INSTITUTIONAL MONOCROPING AND MONOTASKING IN AFRICA

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Introduction

The study of institutions is once again at the centre of development thinking in Africa. The excitement about the discovery of the "key" to development has been most pronounced among those working within an essentially neoclassical economics framework. Since its very inception development economics — the intellectual scaffolding for development strategies — identified itself with the task of "government engineered-economic transformation" (Toye 2003). Early development economists were keenly aware of institutions as the framework within which economic decisions and transactions were made. Even when economists themselves did not always pronounce themselves on institutions, there was often the belief that someone else was looking into that since side by side with "development economics" there evolved approaches to "development" that drew on other disciples which sought to identify what kind of institutional arrangements were appropriate to development and what lessons could be learnt from the past. Not only were institutions the framework within which markets worked but also motors that would drive "markets" to perform differently from what would be expected by simple extrapolation of the performance of the markets in the past. The issue raised then was: what institutions are appropriate for accumulation and structural transformation in the context of "catch-up"? In the linear view of history, "late comers" would simply adopt the institutions from the leading countries so as to pass through the "stages" that they had already traced (Rowstow 1960). The main task of research then was to identify the preconditions for each stage and simply accelerate the movement from one stage to the next. In contrast, Alexander Gerschenkron was sceptical of "preconditions" for growth put forward a substitution for such prerequisites. Gerschenkron seminal contribution was his suggestion that institutional innovations would circumvent the establishment of market based relationships by mapping out the boundaries of the firm, type of finance likely to be appropriate for "late industrialisers, the role of the state etc. Institutions would be designed to skip certain stages or telescope certain processes allowing the "late comers" to move much faster than was suggested by the linear theory of history

In this paper I shall argue that while the upsurge of interest in institutions is welcome and long over due, the new focus is marred by the tethering of institutions to a "one-size-fit-all" policy perspective which leads to what Peter Evans refers to as "institutional monocropping" which involves an "imposition of blueprints based on idealised versions of Anglo-American institutions whose applicability is presumed to transcend national cultures and circumstances" (Evans 2004). It also suffers from the insistence on institutional "monotasking" whereby institutions are reduced to servicing a standard set of often imposed policies or tasks and from the endless institutional experimentation that renders institutions highly unstable and unpredictable. Its attachment to "rational choice institutionalism" has tended to focus on the restraining role of institutions and ignored the developmental and transformative role that historical and sociological forms of institutionalism have highlighted[1]. And finally, by a proliferation of tasks to be performed by highly restrained institutions, it undermines the coherency of national bureaucracies.

From "Getting Prices Right" to "Getting Institutions Right"

To understand the new turn to institutional reforms it is important to bear in mind the theoretical underpinnings of the new model behind these reforms. Neoliberal policies claimed they drew their policy diagnoses and prescriptions from the notions of Adam Smith's "Invisible hand" formulated more rigorously by Arrow and Debreu. In its pristine form the Arrow-Debreu model of decentralised allocation of resources, which assumes a full set of complete and contingent markets extending infinitely into the future with economic actors endowed with perfect information to operate in all these markets, institutions are superfluous and likely to only lead to distortions[2]. The World Bank's initial characterisation of the underlying market economic drew straight from the Arrow-Debreu world:

> "If the economy is producing efficiently, scarcity values must be equal to opportunity costs, and their common value is the efficiency price….An economy is efficient, as opposed to just production efficient, if it is impossible to make anyone better off without making someone else worse off. In addition to producing efficiently, the final consumers must have exhausted all possibilities of mutually beneficial exchange. This in turn requires they all face the same market prices and that these are equal to efficiency prices….The case for removing distortions and moving market prices closer to efficiency prices rests on the argument that prices influence production efficiency and the reform will increase production efficiency (World Bank 1983: 42).

If the concern of the "interventionist era" was "getting investment right" through planning and later through project evaluation, the neo-liberal view was initially simply "getting the prices right". There was little concern about institutions that would facilitate the workings of the market. Consequently adjustment basically involved the liberalisation of the market from both primordial and modern state interventionist institutions associated with market distortions". And of all the institutions identified as likely to play the most negative role was the state.

Failure of adjustment

Already by the end of the 1980s there was the growing realisation that neoliberal policies were not working in Sub-Saharan Africa which had been subjected to more conditionalities per capita than any other region (Killick 1996). This led to the view that attention had to be paid to other variables accounting for the failure of the African patient to respond to the

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1 For the distinction among the three forms of institutionalisms see Thelen (1999)

2 The "a-institutional" nature derived from the axiomatic grid of neoclassical economics was one the questions raised against SAPs (Stein 1997).. In an earlier paper I pointed how the wrong "stylisation" of African economies as immanently competitive had contributed to the marginalisation of the question about institutions for rapid accumulation. (Mkandawire 1996)

nostrums as had been expected. This shift was first hinted in the World bank's *From Crisis to Sustainable Growth* (World Bank 1989) report on Africa, which categorically declared: "Underlying the litany of Africa's development problems is a crisis of governance. By governance is meant the exercise of power to manage a nation's affairs" (World Bank 1989: 60). And since then the issue of "good governance" and "institutional reform" has become part of the Pavlovian punditry about Africa's crisis.

There were two interpretations of the crisis underlying the "Good Governance" agenda. One view, with strong neo-Weberian underpinnings, suggested that for all its size and ubiquity the African state was a "lame Leviathan" (Callaghy 1987). The consensus was that African states had been based on patron-client relationships that drew from African culture and peculiar path modernity was taking in Africa. The more optimistic view sought to set up institutions that would be shielded from African culture. (Hyden 1980). . In a Panglosian sense the current Africa was the best of all possible Africas. The institutions that have emerged in Africa are what one would expect from Africa's historicity. The corruption, kleptocracy, violence etc were manifestations of how "Africa works" and evidence of the "political instrumentalisation of disorder" (see especially Bayart 1993;Chabal and Daloz 1999). The more "Afropessimistic" view argued that the reforms made in Africa were a mere charade or so totally out of sync with African culture that they were doomed to fail. The other pessimistic view drew on the neoclassical tradition and its methodological individualism. In this the analytical political economy school institutions were treated as simply instruments of advancing sectional interest groups to capture rents[3]. Donors had been hoodwinked by the neo-patrimonial elites into believing that any adjustment had actually taken place (Chabal and Daloz 1999;Van de Walle 2001). While initially both these pessimistic positions counselled the establishment of institutions that would be insulated from domestic entanglements, it later became clear that the cynical view of politics made the whole aid business pointless if indeed the existing policies represented a self-reinforcing political equilibrium. (Toye 1995)

Both these formulations posed problems for donor financial institutions. For a while economists at the Bank and other aid agencies treated the "governance" turn with hesitation viewing it as a distraction from the key message of "getting prices right". In addition, the formulation did not suggest exactly how this would relate to the corpus of neoclassical economics that underpinned the stabilisation and structural adjustment programs. In *Adjustment In Africa* (World Bank 1994), the World Bank argued that adjustment was in fact working but also noted that the response of private investment to adjustment had been "disappointing". Significantly the report did not pay much attention to the governance issue and "Getting policies right" remained its core mantra. Overwhelming evidence contradicted this report and suggested that in fact adjustment was not working. For a while the BWIs maintained their paradigm by moving the goal post and always found one thing or other to argue that policy makers had not done as instructed and had been slow is abandoning their retrograde ways[4]. However, after some time the "policy

[3] This was essentially Bates interpretation of marketing boards (Bates 1981). The World Bank also adhered to this approach of African policy (Harrison 2005)

[4] The "moving goal" aspects of policy making in Africa has led Joseph Stiglitz to equate it to the manner in which religious beliefs are never falsifiable:

> "Undermining this particular religion was the disturbing observation that countries that seemed to get the prices right – to follow the visiting preachers of the free market – too often failed to grow. To be sure, like medieval medicine, there was always the allegation that the patient had not followed the doctor's orders precisely, and it was this that accounted for the failure of the remedy (Stiglitz 1996: 155)

failure" argument simply ceased to make sense and it could no longer be argued that in good faith that developing countries, especially the Latin American ones, had not implemented the putative "right policies". In official circles the failure of adjustment was signalled by calls for "post-Washington" policies, Comprehensive Policy Framework etc.

