Social groups, factions and the politics of resource distribution: a context for foreign aid and tax reform in Kyrgyzstan

December 2013

Literature review written as part of a Research Fellowship at the Tien Shan Policy Center (TSPC), American University of Central Asia (AUCA), Bishkek, Kyrgyz Republic

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Introduction

The literature review in front of you is part of a doctorate research which explores how development aid programs working on tax reform in Kyrgyzstan engage with the country’s political economy. This broader research addresses a sequence of questions: How are the politics surrounding tax policy and administration in Kyrgyzstan understood and handled by the institutional assistance programs in this field? What are the implications thereof for the ease and returns of doing business for various social groups? In light of the preceding two questions, how can we understand development aid actors as a constituent part of the evolving social relations at the nexus of business and taxation in Kyrgyzstan? Moving beyond the case study, what does it contribute to the literature on the distinct political economy in ‘competitive clientelist’ societies and on how development organizations should approach it?
The present review is primarily focused on this literature. It was written after two periods of field research in Bishkek and Osh (May-July 2012 and 2013), as a revised version of a similar theoretical piece that preceded the fieldwork. The review is not a proper theoretical framework in the sense of a concise conceptual plan for approaching the empirics. Instead, it distills and discusses parts of the literature which could surface as points of reference in the forthcoming empirical analysis. However, the choices made and the discussion are fundamentally informed by the field research carried out over the last two years. Furthermore, in the course of the literature review I do elaborate a part of my conceptual framework. Primarily, this part concerns the ‘distinct political economy in competitive clientelist societies’ introduced above.

The nature of politics in low- and middle-income countries is sometimes presented as a blend of legal-rational and personalized authority, and of formal and informal institutions. I suggest that this perspective underplays a further dimension: the interaction between the politics of resource distribution structured around social layers and economic sectors, and the politics of resource distribution structured around elite factions, clientelism and patronage. Both are conceptual ideal types. It is possible that institutional assistance programs – just as all other actors – may decipher and engage with the context where they operate in terms of the dynamics interlinking the two types of politics above. Alternatively, while not necessarily interpreting the context in these terms, institutional assistance programs may co-shape change in social relations by adopting various ways of navigating and acting on the social, sectoral and factional cleavages of political conflict and bargaining. They may also affect the (re-) alignment of income opportunities by engaging with a particular discourse on economically strategic, socially just or business-friendly resource distribution, which could partially answer to the factional politics at play. In Kyrgyzstan, the local ‘knowledge elite’ and expatriate aid project teams which consult the government on tax reform may be a case in point on some or all of the options above. In my empirical chapter, I will explore these possibilities. By unpacking the dynamics surrounding tax reform in Kyrgyzstan, I will reflect on the place of aid actors within the kaleidoscope of forces that inform social change. At the same time, I will use the case to assess the analytical value of approaching certain political contexts as a blend between resource distribution structured around social and factional cleavages.

The present literature review begins to develop an understanding of the political economic contexts in which aid agencies operate. It also details on some of the other conceptual choices in the dissertation. Section one introduced the reasons for the doctorate research focus on institutional assistance programs interacting with recipient political economics. It opens by covering the recent calls for foreign aid actors to engage in political facilitation and the practice of political economy analysis toolkits. It then bridges two sets of literature: a particular set of academic and policy-oriented political economy of development
literature, and the entangled social logic approach within the anthropology of development. Section two discusses how the first set of literature understands the nature of political economy in low- and middle-income countries. It touches on new institutionalism and good governance, limited access order and clientelist political settlements, neopatrimonialism as a blend of formal and informal institutions, material versus ideational drivers of behavior, the politics behind institutions, development as social struggle, and the role of policy ideas in politics. On the basis thereof, it develops its own preliminary perspective on the political economy context with which institutional assistance may engage in Kyrgyzstan. Section three looks at how the political economy studies I lean on approach economic development, and connects this to the discussion on ‘competitive clientelism’: a polity sub-type that many of the studies focus on. It includes paragraphs on economic transformation, rents and rent-management and developmental states. Section four outlines some of the mechanisms which the literature attributes to social change. It deals with institutional persistence and incremental shifts, the relationship between the elites and broader society, and the role of leadership. Some of the above mechanisms and other elements presented in the coming paragraphs may re-surface in the dissertation’s empirical analysis.1

1. Aid agents as facilitators

Why look at the way in which institutional assistance programs interact with recipient political economies? Section one addresses this question.

1.1 Foreign aid practice: institutional assistance and political economy analysis

Since the 2000s a number of Western foreign aid insiders has argued that the practice is under-delivering on its promises because it fails to approach development as a political process (see Carothers & De Gramont 2013 for a history of this development). The argument is above all directed at institutional assistance, which primarily entails the channeling of funds, expertise, organizational support, training and IT towards reforming public sector bureaucracies. Matt Andrews (2013:xi) is explicit in specifying the foreign aid domain in question in his narrative on The Limits of Institutional Reform in Development: ‘This book emerges in response to mounting evidence that institutional reforms in developing countries often do not work. Case studies and multicountry analyses show that many governments in developing nations are not becoming more functional, even after decades of and hundreds of millions of dollars of externally sponsored reforms’. Aid initiatives discussed from this perspective include those in healthcare, justice, national parliaments, the civil service as a

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1 Please note that the present draft is not a full review of the literature which will inform my final theoretical framework: thus the abrupt ending. Likewise, the draft does not define all of the concepts it introduces, and does not explain all of the conceptual choices it refers to.
whole and special bodies such as anti-corruption agencies. However, there is often an emphasis on public sector rules and administrative mechanisms which govern the economy and on the organizations which oversee them, for instance Ministries of Economy and Finance, tax and customs services and anti-monopoly bureaus.

According to the authors who share the above perspective on foreign aid and politics, development agencies view themselves primarily as transmitters of technical expertise (De Haan and Everest-Phillips 2007; Leftwitch 2009, 2008; Williams et al 2008; Center for the Future State 2010; Booth 2011, 2013; Andrews et al 2012b). They spend millions of dollars transplanting ‘good’ formal institutions (for now: laws, regulations, administrative procedures and other ‘rules of the game’ structuring people’s behavior, North 1990) into developing country settings. Such institutions tend to become twisted by the adverse and deeply engrained political economy logic of the latter. As a result, they often do not function as intended and do not bring the envisioned benefits. Meanwhile, if institutional aid is to start making a viable impact, donors should ‘see their role not as experts bringing solutions, nor as politically neutral partners, but as conveners, facilitators and politically aware contributors to serious debate’ (Unsworth 2009:890). In order to make the operational switch, the aid establishment must commit to a ‘different mental model of how development happens’ (ibid:890). This model boldly accepts development as a function of conflict and bargaining among different individuals and social groups, where control over resources is at stake and various interests and incentives clash and overlap. Thereby foreign aid becomes a business of ‘understanding the political processes involved in building more effective public authority and aligning incentives around productive use of resources’ (ibid:884).

In light of the criticism regarding the politically-imperceptive nature of institutional assistance, numerous foreign aid agencies introduced Political Economy Analysis (PEA) toolkits (SIDA 2006; EuropeAid 2008; Hazenburg 2009; The World Bank 2009). These toolkits are intended to guide aid agency staff in mapping local stakeholders, analyzing their interests and incentives, examining the resource distribution and power relations among them, taking into account the structural and historical factors behind particular issues, identifying narrow areas where donors stand a reasonable chance to contribute to positive change, locating actors and forces that are likely to facilitate or challenge the latter, and so forth. With its Drivers of Change (DoC) framework, DfID has been a pioneer in developing and championing the approach (e.g. DiFD 2003, 2005, 2009). Studies that appraise PEA use

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2 Private donors such as the George Soros Foundation and publically funded but non-governmental aid actors such as the German party Stiftungen do work on institutional assistance in some sectors. However, official donor organizations dominate this type of development programming. The policy-oriented researchers who argue for greater foreign aid engagement with politics write primarily from the vantage point of these governmental and inter-governmental agencies.

3 Some of the individuals quoted earlier, and in particular Sue Unsworth, have played a central role in designing and promoting PEA toolkits.
appear regularly among development aid policy research (e.g. Carothers & De Gramont 2013; Routley & Hulme 2013; OECD-DAC 2008; DFID et al 2009; Unsworth 2009; Slotin et al 2010; see also Booth 2013, 2011). They tend to agree that the toolkits have not led to an overhaul in foreign aid thinking and practice. The evaluations mention that on the one hand, the ‘centrality of politics to development’ has become a standard element in the formal rhetoric of donor agencies. Many higher-level donor policy documents reflect a shift in emphasis from promoting ‘best-practice’ institutions to helping countries set up institutions that ‘best-fit’ their contexts, including their political realities. However, despite such pronouncements, the de-facto philosophy and modality across the aid establishment is said to remain predominantly technocratic. Institutional constellations considered ‘best-practice’ continue to prevail in program content.

The incidence of PEA, its quality, and its reported take-up in program design and implementation are said to be uneven between as well as within aid agencies. The above studies mention a range of reasons for why a political outlook is not becoming more central to foreign aid practice. For one, there are representatives of the development industry who consider a more politically involved approach unfeasible or excessively risky given the adverse reaction the suggested modes of operation may trigger among client governments. The belief that aid agencies must remain neutral outsiders, and that they have no right to meddle in recipient country politics, remains strong in Western development circles and among aid agency employees, governments and publics in targeted societies. Furthermore, the interests of donor country governments and business may be at odds with some of the operational implications which come with ‘acting politically’. At the same time, given the present-day pressure from Western publics and parliaments to show value for money, development aid’s corporate incentive structure remains fixed on quick disbursement of funds and shorter-term programming. This goes hand in hand with headquarters requiring field offices and grantees to capture concrete, attributable results in ‘logical frameworks’. What’s more, such demands and other everyday tasks may leave operational staff little time for making the most of political economy thinking.

Note that the policy studies which reflect on the aid industry’s experience with PEA acknowledge that their insight on the matter is as of yet limited in depth and coverage.

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4 According to Carothers & De Gramont (2013:249, 245), in a context of a ‘developmental aid community starved for definite answers and empirical rigor (or at least the appearance of it)’, the relatively few (if reputable) policy pundits favoring PEA may still see their cause fade away. At the other end, techniques such as randomized control trials may continue to gain ground. In 2012 an initiative emerged from within the aid ranks which captures the sentiments of those development cadres who vie for a less controlling and more open-ended approach to planning, reporting and evaluating donor programs (The Big Push Forward (BPF) 2013; http://bigpushforward.net). In April 2013 a BPF conference closed a period of research and crowd-sourcing into aid practitioners’ experience with the recent proliferation of Results-Based Management and Evidence-Based Policy instruments. These instruments have, according to the organizers, further stiffened the standards for project monitoring.
Examples of PEA take-up considered successful by operational staff are available for a handful of cases only. However, the literature is able to report an agreement among practitioners on how PEAs can be of value. One widely mentioned benefit is the space and a common language now available for discussing previously bracketed political economy challenges. Another is PEA’s suitability for briefing new staff on country contexts. Above all, PEA has been judged useful in helping render intervention strategies less ambitious and more in touch with the limitations of outsider influence. Nevertheless, the studies converge on the notion that development aid practitioners have found it consistently difficult to infer hands-on operational guidance from the analyses, especially when it is written without their involvement. For some practitioners PEAs have come down to counterproductively stating that effective interventions are virtually impossible, sophisticated as their analyses may be: ‘Despite the varied national contexts, political economy studies usually highlighted the same few basic issues – the ubiquity and power of patronage systems in the developing world and the negative incentives for most power holders there to carry out governance reforms that aid providers typically recommend. They also underlined the poor functionality of major governing institutions in these countries and the devastating effects of this reality on development efforts’ (Carothers and de Gramont 2013: 147).

