harmful products such as spirits and tobacco). Third is a tax holiday of 10-20 years, depending on the sector. Fourth is a 5-year exemption from payment of income tax on dividends. Fifth is government provision of developmental infrastructure such as factory buildings for industrialists and subsidized electricity. Sixth is guaranteed access to loans (from commercial banks) at preferential rates for importation of raw materials. Seventh is favourable labour legislation (read ‘repressed’ minimum wages) to assist export industries. Finally is the exception from crane and other harbour handling dues chargeable by government on imports.[24]

In Botswana, as in Mauritius, the ideology of the dominant party, the Botswana Democratic Party (BDP) was developmentalism.[25] The BDP adopted a pragmatic economic ideology. In the face of limited savings for national development, the BDP invited foreign capital to invest in Botswana. A typical example is De Beers Geologists (a South African Company) which discovered diamonds in 1967 and subsequently played a key role in Botswana’s mineral prospecting and development. However, unlike DR Congo and other non-developmentalist states, the BDP state struck a deal with FDI: ‘70-80% of diamond revenue accrues to the state…’ (Tregenna, 2003). More importantly, revenues from mineral wealth have not been stolen. They have been channelled to productive investment, thanks to the developmentalism of both politicians and bureaucrats. It is because of this that some (e.g. Samatar, 1999) attribute the success of Botswana, like that of Mauritius, to ‘good leadership’.

Quality of the bureaucracy

Both Mauritius and Botswana *institutionalised* developmental nationalism by building corps of high quality, fairly clean bureaucrats. In Mauritius, it is the prolonged colonial administration that set the pace. Weberianness was allowed to take root via the recruitment of locals into the colonial civil service. The locals were enabled to acquire bureaucratic capacity under colonial tutelage (Goldsmith, 2005). Mauritius had a fairly large public sector, with government employees representing over 1 per cent of the colony’s population in 1900 (Lange, 2003: 404) and 1.5 per cent by independence (Goldsmith, 2005). By the end of colonial rule, Mauritians held over 90 per cent of these posts, including most high level positions.

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[24] The EPZ has been a resounding success. Since 1982, annual output growth has been 19 per cent on average; employment has grown by 24 per cent and export growth is 11 per cent. The EPZ accounts for 26 per cent of GDP, 36 per cent of employment, 19 per cent of capital stock and 66 per cent of exports (Saravia, 2002).

[25] The BDP was formed in 1962 as a counter force against the more radical Botswana People’s Party (BPP), which had links with liberation fighters in South Africa. The BDP forged alliances with the colonial administration in Botswana and South African mining capital (especially De Beers), that invested in Botswana’s mineral wealth. When the BDP came to office, it co-opted the radical nationalists into its ranks and established a stable regime (Tregenna, 2003). Led by Chief Seretse Khama (who became the first President of Botswana), BDP has enjoyed electoral victories since independence. The BDP has, since 1965, controlled both the presidency and the National Assembly.

In fact, Mauritius seems to uphold the 'institutions first' thesis. The Mauritian Public Service Commission was set up in 1953 to serve as an agency for meritocratic recruitment of civil servants. A strict Weberian Code of Conduct has since been put in place to enforce public sector ethics. In the eyes of critics, Mauritius is not a pure meritocracy. For instance, political parties are not supposed to use civil servants for patronage purposes; in practice, they sometimes do (Goldsmith, 2005). This however, does not water down the significance of Weberianness. It only demonstrates that an ideal Weberian bureaucracy is *not* what developmentalist institutionalists look for. What we look for are real-world approximations of the Weberian bureaucracy. For all its weakness, the Mauritian bureaucracy approximates the Weberian bureaucracy, particularly in comparison with the poor quality bureaucracies found elsewhere in Africa.