In light of this failure of the "get policies right" injunction a new question arose: "Why is that when the recommended policies are put into place (often under the guidance of – and pressure from – the International Monetary Fund and the World Bank), the hoped for results do not materialize quickly." (Clague 1997: 1). The answer was: "institutional weakness" [5]. The New Institutional Economics provided the answer to this failure suggesting a strikingly obvious point, namely that poor legal systems and inadequate contractual enforcement deter investment and credit. The new interest in institutions was now inspired by the New Institutional Economics as formulated in the seminal work of Douglas North. In this approach institutions were overarching structures shaped by "path dependence" and the unintended consequences of the pursuit by individuals of their own interest while the other. They also provided the kind of constraints that would facilitate transactions and reduce unpredictability of individual choices and behaviour. This new approach provided a formulation of the "Good Governance" agenda that could be reconciled to neo-classical economics. It also dovetailed neatly with the "new growth theories" and their attempts to take on board once again a wide range of "determinants" of and included in their cross-country regression equations proxies of the rule of law, financial institutions, intellectual property law, etc. which are mainly the outcome of the institutional set-up of the country.

Given the irreversibility of many investment decisions, predictability was important in encouraging private investors. The most important role of institutions was lending credibility to policy. One way of insuring this was through the reduction of the discretionary space of the state. The theory informing this choice drew from a seminal paper by Nobel Prize winners Finn Kydland and Edward Prescott[6] which argued that the central problem of policy was its credibility: fixed rules are preferable to discretionary ones because they increase credibility while discretion leads to "time inconsistency" which arises as policymakers may renege on commitments made in an earlier period. It this approach rational agents use uniquely correct economy model and take into account all the available information when forming expectations about the future and making decisions. Correct policy respects the "fundamentals" of new economic theory. From this model the need to ensure credibility and the risk the problems of time inconsistency and policy reversals, it was logically necessary to create insulated institutions[7]. The problem for government then

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[5] One should also add here the debacle of "shock treatment" in the former Soviet Union was an important of how institutionally embedded markets are. As Dunning and Pop-Fleche note:

> "When such replicas failed to materialize in most of the ex-Communist bloc (and, moreover, an unexpectedly sharp decline in output followed liberalization), the "rediscovery" of institutions by the IFIs led to a veritable explosion of structural conditions in International Monetary Fund (IMF) programs, from an average of four structural conditions per IMF program in 1991 to a peak of sixteen in 1997.5 The emphasis on structural reforms mirrored a realization that implementation of the "right" policies required the creation of the "right" institutions, and thus marks the beginning of a second "deep" stage of institutional monocropping during the mid 1990s." (Dunning and Pop-Eleches 2005)

[6] For a nontechnical presenttation of their argment see (The Royal Swedisg Academy of Sciences 2004)

[7] Note, however, that the insulation and autonomy was only with respect to national institutions and politics as these autonomous institutions were essentially beholden to outside institutions as they are often compelled by SAPs to adhere

was: How could they make private sector agents believe that the policy rule they announces in time t would be actually be carried out in time t+1? Presumably, the rules were more credible if they were endorsed or even enforced by outside institutions. Governments could delegate authority to someone whose motives already enjoy credibility (read IMF) or deliberately surrender of authority and responsibility the authorities of an independent central banking system. Rule-based policies were thus strongly recommended to reduce the risk of recidivism, opportunistic behaviour and time inconsistency Indeed conditionality "provide(d) the theoretical underpinning for the widespread notion that an IMF agreement is akin to the Good Housekeeping Seal of Approval for government policy, increasing the attractiveness of a country to foreign investors" (Gordon 1993: 112) [8].

The second pillar of this new argument was the need to ensure property rights. It should be recalled that this was seen to include protection of the market-sanctioned returns so that something like "rent control" or inflation or state revenues from seignorage were a tantamount to the violation of such rights.

"Good Governance" Once Again

We noted how the earlier argument by the World Bank that "Good Governance" was given lukewarm reception. This time around the reception was different. In 1998 Wolfenson declared that the World Bank has "ignored institutional infrastructure, without which a market economy simply cannot work"(Wolfensohn 1998: 11-12). According to Stiglitz, who was then Chief economist at the Bank: "The post-Washington consensus was aimed at the creation of institutions that helped markets (e.g. legal framework and institutions, property rights, competition policies, and contract enforcement" the (Stiglitz 1998). In light of these intellectual and policy shifts, the 1990s was therefore the era of "institutional reform". Virtually all donor agencies were now involved in supporting institutional reform and capacity building. Often the new initiatives simply involved re-labelling existing activities from, say Public Administration to "Governance and Institution-Building". Remarkably in many cases there was not even the attempt to cover up the continuity by renaming what one was doing all along. Thus although the IMF now took on "good governance" it also insisted that the many reforms it had been involved in over the years (tax reforms, banking reforms, etc) were indeed core components of "good governance". As stated by the Michel Camdesus, the Managing Director of the IMF: "Our approach is to concentrate on those aspects of good governance that are most closely related to our surveillance over macroeconomic policies—namely, the transparency of government accounts, the effectiveness of public resource management, and the stability and transparency of the economic and regulatory environment for private sector activity". (Cited in International Monetary Fund 1997b)

By the end of the 1990s, many countries had adopted many aspects the "Good Governance" agenda. Central Banks had been made autonomous, parastatals had been

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to certain operating practices such as refusal to finance government debt or were simply based on operating guidelines of credible Western central banks or by employing central bank staff directly from these institutions.

[8] The IMF's own perception of the importance of its conditionalities was couched in this languge: "Clearly endorsing IMF conditionality is a means by which borrowing countries establish the credibility and predictability of their policies...Markets want proof not only of the technical merit of policies but also of the authorities' will to suatin them. IMF financing vouches for thisnwill, and conditionality helps countries signal their determination to act predictably, in accoradnace with prior commitments"(International Monetary Fund 1997a: 82). See also (Dhonte 1997). As it turns out the catalytioc effect IMF policies proved illusory (Bird 1997a;b)

(International Monetary Fund 1997a). Hajivassilou found that between 1970-82 there was a significantly negative correlation between IMF support and new private sector lending (Hajivassilou 1987) privatised, legal reforms had strengthened property rights; stock markets had been set up; bureaucracies had been trimmed down to produce the desirable "lean and mean state". And in a significant number of cases countries had made significant steps towards democratisation. However, "accelerated development" still remained elusive. The new question then was: why is it that even when countries have adopted "good policies" and "good institutions", economic growth has remained anaemic? So a new set of explanations had to be invoked to explain the ineffectiveness of institutional reforms in Africa. Some pointed to the large numbers of ethnic groups that undermine the national cohesion required for development (Easterly and Levine 1995). For some religion was important. Others suggested lack of social capital while others suggested that there was plenty of the stuff but it was a pathological type. Path dependence was also used to suggest something like "getting your past right" as still others pointed to how different patterns of colonisation determined the quality of contemporary institutions (Acemoglu, et al. 2001); and that Africa, outside the White Settler colonies, had been dealt a bad hand. Others stressed lack of human capital (Glaeser, et al. 2004); some argued that geography had trumped institutions and pointed to Africa's unfortunate geographical location – large number of land-locked countries and unhealthy climate and problems of governing such thinly populated countries (Herbst 2000;Sachs 2003;Sachs and Warner 1997;Sachs 1996;Sachs 2000)9.

What went wrong with institutional reforms

(a) *Weak Conceptual Underpinnings and measurement problems*

We noted that some of the new interest in institutions was driven by the new thinking in economics. Following the work of Douglas North, there has been some kind of an econometric cottage industry with growth on the left hand of the equations and some measure of institutions included among the right hand determinants of growth. This kind of analysis which putatively informs the current institutional reform agenda presents many problems for policy-makers and institution-builders. First, economic theory does not specify the functional forms for the relationships between institutions and economic growth so that the link in the econometric specification of the relationship between theory and the estimated regression often involves a leap of faith. There is definitely no robust, long-term causal relationship among political, legal, economic, and financial institutions. There also doubts the exact channels of their effects on growth, about their relative importance vis-à-vis other exogenous and endogenous variables such as trade policy and geography and about interpretations of findings remain unanswered. Thus, the empirical evidence on the relationship between growth and such institutions as stock markets or central bank independence is still highly contested.

