# The political economy of development in Africa:

## A joint statement from five research programmes

**on behalf of**

**Africa Power and Politics Programme**

**Developmental Leadership Programme**

**Elites, Production and Poverty: A Comparative Analysis**

**Political Economy of Agricultural Policy in Africa**

**Tracking Development**

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## Content



## Summary

Development outcomes in poor countries depend on the political incentives facing political leaders. This paper spells out some of the implications of this observation in the context of sub-Saharan Africa's development challenges. It draws on the common themes that have emerged from five major international research collaborations. African countries badly need to embark on processes of economic transformation, not just growth, and they are not helped to do so by insistence on prior achievement of Good Governance, meaning adoption of the institutional 'best practices' that have emerged in much richer countries. In the African modal pattern, clientelism is competitive in ways that undermine possibilities for transformation. However, there are exceptions, both at the macro level and within particular productive and social sectors. These exceptions provide fuel for fresh thinking about how to use aid to better effect in generally difficult circumstances, especially by helping sector actors to overcome the collective-action problems that prevent them moving ahead. The research provides pointers to what the alternative, 'good fit', approach to development cooperation should look like. This approach would imply a fundamental shift in aid philosophy in the OECD countries, away from aid as principally a financial transfer and towards a clearer recognition of the role of institutions and the relevance of institutional change.

## 1 Introduction

In this paper we – five major research programmes led from Europe, Africa and Australia – present a set of important research findings and policy recommendations on the political economy of development in sub-Saharan Africa. We have taken a deliberate decision to do this jointly.[1]

This is unusual. Normally researchers disagree. We like academic controversies and even make a living out of them. Our five programmes have different theoretical starting points and research approaches, and their conclusions differ in some significant ways. However, our findings are identical on a number of central points. And these findings, taken together, raise outstandingly important questions for the way development is promoted and supported in Africa.

We think that this convergence of perspective, from quite different points of departure, gives our joint findings extra credibility. We hope that it will help to get them the attention they deserve from development practitioners and policy-makers.

***Opening the black box of 'political will'***

Our single most important message is that development outcomes in poor countries depend fundamentally on the political incentives facing political elites and leaders.

This has always been recognised at one level, with development successes and failures regularly attributed to the presence or absence of 'political will'. Yet political will has usually been treated as an inexplicable 'black box'. Or else the assumption has been made that political incentives vary little across countries and time periods.

We think it is time to open up the black box. Enough is known, from history and studies of political systems today, to say some definite things about the specific contexts in which political ambitions are shaped and policy choices are made in different parts of the world and at different stages of countries' development processes. It is time for organisations and individuals who aim to support development efforts in poor countries to face up to these realities and take them more seriously into account in designing their interventions.

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[1] This statement was drafted by David Booth and Ole Therkildsen following two days of discussions among researchers from the five programmes held in Copenhagen on 15-16 March, 2012. A representative from the newly started Effective States and Inclusive Development Research Centre (ESID) also participated in this workshop. Following the conference on 30 March, the statement has been slightly revised. The views expressed are, of course, those of the researchers, and not of the programmes' funders which include AusAid, the Danish Consultative Research Committee for Development Research, DFID, GIZ, Irish Aid and the Netherlands Ministry of Foreign Affairs.

We shall set out our conclusions clearly, using a minimum of technical language but not over-simplifying. They centre on the question of political incentives, but first we have to say something about the scale and nature of the development challenge in Africa (by which we shall mean Africa south of the Sahara).

## 2 Africa's development challenge

African countries need economic transformation, to sustain pro-poor growth, to cope with population increases, to become competitive in the global economy and – last but not least – to create the conditions for better governance.

***Not just growth***

At first glance, Africa appears to be on the right track. For example, in a 2010 book *Emerging Africa: How 17 countries are leading the way*, Steven Radelet argues that many African economies have been growing fast since the mid-1990s owing to the spread of democracy; improved policy-making; and the emergence of new political leaders who increasingly work hand-in-hand with donors. Such optimistic views are now becoming the new conventional wisdom about sub-Saharan Africa. They are very appealing, because they reinforce the assumption we all like to make that good things go together.

But we disagree. While economic growth in the 17 countries is impressively high it is typically driven by natural resource exploitation, tourism and other services. This type of growth can happen without economic transformation – by which we mean a diversification of economic activities and livelihoods arising from improvements in the productivity of land and labour, and an increase in the technological capabilities of national firms and farms. Growth in itself does not pull masses of people out of poverty; the poverty-reducing potential of growth depends on the type of economic activities driving that growth. And without economic transformation, spurts of high growth are unlikely to be sustained.

***The scale of the challenge***

Population growth in sub-Saharan Africa is presently around three per cent per year while urban populations are growing even faster. Feeding these growing populations will require unprecedented increases in agricultural productivity, far exceeding the historical record over the past 15 years. In the future, huge numbers of jobs will need to be generated in urban areas to give employment to new generations of young people, including in manufacturing and other industries. Public services, in education, health and other fields, need to be provided on a larger scale and at much higher levels of quality if any of this is to be achieved. At the same time, meeting the needs of environmental protection and sustainable energy use is set to become increasingly hard.