In Botswana, the role of the bureaucracy has not been as effective. For example, no EPZ and no high value-added manufacturing sector exist.[26] The developmentalist ability of the Botswana bureaucratic state is, without a doubt, weaker than that of Mauritius. However, the bureaucracy has been clean, nationalistic and pro-development. Moreover, from the perspective of sustained growth and in comparison with Uganda and other African countries, Botswana has been an impressive performer. Caroll and Caroll (1997) argue that Botswana has had politicians and talented bureaucrats who have 'personal commitment' to economic development.[27]

Dominant ideology and institutional weaknesses in Uganda

Uganda, like Mauritius, adopted a developmentalist ideology in the dying years of colonial administration. ISI, for example, started after the Second World War. In pursuit of industrialization, the colonial state established two strategic institutions in 1952: the Owen Falls Dam and the Uganda Development Corporation (UDC). These 'colonial development companies,' as they were called, were meant to promote private British industries in the colony by having the state guarantee the initial risk capital. Specifically, the Dam was meant to provide cost-effective hydroelectric power for industrial development. UDC, for its part, was expected to:

> Be able to assist the local investor and be able to enter into partnership with the investor from outside – not with the idea of itself going into industrial businesses and running those businesses permanently, but with the idea of filling this gap, to give enterprise a start, and gradually to be able to pass over to the private investor in the colony both capital burden and the managerial responsibility in the industries... (Colonial Secretary, quoted in *Uganda Herald*, 1 April 1952: 4)

The first postcolonial regime of Dr Milton Obote (1962-71) upheld the developmentalism of the colonial state. Developmental nationalism became the guiding

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26 Tregenna (2003) suggests that manufacturing in Botswana has been stunted by South African capital and the dominance of South African exports within the Southern African region.

27 The weakness of civil society in Botswana arguably allowed the domination of policy making by the state bureaucracy and political elites (Caroll and Caroll, 1997).

economic ideology of state officials. This comes out clearly in a landmark speech delivered in 1966 by Obote's Vice President, Hon. John Babiiha. According to him,

> [T]he achieving of independence by the East African territories has given a new impetus to an even greater revolution, namely, economic revolution. East Africa can no longer be contented with the old colonial maxim of the duty of Government being the maintenance of law and order. The accent must now be on development, more particularly economic development and all other things must serve principally as a medium to facilitate and accelerate this development. It would, therefore, follow that our education, our philosophy, our attitudes and our mental outlook should be re-orientated and geared to this over-all aim. Creation of a new environment to facilitate development revolution becomes an absolute necessity. We cannot afford to take a passive role any longer (Babiiha, 1966: 24).

The UDC became the institutional embodiment of Uganda's developmentalism. In the 1960s, UDC was the fulcrum of strategic partnerships between government and foreign capital.[28]

Unfortunately, UDC's ability to steer economic progress in Uganda was compromised by two developments. First was the political instability associated with Amin's regime (1970s) and the post-Amin governments of 1979-86. Second was the death of developmental nationalism and the hegemony of economic liberalism as the official ideology of the Yoweri Museveni regime (1986–to-date).[29]

Guided by economic liberalism, President Museveni has driven developmentalist institutions such as UDC to their deathbed. Development banks have been stifled. Strategic public enterprises (such as Uganda Commercial Bank and Uganda Railways) have been privatised, thanks to the dominant view that the 'appropriate' role of government is to create a 'conducive' cum 'enabling' environment for private sector-led development.

It must nevertheless be noted that neoliberal Uganda has registered positive growth rates. The economy has grown by 6.5 per cent a year since 1992 and is now growing at

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[28] For example, in the manufacturing sector, the Chillington Tool Co. Ltd. was a partnership of Chillington Tool Co. of Wolverhampton, England; the UDC; and Mitchell Cotts. The Universal Asbestos Manufacturing Co. (a manufacturer of cement) was a partnership of UDC; Universal Asbestos Manufacturing Co. (an English company); and Tanganyika Cotton Co. In the mining sector, Kilembe Mines, Ltd. (which mines copper and cobalt in Western Uganda) was a partnership of UDC and Duncan, Gilby & Mathieso, Ltd. The Tororo Chemicals and Fertilisers Company was a partnership of UDC; International Ore and Fertilizer Corp.; Falconbridge Nickel Mines, Ltd.; and Turga Chemical Industries, Ltd. The latter was a subsidiary of ICI of Britain, which was also the managing agent. In the case of Ugadev Bank, Ltd. (a financial institution), the partners were UDC and Lombard Banking of London. The Development Finance Company of Uganda was a partnership between UDC; Colonial Development Corp. (UK); and Deutsche Geselshaft of Germany. For a detailed list, see *Uganda Herald*, 24 April 1951.

