Human Geography and Informal Institutions: 
Implications for Local Development in Southeast Asia and Sub-Sahara Africa

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ABSTRACT

Although institutional arrangements have been widely studied in recent decades, relatively little attention has been paid to the spatial dimensions of informal political and economic institutions. This review article discusses these dimensions and their interactions with formal institutions. In each country, a unique mix of institutional overlap, co-existence, and marginalization can be found. Furthermore, this contribution shows that human geography shapes local-central relations. Empirical observations focusing on local economic and political developments in Southeast Asia and Sub-Sahara Africa provide the basis for three policy implications. The implications relate to: 1) the choice of nationwide policies versus spatially targeted interventions, 2) building trust in communities and the problem of persistent local disabling informal institutions, and 3) enhancing effective decentralization. In sum, expanding socioeconomic capabilities and fostering public discussion cannot be achieved without addressing the complex manifestations of local informal institutions.

Keywords: human geography, inclusive/exclusive development, local-central relations, Southeast Asia, Sub-Sahara Africa

INTRODUCTION

The literature on the role of informal institutions in development has grown dramatically in the last two decades. Analyses of these institutions feature in debates on inter-firm relations, corporate governance, education and skills formation, national innovation systems, and government-business relations (Pederson & McCormick, 1999; Jütting, Drechsler, Bartsch, & De Soysa, 2007). It is now also recognized that institutions should not only be scrutinized in the light of economic growth, but also in the light of development in broader terms such as health, education, and environmental sustainability and that institutional analyses also require the inclusion of institutional change (Hall & Thelen, 2009; Casson, Della Giusta, & Kambhampati, 2010). Nevertheless, for developing countries, surprisingly little attention has been paid to the spatial dimensions of informal
institutions; in particular, research focusing on the impact of informal institutions on local political outcomes is still in its infancy (Helmke & Levitsky, 2004). This is an omission as (sometimes extreme) spatial disparities obstruct inclusive and balanced development and could even contribute to deteriorating social cohesion, political instability, increasing environmental pressures, and secessionist movements (Balasacan & Hill, 2007; Maitre, 2009). Moreover, simply encouraging inhabitants of relatively poor regions ‘to migrate to jobs’ has not proven to be sufficient. People living in densely populated, impoverished peripheries who are not able to migrate, need some support and migration has also led to the relocation of poverty from rural villages to urban slums (Higgins, Bird, & Harris, 2010).

The aims of this review article, henceforth, are to discuss the spatial dimensions of informal institutions, their interactions with formal institutions, and to provide links to policy issues, especially with respect to decentralization and fostering local economic development. The next section discusses the nature of informal institutions including spatial dimensions. This is followed by a few important empirical examples of the functioning of informal institutions in Southeast Asia and Sub-Sahara Africa. Then, the findings are used to provide implications for policy makers dealing with local development. The final section concludes and suggests future research directions.

INFORMAL INSTITUTIONS AND HUMAN GEOGRAPHY

Before focusing on spatial and geographical aspects, it is worthwhile to briefly define informal institutions, as the concept is used in a variety of ways. Here, Helmke and Levitsky’s (2004) comprehensive ideas on informal institutions are followed. They published an influential paper setting the tone for researching informal institutions in comparative politics. They view informal institutions as shared expectations rather than the broader shared values which should be associated more closely with culture and employ the following definition: “Socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels”. Furthermore, several things need to be clarified. First, informal institutions can be enabling/good/effective for political economies or disabling/bad/ineffective and the nature of the quality is dynamic. According to Jütting et al. (2007, p. 153) “some well-functioning ‘good’ informal institutions can turn into ‘bad’ ones during the process of modernization and any given informal institution can have a different development impact depending on the specific country context in which it is applied”. Second, Helmke and Levitsky (2004) stress that the violation of any informal institution results in a certain form of external sanction. For instance, not keeping a promise in an unwritten business deal probably destroys the trust level and the affected party will probably not engage in follow-up deals with the same partner. Third, it is important to point out that social identities and characteristics such as gender, ethnicity, class, language, and religion often structure informal institutions.

