

March 2022 Synthesis Seminar

Session 1 – Institutional Diagnostic Synthesis (RA2)

Presenters: François Bourguignon, Paris School of Economics, and Jean-Philippe Platteau, University of Namur



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The Institutional Diagnostic Project

(Economic Development and Institutions, Research Activity 2)

François Bourguignon, Jean–Philippe Platteau
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Outline of the presentation

1. Objective, methodology and development of the project
2. The synthesis volume and concluding chapters
 - a) Identifying obstacles to development: economic perspective
 - b) Identifying institutional obstacles: the role of politics
 - c) Identifying institutional obstacles: state capacity and property rights
3. Conclusion and some implications for donors

1) Objective, methodology and development of the project

- Objective of the project:

Methodological framework to identify *institutional obstacles* to development (primarily understood as structural transformation) in low- and middle-low-income countries

- Basic approach:

– In-depth case studies (Bangladesh, Benin, Mozambique ,Tanzania) including:

- *Economic development challenges* (going beyond 'growth diagnostic' approach)
- *Perceived development institutional obstacles* (indicators, opinion survey, expert interviews)
- *Thematic studies* (detailed interaction between institutions and economic mechanisms)
- Institutional diagnostic ("**Diagnostic Table**") (putting conclusions together in the light of political economy context)



- Synthesis of results ([this presentation](#))

- "*Generic institutional issues*"



The "Institutional Diagnostic Table" for Bangladesh



Deep factors	Proximate causes	Institutional weaknesses	Economic and social consequences
Political settlement (political and industrial elites against labour)	Elite capture of government (e.g. RMG entrepreneurial class)	Supremacy of 'deals' over formal industrial (and development) policymaking	Past successful development based on RMG exports but threats to future growth Excessive export concentration
Winner-takes-all electoral democracy	Weakness of labour organisations	Ineffective regulation	Suppressed labour regime
Vertical structure of political parties	Lack of resources and skills in the public sector	- banking system - tax system - labour conditions	Gender discrimination NPL leakage of resources
Vibrant civil society Population pressure on land Role of donors	Stable corruption equilibrium - anti-reform coalitions - clientelism	Weak state capacity - weak delivery of public goods and services - corruption - ineffective and corrupt judiciary	Misallocation of investments Unattractive investment climate
Contemporaneous deep factors	Inadequate laws and administrative organisation		Abnormally low tax revenues Limited quantity and quality of public goods (education, infrastructure)
Dominant party politics Dominance of the RMG sector Sustained fast growth expectation	Opacity and unaccountability		Rising inequality and slowing down of poverty reduction Compensation for limited public goods by, and poverty reduction role of, NGOs

2) The synthesis volume and concluding chapters

<i>Preliminary</i>	<i>Synthesis of conclusions</i>
Chap. 1 : Institutions and Development: Concepts, Issues, and the Diagnostic Project	Chap. 7: Identifying Obstacles to Structural Transformation: An Economic Perspective
Chap. 2: Methodological Framework for an Institutional Diagnostic	Chap. 8 :Identifying Obstacles to Structural Transformation: The Role of Politics
<i>Case Studies</i>	Chap. 9: Identifying Obstacles to Structural Transformation: State Capacity and Property Rights
Chap.3: Summary of Benin and Tanzania case studies	
Chap. 4: Summary of Bangladesh and Mozambique case studies	Chap. 10: General Conclusion
Chap. 5: Lessons from South Korea Chap. 6: Lessons from Taiwan	

Outline of synthesis chapters

Chap. 7: Identifying Obstacles to Structural Transformation: *An Economic Perspective*

- The cases of Taiwan and South Korea
- Obstacles on the path to structural transformation: Bangladesh, Benin, Mozambique and Tanzania

Chap. 8: Identifying Institutional Obstacles to Structural Transformation: *The Role of Politics*

- *Initial conditions*
- *Quality of political leadership and state autonomy*
 - The successful experiences of Taiwan and South Korea
 - Unsuccessful experiences: -- faulty economics
 - incomplete nation-building
 - state capture by business interests

Chap. 9: Identifying Institutional Obstacles to Structural Transformation: *State Capacity and Property Rights*

