



Research in Progress

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SUMMARY

The IPPG (Improving Institutions for Pro-Poor Growth) research consortium is a group of northern and southern research institutions, funded by DFID, and dedicated to exploring the hypothesis that that Pro Poor Growth (PPG) depends critically on the interactions of formal and informal political, social, and cultural institutions with economic institutions which together constitute an institutional matrix which may either enhance or constrain PPG.

This report of research in progress provides a brief background to the work currently being undertaken and sets out in schematic terms the intellectual paradigm which informs this work, plus the work undertaken and planned for on capacity building, outreach and communications.

In particular, it describes briefly the research projects currently being undertaken by the consortium partners in Latin America, Africa and South Asia in the following countries:

1. Bolivia: Comparative property rights, transaction costs and cooperation in two rural communities
2. Peru: Institutional aspects of transaction costs, marketing and small farmer investment
3. Chile and Ecuador: The Institutional architecture of two rural communities.
4. Malawi: The politics and economics of institutional change in land tenure.
5. Malawi: The politics of state-business institutional relations
6. Mali: Institutions and organizations – the responses of farmers' organizations to institutional change in the Office du Niger
7. Bangladesh: The Local Government Engineering Department and its role in the growth of the rural non-farm economy
8. West Bengal: The dynamics of state-business relations and their impact on pro-poor growth in manufacturing
9. General: Econometric analyses measuring the impact of effective state-business relationships on pro-poor growth

THE RESEARCH PROGRAMME CONSORTIUM

IMPROVING INSTITUTIONS FOR PRO-POOR GROWTH (IPPG)

The IPPG research consortium was established in September 2005, funded by the Department for International Development (DFID) of the Government of the United Kingdom. Originally based at the London School of Economics and Political Science where it was directed by Professor John Harriss, it is now based at the University of Manchester from where it is co-directed by Professor Kunal Sen of the Institute for Development Policy and Management (IDPM) at Manchester and Dr Adrian Leftwich, of the Department of Politics at the University of York.

The IPPG Consortium is composed of scholars from four United Kingdom and four southern universities and research institutes. The southern partners are: *The Consumer Unity and Trust Society (CUTS)*, based in Jaipur, India; the *African Economic Research Consortium (AERC)*, based in Nairobi, Kenya; the *Council for the Development of Social Science Research in Africa (CODESRIA)* based in Dakar, Senegal; and the *Latin American Centre for Rural Development*, the *Centro Latinoamericano para el Desarrollo Rural (RIMISP)*, based in Santiago, Chile. The UK partners are the *University of Manchester*, the *University of York*, the *Natural Resources Institute (NRI) of the University of Greenwich* and the *Overseas Development Institute (ODI)* in London.

This five year IPPG programme is valued at £2.5 million. The overall purpose is to generate research which will help policy-makers in developing countries and transition economies, donors and civil society organisations, to recognise and value the scope for the creation and adaptation of institutions, as a means for and by which economic growth can benefit poor men and women.

The IPPG programme is primarily a research programme, which will:

- Generate a coherent body of policy relevant analysis and new knowledge on:
 - how institutions are formed, evolve and function within particular social, economic and political contexts
 - how institutions affect both economic growth, its distribution and impacts on poverty
- Improve the ability of research and policy practitioners, in a range of relevant disciplines, to enable them to provide independent and high quality analytical work and policy guidance
- Foster the establishment of learning platforms and communities of research providers. These will contribute to research planning and wider change processes in a dynamic and sustainable manner at national, regional and international levels

- Prepare a set of guidance notes, tools for dialogue, and methods for institutional change to support pro-poor growth. These will be amenable to adaptation and adoption in specific contexts.

The consortium is committed to an equitable allocation of the financial resources between the northern and southern institutions and has ring-fenced funds to support dissemination, outreach, capacity-building and communication activities. Briefing and Discussion Papers, together with other news about the wider range of activities of the IPPG programme may be found on the consortium website at www.sed.manchester.ac.uk/research/ippg.

BACKGROUND

In the last twenty years there has been a growing consensus in the social sciences that ‘institutions matter’ (Burki, et al, 1998; Jütting, 2003) for development – and for much else, too (March and Olsen, 1989; North, 1990; Knight, 1992; Peters, 1999; Hodgson, 2001; Rodrik, 2003; World Bank, 2002). But the deeper and more fundamental starting point is the recognition that all human societies, past and present, have been and are characterised by more or less complex and overlapping net-works of regular social interactions and social practices. Such interactions and practices are simply inconceivable without a minimum of agreed understandings, norms, conventions, procedures and rules which thus shape and constrain behaviours and which make such interaction both predictable and comprehensible to people engaged in them. Whether economic, political or cultural, such repeated interactions require agreed rules about ways of doing things.

