

Discovering institutions that work for poor people

Research Justification

Asia

Differing patterns of rent-seeking incur varying costs for society and the form that distribution of rents takes can be either development-constraining or development-enhancing (Mushtaq Khan 2000). For example, in Malaysia centralised bribes in a constrained political system, redistributed as political rents to disadvantaged groups, provided a degree of political stability that facilitated growth-enhancing investment.

Africa

Clientelism plays an important role in all African political systems; however, the extent to which it is economically damaging is in part a function of the way in which it is politically organised (Chris Allen 1995). Although formal business associations can help with sectoral collective action problems, informal forms of influence and clientelist networks may be equally important.

Lessons from Literature

Although clientelism always has costs, in certain circumstances these might be outweighed by the public goods it brings in terms of political stability, guaranteeing key conditions for investment and solving development-constraining collective action problems. Consequently, it may not be clientelism per se which is bad for business, but rather the way in which clientelism is organised (or not) in specific contexts.

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Developmental patrimonialism?

A study of business and politics in Africa

By challenging conventional wisdom on business and investment in Africa the Business and Politics research programme hopes to lay the foundation for more informed policy decisions concerning investment by African governments and donors.

There is a consensus in development circles that sustainable poverty reduction rests on accelerated levels of economic growth. A precondition for economic growth is a rise in the level of productive investment. Analysis of how to improve the investment climate in Africa has therefore taken centre stage.

Current thinking on business and investment in Africa is encapsulated by the good governance agenda and arguably does not pay enough attention to Africa's political and economic realities; in particular its high social diversity, strong traditions of clientelism and weak formal institutions.

Our preliminary research drew on concepts from Asia's experience of rapid economic growth and examined the role of clientelism in business and politics relations in Africa. It points to the need for a more realistic understanding of the investment environment in Africa, one which pays particular attention to the ways in which informal institutions may contribute to creating a climate conducive to business and investment, and to broader development agendas.

By highlighting evidence on what has worked well in Africa in the past and by investigating contemporary examples of relative economic success, our research aims to shed light on the key variables that underpin strong investment in Africa.

Intensive studies in two countries which have experienced better than expected business growth in recent years (Rwanda and Tanzania) will interrogate the way in which informal institutional arrangements can contribute to the provision of public goods.

Funding permitting, we plan to conduct research in additional countries to enable cross-country and cross-sector comparisons.

For further information, visit www.institutions-africa.org or contact the business and politics research stream leader: **Dr Tim Kelsall** (tim.kelsall@gmail.com)