ANALYSING THE ECONOMICS AND POLITICS OF STATE BUSINESS RELATIONS IN AFRICA AND INDIA

A Joint IPPG-CUTS Research Workshop

Hotel Country Inn & Suites
Khasa Kothi Circle, M I Road, Jaipur Rajasthan 302001, India
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Background

A research workshop on the subject was organised in association with CUTS International from 15-17 December 2009 in Jaipur, India. It was a part of the Research Programme Consortium (RPC) on Improving Institutions for Pro-Poor Growth (IPPG), funded by the UK Department for International Development (DFID). The objectives of the workshop were threefold. First, to share emerging findings and lessons from the African and Indian case studies on the provenance, evolution and forms of both formal and informal institutional interactions between state and business. Second, to identify the factors that affect the relations between states and businesses and which shape the institutions (both formal and informal) which govern them. Third, to measure effective state business relations (SBRs) and to quantify the effects of different configurations of state-business relations on economic performance at macro, meso and micro levels. The workshop also explored the policy implications of the research findings, and discussed ways to communicate the research more effectively and to monitor its impact on research users.

The workshop was attended by research teams from Africa [Ghana, Mauritius, Zambia), (Egypt- presented an independent case study conducted for IDS, Sussex)] and India (the micro and macro research teams); IPPG co-directors, IPPG Advisory Group members, Hubert Schmitz and Abla Abdel-Latif representing PAPI, and Max Everest-Phillips, Governance Advisor from DFID. IPPG communications specialist Sue Martin facilitated the session on communication strategies. The South Africa SBR team presented via Skype. The Orissa team could not attend.

Session 1

Introduction to SBR research

The workshop started with an interactive round of introduction of the participants and the IPPG work programme. The stage was set by presenting broad pointers on progress that the IPPG research has made so far in different regions, and sharing future plans. The workshop emphasised the role of SBRs and their varying impact on economic growth. The focus has been on the key questions of what makes effective SBRs; how effective SBRs are brought about; and the institutions that shape them. This has been also the aim for operationalising the IPPG research cluster.

A practical peer assist exercise was also taken up to map out communication plans to disseminate research, with a brainstorm on communication methods by which project results can reach target stakeholders

The presentation on Introduction of the workshop and the IPPG Progress can be accessed here:

Adrian's presentation: http://www.ippg.org.uk/papers/Adrian.ppt
Dirk's presentation: http://www.ippg.org.uk/papers/DWTVIntro.ppt

The following note captures the feedback on various SBR research in terms of approaches, theory, methodology and outcomes. A separate session covers key policy messages and concerns. Another section covers discussion on communication channels and categories of stakeholders.

Mauritius case study

Along with discussion on the evolution of SBR and its economic function, the study uses innovative ways to develop SBR measures and employ them in econometric regression to demonstrate positive implications for economic growth in Mauritius. The full research paper and the presentation are available at: http://www.ippg.org.uk/papers/dp34.pdf

Feedback/comments: One of the issues that had come up during the discussions was with regard to methodology of measuring SBR2. SBR2 represents the number of member firms in the business association. The measure was not found to be standardised by population or total number of firms. In common circumstances, this number will increase every year. It was argued that in Mauritius' case, economic growth has been accelerating since the 1970s. It is likely that the measure suffers from causation. Another econometric difficulty was pointed with regard to the dependent variable. It was proposed that the study should use changes in GDP or GDP per capita, rather than the level of GDP. The problem with the SBR3 measure (which relates to the percentage of budget proposals of the umbrella organisation which has been fully or partly implemented in the national budget) was pointed out in relation to the fact that there may be situations when proposals are not made (which is likely when things are already going well). Owing to this, there may be problem with denominator in the SBR3 measure. It was noted that SBR3 graph has been constant since 1993.

In considering the story of Mauritius' success, another hypothesis was suggested: whether SBRs are more effective in smaller or centralised economies (federal set-up vs unitary set-up) in terms of future research. Some queries were raised with respect to seamless, harmonious progress of SBRs and it was suggested that the study therefore needs to examine the critical juncture in history when the Joint Economic Council (JEC) moved fromdiverse, conflicting and hostile business association to harmonious set up. How were such SBRs achieved? Can the study analyse why what was good for one sector, did not work for another sector? It is likely that some sectors would be more important/influential in the JEC, so it was asked that whether there is any mechanism to ensure that the JEC does not fall in the trap of interest of few sectors at the cost of national interest. The study also raised curiosity among the researchers with regard to types of enforcement mechanisms, both formal and informal, that made member firms to go through JEC and not through direct personal contacts. It was asked if there is any higher level than the JEC and to what extent leadership has been important in establishing such SBRs in Mauritius.