Finally, Africa faces major challenges from globalisation. With increased trade liberalisation producers must compete successfully in domestic and international markets to avoid complete marginalisation by dynamic players such as the BRIC countries, Malaysia and Turkey. Successful export industries need to be fostered not just because foreign aid is insufficient to pay for all essential imports but because, unlike aid, such industries contribute importantly to the generation of technological capabilities in the domestic economy. Dynamic new export industries (outside of natural resource exploitation) are not a significant feature of Africa's recent growth acceleration.

***Transformation and democratisation***

We also challenge the assumption that the spread of democracy and the acceleration of economic growth are linked in the way Radelet suggests and is commonly assumed. We agree that the recent growth is in part the product of the adoption of sensible policies, for example on inflation control and exchange rates, that were actively promoted by the international community at the same time as Africa's wave of democratisation was getting under way. However, we are going to argue that because of the way democratisation affects politicians' incentives in poor developing countries, the introduction of competitive elections is a mixed blessing for achieving the economic transformation that Africa needs.

Moreover, if transformation is not achieved it will be very bad news for Africa's fragile democracies. The lessons of history are quite clear on this point: democracies prosper when economies and societies have achieved a certain level of structural complexity. Democracy depends on the formation of social classes, including productive capitalists, and organised professional groups and wage-earning workers. This only happens as a result of economic diversification and the accumulation of technological capacities. As explained below, another effect of economic transformation is to enlarge the tax base, which enables the financing of politics and economic innovation to occur through the government budget, rather than through corruption. In short, transformation is also needed to create the conditions for better governance.

The five research programmes have – each in their own way – focused on understanding the politics shaping the incentives that drive or hinder economic transformation and better service provision. This has generated strongly convergent and complementary research findings and agreements on some major policy implications. Before we say what these are, the five research programmes should be briefly introduced.

## 3 The five research programmes

The text boxes inserted throughout the paper provide basic information about the five programmes and the main research questions that each one asks:

Although asking different research questions about a different range of countries,[2] all five programmes share some important features.

- They have been looking systematically for variations in developmental outcomes that are attributable to policy actions taken in different political and structural contexts.
- Their main empirical source is in-depth comparative case studies, enabling a focus on understanding causal mechanisms as well as establishing causal regularities.
- The resulting 'middle-range theories' provide insights about the reasons for outcome variations which lead to policy implications of a kind that large-N statistical analyses – often used as basis for donor policy prescriptions at present – cannot deliver.

## 4 Economic transformation and governance

Since around the end of the 1980s, the World Bank and OECD member governments have been telling Africans to get 'Good Governance' as a necessary first step in development. Good Governance in this context refers in a broad way to the institutional arrangements that have proven their worth in OECD countries in the period since the Second World War. Advocates of the Rights Based Approach to development often end up saying something similar as a result of their insistence on realising all human rights simultaneously and without distinction. These arguments are ideologically congenial. However, they are not evidence-based.

***Good Governance gets it wrong***

Good Governance, or the emulation of the institutional 'best practices' of OECD countries, is *not* a precondition for successful economic transformation. Successive generations of development success in East and Southeast Asia have been attained without adherence to Western 'best practices', most recently and massively in China and Vietnam. The research by Tracking Development on Southeast Asian and comparable African countries makes clear that the reasons most of the former achieved sustained, pro-poor growth and none of the latter did over the 50 years since 1960 are mostly about policy differences. During the early decades of the period, Indonesia, Malaysia and Vietnam invested heavily in rural development,

[2] While the country range is wide, it should be noted that we have worked exclusively in countries at peace and not in any of the most fragile states of sub-Saharan Africa.

driven by urgency, outreach and expediency. They did so under a variety of political regime types, none of which were free of major corruption. They made some progress towards democratisation only after achieving substantial economic transformation.

***From 'best practice' to 'good fit'***

What is important, our programmes agree, is not whether countries comply with governance ideals. It is how the political elites, sector actors and state officials of a country respond to the specific incentives that they face when they make choices about policies and their implementation. This concerns governance and the institutional context, but not Good Governance. And it is less about the formal structures of governments, parties and elections, and more about informal aspects of the way decisions are made and actions taken at all levels of the political system and society.

> **Africa Power and Politics Programme (APPP)**
>
> *Main research question:* What kinds of institutions and ways of exercising power work for development in Africa?
>
> *APPP* is a consortium research programme with activities in 17 African countries and institutional partners in Ghana, Niger, Uganda, France, the US and UK. Starting from a sceptical perspective on the relevance of the good-governance agenda, it is committed to 'discovering institutions that work for poor people'. The focus is on governance institutions and organisations at national, sectoral and local levels, and how these influence development outcomes, especially through their effects on the provision of key public goods. APPP has research streams on national investment climates, cotton-sector reforms, state bureaucracies, parliamentarians, religion and state education, local justice and local governance. It publishes policy briefs, working papers, journal articles and books.
>
> Funded by DFID and Irish Aid until 2012, APPP recently launched a continuation project on Initiating and Sustaining Developmental Regimes in Africa in partnership with researchers from Tracking Development (see box). The new project is supported by the Netherland Ministry of Foreign Affairs.
>
> For further details, visit http://www.institutions-africa.org