Such sets of rules constitute institutions, which may be formal or informal. Language, for example, can be understood as an institution, constituted by the rules governing the use of sounds for meaning and communication (Hodgson, 2001: 294-299). Likewise, systems of marriage or burial are institutions, which vary greatly over time and place, their specific forms being shaped by the rules, which govern them. Unemployment insurance systems, relations between genders or age groups, educational practices and provision and labour markets are also governed by rules, or institutional arrangements, formal or informal (or both). Economic activities – whether silent barter, communal hunting, the operation of stock markets, importing and exporting, starting and running new businesses (World Bank, 2006) or obtaining credit – are shaped by ‘the rules of the game’ (North, 1990) which enable, frustrate, constrain or encourage certain kinds of behaviour.

Politics is also profoundly influenced by rules, which steer political behaviour in different directions. Consider the contrasts between politics in societies with and without states, in federal and unitary systems, or between presidential and parliamentary systems, or between proportional representation and first-past-the-post electoral systems - all of which structure politics and distribute power in different ways. Moreover, a central characteristic (and common cause) of failed states and failing economies is the absence of both agreed and appropriate institutions to govern both political and economic interactions.

While these concerns have become the focus of research and policy-related concerns, it is important to recognise that they are not new although they often were lost sight of in the 20th century focus on the economic and political behaviour of individual actors and agents. At the end of the 19th century, the great French sociologist, Émile Durkheim, referred to institutions as 'social facts', that is 'certain ways of acting and certain judgements which do not depend on each particular will taken separately' and which are 'fixed', outside of us. The science of society, he argued, could be defined as the 'science of institutions, of their genesis and of their functioning' (Durkheim, 1895/1938: lvi). Just so: institutions are the 'scaffolding' of society and are best understood as norms and conventions, which both constrain and enable behaviour. Without them human societies would experience either chaos or what Thomas Hobbes feared would be a 'warre of all against all', which is the direct antithesis of the kinds of peaceful cooperation necessary for both stable polities and secure economic activities that can produce growth (Bates, 2001).

These important general considerations serve as a backdrop to the work of the IPPG and have informed its focus and concerns. A moment's thought, however, will indicate just how large the field is; thus what we are seeking to do in our research is to bring a sharper focus to bear on *some* of the institutional arrangements which typically either enhance or restrain pro-poor growth in different countries and continents and to tease out the policy implications that might follow. Our initial work in the inception phase thus sought to narrow down the field to define some dominant thematic concerns, while the second (current) phase of our work supports a number of research projects which illustrate and express those themes, as the rest of this paper will outline more fully.

CONCEPTUAL CONCERNS OF THE IPPG PROGRAMME

Following from the above, the fundamental hypothesis which informs the research work of the IPPG is that Pro Poor Growth (PPG) depends critically on the interactions of formal and informal political, social, and cultural institutions with economic institutions. Together, these interactions constitute an institutional matrix, which may either enhance or constrain PPG. Moreover, it is clear that growth, and pro-poor growth in particular, does not depend on a *particular* institutional set. Indeed, it has come to be recognised that ‘institutional mono-cropping’ (Evans, 2004) does not work. The same formal institutions may have very different outcomes in different contexts, and comparable positive outcomes may be achieved with different institutional arrangements (Chang, 2001; Rodrik, 2004). It is thus apparent that the effective promotion of both economic growth and pro-poor growth involves more than the deployment of appropriate economic policies. On their own, and short of supportive and compatible political and social institutions, such policies are unlikely to work.

Institutions

Although there are differences in emphasis and nuance, there is a broad common understanding within the IPPG consortium as to what we mean by ‘institutions’ for the purposes of our research, and this is based on the now classic definition by Douglass North:

‘Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic. Institutional change shapes the way societies evolve through time and hence is the key to understanding historical change’ (North, 1990: 1).

In later work North (and many others) have refined this conceptualisation, but as it stands it serves as a useful working definition which covers both formal and informal institutions which together establish known, durable and predictable patterns of social interaction in stable societies. *Formal* institutions are normally understood to be laws, regulations, statutes and constitutions while *informal* institutions are thought of as the norms, customs, conventions and traditions, which are often deeply embedded in culture and its associated ideology.