Ghana Case Study

The Ghana case establishes that politics has mattered in shaping SBRs in the country. Not only have different political parties led to different types of SBRs, but the study also showed that informal networks and lobbying matter. There has been an increase in informalisation of SBRs over the time in Ghana. The full research paper and the presentation are available at: http://www.ippg.org.uk/papers/dp35.pdf

Feedback/comments: One obvious but interesting question was raised about government's interest/motivation to help businesses informally. In a situation wherein two manufacturing firms enjoy informal contacts with politicians with the same intensity, what would determine the firms' productivity gain? Would the type of firm (big versus small, or type of business: machinery versus textiles) play any role in influencing the Government's preference for one over the other firm? It was suggested that by their very nature, bigger firms have recourse to a larger range of both formal and informal networks. These bigger firms would want to leverage their informal networks more to get a head-start over smaller firms. So, it was argued that there is an inbuilt tendency in the system for formal networks to not to become effective lobbying points. Nonetheless, it was suggested to look at intractable variables of network and the size of firm to see whether large firms do not need [formal?] networks, whilst SMEs do need them as support to be productive. It was commented that it is not convincing to use firm specific investment climate variable by the study and perhaps which is why the study is getting insignificant results. Referring to David Dollar's work, it was suggested that investment climate should not vary with firm across same location and industry. DD takes the average investment climate variable for set of firms by location and size and uses this average on right hand side and does not uses firm-specific survey variable.

One policy implication of the study is that being well-connected in the government was thought to be catastrophic in the long run for pro-poor growth. It was commented that the cost of maintaining good relationships is high and this outcome is certainly not pro-poor because only large businesses can afford it. As a short term solution, it could offer a way for

firms to overcome obstacles presented by the general investment climate in order to start up or progress. It may then be looked at in a more favourable light as a transitional solution. Further analysis is required to assess if these informal networks may act as stepping stones to formal SBRs. The Ghana SBR story seems a classic case of pervasive institutional flux without stable patterns of institutional set-up. It was advised that though the study suggests that contact with public servants has been critical, it is worth exploring if such business cultures have been consistent in the country regardless of change in the political regimes over time. If so, what are the policy implications.

India SBR Work

The India work explores the role of regional institutional quality, in particular by SBRs, for wide variations in growth rates across different states of India. It addresses questions of the evolution of different SBRs across Indian states and how these have been shaped by historical factors and state-specific political processes. The introduction to the India work can be found at link http://www.ippg.org.uk/papers/KunalIntroSBR.ppt

Measuring SBRs

This macro research focuses on the quantitative measurement of institutional variables relating to the public and private sectors, and subsequent development of an index measuring the intensity of the SBR across sub-national units within India over time. Another strand of work looked at the impact of SBR on economic growth across Indian states. The presentation acknowledged that one of the flaws of macro SBR work is that it is quantitative and lacks qualitative interaction in index construction. Nonetheless, it was added that micro case studies would then act as good consistency checks for ground realities. The full papers are available at: http://www.ippg.org.uk/papers/dp25.pdf, http://www.ippg.org.uk/papers/dp29.pdf

Feedback/Comments: It was commented that in India most non-farm businesses are in the informal sector. An overwhelming number of people work in the informal sector and is nearly half the contribution in GDP is by the informal sector. In this context, it was suggested that if the paper has not looked at informal sector and the dependent variable in the study is whole state's performance, while independent variable affects only the formal sector then the interpretation of the results has to take this into account or need to change the dependent variable. Another related comment on selection of variables by the study was with regard to use of collusive behaviour aspect as a part of the index. It was suggested to separate out the collusive part from the index for simple analytical reason and see how SBR affect performance, independent of the collusion aspect. It would be useful to see how collusion affects performance by itself. It was suggested that the SBR index should ideally be insulated from performance that it itself is trying to explain. It was commented that improvement of SBRs in 1990s was due to technological improvements, but that is the 'performance'. The study should take care that an indicator of performance does not enter the measurement of SBRs to prevent the problem of endogeneity/circularity.

The state-wise measurement on Product Market Regulations was suggested as another aspect to be considered as a useful indicator of public-private interaction. However, time-

series data on it seems to be not available. A strong criticism was made with regard to use of the Besley-Burgess Labour Regulation index, owing to analytical flaws in the measure. As a clarification, reference was made to Aditya Bhattacharys's article in *Indian Journal of Labour Economics* and an article in Economic and Political Weekly (2009) *Review of Labour* where the author argues that measures of labour regulation across states do not mean much partly because they are quite different in implementation. In states, the judicial decision about regulations are quite different and therefore the argument put forward was that whatever be the measure (including BB measure), they vary in implementation. For instance, Maharashtra and Gujarat are very pro-labour states, like West Bengal. But action against violation of labour laws in Gujarat and West Bengal would vary. It was suggested that this element needs to be reflected in the SBR work. Nevertheless, the authors of the SBR work clarified at the workshop that BB measure is referred to only as signalling of government's attitude towards businesses in the construction of the SBR index.