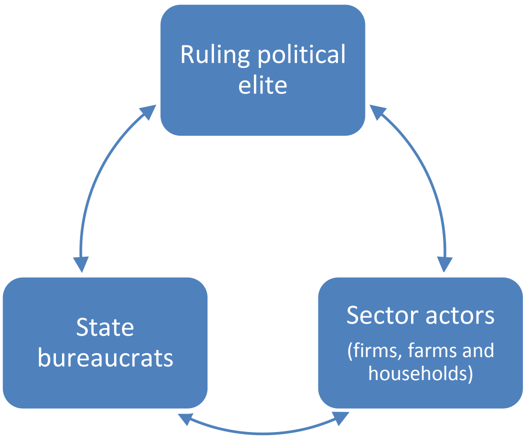
The importance of understanding the deeper dimensions of country contexts, in this sense, is an idea that is getting some traction in development cooperation. There is increasing interest in the difference between a 'best practice' and a 'good fit' approach to the programming of assistance. Our five programmes have put substantial efforts into understanding the incentives country actors face, how they depend on the specific country or sector context, and why they influence developmental outcomes as they do. Our shared approach puts us in a good position to put some flesh on the bones of the 'good fit' approach to cooperation with developing countries.

## 5 What shapes policies and their implementation?

### *Actors and their incentives*

Our joint view of what works to achieve economic transformation is the result of convergent findings from our own and other studies, at sectoral and national levels and in different time periods in the history of Africa and Asia. Simplifying radically, what shapes the ability of policy to drive economic transformation is the extent to which mutual interests, cooperative relations and synergies emerge between three large groups of actors, as depicted in Figure 1.[3]

**Figure 1: Actors and incentives, generic model**




We assume that when in office members of national political elites are motivated to an important extent (not exclusively) by the desire to stay in power. When out of office, they are concerned to regain power. To a greater or lesser extent, political decisions are framed by beliefs and ideologies, but within that context leaders select policies (formally adopted and *de facto*) that they perceive will help – directly or indirectly – to keep them and their ruling coalition in power, or to gain power.

Of course, this is generally true of politicians, even in Denmark! What differs across countries and time-periods is the way this general motivation gets translated into incentives to behave in one way rather than another as a result of the specific characteristics of the political and socio-economic system of the country. Similarly, state officials and sector actors have the same basic motivations in all societies, but the incentives they face are structured in different ways.

[3] This is a simplified and adapted version of a figure which has been developed in various publications of the EPP programme.

*The modal pattern and the exceptions*

It has been shown by countless studies that the ideal state of affairs where the three groups of actors effectively work together in ways that generate sustained economic and social progress has been quite rare in history. It is therefore not surprising that in Africa today, the relationships among the actor categories are typically of a sort that is much less favourable to development outcomes. From the point of view of outcomes, the relationships are not mutual, cooperative and synergistic, but antagonistic, exploitative and perverse. At least, that is the modal pattern.

But we are also interested in the exceptions to this modal pattern both at country level and at the level of particular economic sectors or spheres of public service delivery. This interest derives partly from the importance we give to generating positive policy implications. It leads us to conclusions about what country actors and external agencies might be encouraged to do differently, so as to achieve better results in admittedly difficult structural contexts. Understanding exactly how and why exceptions occur is the first step to applying the notion of 'good fit' to development practice. Our programmes have a number of important and convergent things to say on that subject. We begin, however, with the modal case.

**Developmental Leadership Program (DLP)**

*Main research question*: What is the role of developmental leadership and coalitions in development?

*DLP* is an independent research and policy initiative, funded largely by AusAID. Its core focus is the role of political processes in development and, especially, the role of developmental leaderships and coalitions in shaping locally appropriate institutions and policies that promote sustainable growth, political stability and social inclusion. DLP research demonstrates that the key players in these processes are local leaders, elites, and coalitions at all levels and in all sector and issue areas, and that outcomes are shaped by how they work politically in different structural contexts. Research has been done in South Africa, Botswana, Mauritius, Zimbabwe, Egypt, Jordan, Uganda, Yemen, India, Indonesia and China, and on issues ranging from the inner politics of predatory and developmental regimes to the politics of emissions reduction in China and India; and from women's coalitions against domestic and sexual violence, to the role of local leaderships in effective service delivery at sub-national levels. New work on coalitions and, especially, developmental coalitions in the Pacific and Caribbean, Colombia, Philippines and Africa starts soon.

For further details see www.dlprog.org

## 6 Why are developmental political settlements not usually achieved?

Economic transformation, we have said, does not require Good Governance. It does, however, require governments that can make credible commitments to firms and households that any advantages they gain from investments made will not be expropriated, in one way or another. It calls for the politicians in power to prioritise the provision of the main public or collective goods (such as transport infrastructure, support-agencies, regulatory bodies) which influence private investment decisions. And it calls for them to support measures to address the many coordination challenges facing specific productive sectors, such as the synchronisation of public and private investments. This is likely to mean directing elements of the state bureaucracy to engage in a constructive way with the main sector actors, thereby completing the possible virtuous circle suggested by Figure 1.