Aside from examining PEA use, the research community related to the aid industry addresses the difficulties of adopting a ‘politically-attuned’ mindset through other streams of inquiry. In the recent years, policy-oriented studies have sought to elaborate ideas on what it could ‘mean’ for aid practitioners to ‘act politically’ (see for instance Leftwitch 2011). Several research programs have been set up to explore the conditions under which political economies permeated by patronage and clientelism nevertheless show strong economic performances. The main ones are The Africa Power and Politics Program (APPP), led by the Overseas Development Institute (ODI) staff; The Development Leadership Program (DLP), funded by AusAid; Elites, production and poverty: a comparative study (EPP) at the Danish Institute for International Studies (DIIS); and The Role of Elites in Economic Development at the United Nations University World Institute for Development Economics Research (UNU-WIDER). All four build on the work of political economists Mushtaq Khan (2010) and to a lesser extent Douglas North et al (2009), who have now collaborated in North et al (eds.) (2013). While these authors operate from an academic position, they also hold numerous aid

5 For PEA authors it has been equally difficult to offer such advice.
6 Foremost the above point concerns the more ‘academic’ and macro-analytical PEA analysis of the ‘first generation’ prevailing until the 2nd half of the 2000s. In the last couple of years PEA has shifted from capturing country-wide political economy constellations and their historical roots to a focus on of-the-moment sector- and issue- dynamics. Carothers and De Gramont (2013:167) note what they believe this means the following for the evaluation of PEA use: ‘As the use of political economy analysis moves away from large, visible country studies to smaller-scale, more diverse efforts, tracking the frequency of use across donors becomes impossible. Equally elusive is attempting to ascertain in any systematic way how such analyses are affecting programming’.
industry affiliations, make policy recommendations in their writing, and generally seek to inform foreign aid thinking with their reflections on how societies ‘develop’. The two sets of literature are the principal inspiration for the present dissertation. In the remaining paragraphs I highlight some of their main tenets, contrast them with other research, and start to develop a theoretical sounding board for my empirical analysis.

1.2 Factoring in the aid agent: bridging two literatures

The political economy studies introduced above seek to understand the conditions under which economic progress can be driven by polities with a high incidence of patronage and clientelism. They also contemplate on ways in which development agencies could operate in order to facilitate such processes. In such discussions aid organizations usually feature as an abstract and monolithic entity. On occasions, foreign aid does get incorporated into the political economy of development narratives at the level of program or sectoral impact. However, overall the studies at hand do not empirically ‘unpack’ how specific institutional assistance programs and their crew presently understand and engage with political economy dynamics in targeted contexts – or, perhaps, how they do not. Few operations have been taken apart to examine whether and how they follow the ‘expertise-transmitting’ or the ‘political facilitating’ mode, and to compare the outcomes with the context analysis and working advice presented by the research programs. Between the studies on PEA adoption and those that interrogate the economic potential of polities with high levels of patrimonialism and clientelism, there is a research gap on how the operational do’s and don’ts of political economic development literature currently manifest themselves in aid-receiving societies. The aim of my dissertation is to address this gap. It is to factor the aid agencies into the dynamics of political economic change: first for a particular thematic area in a single country; then theoretically and on a more general scale, by connecting to other research.

Arjan De Haan and Ward Warmerdam (2012) share the observation that there is a missing link in the literature on the relationship between institutional development programs and the politics wherein they take place. Their paper argues that as of now ‘there is little analysis of how donors, even where they do start adopting a political perspective, do influence local institutions and the people they work with’ (ibid: 3). A central emphasis is on the nature of such analysis. Today, ‘…the literature stresses the negative impact of aid and failures of capacity building, paying too little attention to how decades of aid relationship have become ingrained in the day-to-day politics in some countries’ (ibid:5). Accordingly, the conclusion ‘…argues the need to go beyond a conceptualization of the ‘impact of aid’, and integrate the continued presence of donors in the analysis of local politics’ (ibid: 3), lest we continue to ‘…arguably, miss a main point about how interactions with donors have structured practices, politics, and attitudes in the countries that donors work in’(ibid: 22). This statement echoes
my vision for integrating institutional assistance projects into the discourse and developments around a particular social issue in a given country. However, I also aspire to comment on impact, in terms of how aid agents as ‘grounded’ political actors may be affecting the shift of resource distribution in society.

In the opinion of De Haan and Warmerdam (2012:3), a better understanding of the relationship between foreign aid and elite ‘commitment to development’ requires greater ‘empirical insight into the way donors interact with formal and informal institutions in the countries where they work’. Research on interaction among various groups of actors implicated in foreign aid projects is available, but from a different academic discipline: the anthropology of development aid. Jeanne-Pierre Olivier de Sardan (2005, 2009) contrasts two of its sub-streams. ‘Discursive approaches’ examine the imagery and logic of the industry’s formal language and are fundamental in their criticism of foreign aid practice. Often their objective is to expose the way in which foreign aid discourse does not correspond with the reality it claims to describe, as well as to explore the interests which constitute this discourse. Olivier de Sardar (2005, 2009) considers this a problematic framework for making sense of the world of development aid. For one, most foreign aid practitioners are at least partially aware of the discrepancy between official rhetoric and what takes place in reality. They openly discuss this and may act upon it in their everyday work. In addition he argues that in ‘discursive’ literature the scientific element in anthropology is overshadowed by a ‘post-modernist’ ideology. The latter maintains that the only correct way to understand foreign aid is to deconstruct the development discourse in order to reveal its neo-liberal political agenda and its necessarily harmful practices. This leaves little room for empirical analysis. Instead, Olivier de Sardan (2005, 2009) argues in favor of the ‘entangled social logic approach’. Through empirical (ethnographic) investigation this approach explores the shifting relationships at the interface of foreign aid and the local context.

Similarly, development anthropologist David Mosse (2005) argues that in order to understand the impact of foreign aid, research should look at ‘how’ rather than ‘whether’ aid works. In a detailed anatomy of his experience as a consultant anthropologist with a UK-funded rural community development program in India, the author demonstrates how over the course of twenty years the flux of the program was indeed a process of continuous political bargaining among the concerned parties, including aid workers. When time came to report to headquarters, the shifting relationships of power, persuasion and interest accommodation were neutralized in essentially fictional narratives which answered to the initial course charted by the ‘participatory development’ project discourse and the project’s logical framework. Thereby, the book contends that ‘the current vogue for criticizing participatory development as ‘depoliticized’ pays undue attention to official representation (which do downgrade the political), and too little to practice’ (ibid:131). The ‘black box’ of the relationship between
development ideas and practice, he argues, is much more one of complexity and negotiation among multiple actors than captured in such documents. Likewise, it is more so than allowed for by the ‘critical’ current that frames donor discourse as an instrument of Western bureaucratic domination and often focuses solely on document analysis. There is little analysis of how the policy discourse and power-bearing ideas are both manipulated by and act as a constrain on the diverse stakeholders. In other word, the literature misses is an appreciation for how discourse ‘interacts’ with agency.

Another anthropologist with extensive first-hand experience in the aid industry echoes the above position by suggesting that many field-based development professionals are ‘closet relationists’ (Eyben 2010). They see and approach their works as a complex and irregular process of human relationships, while dressing it for their superiors in the ‘substantialist’ logic of traceable project outcomes. According to Rosalyn Eyben (2010), any positive impact that development aid does demonstrate today is largely due to such hidden ‘relationism’.7 Sometimes there is unspoken consent at the headquarters level. However, there are also persistent pitfalls to such approaches, which echo those involved in mainstreaming PEA and non-deterministic program design and evaluation.8 On the one hand, there are countervailing institutional pressures within the aid industry. On the other, the inherent predicament of ‘relationism’ – and by extension of political facilitation - is vivid in the following remark: ‘un-scrutinized relational approaches can become complicit with the clientelist cultures in which aid practitioners find themselves, undermining their own donor ideology of bureaucratic value of impartiality’ (ibid:11). In fact, reviews of PEA take-up also hint at the presence of relationism as a working style among development practitioners. Low support is observed when field staff believe that PEA simply confirms what they know, and that they already do much of the analysis on a daily basis (Slotin et al 2010; DfID et al 2009; OECD-DAC 2008). Political thinking and facilitation regardless of ‘toolkits’ may therefore be a considerable part of the de facto operational mode among practitioners who hold such opinions.

1.3 Moving upstream

To recap, there are examples of fine-grained anthropological analysis into the political relations around development aid projects, and on the significance of such interactions as part of the social fabric which they co-constitute (see Li 2007 and Bebbington et al 2007 for more

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7 Does Eyben (2010) offer any empirical material on cases where aid practitioners have acted in a relationist manner? Not specifically. However, she does identified four broad ‘relationist’ approaches which have become more common among donor agencies: decentralizing decision making to the field; opting not to draft and act according to a single comprehensive diagnosis of a complex problem; taking the risk to fund activities which emphasize the ‘messiness’ of partnerships; funding programs which encourage political debate; ‘planned opportunism’ while reacting to unexpected turns of events; building trust-based relationships.

8 Rosalyn Eyben went on to champion the latter through the BPF.
examples). However, such studies mainly examine single, rural and/or community-focused projects. Institutional assistance appears to fall outside of their orbit, even if Rosalyn Eyben’s commentary speaks to the full range of aid programming. Eyben (2010), Mosse (2005), Olivier de Sardan (2005, 2009) and development studies researcher Christian Lund (2010) urge their colleagues to start capturing national policy-level operations in ‘aidnographic’ research. In the political economy of development camp, this perspective is matched by a call for more micro-analysis of the politics within which institutional assistance is delivered. For instance, the DLP’s Caryn Peiffer (2012:6) writes: ‘A striking limitation in the current literature is the lack of detailed political granularity with which reform coalitions are usually described and analyzed, hence avoiding the inner politics of these important phenomena’. In another parallel, the ‘entangled social logic’ approach sees the aid-locality interface as a prism through which broader social relations can be analyzed.9 This resonates with the type of political economy analysis encouraged by De Haan & Warmerdam (2012), and matches one of my ‘upstream’ research objectives.

The research project behind this literature review bridges some of the insights and approaches of political economy of development on the one hand, and ethnography of development aid on the other.10 It integrates the interactions of the aid agencies which the former literature seeks to advise with the political economic processes which it describes. I am not the first to think of the synergy: Olivier de Sardan (2005:16) believes that the social logic approach in anthropology ‘has everything to gain from a collaboration with complementary scientific enterprises that adopt more panoptic and ‘macro’ perspectives (neo-institutionalism in economics, for example…)’. Mike McGovern (2011:353) believes that political science has recently shown a strong record of effectively combining the two modes of analysis. Jeremy Gould (2008:55) talks of a ‘heterodox global ethnography’, where scholars ‘enthusiastically embrace rich theorization and the empirical pursuit of hybrid and delocalized processes and phenomena’ and ‘adapt ethnography to the study of, among other things, the state, public policy processes and democratization’.

In my ‘factoring in’ of institutional assistance I highlight the point that most of the project staff ‘interacting’ with recipient country contexts are likely to be local. This nuance is largely absent from the foreign aid-related political economy of development literature. Accordingly, the way in which they are integrated into targeted political economies is likely to be different compared to their expatriate counterparts. The international politics of foreign aid and the institutional constraints within specific aid organizations may also affect them in a

9 See also Lewis & Mosse (2006:4): ‘Ethnography can extend study beyond projects to the broader analysis of the social relations operating within the complex institutional arrangements of development, including the constellation of public and private agencies that channels development assistance’.

10 To remind you, the political economy literature offers theory on the nature of politics in developing countries and on how foreign actors should engage with this context in order to facilitate change.
different way. Despite the point on ‘hidden relationism’, the role of headquarters in defining the scope of possibilities for institutional assistance may substantially limit the agency of field offices. Nevertheless, this does not mean that their mark on developments in a particular policy area is merely a proxy for donor-recipient country politics and pre-established project discourse. The type of local aid agents engaged in institutional assistance projects can be framed as the ‘knowledge elite’ ‘whose ability to participate legitimately in the policy process is grounded mainly on their technical and professional credentials’ (Macuane 2012: 10). According to the latter author, such elites tend to circulate between the private sector, civil service, aid organizations, and sometime politics. They consolidated their place in policy decision making and the broader political economy through participating in the country’s relationship with foreign donors. In my empirical analysis, I will use this portrayal as a loose framework, while also incorporating the foreign actors. In the next section of this literature review, I begin to discuss the political economic context in which institutional assistance projects and their local and expatriate staff operate.