On growth regressions of the SBRs, it was argued that in India the unit by which growth varies is not states but regions. The study needs to look at neighbourhood effects in influencing growth. Another related argument was made in favour of smaller states as a unit of analysis for the work. It was illustrated that much of the income in Maharashtra is generated in Mumbai and the rest of the state bears greater resemblance to a state such as Bihar, than to forward looking states such as Tamil Nadu.

The discussion also touched upon the role of infrastructure in explaining varying performance in Indian states. It was commented that though the SBR growth regression controls for power supply, it might be the case that SBRs in the state itself affect the condition of power supply. So, some of the crucial variables (infrastructure-roads, power etc) are dependent on SBR itself. It was suggested that policy measures are assessed from the work. The econometrics is measuring certain aspects of the SBR; however it is important to think about the economic stories behind each component.

SBRs and Manufacturing Productivity Growth in India

In the study, authors address the role of institutional quality (SBRs) in influencing productivity growth in Indian manufacturing industries. The PPT, summary and the full paper are available at: http://www.ippg.org.uk/papers/dp33.pdf

Feedback/Comments: Commenting on the findings of the study, it was pointed out that SBRs have largely covered the formal sector so it is not surprising to find that Total Factor Productivity effect is significant in the organised sector and not so much in the unorganised sector. It was suggested that the study may highlight some information on the linkage between organised and unorganised sectors. It is likely that over time the linkage is increasing due to use of mobile phones, particularly with respect to producer-supplier relationships. It would be interesting to show the proportion of unorganised sector connected with the organised sector in some form of sub-contracting arrangement. Further asserting the point, it was said that the unorganised sector is a mixed bag of different activities and a number of people are "disguised" unemployed people. This is particularly because the agricultural sector is declining and therefore there is very low productivity. So,

it would be useful to have quantitative information about people in sub-contracting relationship.

Further, the result with regard to increase in capital intensity in the unorganised sector was intriguing. It was argued that if distressed people from the agricultural sector are crowding in the unorganised sector, such a finding is not expected. Generally increase in capital intensity in the organised sector is explained by labour laws, but labour laws do not apply to unorganised sector. While considering reasons for the increase in capital intensity in the unorganised sector, it was intuitively mentioned that such phenomena might be explained partly by infrastructure-power. The big firms use their own power plants whereas the SMEs use tiny generators which are highly inefficient because of lack of economies of scale. It was explained that perhaps, capital intensity is capturing the diseconomies of scale of generators and other substitutes for power sector deficiency. Another comment was made with regard to the industrial concentration index. Referring to the work by Amichari, (presented at NCAER's India Policy Forum in July 2008) who uses CMIE data and looks at industrial concentration in India gives contrary/counter-intuitive results. It was reported that her findings suggest that despite all deregulations, delicensing, and economic reforms, industrial concentration has not gone down, whereas the SBR paper suggests the opposite. It was clarified that CMIE data covers only the very large companies and data source may be the reason for such contrary results. Nonetheless, it was expressed that even in large companies concentration may have gone down and that could be checked by comparing top 20 companies in 1980s and 1990s as published in printed financial press.

In terms of policy implications, overall it was commented that the effects of SBR depend on channels through which these affect variables. What is it that these SBRs are doing and what is the economic function behind it? It was justified that if SBRs are able to provide better quality of infrastructure then they would/might help both formal and informal sectors. So, it is important to know economic pathways through which SBRs might affect the organised and unorganised sector. It was further suggested that within the categories, firms could be very heterogeneous and therefore it would be interesting to use data to see variation between large firms, small firms, foreign firms and domestic firms and build an argument that SBRs, depending on type of economic functions, have different effects on different types of firms, and test the same using datasets.

Another comment was made with regard to econometric estimation on capital and labour coefficient in the production function. In this relation, concerns were expressed on the way the SBR variable is employed/used in the production function. It was argued that SBR is the state level variable and engaging it in the production function which is at firm level would require some adjustments in the estimate. Referring to a paper by Martin, in Review of Economics and Statistics (1990), where it suggests that regressing higher level variables on micro level data variables would yield some depressed standard errors making all variables more significant, it was suggested that the paper need to make correction to this account at least for the production function. It was commented that if such an error exists in the estimation, then perhaps the paper is measuring significance when results are actually not significant.

South Africa (SA)

The presentation was made via skype conferencing. In the study, authors have questioned the quality/strength of SBR in SA. They argue that SBR in SA is structurally fragile and superficial. They are not good as often suggested and indicate that it is difficult to attain an economic growth path that is more unskilled labourintensive and thereby more supportive to pro-poor growth. They show it through systematic description of compelling factors like undue government dominance, racialised relations between business and government at a personal level indicating suspicion on both sides, weak network with elite capitalists, complex alliance between organised labour and government, etc.