Second, as most authors admit, problems of simultaneity are prevalent in such cases so that endogeneity bedevils some of the simplistic derivations of appropriate institutions from econometric analysis. The direction of causation is not clear and may run in both directions. In fact since institutions are both conditioning factors and responses this should not be surprising. The simultaneous relationship between growth, investment and institutions makes it difficult to find out the relative importance of the indirect and direct effects. In a recent article aptly entitled "an obituary for growth regressions," Lindauer and Pritchett (2002: 19) observe that "by now, there are thousands of papers that put economic

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[9] A recent one is the debate on the relative importance of institution in particular vis-à-vis trade and geography. On one side is group of researchers headed by Dani Rodrik (Rodrik, et al. 2002) stresses the dominant importance of institutions ("trumps everything else") and another centred around Jeffery Sachs (Sachs, 2003) for whom "geography" is the most important factor explaining differences in growth rates.

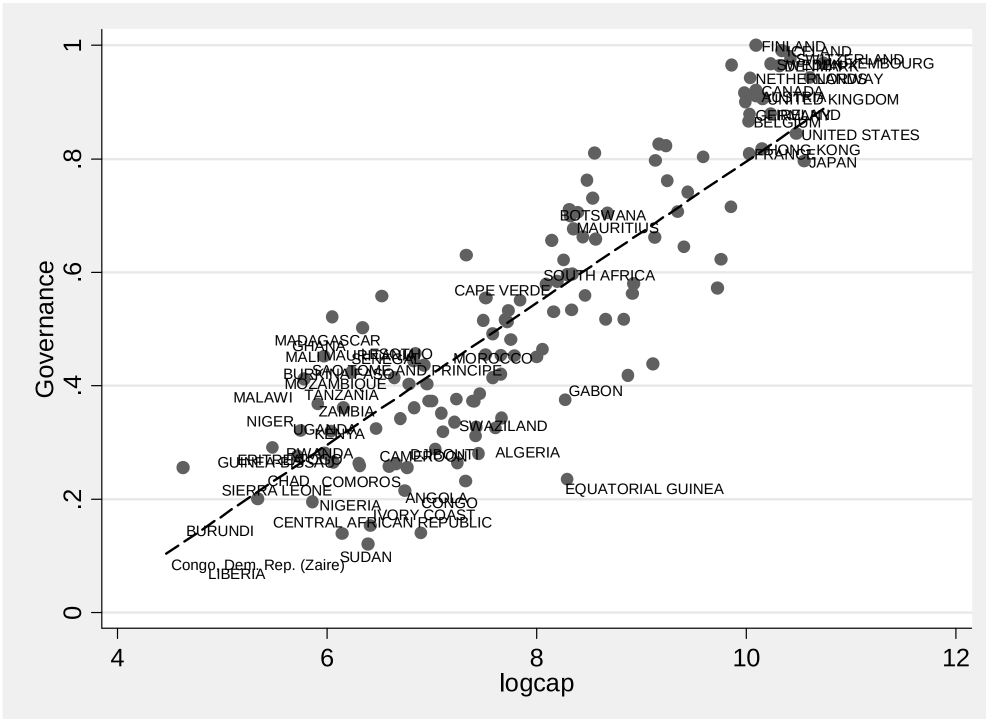
growth on the left-hand side and other stuff on the right-hand side . . . (yet) estimates in the typical growth regressions are unstable over time and across countries." (Lindauer and Pritchett 2002:)

In addition the "institution variable" raises enormous problems of measurement. Most of the measurers for institutions are dubious empirical proxies for their theoretical counterparts subject to errors and biases of measurement. Although in most models institutions are treated as prior or as determinants of behaviour, the actual proxies used are derived through the behaviour or action of agents. Such proxies suffer both the "subjective bias" (since the index may be influenced by a country's overall economic condition) and "reputation" (which has a self-fulfilling quality) and by an "endogeneity bias" since they is often feedback from growth to institutional quality. And so the fact that people are investing a particular country (driven essentially by "animal spirits" or "herd behaviour") is used to suggest "good institutions". We should also bear in mind both cultural and racial bias in these measures and the so-called "CNN Factor". In the case of Africa this shows up in that many studies that suggest that Africa is systematically rated as more risky than is warranted by the underlying economic characteristics (Collier, et al. 1999). However, in the policy literature, there is usually the perfunctory admission that proxies are subject to endogeneity but the analysis then proceeds as if the problem of direction of causation has been solved. And so the imposition of institutions takes place when "social scientific ignorance persists about the relationship of specific institutions and processes of institutional change to economic development" (Dunning and Pop-Eleches 2005).

Finally the high correlation between some of the measures of governance and growth suggest that what the arguments in these indices instruments measure are the economic outcomes of economic development rather then the efficacity of these institutional characteristics in promoting growth (Glaeser, Porta, Lopez-de-Silane, and Shleifer 2004). As Figure 1 shows there is a high correlation between "Good Governance" and GDP per capita. Indeed using these measures we find that many countries are as well governed as the level of development will permit with quite a number of African being better governed than one would expect given their levels of development[10]. We should also the point that Ha-Joon Chang (Chang 2002;2007) has stressed in most of his works, namely that generally speaking the poor countries of today have better institutions than today's industrial countries had at similar levels of economic development. This is not to dismiss the importance of good institutions for today's poor countries but to point out that what may matter is the normative argument that such institutions are of intrinsic value and that their developmental role may be oversold.

[10] Or as Naim oberves "The difficult paradox, is that any country that is capable of meeting such stringent requirements is already a developed country" (Naím 2000: 9)

Figure 1 - Relationship Between Governance and per capita income



Notes: Governance is derived from the normalization of the unweighted sum of the indicators in World Bank "Governance Matters" data base (Kaufmann, et al. 2005)

Institutional Monocroping and Monotasking

(a) Monocroping

The assumption was that "Good Policies" were known, a highly dubious proposition -- [11], and that there was one isomorphic mapping between the policies (or tasks) and institutions-- drawn from notion that in perfect markets there is only one optimum to which all economies must move if they are not to end in non-Pareto optimum situations -- led to an "institutional monocropping" through the imposition of what Peter Evans described "ideal-typical versions of a particular sub-set of supposed Anglo-American institutions" (Evans 2004). Since this singular truth maps monotonically into one type of institutions, the whole idea of context specificity and path dependence is jettisoned as countries simply borrow best practice from the Western countries.

In reality economies are confronted with possibilities of multiple equilibria or equilibrium that can be reached through different institutional arrangements (Freeman 2000)[12]. One

[11] History and Africa's own recent past suggest that the policies being pursued under the aegis of the BWI are not the "good policies" associated with economic development and structural change. As Dani Rodrik (2002) notes: "The few instances of success occurred in countries that marched to their own drummers—and that are hardly poster children for neoliberalism. China, Vietnam, India: all three violated virtually every rule in the neoliberal guidebook, even as they moved in a more market-oriented direction."

[12] Strictly speaking the inference drawn from neoclassical theory about the required instutions has much more to do with ideology than the strict logic of neoclassical economics. As Dan Rodrik argues " first-order economic principles—protection of property rights, contract enforcement, market-based competition, appropriate incentives, sound money, debt sustainability—do not map into unique policy packages. Good institutions are those that deliver these first-order principles effectively. There is no unique correspondence between the functions that good institutions perform and the form that such institutions take. Reformers have substantial room for creatively packaging these

consequence is that the relationship between institutions and economic fitness is multi-peaked and each of these peaks may be associated with entirely different social institutions. What peak a country reaches depends from whence it came (path dependence) and the context within which choices about institutions are being made[13].Consequently, the kind of standardized policy advice on institutions is unjustified and "the search for a single institutional "taproot" of growth is likely to be a misguided exercise" (Haggard 2003: 53) nor will simply mimicking a leader or "best practice" do (Schettkat 2002).

Monotasking
One remarkable affects of adjustment has been its failure to stimulate investment. Institutional perform many roles some indented and some unintended.. Institutions are now assigned the task of encouraging or attracting (mainly) foreign investments. And so not surprisingly, the elements picked up from NIE were those that related to attracting foreign investment: reinforcing property rights, regulating markets, to promote competition (levelling the playing field), clamping down on corruption, bolstering political credibility, enhancing the administrative capacity of government agencies, transparency, etc. Virtually everything was to be harnessed to this task of ensuring private property. This has had serious implications for the design and functioning of institutions in Africa. It has encouraged "monotasking".

