

Preface

My research agenda over the past ten years has focused on institutions and how the structure of economic and political governance affects economic performance and developmental outcomes. This interest was a direct consequence of my experiences as a development practitioner, mainly in Africa, where I have been managing institutional development programmes on behalf of various aid agencies since 1980. I found that these experiences strongly contradicted the standard economic models and development theories that emerged from these models. Consequently, my initial programme of research focused on the impact of aid on development and culminated in the publication of my first book entitled *Aid, Institutions and Development* (Edward Elgar 2005). In this study I concluded that the evidence indicated that aid in general has had a very limited impact on development. However, in countries with good economic and political institutions, where good governance and favourable macroeconomic policies are being followed, aid can have a much more significant impact.

Standard economic theory postulates that growth and development are a function of technology, and the level of resources – primarily physical and human capital – invested in a society. What I observed in the many countries I worked in was that the institutional framework of a society (i.e. the economic and political rules that govern its functioning) was far more important in determining economic outcomes. That conclusion was reinforced by the events surrounding the recent sub-prime related financial crisis and subsequent world recession. This crisis has shown that even highly developed markets in the advanced economies do not have self-regulating and self-equilibrating characteristics and cannot function efficiently without proper institutional and governance-related frameworks. My experiences, and recent economic events, led me to consider other more fundamental questions, such as: What is the real content of human economic behaviour? What are the institutions of good economic and political governance? Why do they encourage individuals and governments to act in a productive manner? And how do these institutions come into being? These in turn have resulted in this book.

In undertaking this study, I was privileged to have been given the opportunity to play a role in South Sudan's incipient institutional development. This gave me a first-hand insight into what institution building and institutional

change are all about. South Sudan became an independent country in July 2011, after a brutal civil war that commenced in 1956 and lasted over 50 years. During this period social order was primarily maintained through tribal structures and informal traditional institutions. At a formal level, the few governance structures introduced by the central government in Khartoum never achieved any level of credibility. Consequently, they never became established as functional institutions. In spite of the long period between 1956 and 2011, however, South Sudan did not see any evolutionary or endogenous development of its political or economic institutions. Rather, society became frozen in some sort of low-level homeostatic equilibrium. The fact of conflict does not change this assessment. Historically, after all, war and conflict have played a major catalytic role in many countries in bringing about the emergence of new institutions. But no such process was observed in South Sudan.

Thus when I went there in 2004 on behalf of a major international development agency, and found that the ruling group that had emerged through the civil war had progressive political and economic ideas and was interested in building a democratic capitalist society, following on from my research hypotheses, it seemed to me that what was required was an activist institutional engineering programme. My analysis of the historical experience of other developing countries that had achieved favourable institutional transitions indicated that in most cases successful institutional change was a result of the conscious efforts of small domestic ruling groups, or sometimes even external forces, inspired by progressive ideas and ideologies. Institutional change, particularly in the developing world, was therefore not a consequence of grand endogenous forces, but the result of good ideas, good leadership, and the conscious and forceful intervention of human agency. Subsequent consultations between the Sudan People's Liberation Movement and my agency resulted in the design and implementation of a major programme of institutional development that was led by the domestic elite and supported by external forces. This commenced in 2004 and is still ongoing. Chapter 8 discusses the successes and failures of this programme.

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40°C for extended periods of time; suffered from repeated bouts of malaria, bilharzia, and other tropical diseases; and, accepted AK47s going off, mines being found in close proximity, and ammunition dumps blowing up, all in order to engage the domestic leadership in an active dialogue to bring about institutional change that would prove favourable to economic and social progress.

Ashok Chakravarti

Harare, Zimbabwe

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