***Good politics can be bad economics***

In the majority of poor African countries today, governments cannot make such commitments or follow such priorities, because the ruling elite (usually some sort of coalition of different elements) operates on a patron-client basis. It needs to get access to 'rents' in the economy to cement its internal relationships and buy the support of crucial constituencies. By 'rents', here and in the rest of the paper, we mean all those income flows which are additional to normal market-based profits and wages. The category includes revenues from natural and administratively created monopolies, subsidies, natural resources and, not least important, corruption and aid. Some of these rents are economically efficient or socially beneficial, others are not.

Because politicians are typically constrained to generate and use rents to cement their alliances, 'good politics' can result in 'bad economics', as Merilee Grindle pointed out a long time ago. Policies are adopted that facilitate an uncoordinated and competitive 'rent seeking' by individuals or factions within the political and economic elite of the country. There is no mechanism which would allow the elite to impose a collective discipline on themselves so that rents can be managed centrally and allocated in ways that support transformation – for example by financing the learning costs of pioneer firms.

This is harmful to the investment climate. As a consequence, the coordinated investments, big and small, that economic transformation would require do not get made. However, this is not the result of the politicians' having no interest in the development of their countries, or of being in a general sense worse leaders than their counterparts in Denmark. Rather, the problem lies in the logic of a situation in which the socio-economic structure is as much a constraint on political practice as the other way round. In Africa, as in *all* less developed regions, the capacity of the formal capitalist sector to generate incomes that can be taxed to become state revenues is limited. Consequently, ruling elites do not have the resources to meet the demands of crucial coalition groups without resorting to various kinds of off-budget transfers and informal sharing of rents.

### *Why democracy doesn't help*

This logic, which leads the political system to become predatory on the economic system, is common under both dictatorships and democracies in less developed countries. But it is particularly important to appreciate why the introduction of formal multi-party competition into such an environment does not alter the basic logic, even if it may shape it in some new ways.

> **Elites, Production and Poverty: a comparative study (EPP)**
>
> *Main research question*: What motivates ruling elites to support productive sectors with well-implemented government initiatives?
>
> *EPP* does research in Bangladesh, Ghana, Mozambique, Tanzania and Uganda. It focuses on economic transformation – in particular on the political and economic processes driving the formulation and implementation of state initiatives to develop productive sectors. Three propositions are advanced: (a) Ruling political elites support the development of productive sectors when they perceive that this helps them to remain in power; (b) Ruling political elites choose policies and implementation arrangements as part of their strategies for maintaining ruling coalitions and/or winning elections. Such choices affect certain features of the policies, the sectors selected for support, and implementation capacity; and (c) Good economic outcomes depend on i) close relations between the ruling political elite and the relevant productive entrepreneurs based on their mutual interests; and i) the ability of the ruling elite to create pockets of bureaucratic capabilities to implement specific policies.
>
> EPP received a grant from the Danish Consultative Research Committee for Development Research which ends in 2012. For further details, visit www.diis.dk/epp

Clientelism in Africa is to a greater or lesser extent competitive under both authoritarian and more democratic regimes.[4] Political elites are fragmented along economic, regional, ethnic, religious and other lines. Cooperation for the greater good is extremely difficult, so different members of the elite compete with each other to build and sustain winning coalitions. They do so by allocating private benefits to those groups on whose support they rely and targeting threats at significant opponents. Typically, multi-party elections formalise and sharpen this competition with often mixed results for development.

Our studies have documented several ways in which 'young democracy' has proven a mixed blessing from the perspective of economic transformation. In several notable instances documented by PEAPA and EPP, the desire of presidential election candidates to build up a mass rural following or get

[4] According to Mushtaq Khan competitive clientelism is the most widespread form of political settlement in developing countries. It means that the coalition in power is challenged by strong internal factions and by excluded groups. Typically, the ruling political elite also base its power on strong lower-level factions, which provide it with significant organisational power to win elections, but also demand benefits from ruling elites in exchange for its support.

the attention of swing voters has led them to issue bold promises of investments or subsidies to important agricultural constituencies. Elsewhere, campaign-trail promises have abolished unpopular taxes or introduced sweeping exemptions from user fees in public service sectors. The downside is that the required complementary measures and implementation conditions have not been provided, so that the potential benefits have not materialised. After the bold gesture, the general logic of competitive clientelism has kicked in; the *de facto* policy has been shaped by the imperative of sealing the alliances needed for the leader to remain in power.

Under these circumstances, the interests of the ruling political elite work against the creation of the pockets of administrative efficiency where state bureaucrats could take implementation in hand in a deliberate way and relate constructively to the needs of the firms and farms in the relevant productive sector. Much the same applies to the ability of officials to address the main blockages in the service-providing branches of government.