A highly interesting remark on Nigeria’s political geography is used to start the discussion on the spatial dimensions of informal institutions. In May 2011, The Economist published a briefing providing an overview of the prospects for Nigeria’s political economy just after the presidential elections in which Mr. Jonathan Goodluck was successful. He won many votes in the more populous southern Christian region, whereas his major opponent proved to be more popular in the Islamic northern region. In a post-election analysis, The Economist (2011a, p. 30) wrote that

“Favours are bestowed and punishments meted out by “the man in the villa”, as some Nigerians call the occupant of the presidential palace. But he must assert
himself over advisors, ministers and godfathers – the visiting regional bosses who lobby him. Many supported Mr. Jonathan, who was formerly vice-president during his 12-month interim presidency after his predecessor, Umaru Yar’ Adua, died in office. Now they expect payback.”

The quote above shows not only that formal institutions (in theory governing Nigeria’s federal political and economic system) are bypassed by lobbying, but also that local-central relations and political geography matter. National politics is not confined to the new buildings in the capital Abuja, but involves the entire country and the support of regional and local godfathers. The undertakings of those godfathers very much relates to informal institutions as they enjoy the respect of citizens and politicians and as they often set the rules of the game, enforcement mechanisms and sanctions by themselves (sometimes involving violence), thereby ignoring formal institutions. Moreover, they are frequently king-makers in the national capital.

Figure 1 depicts a hypothetical country with one core including the seat of the central or federal government and three different peripheral areas located far from the core, with their respective local governments. The figure shows three possible interactions between national and local informal institutions. In homogenous countries—countries with little variety in their historical, linguistic, religious, and social geographies—local informal institutions tend to be similar to national informal institutions (overlap in periphery 1). This pertains to the way political decisions are made and business is conducted. In relatively heterogeneous countries there are three possibilities. First, similar to the former case, some provinces could show the presence of overlapping institutions. Second, it is possible that informal institutions in a certain periphery differ from the core, but can thrive independently and do need much political and economic support from the core. This situation generally occurs in de facto decentralized countries.

Figure 1 Possible spatial characteristics of informal institutions
and in constitutional federations (co-existence in periphery 2). Third, in politically and economically heavily centralized countries, formal and informal institutions in core areas might be so dominant that local informal institutions in one or more areas cannot survive (marginalization in periphery 3). For instance, this situation emerges if firms based in the periphery are totally dependent on large firms based in the core in terms of supply and sales. In this case local ways of doing business are discouraged. This is not a problem if those local institutions are disabling for inclusive development, but could obstruct local development if national institutions are incompatible with the local culture and social identities. More-or-less forced implementation of national institutions could then turn out to be disabling.

From a policy perspective, the most challenging cases are countries that host all three peripheries. The developing world is relatively prone to this possibility, due to historical legacies (for example unnatural colonial borders in Africa) and other reasons. The human geographics of countries such as Nigeria, Peru, and Indonesia are very complex and fostering inclusive and balanced development is often hampered by the mismatch of national and local informal institutions. But even in smaller countries such as Lao PDR, informal institutions are quite variable across space due to ethnic, religious, and linguistic diversity (Rehbein, 2007). Finding solutions is difficult because informal institutions do not usually change overnight, especially when they are historically informed and closely linked to certain social identities such as ethnicity and religion.

**INFORMAL INSTITUTIONS AND LOCAL DEVELOPMENT**

Following the Nobel Laureate Amartya Sen in his inspirational book *The Idea of Justice*, development (and thus local development as well) is here assumed to have two important tasks. The first task is expanding socioeconomic capabilities (Sen, 2009, pp. 225–290). The capability approach is a well established body of knowledge and policy makers, intergovernmental, and non-governmental organizations (NGOs) have frequently employed it. In addition, this can be easily linked to inclusive private sector development and environmental sustainability. The second task is fostering democracy as public reasoning (Sen, 2009, pp. 321–337). In Sen’s view, too much attention has been paid to narrow expressions of democracy, notably free and fair elections. We should focus more on broader realizations such as freedom of expression and the media and local democratic action. Merely implementing elections and decentralized decision structures do not guarantee the blossoming of local democracy and politics. Below, the two developmental tasks of expanding socioeconomic capabilities and public reasoning are analyzed in the light of the three interactions between national and local informal institutions: overlap, co-existence and marginalization (Figure 1).

