



DLP

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DEVELOPMENTAL LEADERSHIP PROGRAM

Concept Paper 03

'Reform' Coalitions

Patterns and hypotheses from a
survey of the literature

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As the development community moves towards a better understanding of, and engagement with, the political economy and politics of development, it is important to ensure the clarity of the concepts and terms used for analytical and policy purposes. This series of DLP Concept Papers is intended as a contribution to that effort. We hope that this series will also provide guidance to students and early career researchers about operationally useful concepts that are not the standard fare of academic courses. Written as short essays, the Concept Papers will focus mainly on concepts used in DLP research and policy messages (for example, leadership, coalitions, structure and agency). But they will also deal with wider issues in the political analysis of development processes, such as 'political settlements', 'collective action' and 'political economy'.

Abstract

Reform coalitions - coalitions that include both state and business actors working for policy and institutional reforms - are frequently cited as being important components in successful and sustained growth outcomes. But what do we know about the inner politics that drive these potentially important coalitions? When, and under what circumstances, do they arise? Who initiates them? How long do they last? Do successful reform (or 'growth') coalitions share similar characteristics with other kinds of coalition in the politics of development? And what can donors do facilitate their formation? This paper reports patterns learned from a review of literatures that can offer relevant theoretical background and case-studies of reform coalitions, so as to synthesize some preliminary answers to these and other relevant questions. It is hoped that the generalizations suggested here will offer lessons for donors as and when they consider whether and how to encourage, broker or facilitate the emergence of local and locally-owned reform coalitions. Finally, this review identifies some weaknesses and gaps in the existing scholarship on reform coalitions, and suggests new avenues of inquiry for future research.

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The term ‘reform coalition’ suffers from conceptual ambiguity
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1. Executive Summary

This paper reports generalizations, hypotheses and unanswered, but researchable, questions related to the subject of ‘reform coalitions,’ which were derived from a review of several overlapping literatures. The paper offers a preliminary appraisal of what is known with respect to the inner political dynamics of these potentially important coalitions, as well as what has yet to be established in the literature and what is important for future inquiry. An early picture emerges of how various contexts influence the formation and operations of reform coalitions, as well as how reform coalitions are similar to other coalitions.

The main points of interest are as follows:

Conceptualizing Reform Coalitions

- The term ‘reform coalition’ and its synonyms, suffer from considerable conceptual ambiguity in much of the literature and it is important to be able to differentiate such coalitions from other relationships between states and the private sector.
- The following definition of a reform coalition is offered: *a (formal or informal) political mechanism and process utilized and formed by state and business actors, initiated by either, which enables them to work cooperatively to address specific state and market collective action problems through institutional and policy reforms in pursuit of a specific economic reform agenda.*
- Reform coalitions require that actors have a common understanding of the problems they are working to address, and incentives to work with each other in coalition.

Generalizations along different dimensions of variation

- Institutionalized settings that bring state and business actors together for discussions about policies will not always result in a reform coalition.
- Informal reform coalitions are likely to benefit from having a pre-existing degree of trust and shared style of communication among state and business actors. However, informally operating coalitions can also hide collusion and rent seeking easier than their formal counterparts.
- Coalitions that organize around sectoral issues are likely to improve the chances that business actors will aggregate their interests.
- A reform coalition may end due to a failure of the coalition to adequately address a specific problem, reconcile differences between members, and/or when commitment to the coalition is weak or shifts. Without a certain degree of institutionalization, reform coalition organization is more difficult to maintain in the long run.

Generalizations Related to Business-side Factors

- Leadership of well-organized business associations are able to effectively represent a wide range of private interests, and, once in coalition with government, are more likely to pursue reforms that impact the broader economy.
- Reform coalitions are more likely to succeed when a business association has a certain degree of political and technical capacity that can match or complement that of the state.
- The size of the private sector in relation to the state's presence in the economy seems to be an important determinant of whether the business community is seen as a needed coalition partner to the state.
- A 'moderately concentrated' economy is optimal to induce business to participate in growth inducing reform efforts.