***More on fragmentation and collective action***

A natural expectation, perhaps, is that in such a situation the sector actors will organise to exert pressure on government to deliver more fully on its promises. However, typically the entrepreneurial, peasant and service-user groups are no less subject to fragmentation and consequent collective-action problems than the elites. It is only in exceptional cases and, in the longer term as transformation begins to create more homogenised interest groups, that these possibilities become realistic. In history, economic transformation has usually happened simultaneously and interactively with the emergence of a greater orientation towards broader interests and the provision of public goods and universal services on the part of political elites and the state.

Our basic joint contention is that this fragmentation needs to be recognised as the 'name of the game' in contemporary Africa. Africa will get fast economic growth for some time yet, but most economies will not get transformation. Some countries will have consolidated multi-party systems, like Ghana, but this will not help them to achieve the conditions for economic transformation and the sort of progress in social conditions and indeed governance that comes with it; that is, unless and until ways can be found of blunting the effects of competitive clientelism on the quality of economic and social policy.

***Being realistic in order to be constructive***

There is nothing to be lost, in our view, from recognising this reality, and much to be gained, because it can provide the basis for constructive thinking about what can feasibly be done differently. The policy approaches we shall recommend at the end of this paper are all about trying harder to locate the possible entry points for actions that could make a difference to the workings of the modal political economy we have described, whether at the national level, within selected productive sectors or at the level of particular public services and key issues in the social sectors. We rest this thinking largely on the evidence of exceptions to the modal pattern that our programmes have documented.

**Political Economy of Agricultural Policy in Africa (PEAPA)**

*Main research question*: How does emerging democratic politics affect policies for agricultural development?

PEAPA is one of eight work streams undertaken within the DFID-funded Future Agricultures Consortium. It draws on comparative case study work in eight African countries: Burkina Faso, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Rwanda and Tanzania. The first phase of work (2011-12) sought to understand how political systems affect the incentives that state agencies face to invest in supporting growth of smallholder agriculture. It paid particular attention to the provision of infrastructural and institutional public goods, given their importance to smallholder agriculture, and to the impact of democratisation, given that in most of the focus countries the majority of the electorate live in rural areas and might be expected to exchange their votes for better agricultural policies. The second phase of work (2012) explores how the contrasting political incentives identified in the first phase have influenced the eight countries' engagement with the Comprehensive Africa Agriculture Development Programme (CAADP).

More information is available from www.future-agricultures.org/peapa

## 7 Thinking about alternatives: exceptions and missed opportunities

The five programmes have documented two kinds of 'exception' which provide good fuel for thinking about possible missed opportunities and alternative approaches:

- *Big-picture exceptions:* countries which for significant periods of time have diverged from competitive clientelism, showing that this form of political settlement is not unavoidable, even in very poor, structurally undiversified economies.
- *Small-picture exceptions:* sectors where, against the odds, the triangular relationship between ruling political elites, sector actors and state officials assumes a more benign form from the point of view of economic transformation and social progress.

There are no pure success stories among our examples, and this should not be surprising. The method our programmes share is not a search for 'models' to be promoted, but the investigation of empirical diversity as the best route to the kind of middle-range theory that can be a guide to better development policy and practice. The diversity of real world cases, in terms of the variables of interest, is not very great, and we have to recognise and work within this limitation.

***Big-picture exceptions***

*Economic transformations in Asia*

The most remarkable big-picture exceptions studied by our programmes are countries in East Asia and Southeast Asia during the second half of the 20$^{th}$ century. The developmental breakthroughs achieved by South Korea, Taiwan, Thailand, Indonesia, Malaysia and Vietnam during this period are a familiar story in their outline. Most social scientists and some political leaders in Africa are aware of the literature on East Asia's developmental states and recognise that this 'model' has some relevance to their continent. For example, the latest Ugandan development plan points to Malaysia as a shining example. But the nature of the lessons that Africa can usefully draw from Asia has not always been crystal clear. We think our research adds some vital qualifications to the way the story is usually told.

Our shared approach is broadly in the tradition of Peter Evans' writings on the 'embedded autonomy of the state' in the sense that we focus on processes – and in particular on changes in the triangular relationship between political elites, sector actors and state officials. On the other hand, our accounts differ somewhat from this tradition, or the way it has been generally read, in downplaying the extent to which the critical change processes were directed by a strong overarching, long-term political vision and carried out by a comprehensively modernised state bureaucracy.

*Getting the Asian story straight*

Muddling-through, accidental coincidences of interest, and learning by doing, play quite a prominent part in our accounts of Asian experiences, as they do in much of the more recent specialist literature. The economic policies pursued were certainly heterodox, involving a more active role for the state than has been fashionable in Africa for the last quarter-century. But in the initial stages, state activism in Southeast Asian countries was more about reaching the mass of the peasantry with economic and social infrastructure and support services, rather than about 'picking winners' in the industrial sphere. Visionary state officials in protected 'islands of effectiveness' – planning ministries or agricultural agencies – played an important part in the process, but there was no comprehensive improvement to state bureaucracies. As noted above, corruption was far from eliminated, but just restricted to certain spheres and modalities with the effect that it did not fatally damage the investment climate and even perhaps, in some cases, contributed to the development process.