- *Weak state capacity*
 - Bureaucratic failures
 - The role of incentives and norms: the example of education
 - Issues of independence and effectiveness of the judiciary
- *Ambiguous property rights*
 - Rights over business assets
 - Land rights

Chapter 10. General conclusion on the potential role of donor community

2a) Identifying Obstacles to Structural Transformation: *An Economic Perspective*

Objective:

- Comparative nature of economic obstacles to faster and sustainable development, and structural transformation in 4+2 case studies ...
- Nature, strength and structural transformative capacity of growth engines in 4 case studies
- Major institutional underpinnings of this diagnostic (politics vs. functional)

Comparing development and sectoral economic structures at equivalent levels of GDP per capita

(four case study countries against Southeast Asian Tigers)

	Mozambique	Taiwan	South Korea	Benin	Taiwan	South Korea	Tanzania	Taiwan	South Korea	Bangladesh	Taiwan	South Korea
<i>Year</i>	<i>2018</i>	<i>1950</i>	<i>1955</i>	<i>2018</i>	<i>1960</i>	<i>1965</i>	<i>2018</i>	<i>1965</i>	<i>1970</i>	<i>2018</i>	<i>1970</i>	<i>1975</i>
Income per capita	1133	1460	1410	2160	2160	1920	2870	2880	2970	4020	4040	4360
Growth rate (10-year average)	3	5.3	2.3	1.4	4.3	6.7	3.1	6.5	8.6	5.3	6.9	7.4
Gdp-shares (%)												
Agriculture	24.6	36	42.3	27.1	28.5	34.4	27.9	22	27.1	13.1	15.5	23
Industry	23.6	15.6		14.6	26.9		29.5	31.8		28.5	36.8	
Incl: Manufacturing	8.7		10.9	9.7		16.7	9.1		16.7	17.9		21
Others (Incl. Services)	51.8	48.4		58.3	44.6		42.6	46.2		58.4	47.7	56
Employment shares (%)												
Agriculture	70.6	56		39.1	50.2	59.4	69.7	43	50.4	40.1	36.7	45.8
Industry	8.2	16.9		18.3	20.5		9.2	24.2		20.5	28	
Incl: Manufacturing						9.2	3.2		13.2	14.2		18.6
Others (Incl. Services)	21.2	27.1		42.6	29.3		21.1	32.8		39.4	35.3	

Country specificity

Benin

- Abnormally low share of agricultural employment: informal rural labor migrating to urban informal activities, including cross-border trade with Nigeria (10% of GDP)
- Cross-border trade crowding out domestic activity, generating a culture of informality and corruption, and creating oil dependency
- Nature of institutional reforms aimed at controlling illegal Nigeria-Benin trade and incentivizing the production of domestic substitutes (or agro-industrial exports) ?

Country specificity

Bangladesh

- Fast-growing labor-intensive textile exporter, surprisingly close to South Korea and Taiwan in 1970/75, although slower growth rate
- But manufacturing sector/exports *less diversified*, even 20 years after the takeoff of the Ready-Made Garment sector
- What are the institutional obstacles that prevent the diversification of manufacturing exports despite official commitment to do so?

An instructive case

- In 1960, South Korea is an inefficient, corrupt, slow growing low-income country.
- 5 years later it is transformed into a fast-growing labor-intensive manufacturing exporter
- Park Chung Hee and the military junta are a major part of the explanation ... but latent state capacity has clearly been essential

(Likewise, Taiwan was slightly less poor in 1950 than Mozambique today. Well managed and uncorrupt, GDP per capita grew at 4 per cent, in an accelerating way in the next 10 years.)

2b-2c) Identifying Institutional Obstacles

Three central guides toward identifying deep institutional obstacles to development and structural transformation:

- (1) State autonomy and political leadership quality;
- (2) State capacity;
- (3) Property rights.

Politics is at the heart of (1), and it underlies some important aspects of (2) and (3). It is therefore at the core of our institutional diagnostic.

Also salient are interactions between formal and informal rules and between formal and informal authorities, which operate behind (1), (2), and (3).