Examples of *formal economic institutions* would be those rules governing the ownership, control and use of property (or property rights, in short); regulations which shape transaction costs; rules which determine the ease or difficulty and length of time it takes to start a business (World Bank, 2006); the formal institutional arrangements governing state-business relations (which are also political institutions) or rules which enable or hinder cooperation and organization. *Informal economic institutions* (or rules) would include conventions, norms and traditions which might govern access to opportunities (or credit) as between genders or social groups, or which might bind certain groups together in cooperation and exclude others. In China, for instance the informal networks known as *guanxi* ('relationships') are based on norms of 'trust and reciprocity' and have played a significant part in attracting and reducing the risks of investing in China (Wang, 2000). In India, 'a small number of powerful family business groups, which have been secretive and non-transparent, and (which) have relied heavily on personalized, family and kinship networks', have played a significant part in the private sector (Harriss, 2003). The idea of 'social capital', likewise, identifies a category of informal institutions that affect social, economic and political life (Halpern, 2005). Though not as new a concept as often implied, social capital refers to those 'Features of social life – networks, norms and trust – that enable participants to act together more effectively to pursue shared objectives.... Social capital, in short, refers to social connections and the attendant norms and trust' (Putnam, 1995: 664-5).

The way in which such informal institutions interact with formal institutions in economic life is an area of particular interest to the IPPG consortium.

In politics, a similar distinction can be made. *Formal political institutions* refer simply (at least in modern polities) to the formal rules, laws and, especially, constitutions, which prescribe how official political power is sought, won, distributed and controlled at national and sub-national levels. These specify the formal rules of the game of politics, but are everywhere more or less penetrated by informal institutions which sometimes support the formal ones as 'complementary' institutions, but often also may undermine, compromise or subvert them (Lauth, 2000; Helmke and Levitsky, 2004). Examples of the latter would include the rules governing patron-client chains, patrimonial political relationships, *caciquismo*, old-boy networks and much more. A useful definition of informal institutions of this kind is "... socially shared rules, usually unwritten, that are created, communicated, and enforced *outside* (our emphasis, AL and KS) of officially sanctioned channels' (Helmke and Levitsky, 2004: 725).

That conception of informal rules applies especially to social and cultural institutions (including religious institutions), for although there are, increasingly, formal institutions governing social interaction and (especially) public behaviours, most cultural and social institutions are informal in the sense conveyed above.

Organizations and institutions

North also made a necessary distinction between institutions and organizations, but perhaps the most useful exposition of this distinction has been by Geoffrey Hodgson (2001:317) who defines organizations as a sub-set of institutions characterised by:

- Criteria which establish its boundaries and distinguishes its members from others
- Sovereignty in that they run their own affairs according to their own rules (though wider rules may cover these); and
- A chain of command delineating responsibilities within the organization.

As with institutions, organizations may be formal or informal and they may be positive or pathological in their implications for economic growth, peace and stability. *Formal organizations* are likely to be formally constituted (and publicly recognised) such as political parties, businesses, companies, clubs, non-governmental organizations, schools, hospitals, trades unions and football clubs. *Informal organizations*, on the other hand, tend to have less or no public profile, no formal constitution and operate behind the public space. The *mafia*, secret societies, cabals, cliques or factions within organizations and some forms of both social movements and cartel are all examples of informal organizations.

The way in which both formal and informal organizations (understood as agents or players) interact with institutions (understood as rules) is also an area of particular interest to the IPPG consortium and one of our current (2006-7) research projects has this as its particular focus in Mali (see below).

THEMATIC AND RESEARCH CONCERNS OF THE IPPG CONSORTIUM

It will be clear from the above that the potential field for institutional research is immense. In our work so far we have thus sought to narrow it down to a set of three major questions, which have framed our approach:

- How are institutions that affect economic growth and its distribution established, sustained and changed?
- What determines their effective functioning? How is this related to the social, cultural and political matrix from which they arise and in which they operate?
- How do institutional interactions influence economic growth, the pattern of growth and, specifically, the possibilities for pro-poor growth?

In addition, we have developed an interest in the conditions under which coalitions of stakeholders may be encouraged to adapt, adopt, negotiate and change institutional matrices for PPG, given very different starting points, endowments, possibilities and constraints, and in the interaction of organizations and institutions.

In pursuing these questions we have interpreted PPG broadly, to mean economic growth that enhances the capabilities of poorer people, which may be achieved both through the ways in which growth is brought about and also through more equitable distribution of the benefits of growth.

