
THE GROWTH GAME: THE INSTITUTIONS OF DEVELOPMENT AND THE DEVELOPMENT OF INSTITUTIONS

CASE STUDIES FROM AFRICA AND SOUTH ASIA

OUTLINE

- **THANKS**
- **WHO WE ARE - IPPG**
 - **Professor Sen, Dr Chinsinga, Dr Leftwich**
- **LEGISLATORS AND ACADEMICS**
- **INSTITUTIONS AND ORGANIZATIONS**
- **GROWTH IS INCONCEIVABLE WITHOUT APPROPRIATE INSTITUTIONS**
- **INSTITUTIONS ARE NOT 'SO YESTERDAY'**
- **CASE STUDIES which illustrate this:**
 - **LAND REFORM IN MALAWI**
 - **INDIAN FOREST RIGHTS ACT**
 - **STATE-BUSINESS RELATIONS**

A PARABLE:
WHY DO THE OLYMPIC GAMES WORK?

- **WIDE RANGE OF ETHNICITIES, POLITICS, RELIGIONS**
- **YET THEY PLAY THE GAME(S)**
- **FOOTBALL, TENNIS, BADMINTON ETC. THE SAME**
- **WHY?**
- **THEY ACCEPT THE RULES OF THE GAME(S)**

‘RULES OF THE GAME’ ARE WHAT WE UNDERSTAND AS INSTITUTIONS

- **‘GAME’ (AND ‘GROWTH GAME’ IN TITLE) NOT MEANT TO TRIVIALISE**
- **METAPHOR FOR A FIELD OF ACTIVITY SHAPED BY RULES**
- **HUMAN SOCIETIES INCONCEIVABLE WITHOUT INSTITUTIONS**
- **RULES OF THE ‘GAME’ ARE INSTITUTIONS**
 - **Political, Economic and Social institutions**
 - **Institutions of marriage (vary)**
 - **Institutions of slavery (also vary)**
 - **Institutions of democracy (vary considerably)**
 - **Institutions of the market (seldom the same)**

INSTITUTIONS CAN BE *FORMAL* or *INFORMAL*

- ***Formal institutions:*** laws, regulations, decrees: officially sanctioned and enforced by third parties.
 - Rules about property rights, contracts, regulations
 - Electoral laws, constitutions
 - Protection of children, gender equality
- ***Informal institutions:*** socially shared customs, conventions, norms, usually unwritten, not *officially* enforceable
 - The institutions of the *feud, patronage, gender inequality and caste*
 - Customary land tenure shaped by custom and convention, and may not allow private ownership, purchase or sale.
- ***Also HYBRID institutions***
 - Chiefs in Botswana
 - Customary and bureaucratic
 - British Constitution – Magna Carta, Act of Settlement, EU

INSTITUTIONAL CONFLICT DAMAGING

- **Examples:**
 - **Tanzanian coffee market**
 - **Post *ujamaa* free markets**
 - **But power of village authorities to bar buyers**
 - **Impact on smallholder growers**
 - **Compelled to sell through co-ops (not always bad)**
 - **Patron-client politics**
 - **Compromises equity, bureaucratic norms**
 - **May impact on economic growth**

ORGANIZATIONS

- Where institutions are the rules of the game, organizations are the players who play the *games within the rules* (or seek to change them, ignore them, exit from them or overturn them).
- **COMPANIES/BANKS/BUSINESSES IN A MARKET**
- **PARTIES IN A POLITY**
- **MINISTRIES IN THE INSTITUTIONS OF STATE**
- **FAMILIES IN A SOCIAL STRUCTURE**

INSTITUTIONS IN DEVELOPMENT POLICY THINKING

- In 1980s, economic growth seen mostly due to technology and capital accumulation.
- Obviously necessary too, but
- Shift in thinking in 1990s – *World Development Report 2002*. Strong interest in institutions.
- DFID too - What are the ‘right’ institutions for developing countries to adopt?

CURRENTLY – HAVE WE COME FULL CIRCLE?

- **In recent policy documents from World Bank and DFID, institutions almost ‘add ons’, not central to the analysis.**
- **Commission on Growth and Development (Spence Report); Transatlantic Task Force**
- **DFID Research Strategy 2008-2013**
- **But institutions are not ‘so yesterday’!**

IPPG THESIS

- **POLITICAL AND SOCIAL INSTITUTIONS SHAPE AND INFLUENCE FORM, FUNCTION AND OPERATION OF ECONOMIC INSTITUTIONS**
- **RELATIONS BETWEEN ORGANIZATIONS + INSTITUTIONS ARE THE DYNAMICS THAT DRIVE OR RESTRAIN GROWTH**
- ***THAT'S THE 'GROWTH GAME'***
- **CRUCIAL TO UNDERSTAND THEM CAREFULLY**