2b) State autonomy and political leadership

A useful typology based on *three criteria* is presented in Table 1. These criteria are:

- (i) Initial legitimacy of the ruler;
- (ii) Whether the ruler can count on a strong supporting organisation that does not enjoy an electoral mandate and is not subservient to private interests, business ones in particular;
- (iii) Whether the ruler has adopted enlightened policies or not.

Obviously, (iii) affects (i).

Table 1: A summary table of potential political regimes as per their initial conditions and effectiveness of development policies

Initial conditions crossed with quality of development policies	Initial legitimacy			
	strong		weak	
	supporting organization: strong	supporting organization: weak	supporting organization: strong	supporting organization: weak
Enlightened development policies	Atatürk (Turkey) Abd al-Karim Qasim (Iraq)	Bourguiba (Tunisia)	KMT (Taiwan) Park (South Korea) Kagamé (Rwanda)	Talon (Benin) ? Magufuli (Tanzania) ?
Non-enlightened development policies	Nyerere (Tanzania) Frelimo (Mozambique) Nasser (Egypt) Boumedienne (Algeria) N'Krumah (Ghana)	Zulfikar Ali Bhutto (Pakistan) CCM post-Nyerere (Tanzania)	Kérékou (Benin) Sadat (Egypt) Zia ul-Haq (Pakistan) Bashir (Sudan)	Failed states: Somalia Post-Kadafi Lybia Haiti

Illustrations:

- *Taiwan (KMT) and South Korea (Park)*: successful developmental states with ruler's legitimacy gradually building up thanks to enlightened policies.
- *Tanzania (Nyerere) vs Benin (Kérékou) and Frelimo (Mozambique)*: faulty economics and erosion(wasting) of initial legitimacy, albeit mitigated for Nyerere by his role in nation-building (helped by the Youth League).
- *Tanzania (Magufuli) and Benin (Talon), echoing Rwanda (Kagame)*:
An African path modeled on Taiwan and S. Korea???

Theme 1: Nation-Building

“In any nation-building process, the new states, or their leaders, must contain or domesticate primordial attachments instead of wishing them out of existence or belittling them. They must be able to reconcile them “with the unfolding civil order by divesting them of their legitimizing force with respect to governmental authority, by neutralizing the apparatus of the state in relationship to them, and by channeling discontent arising out of their dislocation into properly political rather than para-political forms of expression” (Geertz, 1973, p. 277).

Formal-informal relations are thus at the core of development challenges.

Particularly in SSA: If, at the supra-territorial level, pan-African ideologies and pan-African political movements had gained currency toward the end of the colonial period, “tribal patriotism” generally prevailed at the infra-territorial level, resulting in the spawning of innumerable associations.

Although their official purpose was to promote the development of the country, in actual practice they defended particularistic interests and did not hesitate to foster tribal identities to better achieve their objective. Nationalism was thus often a veil behind which many parochial interests concealed themselves. In the words of Iliffe (2007), “as predominantly local people, most Africans saw nationalism in part as a new idiom for ancient political contests” (p. 258).

Not surprisingly, nationalist movements were frequently plagued by factional conflicts that put local issues in the forefront while minimising the importance of national party affiliations.

Tanzania stands out as a rather remarkable exception (together with Botswana), thanks to TANU’s role and Nyerere’s stature.

In particular, the Youth League of TANU party was remarkably effective in constructing a nationalist discourse, and defining the content of a national identity and common destiny. In pursuing its aim of gaining independence swiftly, it did not hesitate to openly blame the ruling clans for protecting unqualified office-holders and denying positions to educated individuals, for preventing appeals against the decisions of the chiefs' courts, and for perpetuating inefficiency, nepotism and corruption.

Theme 2: State capture by business interests

- The positive experiences of Taiwan (lessons from military defeat) and South Korea (bringing chaebols to heel).
- The negative experiences of Benin, Tanzania, Bangladesh and Mozambique.

Core issue: In many poor countries, rulers with relatively low initial legitimacy and no strong supporting organization were forced to seek access to political power through elections of some sort, whether in the open space of the whole nation or in the restricted arena of a single party inside which competition for the leading position is typically stiff (bear in mind the ethno-regional fragmentation of many countries).