Methodologically, we are dedicated to undertake both quantitative and qualitative work. We are also committed to the proposition that to understand the origins, form and functioning of institutions – whether this be positive or pathological – it is necessary to bring cross-disciplinary perspectives to bear, since social, cultural and political institutions – and the distributions of power and advantage which they necessarily embody and express¹ – have a major role in shaping economic institutions. Historical and comparative studies, plus formal econometric analyses, frame the approach of the programme and of individual projects within it. In a later section of this paper, we set out the rest of current research projects being undertaken in the present phase (2006/7) of IPPG work.

BACKGROUND TO THE CURRENT RESEARCH ACTIVITY

At its inaugural workshop in Nairobi in September 2005, members of the consortium agreed to undertake four exploratory country studies, in the inception phase, covering Bangladesh, Tanzania, Mali and Bolivia in order to survey the institutional contexts which shaped their developmental problems and prospects. In addition it undertook a number of reviews of the literature on economic, social and political institutions and their relations with development processes. Most of the country studies and literature reviews are now on the IPPG website and the others are being revised or edited (see IPPG output listing at end of paper).

At the completion of the inception phase, the members of the consortium met at Stoke Place in Berkshire, UK, to review the findings of the first six months' work, to plan the next phase of the research and to map work to be undertaken in the sphere of capacity building and communications.

¹ To borrow a famous phrase of Schattschneider's (1960:71), all institutional arrangements are the 'mobilization of bias' in one particular way or another.

Two broad sets of questions were identified which would frame the research programme of the next phase:

- 1 *What are the determinants of how states behave towards producers which influence the pattern of growth, and why does this behaviour differ between states?*
- 2 *How does the institutional architecture – relating to property rights, the quality of transactions, and organisation within and between firms and farms - influence the possibilities for productive agriculture, employment-generating firms and remunerative self-employment, and hence the prospects for PPG? In what ways does the state help? In what ways does the state obstruct? In what circumstances and how does private initiative substitute for the activity of states in ensuring effective constraints and incentives on producer behaviour?*

While there is some obvious overlap between these questions, the idea was to use them as indicative guides as to the kinds of areas, which the exploratory studies had highlighted as being in need of further work.

Under the first heading, it was thought that studies which explored the politics of economic decision-making, state-business relations and the politics of demand for pro-poor growth might be undertaken. Under the second heading, it was hoped that projects would be undertaken that explored the institutional architecture governing land tenure, agriculture, marketing, the determinants of transaction quality, investment and how different firms and types of firms responded to the institutional environment.

In addition, it was agreed to support comparative quantitative work – for example in seeking to measure state-business relationships – and also work which would explore how different kinds of organization responded to their institutional environment.

For the second phase, it was agreed that work emerging from these broad issues would be focussed on some or all of the following countries: Bolivia, Peru, and Ecuador in Latin America; Ghana, Mali, Malawi and Tanzania in Africa; Bangladesh, West Bengal in India and Thailand in Asia.

The following set of projects has now been agreed and are under way, each tapping into one of the broad themes and subordinate questions outlined above.

ON-GOING RESEARCH PROJECTS

1 LATIN AMERICA

Latin American history from the time of conquest to the present demonstrates sharply how the interaction of economic, political and social institutions over time has shaped, and continues to shape, developmental outcomes (Engerman, Haber and Sokolof, 2000). Accordingly, the effect of this ‘institutional architecture’ on PPG is one of the features which work in Latin America seeks explicitly to explore. There are four current initiatives.

Bolivia: Comparative property rights, transaction costs and cooperation in two rural communities

Through analysis of primary data, the aim of this project is to study the functioning of economic institutions in assigning property rights, facilitating transactions and allowing co-operation between economic actors. In particular, it is looking at how the Bolivian economy, driven forward by the narrow base of exports of minerals, oil and gas, can develop links that promote a broader base for production.

Two comparative studies of institutions and production will be carried out: one in the textiles, leather, jewellery and timber workshops of El Alto; the other for the agro-industry, organic farming, textiles and footwear industries in Santa Cruz. In each case the key actors in the sectors concerned will be mapped, and the institutions that shape their functioning will be examined. In the case of El Alto, the social and political institutions will also be examined to look at how they affect economic institutions, and indeed, how they affect identity.