Donors can more effectively encourage reform coalitions if they can respond to critical junctures

Generalizations Related to State-side Factors

- State capacity is also important; without the capacity to fulfill some basic state functions, a reform coalition may be more easily captured by business interests.
- State bureaucratic characteristics may play a factor in whether reform coalitions will result in rent seeking, corruption and collusion, or if they will support developmental growth.
- The reforms chosen and implemented by the state must be careful not only to protect coalitional business interests, but to benefit them.
- Any assumed potentially positive effect that democracy has on reform coalition formation stems from an assumption that it provides a political framework that legitimizes consultation.
- A free press has worked to expose collusive coalitions.

Messages for Donor Agencies Interested in Facilitating and Supporting Reform Coalitions

- A donor's role in assisting reform coalitions should be informed by both in-depth analysis of the political, business and sectoral climate within which they aspire to encourage a successful reform coalition, and a detailed understanding of the players and their relationships.
- Donors will be more effective in encouraging reform coalitions if they have the flexibility to respond to critical junctures, such as sudden economic crises.
- Donors can assist with financially and logistically supporting meetings between stakeholders.
- If donors wish to bring stakeholders together, they should focus on the most influential business leaders and policy makers, letting go of a full participation model.
- Donors should look to facilitate coalition work within and between actors that are part of pre-existing networks and coalitions.
- Donors may find it useful to assist business associations to build their professional and political skills so as to enhance their capacity for effective policy dialogue with agencies of the state.
- Donors must recognize their inherent limits, and that effective reform coalitions cannot be created from the outside, but instead are the result of endogenous

political and policy processes.

Research Related Issues and Suggestions

- Establishing a causal link between a reform coalition and adopted economic reforms represents a significant challenge to researchers. Scholars should avoid attributing economic growth to the presence of a reform coalition without providing sufficient evidence to establish the causal connection between the two.
- In the cases found and reviewed, there is an over-representation of instances where reform coalitions have formed. A more complete comparative sample of formation and non-formation would supply more robust evidence as to whether suspected drivers of success/failure do indeed necessarily lead to success/failure.
- A striking limitation in the current literature is the lack of detailed political granularity with which reform coalitions are usually described and analysed, hence avoiding the inner politics of these important phenomena.
- Several unanswered research questions are also outlined

2. Introduction

There is now strong evidence that a major contributor to poverty reduction is economic growth and, especially, growth in average income (see Kraay 2006 and Ravallion 2001, for examples). There is less certainty about what factors, or combination of factors, can ensure that growth occurs. Institutions, policies, democratic processes, good or good enough governance, low levels of corruption, accountability of governments, peace and stability, rule of law, secure property rights, bureaucratic competence and autonomy, and education are often all cited as some of the factors that enable growth to happen. But in addition, it is now not uncommon for 'growth coalitions' (or similar terms) to be cited as one of the factors that have been associated with both spurts of growth and its maintenance over time.

The purpose of this review is to scan the relevant literatures to see whether any significant generalizations emerge and to identify interesting hypotheses for further research. Why?

By providing jobs, goods and services, and tax revenue to governments, the private sector, in its many forms, has proven itself to be an engine of development. However, it is equally clear that to harness the potentially positive impact that the market can have on development a government must work as a partner with the private sector to facilitate the flow of business, provide a supportive institutional and policy environment, and protect society against businesses' conceivable abuses. Thus, it is often argued that the 'coalitions' between the private and public sectors are most important for realizing development. For example, as Brady and Spence (2009) contend, leaders of the 13 countries that achieved 7 percent economic growth or higher for at least 25 years all:

"...chose some variant of a successful growth strategy or approach, put together coalitions of business, agriculture, labour, and other political segments that were sufficiently stable to allow the economic choices a chance to attain sustainable growth. Moreover, overtime leadership in these countries managed the transition from rural to urban, from relatively closed to more open institutions and, in several cases, the change from autocratic to more democratic government. Thus, it seems clear that leadership plays a role in generating sustained growth. It has a primary task of making basic choices and building consensus without which the economic dynamics cannot get off the ground" (207).

Reform Coalition

A (formal or informal) political mechanism and process utilized and formed by state and business actors, initiated by either, which enables them to work cooperatively to address specific state and market collective action problems through the pursuit and implementation of a specific economic reform agenda, while retaining their independence from each other.

To harness the potentially positive impact that the market can have on development, a government must work as a partner with the private sector

Indeed, several other observers credit these 'reform coalitions'—coalitions between policy makers and members of the business community that work together for the intended purpose of achieving economic reforms—as being central to the development paths of many countries (Donor 1991; Abdel-Latif and Schmitz 2009, 2010; Kingstone 1999; Lim and Hahn 2006; Maxfield and Schneider 1997; Brautigam, Rakner and Taylor 2002; Lucas 1997; Seekings and Natrass 2011; Haggard 1990; Nelson 1989; Etchemendy 2001; Taylor 2007, for examples).