Ambitious politicians need to mobilise wealthy individuals or Big Men (men with deep pockets) to finance their political campaigns and the distribution of perks to the heads of their voting blocs and their clientelistic networks. In return for their financial support, the Big Men demand advantages and privileges which only politicians can provide.

Two remarks:

- As the dominant party, or the political arena (250 parties in Benin!) becomes increasingly fractionalised, the financial support of businessmen becomes more crucial for political campaigns (see also Malaysia).
- Transitioning from a centralized economic system (and privatization) confronts the ruling clique with a critical choice: to change the rules of the game and foster competition, or to promote crony capitalism. Unfortunately, the latter is generally the preferred choice (see, e.g., Mozambique), and often ends up in a corruption cycle as described by Wade.

The effects of this give-and-take system are:

- loss of autonomy of the state and its consequent inability to guide the country on a path of sustained development compatible with the general interest;
- public mistrust in institutions.
- Opacity of links between state and business, with lack of transparency especially valued by businesspeople belonging to ethnic minorities (Chinese entrepreneurs in Malaysia and Indonesia, Indian entrepreneurs in Tanzania, Kenya, Uganda, and South-Africa, or Lebanese traders and businessmen in West Africa).

2c) (i) Weak state capacity

1 Bureaucratic failures

We follow a general approach to the problem of state capacity wherein it is seen as a problem of incentives and norms rooted in politics (see Khemani, 2019).

- Positive lessons from Taiwan and South Korea

- Strong corporate identity of bureaucrats, esp. In Taiwan where being alien they had to identify their own interests with those of the state.
- Critical roles of the Natural Resources Commission (Taiwan) and the Economic Planning Board (South Korea). Role of MITI as model, although Japan had a *relation-based* rather than *authoritarian* regime.

- High competence of the NRC and EPB staffs: they understood the modern theory of contracts!
- Failures in our in-depth case study countries
- Pervasive coordination failures and institutional overlaps inside the administration: cause is not necessarily technical or financial but may be political.
- Laws and regulations may be very intricate to the point of being unenforceable. Such laws may be enacted in the full knowledge that their implementation will be difficult, or they serve to satisfy contradictory interest groups without much concern for the actual enforceability of the legal compromise. For the latter, think of formal rules, typically inspired from, or imposed by the West, which are aimed at uniformising and simplifying the diverse customary practices and norms (about land rights and family life) found on the ground.

- Frequent meddling of the president or prime minister in administrative decisions -Ewura (electricity regulatory agency) in Tanzania; Central Bank in Bangladesh- often with disastrous consequences (very low position of Bangladesh in international ranking based on Z-scores or NPLs).

2 The role of incentives and norms: education

- Positive lessons from Taiwan and South Korea

- Determined efforts by enlightened autocrats supported by strong demand for education by citizenry.
- High quality and social status of teachers who obey strong professional norms.

- Failures in our in-depth case study countries
- Low priority, compounded by low taxes (Bangladesh), resulting in low input indicators.
- Low efficiency as reflected in distressingly low learning outcomes.
 - (i) A major problem here is absenteeism of teachers and school directors.
 - (ii) Another problem is low teacher quality and training

Regarding (i), there are three possible reasons:

- low or delayed wages;
- absence of professional norms;
- poor monitoring. Note that the latter two causes are interlinked (in a dynamic game of conditional reciprocity).
- politics: ghost schools and ghost teachers.

What about school councils (SCs) as a solution to the monitoring problem?

Experience of Mozambique not encouraging:

- Problem of motivation (unthinkable in East Asia): per diems.
- Power problem: fear of reprisals on children, interference of school directors in selection of presidents of SCs.

Regarding (ii), problems are often:

- Politics: opposition by trade unions.
- wrong budgetary choices possibly induced by ill-guided pressures by donors (Benin, Mozambique).

3 Lack of independence and effectiveness of the judiciary

People's mistrust in the judiciary and the magistrates is widespread.