Peru: Institutional aspects of transaction costs, marketing and small farmer investment

Here, a study of transaction costs, marketing institutional arrangements and farmers’ investment and productivity outcomes by small farmers in two communities in rural Peru is being implemented through an agreement with GRADE (Javier Escobal). The research will discuss the trade-off among modes of organization that offer competing solutions to the way small farmers may connect to “dynamic markets”. Using survey information from over 300 small-scale potato farmers in the Mantaro Valley, complemented by interviews to key elements of the supply chain, the role of transaction costs in decisions about contractual arrangements will be explored. Links to higher value markets in seed potatoes and potatoes for the chips industry will be the focus.

In addition, a second interpretative study of the links between institutions, growth and poverty is being prepared by Julio Cotler of the IEP (Institute of Peruvian Studies). Dissemination workshops will be organized once the main results of the studies are finalized.

Chile and Ecuador: The Institutional architecture of two rural communities

With a focus on the determinants of growth and poverty, the economic institutions of two contrasting rural areas will be studied. Analysis will be based on econometric models using data from representative household surveys from the beginning of the 90s and with structured interviews with relevant public and private agents in order to have a mapping of the local networks and their links with other power brokers at higher levels. The idea is to try to contribute to the analysis of the dynamics of rural territorial development based on three key elements: social agents and their interactions, the institutions that are prompted by such interactions and how this affects both growth and poverty.

2 SUB-SAHARAN AFRICA

Historically, the interaction of informal institutions and more recently devised formal institutions in both economic and political arrangements has been a focus of interest to those puzzled by relative slowness of African economic growth (especially in agriculture) and PPG in particular, as have the relations between emerging organizations and the institutional framework in African political economy. Likewise, the appropriate relations and balance between the public and the private sector and the associated institutional context for business development (and hence employment creation prospects which might contribute to PPG) has been at the heart of many discussions about the African predicament. The projects being explored in relation to Africa address some of these issues from the perspective of institutional analysis.

Malawi: The politics and economics of institutional change in land tenure

Agriculture remains the mainstay of the Malawian economy, providing livelihoods to more than 80 percent of the population. It is not therefore surprising that government development strategies have stressed agricultural development as a vehicle for achieving pro-poor growth in Malawi. Land therefore becomes a critical variable in achieving such growth given the declining land holding due to subdivision of customary land among family members. In order to improve access to land the Malawi Government in 2004 introduced a land reform programme that involves titling of customary land into customary estates and a market-based land redistribution and resettlement program targeting the landless or near landless. The resulting institutional changes brought about by the land reform programme provides opportunities to study the interactions of institutions on land matters and how such interactions affect pro-poor growth. The study therefore fits well in the main idea of the Institutions for Pro-Poor Growth (IPPG) programme that recognizes the role of institutions in the process of generating pro-poor growth.

The main objective of the study is to understand the political, social, cultural and economic institutions governing land matters and how they affect economic growth and income distribution. Specifically, the work aims to:

- To investigate the politics of land reform and land administration.

The purpose here is to understand the politics of land reforms in Malawi. The key questions include: who are the agents, actors and what interests do they have? In what institutional contexts do these agents and actors work and what are their interactions? How inclusive or exclusive is the politics of land reform? What is the politics of land reforms and what are the power relations?

- To assess the impact of the land reform programme

In order to understand the channels through which land reforms affect pro-poor growth, the study will evaluate the impact of changes in land institutions on agricultural investment, productivity, food security, agricultural growth and income distribution.

The land reform project is being piloted in four districts in southern Malawi: Thyolo, Mulanje, Machinga and Mangochi. We will use a case study approach to understand the politics of land reform and the impact of land reform on pro-poor growth.

Malawi: The politics of state-business institutional relations

There is today wide acceptance of the proposition that the somewhat tired debate about the respective merits of states and markets as engine of growth posed a false dichotomy. The emerging consensus now holds that what is crucial for effective development – and pro-poor growth – is ‘.. a *synergy* between state action and market functioning’ (Lange and Rueschemeyer, 2005: 240). Put more starkly, “hybridity” in the form of bureaucratic controls and market discipline has been an historical constant in the development of the modern state’ (Evans, 2005: 27). But synergy (or ‘hybridity’) needs ultimately to be anchored in institutional relationships which both shape and reflect ordered patterns of cooperation and collaboration between the institutions of the state and those of the market and, in particular, between specific parts of the state and specific organizations within the private sector. Simply stated, positive rather than pathological synergy is about the structuring and politics of state-business relations (Maxfield and Schneider, 1997) and how that helps to feed a constructive politics of economic decision-making. Cooperative and collaborative state-business relations are more likely to promote pro-poor growth than relations, which are characterised by collusion.