MALAWI LAND REFORM –

a case of institutional incompatibility

- **LAND PROBLEMS+FOOD PROBLEMS**
- **WORLD BANK FUNDED PILOT PROJECT -
MCBRLDP**
- **SENDING AND RECEIVING DISTRICTS**
- **BENEFICIARIES SUPPOSEDLY CHOSEN BY
'ELECTED' COMMITTEES – but not in practice**
- **GROUPS OF 10-35 HOUSEHOLDS**
- **IDENTIFY LAND AND NEGOTIATE PRICE**
- **PROJECT BUYS UNUSED ESTATE LAND**
- **2 Ha PER HOUSEHOLD**
- **\$1050 START-UP PAYMENT FOR
RESETTLEMENT AND FARMING ACTIVITIES**

RESULTS

- **FIRST YEAR FOOD PRODUCTIVITY UP**
- **SUBSEQUENT YEAR DECLINE**
 - **LAND REFORM NOT ENOUGH**
 - **COMPLEMENTARY SUPPORT SERVICES NEEDED**
- **LOCAL INHABITANTS CLAIMED THE LAND**
- **PROTEST OF LOCAL CUSTOMARY LEADERS AGAINST NEW LAND POLICY (This the pilot)**
- **WOULD IMPACT ON CUSTOMARY AUTHORITIES POWER**
- **AND IMPACT ON SUBSIDIES – LESS PER HEAD**
- **BENEFICIARIES COMMUTING BACK TO PREVIOUS AREA**
- **PURPOSE OF PROJECT NEGATED**
- **PROJECT FAILED TO UNDERSTAND THE INSTITUTIONAL AND POLITICAL CONTEXT PROPERLY**
- **CAPTURE OF PROJECT BY LOCAL COMMITTEES IN SENDING AREAS**
 - **\$1050 !**

INDIAN FOREST RIGHTS ACT:

Where organizations hamper
or help institutional reform

- **FRA 2008**
- **RESTITUTION OF DEPRIVED RIGHTS TO FOREST DEPENDENT PEOPLE (Mainly ‘tribals’)**
- **WILL BENEFIT 100 MILLION POOR**
- **IMPLEMENTATION VARIES BETWEEN WEST BENGAL, ANDHRA PRADESH, ORISSA**
- **DEPENDS ON STATE FOREST DEPARTMENTS – HAVE NOT BACKED THE ACT**
- **BEST WHERE POLITICALLY STRONG + ACTIVE NGOs**

STATE-BUSINESS RELATIONS (SBRs)

- **INSTITUTIONS SHAPING SBRs VERY IMPORTANT**
- **CRITICAL FOR GROWTH AND PPG**
 - **Formal or informal**
- **CAN BE COLLUSIVE, PREDATORY, RENT-SEEKING, DISTRIBUTIONAL COALITIONS**
- **OR SYNERGISTIC**
 - **DEPENDS ON STRONG BUSINESS ASSOCIATIONS**
 - **COMMITTED PROFESSIONAL GOVERNMENT DEPARTMENTS**
 - **SHARED NATIONAL GOALS**
 - **REGULAR CONSULTATION – TRANSPARENCY, TRUST, RECIPROCITY + INFORMATION**

POSITIVES AND NEGATIVES

■ MALAWI

- BANDA ERA - BUSINESS SUFFOCATED
- POST BANDA - STRUGGLE FOR AUTONOMY

■ MAURITIUS

- RECOGNITION OF SHARED GOALS
- JOINT ECONOMIC COUNCIL (JEC) 1970s
 - REGULAR MEETINGS, CONSULTATION, JOINT DELEGATIONS
 - SYNERGY

- OUR RESEARCH SHOWS EFFECTIVE SBRs LEAD TO STRONG GROWTH OUTCOMES
- ILLUSTRATES SALIENCE OF INSTITUTIONS

POLICY MESSAGES

- **INSTITUTIONS STILL MATTER**
- **BUT 'INSTITUTIONAL MONOCROPPING' DOES NOT WORK**
- **INSTITUTIONAL REFORM NOT A TECHNOCRATIC EXERCISE – BUT POLITICAL**
 - Don't ignore local informal institutions and organizations
- **INSTITUTIONAL CHANGE NOT 'NEUTRAL' PROCESS**
 - Winners and losers (FRA)
 - Rich and powerful resist
- **GOOD GOVERNANCE NOT JUST ABOUT RULE OF LAW/S BUT ABOUT SYNERGISTIC STATE-SOCIETY RELATIONSHIPS (eg SBRs)**
 - Support and broker *processes* which facilitate good SBRs
- **'GROWTH GAME' DEPENDS ON EFFECTIVE INSTITUTIONS AND GOOD ORGANIZATIONS**