Given their potential importance to economic reforms, what has been learned about the inner politics that drive these reform coalitions? What factors increase the likelihood of their arising? Which factors contribute to their demise? What role might donors play in encouraging or facilitating reform coalitions? In summary, under what contexts are these reform coalitions likely to be successful in helping to establish the institutional arrangements and policies that facilitate the economic reforms that they formed to achieve? This paper offers an initial attempt at outlining generalizations from the existing scholarship on reform coalitions. Several different, but related, literatures touch on and, in some cases, overlap with respect to the contributions they make to the understanding of reform coalitions, including literatures on coalitions in general, collective action theory, comparative political economy, the nature and impact of state-business relations on the policy process and economic growth, the influence of business associations on the policy process, and, of course, case studies that have documented specific examples of reform coalitions in various contexts. Thus, this paper serves as a preliminary effort to extract from these intersecting literatures generalizations that focus on the inner politics of what brings these reform coalitions into being, what sustains them, and what undermines or brings these coalitions to their end.

And, while possible generalities are highlighted, also acknowledged and discussed in this paper is the fact that the literature on this subject offers few clear answers to these questions. Not only do 'reform coalitions' seem to be an understudied political mechanism, but case studies on reform coalitions often overlook detailing what specific role the coalition played in promoting economic reforms, as well as the details of the political stories behind how the coalition itself formed, operated, achieved its goals or failed to achieve its goals. Thus, most preliminary generalizations derived from the literature on reform coalitions should be treated as hypotheses for future inquiry.

In addition to summarizing these generalizations and hypotheses, this paper will offer two other contributions. First, it is hoped that the generalizations noted will also shed light on what avenues donors might be able to pursue to encourage the formation of reform coalitions in developing countries. To that end a cursory look is taken at what attention donors currently give to the potential of reform coalitions for development, and what has yet to be learned about the variations in, and the effects of donor programs that seem tailored towards the encouragement of reform coalitions. And, second, in an attempt to contribute to the broader literature on coalitions in general, the paper also points to the ways in which reform coalitions are similar to other types of coalition.

As a starting point, the conceptual ambiguity around how the term 'reform coalition'

is used in much of the literature is discussed and a more delimited definition of the concept is offered. Relatedly, the next section of the paper describes some characteristics that seem to be common to most, if not present in all, reform coalitions examined. Section Four goes on to describe some dimensions of reform coalition variation and offers some hypotheses derived from the cases reviewed regarding the likely implications of these dimensions of variation. The fifth section outlines specific state- and business-side issues that might influence the effectiveness or operations of a reform coalition. Section Six considers the attention that donors have given to reform coalitions and offers some lessons to donors who wish to encourage them. The paper concludes by summarizing its key points and outlines challenges faced by reform coalition researchers, as well as some unanswered questions that can serve as avenues for future research.

3. Conceptualizing Reform Coalitions

While several authors have identified reform coalitions as the political mechanism for various economic reforms, the concept—a coalition that includes both state and business actors—as it is currently used in the literature, seems to suffer from considerable conceptual ambiguity. At a superficial level, for instance, there is no agreed upon label for these types of coalitions. ‘Reform coalition’, the term I have chosen, (as well as, Etchemendy 2001; Taylor 2007; Kingstone 1999; Lim and Hahn 2006), ‘growth coalition’ (Donor 1999; Abdel and Schmitz 2009; Brautigam, Rakner and Taylor 2002; Lucas 1997; Seekings and Natrass 2011), ‘growth alliance’ (Abdel-Latif and Schmitz 2010), ‘capitalist coalition’ (Silva 1997: 188) and ‘developmental coalition’ (Seekings and Natrass 2011), are all terms that have been used to describe arrangements wherein business and state actors are in some sort of formal or informal relationship that has been associated with economic reforms. But this raises the key question: When is a relationship a coalition?

3.1 Range of conceptual ambiguities

The presence of a multitude of synonyms is not necessarily analytically problematic if one can be certain that the labels used represent the same concept. However, terms like ‘reform coalition’ are often used to describe a multitude of seemingly very diverse state-business arrangements. Thus, one is left with a number of questions (see Key Questions below).