2. Social cleavages, economic sectors and factional competition: a context of resource distribution

Building on the political economy literature which informs my research, what are the basic characteristic of the political economic contexts in which development aid projects can be situated? This is the subject matter of the present section.

2.1 New institutionalism and politics

The political economy research at the center of this dissertation has its roots in the school of ‘new institutionalism’. In the 1980s foreign aid in the realm of economic policy was largely tied to IMF and World Bank Structural Adjustment programs, which sought to advance free-market conditions and minimize state economic intervention in recipient countries. Positive economic outcomes did not appear to follow to the degree expected. As a result, the role of the state was reconsidered and the ‘good governance’ agenda took central stage in development aid discourse and programming (De Haan & Everest-Phillips 2007). The idea behind ‘good governance’ is that public sector bureaucracies are critical for economic growth and poverty reduction. To support the ‘rules of the game’ conductive to economic headway they must embody certain virtuous principles. The development of such ‘good’ institutions (both the principles and the rules) was modeled on donor country standards and became a common focus of foreign aid operations. It encompassed laws, regulations,

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11 Jose Jaime Macuane (2012) argues for this for the case of Mozambique. To some extent, a similar portrayal will be presented for Kyrgyzstan. The EPP’s Whitfield (2012a) is another example of political economy analysis which factors in the local ‘knowledge elite’, including the staff of institutional assistance projects.
bureaucratic structure, administrative practices, human skill standards and political procedures. To an important extent the ‘good governance’ turn in donor funding was inspired by the advance of ‘new institutional economics’ (NIE) (Andrews 2013). In the 1990s onwards a growing number of economists conducted research to show that socially constructed institutions – rather than abstract market forces or factors such as geography, resource endowment and trade - are decisive factors in determining income levels (see for instance Rodrik et al 2002). By the mid-2000s the centrality of institutions to development as espoused by NIE became a core principle of mainstream development economics (Adam & Dercon 2009; Booth 2011; Luiz 2009).

In first instance the research in question is quantitative. It represents an extensive body of cross- and within-country regression analyses that examine which variables correlate most strongly with economic growth, income levels and other dimensions of economic performance. However, this current is part of a much wider body of research which has been referred to as ‘new institutionalism’, and which includes rationalist qualitative, sociological and historical institutionalism (Hall 2009). In the case of the foreign aid community, over the past twenty years academic-meets-policy debates broadened and transformed this research stream. The good governance agenda was criticized for being too broad, indiscriminate and ambitious, aspiring to introduce complex procedures across many government agencies at once, without due regard for prioritization and feasibility. Its normative edge was also made objectionable. New research argued that in dissimilar conditions the institutions that may inspire better economic performance differ. The idea gained ground that a narrow focus and take on institutions simplified and sanitized the real force behind development and social change: politics. In other words, new institutional economics spilled over into social science and found one focus in studying politics as the driving force of institutional dynamics and their effect on socioeconomic transformation.

The policy-oriented and academic literature at the heart of my research framework falls within this qualitative ‘political economy of development’ current. It revolves around the following two-pronged argument: (a) institutions cultivated in rich capitalist countries are unlikely to have the anticipated effects when technically transplanted into contexts with a much higher degree of patronage and clientelism (b) nevertheless, such context are not necessarily un-conductive to development. In the following paragraphs I expand on this perspective. Among the political economists from whom the APPP, DLP, EPP and UN-WIDER studies take their theoretical cue, North et al (2007, 2009, 2013) and Khan (2005, 2007, 2010) have been prolific in theorizing the notion that non-Western countries have a profoundly distinct political economy logic. The authors consider this logic to be

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12 See inter alia Grindle (1999) for use of this caption and a discussion of its various streams.
impermeable to certain formal institutions which may not be 100% respected in the West, but are nevertheless more often respected than not. The authors acknowledge that parts of the Western world share this logic. Likewise, they note that parts of the developing world may to some extent function according to the logic which prevails in the in the wealthiest countries of the world. However, their argument remains that in general one logic dominates in the industrialized West and a few other places, while another logic prevails in ‘the rest’.

2.2 Social logics: a question of economic structure

For North et al, the social logic which prevails in low- and middle-income countries is one of ‘limited access order’ (LOA). In this scenario elites sustain themselves by dividing exclusive rights and privileges over resources within their own ranks, as well as by limiting access to the formation of social organizations. Thereby ‘the political system manipulates the economy to create rents as a means of solving the problem of violence’, as this system of rents binds the various elites to each other and makes it in their interest to remain at peace (North et al 2007:3). The broader society is tied into this logic through inter-elite competition: elites provide short-term economic benefits to other population groups in exchange for political support, while non-elites remain on the lookout for patrons who can best take care of their basic needs. Political economic conflict, bargaining and cooperation among elite factions and with the wider population happens through personalized channels rather than through impersonal, legal-rational rules of the game, to a much greater extent than in the most advanced capitalist countries of the world. The latter are ‘open access orders’ (OAOs). In an OAOs anyone who qualifies as a citizen can theoretically form organizations, and most people qualify as such. Peace, stability and economic prosperity are sustained through open competition and innovation, which create short-term rather than permanent rents. Thereby anyone with the right qualifications can join the ranks of the economic and political elites.

Khan (2010:4) captures the argument of distinct social logics with the concept of ‘political settlements’, which are mutually compatible combinations of power and institutions. In the wealthiest Western ‘capitalist political settlements’ the economy is dominated by a formal productive sector. The welfare of most people is firmly tied to this capitalists sector, even if capitalists are in the minority. This is not the case in low- and middle-income countries. Regardless of their performance, in such economies ‘emerging capitalist and market-based formal institutions are not developed or productive enough to make the beneficiaries of these formal rights the dominant power group’(ibid: 27). This situation brings about a particular configuration of ‘holding power’. The latter is the ability of a group to hold its ground in order to secure a favorable distribution of resources. In ‘capitalist political settlements’ owners of formal capitalists rights have the most holding power. In ‘clientelist political settlements’ a much bigger share of the holding power is ‘based on sources outside
the incomes generate by formal institution’, where the latter connotes the laws and regulations which may privilege (certain parts of) business (ibid:53): there is a discrepancy between the formal institutions according to which wealth and power is meant to be distributed, and the actual distribution thereof. Instead, the exercise of power and the accumulation of economic wealth operates largely through informal ‘rules of the game’ associated with patron-client relations. Hereby, the concept of ‘clientelist political settlements’ echoes its LAO cousin.

A ‘clientelist political settlement’ can have any type of government, including electoral democracy. Where present, political parties in non-Western countries are multi-class pyramidal patron-client factions. For North et al, elections in LAOs are likewise a vehicle for political control; they are not a channels for citizens to express political or economic preferences. In other words, ‘political contestation in developing countries is organized through the mobilization of patron-client factions, rather than through the mobilization of class or economic groups’ (Khan 2005:705). This depiction of diverging logics according to which resource distribution is structured forms the core of my working conceptualization of Kyrgyzstan as a context for institutional assistance. Before presenting my version of it, I discuss the other ‘dualities’ which are attributed to (some) low- and middle-income economies by the literature on neopatrimonialism. Most of the policy-oriented research programs introduced earlier do not explicitly use this term to describe the countries they analyze. However, the emphasis on personalized relations within an LAO or a clientelist settlement brings these concepts close to the notion of neopatrimonialism. A central difference is the emphasis which the latter places on the split logic within a polity.

According to a paper unrelated to the foreign aid-related research covered so far, Michael Bratton & Nicolas van de Walle (1997:62) set the conceptual standard for this split nature by considering ‘as neopatrimonial those hybrid regimes in which the customs and patterns of patrimonialism co-exist with, and suffuse, rational-legal institutions’ (Erdmann & Engel 2006:15). The latter authors show how the dual nature of neopatrimonialism can be drawn out from Max Weber’s (1978) distinction between legal-rational bureaucratic domination and personalized patrimonial domination. In the context of patrimonialism all authority is personalized. In the case of neopatromonialism, public authority and its relationship to the private sphere of inter alia business (authority) is formally governed by impersonal, codified institutions such as legislation and regulations. However, these are permeated by personalized relations of power, administration and economic exchange, governed by tacit codes of conduct. Erdmann & Engel (2006) further develop and

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13 The exception is the APPP.
14 Among the policy-oriented political economy of development programs, the APPP alone explicitly adopts Bratton & Van de Walle’s (1997) definition: ‘[n]eopatrimonialism’ refers to a political economy in which this basis authority is combined with, or exists behind, some formal, impersonal elements of governance (Kelsall 2013:12; see also Booth 2011:8 and Booth & Golooba-Mutebi 2011:3).
problematize this definition. More recently, Erdmann (2012) elaborates this framework in a theoretical chapter of a book on forms of rule in the Post-Soviet space, which also includes chapter on Kyrgyzstan (Stewart et al 2012).

2.3 ‘Neopatrimonialism’ as a window to formal and informal institutions

In both of the texts above the accent falls squarely on hybridity: ‘the two spheres are not isolated from each other; the patrimonial penetrates the legal-rational system, twists its logic, functions and output, but does not take exclusive control…’ (Erdmann & Engel 2006:46). The argument is made that especially for Africa, the tendency has been ‘to minimize the legal-rational, and to push too far towards patrimonialism’, while ‘there is more than a legal-rational façade’ and ‘not all political and administrative decision are taken according to informal rules determined by private or personal gusto’ (ibid:17). However, Erdmann (2012:45) observes a shift: ‘Recent research on politics in Africa, which has notoriously been characterized by a concentration on non-formal politics, has revealed that formal institutions are becoming increasingly institutionalized.’ The notion that ‘[f]ormal institutions do matter’… ‘has attained a broader consensus today’ (ibid:45). Note that the authors are on a similar line as development anthropologist Olivier de Sardan (2013:75), who advances ‘practical norms’ as a concept to capture the informal rules at the micro-level of African public service institutions: ‘practical norms are informal regulations, tacit or latent, underlying actors practices when they don’t follow official norms’. His perspective echoes the hybridity attributed to ‘neopatrimonialism’: ‘Individuals may also intervene on the basis of other logics (charity or pity, for instance) and of course African civil servants sometimes follow official norms and behave partly in conformity with bureaucratic rules’ (ibid:74).

Erdmann & Engel (2006) and later Erdmann (2012) are critical of ‘neopatrimonialism’ as it stands today. They argue that the concept is not consolidated and streamlined enough to act as a prims for understanding society. For instance, ‘neopatrimonialism’ comes with a compound problem of delineation: ‘How large is the ‘share’ of the patrimonial and how large the ‘share’ of the legal-rational bureaucratic component in neopatrimonial domination?’ ‘How many ‘patrimonial defects’ in a legal-rational bureaucratic system are necessary for it to be called neopatrimonial?’ (and vice versa) (Erdmann 2012:47). When is a society simply ‘patrimonial’, and what are the different sub-types of neopatrimonialism (Erdmann & Engel 2006:22)? Given these pending issues, the authors consider the concept to be primarily useful as a heuristic tool which directs our attention to the puzzle of formal and informal frames of behavior existing side-by-side in a single social setting.\footnote{For Susan Stewart et al (2012:2-3), ‘…the choice of neopatrimonialism as a theoretical basis allowed for a greater emphasis on the distinction between formal and informal institutions and modes of behavior, which were regarded as crucial for understanding the functioning of post-Soviet regimes and societies’ (as opposed to the transition paradigm).}
dissertation, after ‘factoring in’ institutional assistance projects into the political economy of tax reform in Kyrgyzstan, I do not expect to generalize my findings to country contexts which are very different politically. Therefore ‘neopatrimonialism’ is too broad to be the main reference point for conceptualizing the ‘foreign aid setting’ which I study. However, with a nod to the heuristic value mentioned above, I use it to identify a handful of forces which aid agents could be interacting with in Kyrgyzstan and beyond. Here, I am referring to personalized and administrative domination, and formal and informal institutions.