**Overlap**

The possibility of overlapping national and local institutions can often be seen in relatively small homogeneous countries. Overlap increases the likelihood of enabling complementarities between formal and informal institutional arrangements and inclusive economic growth. In other words, overlap reduces the chance that national policies are difficult to implement/are not accepted at the local level. A good example is Botswana. This country has experienced an extremely robust growth trajectory in recent decades without major conflicts. Its value of the human development index is 0.633, whereas the average for Sub-Saharan Africa is 0.463 (United Nations Development Programme [UNDP], 0 is the minimum score, 1 is the maximum). 2011). The country is admittedly affected by large socio-economic inequality and the HIV/AIDS epidemic, yet it has done much better than most countries in the developing world. Acemoglu,
Johnson, and Robinson (2003) attribute this result among others to the survival of the enabling, pre-colonial, informal institution of discussing and solving problems in kgotlas (public forums) in which tribal chiefs could express their grievances and common ground was found:

“The relatively integrative nature of Tswana institutions and the lack of [excessive] colonialism seem to account for the current relative homogeneity of Botswana…Limited colonial rule allowed the continuity of the pre-colonial institutions, which provided the legitimacy to Sertese Khama [the first post-independent president] and enabled him to form a broad-based coalition. The relative security of elites in Botswana contrasts with the situation in many post-independence African countries where developmental policies appear to undermine the power base of traditional political institutions such as chiefs, destabilizing the power of existing elites.”

It should also be recognized that the favorable situation is not only an outcome of getting the institutions right, but also of a post-independence political leadership that is willing to work in and improve institutional arrangements rather than corrupt them in order to serve their own interests.

Co-existence

In the developed world, Italy provides perhaps the best example of co-existence. Its national formal institutions are weak resulting in a variety of institutional arrangements at the local level. Northern Italy is somewhat more formal and hosts the largest multinationals; central Italy is famous for its industrial districts where enabling trust-based, informal institutions have created vibrant and dynamic processes of capital accumulation in industrial clusters; and southern Italy is notorious for disabling institutions and lagging economic performance (The Economist, 2011b).

In developing countries, co-existence is found where relatively weak national institutions are generally not enforced and can be easily reinterpreted, bypassed, or even completely ignored. The Philippines is such a country and its archipelagic geography has reinforced the persistence of local informal institutions, both enabling and disabling. In an illuminating study on the central part of the Philippines, Van Helvoirt (2009), compared three provinces in terms of their development patterns: Cebu Island, with Metropolitan Cebu as the economic hub for Central and Southern Philippines; Bohol Island, with predominantly small scale activities; and Negros Oriental, a province with a long history of sugarcane plantations initially established by the Spanish. Van Helvoirt investigated relationships among the private sector, the role of the local state, the central state, ethnicity, and ultimately forms of inclusive or exclusive development. Cebu has transformed itself into a vibrant urban area with many foreign companies. Entrepreneurs, public officials, and local and national politicians have created a so-called urban growth alliance with a considerable degree of formalization. In Bohol, ethnic Chinese tycoons and in Negros Oriental, grand, old-Spanish mestizo families play a crucial role in local development, but there is an interesting difference in the sphere of local-central relations. Boholano politicians do not exercise substantial influence in the national political arena in Manila and therefore, the province is dependent on informally arranged ad-hoc financial support. In contrast, the oligarchic Negrense landlords are simultaneously respected politicians in Manila and are able to secure their vested interests.