Ultimately "Good governance" has been reduced to something whose primary task is to serve the market just as earlier "development administration" was aimed at serving "development plans". Even democracy is defended because it is good for property rights, a position buttressed by econometric studies suggesting that property rights are more sure under democracies than autocracies (Clague, et al. 1996)[14]. As a consequence central liberal and egalitarian (civil) components of democracy are shorn off the governance agenda. Tuozzo observes with respect to Argentina has resonance the African situation:

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principles into institutional designs that are sensitive to local constraints and take advantage of local opportunities. Successful countries are those that have used this room wisely. (Rodrik 2003)

[13] Hodgson (Hodgson 1996:) notes that this multiplicity of adaptive peaks may lead to the congregation of units around a local rather than global maximum which may too costly to reach from any given position.

[14] This turn in argumentation is a recent one. Both the historical and conceptual analysis has often suggested that when the propertyless are the majority there is always the danger that numbers can be used against the few propertied classes. As Przeworski and Limongi note "the idea that democracy protects property rights and we think a far fetched one". (Przeworski and Limongi 1993). The case for democracy is that it ensures the rule of law which presumably encourages investment. However it should be noted that what matters for investors is predictability and not accountability " and it is not clear that an authoritarian regimes cannot provide a framework for a predictable set of contacts" (Bardhan 1999): 95 . This after all has been the main attractive feature of authoritarianism to business. In more recent case Glaeser and associates (Glaeser, Porta, Lopez-de-Silane, and Shleifer 2004) observes with respect to China:

> "With respect to policy, our results do not support the view that, from the perspective of security of property and economic development, democratization and constraints on government must come first. In many poor countries, such security came from policy choices made by dictators. The economic success of East Asia in the post war era, and of China most recently, has been a consequence of good-for-growth dictators, not of institutions constraining them. Indeed, the Chinese example illustrates this point forcefully: there was nothing pre-destined about Deng, one of the best dictators for growth, succeeding Mao, one of the worst."

> "This rationale has led to the prioritisation of certain normative values above others, making democratic institutions more concerned with elements of `performance' and `effectiveness', whilst elements of representation, fairness and equality have moved into the back burner. The prioritisation of goals produces complex tensions and incomplete institutional initiatives that only partially address governance problems in Argentina. Since the Bank believes that to govern is to manage the economy effectively, it sustains a managerial view of governance processes that may have detrimental implications for the unfolding process of democratic consolidation." (Tuozzo 2004: 106)

In such a context even the notion of transparency so germane to accountability is subjected to the exigencies of this technocratic vision of policy markets and the perceived needs of the markets. Blyth argues that "promotion of transparency enhancement as a governance solution derives from erroneously viewing information failures as the primary cause of financial market instability (Blyth 2003). "Transparency" is thus intended more to ensure "global legibility" of local financial practices than to facilitate democratic oversight which has in many cases been circumscribed by the ring-fencing of many economic institutions. Since accountability was important in ensuring "congruence between public policy and actual implementation, and the efficient allocation and use of public resources" (World Bank 1992: 13-4), even institutions of civil society were perceived in this narrow sense: "The Bank's promotion of civil society is linked to its promotion of accountability, legitimacy, transparency and participation it is these factors which empower civil society and reduce the power of the state" (Williams and Young 1994: 87)

Monotasking has even sought to reduce the functions of such institutions as the judiciary to the task of protection of private property.

We also noted above that according the new institutionalism economists there one explanation for the failure of adjustment in attracting private investment was that institutions protecting property rights and enforcing contacts were weak and that generally transaction costs were high in Africa largely due to cumbersome bureaucratic procedures. Confidence in the enforceability of contracts was also crucial to the reduction of unreasonable delays, high costs and uncertainty in enforcing agreements. It was important that an independent and credible judicial system be set out to assure that private contractual arrangements are respected and court procedures are expedited. According to a World Bank lawyer judicial reform is part of a larger effort to make the legal systems in developing countries:

> "Concern for rules and institutions is particularly relevant to a financial institution which at present does not only finance projects but is also deeply involved in the process of economic reform carried out by many of its borrowing members. Reform policies cannot be effective in the absence of a system, which translates them into workable rules and makes sure they are complied with. Such a system assumes that: a) there is a set of rules which are known in advance, b) such rules are actually in force, c) mechanisms exist to ensure the proper application of the rules and to allow for departure from them as needed according to established procedures, d) conflicts in the application of the rules can be resolved through binding decisions of an independent judicial or arbitral body and e) there are known procedures for amending the rules when they no longer serve their purpose." (Shihata 1991)

It should also be stressed that this understanding of the function of law dovetailed neatly with a political economy analysis that sought to reduce discretionary practices by the state (Tshuma 1999). The Word Bank Report of 1997 clearly spelled out this understanding of the law and development. Its involvement with law reform was confined to law to governance aspects related to development and so the as pects of the judiciary that serve the function of property rights receive better funding from the donors.

This focus on formal law downplays other normative or semiautonomous spheres in society that set rules and facilitate enforcement[15]. This form of "monotasking" will also tend to downplay other functions of the judiciary. In addition, as John Ohnsorge argues, the IFIs advocate judicial independence largely in terms of enforcing written rules, and as a check on populist politics" (Ohnesorge 2007). And Shapiro notes the popularity of reform of the judiciary "may have more in common with the popularity of independent banks than with the protection of individual freedoms (by functioning as devices signalling investors that the capacity of elected officials to interfere in redistributive policy or interfere with property rights will be limited" (Shapiro 2003: 21)[16]. Finally the view that the legal reforms are apolitical and are only confined to neutral technical reform is self-deceptive. Establishing property rights always has political implications because in the context of scarcity property rights are not only about incentives but also about exclusion of some from those protected properties. In Africa such schemes as land entitlement has meant depriving communities of their property rights in favour of individual. Consequently "imposing new sets of formal rules without simultaneously reshaping the distribution of power that underlies prior institutional arrangements is a dubious strategy from the perspective of political economy." (Evans 2004)

It is also important to recognise that the remiss of institutions go well beyond the narrow needs of the market Institutions play many roles in the development processes and seemingly identical institutions can take on different roles in different times within the same country and from country to country. The fact than an institution may be necessary for a particular functioning does not mean that is the only function that that particular institution can serve. In the apt words of Betteille

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15 An often cited case is the land registration scheme which fauled because the formal law failed failed to accord attention to traditional norms of land wonership and inheritance.

16 With respect to Africa Nyamu-Musembi notes that reforms to equip the judicial sector (for example through provision of new buildings and computerization) have privileged commercial dispute resolution and underinvested in judicial subsectors such as family courts and legal aid for family proceedings. (Nyamu-Musembi 2005)

> "As I see things, social institutions, for all the limits they impose, are far too important in the lives of human beings to be judged solely by what they contribute to the annual rate of growth. Certainly, one is entitled to turn the question around, and ask what economic growth contributes to the well-being of institutions, for there are many who value the well-being not only of individuals but also of institutions." (Beteille 2000:)

In addition, even when institutions are designed as single purpose institutions, they have multiple effects, not all of which may be intended. Because institutional reforms are demanded and supplied by the aid establishment and designed to empower groups favoured by external actors there is little consideration of the distributive outcomes of institutional reform. Thus the main issues that are covered by the literature on institutional reforms – process, the collective action problems, the relationships and asymmetries of power, the problems of vested interests are simply sidestepped. This effectively meant that a whole range of issues related to institutions – social equity and legitimacy of power were sidestepped (Santiso 2001). Even less stressed was the role of institutions in enhancing other things that societies may have reason to value

Consequences on Monocropping and Monotasking

(a) *Wrong institutions*

Monocropping and monotasking not only unnecessarily restrict the range of institutional arrangements possible by rendering institutions one-dimensional but also that in most cases they insisted on institutions that were neither necessary nor sufficient. The World Bank has premised most of its initiatives on privatization on the Anglo-Saxon model presumably on "best practice" assumptions since Anglo-American common law tradition is more conducive than the civil law tradition towards economic development (La Porta, et al. 1999)[17]. In the case of Africa, World Bank has published studies claiming that "formal rule bound governance" (FRBG) was more entrenched in Anglophone countries "consistent with the emphasis which the British placed on building a foundation of law during the colonial period"[18]. However other researchers have challenged both the accuracy of the portraying of real "Anglo-Saxon" economies and the assertion of superiority of the model because (a) even among Anglo-Saxon countries, the real economies are not similar nor are they anywhere close the Chicago School model (Brautigam and Knack 2004;Carruthers and Halliday 2007;Ohnesorge 2007); (b) there is no evidence that civil law has been any hindrance to industrialisation and that indeed some of the most dramatic cases of industrialisation have been inspired by lessons from German. Indeed among most of the high performing developing countries the so-called "Rhein model" has a major object of emulation and adaptation (Ohnesorge 2007) (c) that in