To some extent, the political economic research to which I speak in my dissertation revolves around the notion of institutions. Therefore it will also surface in one way or another in my empirical analysis. I define institutions in a way which echoes the main line common to the above studies. So, in the confines of the present research, institutions are understood as the ‘rules and procedures…that structure social interactions by constraining and enabling actors’ behavior’ (Helmke and Levitsky 2004: 727), as originally defined by North (1990). Note that this echoes a central tenet in the empirical approach to the anthropology of development, which seeks to explore the ‘elbow space’ available to the actors involved in the process of contest and bargaining that is development (Olivier de Sardan 2005). Elsewhere, North et al (2009:15) add that institutions as ‘rules of the game’ ‘structure people’s beliefs about the action of others’. However, in the same breath they also describe institutions as ‘patterns of interaction’. For reasons of clarity I differentiate between institutions as the rules rather than the patterns of behavior, and the second as evidence of the first.

Gretchen Helmke and Steven Levitsky (2004:727) categorize formal institutions as those ‘that are created, communicated and enforced through channels widely accepted as official.’ For the authors this includes ‘state-enforced’ laws and regulations, official ‘organizational’ rules governing private and public organizations, and institutions as state organizations themselves (for instance bureaucracies and courts). Once again for the sake of clarity, I adopt the term ‘formal institution’ for the former two levels of analysis only, separating institutions from organizations. As for informal institutions, the widely-cited paper above defines them as ‘socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels’ (ibid:726). It also discriminates between shared norms and values and ‘narrowly shared expectations’ (ibid:728). Helmke & Levitsky (2004:727) note that expectations may or may not be based on values. However, in order to strengthen the concept analytically, they propose to limit ‘institutions’ to the former. Thereby they frame ‘socially shared rules’ as the ‘constraints and opportunities…which actors expect to have certain implications for particular courses of action, often referring to codes of personalized exchange’ (ibid:728).
2.4 Patron-client loyalty, institutional constellations and the role of beliefs

The last phrase of the preceding paragraph recalls the exercise of patrimonial authority as something which rests on informal institutions, where the personalized domination game and its unwritten rules combine into one half of what is neopatrimonialism (Erdmann and Engel 2006). Landé (1983) describes patron-client relationships as amorphous, latent, elusive and ubiquitous, which presents social scientists with an enduring challenge. This point is reiterated two decades later by Erdmann & Engel (2006) It suggests that pinning down the actual informal codes of conduct which govern patronage and clientelism is likely to be even more difficult. For instance, what drives loyalty and trust in the networks? Khan (2010) argues that contemporary patron-client relations are defined less by personalized norms of loyalty and more by rational contracts that are very fragile as patrons face competition from better offers. Conversely, Kelsall (2011:223) identifies ‘a core set of values – concerning power, accountability, and social morality – that have proved extremely durable and remain powerful drivers of behavior across sub-Saharan Africa’. In another APPP paper Brian Cooksey and Tim Kelsall (2011) highlight the compound nature of contemporary patron-client linkages, where the strength and scope of the ‘rational’ element is not straightforward. For Tanzania, the authors find that such relations between politicians and businessmen typically emerge from years of personalized interaction within various sectors of the bureaucracy and politics; through bonds developed at school and university; and through kinship or marriage. At the same time in 2000 onwards they observe ‘the rise of money as the only important political ‘means of exchange’ – a reference to its power to make or break personalized connections (ibid:34).

Sebastian Dellepiane-Avellaneda (2012) offers a way of organizing the different elements that have been considered part of the ‘institutions’ family. He highlights that for North (1990) ‘the real incentive structure of a society is made up of ‘formal institutions’ (constitutions, property rights), ‘informal constraints’ (social norms and conventions, codes of conduct) and ‘enforcement characteristics’”, i.e. how (effectively) institutions are enforced (ibid:10). At the same time, ‘subjective mental models’ of how people perceive the political economic world around them interfere with this constellation to shape the dynamics of this very world: ‘individuals from different backgrounds will interpret the same evidence differently and in consequence make different choices’ within the formal rules and informal constraints that surround them (North 1994:207). Given its clarity and simplicity, this is the model I will use during my empirical analysis, if and when the concept of institutions proves fitting for understanding the material. For a moment, let’s stand still at the ‘informal constraints’ and ‘subjective metal modes’ as elements of this model.
Political economy of development literature has the reputation for being unduly preoccupied with material and rational drivers of behavior (McGovern 2011; Shah 2009). The critics maintain that material gain and rational choice aside, individuals may act for the thrill of power as such; out of considerations for their social reputation; on the basis of honor, local norms, religious belief, emotions, intellectual judgment, ideology, moral convictions, propensity for risk etc. As stated above, I take such non-material constraints and beliefs to mediate how people navigate their expectations about the material outcomes of institutions. Therefore they will be an influence on the dynamics of income opportunity distribution in a country. Foreign aid project teams may both encounter them as an element of the societies in which they operate, and will themselves be driven by a combination of material and non-material considerations. Merilee Grindle (1999) touches on ideas as convictions which explain behavior, and reasons why these have not been central to political economy of development research: ‘Ideas are difficult to track and measure and to separate from interests. The influence of ideas must be inferred from the statements and policy preferences of actors. It is almost always a conundrum to know how much individuals or groups are acting out of conviction or out of some more self-interested motivation’ (ibid: 18).

The acknowledgement above does not prevent Grindle (1999) from calling for more research on the matter. Nevertheless, over a decade later it remains uncommon for political economy of development studies to attempt distilling the role of beliefs (Dellepiane-Avellaneda 2012). Neither do I set out to do this my empirical analysis. Untangling as surely as possible the extent to which aid agents and their counterparts are driven by material and ideational factors is beyond my means. I assume that motivation will always be a mix of the two, with very diverging proportions. As interviewees comment on their own considerations or on the motives of others, I will not attempt to decipher how honest or true to themselves they are, or how likely they are to be correct. However, the elusive boundary between rational-material and ideational-emotional grounds for behavior will be inevitably surface in my empirical analysis. When either is mentioned as a factor, I will group it with similar assessments. On the basis thereof, I will discuss how various actors report on interests and convictions as forces acting on tax reform. I will also reflect on what the broader national discourse regarding the two motivational ‘poles’ suggests about tax affairs as a mix of politics structured around social and sectoral cleavages, and around patron-client factions (introduced in paragraph 2.6).

2.5 Navigating between multiple logics: from institutions to politics

Returning for a moment to ‘neopatrimonialism’, for Erdmann (2012) the crucial feature of neopatrimonial societies is the inherent uncertainty about the likely actions of state actors. Individuals can and do choose to combine the legal-rational and the patrimonial logic
to deal with this insecurity, thereby reproducing the double logic. Thereby they continuously alternate between following impersonal codified and personalized tacit institutions. In development anthropology, Olivier de Sardan (2013:76) also argues that civil servants ‘play’ between official and practical norms, where both are resources as well as constraints: ‘The acknowledgement of competency, merit-based promotions, legal-rational logics, deference to professional ethics and respect for procedures are not uncommon - even if they are exceptions – or are mixed with opportunistic strategies...as far as logics of action among civil servants are concerned, pluralism, code switching, and straddling are the rule’ (ibid:74). In his book on institutional assistance, Andrews (2013:47) (who does not use the term neopatrimonialism) introduces kindred alternation by suggesting that individuals ‘split their lives across ...domains and thus continually face multiple logics’. Thereby he puts forward ‘the idea of “inter-institutional” contexts in which multiple institutional logics interact to shape the potential for change’ (ibid:36). From this vantage point, institutional assistance contexts can be viewed as political economic systems where people as political and economic actors make their decisions in constant limbo between personalized and legal-rational identity, depending on the community and setting in question. As all people, they do so by combining normative frames and material calculations.

Writing to advise foreign aid, Andrews (2013) conveys the evasive nature of the societies targeted by institutional assistance by portraying ‘institutional logics’ as icebergs, with regulative mechanisms above and normative and cognitive forces beneath the waterline. A part of his argument is that aid agencies fail by focusing excessively on the former. However, hereby he may be downplaying the political kernel behind both formal and informal institutions. Written laws and coded administrative procedures may be among the more visible institutions. Still, regardless of the extent to which they are enforced as intended, their design and stated policy objectives are not neutral. As mechanisms for distributing access to resources, legal-rational institutions will prioritize some social groups, causes and ideas over others. This is also the case in polities where formal institutions are less defining for distributive outcomes. Formal institutions emerge from processes of conflict and bargaining where the protagonists wield unequal power. Some of the distributive implications may be explicit or apparent. Others less so - irrespective of the extent to which they were reached.

16 Andrews (2013) works with a framework similar to the one in Dellepiane-Avellaneda (2012). His idea of ‘institutional logics’ integrates the mechanism of reward and punishment as employed by rationalist approaches to institutionalism; the norms and values which ‘communicate what is considered socially acceptable’ from sociological institutionalism; and ‘cultural-cognitive’ prisms for interpreting the world from anthropology, which ‘bias agents to make specific choices, regardless of the incentives created by regulative and normative mechanisms’ (ibid: 42-43). Such cognitive-cultural frames may also flow over into sociological institutionalism; for instance, according to Schimmeffrenning & Sedelmeier (2005), sociological institutionalist see people as motivated by internalized identities, values and norms; on the basis of these, they choose the most behaviorally appropriate and legitimate courses of actions. There are also the parallels with historical institutionalism as described by Hall (2009) and with constructivist international relations and social science in general. See also March and Olsen (2008) for the ‘logic of appropriateness’.
through formal procedures or through patrimonial levers. By primarily framing beneath-the-surface institutions in terms of norms and mental modes, the iceberg metaphor sidelines the political economic interests of factional patron-client pyramids, and of economic actors defined according to commercial niches and societal layers.17

The first group of interests are substance of an ‘ideal type’ where resources are politically contested between and within patron-client factions. The second group of interests corresponds to an ideal type where the politics of resource distribution revolves around economic sectors and societal layers. Here I come to the dimension of the national political economic setting in which aid agents operate that will be at the center of my empirical analysis: the intertwining of political debate, lobbying and competition structured on the one hand around factional-patrimonial cleavages, and on the other hand around societal and sectoral ones. This is a provisional portrayal of the political economic logic in low- and middle-income countries, which I will interrogate from various perspectives: whether development aid agents experience it as such; whether they can be depicted as interacting with this hybridity; the extent to which the latter has weight as a framework for analyzing social change. My starting assumption is that in low- and middle-income countries resource distribution driven by factional-patrimonial politics will be higher to a varied but substantial extent than in the most wealthy and industrialized countries of the world. As a result, the overlap and interaction between this type of politics and the contestation of resources along social and sectoral divisions will be more pervasive and close-knit. In a given empirical situation one ‘political game’ may sometimes be more pronounced than the other. To some extent, when taking a particular case, it may be possible to separate the two ‘ideal types’ analytically and philosophically. However, in general the boundaries and connections between the two ‘games’ will be challenging to navigate and act upon.