*What about Africa?*

In continental Africa, there has never been anything quite equivalent to the Asian successes. However, there has been more diversity among post-independence African regime types than is commonly recognised. As a way into this topic we have started from the observation that the economically successful Asian regimes were mostly either post-Communist (China and Vietnam) or highly clientelistic regimes in which economic rents were able to be centrally managed and directed under military dictators or dominant parties (Taiwan, Indonesia, Malaysia). In African experience, there have been no examples of the former type of regime, but several which have approximated to the latter. The early-independence regimes of Houphouët-Boigny (Côte d'Ivoire), Kenyatta (Kenya) and Banda (Malawi) achieved centralised rent-management and this led to significant economic transformation and social advance for a period.

**Tracking Development (TD)**

Main research question: *Why have sub-Saharan countries developed much slower than Southeast Asian countries in the past half century?*

Tracking Development was a research programme conducted by a multidisciplinary team of researchers from the Netherlands, Africa and Southeast Asia between 2007 and 2011. The central question was which factors could explain the divergences in development outcomes in South-East Asia and sub-Saharan Africa over the past 50 years? The research included four paired country comparisons: Indonesia and Nigeria, Cambodia and Uganda, Malaysia and Kenya, and Vietnam and Tanzania. A cluster of three policy areas showed to have great explanatory value for the Southeast Asian success: (1) massive pro-poor, pro-rural spending initiated by the state, leading to higher incomes for peasant farmers, (2) disciplined fiscal and exchange rate policies, and (3) economic freedom for peasant farmers and small entrepreneurs.

More information is available from http://www.institutions-africa.org/trackingdevelopment_archived/home.html

Once again, none of these exceptions are models; they are just food for constructive thinking about options and opportunities. In any case, they occurred under non-repeatable circumstances and did not endure for long enough to alter their countries' long-term development trajectories. None of them had a strong record on respect for civil and political rights. The same caveats apply to the present-day exceptions on which our programmes have focused: Ethiopia and Rwanda.

*Learning from differences*

Neither the Ethiopian nor the Rwandan regime is yet a runaway success in economic transformation, and in both cases there are some question-marks surrounding the institutionalisation of the leadership and the durability of the mechanisms for rent centralisation that have been put in place. However, we argue that there is already enough in these cases to illustrate the feasibility of a political settlement that differs significantly from competitive clientelism. Although the Ethiopian and Rwandan patterns differ in detail and are evolving through time, they currently illustrate at least some of the necessary conditions for a developmentally benign version of Figure 1. They provide a striking contrast – with huge implications for development and development-assistance policy – with the leading current case of moderate progress under competitive clientelism, that of Ghana. They provide fuel for thought in countries like Ghana about what it would take for democratic politics to become less inhospitable to transformative economic growth.

***Small-picture exceptions***

While we believe the big-picture exceptions have important implications for policy, we are realistic enough to be equally interested in ways of making better progress in difficult country contexts that are not expected to change. This is the justification for the attention our programmes have given to instances of relative success within particular productive sectors or social spheres. The fact that successes in Asia were in many instances the result of breakthroughs in particular sectors or commodity-chains which only later became generalised reinforces the conviction that it may be necessary and worthwhile to think small.

Most of the experiences we have documented are a mix of success and failure, of revealed potential and likely limitations. As with the country-level experiences, however, what is important are the processes and the relationships. The basic shape of Figure 1 applies quite well to the analysis of the causes of success and failure at the level of productive sectors. With modification, it also serves to organise our findings about public services in the social sectors.

*Productive sectors*

We have a few good examples of productive sectors reaching their potential, and many of failure to do so. EPP's conclusions about its clearest cases of success – sugar in Mozambique and dairy in Uganda – point to the importance of three conditions:

1. the perception that business success in the sector is critical to the political elite's retention of power, resulting in a selective attention to the support-needs of this sector;

2. the development in this context of a mutuality of interest between the private investors and the ruling politicians; and
3. the creation of pockets of bureaucratic capability within the state apparatus which are able to deliver the required support, follow-up on implementation difficulties and so on.

A much larger set of instances of sectors visibly performing below potential has been documented by EPP, APPP, PEAPA and other programmes. Drawing more widely on these experiences, we find a further pair of factors to be critically important:

i) political elite fragmentation and the resulting competitive clientelism preventing the emergence of any political consensus on the need to provide special protection and support to the sector in question; and
ii) the inability of the economic actors in the sector – whether peasant farmers or entrepreneurs – to pursue their collective interests by removing obstacles to sector performance in the face of clientelistic politics and the absence of a supportive orientation from state officials.

*Pervasiveness of collective-action problems*

One of the general lessons from these examples – one which also applies to our social-sector cases – is about the pervasive importance of unresolved collective-action problems. Fragmentation among political elites and among sector actors makes collective action in the pursuit of shared long-term goals difficult, but it does not make it impossible. Collective action in support of state provision of public goods (e.g. major infrastructure) or merit goods (e.g. public health measures) is quite challenging in most circumstances. Local collective provision or the production of what are technically termed 'club goods' (accessible only by members of a particular community or association) is generally easier, and this type of provision either by the state or by some private organisation or consortium can make all the difference between prosperity and stagnation at the sector level.