The second Malawi project, therefore, is exploring the politics of state-business relations in that country and is hoping to answer a number of related questions from an institutional point of view. These include questions to do with the extent to which business and state (and perhaps different sectors of each) share common goals, aims and objectives as a basis for cooperation; the number and nature of organizations which express business interests and the manner in which such interests cooperate and are articulated; the configuration of state institutions and the points of entry or contact (and gatekeepers) within them for business interests; the extent to which these relations are mediated by formal (and regular) institutional arrangements for consultation and discussion as well as the extent to which informality pervades the formal and the extent to which this enhances or compromises the formal; the nature of the relevant economic bureaucracies (eg insulated, embedded, autonomous, patrimonial) and the associated bureaucratic-business relations and contacts; the role, if any of legislatures and elected politicians in these processes and how these state-business relations are affected by relations with political parties or the organizations of workers and peasants. A detailed case study of state-business relations will complement the comparative quantitative work on this topic also being undertaken. Later work may extend the research to compare the patterns, politics and institutional arrangements of state-business relations in Uganda, Ghana and Mauritius and will help to reveal not only the institutional scope for 'synergy' but also the extent to which class formation and influence is taking place. (And for which there are interesting parallels, for instance in Bangladesh).

Mali: Institutions and organizations – the responses of farmers' organizations to institutional change in the Office du Niger

How do organizations operate within changing institutional domains and how do such changes affect organizations' behaviour? This question is to be explored in the case of Mali and, in particular, in the case of the relations between farmer (especially small farmer) organizations and one of the great institutions inherited from the days of French colonial rule, the *Office du Niger*. The project is entitled: *Institutional Architecture and Pro-Poor Growth in Office du Niger: Responses from Farmer Organisations*.

The Office du Niger (ON) is the largest agricultural scheme in Francophone West Africa. Created by the colonial administration, it was destined to be a granary for West Africa, and a nucleus of modernisation for African farmers. In the last two decades, and under the pressure of the Bretton Woods Institutions, the Malian state has increasingly been opening the ON to foreign and national investors. These economic and social reforms began in the 1980s. However, what came to be known as the New Office du Niger (NON) was created by the Law 94-004 of 9th of March 1994. The main objective of this Law was to redefine the roles of the ON as an enterprise and those of farmers with the specific goal of improving productivity, and therefore fighting against poverty.

The NON means simply the “privatisation” of some of its economic activities, in which farmers and outside interests can now compete. From being a state-owned enterprise it became in the mid-1990s an administrative structure for land and water allocation, in which the private sector can operate alongside farm households in rice production and marketing.

The main farmers’ organisations were the Village Associations (VA) created in 1984, and the Rural Development Fund (RDF). About 150 VAs have been created. This new orientation was supposed to give to the farmers the institutional tools for self-governance and to prepare them for the newly introduced free market in the NON. The farmers’ leaders and the NON Board have met several times around two key questions. The first relates to the reform of legal institutions dealing with land management and farmers’ access to irrigated areas. The second focuses on the role of the Rural Council, dealing with the farmers’ participation in the whole process of rice production including marketing.

Farmers are very concerned about the marginalisation of household farms in favour of agribusiness: What will be the cost to farmers of access to irrigated land? Can existing and newly- irrigated lands be profitable for poor farmers? How can an equilibrium be established between legal institutions and farmers’ organisations for pro-poor growth in former and new irrigated lands? And how, in this complex of legal institutions and organisational reforms, can pro-poor growth be ensured in the NON? How will the new rules of the game influence farmer decisions to invest in their farms?

The research will focus on four questions:

- To what extent were farmers’ organisations formed in response to institutional changes in Office du Niger?
- How do farmers explain their decisions to comply with, transform or reject legal institutions? How do farmers judge from the standpoints of morality, justice and equity the form and functioning of formal institutions? And what are the results of those judgements in terms of actions?
- How are farmers’ organisations using the institutional architecture to improve their livelihoods? What are the types of conflict arising from interactions between legal institutions and farmers’ organisations? In what ways do farmer’s organisations reinforce state institutions?
- How can institutions be improved: through external material, financial and human support, or through building on the strengths of local institutions and organisations?