Marginalization

Despite numerous decentralization schemes, many publications reveal that economic and political decision making has often remained at the central
level and that central governments have continued to marginalize local informal institutional arrangements, sometimes involving some localities, sometimes the entire periphery of a country. This has even happened in federations, as the case of Perlis State in Malaysia illustrates (Andriesse, Beerepoot, Van Helvoort, & Van Westen, 2011). In theory, each Malaysian state has considerable autonomy in dealing with its own affairs, but in practices, smaller states lack sufficient resources and are very dependent on financial dole-outs from the Malaysian federal government accompanied by affirmative policies favoring the Malays. The result has been that ethnic Chinese entrepreneurs in Perlis had to quit their distinctive informal way of doing business, similar to the well known institutions of guanxi that are so common among Chinese entrepreneurs (Park & Luo, 2001), and face difficulties in establishing business linkages, securing contracts, and winning tenders.

In the case of Africa, central governments sometimes dominate local practices for political gains. Naudé (2009, based on Collier, 2006, p. 8) argues that “African populations are fairly heterogeneous, with high levels of ethnic conflict. At times investment in local infrastructure is used to reward or punish particular ethnic groups or to impose central control over the countryside. Ethnic diversity also makes collective action for investment in public goods such as transport more difficult to coordinate” (see Crook, 2003 for a similar observation). As identified in the introduction, spatial marginalization can ultimately lead to deteriorating social cohesion. The post-election mood in Nigeria reflects this threat quite well: “Northern extremism is fuelled by the fear of loss. Unlike his predecessor, President Jonathan is from the south. Many northerners worry that he will neglect them, or even turn off their oil. Nigeria’s electoral map reflects this. All states north of the capital Abuja voted against Mr. Jonathan: all but one state south of it voted for him” (The Economist, 2011a, p. 29). Based on the empirical observations described above, the next section provides three policy implications offering some guidance for dealing with the complex spatial dimensions of informal institutions.

**POLICY IMPLICATIONS**

In an insightful working paper on relationships between geography, poverty alleviation, and policy, Higgins et al. (2010) formulated several guiding principles for policy makers. The presented discussion on institutional overlap, co-existence and marginalization gives rise to following Higgins et al. to some extent. Therefore, in this review, article policy implication 1 is adopted from Higgins et al., but the focus here is explicitly on informal institutions. Implications 2 and 3 are based on the discussion above and can be partially considered as refinements of thoughts expressed in Andriesse (2009).

**Balancing universalism and targeting**

There should be a careful balance between setting institutions nationwide on the one hand and promoting enabling local informal institutions and getting rid of disabling local informal institutions on the other hand. In this respect, Jütting et al. (2007, p. 153) stress that “neither the ‘romantic preservationist’ approach (arguing for preserving existing informal institutions as being part of the local culture) nor the ‘bulldozing moderniser’ approach (seeking radical change in one single stroke) promises an adequate solution”. It is here argued, however, that based on the recognition that institutions are not spatially blind, this proposition should be nuanced. In certain cases, preserving local, enabling, informal institutions seems to be the best policy option. Carnegie (2010) studied Roti Island in Indonesia, both in the spheres of expanding socioeconomic capabilities and local public reasoning, and found evidence of local, enabling, informal institutions guaranteeing peace between Muslim and Christian communities:
“Examples of these mechanisms of agreement and their associated practices include: formal land grants to the Muslim collective; Muslim migrants sharing knowledge and skills with Rotinese Christians; the use of customary law to settle interpersonal, inter-ethnic disputes; establishing common and differential rules for applying indigenous Rotinese adat [unwritten systems of law in the Indonesia and Malaysia]; and mutually beneficial trader-producer relationships.”

In this case, national institutions are probably less enabling than the local ones and co-existence should be embraced. In localities invested by disabling institutions, convincing their citizens that the pursuing the status quo is ineffective in the long run and importing institutional arrangements from elsewhere obviously makes more sense. Best practices could originate from other areas (even located in other countries) and the national level.