This suggests as a general message from our research that there will sometimes be scope for intelligent external facilitation of changes which allow actors within sectors to pursue the same interests by different means with more developmental final results. Where, for example, the state cannot be induced to coordinate the infrastructural investments and inputs to firm-level learning that are needed to get a new agro-export industry off the ground, the private actors themselves may be helped to club together to address the problem.

Any interventions of this type need to be realistic about political incentives. This may mean targeting industries where the political interest is basically high and business-oriented, and avoiding those which are particularly subject to competitive and predatory rent-seeking. Much will depend on a sector-specific assessment of the feasibility of brokering more constructive relationships among sector actors including those elements of the state bureaucracy with the potential to acquire the relevant capabilities and construct the needed networks.

*Social provision and public goods*

*Mutatis mutandis*, much of this thinking applies to social provision and the public goods, such as population control and environmental protection, which are essential to economic transformation in the medium term even if they are not directly contributing to productive activity. APPP research has found that competitive clientelism messes up the provision of these public goods as badly as it hinders economic transformation directly, and for the same reasons. In recent decades investment in the social sectors has been heavily prioritised by donors, notably through the mechanism of HIPC debt relief conditions, and climate-change funding is about to become a massive new source of external financial flows. This contrasts with the neglect to which productive sectors, especially agriculture and ago-industries, have been subject until recently. Nonetheless, the quality and direction of donor efforts are open to question in the field of social provision too.

Again, case studies from our programmes illustrate general problems and blockages, but also opportunities that could be more often and more deliberately targeted. We have already mentioned the tendency of competitive clientelism, especially in its democratic form, to generate policy incoherence – bold policy gestures that are neither followed up with implementation nor accompanied by the necessary complementary measures. Two further effects are well-illustrated in our case studies:

- a systematic undermining of the vertical performance disciplines to which provider professions and local officials are subject; and
- multiple forms of discouragement or distortion of problem-solving initiatives on the part of sector actors and local self-help initiatives.

*The problems are not insoluble*

By contrast, APPP's main case study of social provision under a centralised rent-management regime (Rwanda) shows that these three major weaknesses are not inevitable, even in situations of extreme resource-poverty. Rwanda is a good example of the role of leadership in coalition-building and the constructing of a new political settlement, a theme of DLP and other programmes. It also illustrates how a powerful upward accountability of public service-providers and local administrations to the national political leadership can remarkably improve service quality, more than adequately substituting for the downward accountability to users that tends to be stressed in donor rhetoric.

APPP examples suggest that local problem-solving (e.g. to address the effects of policy incoherence) is by no means dead in local areas of rural and peri-urban Africa. But it struggles to survive against:

1. the distortions caused by the availability of donor money, delivered to the remotest rural areas by local NGOs;
2. the impulse to capture every local initiative or association for the ruling political party; and
3. mechanical application of donor-inspired policy guidelines by sector ministries.

Getting access to one or other of the various forms of 'aid rent' has largely driven out social duty, volunteerism and self-help as motives for action in many of the local settings we have studied, while the accountability templates that go along with donor funding introduce additional distortions. Party-political capture is a particular problem where, as in Malawi, democracy consists of a 'multi-party political system dominated by a single-party mentality'. Bureaucratic clumsiness is hardly exclusive to sub-Saharan Africa, but it is worse when line ministries abdicate their policy-learning functions to international agencies and funders.

*New aid orientations needed*

Both our negative and our positive cases suggest the need for a basic reorientation by donors. The dominant emphasis in recent decades has been on improving the resourcing of social provision, either through budget support or with projects. Attention needs to shift to addressing the major dimensions of policy incoherence in which external actors are directly complicit (e.g. under-resourcing of health centres following user-charge abolition) and helping to create the conditions in which sector actors can address their collective action problems for themselves, as they did in the primary health service in Niger a few years ago – one of APPP's most telling examples.

This seems likely to mean two things. One is to be much more careful about the institutional damage being done by donor money, especially when it takes the form of paying locally for service-delivery projects. The other is to find a means of getting much better informed about implementation problems on the ground; that is, about what happens at the front line of service delivery and inside the middle-range management and supervision systems that determine the quality of provision. We return to some of these issues below.

## 8 What this means for development cooperation

The lessons of our research are not just about the technical business of delivering aid in better ways. They are also, and more importantly, relevant to the ways citizens and politicians in the North think about development assistance and poverty reduction in the South.

***Getting across the 'good fit' message***

The central message that needs to be got across is that the conditions which keep the African masses in poverty are the result of decisions by politicians who are responding to incentives that change slowly and are not in the short term very favourable to development. More immediately, they stem from the inability of sector actors to overcome their collective action problems in the face of unsupportive if not predatory state behaviour. They cannot, therefore, be addressed by merely transferring economic resources from the global rich to the global poor.[5] Indeed, such attempts can make matters worse, by further weakening those political incentives that work in favour of domestically driven economic transformation.