3 SOUTH ASIA

While the South Asian economies have witnessed strong economic growth in recent years, there remain concerns that higher rates of economic growth have yet to lead to tangible benefits to the material condition of the poor. Two regions where there seems to be evidence of strong pro-poor growth outcomes, at least in an absolute sense, are the country of Bangladesh and the state of West Bengal. These two regions also have been the sites of several institutional reforms and innovations, which has been the subject of intense study by social scientists (for example, the Grameen Bank in Bangladesh and Operation Barga which brought about tenancy reforms in West Bengal). IPPG research in South Asia will be on these two regions, but concentrate on institutions and themes that have received less attention in the literature. In the case of Bangladesh, while the institutional arrangements of microfinance and decentralisation, and the actions of non-governmental organisations in contributing to poverty reduction have been well studied, there is little knowledge of the institutional mechanisms of public goods delivery by the state, which also seem to have played a positive role in Bangladesh's reasonable performance in absolute pro-poor growth. In the case of West Bengal, while pro-poor growth outcomes of tenancy reforms in the rural sector is now well recognised, there is less of an understanding of the institutional impediments to weak performance in manufacturing in the same state. Two IPPG projects will address the limitations of our understanding of institutions in these spheres in the South Asian context.

Bangladesh: The Local Government Engineering Department and its role in the growth of the rural non-farm economy

The project in Bangladesh will examine a particular organisation – the Local Government Engineering Department (LGED) - that has been widely regarded as a highly successful government organisation. LGEDs have played an important role in the provision of rural infrastructure and to the growth of the rural non-farm economy in Bangladesh. The effectiveness of the LGED as an organisation may itself be due to the innovative institutional practices that characterise LGEDs' functioning in the provision of rural infrastructure. For example, they have developed a mechanism of community participation in infrastructural development at different stages of programme implementation.

The LGED's origin dates back to the Rural Works Programme (RWP) initiated in the early 1960s. It developed rapidly throughout the 1980s and 1990s, increasing its staff size, which was 3,000 in 1992, to nearly 10,000 by the late 1990s. Institutional practices such as a highly effective leadership, teamwork, and a sense of responsibility of LGED staff towards the organisation's clients (principally, small and medium farmers) differentiate the LGEDs from other government organisations in Bangladesh. Most studies on the LGED have concentrated on its functioning as an organisation, with less interest paid to the institutional basis of its successful functioning. In contrast, the project will examine the institutional mechanisms that underpin the working of LGEDs by undertaking a pilot survey of the LGED in two villages in two districts in Bangladesh. The project will also study the impact that the LGEDs have had on the growth of the rural non-farm economy in Bangladesh, and consequently on poverty reduction in rural Bangladesh.

West Bengal: The dynamics of state-business relations and their impact on pro-poor growth in manufacturing

West Bengal is a state in India, which has been governed by a democratically elected Communist-led left of centre coalition, the Left Front, for past three decades. The Left Front has been instrumental in bringing about two major institutional reforms in the Indian context – tenancy reforms which offered security of tenure to sharecroppers and *panchayat* reforms which devolved considerable power to local governments. These two institutional reforms have been widely regarded to explain the strong pro-poor growth outcomes that have been observed in rural West Bengal in recent years. In contrast, the performance of the manufacturing sector in West Bengal in the same period has been disappointing, with urban poverty not showing the same rates of decline as rural poverty.

The project will explore this apparent paradox by analysing the state's relationship with the business sector over the period 1966 to the present, and its implications for manufacturing growth in West Bengal, paying particular attention to the changing nature of the state-business relationship over the period that the Left Front has been in power. The project will also address whether West Bengal's stagnant manufacturing performance can also be explained by the uneasy (and at times, hostile) relationship of the Central government (where different political parties in competition with the Left Front have often been in power) with the state government in West Bengal, which may have adversely influenced the allocation of public investment and distribution of industrial licenses to the state.

4 QUANTITATIVE STUDIES

A set of comparative projects using formal econometric methods are being undertaken to understand the implications of effective state business relations for pro-poor growth and economic development more generally. These projects propose a novel way of quantifying state-business relations, link these relations to economic development and examine the effects of state business relations on economic development at both macro and micro levels. At the macro level, the role of state business relations as an additional institutional determinant of economic growth in Sub-Saharan Africa will be studied using a cross-country data-set for that region. This study will also make a methodological contribution to the empirical analysis of the impact of institutions on growth by using dynamic panel data methods that are less prone to the criticisms that have been made of the cross-sectional regression approach that has tended to dominate the empirical research on the determinants of economic growth.