2.6 The politics of social stratification

With respect to Andrew’s (2013) ‘iceberg’ metaphor, my message is two-pronged: analytical perspectives that center on institutions and highlight the role of informal and personalized rules of the game may nevertheless (partially) lose sight of the political; studies that look at clientelist and patrimonial politics may de-emphasize an important dimension of the political. Generally, the political economy of development literature which inspired my dissertation does not do the first. As a case in point, the APPP’s David Booth (2013: 2) formulates the grounds for prioritizing politics over institutions: ‘The evidence is now overwhelming that most of the binding constraints in development are about institutions and

17 On occasions, Andrews (2013) does frame his argument in terms of the core processes of an organization as a body of institutions. As these core processes broker among the primary interests of insider players, they are likely to be opaque. Meanwhile, nominal processes mask them on the surface. This description brings out the political to a greater extent. Nevertheless, in the book the iceberg metaphor is more pronounced.
institutional change…Often this is about power. The way institutions work in practice is shaped by underlying distribution of economic, social and political power – by the nature of the underlying ‘elite bargain’ or political settlement.’ Similar positions are adopted by the EPP, DLP, UN-WIDER and by Khan and North and co-authors. Their research is primarily focused on discerning how ‘clientelists’ elite politics may nevertheless channel resources to productive use. It could be said that they are searching for avenues via which politics can become increasingly practiced around sectoral and occupational divisions, rather than patron-client networks. The program case studies discuss at considerable lengths the allocation of resources among various productive sectors. Yet their accent falls on the underlying contestation of spoils among elite factions. The papers and chapters recognize that resources distribution which fuels overall economic performance will always undermine some social groups at the expense of others. Likewise, pro-active industrial policy by the government may trumpet political and economic rights of some. Still, these matters remain a side-note, even if voiced with perceptible concern and soul-searching.

In other words, the competition for resources and policy influence among various niches of the population and business may not come to full significance as politics in its own right. This may not be the objective or the philosophical position of the studies at hand. However, thereby the implications of such competition for aid agencies in contexts where factional politics are very likely to hold the upper hand are largely left unexplored. Other political economy literature does lean on the premise that the politics of development is fundamentally about the contest between the more and the less privileged. For instance, Dellepiane-Avellaneda (2010), sees politics foremost a distributive conflict between various layers of society, where social injustice perpetuates the institutional malaise and instability that donors attempt to address with institutional assistance. Likewise, the Asia Research Center (2010) argues that major strands of political economy thinking understate development as social struggle. The manuscript’s principal point is that ‘the difficulties of the development process are not explained in terms of the politics of resistance and transformation’ in solving collective action problems and thereby benefitting society overall; instead they are ‘part of the process of conflict to shape the rules that define the new market societies and to establish new forms of social and political power within the market system’ (Robinson 2010: 25). What’s more, Caroline Hughes and Jane Hutchison (2010: 55) explicitly disagree with the primacy of patrimonial relations in some foreign aid thinking:

‘Rather than constituting a process which is essentially contested and contentious, producing new relations of domination and subordination, development is now regarded as largely uncontroversial and ‘of mutual benefit’.

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18 This explicitly includes the philosophy behind PEA toolkits.
The possibility of structural groups existing in persistent relations of subordination vis-à-vis elite actors... is precluded. Instead, opposition is reframed as the pursuit of self-interest at the expense of the public interest - hence the inordinate focus on patrimonialism as a form of rule that is antithetical to this.’

In my empirical chapter I will not prioritize an understanding of Kyrgyzstan’s politics as a conflict between those who have been either privileged or sidelined by the post-Soviet capitalist system. What may prove a prism for analysis is the interaction between politics understood as a version of the above, and politics understood as competition over resources between patron-client factions. My working premise is that institutional assistance projects can be examined in terms of how they engage with the intermingling between politics revolving around ‘class and economic groups’ (Khan 2005:705), and politics revolving around elite-led factions. The proportions in which the two ideal types of politics are to mix in order to suggest that we are looking at (for example) a clientelist rather than a capitalist settlement, is an open matter. My dissertation does not aspire to ‘fix’ them. However, this pending question may serve as an entry point for discussing societal matters beyond foreign aid. Does the proposed hybridity between the two types of politics have traction as a way of capturing the difference between the ‘social order’ in low- and medium-income countries and the one in the wealthiest countries of the world? Perhaps, on the contrary, it could reveal the similarities? The ‘aid interface’ in my dissertation may serves as a window on such broader questions.

2.7 The role of policy ideas: a wrap-up

The notion of entangled social and factional politics can be developed further by discussing the role of policy ideas in a society which to a substantial extent pivots around patrimonial and clientelist relations. In a paper dating from the time when new institutionalism had only recently gained ground, Grindle (1999) takes a critical stance towards what she sees as the absence of ideas from institutional economics of development theory. She observes that ideas ‘emerge as important factors in case study research and have shown to have important connections to power relationships’ (ibid:15). In certain cases they ‘became explicitly political resources as policy entrepreneurs used them to bring people together around reformist agendas’ (ibid:17). According to the authors new institutional thinking anno 1999 had not yet sufficiently integrated such case-specific evidence from inter alia area studies into more generalized theory. A decade later, the political economy of development accent on politics and institution has propelled a debate on the extent to which this downplays the importance of national economic policy in determining a country’s

19 Note that here I cover a different part of this argument than in paragraph 2.4.
economic performance (Booth 2011). To appease the critics, the case is made that while sound and appropriate policy is indeed crucial for development, ‘in two important ways, this appreciation of the centrality of policy choice is entirely consistent with the notion that institutions, and their political underpinnings, do ‘rule’ (ibid:9). One ‘way’ is the importance of real rather than nominal policy, the former being a function of politics and institutions. Secondly, political arrangements and elite incentives are defended as a ‘predisposing factor in the adoption of wise or unwise policies’ (ibid:9-10).

I will start my empirical analysis by approaching the role of ‘ideas’ as follows. In polities with a considerable sway of patron-client networks, technical and ideological ideas will always be a part of the mix, as game players discuss, develop and attempt to enforce economic policies and formal institutions. Given that personalized authority, informal rules and factional politics may predominate, debate on the merit of policies, and the process of policy formulation, may often be superficial or misleading. Policy choices may be nominally defended in terms of how likely they are to boost a particular economic sector, social group or the state budget. Meanwhile, underneath the rhetoric, some of these statements may be a ‘performance’ intended to create the semblance of hard work. At other times, lobbying of particular policy may be part of real political contest over formal institutions - where the latter are expected to affect the relative power and economic standing of rival clientelist factions. Under the ‘guise’ of the public good, social justice, sound economics or technical pertinence, formal institutions may be advanced to enhance favorable conditions for political clients (who may indeed dominate a particular business sector). Nevertheless, there will always be cases when claims about what one considers economically sound, technically appropriate and socially just are made out of conviction. Depending on the case, such conviction will be driven by a vision of what may be best for the country and the population in general; by the material and ideational interests of a particular sectoral or social group; or by a combination of both. Meanwhile, advancing technical and ideological convictions in order to support particular commercial or social layers does not preclude an individual from acting in tandem on factional-patrimonial politics.

To close section two, I summarize the general portrayal of the political economic context which aid agents may be found to interact with in the framework of this dissertation. For now, I suggest that low- and medium-income countries can be considered as LOAs or clientelist settlements. In such contexts, aid agencies may perceive and act upon a mix of bureaucratic and patrimonial authority, and of formal and informal institutions. They may also perceive, act upon and co-shape a hybrid politics of resource distribution and use of discourse.

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20 Most recently, policy ideas appears to be making a comeback. For instance, Dani Rodrik (2013) states that after considering the matter for several years he is finally making his case that the ‘political’ turn in foreign aid thinking has seriously discarded the importance of policy. His paper offers a counter-framework.
To a significant extent, this political game will be about distributing resources among rival patron-client factions, which may involve their non-elite base. However, to some degree it will also be structured around social groups and economic sectors. Material and non-material interests and expectations, values and ideational frames (which may or may not be related to patterns of clientelist or patrimonial behavior) will constraint and enable the actions of the different partakers. Factoring institutional assistance into a political economy could mean exploring the degree to which its protagonists are attuned to and how they engage or do not engage with these different elements. In turn, the latter could be taken to determine social change. However, before trying out such analysis, it would help to limit its reach to a particular sub-type of a clientelist settlement/LAO. It would also help to work from a preliminary understanding of economic development. Section three takes care of these matters.

3. Competitive clientelism and economic transformation

Some of the political economy literature underpinning my research project argues that low- and middle-income countries share a particular overarching logic which is different from the meta-logic in the wealthiest societies of the world. However, it also point to diversity within each logic. In the second part of this section I identify Kyrgyzstan as a particular sub-type of a clientelist settlement, and expand on the nature of political economic relations within this sub-type. In the dissertation, this may later allow for a limited generalization beyond Kyrgyzstan. Section three begins with a discussion on how the political economy literature that I engage with understands economic development.

3.1 From economic growth to economic transformation

Amartya Sen (1999) has famously defined development as the expansion of five essential freedoms: political, economic, social opportunities, political transparency guarantees and physical security. A related operationalization starts with the concept ‘human development’ at the country level and measures health and education levels, years of schooling, life expectancy, gender equality, social protection, as well as income (UNDP 1994 and subsequent reports). The standard focus of political economy of development research is on the economic dimension, as ‘…many of the deep issues association with development are firmly rooted in the narrower economic challenge of promoting high and inclusive economic growth’ (Adam & Dercon 2009:174). The foreign aid-related policy-oriented literature which I engage with most directly make a case of differentiating economic growth and economic transformation. It prioritizes the latter and the element of (inclusive) redistribution therein, by primarily discussing the experience of African countries. For instance, a series of EPP Africa case studies revolve around the following premise: ‘Development entails structural change in
a country’s economy’ (Therkildsen & Bourgouin 2012:18). For the above authors, ‘structural change entails a diversification away from agriculture and other traditional products into industrial activities, modern service and so on’; ‘[i]n the process, overall productivity is expected to rise, resulting in increasing incomes’ (Therkildsen & Bourgouin 2012:18-19, see also Whitfield 2011 and Kjaer & Katusiimeh 2012). The red line is that the continent is short on such transformation.

Similarly, the APPP synthesis report advances economic transformation as the type of economic growth that has potential to improve the quality of life for the many (Booth 2012). The content of such growth for the APPP is somewhat different: ‘(w)hat distinguishes the transformation perspective is a concern about four things that have been generally absent from recent growth in sub-Saharan Africa: changes in the structure of the economy (a diversification of production and exports) resulting from widely spread improvements in productivity; productivity breakthroughs in smallholder agriculture in particular; the accelerated formation and expansion of capitalist firms…’ (ibid:19). This point is central in the recent book published outside of the ODI on the basis of APPP research (Kelsall 2013). The book reports that the recent boost in African growth-rates has led to a wave of restored optimism in ‘orthodox’ economic advice that argues for limiting the role of the government to guarding macro-economic stability, secure property rights, relaxed business regulations, facilitating investment, and strengthening its capacity in these areas. Meanwhile, ‘heterodox economists’ point to the dependence of African growth on global commodity prices, investment in extractive sectors, and foreign aid’ and observe that ‘African economies is yet to witness a structural transformation of the kind that took place in East Asia, and they have not yet moved into producing higher-value commodities for export’ (ibid:1). Transformation lacking, ‘improved economic performance has not translated into commensurate reductions in unemployment and poverty’ (ibid:5).

The APPP argues that in order to counter these deficiencies in present-day growth the African state must become more engaged in industrial policy and render it more ambitious. Similarly, Mushtaq Khan contends that a misplaced amount of institutional assistance is directed towards building ‘market-enhancing mechanisms’, such as property rights, transparent and efficient business regulations, and fair procurement procedures. In his view the technical strengthening of these institutions is not sufficient for addressing the unproductive allocation of rents that some clientelist settlements generate. Nor is it is it likely to succeed in locking-in an impersonal logic. Fundamentally, ‘market-enhancing’ institutions do not have the clout to unilaterally overcome the weakness of formal capitalist holding power and fiscal capability at the heart of a clientelist system. The structural knot of clientelist settlements can ultimately only be untied through economic growth. Development agencies can facilitate this by channeling more resources to ‘growth-enhancing governance’, or
3.2 Rents and rent-management

With economic transformation in mind as the desired vision of development, the APPP notes that a major reason behind the disfavor which many economists show for more active state industrial policy in Africa is the fear that it will be high jacked by patrimonial politics. While taking the latter as a valid concern, the program seeks to ‘identify the conditions under which neopatrimonial governance can show pro-developmental results’ by looking across Africa for cases of ten or more years of relatively strong economic performance (Kelsall 2013:2). The framework adopted for the purpose is ‘rent-management’. Borrowed from Khan & Jomo eds. (2000), the term refers to the coordination of rent-seeking activities: how it is organized, the types of rent-seeking prevailing, the types of rents that proliferate and how they are used. Thus the different case studies examine how economically successful African regimes re-distributed rents, how rents were allocated in the less successful sub-sectors within such regimes, and what was happening to rent-management over time, in particular when economic performance started to deteriorate. In its case studies of Asia, Khan & Jomo eds. (2000) does the same.