The PPT and summary of the paper are available at:
http://www.ippg.org.uk/papers/bp30.pdf

Feedback/Comments: The presentation gave an interesting account of formation of institutionalised SBRs in SA. It led to the ultimate question of 'what can happen to bring about pro-poor growth path in SA?' In order to suggest a way out, it was reasoned that if there is a structural constraint to achieve a growth path that is not biased against unskilled labour because persistence has been to do with high land-labour ratio in manufacturing exports, would it not be more a feasible strategy to go for a growth path having growth correlation along with more social transfer redistribution policy towards the poor? It was suggested that though SA needs a growth strategy more biased towards unskilled labour, it was also questionable if is it really going to work given such structural constraints. Further, a question was raised regarding functioning of organised formal institutions. It was enquired whether all aspects of formalised institutions did not work or merely some aspects that did not?

Egypt (PAPI)

In the study, the authors show that informal relationships between key policymakers and investors have played an important role in raising levels of investment and fostering economic growth in Egypt. They conduct an analysis of four sectors (food, furniture, communications and information technology) to see how relationships between policymakers and investors emerge and develop, and what impact these relationships have on investment.

The PPT and summary of the paper are available at:
http://www.ippg.org.uk/papers/AA+HS%20Rr61%20web%2009.pdf

Feedback/Comment: Owing to a different mode of study than the IPPG approach for SBR work in India, there were a number of queries. A request was made to unpack the CIPI (Common Interest between Policymakers and Investors) more clearly with respect to particularly two points: one has been with regard to triggers that bring CIPI about and the other to explain institutionalisation of CIPI rather than its quantification. Another related question was with regard to element or reasoning of the feedback process and how do all steer into a common interest of CIPI. Further, the study shows an evolutionary process of SBR in Egypt in three phases. The first phase has been an antagonistic relationship, the second phase has been friendly but not mutually helpful and the third phase has been "common interest". In view of this, a question was posed about larger ideological basis of

such kinds of shifting and dynamic relationship between policy regime and businesses in order to understand basis of common language for policy environment.

Andhra Pradesh

This micro study enquires into the politics of government and business relations and how it affected industrial development in general and expansion of manufacturing sector in particular in AP.

The PPT and summary of the paper are available at:
http://www.ippg.org.uk/papers/dp31a.pdf

Feedback/Comment: Re the sociological foundation of SBRs, an observation was made that AP is one of the states where agriculturally well-off castes branch out into industries, for instance Kamas. In view of this, it was suggested that it would be interesting to know particularly at state level in India if - in the states where SBR is developing faster - it is because successful agricultural castes have now branched out into industry and bridged gaps with regional bureaucracy. It was added that this sort of development has probably happened in Tamil Nadu, AP and Gujarat. Further it was noted that regional bureaucracy comes quite often from same caste group. Therefore, it was suggested that it would be interesting to explore influence of inter-linking/social network on SBRs. Another comment was made that the study seemingly suggests that FAPCI (The Federation of **Andhra Pradesh** Chambers of Commerce) has not been very effective in promoting SBR and mainly acts as information provider. In this perspective, then SBR is led by the State and that state activities are actually necessary and sufficient conditions for developing good SBRs, and the role of business is complimentary. It was suggested to refer to work on India at the national level by Atul Kohli which also suggests S-driving SBR (State) and analyses government regimes in power and how they engineered changes. It would be interesting if AP study can take up this kind of finding to show if it is specificity of India at sub-national level and national level. Then what can this work offer elsewhere: and would it be a contradiction in a country where business has been naturally strong?

Another perspective was given with regard to role of FAPCI. It was argued that there is a probability that SBR does not work through formal business associations in AP. It seems to be working through social networks. For instance it is informally developed SBR when a Kama entrepreneur works with Kama bureaucrat. It was emphasised that business associations do not lobby (as shown by the study) because the point could be that they don't need to lobby and SBR works through social networks. This aspect will not be captured by SBR index.

West Bengal

In this study, the authors attempt to explain the relatively poor performance of West Bengal's manufacturing sector in the context of the evolution of state-business relations in the state. The study argues that it is the peculiarity of institutional behaviour that determines policy outcomes in the state. The rigidities in the political and the economic

institutions in the state probably make WB as a classic case of 'institutional stickiness' leading to 'path dependency'.