Moreover, reform coalitions (or synonyms thereof) are rarely explicitly and specifically defined,¹ and thus across the literature it is difficult to identify whether scholars are referring to the same phenomenon and whether meaningful comparisons and generalizations can be made across documented cases. One notable exception can be found in Brautigam, Rakner and Taylor (2002), where the authors do offer a definition of what they term to be a ‘growth coalition.’² Specifically, they assert:

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- 1 Etchemendy (2001) and Lucas (1997), for examples do not provide a definition for what they frequently refer to as a ‘reform coalition.’ Abdel and Schmitz (2009; 2010) use the term growth alliance and growth coalition interchangeably (2010), but only in their 2009 article do they write in parentheses what they are, somewhat vaguely, referring to, “consisting of actors from public and private sectors, and from national and foreign organisations.”
 - 2 Seekings and Natrass (2011) make a distinction between a ‘growth coalition’ (of which they adopt Brautigam, Rakner and Taylor’s definition) and ‘developmental coalitions.’ Specifically, they write that developmental coalitions occur when a growth coalition starts to deliver pro-poor growth, as was the case in Mauritius. For them, “Developmental coalitions require much deeper deliberation and negotiation than a growth coalition: the objective is not only to agree on the mix of public sticks and carrots that serve to promote economic growth, but to agree on a mix that promotes a particular pattern of growth, i.e. one that is pro-poor across an extended time period.”

A growth coalition arises when state and business “relations take the form of active cooperation towards a goal of policies that both parties expect will foster investment and increases in productivity” (Brautigam, Rakner and Taylor 2002: 520).³

This succinct definition is a good starting point for the field as it encompasses some of the important elements of a definition of a general coalition with a narrowed view on how a coalition between state and business actors might be different from other coalitions. I discuss this more below where I also highlight three components that I think are important to the Brautigam, Rakner and Taylor (2002) definition.

Key Questions

- Are reform coalitions formed only to aim for and achieve a series of critical policy changes that would ostensibly lead to an economic phase of “growth acceleration” (Sen forthcoming)?
- Or are they also coalitions that sustain relations between key players over time, in an effort to manage a longer-term process of the maintenance of growth (see Brautigam, Rakner and Taylor 2002 on Mauritius, for example)?
- Do they arise primarily out of the political ambitions of state actors to build and maintain a coalition of political support in different sectors of society (see Whitfield 2011a; 2011b for examples)?
- Or are they the product of the work of a team of talented and reform minded technocrats, that have endeavored to build consensus within the state and business communities (see Criscuolo and Palmade 2008 for example)?
- Do they only form through informal networks (see Abdel-Latif and Schmitz 2010 for example)?
- Or do they also arise from forums that are set up to bring state and business together to meet?
- Is cooperation between state and business actors enough to constitute a reform coalition?
- How does corporate lobbying for various policy reforms fit in?
- Are we to assume a reform coalition was causally responsible for policy reforms that favor the general business climate?

³ Other authors have referred to this definition in their attempts to nail down this concept (Seekings and Natrass 2011; Abdel-Latif and Schmitz 2009).

Components of the Brautigam, Rakner and Taylor (2002) definition

Active cooperation among actors

The first component of interest from the Brautigam, Rakner and Taylor (2002) definition is the idea that a reform coalition has formed when a transformation in state and business relations has taken place, wherein actors from both spheres begin to *actively cooperate* with one another. Put differently, close relationships between members of business and the state would not alone constitute a reform coalition; instead, actors must actively seek out a more intimate cooperative relationship with one another. This is close in its meaning to a key defining characteristic of other coalitions: a coalition is different to an organization in that its constituent parts remain independent of each other though they work together formally or informally to achieve an agreed goal.