Rents and rent-seeking in Khan & Jomo eds. (2000) are not considered to be necessarily informal, illegal or primarily linked to a neopatrimonial setting. Khan (2000b) mentions that ‘rent’ is often described as the income received above the income which would have been received in a competitive market. However, being skeptical about whether such a market can ever exist, they define rents more generally as the income above the one which would have been earned if not for particular actions or conditions. Rent-seeking is defined to comprises the ‘activities which seek to create, maintain the rights or institutions on which particular rents are based’ in one’s favor (Khan 2000a:6). In broader, more economic terms, rent-seeking is the expenditure of resources and efforts in creating, maintaining or transferring rents’ (Khan 2000c:1). Arguably, the second definition spills over into ‘rent-management’, which is an activity carried out by parties other than those who benefit directly from the rents at hand. When not referring to the use of this term by another author, I use the term ‘rent-distribution’ instead. For North et al (2013), control over rent-distribution is the key device for a LAO faction in power to hold the elites together and to restrains violence by groups who may deploy it if they believe they are not getting a slice of the pie which matches their standing. For Erdman & Engel (2006), studying rent-seeking as a ‘characteristic’ of

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21 The objective is adopted in response to what it considers an abundance of evidence on the remarkable economic performance in some Asian countries, which took place despite (or even because of) certain expressions of patronage and clientelism. The APPP contrasts this with the relative lack of earlier research on possible variation in patronage outcomes across the African context.
neopatrimonialism is useful as it bring economic analysis ‘back in’ and opens an extra avenue for reassessing what neopatrimonialism is, where its boundaries lie, and how it is reproduced.

For this research, rents would be the opportunities to make higher returns to business than would be possible without a particular (in)formal institution. The related question is: how are rents contested through an intermingling of different distributive logics, and how are institutional assistance projects part of this? Whether ‘growth-enhancing’ state involvement and industrial policy is the most certain path to a type of economic growth which increasingly incorporates more people is, at least for the moment, not my main concern. I also bracket the normative discussions on whether development should mean more industrialization and commercialization. Nevertheless, for two reasons I use ‘economic transformation’ to distill the features of political economic relations which I explore from the vantage point of institutional assistance. One is that economic transformation is central to the literature on which I build. Second is that it has a strong connection to the politics of resource distribution revolving around social and commercial divisions. Economic transformation presupposes growing employment (also through entrepreneurship), where the latter is mutually interrelated with an expanding and increasingly competitive productive sectors. This implies more opportunities for different social groups to engage in business and to increase their commercial returns, which is the feature of political economic relations I target.

3.3 A typology of rent-distribution: the developmental state

From its broader range of case studies in African and Asia the APPP draws up a ‘typology of rent-management’ (Kelsall 2013:24). Its two axes are the centralization of rent-management and the time-horizons of the individuals who control it. For the economically successful ‘developmental patrimonialism’ regime type the program distills the features of high centralization and orientation at the long term. All developmental patrimonialist regimes in Africa are also found to have favored economic policy with a broadly pro-market direction and a focus on the rural sector. What is the style of governing associated with neopatrimonial governments which ‘manage’ rents in a centralized, long-term and thereby economically productive way? The APPP determines that all of its relevant cases are characterized by top-down personalized rule, combined with a relatively high degree of technocratic skill and integrity. The features identified for ‘developmental patrimonialism’ echo to some extent the attributes of economic transformation-driving regimes in ‘developmental states’ literature. Based on a review of this literature and a historical analysis

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22 The link which Khan & Jomo (2000) see between rent-seeking and attributes of neopatrimonialism is that the channeling of resources through patronage and clientelist may (but does not necessarily have to) be directed at capturing or distributing rents.

23 APPP papers state explicitly that they mean to say ‘developmental neopatrimonialism’: the prefix is dropped primarily for practical purposes.
of industrialization in continental Europe and East Asia, Verena Fritz & Alina Rocha Menocal (2007:533) define ‘developmental states’ to ‘possess the vision, leadership and capacity’ to bring about a positive transformation in society within a condensed period of time. The leadership of such states ‘places national development ahead of personal enrichment and/or short-term political gains’ (ibid:534). Developmental states have operated as electoral democracies, but centralized authority and associated long-term horizons have been most common.

Meanwhile, corruption is limited or at least not predatory, while the country’s daily administration is in the hands of a ‘(r)ationalized bureaucracy characterized by meritocracy and long-term career prospects’ (ibid:535). The latter feature relates to Erdmann’s (2012:51) point that ‘there might be strong patrimonial behavior in the political sphere [which is more informal as a rule]…while the public administration operates largely according to legal-rational bureaucratic principles’. In this camp he places the Latin American regimes under right-wing dictatorships, which he labels as corporatist. Whether and when a corporatist polity is neopatrimonial is one of the explicit lingering questions in Erdmann (2012) and Erdmann & Engel (2006). If taken as a political economy defined by a close and often personalized symbiosis between the state and particular industrial sectors, corporatism comes close to ‘crony capitalism’ as defined by Sindzingre (2010). In the latter work the term refers to ‘the overlapping between the political elite and business groups and their networks…typically based on the exchange of resources: on political funding and bribes on the part of businessmen, and allocation of rents, control over resources and rights on the part of the politician’ (ibid:10). In contrast, neopatrimonial systems ‘rely more on the appropriation of public resources by individuals for their personal benefit (or their social networks) than on reciprocal exchanges of public and private assets, and they do not require the existence of a significant private sector’ (ibid:10). The author argues that the former arrangement has a much stronger ‘pro-growth’ record and has been common in Asia, while the latter is more applicable to sub-Saharan Africa. In my dissertation, I will not engage with the above discussion. What I do take from the snapshots on corporatism, crony capitalism and the developmental state are examples of ways in which different political logic of resource distribution may interact in limited-access capitalist political settlements.

Partially related to corporatism is the idea that the political leaders of developmental states are ‘embedded in the ‘right’ context of demand’ (Fritz & Rocha Menocal:534). This

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25 Not that when employed in the way above, neither ‘corporatism’ nor ‘crony capitalism’ necessarily imply political arrangements which support economic transformation.
26 This notion is based on Peter Evans’ work on state-society relations, which could be another caption for the literature I refer to as developmental state literature. According to Evans (1995), the developmental state is autonomous insofar as it has a rationalized bureaucracy characterized by meritocracy and long-term career
implies that the state is able to negotiate with key productive groups through solid social ties without being captured by their interests. Thereby the developmental states literature appears to place a more pronounced accent on ‘capitalist politics’, perhaps due to the shear fact that such politics are likely to be more present in the polities at hand. The ‘context of demand’ element seems to emphasize the benefits of toning down the social struggle which Asia Research Center (2010) places at the center of development. Indeed, Fritz and Rocha Menocal (2007) underscore that historically the ‘model of social representation’ in developmental states has been exclusionary: those in power control labor and prioritizes close relations with select business actors, while usually enjoying considerable legitimacy in the eyes of the populations. The developmental state that is therefore expected to mitigate the contest for economic privilege and opportunities. This echoes a further attribute of Khan’s ‘growth-enhancing governance’, which is state capacity to maintain social stability under the conditions of rapid socioeconomic change. This attribute is about dealing with ‘growth-stability tradeoffs’: i.e. the transition costs of social and political conflict to economic productivity, which happen due to the forced re-distribution of property rights and include the mediation costs involved in ‘organizing negotiated transitions’ (Khan 2009:52). Note that the ‘losers’ to be ‘dealt with’ could be those sidelined by politics structured around social and sectoral lines, and around patron-client factions.

According to the APPP, what are the implications of their ‘developmental patrimonialism’ model? The conclusion is that while it is the one which brings the most economic transformation (as for instance in present-day Ethiopia and Rwanda), it is also appears a highly implausible arrangement to strive for in much of contemporary Africa. By extension, as the research is directed to the foreign aid community as audience, the detailed clockwork of rent-management characteristic to developmental patrimonialism are not the politics which donor organizations should seek to understand and aspire to facilitate gives two reasons for this. The reason for this is that African ‘strong man’ development patrimonialism has been the product of particular historical circumstances, such as decolonization, and associated political crises.27 In part, these circumstance are unlikely to reemerge. What’s more, few Africans would want them to reemerge: for all their defects in practice, electoral democracy and political freedoms have made solid inroads across Africa, and appear to enjoy popular support (Booth 2012). Therefore: ‘a practical approach to the politics of economic transformation in [sub-Saharan Africa] cannot avoid confronting what is today the modal, or prospects, traits that make civil servants more professional and detached from powerful rent-seeking groups. On the other hand, the state cannot be too insulated from society without running the risk of becoming excessively detached, unable to appreciate and act upon societal needs. Thus, it must also be embedded in society, that is, ‘[connected to] a concrete set of social ties that binds the state to society and provides institutionalized channels for the continual negotiation and renegotiation of goals and policies’ (ibid:12).

27 Fritz & Rocha Menocal (2007) also write that ‘developmental leadership’ has often emerged following a severe economic crisis or political violence.
most frequent, pattern across the region – one which the generation of use of rents are largely
decentralized and clientelist political competition takes place under a liberal, multi-party
constitution’ (ibid:48). In the APPP typology this is the ‘low centralization’ and ‘short time-
horizons’ type designated as Khan’s (2010) ‘competitive clientelism’. In my dissertation I
will present Kyrgyzstan as a case of ‘competitive clientelism’. Accordingly, any
generalization I make will be limited to cases of aid agencies interacting with competitive
clientelist contexts.

3.4 The appeal and the trouble of competitive clientelism

Among the clientelist settlement sub-types, it is ‘competitive clientelism’ that has
lately grabbed the most attention from some of the policy-oriented political economy of
development research projects, as exemplified by Kelsall (2013) of APPP and Kjaer &
Katusieme (2012), Therkildsen & Bourgouin (2012) and Whitfield (2011a&b) of EPP. Why
the research spotlight on this particular category? Apart from the asserted commonplace
nature of this ‘settlement’ in the African continent, the interest comes across to be inspired by
the following irony: ‘competitive clientelism’ does not appear to be conductive to rent-
distribution which facilitates speedy and durable economic transformation. What’s more, the
situation appears to be highly resilient to change. The studies come across as if trapped by a
conundrum: against a background of a development aid discourse vying for broad-based and
fast-paced economic growth, how to elicit social relations that may deliver this from political
economies which appear to be antithetic for the job? This catch 22 is well-illustrated by the
following commentary on Ghana:

‘It is Ghana’s system of competitive clientelism, its decentralized, short-term rent
management, which appears to be the main factor holding it back. What, then, is the
solution? Rent-centralization under a dominant party of the Rwandan and Ethiopian
type may yet be possible in Tanzania, but not in Ghana…Whatever functional
equivalents are chosen, it seems that the measures will not work without the painstaking
creation of a cross-party consensus on the need to combat competitive clientelism and
the short-horizon rent management it drives’ (Kelsall 2013:92)

‘Competitive clientelism’ presumes dispersed control over the distribution of rents and
the tendency of the elites in rent-harboring positions to profit from them as quickly as possible
lest there is a rotation of privileges. These, however, are attributes of the rent-distribution
game. They are not the primary characteristics of competitive clientelism as a ‘political
settlement’ balancing power and institutions (Khan 2010). Such primary characteristics are
strong lower level ruling elite factions (think village-level politicians supporting national
patrons which are members of the party in power) and strong excludes elite factions (think
national-level politicians rotated out of government and their municipal-level clients). The conflict and bargaining among various elite ranks and factions may have different outcomes on rent centralization and time horizons within a single country, for instance depending on the business sector, source of rents or level of administration. The EPP papers on Africa, which explicitly prioritize and employ the framework of ‘competitive clientelism’, unpack such differentiated politics. They discuss, for instance, how inter-factional competition has contributed to (or did not jeopardize) the channeling of rents towards broad-based productive activities in some sectors, but not in others. The in-depth case studies of competitive clientelism in Kelsall (2013) also add within-country differentiation to the basic typology of rent management. Thus the ‘new Africa model type’ put forward in the book is actually ‘mixed rent management’, characterized by a ‘dual personality’ of centralized rent-management in the finance ministries combined with decentralized rent-seeking to finance politics, leading to macro-economic stability punctuated by ‘wasteful’ use of funds in a context unpredictable and competition at the micro-economic level of various business activities (ibid:154).