The PPT and summary of the paper are available at:
http://www.ippg.org.uk/papers/dp32.pdf

Feedback/Comments: The presentation attracted some general comments/observation about West Bengal. Drawing attention to a possible limitation of the labour regulation index (which is used in construction of SBR index), it was emphasised that though the index suggests constraints in industrial relations in the sense that WB's trade unions are very strong, WB's unions are in reality preserving the interest of a small group of privileged workers. Further emphasising the study's findings, it was explained that unions are complicit to informalisation of labour laws as large part of labour is contract labour - which under labour law is illegal. So, even if trade unions are strong, labour laws are being violated. Therefore "face value" results from the index may be misleading. Another comment was made that in WB agricultural better off casts are not businessman. The business community in WB are not native to the state but are operating from generations in the state and they are also not part of agricultural community. Therefore the social network which has been important in AP, TN and Gujarat is missing in WB. The point was made that it is not just the party but the social network that is missing. Eventually owing to this vacuum of social network, party has moved in that provides different kind of network. And that SBR does not always work through business association but that the sociological foundation of the SBR also matters. Another point was made with regard to unproductive political rivalries in WB. Taking the contrasting example of TN and WB, it was described that TN has been quite successful in last 10-15 years in industrialisation whereas WB has not. But in terms of extreme political rivalry, TN is no different. Such rivalry has not caused problems on the issue of industrialisation in TN while in the case of WB, it has. It was added that it is related to the issue of agricultural caste not being important in the business sector of WB. So, there is this juncture in WB and the same is not in TN even though political rivalry is equally intense in both cases. Another aspect of it was presented. The cadre-based parties in WB are alternative or competitors to big businesses/organised businesses. It seems there are party fears that if they encourage organised businesses then people's dependency on cadre based parties would decrease. So, organised businesses are not encouraged.

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Emerging Themes and Policy Messages

The session attempted to synthesise messages emerging from SBR research that took different approaches in different geographic regions. The SBR research invariably emphasised the importance/significance of SBR for economic growth. Keeping this in view, it was proposed that it would be useful to do policy briefs which highlights the various approaches of SBR research, starting from the study on SBR measure which was the quantitative study to some others which took the case-study approach and others heterodox approach like PAPI. It was recommended that all these approaches can be shown to demonstrate the intensity of SBRs in impacting economic growth process in different geographic region.

The full presentation is available here:

Siddhartha's presentation: http://www.ippg.org.uk/papers/SiddharthaPolicyMessages.ppt
Dirk's presentation: http://www.ippg.org.uk/papers/DWTVPolicyMessages.ppt

The session also addressed certain concerns both with respect to research outcomes and overall programme achievements:

1. It was mentioned that all through SBR India work it was believed that there are path dependencies and critical junctures. But, it remained uncertain in the work about occurrence of the critical juncture i.e. was it ex-ante or ex-post. It was emphasised that it is important to know about critical junctures because policy can be changed/reformed during those junctures. It is especially so because if one believes in path dependence it is really difficult to imagine how policies can work to influence path dependence because of the very nature of institutional stickiness. It was clarified that one can try to influence policies during the critical juncture. However, the problem is that if this is not recognised, how can timely action be taken? Following it, a larger question was posed that if something should be done about it or not? Citing an example of West Bengal, a quested was raised that given a fairly fragile political settlement in the WB which may not be in the interest of the state in the long run, should an attempt be made to bring about a policy change? The role of external actors was called upon - particularly those of the donors - to think about in terms of dealing with such situations.

2. A call was made to think about tension between PAPI work and some of the SBR work of IPPG. It was expressed that perhaps the difference between the two is the way SBR is understood in the two programmes. In the formal SBR work of IPPG, it is regarded as a public good which is freely available in the sense that if SBR exists, anybody from organised sector can access it. It is not specific to a particular sector. In view of this, a question was raised that 'is there a way to think about SBR which is strategic SBR that can bring about change in one sector as a kind of binding constraint?', 'Is it the case of 'public good SBR' versus 'strategic SBR'?'. The key question then was asked that 'to what extent the IPPG programme can move away from public good element of SBR which is basically quite important for the work and probably is not clearly reflected in PAPI's work.

3. Another concern was expressed with regard to pro-poor growth aspect of the research. It was felt that this has not been appropriately addressed both in the workshop and to some extent in the programme except indirectly in the case of Zambia and South Africa work. It was reasoned that it is indeed a problem which stems from the fact that programme's conceptual framework is much about those SBRs where state is interacting with businesses in the formal sector. And the approach or the very definition of SBR did not exactly allow inclusion of the informal sector in the research. It was added that Andhra Pradesh and West Bengal, however, have covered small firms in their analysis but they too fall in the category of formal sector. A perspective was offered to resolve this concern by way of looking at the process of SBRs in the long term. It was conceptualised that actual transition of development is to pull out firms from the informal sector /unorganised sector to the formal sector. If and as formal sector expands owing to effective SBRs, it would grow to eventually include firms shifting to formal sector. It will be a pro-poor growth. Related to it, a question of time frame was raised because pro-poor process of the SBRs is long term and it might not show its effects in next few years to the policy-makers. Therefore it was proposed that it might be more appropriate to talk of nature of SBRs in the growth process within the policy domain and not really about its direct relation with poverty reduction.