Organized around a common goal of a specific set of reform policies

Related to the last point, the second definitional component of interest is that cooperation must be *organized around a common goal of a specific set of reform policies*. Put differently, coalitions must be purposeful with respect to the reforms they pursue or negotiate. A purposeful meeting of actors reoccurs in part of Adrian Leftwich's definition of general coalitions as well: "formal or informal groups, which come together to achieve goals which they could not achieve on their own" (Leftwich 2009). Indeed, coalitions are often conceptualized as a political tool to overcome collective action problems (Leftwich 2009; Abdel-Latif and Schmitz 2009; Wheeler and Leftwich 2012), and therefore are by definition, *purposefully* organized around finding a solution to a commonly identified collective action problem. Thus to narrow our focus on reform coalitions, one should think of a reform coalition as an alternative instrument to existing mechanisms within the state and/or private sector, which arise to overcome domestic governance and market collective action problems (Leftwich 2009; Doner and Schneider 2000: 263; Hutchinson: 3). For this reason, playing a role in encouraging reform coalitions in developing countries should appeal to donors, as it offers them an opportunity to support political processes that occur outside the formal channels of the state and that may lead to economic reforms that would potentially not have been achieved by state actors alone.

This particular component is important for reform coalition researchers. In recognizing that reform coalitions are purposeful, researchers examining the impact of a reform coalition on given reforms are tasked with identifying a coalition's intended goals (purpose) prior to reforms that were passed, as well as their particular role in the policy process. "Many coalitional arguments mistakenly identify a given social configuration as the source of policy when in fact the configuration may be only weakly related to or even a consequence, rather than the cause, of policy choice" (Haggard 1990: 34). Thus, it cannot be concluded that all policy reforms, which happen to be in the interest of a sector of the business community, are the product of a reform coalition made up of the benefitted sector, per se. Seekings and Natrass (2011) highlight this point in their account of *a lack* of reform coalition development in South Africa:

"Some of the policies pursued by the post-apartheid state have undoubtedly been business-friendly...[and] the ANC's newly-adopted discourse of efficiency, cost-cutting and value-for-money in service provision was supported by business. Foreign investment was encouraged, and corporate profitability remained stable and perhaps even grew. None of this means, however, that relationships between state and business were close or strong... The economy might have growth, at least modestly, but this can only be attributed to a 'growth coalition' in the most elastic (and ultimately tautological) sense of the term" (352).

Because many policy reforms are likely to be in the interest of some segment of the business

community, a specification should be made when referring to a reform coalition that it must be organized around a purpose of achieving a particular reform agenda. Without doing so we risk casting too large of a net and making the term 'reform coalition,' and its synonyms, analytically vacuous.

Policies pursued are expected to foster growth

The final definitional component of interest is Brautigam, Rakner and Taylor's (2002: 520) emphasis on the idea that a growth coalition must be formed around the goal of pursuing policies that are expected to foster investment and increases in productivity. Emphasizing the importance of *pro-growth* reforms is common in the literature on reform coalitions. Taylor (2007: 9), for example, uses the term reform coalition to refer to "a cooperative arrangement between state and business which plays an instrumental role in the formation of generally 'good' policies." However, this particular component of a reform coalition definition raises further questions. By narrowing the definition down to those coalitions between state and business actors that set out to achieve pro-growth reforms, the authors attempt to distinguish pro-growth 'reform coalitions,' or the aptly named 'growth coalitions,' from *growth-harmful* coalitions between state and business actors. What substantive differences (beyond the specific reforms pursued) are there between these two types of coalitions? Do growth-harmful coalitions form under different circumstances? Do the inner-politics of a growth-harmful coalition differ from a growth-enhancing coalition? Do they face different challenges? Indeed, as is reviewed later, the literatures on state-business relations and reform coalitions offer several hypotheses to address some of these and other related questions. However, these hypotheses largely exist as a part of ongoing academic debates wherein clear answers to the above questions are not entirely established. Thus, the question arises: do we know enough about what distinguishes growth-enhancing coalitions from growth-harmful coalitions to treat them as analytically different at this stage? This is a sub-set of the wider DLP question – what factors make for developmental, as opposed to collusive or predatory, coalitions?

Finally, by suggesting that a reform coalition arises only when members pursue reforms that they *expect* to have pro-growth effects the authors introduce a methodological challenge to establishing when a reform coalition has formed. How does one determine whether the reforms pursued were expected to be growth enhancing, or economic growth occurred as an unintended byproduct of reforms that were adopted for solely political motivations? Establishing an actor's expectations or motivations behind a given action always enters into a methodologically tricky realm. Consequently, I argue that a requirement that reform coalitions be defined as growth-pursuing alone deserves further attention and debate.