As implicit in the earlier citation on Ghana, the trick of transferring favorable rents to particular social groups, factions and industrial activities appears to be about getting the many competing patrons and their numerous and potentially choosy clients to adhere to rent-management dynamics which do not naturally flow this inter-elite arrangement. The required dynamics would entail that the many individuals with a say over rent-distribution allow lucrative rents to go past them in favor of (non-) elites in promising economic sectors that are not their own. It would also mean that elites across potentially lucrative public office positions agree to make do with claiming less informal profits from these positions, even if facing the prospect of losing the position in the short term. On top of this, the ‘musical chairs’ of public office positions as a bargaining ground for patrons and clients would have to be subdued in order to release the public funds which the game claims towards propping up the country’s economic infrastructure. For all of this, it is imaginable that the different factions would need to trust their competitors to commit to the same.

Which factors may be conductive to the type of power dynamics among multiple and fractured elite groupings which may nevertheless encourage centralized, long term and productively-oriented rent distribution? Kelsall (2013) notes that his book does not take the analytical step of systematically addressing this question on the basis of its case studies. However, he does suggest a couple of preliminary possibilities of the variables which may matter. The degree of cultural unity and nationalism is one of them. Another is the strength and organization of a country’s entrepreneurs. The book expands on the latter by referring to a typology developed by Khan (2010), where the horizontal and vertical distribution of factional power interacts with the combined political weight and technological capacity of the
‘business class’ to determine how rents are allocated and used. Therefore the ‘business class’ are likely to be a group of actors central to my empirical analysis. How do shifts in factional power and the power of the business class take place, how do these shifts impact on one another, and how do they inform (and are informed by) changes in the distribution and use of economic resources? Such mechanisms of social change are the next analytical layer of this literature review. Section four provides more detail on how political economy of development literature depicts the dynamics of social change which institutional assistance actors may be part of.

4. Social change as a context of foreign aid

If institutional assistance is to be examined in terms of its role in social change, what are the possible mechanisms of the latter? Section four discusses some of these mechanisms, as found in the literature.

4.1 Shocks, persistence and ‘maturation’

Political economy of development theory is about structural persistence as well as about change. Iteration between economic and political dynamics at the national polity level, partially driven by external factors, is another common element in the literature. So is the feedback cycles between changing context and reactive as well as pro-active agency. For instance, Khan’s (2010) political settlements operate at two levels: the meta-level of the entire society informs combinations of institutions and holding power at the level of specific economic sectors, geographic regions, government departments etc. At the meta-level, ‘(o)nce it emerges, a political settlement is likely to be fairly robust in its broad outlines, even though it is inevitably evolving all the time’ due to changing conditions under the political-economic dialectic. Acemoglu & Robinson (2006:325) find that while the rotation and emergence of new elites through conflict and economic change may take place continuously, the bottom-line rules of the resource-distribution game in a particular society tend to be

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28 For a greater focus on process rather than typological theory, consider Bates (2005 [1989]). This acclaimed narrative sets out to explain the exceptional (compared to the regional context) economic growth in Kenya after independence. It demonstrates how the country’s colonial political history defined the position of various actors in the agrarian economy differently from elsewhere in Africa; how these positions shaped the political preferences that determined the choice of post-independence institutions; in turn, how these institutions - by informing political incentives at the national level - influenced the land interests, political institutions and modes of conflict at the rural level. Over time the above process modified people’s economic and political positions. The resulting institutional changes weakened the initially outstanding economic performance. The author urges colleagues to award greater attention to how the ‘political-economic dialectic’ generates a country’s ‘distinctive growth path’ (ibid:71,154). See also Pande & Udry (2005:2): ‘changes in resource endowments [which can be triggered by economic and political change] can cause individuals to change their economic behavior within a given institutional context and potentially cause the institution itself to change in the long run.’ In their analyses, the two narrative integrate the politics of resource distribution structured around social groups and productive sectors, with factional-clientelist politics of resource distribution.
enduring: ‘changes in certain dimensions of institutions are consistent with overall institutional persistence’. The fundamental ‘rules of the game’ determine what proportion of society is able to benefit from existing resources and income generation opportunities, and to contribute to their expansion. Exclusionary distribution systems in society persist not due to the tenacity of a particular elite, but due to the ‘persistence of incentives of whoever is in power to distort the system for their own benefit’ (ibid:329).

By using the example of the political and economic regime which persisted in Southern USA until the 1950s, Acemoglu & Robinson (2006) indicate that large-scale domestic and international shocks – political, economic, social, technological – are often necessary to disturb an equilibrium of who benefits. Still, the literature indicates that contest over resource distribution may also surge and changes vectors ‘in-between’ such shocks, at times contributing to the latter. So, Acemoglu & Robinson (2006) propose that elites who lose a degree of de jure power (e.g. through new legislation) will strive to compensate for this by claiming more de facto power (e.g. by intensifying their use of patron-client networks or through intimidation). However, elsewhere Acemoglu (2008) suggests that a shift away from a monopolization of rents can take place when ‘low-skilled’ elites become the majority within the elite group and act to erode the oligarchic order. Khan (2010) also matches actor-induced resistance with actor-induced change. On the one hand, redistributive measures will face resistance from those who consider them a threat to their economic and political standing. On the other, actors who believe that their growing economic leverage is no longer adequately reflected by the institutional status quo will act to challenge the latter. In other words, in a society not undergoing fast-track economic transformation, a re-distribution of opportunities may be taking place at a slower pace, and may add up to social transformation in the longer term. Periods of conflict and instability may punctuate and steer the process in one or another direction. However, there may also be much restrained, ‘slow-motion’ conflict and rents re-allocation taking place in periods marked by ‘persistence’.

North et al (2013, 2009, 2007) capture such ‘multi-paced’ social change with the concept of LAO ‘maturation’, which they consider neither linear, nor irreversible, nor unavoidable. They offer a typology of LOA phases and theorize on the dynamics of change across them. The three phases of LAO are: fragile, which can hardly sustain themselves and support only a limited number of organizations within and outside the state; basic, which have durable state organizations but only a limited range of established organizations independent of it; and mature, with a large number sophisticated private organizations inside and outside of the government, many of which are able to pressure the government to (selectively) enforce formal OAO institutions that service their interests. The latter stage is closest to a OAO and is associated with greater chances for inclusive and energetic economic performance, by virtue of being more open to the productive participation of a greater cross-section of society.
Hereby, maturation echoes the concept of economic transformation. It also touches on the politics of resource distribution around social cleavages.

For North and co-authors, development towards a mature LAO stage implies that an expanding scope of economic and political relations become increasingly governed by formal rather than personalized institutions. A key mechanism behind this is a growing demand from the elites for the enforcement of impersonal rules of exchange among them. This may happen as a result of emerging elites pressuring established ones for greater certainty and inclusivity, along the line projected in the preceding paragraph. It may also advance when established elite contestants realize that formal institutions offer greater protection from rivals compared to their absence, even if this means letting go of some initial privileges. Once there for the elites, advances in impersonal guarantees become tentatively open to other groups in society. Such windows of opportunity, a rising number of individuals who are able to engage in productive activity, economic expansion and growing competition, and matching political demands and ambitions may therefore feed into one another in a virtual cycle of maturation – through periods of intensified and low-key social conflict. In the words of North et al (2013):

*In a mature LAO, the government’s commitment to policies and institutions can be more credible because private elite organizations are in a position to put economic pressure on the government to abide by its commitments. This ability arises as private organizations act to protect their interests in the differentiation and autonomy of public institutions, such as courts and central banks. In this way, independent elite organizations are not only a source of economic development, but their presence also allows for more sophisticated institutions and organizations to mature within the government.*

However, for some of the external contributors in the 2013 volume, North and co’s three LAO varieties do not effectively capture the ‘ideal types’ between which a society may shift. They suggest that ‘competitive clientelist’ elite arrangements may be a further LAO sub-type, and that elaborating on it would strengthen the LAO analytical framework. Thus, on the basis of Bangladesh, Khan (2013:24) proposes the notion of ‘vulnerable semi-mature LAOs’: competitive clientelist settlements where the numerous private organizations enjoy significant autonomy from the state, while state-affiliated and private productive organizations are not solid and sophisticated enough to enable economic transformation. Similarly, Levy observes that LAOs which cannot be described as quite ‘mature’ appear to be

29 Eventually, the underlying conditions may ‘ripen’ enough to bring a LAO to the ‘tipping-point’ of becoming a OAO.
30 See also Bates’ (2001). In this political economic history of global development emerging economic actors are central to the experience of expanding economic activity, as such groups organize and force a established elites to loosen their claims on pivotal resources.
split into countries with relatively stronger bureaucracies and those with relatively more functional political checks and balances. This differentiation may also correspond with two types of elite bargains: one ‘characterized by sharp boundaries…with high payoffs for insiders and low payoffs for outsiders’; and another where ‘boundaries between insiders and outsiders would be more diffuse: payoffs would be distributed along a continuum, and ex ante individuals would be less certain what would be their position along that continuum’ (ibid:145-146). Levy’s (2013) central thought is that the first may mature towards economic transformation along a different route than the more centralized developmental states:

* Might there be another virtual spiral? Might the less certain, but less exclusionary pattern of payoffs of competitive clientelism…provide a platform that offers enough opportunity to outsiders that they choose to abide within the institutional status quo? On a day-to-day basis, the results would seem quite chaotic, as elites vie with one another to improve their payoff matrix by getting closer to the throne. But there might nonetheless be sufficient stability in this second route to attract private investment with, in a muddling through sort of way, gradual strengthening of institutional capability. As an intermediate option, countries might oscillate…between more exclusionary and more inclusive arrangements for assuring stability – with each oscillation moving them forward via an incremental accretion of institutional capability (ibid:146-147)*

The citation suggests that in competitive clientelist settlement economic transformation may only take place in an incremental and erratic fashion. The politics of elite conflict and bargaining around it will be messy and ambiguous. Later on I introduce foreign aid-related, policy-oriented literature which promotes theories on the gradual and disorderly nature of social change. At this point, I turn to the role of the ‘non-elites’ in competitive clientelism and social change.

### 4.2 Elites and the broader society

Akin to the policy-oriented research projects discussed throughout this paper, the LAO framework approaches ‘elite bargains as the persistent core of developing societies and seeks to understand which types of elite bargains have contributed to positive economic and social development and which have not’ (North et al 2013:3). However, how does the literature understand the link between inter-elite bargaining and broader society? In a bundle of essays closing off the UN-WIDERF project on the political role of elites in development, DiCaprio (2012) accentuates an incentive which may entice elites to share some of their privileged access to rents. She refers to Olson (1971), who argues that while ‘elites will be motivated by
self-interested rent-seeking to the detriment of social welfare’, ‘this tendency is often balanced by the need to uphold social norms of leadership’ (ibid:7). Consequently, some of the essays in the bundle ‘detail the calculations made by different levels of elites as they balance their desire to extract rents with the need to improve domestic welfare in a way that maintains their influence within society’ (ibid:11). Thereby non-elites are incorporated into the analysis. The citation is also a good way to highlight the overlap between the politics of resource distribution structured around social and productive groups, and around clientelist factions.