4. Another concern was expressed with regard to characterisation of informal relations in businesses. Citing the contrasting cases of Malawi and Egypt, it was expressed that the relationship between businessman and government in Malawi is collusive while in the case of Egypt such an event is not found. Keeping this in view, a question was raised with regard to nature of good informal relations. 'How does one characterise that a type of informal relations would be growth and welfare enhancing?', 'Are such relations really continent specific?'..

5. Another concern was with regard to possible biases in the SBR work. A question was posed that 'are inferences that have emerged from the 'S driving SBR' work in the case of India and Africa an actual finding or are they result of a disciplinary bias?' It was clarified that such concern arises because as economists look at the market, political scientists tend to look at the state as 'the one' essentially driving everything. Therefore, it is important to be convinced that the finding of SBR work about state driving SBR, at least in the context of India and Africa, a real finding and it has nothing to do with disciplinary bias. It will be a very important finding to emphasise that state has an important causal role to play in having good SBRs.

Other opinions: supportive/counter supportive

6. It was suggested that another perspective about SBRs could be that SBRs as public good are precursors to sectoral SBRs. So, the question of 'public good SBR' versus 'strategic SBR' would not arise. There could be strategic SBRs at an advance stage of development.

7. As regards pro-poor growth, it was pointed out that if SBRs are solely determined by the state and business they will automatically not tend to be supportive of pro-poor growth because all growth is not necessarily pro-poor growth. If civil society comes in as a third constructive flank in determining the course of state, business and civil society relations then pro-poor growth can be achieved.

8. Another aspect of fitting SBR work into a framework of pro-poor growth was given. It was explained that in the complex set/frame of SBRs where all businesses (both formal and informal) are linked, pro-poor growth will eventually come because large percetages of poor people work in the informal sector. It was further added that SBRs could be seen in the context of provision of goods and services that are public.

If good SBRs improve infrastructure, it will help both formal and informal sector. In that sense infrastructure may bring about pro-poor growth. Similarly, another public good could be credit and marketing. They may help formal sector more than informal sector but if marketing and infrastructure improve then informal sector will also gain. SBR will ultimately benefit pro-poor growth as well.

9. It was pointed out that a lot of discussion in the workshop has been about 'benefits' but did not define what is meant by benefits that would come after having established SBRs.

10. It was suggested that it would be too general to recommend or emphasise that SBR promotes growth. More thought is required to work out the different types of functions and channels of establishing SBRs. In more words, it was emphasised that it would be useful to suggests specific requirements of businesses like better property rights and their enforcement, other enabling factors – infrastructure. State can help resolve coordination problems, collective action problems and some of them will be public good that will help both formal and informal businesses. Further, it was opined that it is not often through business associations that SBRs primarily work. It will be important to consider how much of the social network between political state and business work through different ethnic networks. So, these channels will be important.

11. It was commented with regard to S-driving-SBRs aspect that in developed countries, for instance in the United States, quite often it is the business that drives SBRs, particularly through lobbying. Now, similar type of change is taking place in many developing countries including India. It is gradually seeing that not just S to B but how B is influencing the S. Indian newspapers often feature stories on corporate oligarchy influencing government policy, telecommunications, mining rights etc. Therefore, it would be advisable to look at two-way influence with respect to SBRs in developing countries as well.

12. Another issue was raised about not benefiting from diversity of methodology. It was mentioned that there is much work using quantitative methods and quite less qualitative work. The extent of two methods in terms of their contribution to outcome has not been discussed. The outcome was referred to what is it that the SBR work want to achieve. Also, it was pointed out that discussion is required to see how all the information can be connected cogently.

13. An issue was raised with regard to reputational risks, mainly arising because there is a very large pre-existing body of literature on institutions.

14. Some pertinent issues were raised from the view of donors. It was raised that there is still the basic question of addressing poverty and how does one deliver it. It was clarified that donor agencies like DFID, WB etc support business associations. In this view, it was asked that 'what has SBR work to recommend in terms of value for money?', 'What aspects of business associations are worth investing in terms of policy guidance for donors?', 'Is there policy advice on support to business associations?'

15. Another question was concerning the methodology in terms of concept/approach of the SBR work. It was enquired that whether SBR work is any different from asking the question of 'what is a good competition policy'. It was clarified that the whole point of having competition policy is to have effective SBRs and to avoid collusive behaviour in order to deliver economic growth.

16. Another pressing question was raised with regard to the cost of doing business. For instance, the business approach of the World Bank is to seek generalised reform which is not cost efficient and does not really work. Many developing countries by definition have limited resources.

17. Another issue mentioned relates to nature of informal economy: whether the informal economy is represented; does it have a voice in the policy domain. The workshop referred to formal businesses and its relationship with the states. But for instance informal economy is significant in the case of India and if 70% to 80 % of votes are in informal economy, what does it say about political processes and political parties?