[17] The researchers concluded from their regression analysis that "countries that are poor, close to the equator, ethnolinguistically heterogeneous, use French or socialist laws, or have high proportions of Catholics or Muslims exhibit inferior government performance, (and that larger governments tend to be the better performing ones." (La Porta, et al. 1998)

[18] The World Bank has strongly denied it proposals on corporate governance favour any particular model however, as as Ajit Singh, Alaka Singh and Bruise Weise argue, the actual recommentadions the Bank has made leave little doubt that the preffered model is the Anglo-Saxon one. Brian Levvy, a Sector Manager Public Sector Reform & Capacity at the World Levy cites Ghana, Malawi, Mauritius, South Africa and Uganda as good examples of countries with "strong credibility and strong FRBG". The shollwoness of the instended instituional reforms is suggested by the following oberservation by the authords: "To be sure, even these five countries did not emerge in the survey as unequivocal paragons of good governance: Ghana and Uganda, for example, both scored worse for corruption than the global median. Nonetheless, in contrast with the other countries surveyed, their institutional task seems to be more one of consolidation – for which a variety of supply-side technocratic reform initiatives can be helpful – than the more fundamental challenge of building a stable governance foundation for economic development." (Levy 2002:10-11).

"Anglo-Saxon" countries informal, out-of-court arrangements have been important in accounting for the flexibility of the system. Caruthers and Holiday argue "Anglo-American commercial life unfolds outside the law as well as within it. And the variability of 'law in action', as opposed to 'law on the books', should never be underestimated. Furthermore, commercial predictability can be achieved outside the law as well as within it[19] (Carruthers and Halliday 2007: 272). This is particularly the case in developing countries where enforcement of whatever laws exist may be quite weak and where, consequently, preoccupation with legal forms and structure may be misplaced.

Many of the specific institutions included in econometric studies do not seem to have played the role assigned to them in the new success stories such as Taiwan, South Korea or, even more spectacularly, China. Or as Evans puts it, "the star performers in terms of sheer economic growth during the last ten years—e.g., China, Vietnam, and Malaysia—exhibit institutional patterns that are embarrassingly hybrid relative to the monocropping ideal" (Evans 2004: 35). Daya Shanker (2003) argues that in China most of these institutions such as "rule of law", financial institutions, independent judiciary, property rights etc. are underdeveloped or take a form diametrically opposite to the ones presumed in the literature[20]. Indeed the contrast between India and China in this respect compels Bajpai and Sachs to raise the question: "…why can India not match China or even outpace China in attracting foreign direct investment, given India's superior conditions regarding the rule of law, democracy, and the widely spoken English language" (Bajpai and Sachs 2000: 3). Hausman and Rodrik note

> "China achieved phenomenal growth rates without formally enacting private property rights—something that would have seemed impossible to many economists had the Chinese miracle not taken place. India barely reformed its incredibly cumbersome trade and industrial regime before its economy took off in the 1980s. And even after more ambitious reforms were enacted in the early 1990s, the Indian economy remained among the world's most protected."

In a similar vein Donald Clarke (2002), considering the "property rights" hypothesis, notes the contradictory fact that, on the one hand, China has attained high growth rates while on the other the institutions by which rights are enforced, in particular courts, are perceived to be weak, and thus property rights are perceived to be unenforceable[21].In fact, it turns that out the institutions that have mattered – the Chinese family networks, repressive laws, a highly restricted stock market and a banking system still tethered to a central planning view of enterprise success – are not exactly what is being recommended in the new literature (Clarke 2002;Shanker 2003). [22.] ". One should add here that many of recommended

[19] Ohnosorge argues that "comparative studies of regulatory styles and administrative law suggest that 'rules' are really not the answer – that successful regulatory systems mix rule, discretion and judicial review to varying degrees, and that discretion is both inevitable and …. Rule of Law advocates that forget this fact in the effort to provide the tightly rule-based environment that will maximize predictability and certainty for the private sector are not only out of touch with the realities of regulation and administrative law in actual existing market democracies, but are selling a one-sided and potentially unsustainable vision." [Ohnsesorge, 2007 #3951: 82

[20] And with respect to security market regulations the necessary institutions are probably better in some Latin American countries than is a number of high performing countries. This is probably the case with the stock markets in South Africa, Kenya, and Zimbabwe. Egypt.

[21] Note that it is perception, which determines whether persons are willing to invest and make deals, that counts for purposes of the Rights Hypothesis. .

[22]

institutions are also based on a misreading of the practices in the West which are often drawn from ideal types. The insistence on them rather the ones that the developed countries actually had is something tantamount to what Ha Joon Chang "Pushing Away the Ladder (Chang 2002)

The standard set of new institutions are tethered to an economic agenda that is minimalist to facilitate open capital accounts, deregulated labour markets, arms length finance – and are hostile to intervention generally and more particularly to industrial policies and financial arrangements that clearly facilitated rapid industrialization elsewhere. In many ways, the favoured institutions were actually designed for the wrong type of investments. The literature on foreign investments is quite consistent in arguing that what developing countries need is foreign direct investment which not only bring finances for new "Greenfield" investments (rather than merely acquisitions and mergers) but also technology and access to foreign markets. The incentives and institutions appropriate to these types of investment are not the same as those required by portfolio investments around which much of the institutional-building in Africa has evolved. The incentives for foreign director investments will tend to be sector and location specific and may require a much more interventionist state

Institutional dualism

The literature on institutions underscores the significance of the "match" between formal institutions and local social, political, economic, and cultural settings. It also stresses the importance of complementarities within institutional systems. One major preoccupation of earlier discussions of institutions and development was around the duality of "modern-tradition", "capitalist-pre-capitalist", etc and the implication of such dualities on development. In the debates of the 1960s there were also concerns that national institutions might be "overdeveloped" because they were designed for non-national tasks or were empowered by foreign actors. The concerns about the institutional dualities, together with those about nation-building and about specificities of underdeveloped economies, were to be abruptly brought to an end by a "monoeconomics" that was essentially negative towards analyses that suggested different economies or sectors within economies would be driven by anything other than neoclassical utility maximisation. Instead the existence of such dualisms and segmentation were attributed to such artefacts as policy "biases" and by the view that the real culprit in the modern-traditional, urban/rural dichotomies was the state which had favoured or succumbed to urban interests and created market distortions that had blocked agrarian transformation. The much long awaited unification of the modern and tradition could be ensured by reliance on the market and a "level playing field" ensured by non-intervention by the state.

Consequently, in much of the analysis we have no detailed information on existing institutions, Instead, institutions in Africa are often studied not for what they are but for what they are not (Ake 1996). The consequence of this *tabula rasa* approach is that institutional reforms often involve throwing away the proverbial baby with the bathwater or grafting of institutions on to a body whose rejection mechanisms are poorly understood. This is the feature of the current modular view of institutions whereby "best practice" parts can be easily added on to existing practices. (Roland 2003). African states set up a whole range of institutions to address the problems of their colonial past, their developmental aspirations and needs for "nation-building". Many of these institutions may have been wrongly designed or poor copies of the original Metropolitan institutions or have simply overlived their original intention. They do however constitute part of the landscape or "initial conditions" that must serve as the point of departure for serious reform. Failure to seriously take them into account has produced many surprises engendered by the law of unforeseen consequences. Now, if as a result the final institutional outcomes differ from the prescribed ones it is tempting, but wrong, to argue that the reason why growth has not taken place is because countries have not implemented the recommended policies.

Recent reforms have introduced a new form of dualism partly as a result of the insulation of the new institutions from the broad developmental agenda, the "monocropping" and from the highly restrictive agenda (monotasking) set for these institutions. Such dualism differs from the institutional layering in which the old and new are fused by processes of mutual adjustment and accommodation. The new dualism manifests itself in the professionalisation and ring-fencing of those elements of the state designed around the "monotasking" on the one hand and the informalisation of institutions addressing other aspects of the economy. With respect to law, improved protection of property rights of a few is accompanied by increased social security of the many, greater criminalisation of their neighbours and insecurity of the property – both individual and collective.[23]

In the political sphere, the new institutional reforms has sought on the one hand democratisation while on the other seeking to create "authoritarian enclaves" that remain outside the oversight of democratic governments. Institutions intended to address issues of local development and those designed to facilitate "global governance" not necessary work well together. One consequence has been an institutional dualism within governments – with one part aimed at donors being visible, modern and often equipped with the latest technologies for managing digital information and another poorly equipped, demoralised and often resentful of the other and often carrying the heavy tasks of development – rural clinics, basic administrative services etc.