[29] As a guerilla fighter (1981-86) and in the first few years of his regime, Museveni professed Marxism. In 1989, however, he made an absolute U-turn. He is now religiously committed to the orthodox economic and institutional reforms of the IMF/World Bank fraternity.

5.5 per cent. This rapid growth suggests that economic liberalism is not necessarily antithetical to national growth. Uganda's growth, it appears, has happened because of reduced insecurity (which interfered with the rapid growth rates of the 1960s) and *in spite of* the weakened institutional capacities.

Quality of public administration

The quality of public bureaucracies in Uganda is substantially different from that of Mauritius and Botswana. Uganda started fairly well with the establishment of a Public Service Commission in the run up to independence. But its Weberian credentials were much weaker than those of Mauritius or Botswana. The Civil Service survey of 1962 showed that Uganda had a serious dearth of senior public administrators. Of the 408 Executive Class posts, Ugandans held only 102 posts (25 per cent); 106 posts were vacant.[30] The administrators, professional cadres, and middle grades of the executive class were also in short supply. Of the 1,250 established posts 'in the super-scales and A-scale as at 1 December, 1962, only 269 were filled by Ugandans, while there were no less than 265 vacancies some of which were filled by temporary staff.'[31] Uganda 'had no Ugandan chartered accountant, solicitor, architect, electrical or mechanical engineer or pathologist, while there was only one geologist, one veterinary officer, one entomologist and two dentists…'.[32]

Today, Uganda's Weberian credentials have waned further. While recruitment into the public service is done by the Uganda Public Service Commission, which is *formerly* a meritocratic institution, the practice is different. Meritocratic recruitment has been overshadowed by the politics of *who knows whom* (Kiiza, 2000). Patrimony, rather than academic merit, is the basis for public sector recruitment and promotion (Kiiza, 2000). Consequently, the officers charged with the task of national economic governance are not necessarily the 'best and brightest.' This appears to have gotten worse under the World Bank sponsored decentralization programme, under which the powers of central state agencies have been devolved to local governments.[33] Second, retrenchment in the name of 'right-sizing' seems to have incapacitated public service delivery and national development. Public servants have been retrenched from 320,000 in 1993 to 150,000 in 2000. Third, retrenchment has triggered 'insecurity of tenure' resulting in heightened corruption as employees seek to 'grab' as much as they can before they lose their jobs.

But that is not all. Uganda's bureaucrats are underpaid and demoralized. According to Gerald Sendaula, Uganda's 'mean salary levels for public servants are only 40 percent

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30 The senior grades were, at this stage, dominated by colonial expatriates. See Uganda (1961).

31 These figures make more sense when they are put in perspective. Uganda's population in 1959 was 6,450,000. All were Africans except for 87,000 people. By mid-1962, the population was over 7 million. Over 96 per cent of this population lived in rural areas, primarily as peasants.

32 See Uganda (1961). Under the Second Five-Year Development Plan, 1966/67–1970/71 the government planned to increase the intake of Ugandans into university level institutions from the 1966 level of 460 to 870 in 1971 in order to increase local skills.

33 Under this arrangement, jobs are preferentially given to the 'children of the soil'. This means allocating jobs to job-seekers who are, by birth or ethnic origin, associated with a given locality. In situations where the 'children of the soil' lack the necessary job-related skills, public service delivery will certainly be compromised.

of private sector salaries for equivalent jobs, while for some key professionals – such as accountants, economists and engineers – public sector salary levels are only a third of market levels' (Sendaula, 2000: 37-8). This constrains government's capacity to attract, retain and utilise the most capable skills. Uganda's public servants have low motivation to work, and 'the incentive to moonlight or engage in corruption in order to supplement [their meagre] wages is high' (Sendaula, 2000: 37-8). More importantly, Uganda's economic bureaucrats are religiously committed to economic liberalism. Free-market economics is seen to be the only avenue of governing the economy. Thus, in comparison with Mauritius and Botswana, Uganda's state bureaucrats have no 'autonomy' (cf. Evans, 1995). They are captured by economic internationalism, thanks to the dominant ideology of the IMF/World Bank fraternity.