18. Hubert, a co-author of PAPI work, said with regard to PAPI work that only a small part of the entire work has been presented in the workshop. The work undertakes both quantitative and qualitative approaches, though it covers less econometric work. The main difference between the two projects is the time dimension. It was clarified that it is not the sectoral approach that plays an important role in all cases of PAPI's work. A part happens to play an important role in the Egypt case but the same is not true for other cases from the PAPI work. It was asserted that the policy question that drives the PAPI work is 'what can state actors do to promote/accelerate investments in countries that are poor and suffer from government failure'. The big message is that there is hope and a country does not need to wait for a long time to establish an 'ideal' investment climate. SBR India work indicates that building SBRs takes a long time. PAPI's work is suggesting that there are things that can be done quickly to make up ground rather than wait. The informal SBRs based on social networks can be worked out to promote growth. It was clarified that this message is not to suggest that formalisation of SBRs is not desirable but it would take time. It was further said that the other way of putting it is that informal forms of SBRs are not necessarily corrupt and certain specific conditions could be formed under which these informal relationships are less corrupted. Lastly, it was reasoned that such arrangement was successful in the Egyptian case study because of the freedom of press.

19. Conclusion: The session acknowledged variety of interesting issues and questions on methods, concepts, theory. At the same time, it was expressed that it would be difficult for SBR work within the consortium to take up all the issues of SBR. On the point about reputational risk on literature, it was clarified that though the point is well-taken, there are big gaps in the existing literature. Most of the literature is often based upon South East Asia and and some work also covers Latin America. There is much less on Africa..   The literature discusses growth relations or development correlations but very seldom did they indicate or illustrate how they evolve, how they form, what was the political process by which they form etc. It was justified that these are the questions that have come up explicitly in some papers or implicitly in others of the SBR work. It was noted that some of the questions like 'does a country need strong business associations as a pre-condition for establishing good relations?;' 'is there any need of change in state arrangements?', 'Do political parties need to be addressed'; 'what is the agency through which effective SBR emerges?' etc have probably been taken up by CIPI and begin to identify as loosely called as ideological or interest coalition. Further explaining, the session defined interest coalition as a set of people, organisation (possibly sectoral) which recognise the need for them to come together to achieve things which they could not achieve on their own. It was emphasised that it is one of the key elements that underpins a great deal of SBR work. It was felt that another area that need to be looked at (and for which there might not be immediate policy implications) are to address questions like where is the political demand coming from - the state side, business side or from trade union side? The session closed with an open question of how confusions and uncertainties emerging from the SBR research could be communicated to wider audience.s

Communication: Peer Assist Session, led by Sue Martin

The 'peer assist' session used a group exercise to brainstorm and identify relevant stakeholders and ways in which the project can reach out to these stakeholders. The discussion was guided by a 'peer assist relationship table' that provided a base for building communication plan, its monitoring and evaluation. The three main planks of communications were touched upon and the group also considered challenges that might occur while doing communications.

By means of 'relationship table', an overview for conducting communications was given. It was explained that as far as SBR work goes, there are two types of stakeholders- one group that is directly affected by them (State and Businesses) and the other group which can act as instruments in augmenting this relationship (media, academia, current and future donors, civil society). It was added that in the Indian case, civil society may not be a major stakeholder. The interest of civil society is often seen as pro-labour that runs counter to business (CUTS in this context is quite typical). In this relationship, media and academia act almost as umpires.. It was added that media is a better amplifier but academia can be a less biased group. So, both these groups have strengths and weaknesses.

A brief view of communication planning from the perspective of micro and macro work was given. It was proposed not to take government as a unitary actor while communicating. There are areas of government in the form of different ministries from where key individual players could be identified. In each case, whether India or Africa, it is important to work out the process on the basis of target audiences. Later, in group discussions, it was also suggested that it would not be a good idea to exclude civil society from the start of the process itself. The channels should include all actors to get message taken across. The message emerging from the SBR work can be put in constructive ways like there are ways of interaction between S&B that could have development impact. It was urged to think through if policy makers will be approached with a targeted piece of research or with a whole portfolio of potential interest from the SBR cluster.

The following suggestions/messages came from the group exercise that took place to identify target group or points of pressure to mobilise the plan.

Overall Africa/India perspective

1. The approach should be to stress on positives rather than on negatives especially because politicians may react negatively to criticism.

2. Need to clearly identify the intersection of audiences, messages and channels. Need to structure messages according to audiences being targeted.

3. Need to get a blue-print of interaction mechanisms between state and business and identify the pressure points because blue prints vary from state to state and country to country. As it is difficult to target influential politicians directly influencers in the political setup could be identified. It was proposed that opposition government could also be approached because sometimes opposition leader is more personally

powerful than the leader in the current government. The team may also look at existing and ex-government officials.