In the area of finance, most of the institutions that the World Bank is insisting upon are overly dimensioned and extremely expensive. One reason is that these institutions are set up to attract foreign private investment whose demands for legal codifiable and court-verifiable information may simply be too rigorous that domestic capital. Thus it is doubtful that stock markets that meet the standards of American pension funds are the appropriate ones for providing capital to local capitalists. The needs and perceptions of domestic investors may be quite different from those of the foreigners and the standards set up may be too restrictive for them..[24]

Institutional instability and Institutional sclerosis

One important constitutive characteristic of institutions is stabilityIndeed the World Bank argues that its choice of the procedural and institutional version of the rule of law is because it is supposed to guarantee stability and predictability which are essential elements of a climate where business risk may be rationally assessed and the cost of transactions lowered (Tshuma 1999: 84). Stability can create the tension between conformity and change and can at times be a fetter on development while at times it can provide the kind

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[23] On increasing violence and informalisation in Latin America " [Kruijt, 2002 #3980:]where, as in Brazil,"urban social tranquillity rests on the permanence of a state of siege" (Gledhill)

[24] Thus in the case of China, ethnic Chinese investors have entirely different perspectives that pay much less attention to the variables that enter the stand measures of "high quality institutions".[24]As the Singapore's Minister of Information observed:

"Investment and trading conditions are very complicated, with a weak legal system and unsettle frameworks for investments and currency exchange…China has never been a civilization with a tradition of the rule of law above the rule of men…The overseas Chinese…are relatively untroubled by the absence of legal and accounting framework (Cited in Pfeffermann 1997).

of predictability that is valuable to economic actors. People who work on institutions stress not only coherence and predictability bit also the importance flexibility and adaptability.. However, there is a limit to the degree of flexibility and malleability before an institution seizes being one. Many of the new institutionalists claim they derive their inspiration from Douglas North who argued that institutions change gradually in response to relative price changes and to changes in transaction costs. One argument for gradualism and tailoring of changes to pre-existing institutions is that this economizes on institution building. There is therefore a contradiction between the perception that institutions (whose establishment is inherently gradual) would go side by side with what David Ellerman refers to as “Big Bangery”, “shock therapies” and “counter-revolutionary” impositions (Ellerman 2005). For Africa the 1980s and 1990s was a period of what Whitehead aptly describes as a “veritable cannibalisation of the state apparatus” (Whitehead 1993: 1381) brought about by untrammelled experimentation with untested ideas about how markets performed in Africa.Because institutional reforms are often the result of passing fads and donor institutions, they lacked the kind of anchoring that is key to Schumpeter “creative destruction”. Instead what we have is “uncreative destruction” as donors move on immediately after the destruction without taking the time it takes to create new institutions[25].

In line with rational choice perspectives on what motivates individuals reforms were made to “incentivise” the civil service by introducing competition into public service provision (agentisation, the tendering of services etc) through the New Public Management approach (Bangura and Larbi 2006;Harrison 2005);. As had been noted, with respect to the introduction of New Public Management reforms in Tanzania and Uganda, such reform represented a “radical departure from the administrative logics that previously existed within Uganda’s and Tanzania’s bureaucracies ” (Harrison 2005). Furthermore, the reforms have been introduced into emaciated administrations—poorly resourced, or in Uganda’s case all but entirely depleted by a long period of civil war and extreme authoritarianism” (Harrison 2005: 250). First-best (often textbook models) have not only proved costly but often simply are unimplementable in the real world and therefore highly ephemeral- And thus by the end of the 1990s, these experiments were being quietly shelved as their nonworkability became clear. The focus of the reforms on “efficiency” ignored other vital political considerations that have structured civil societies in ethnically diverse societies (Bangura 2006).

To “signal” private investors that policy changes were serious, it was also important to shrink the state not only for budgetary reasons but also as a clear indicator that the market would reign supreme in the economic sphere. Significantly, both the IMF and World produced data that suggested that after years of retrenchment Africa was the least governed part with the world with the lowest number public sector employees per a given number of citizens. A World Bank study (Schiavo-Campo 1996), noting that among developing countries, Sub-Saharan Africa has the lowest government employment as a percentage of the population, had the following observations;

[25] The “slash and burn” approach to institutional reform is evidenced in the closure of development banks even before new regulations to induce the banking system to engage in longterm investmnebt had been made.

> In many countries in sub-Saharan Africa, the civil service has sharply deteriorated in almost every way since the 1970s. (Botswana is one of the few exceptions.) Beginning in the 1980s, a succession of fiscal stabilisation programs has reduced government employment in Africa to the lowest level of any developing region. Thus, although additional downsizing may be necessary in some countries, most do not need to shrink the workforce but to overhaul the entire civil service system26.

The ECA (United Nations Economic Commission for Africa 2003) observed with respect to Ghana and Egypt:

> "Egypt and Ghana demonstrate the predicament. Despite 20 years of institutional reforms in the public sector, there is little to show for it. These reforms, like those in many African countries, focused on quantitative issues—wage and hiring freezes, downsizings, and retrenchments. They paid little attention to more subtle and challenging issues of bureaucratic quality. In Egypt, state capacity needs badly to be reinvigorated to improve export competitiveness and propel the economy to a higher stage of development. But the reform of institutions faces political and administrative constraints. In Ghana the situation has deteriorated so much that the current government now faces a crisis in the public service." (page 11):

The donors themselves have become keenly aware of the incoherence and instability they have rendered to the development policies and a large volume of literature and an outpouring of *mea culpas* has been produced on problems of incoherence of aid and its debilitating effects on the institutions of the recipient country (see, for instance, Forster and Stokke 1999).

Restraining versus transformative Institutions

For late comers the "developmental role" role of institutions is central. After years of touting the Asian economies as evidence of the effectiveness of policies the BWIs were pushing, the World Bank finally accepted in 1993 the overwhelming evidence that the state had played a central role in the developmental experiences of these countries and that credit rationing (the allocation of rents had been central) (World Bank 1993). However this concession to the Asian experience was immediately set aside, at least so far as Africa was concerned. First it was argued that "the fact that interventions were an element of some Asian economies' success does not mean that they should be attempted everywhere, nor should they be used as an excuse to resist needed market-reform" (World Bank 1993: 26). This view was buttressed by a number of academic publications that suggested the impossibility of a developmental state in Africa (Mkandawire 2001) In addition the "Asian financial crisis" of 1997 set to severe test the robustness of the Asian developmental state and reinforced the view that institutions matter but that only specific sets of institutions were appropriate. It was argued that the Asian crisis was the consequence of bad institutions – relationship banking, weak corporate governance structures and lack of competition – all excrescences of the developmental state. In such an insider-dominated system, there was no transparency and it was the result poor information that exacerbated the crisis. Thus in one stroke institutions that had accounted for the remarkable 30 year growth were dismissed as dysfunctional "crony capitalism".

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[26] One should note here that the "overhauling of the entire system" has been licence to reckless experimentation with African institution.

Because of the way institutions have been acknowledged they have also tended to be presented largely as constraints and not as transformative or developmental instruments even by those new institutional economists who have contributed significantly to the understanding of the broader role of institutions[27]. One of the unfortunate consequences of this interpretation of both African capacities and the Asian experience was the downplaying of agency in the process of development. In addition, the marriage of the literatures on rent seeking and that on institutions has further reinforced the view of institutions as merely constraining mechanisms. The former literature was largely preoccupied with problems of the "capture" of the state by rent-seeking local groups. Much of technical assistance has taken the form of strengthening watchdogs over the "spending ministries" which are crucial for development of human capital, infrastructure. Institutions are also "enabling" devices and are constitutive in the sense that they shape agency (e.g. by inculcating certain values) (Chang and Peter 2000). The neoliberal policy seems to be based on the assumption that there is some "welfare function" which is then maximised subject to constraints (including institutions). In real life what we have is positive feedback process in which institutions can shape the "welfare function" and can be used to relax some of the constraints while the pursuit of certain social objectives can lead to the setting up or adjusting institutions. As Andre Beteille suggests, while it might be natural for economists "to treat institutions, along with the "standard constraints of economic theory", as merely constraints, institutions are also used instrumentally as means to an end and even as desirable ends (Beteille 2000)

Perhaps even more damaging is these reforms have simply led to the creation of institutions that undermine development efforts. Indeed students of "developmental states" have argued that many of the institutions currently being promoted by the proponents of the 'good governance' framework may not be necessary for development (see for instance Chang 2003). Through monotasking, many institutions that have served broad development agenda have been rendered impotent as developmental institutions. Institutions for strategically allocating "rents", such as "development Banks" and other institutions that make up a nation's innovation systems and extension services- have often been paralysed or closed downs.