Conclusion

This paper has attempted to examine the association between developmental nationalism, institution building and economic performance in Mauritius, Botswana and Uganda. Two conclusions emerge. First, the Mauritius-Botswana-Uganda differences are associated with differences in commitment to developmental nationalism *and* the Weberianness of state institutions. This is not to suggest that no other factors contributed to differences in economic performance. Mauritius and Botswana, as already noted, have had stable regimes while Uganda has been bedeviled with conflicts and unstable regimes. Coalition-building and rotation of high offices among a few elites in Mauritius and Botswana have also contributed to policy continuity and development. However, these 'confounding' variables have influenced, not determined the Mauritius-Botswana-Uganda differences in economic performance. The key determinants of cross-national variations, it appears, were the presence of developmental nationalism and Weberian institutions in Mauritius and Botswana, and their absence in Uganda.

The second conclusion modifies the first. While developmental nationalism is strongly associated with growth, it cannot deliver durable developmental dividends unless it is institutionalised in and through Weberian bureaucracies. Mauritius and, to a lesser extent, Botswana illustrate the significance of institutionalising and deepening developmentalism. The Ugandan case, by contrast, shows the price (in a developmental sense) of replacing post-independence developmental nationalism with economic liberalism. It also underscores the cost (in terms of lost opportunities) of driving a meritocratic civil service and developmentalist institutions (such as Uganda Development Corporation) to their deathbed. To other developing countries, Uganda seems to be shouting: *Don't Follow Me! I Know Not Where I'm Heading!*[34]

Three critical lessons emerge. First, sub-Sahara African countries that have stifled their post-independence developmentalism and embraced economic liberalism need to rethink their preferences. Economic liberalism is not necessarily a wrong ideology. It is

[34] An important issue that calls for detailed future research is the paradox of weak institutions but 'robust' growth in Uganda. I call this a paradox because it challenges the theory of developmentalist institutions, which predicts that weak institutions will result in weak economic performance. To explain the Ugandan paradox, I will, in another paper, detail the quality of growth, the sources of growth, and whether or not the Ugandan economy has been or is likely, in the foreseeable future, to be transformed into a higher value-added industrial and information economy comparable to Mauritius.

simply inappropriate for sub-Saharan Africa at the current stage of development. This underscores a more profound lesson for developing countries. Impeccable evidence (e.g. Chang, 2002: 1-68) shows that the now developed countries (NDCs) used nationalistic cum mercantilist policies (such as infant industry protection) when they were developing. Today, the gospel according to the NDCs reads: *Do as We Say, Not as We Did to Advance!* Developing countries must reject this gospel. For one thing, the 'good' economics for the NDCs may be 'bad' for developing countries; and the 'good' institutions (or policies) of the NDCs are not necessarily 'good enough' for developing countries.

The second lesson is really a warning. Developing countries (such as Uganda) that have implemented orthodox institutional reforms such as the 'hollowing-out' of public bureaucracies (via privatisation, retrenchment, and contracting out) need to know that building Weberian institutions is a difficult and tedious process. Destroying them (in the name of 'right-sizing') is easier. Rather than rushing to attack their bureaucracies for being 'too bureaucratic,' developing countries should learn that their fundamental institutional problem is one of too little, not too much *Weberian* bureaucracy. The way forward, it appears, is to build and/or deepen the *Weberianness* of public institutions through meritocratic recruitment and promotion; offering predictable, rewarding and long-term careers; and reconstituting former developmentalist agencies (such as UDC) into key organs of national development.

The third lesson is simpler. Replacing the spoils system of administration with a meritocratic, professional system of administration not only rewards state officials with job security. It actually boosts their morale, increases their commitment to official work and expands prospects of growth, as the cases of Mauritius and Botswana illustrate. Thus, sensible developing countries must embark on the difficult but rewarding task of replacing the spoils system with a Weberian system of administration. The challenge is gigantic but not impossible.

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