4. In Indian context, it was clarified that generally personal contacts work well to leverage media.

5. More specific to Africa region, the importance of informal personal contacts especially in the case of small country like Mauritius was emphasised. The university was found to be very powerful medium of change in African countries.

Micro-states perspective (AP)

1. The discussion was targeted to do away with sectoral imbalances and try to have balanced growth in all sectors, like India work shows that particular political regime is concentrating on particular sector.

2. Emphasis should be given to unorganised sector rather than just concentrating on organised sector.

3. Need to indentify industrial parks and they can be located in natural clusters than to relocate them to a new place. A related question was discussed if this initiative should be from the government side or can small entrepreneurs organise themselves. The role of brokers was identified to get these clusters organised. Government in this regard can organise exhibitions for small entrepreneurs. Now in order to operationalise the whole process, a guiding hope was generated by citing positive role played by a research study that was undertaken by IIM, Ahmadabad. AP Industrial Development Corporation was supposed to be wound up. But on the basis of IIM's study, the corporation is now being revamped and will now cater to small entrepreneurs. Earlier it was catering to large and medium entrepreneurs.

4. Nonetheless, it was discussed that one way to approach the corporation is through media. But given the political situation in AP, it would be quite difficult to reach/approach to the government immediately. A question was posed that if it would be too late to start the process in few months' time.

The session was closed with an open task of identifying as where does pro-poor element sit in the communication strategy.

Media was suggested as one best potential channel that could be exploited to reach out to policy makers.

Session on communications: Working with the Media

The session on communications talked about working through media relations. It was more of a session to encourage people to continue the process, about simplifying messages, making them appropriate for media and developing a good story to communicate. It was described that media is a player both for the state and businesses but in many countries it is still an organ of the state. Other mediums like television and radio with commercial concerns are a part of business world and it would be useful to take them into account while doing communications. A short anecdote was narrated to provide a flavour of media environment emphasising that timescales/time sensitivity matter the most to survive in media profession. Any media, for instance the BBC take pride that their unique selling point is not only about being first but also being having reliable news. Their business of broadcasting works on seconds and that's the pace they at function to beat the intense competition in media. The idea was also a way to teach how policy messages could be formulated with short anecdotes.

It was further added that it is prevalent among journalists to look for an exclusive story. The SBR work/findings have potential to be one unless media is hostile either with state-business or towards a type of message being put across. It was communicated that for the most part media will consider anyone, who provides insightful findings like SBR team leader, a resource person who is a potential expert interviewee. All that is required is to present well through good packaging. It was stated that once requisite credit is earned for that performance, eventually one easily becomes a part of the media circle and everyone else's contact list. It was further added that working through informal contacts can be very effective to attract media, for instance, CUTS is quite experienced and skilful in getting to media. It has already acquired ways to package and deliver to media. Using CUTS's experience might help.

In general it was described that there are six things that make news. It is always more complex than things appear and there is ought to be more than one answer to any story. Although there are different ways of formulating a news item, the following can be the key areas around which a news-story could be developed:

-Conflict
-Scandal
-New
-Events
-People
-Communities

It was explained that journalists need things packaged easily and simply. With regard to SBR's case, there are some overlaps. Generally, it is difficult to formulate news in different ways and target one message to one group. It was stated that there has to be some kind of consistency in top-line message that is to be used and the other badge of news. It was further explained that in the event there is an interview to attract more people then it is advisable to speak not more than three messages in the interview. It was noted that a lot of

politicians tend to stick to one message in their interviews to catch attention. It was also added that language of a message should be simple but not so simple that peers undermine the complexity of work or it endanger misrepresenting the work.

As regards style to put things across from the SBR work, it was clarified that sometimes it works well to work with clusters of research wherein a number of activities are going on. It may work as a menu in which an overarching message could be the fundamental message about SBR relations. It can form the first message slide and following it, there might be three key messages. The top-line can work to stress universality of SBR's findings. It was also suggested that SBR teams might look at three different studies of India and Africa and look for similarities. There could be brief proof to support the argument. It was suggested that an anecdote, visual or a personal anecdote are often memorable and help to drive people to look at particular research especially when formalised and technical arguments have disappeared. It is useful to work out things from a journalist's perspective and provide structured input. It was pointed out that there is a point of alignment of messages and target audiences. It is important to think through that the story-line that SBR takes has any policy message or is it an open ended with one side and the other side message.

Taking an example of CUTS experience with Delhi media, it was informed that media usually likes press release of 150 words or so. Though there is no limit to number of messages, it works well to broadcast one central idea. Most of the times, quoting somebody famous works well in press release, though there can be different techniques for writing different pieces. It was further added that timing is extremely important to convey certain messages. One needs to understand context of the message with its clear objective before communicating it out, as one rarely gets a second chance to clarify the message. The choice of media can be made depending upon what one wants through a media intervention.