What do I mean by the latter? Improving welfare in order to maintain influence in society could mean that the political elites distributes resources in a way which benefits particular social layers or economic sectors regardless or dependent on factional affiliation and locality. The former gravitates towards politics structured around social and productive groups; the latter gravitates towards factional-patrimonial politics. Furthermore, either type of resource distribution can lean on formal channels such as regulative preferences, or on informal patronage chains. Distinguishing between ‘patronage’ and ‘clientelism’ as put forward in Erdmann & Engel (2006) is a useful first step in discussing the patchwork of options between these ideal types. In the article, ‘clientelism’ denotes an unequal relationship between two individuals, where political support is exchanged for particular services or resources. ‘Patronage’, on the other hand, is the awarding of collective goods to a group of people (for instance determined by ethnicity or region of residence) in exchange for political support. Erdmann and Engel (2006) suggest that patronage operates at the ‘higher’ level of politics – the one of securing and maintaining a political constituency. Clientelism, on the other hand, is more an attribute of political contest among the political, bureaucratic and business elites. A feature of both is how, often in interaction, they tie together and channel resources between rural or local-level populations, provincial political factions, business, and national-level political actors (Bates 2005; Un 2005; Ndulu et al 2007).

Kjaer & Katusiimeh (2012:11) write that ‘as elections have become increasingly formalized institutions in many African countries’, the ‘ruling elites have to think about how to win elections, as well as how to hold their coalitions together’. However, there are plenty of studies which demonstrate that in competitive clientelist societies winning elections is partially an act of buying votes and more media-ready expressions of loyalty. This is partially done by distributing public and private funds to particular pockets of the non-elites, often via local officials and business intermediaries ‘recruited’ through clientelism and factional allegiances. For the non-elites, the resulting patrimonial loyalty may come with the opportunity cost of pressuring politicians for a fairer vertical system of distributing public

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31 Note that both are attributed the characteristic of being uneven, in the sense that major redistributive consequences with respect to the giver and the recipients are unlikely.
resources (Ndulu et al 2007). However, as all communities are engaged in the same game, by opting out first means running risking a crucial source of income without any guarantees that others too will opt out in order to demand structural change. So when does patronage politics become broader social politics (if populist, corporatists or neoliberal)? In other words, when does inter-elite contest through patronage flow over into political competition on the basis of balancing the demands of social and commercial groups within the electorate? In contexts which aid agents are part of, the dividing line is likely to be smudged and in flux. However, as they move within such hybrid politics, aid agents may play a part in shaping the evolving distribution of income opportunities in society. This is the relationship which I attempt to unfold in my empirical analysis.

Note that a part of the overlap between the economic group and factional logics of resource distribution is in the notion that formal institutions and policies may be an instrument of patronage. This comes through in the following citation: ‘Ruling elites seek to build coalitions by extending policy favours that enhance the welfare of particular groups and individuals and by trading policy influence and access to state benefits for political funds used to maintain their ruling coalition…ruling elites choose policies and implementation arrangements as part of their strategies for maintaining ruling coalitions and/or winning elections’ (Whitfield 2011a). For DiCaprio (2012), the starting point is that elites may choose policies that could benefit more rather than the right people when these converge with their primary goal of securing factional coalitions which protect their position. Her subsequent point is that there is not enough knowledge about the conditions for such convergence. To this core of material motives Whitfield (2011a:8) adds the dimension of ideational convictions: ‘Political leaders may genuinely support some shared national goals, such as economic transformation, but find that exigencies of political survival force them to behave in ways that undermine those goals’.

The APPP makes a similar point at the level of economy structure. Thus Kelsall (2013) argues that until an economy is advanced enough to grant politicians sufficient fiscal capacity to compete for the electorate through viable alternatives regarding formal revenue distribution, clientelism and patronage as the informal variants of this will persist. Booth

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32 In making this point Ndulu et al (2007) refer to Bates’ (2001) account of the triangular redistribution game between rural and urban areas in Africa as a result of migration flows. The most talented young members of a village are supported financially by fellow villagers as they set off for the cities. On acquiring wealth and power they are expected to ‘ repay ’ for such support by lobbying for the allocation of public moneys to their home communities, as well as by channeling back some of their own wealth. In order to sustain these flows, villagers will continue to back their ‘ candidates ’ politically. Un (2005) offers another vivid analysis of patronage acting directly and via clientelism across the rural-urban levels. For the context of Cambodia, his study details on the collaboration between local public figures, national politicians and business tycoons who finance patronage activities (e.g. building of schools) in return for favorable contracts and licenses.

33 This position is borrowed from Khan (2011a,b): ‘ Khan sees neo-patrimonialism, or, to be more precise, the patronage, corruption and rent-seeking with which it is associated – as a transitional phenomenon related to
(2012:52) advances the following framework for understanding how this structural trap may interfere with the ‘benevolent’ convictions of the elites which may hold them: ‘…politicians who might have a personal inclination to stake their careers and reputations on addressing the big challenges of national development…will be intimidated first by the sheer difficulty of doing so, given the current capabilities of the state and the national private sector; second by the calculus of political costs and benefits; and third by the expectation that voters are unlikely to believe their promises’. This and some of the earlier citations bridge into a discussion on the role of ‘leadership’ in economic transformation. Below I expand on how the literature treats leadership as a factor in social change.

4.3 The role of leadership

Several foreign aid policy-oriented research programs have been looking for the meaning and patterns of leadership and coalitions as factors in the trajectory of political economic change. With its explicit orientation on leadership, the DLP seeks to understand its workings in order to help donors acquire ‘the capacity and methods to understand the political space to help key leaders (both individuals and organizations) solve collective action problems, forge developmental coalitions, negotiate effective institutions, promote successful policy reforms and build stable and developmental states’ (http://www.dlprog.org/contents/about-us.php). One accent in DLP and other research programs is on the ‘dispersed’ nature of leadership: i.e. leadership as a quality that is spread throughout society in its various forms, and which must be activated in interaction in order for reforms to take place. The underlying premise is that to be viable, new institutions have to be enforced past numerous layers of human and technical impediments, and that this must be enabled in collaboration by many actors. Thinking in terms of collective action problems and the importance of coalitions in addressing the latter is part of this outlook.

The APPP’s final report is explicit in advancing ‘development as a collective action problem’ as a theory of change which should guide foreign aid practice (Booth 2012).34 The argument is that donor programs have so far largely overlooked this more politically attuned perspective in favor of ‘principal-agent’ change theories. Those starting from a supply-side
standpoint assumed that recipient governments ‘want and need to deliver development honestly and effectively’; those working from a demand-side angle premised that ‘whilst commitments of governments are open to question, their citizens have a definite and uncomplicated interest in holding them to account for their performance as agents of development’ (ibid:viii). Adopting a ‘collective action’ perspective turns the challenge into the one of getting a multitude of actors with outlying interests, perceptions and capabilities to work and compromise in favor of increasingly functional and inclusive institutions. It also means acknowledging the depth of this challenge. From the vantage point of acting as facilitators of collective action, institutional aid must start thinking ‘from the country reality and how to improve it, not from donor’s ideals or preconceptions’ (ibid:7). It must focus on the problem rather than the solution, as argued by an author who takes an analogous stance (Andrews 2013).

Andrews (2013) is perhaps the most elaborated ‘unpacking’ of established institutional assistance practices and their influence on the targeted political economies. It builds up an in-depth and critical portrayal of the meta-way in which institutional assistance interlocks with recipient political economies. The underlying objective is to reform rather than dismiss foreign aid practice. The book makes a case that ‘many governments remain deeply dysfunctional even after many satisfactorily completed projects introducing best practices advocated by international organizations’; advances an explanation as to why; and offers a framework for what it portrays as a hands-on alternative (ibid:xi). The central argument combines two main elements: institutional reform as a signaling practice, and the search for high-placed champions. With the first element Andrews (2013) asserts that recipient country politicians often sign on to foreign-funded institutional reforms in order to signal to the foreign donors that they are committed to change and are proactively working towards it. This is done in order to keep external funds rolling in. Typically, a project on overhauling a set of formal institutions according to cutting-edge international standards is launched with much fanfare; ample time is spent on the designing and deliberating the new laws and regulations in various working groups and discussion forums; while the new institutions are being formalized, little attention is paid how their practical implications are being received and implemented at lower levels of administration.

In most part, the new structures do not change the behavior of public officials and their private counterparts in ways which significantly improve the services being delivered; under the pressures of the project cycle, this is largely left unnoticed; with time the reform promises fade from the radar of donor representatives as other engagements take priority and staff rotate; after a couple of years donors carry out new assessments of same problems, and the
signaling starts again. In the words of Andrews (2013:3): ‘Governments look better after reform but often are not better’ because they are ‘designed with limited attention to context, involve impressive-looking but hard-to-reproduce best practice interventions, and through narrow engagements with agents that outsiders consider champions’ (ibid:3). According to the last point, the central counterparts of most institutional assistance projects are high and middle-level officials who are thought to (and may indeed) harbor the intellectual capacity and ‘political will’ to make reforms happen. Donor organizations place the key to project success with the ability of such ‘champions’ to provide ideas, generate political buy-ins, and to use their authority to push reforms downwards past layers of bureaucratic resistance.

The theory of change is that institutional reforms typically happen in a top-down fashion, and that certain officials have the ability to drive this process. Meanwhile, little effort is made to work with ‘distributed agents in sector ministries, provinces or districts’ who would be implementing the reforms, ‘apparently assuming that they will support change simply because ministers of finance tell the to do so’ (ibid:97, 89). Thereby program design overlooks the likelihood that ‘reforms can demand behavior that jars with political rules of the game distributed agents face…or can require capacities that distributed agents lack and cannot acquire’ (ibid:98). The approach pervades ‘because of a tendency to see governments in these contexts as hierarchical bureaucracies operating in paternalistic cultures’ (ibid:103). It also persists due to vested discourses and operational demands from within the development industry. The book is meant as a catalyst to help overcome the latter: so that institutional assistance may dare switch from betting on national-level champions to prioritizing a wide range of local 'distributed agents’ in the early program design phases onwards. The advice is backed by an earlier empirical study by Andrews et al (2010), which makes a case that leadership by a multiplicity of people sporting various functions is the type most likely to succeed in enforcing institutional change.

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Further literature on foreign aid, social change and the relationship between the two will be covered in future drafts. In the final dissertation, this extra material and the material presented in this review will be synthesized into a more concise theoretical framework.

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35 Such institutional ‘isomorphism’ also grants legitimacy to and keeps funds rolling in for the donors themselves (ibid:69-70). Sindzingre (2010:16) makes this point as follows: ‘Together with public resources, aid flows constitute in aid-dependent countries crucial resources and opportunities for jobs and rents – while the general functioning of the aid industry, which claims to be apolitical, provides donors with incentives to ignore the neopatrimonial character of the recipient governments (Cammack, 2007). In such situations of vicious circles, the credibility of donors erodes due to the recurrent inefficiency of reforms, lending to illegitimate governments and lack of sanction of reform postponement. The interest of donors is to maintain aid flows, which recipient governments are fully aware of (Sindzingre, 1998)’.
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1. Social Infrastructure and Services, including funding for education, health, and the promotion of civil society. In 2014, 39.4% of all sector aid was allocated to social infrastructure. Social-sector aid allows donors to target the welfare of the people, generally channeling aid through NGOs or multilateral organizations in ways that avoid bad policies of or corruption in recipient governments. Government involvement in education and health is less mandatory than government involvement in trade policy because substitutes for government institutions and procedures may be found in civil society or provided by NGOs and multilateral aid organizations (Bermeo, 2007).