The most emblematic case of monotasking has been the reforms in the statute and mandate of Central banks. Under the reform regime "inflation targeting" has become the operational objective of central banks as monetary policy focuses almost exclusively on keeping inflation low, often at the expense of growth and employment creation. Historically central banks have played a wide range of functions:

> "…virtually throughout their history, central banks have financed governments, used allocation methods and subsidies to engage in 'sectoral policy' and have attempted to manage the foreign exchanges, often with capital and exchange controls of various kinds. The current 'best practice recipe', then, goes against the history and tradition of central banking in the countries now most strongly promoting it…" (Epstein 2006)

Epstein notes that virtually all central banks have engaged in 'industrial policy' or 'selective targeting'. In the credit allocating functions central banks have been "most effective in helping to foster development, especially in 'late developers', where they have been part of

[27] Thus Douglas North states that "institutions consist of a set of *constraints* on the behaviour in the form of rules and regulations; a set of moral, ethical behavioural norms which define the contours that *constrain* the way in which the rules and regulations are specified and enforcement is carried out (North)

the governmental apparatus of industrial policy" (Epstein 2006). In South Korea, the Central bank was subservient "nearly an administrative arms of the Economic Planning Board and the Ministry of Finance" (120). Significantly, Maxfield attributes this to the absence of the need to compete for international creditworthiness and pressures to attract foreign investment due to the high export performance of the economy, ability to borrow cheaply in financial markets, aid and effective capital controls (Maxfield 1997). In addition, the new practice differs substantially even from current practice in OECD countries. In the US, for instance, the Federal Reserve has at least to tasks to ensure low inflation rate and high employment rates. As Ha Joon Chang observes this monotasking – exclusive focus on monetary stability - not only deprives these countries of a powerful instrument of resource mobilisation and allocation but actually forces on the developing countries the monetarist biases of these institutions on developing countries:

> "Given the costs of pursuing a restrictive monetary policy giving independence to the central bank with the sole aim pf controlling inflation is the last thing a developing country should do because it will institutionally entrench monetarist macroecononomic policy that is particularly unsuitable for developing countries. This is all the more so when there is actually no clear evidence that greater independence even lowers the rate of inflation in developing countries, let alone helps to achieve other desirable aims like higher growth and lower unemployment" (Chang 2007: 154)

Foreign Ownership

The initial logic informing institutional reform militated against local ownership. The negative perception of the capacity and cultural foundations of the African states, adhesion to the "negative politics" of rational choice (Harrison 2005;Toye 1995;Williams and Young 1994) and the cavalier dismissal of the defining characteristics of Asian developmental states led to the view that local elites could not be trusted to run let alone create developmental institutions. The self-imposed conundrum then was how was the criminalized Leviathan to be the political instrument for such a property regime? Now, why would the state, which is presumably dominated by interest groups, create institutions that favoured the common good or that curtailed the power of interest groups? Furthermore there was the "paradox" (for the Public Choice School) that states that were deemed incapable of adopting policies of liberalisation in fact did[28]. One other consequence has been an internally inconsistent process of "capacity building" which involves training people to do virtually nothing that is developmental.

One of the most conspicuous institutions in African development is the aid juggernaut, which has added on to the already confused state of things. Aid in Africa is no longer a question of money to fill resource "gaps" but of ways of doing things, implementation of objectives (some national, some bilateral and some international), standards-setting, conditionalities. It often comes along with overwhelming foreign presence in African institutions. By this I am not referring to the recruitment of foreigners by African governments or borrowing from foreign institutional arrangements but the assumption by foreigners of key decision-making activities. It would be difficult enough if the foreigners in question came from one institutional culture with one coherent set of practices or

[28] Some of the more resolute members of the school simply denied that African countries had in fact carried out major reforms since such a behaviour was excluded by their theoretical contrasts. Adjustment had not taken place and the "criminalized" stated had simply hoodwinked donors into believing that reforms had actually taken place (Van de Walle 1994).

norms. However in the case of Africa, the striking feature is the array of institutional idiosyncrasies that recipient countries must live with, diversity of foreign actors within African institutions and the parcelisation of African institutions among different donors. In some cases, donors are explicitly opposed to the imposition of the Anglo-Saxon model and propose their own ways of doing things. Thus the German Government states:

> The German Government is quite explicit about the differences between its agenda on legal reform and that of the Anglo-Saxon model: This specific vision of the rule of law has to do with the *German legal system*, which follows the continental European legal tradition and differs fundamentally from the Anglo-American legal system. These differences are also reflected in our cooperation countries' systems. (emphasis in original Federal Ministry for Economic Cooperation and Development 2002):81]

. The German government is adamant that its model makes the most sense in developing countries: "Due to the lack of stable public institutions in many cooperation countries, an approach based on civil law and hence the German codification tradition serves the purpose better." (Federal Ministry for Economic Cooperation and Development 2002). The Nordics in their turn have been pushing for the institution of the Ombudsman. Lessons in other areas that donors insistence on their own models and experiences has caused chaos in the recipient countries seem not affect the current wave of judicial reform apparently because, as a recent review of Swedish aid agency observes, "(m)any actors in the legal arena are unwilling to accept general development co-operation experiences." (Swedish International Development Cooperation Agency (Sida) 2002)" Not surprisingly some research suggests that higher levels of aid are associated with larger declines in the quality of governance. (Brautigam and Knack 2004)[29]

The historical record persuasively suggests that capability to learn and adapt institutions is a major determinant of the appropriateness and efficacy of institutions. "Ownership" of the process of learning and adoption best facilitate this. Berkowitz and associate (Berkowitz, et al. 1999;2001) illustrate this proposition with the case of law when they argue that the way the law was initially transplanted and received is a more important determinant than the supply of law from a particular legal family (i.e. English, French, German, or Scandinavian)[30]. Furthermore recent history clearly suggests that experimentation, "muddling through" deviations from the bitten path, attention to local contexts and histories have played an important role in the cases of successful development. The literature on institutions is replete with worlds like "context specificity", "path

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[29] The view that law could play an important role in dveelopment is, of course, not new. In earlier programmes it was ofdten assumed that The guiding assumption of the law and development movement was that law is central to the development process. A related belief was that law could be used as an instrument to reform society and that lawyers and judges could serve as social engineers. Huge amounts of money were spent by aid donors and foundations in "law and development" programmes. After little more than a decade, the program was declared a failure, and support quickly evaporated.. [Messick, 1999 #4528i

[30] They note: " Countries that have developed legal orders internally, adapted the transplanted law to local conditions, and/or had a population that was already familiar with basic legal principles of the transplanted law have more effective legality than "transplant effect" countries that received foreign law without any similar pre-dispositions. The strong path dependence between economic development, legality and the transplant effect helps explain why legal technical assistance projects that focus primarily on improving the laws on the books frequently have so little impact. Finally, our statistical methodology produces a legality index based on observed legality proxies that almost fully captures their interaction with the way in which the law was transplanted, the supply of particular legal families and economic development."

dependence" and history all of which would suggest "concrete analysis of concrete situations". One argument for participatory and deliberative process is that they can bring to bear a society's collective knowledge to shape the institutions that are appropriate to address the problems that society deems important. Such a view is sharp contrast to the view that good institutions are well known and the process does ineluctably guarantees that the outcome of the process will be an Anglo-Saxon model.[31] Foreign presence and pre-eminence in institution-building has had considerable effect on the morale and *éspirit des corps* of local bureaucracies (Mkandawire 2002). The sense of autonomy and national purpose among local technocrats depends to a large extent on the posture of the political leadership. To the extent that national leadership has yielded too much of national sovereignty to external forces, it is unrealistic to expect technocrats to be assertive about national objectives and priorities. Time and again local experts are overruled by foreign experts who can always count on the support of the head of state or Ministry. This has not only undermined "learning" but also wasted institutional memory, contributing to the endless "re-invention of the wheel" in institution building in Africa and the sense of déjà vu that characterizes every encounter with foreign expertise

Although it is argued that "autonomy" of certain instutions from societal pressures enhances their credibility, in practice their credibility comes from their under the tutelage of multilateral financial agents or that their managers belong to an epistemic community that shares a common body of knowledge and understanding of what are "fundamentals" as these agencies" (Grabel 2000: 11-12) – hence the pre-eminence of the peripatetic foreign consultants, the constant retraining of staff by the IFIs, the impositions of individuals on national institutions (through secondment or topping up of salaries of selected individuals) etc. Were these autonomous institutions to pursue policies that were in conflict with those of the IFIs, their autonomy would cease to signal credibility. In other words the credibility of institutions is endogenous[32].