- In *Taiwan and South Korea*, no independence of the judiciary from the executive but this concerns mainly political matters (restrictions to political liberties, human rights). Development must precede democratisation. Civil and commercial matters were dealt with efficiently.
- Issues probed in the cases of *Bangladesh and Tanzania*. Lessons are:
 - low expeditiousness due to poor equipment and archaic procedures: they encourage bribes.
 - low expeditiousness due to deliberate tactics: this resembles a « piracy game ».
 - Big Men's influence through their political connections: contributes to destroy professional norms. And supreme court judges appointed by the prime minister (Bangladesh).

2c (ii) Ambiguous property rights

1 Rights over business assets

- Risk of « political » expropriation.
 - In Taiwan and South Korea, however, the threat would be executed only if a breach of contract was clearly committed by the business owner in his dealings with the state authorities, so that the risk of expropriation was predictable.
 - In Benin and Bangladesh, property rights of Big Men are secure as long as the right political ruler, the one whom they have supported, is in power. Diversifying risk may be hard in highly polarized contexts (Bangladesh when political power rotated between the two Begums).
 - Not surprisingly, wealthy Indian, Chinese, or Lebanese entrepreneurs tend to adopt cautious behavior when they enter into the political game. And they are often compelled to share ownership with political bigwigs (Malaysia, for Chinese businessmen and South Africa for Indian ones).

2 Land rights

- *Types of land conflicts*

Need to distinguish between different situations:

1. *Urban and peri-urban locations* where there is high land pressure. Problems are the uncertainty of property rights caused by fuzzy original rights, double sales, production of fake documents, and other malpractices. Powerful people are major actors.
2. *Lands coveted by international plantation companies* (often in land-abundant areas). Problems may arise from information or power asymmetries (role of local chiefs).
3. *Land-scarce rural areas*. Two types of land disputes: (i) intra-family conflicts around inheritance, in particular; (ii) conflicts between natives and immigrant settlers, or farmers and herders.

- **Land laws**

- *Regarding second type*, key problems are: lack of participation of rural communities concerned; slow and cumbersome procedures; and insufficient compensations or considerable delays in disbursement (vivid illustration with Tanzania). There are possible perverse effects when rules are astutely circumvented. In this context, best solution is out-grower schemes or contract farming.
- *When conflicts are of third type (ii)*, state intervention is absolutely required and the main problem is assignment of rights. The political dimension is obvious, as attested by the cases of Côte d'Ivoire and Sudan (Darfur).
- *Regarding third type (i)*, genuine solution lies in economics rather than law. Titling is needed, yet is hard to implement effectively because:

- Titles cannot achieve their objective if land dispute settlement institutions are not effective and if judges are corruptible. (As one Kenyan farmer put it to one of us, “a title is worth less than a bribe to the judge”).
- for titles to become widespread enough, an effective land administration must exist capable of not only surveying, registering and formalising land rights, but also of updating land registries systematically. Condition not achieved in Bangladesh.

When land is not too scarce, more flexible measures are advised, as illustrated by the Plan Foncier Rural (Benin), which was unfortunately disrupted by an intervention of the Millennium Challenge Corporation, which misguidedly wanted to end legal dualism and to streamline and centralize the administration of land rights.

The efficient working of the rural land markets in the pineapple growing area confirms that there should not be a one-size-fits-all solution. Demand for land rights varies depending upon local conditions, whether geographic-demographic (population pressure) or social-historical (heterogeneity of the population).

3. Conclusion

Three central lessons

- i. Fundamental role of politics and political economy constraints. Moreover, because political patterns are influenced by the historical path of a country, its geopolitical situation, and particular aspects of its social fabric and culture, any political economy analysis needs to be country-specific.
- ii. Informal institutions and their interactions with formal ones are a critical dimension of a country's institutional setup. And, like politics, they are largely country-specific.
- iii. We have highlighted a number of generic issues which have been largely under-estimated or ignored until now:

- the role of initial conditions with special attention to geographic and demographic conditions;
- the quality of political leadership and state autonomy;
- the nature of state-business relationships;
- the functioning of the judiciary;
- bureaucratic failures with special attention to coordination problems between its various parts;
- land rights with special attention to the role of informal rules and customs;
- the absolutely critical role of education and the need to go beyond input measures to understand the root causes of their inefficient use and poor learning outcomes.