**Building trust in communities**

The previous policy implication involves the issue of trust as well, but it is worthwhile to pay explicit attention to this issue as it is so essential for informal institutions. In the absence of laws, regulations, and contracts, trust levels govern political and economic incentives and shared expectations, and influence enforcement mechanisms. On Roti Island in Indonesia, marriages between Muslim and Christian people have increased trust levels dramatically (Carnegie, 2010), but in many localities cleavages have run so deep that such intermarriages are not an option. Writing on African business systems, Pederson and McCormick (1999) pointed out that building trust is crucial as governments and the judiciary lack the capacity to enforce formal economic institutions. This lack of formal options implies that formalization of the informal sector, often advocated by official development assistance protagonists, is not always advisable. Formalization reduces the availability of informal safety nets and entrepreneurs could be discouraged by formal, bureaucratic, and potentially corrupt requirements. Rather than formalizing, *channelling* the informal sector into a path of trust, cooperation, and capital accumulation makes more sense. Group learning, vocational education, and skills formation provide good opportunities. Local cooperatives, business associations, social associations, and foreign buyers could play key roles in increasing knowledge and bringing divided groups together (Tripp, 2001; Helmsing, 2003).

**Enhancing effective decentralization**

In the last three decades or so, numerous decentralization schemes have been implemented in the developing world, yet the transfer of power and finance to lower tiers of government does not guarantee more inclusive development. There still is considerable scope for fine-tuning policies and the role of informal institutions should receive a higher priority. Setting formal procedures right is by no means sufficient. Ndewga and Levy (2004) contend, based on research in Uganda, Senegal and Malawi, that technicalities fostering coalitions of support are crucial and that decentralization is only viable if political elites engage in constructive give-and-take negotiations and deliberations. Indeed, if certain elites consider themselves unacceptable losers they tend to resort to informal institutions to disable and block the implementation of decentralization schemes and find ways to reinterpret, bypass, and ignore new rules and regulations (Helmke & Levitsky, 2004). The political, geographical (unintended) consequences could be disastrous. After implementation, political economy interests might also trigger recentralization tendencies (Wunsch, 2001). For instance, this has occurred in Uganda, Senegal and Indonesia, where central governments changed their minds and sought to recapture some control of forest resources (Ribbot, Agrawal, & Larson, 2006).
CONCLUSIONS

This review article has shown that the spatial dimensions of informal institutions matter. They should receive a higher priority in policy debates on public administration of disadvantaged peripheries. Expanding socioeconomic capabilities and fostering public discussion at local levels cannot be achieved without addressing the complex manifestations of informal institutions, notably the persistence of historically informed disabling local institutions.

Social identities and political power affect institutional arrangements through three different processes of geographical interaction: overlap, co-existence and marginalization (Figure 1). In addition, policymakers should be aware of the possible simultaneous presence of these three phenomena when designing and enhancing private sector development programs to increase trust levels and mutual understanding, in order to reduce ethnic-religious cleavages in post-conflict areas and decentralization (or recentralization) schemes. In this light, the Nobel Peace Prize Laureate Wangari Maathai, has proposed a culture of embracing ‘micro-nations’, as she refers to the many distinctive localities that can be found in African countries, through the establishment of a forum in which local representatives come together, irrespective of the size of these micro-nations. Maathai (2010, pp. 218–219) argues that “with this forum, the checks and balances would be weighted and realigned constantly. It would enshrine a central tenet often neglected by developed nations when they urge democracy on developing ones: that democracy is not just about one person receiving one vote: it is about effective representation and inclusion”. In fact, this forum matches nicely the kgotla (also a public forum) in Botswana that, as discussed above, the British did not abolish during colonial times, and has contributed to impressive post-independence successes (Acemoglu et al., 2003). Academics, international organizations, and NGOs in recognizing the persistence of the spatial dimensions of informal institutions, should advocate certain governance forms in which legal pluralism in local politics and decentralization play increasingly important roles.

REFERENCES