At the micro level, the implications of state business relations for firm performance will be examined for some African countries. This study will explore whether state business relations matter more for the economic performance of small and medium sized firms relative to large firms, and for firms in the more labour intensive sectors of the economy. A similar micro-level study will be undertaken for India, where the federal nature of the polity provides an ideal laboratory for understanding the implications of the state's relations with the business sector that differs across Indian states, within similar formal institutions that govern economic behaviour at the national level.

CAPACITY BUILDING

Through collaborative and multi-disciplinary team working new capacities are being built. Three scholarships (two full-time at each of the Universities of York and Greenwich, and one part-time at the University of Manchester) have been awarded for PhD study in the UK. They will undertake research in line with the interests of the IPPG programmes. Two one-week capacity building workshops aimed to deepening the conceptual understanding of IPPG and to share lessons on methodological approaches to field research have been held in 2006, one in Bangladesh and a second on Senegal with a total of 46 participants from 8 countries. Regional seminars for post-graduate students are to be organized by southern partners during 2007.

COMMUNICATIONS AND OUTREACH

The IPPG Programme's strategy is to ensure that the research contributes effectively to the global pool of new knowledge on priority policy issues; and that the research findings have maximum uptake to promote long-term pro-poor impact and ultimately support the achievement of the MDGs. This requires both facilitating and deepening conceptual understanding of the focal issues; and advocating instrumental change through uptake of relevant innovations and revisions to policy and practice.

The IPPG programme has commenced its programme of dissemination, outreach and communication, arising from its early stage research and critical reviews, using seminars, workshops, as well as participation in regional and international meetings and conferences. Members of the consortium have given papers at various academic conferences. Multi-stakeholder country level workshops have been held in each of the four countries of the inception phase study to share emerging findings, explore implications and consider opportunities for either further studies and or innovation in uptake. The IPPG programme website is in place and will be upgraded in early 2007. As the research outputs gather momentum, the findings of IPPG Programme will be disseminated through these and other means to reach policy-makers and other interested groups.

CONCLUSIONS: NEXT STEPS

In this progress report, we have sought to outline the current research being funded and undertaken by the IPPG in the light of its wider theoretical, conceptual and thematic concerns. A workshop will be held (April 2007) at the end of this phase of the programme of work to draw conclusions, to identify areas that might benefit from deeper or more comparative work and to distil implications for both theory and policy. At the same time, as the findings come on stream, we shall calibrate these with the organization of further outreach, capacity building and communications activities with fellow researchers, policy-makers and other stake-holders, an aspect of our work to which we are strongly committed.

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IPPG Publications

All available on the IPPG website at:

<http://www.sed.manchester.ac.uk/research/ippg/>

1 Discussion Papers

1. Notes on a Historical Institutional Approach to the IPPG Agenda by John Harriss (April 2006).
2. Institutions and Pro-Poor Growth: Towards a Framework for Quantitative Analysis by Kunal Sen, Dirk Wilem te Velde, Steve Wiggins and Massimiliano Cali (April 2006).
3. Institutions and Development: What We (Think We) Know, What We Would Like to Know by Paul Hare and Junior Davis (April 2006).
4. Measuring State-Business Relations in Sub-Saharan Africa by Dirk Willem te Velde (October 2006).

2 Briefings

1. What are 'Institutions'? (by Adrian Leftwich (January 2006).
2. Institutions and State-Business Relations by John Harriss (June 2006).
3. Economic Institutions (by Steve Wiggins and Junior Davis (July 2006).
4. Institutions and Trade Liberalism (by Paul Hare (July 2006).
5. Whither Business Regulation? Institutions and Private Sector Development (by Dirk Willem te Velde (October 2006).
6. Institutions & Economic Growth in Bolivia (by Steve Wiggins, Alexander Schejtman, George Gray and Carlos Toranzo (November 2006)

3 Inception phase studies

1. Bolivia Study: An Interpretative Summary (by Steve Wiggins, Alexander Schejtman & George Gray (April 2006).
2. Institutions and Pro-Poor Growth in Bangladesh: IPPG Inception Phase Study (by Bipul Chatterjee, Junior Davis, M. Abu Eusuf, John Harriss and Purnima Purohit (June 2006).
3. Institutions and Pro-Poor Growth in Tanzania: IPPG Inception Phase Study by Olu Ajakaiye, Ali Kilindo, Timothy Nyoni, Felicity Proctor and Kunal Sen (June 2006).

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