If this is true, aid needs to become far less supply-driven and more focused on supporting processes that show real promise, based on an informed assessment of the local situation and the lessons of history.

Of course, donors may choose to promote objectives other than sustained reductions in income poverty and social deprivation, for example giving special attention to civil rights or to the claims of excluded minorities. However, interventions to address particular human rights abuses should be justified in their own terms, not with claims that they are the key to reducing mass poverty. In particular, there should be no implication that, because they come armed with a human rights framework, donors know best what institutions poor countries need.

Context matters, and donors and other external actors have an obligation to understand well the countries whose futures they are influencing. Given that institutional solutions need to be promoted, the watchwords have to be 'good fit', not 'best practice'. Research, such as the comparative studies undertaken within our five programmes, can be drawn upon for some widely applicable middle-range propositions about what 'good fit' is likely to mean in particular sub-sets of countries.

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[5] In what follows we are not able to deal with the incentives created by trade, tax, arms-control and other global-system issues that have a major influence on the motivations of elites in African countries. However, we recognise their importance and their relevance to development cooperation.

At the national level, a central policy implication of our work is that what counts as 'good fit' aid will be very different according to whether the country's political settlement is of the competitive clientelist type or tends towards centralised rent-management. There will be opportunities and constraints in both cases, but they must be expected to be different.

***Making a contribution in difficult circumstances***

How far external actors may expect to influence for the better the institutional architecture and political settlement of poor African countries at the *national* level is one of the issues on which we do not feel it is possible to reach a consensus without further research. Nevertheless, we are convinced of the pervasiveness of collective-action problems in numerous sectors and at many institutional levels in the countries where we have conducted fieldwork. The implication is that there must be many under-exploited opportunities to help countries to do better within the constraints of the national political economy.

There may be an argument for focusing particularly on sectors or areas where government attitudes are positive for political reasons and sector actors have revealed a collective ambition to move ahead. If, on the other hand, it is considered important to work against the grain of government priorities by concentrating efforts on marginal districts or groups, the donor should acknowledge that this means a long-term commitment and an especially close engagement with the local political economy.

What this leads to is nothing less than a new aid philosophy, leading to different ways of working in countries. We recognise that it is not a philosophy that is going to be politically attractive in the short term in the North. It probably implies spending less overall, although more when opportunities arise to help address a major collective action problem. Within the proposed approach, opportunities for resource transfers are to be identified on the basis of the feasibility of enabling critical changes, large or small, within particular political contexts, rather than on the basis of the donor country's capacity to give. It is likely to involve taking more risks, especially where a crisis situation means the potential gains are large. It certainly provides less scope for Northern politicians to associate themselves with highly visible poverty-alleviation measures.

It is a reasonable conjecture that the incentive structure that Northern politicians face will change only when voters and party organisers become more aware of the evidence on how development happens and how aid can help. They are the real constituency that the message needs to reach.

### *The way ahead*

That having been said, the ways of working that we recommend are not altogether new. They are exemplified in some of our case studies, where a common feature is the separation of support to institutional change from the functions of financial disbursement and monitoring.

On a small-to-medium scale, this may mean technical-assistance personnel, project staff or private organisations working with donor funding but without any responsibilities for delivering financial assistance. On the larger canvas of relations between developing and donor countries, it implies the capability to think strategically (and jointly) about how to address major issues of poverty and inequality in particular political-economy contexts. Here too, there will be gains from delinking the activity from the administration of pre-established financial commitments, disbursement schedules and conditionalities.

Overall, we think the way ahead is to liberate the positive potential of external assistance by disconnecting it as far as possible from supply-side pressures that render it irrelevant, if not harmful, as a factor in the political economy of African development.

## 9 Next steps

### *Unanswered questions*

In this outline of the main convergent findings of five research programmes, we have skated lightly over many issues. This has been partly in order to keep the paper short and succinct, but also because there are still many unanswered questions in the broad field we have attempted to cover. There are several reasons for this, but they include the fact that the actually existing cases of successful economic transformation, even at the sector level, are relatively few in number, which places real limits on our ability to draw firm conclusions about 'what works'. At the same time, we have not yet exhausted the possibilities for drawing insights from intensive case studies. There is also more to do, drawing on what we and others now know, to select case studies on more robust comparative principles.

We think therefore there would be value to be had from further research in a broadly similar vein, to further unpack the specific content of the collective action problems that might be more successfully addressed, at national, sectoral and local levels. Better research is needed on the role that leadership can play at critical junctures in reconstructing coalitions, initiating new political settlements or sustaining old ones. In this context, there would seem to be further mileage in making comparisons across both Africa and Asia, particularly in view of other on going research into Asian drivers of current African economic growth.

***Wider policy engagement***

In the meantime, we propose to continue the dissemination of our core ideas to academic and political communities around the world, and we shall engage further with donor agencies on the implications for their ways of working. We also think this is an argument that needs to be taken outside the narrow circle of development specialists and into the wider worlds of political debate in the North. As a first step towards these ends, we are launching a dialogue forum on the DIIS website and considering other initiatives with which to continue the exciting discussion launched at the March 30 conference in Copenhagen.