Implications for development assistance

- a) Critical importance of country-specific knowledge. There is no one-size-fits-all model even if generic issues are found to plague many countries.
- b) Importance for donors to carefully monitor their aid to poor countries when, as is often the case, they are poorly governed. Project aid should therefore not be rejected.
- c) Since improvements in state accountability and the promotion of a civil society evolve gradually and are the outcome of development rather than its initial pre-condition, donors ought not to be immediately or excessively preoccupied about accountability and civic engagement. Caution is needed here not to produce backlash.
- d) Role of grassroots development projects and NGOs to foster people's participation and dialogue with local authorities.

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Illustrations:

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Core issue: In many poor countries, rulers with relatively low initial legitimacy and no strong supporting organization were forced to seek access to political power through elections of some sort, whether in the open space of the whole nation or in the restricted arena of a single party inside which competition for the leading position is typically stiff (bear in mind the ethno-regional fragmentation of many countries).

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Two remarks:

- As the dominant party, or the political arena (250 parties in Benin!), becomes increasingly fractionalised, the financial support of businessmen becomes more crucial for political campaigns (see also Malaysia).
- Transitioning from a centralized economic system (and privatization) confronts the ruling clique with a critical choice: to change the rules of the game and foster competition, or to promote crony capitalism. Unfortunately, the latter is generally the preferred choice (see, e.g., Mozambique), and often ends up in a corruption cycle whereby money or equivalent advantages flow up and down in a hopefully predictable manner.

The effects of this give-and-take system are:

- loss of autonomy of the state and its consequent inability to guide the country on a path of sustained development compatible with the general interest;
- public mistrust in institutions.
- Opacity of links between state and business, with lack of transparency especially valued by businesspeople belonging to ethnic minorities (Chinese entrepreneurs in Malaysia and Indonesia, Indian entrepreneurs in Tanzania, Kenya, Uganda, and South-Africa, or Lebanese traders and businessmen in West Africa).

2. Weak state capacity

2.1 Bureaucratic failures

We follow a general approach to the problem of state capacity wherein it is seen as a problem of incentives and norms rooted in politics (see Khemani, 2019).

- Positive lessons from Taiwan and South Korea

- Strong corporate identity of bureaucrats, esp. In Taiwan where being alien they had to identify their own interests with those of the state.
- Critical roles of the Natural Resources Commission (Taiwan) and the Economic Planning Board (South Korea). Role of MITI as model, although Japan had a *relation-based* rather than *authoritarian* regime.

- High competence of the NRC and EPB staffs: they understood the modern theory of contracts!
- Failures in our in-depth case study countries
- Pervasive coordination failures and institutional overlaps inside the administration: cause is not necessarily technical or financial but may be political.
- Laws and regulations may be very intricate to the point of being unenforceable. Such laws may be enacted in the full knowledge that their implementation will be difficult, or they serve to satisfy contradictory interest groups without much concern for the actual enforceability of the legal compromise. For the latter, think of formal rules, typically inspired from, or imposed by the West, which are aimed at uniformising and simplifying the diverse customary practices and norms (about land rights and family life) found on the ground.

- Frequent meddling of the president or prime minister in administrative decisions -Ewura (electricity regulatory agency) in Tanzania; Central Bank in Bangladesh- often with disastrous consequences (very low position of Bangladesh in international ranking based on Z-scores or NPLs).

2.2 The role of incentives and norms: education

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- High quality and social status of teachers who obey strong professional norms.

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- absence of professional norms;
- poor monitoring. Note that the latter two causes are interlinked (in a dynamic game of conditional reciprocity).
- politics: ghost schools and ghost teachers.

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Regarding (ii), problems are often:

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 - low expeditiousness due to poor equipment and archaic procedures: they encourage bribes.
 - low expeditiousness due to deliberate tactics: this resembles a « piracy game ».
 - Big Men's influence through their political connections: contributes to destroy professional norms. And supreme court judges appointed by the prime minister (Bangladesh).