What has been ignored in all this was the implication of the capture by foreign institutions of key decision instruments of the state[33]. Only later did the BWIs begin to recognise the negative results of their presence. The discussion about "ownership" although couched in populist language – participation, transparency, etc – was really an admission that the alienation of the state from key domestic actors was counterproductive. The single most important argument has been the realisation is that is if "property rights" are to be

[31] These insights are not entirely alien to the IFIs. Thus two IMF economists obersver that, faced with weka legal institutions, poor goveraance , and poor quality economic data, the Chinese have chosen to make reform incrementally and through trial and error and learning by doing. [Prasad, 2006 #4994]. The IMF authors observe:

> "The learning-by-doing approach to reform has a number of advantages. In a second best world with multiple distortions, where the effects of individual policy reforms can be unpredictable, it reduces the costs of policy errors and uncertain outcomes in the reform process. It also gives policymakers a clearer sense of the political and social pressures that could arise in opposition to such reforms, allowing those pressures to be tackled more efectively when the reforms are instituted at a broader level." (Prasad and Rajan 2006: 6)(p.8)

[32] Or as Grabel (2003) states "These institutions and the policies they implement, are not inherently credible–their credibility results from the response of investors and multilateral agents whose actions provide important ideological and material capital to those who advocate the neoliberal agenda" (42)

[33] One reason for the failure to address this issue was what David Green and Ian Shapiro call arbitrary "domain restriction" (on who can be self-interested or not self-interested. By the logic of the rational choice, rent seeking could also be extended to international bureaucracies. It could thus be argued that the international bureaucracies favour institutional reform which extend their own interest and that their disparagement of their local counterparts is often self-serving.

protected and if institutions mattered for the functioning of the markets, then it was important to find local actors – state bureaucrats, capitalists, lawyers, NGOs etc who would give life to these institutions.. The obsequiousness of Africa policy-makers had become so much that it became an embarrassment to the donors themselves.

Mismatch Between institutions and tasks

One of the great contradictions of the new reform was that the conceptual framework. – the marriage of the new institutional economics and new growth theories through econometric modelling - that was used to justify both monocropping and monotasking, also suggested an endless list of variables as determinants of growth. One effect of the state of disarray in development thinking has been the production of a laundry list of what needs to be done by states to create the environment for private investment. The eclectic list of determinants of economic growth has increased the tasks that states must do without the means with which to carry them out and led to institutional reform overload. For aid depenent economies "aid creates an incentive to expand operations to ainclude all the iniatitives donors want to fund" (Brautigam and Knack 2004: : 263.). New Public maagement insisting on creating new institutiions to manage these tasks or further privatisation of parts of the state apparatus or functions. But as Hague (Hague 1996) observes:

> "the process of privatization itself creates the need for a different set of governmental activities--such as regulation (currency, prices, banking, licensing), administration (law, property rights), enforcement (police, surveillance), distribution (transfers, gifts), extraction (taxation, information gathering), and distribution (transfers, insurance)--that requires a large public sector"[34]."

Even as donors insisted on "monotasking" institutions around the issue of attracting investment, they also insisted on a whole range of other things getting done. Richard Sandrook captures this mismatch between tasks and capabilities in Africa when he writes "initially, structural adjustment involved an effort to remould the economies of developing countries in the idealised Western image of self-regulating markets. As this project met with political and administrative obstacles, the donor agencies recommended further social engineering. Capacity-building initiatives have sought to restructure Third World administrations into Weberian-style bureaucracies. Programmes to promote better governance and the political capacity of reformist regimes have led the agencies even further afield. Almost unnoticed, the agencies have taken on responsibilities that surpass those assumed even by the original colonial powers (Sandbrook 1996: 69). The World Bank which had initially applauded the retrenchment of the civil service that came with SAP and the general retreat of the state from active developmental policies began to realise that its new "post-Washington" agenda called for a much broader repertoire of skills and capacities. While monotasking fitted in well with the agenda of the IMF whose reforms could be carried out by a few individuals in one or two institutions (the Ministry of Finance and the Central Bank), the new agenda relied heavily on the "spending Ministries" and required a much broader array of institutions for its implementation. The obvious solution should have been the active involvement of planning units in several ministries and some

[34] This is „paradaox" was clearly recognised by Gramco when he argues:

> "It must be clear that laissez faire too is a form state regulation introduced and maintained by the legislative and coercive means…(it) is a deliberate policy, conscious of its ends, and not the spontaneous, automatic expression of economic fact, Consequently laissez faire liberalism is a political programmed (Gramci 1971)

co-ordinating body at the top. This would, of course, involve revival of the ideologically unpalatable institutions that the new orthdoxy had helped destroy.

And so while the new institutional approaches have placed politicians and bureaucrats at the centre of analysis, this has been a time when resources and relative weight of the state are being drastically reduced and their leverage is at its lowest. Essentially what we are witnessing is the violation of Tinbergen's principle that the number of policy instruments must, at least, be as many as the policy objectives.

.Conclusion

After two decades of adjustment and the evisceration of developmentalist arguments for state intervention, the return to institutions must indeed be a major shift. Outside the rarefied world of neoclassical economics, it has always been common knoweldge that markets are embedded in complex social relations which govern property relations and many other things. The issue is then not whether or not one has institutions. The unresolved question is about what institutions are appropriate in what context to achieve what and to do what?.. The answer to this question has been essentially faith-based. We know the "good policies" just give us the institutions, or better still, "accept our package of institutions which are the only one compatible with our good policies". What we have witnessed in Africa is the dismantling of institutions that might conceivably play a developmental role and the strengthening of institutions which, at best, are good for "stabilisation" and which not conceived as if development matters. For all the Spartan certainty about what institutions African countries should have and the "monocropping" that this begets, history and experience elsewhere suggested that institutions do not monotonically map into any one set of policies nor do certain policies require a specific set of institutions. There is no standard "market economy" model. Instead, market economies are compatible with a diverse range of institutional arrangements, products of "path dependence", serendipity, luck and the force of unintended consequences of the actions of many agents. This involves laering and adaptation. One costly feature of the "lost decades" was the reduction in the space for experimentation within Africa and the "one size fit all" institution building tradition has produced a size that seems to fit no one. The institutional reform process has denied African countries the challenges and opportunities to experiment with different institutional arrangements.

"Legitimacy" is a useful attribute for any institutions. Such legitimacy may accrue from custom and habit, from the legitimacy of the process or other institutions that set them up and from the demonstrated efficacy of institutions. Imposition of new institution and the excessive restriction of existing institutions can in fact undermine their legitimacy. Instituions which are perceived as merely adjuncts of foreign institutions and who authority and "independence" derived from these foreign institutions or whose agenda is narrowly set to meet externally imposed conditionalities are unlikely to enhance their standing in the eyes of a public that expects every major institution to be involved in the developmental project.

To conclude, the current focus on institutional design placing a great premium on creating "enabling environments" of stability and predictability for global investors are not necessarily the most desirable ones from a developmental point of view. The single-minded subjugation of institutional reform to one set of policies has denied local institutions the capacity for learning from the wide range of experiences from other parts of the world. The institutions that are being called for are not ones likely to come up with policy options or capacities to meet the specific needs of individual countries. They are definitely not up to the urgent task of edifying stable, developmental, democratic and socially inclusive social orders that have thus far remained illusive in Africa. It has also led to the marginalisation of the many concerns that Africans have sought to address with their own or borrowed institutions. Worse this practice has blunted the effectiveness of institutions by denying them context specificity and flexibility.

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