3. Uncertain and ambiguous property rights

3.1 Rights over business assets

- Risk of « political » expropriation.
 - In Taiwan and South Korea, however, the threat would be executed only if a breach of contract was clearly committed by the business owner in his dealings with the state authorities, so that the risk of expropriation was predictable.
 - In Benin and Bangladesh, property rights of Big Men are secure as long as the right political ruler, the one whom they have supported, is in power. Diversifying risk may be hard in highly polarized contexts (Bangladesh when political power rotated between the two Begums).
 - Not surprisingly, wealthy Indian, Chinese, or Lebanese entrepreneurs tend to adopt cautious behavior when they enter into the political game. And they are often compelled to share ownership with political bigwigs (Malaysia, for Chinese businessmen and South Africa for Indian ones).

3.2 Land rights

- *Types of land conflicts*

Need to distinguish between different situations:

1. *Urban and peri-urban locations* where there is high land pressure. Problems are the uncertainty of property rights caused by fuzzy original rights, double sales, production of fake documents, and other malpractices. Powerful people are major actors.
2. *Lands coveted by international plantation companies* (often in land-abundant areas). Problems may arise from information or power asymmetries (role of local chiefs).
3. *Land-scarce rural areas*. Two types of land disputes: (i) intra-family conflicts around inheritance, in particular; (ii) conflicts between natives and immigrant settlers, or farmers and herders.

- **Land laws**

- *Regarding second type*, key problems are: lack of participation of rural communities concerned; slow and cumbersome procedures; and insufficient compensations or considerable delays in disbursement (vivid illustration with Tanzania). There are possible perverse effects when rules are astutely circumvented. In this context, best solution is out-grower schemes or contract farming.
- *When conflicts are of third type (ii)*, state intervention is absolutely required and the main problem is assignment of rights. The political dimension is obvious, as attested by the cases of Côte d'Ivoire and Sudan (Darfur).
- *Regarding third type (i)*, genuine solution lies in economics rather than law. Titling is needed, yet is hard to implement effectively because:

- Titles cannot achieve their objective if land dispute settlement institutions are not effective and if judges are corruptible. (As one Kenyan farmer put it to one of us, “a title is worth less than a bribe to the judge”).
- for titles to become widespread enough, an effective land administration must exist capable of not only surveying, registering and formalising land rights, but also of updating land registries systematically. Condition not achieved in Bangladesh.

When land is not too scarce, more flexible measures are advised, as illustrated by the Plan Foncier Rural (Benin), which was unfortunately disrupted by an intervention of the Millennium Challenge Corporation, which misguidedly wanted to end legal dualism and to streamline and centralize the administration of land rights.

The efficient working of the rural land markets in the pineapple growing area confirms that there should not be a one-size-fits-all solution. Demand for land rights varies depending upon local conditions, whether geographic-demographic (population pressure) or social-historical (heterogeneity of the population).

Conclusion

Three central lessons

1. Fundamental role of politics and political economy constraints. Moreover, because political patterns are influenced by the historical path of a country, its geopolitical situation, and particular aspects of its social fabric and culture, any political economy analysis needs to be country-specific.
2. Informal institutions and their interactions with formal ones are a critical dimension of a country's institutional setup. And, like politics, they are largely country-specific.
3. We have highlighted a number of generic issues which have been largely under-estimated or ignored until now:

- the role of initial conditions with special attention to geographic and demographic conditions;
- the quality of political leadership and state autonomy;
- the nature of state-business relationships;
- the functioning of the judiciary;
- bureaucratic failures with special attention to coordination problems between its various parts;
- land rights with special attention to the role of informal rules and customs;
- the absolutely critical role of education and the need to go beyond input measures to understand the root causes of their inefficient use and poor learning outcomes.

Implications for development assistance

1. Critical importance of country-specific knowledge. There is no one-size-fits-all model even if generic issues are found to plague many countries.
2. Importance for donors to carefully monitor their aid to poor countries when, as is often the case, they are poorly governed. Project aid should therefore not be rejected.
3. Since improvements in state accountability and the promotion of a civil society evolve gradually and are the outcome of development rather than its initial pre-condition, donors ought not to be immediately or excessively preoccupied about accountability and civic engagement. Caution is needed here not to produce backlash.
4. Role of grassroots development projects and NGOs to foster people's participation and dialogue with local authorities.