3.2 Arriving at a definition

Conceptual ambiguities challenge research's progress. Without being clear as to whether scholars are referring to the same or a similar phenomenon, it becomes difficult to extract meaningful lessons across literatures. Taking the above discussion into consideration, I offer the following definition of a reform coalition:

A (formal or informal) political mechanism and process utilized and formed by state and business actors, initiated by either, which enables them to work cooperatively to address specific state and market collective action problems through the pursuit and implementation of a specific economic reform agenda, while retaining their independence from each other.

While the above suggested definition has attempted to narrow the scope of how reform coalitions are conceptualized, there are still several dimensions along which reform coalitions might differ including their duration, types of reforms sought (cross-sectoral vs. sector-specific), and the formal or informal way in which they operate. This diversity demands that most generalizations about reform coalitions are necessarily contextual in nature. However, two generalizations seem to be true of all reform coalitions; these factors can be thought of as necessary to the foundation for a successful formation of a reform coalition (and apply to most other effective coalitions as well).

3.3 Necessary Features of Reform Coalitions

- At a minimum, actors in a reform coalition must have a shared perception of what the problem is that needs to be addressed, as well as the tools - within the market or government - that can be used to address it.
- While all actors must have incentives to work with each other in coalition, the nature of these incentives are likely to differ greatly from business to state actors.

3.3.1 State and business must have a common understanding of the problem

Probably the most basic condition that prompts the formation of a reform coalition is that, while they retain their independence from each other, state and business actors must have a common understanding of the problems that coalitions will attempt to solve (Abdel-Latif and Schmitz 2009: 7). The reasons for this are straightforward and commonsensical; effective coalitions of all types involve actors coming together in an attempt to address issues that all parties deem to be important. Thus, at a fundamental level, all actors must at least share in common a basic perception of what the issue is that needs to be addressed and what policy/market tools are available to address the problem. Without this, a reform coalition is unlikely to form and/or will be unlikely to work efficiently towards a solution.

3.3.2 *Both state and business actors must have incentives to work in coalition with each other*

a. Business side incentives

A coalition will not be born out of a shared vision of a particular issue alone. Instead it also requires that actors have incentives to work together in coalition. For business, the incentive to engage in a reform coalition is likely to come from the perception that sub-optimal performance or market failures are at least partially a result of the current state economic or other policies. Consequently, business will seek out opportunities to join in coalition with state elites to support a wide range of macro-economic institutional or policy changes or for more targeted state assistance to ease business operations, such as short cuts or expedited avenues through bureaucratic red tape, infrastructure extension to a new site of construction, subsidies for research, or diplomatic support for nationally based firms trying to enter into export markets (Moore and Schmitz 2008: 27). Thus, the desire to make connections with state decision-makers comes from an aspiration to gain market advantages that are accessible only through coalition activities. Across a wide variety of reform coalitions, this feature seemed to be evident: from a broad-based and organized business community in Mauritius working with the state to ensure a stable macro-economic environment where the private sector can ostensibly flourish (Brautigam, Rakner and Taylor 2002), to business leaders from the pharmaceutical manufacturing sector in Pakistan working with the government to build infrastructure and develop government agency led quality assurance oversight over the industry, which were necessary to becoming more competitive in foreign markets (Donor and Schneider 2000: 269).

b. State side incentives

Business incentives, however, are but one side of the story in reform coalitions; it may be that the key actors in a successful reform coalition are in the state itself: political leadership (Taylor 2007). Political commitment, or credibility, to work with a reform coalition is necessary for a coalition's success. In several of the reviewed cases, such commitment was created when leaders believed that growth-friendly policies would yield political benefits.⁴ In Egypt, for example, policy makers' eagerness to take action and work within a reform coalition was conditional upon the potential of the reforms sought to achieve tangible results that could translate into political goods (Abdel-Latif and Schmitz 2010). Specifically, a reform coalition with members from the food industry received much more attention from policy makers than one from the furniture industry, chiefly because the reforms sought with a state-food industry coalition had a potentially larger impact on Egypt's industrial output, employment and exports (Abdel-Latif and Schmitz 2010). In this case, it appeared as though such economic goods were perceived to be political goods for policy makers that could then claim credit. In other cases, political incentives seemed to underscore the rationale for state elites to exit from a reform coalition. In Zimbabwe, a reform coalition between business associations and members of the government (including the minister of finance), in support of structural adjustment reforms, ultimately

A coalition requires that actors have incentives to work together



4 "Politicians might not need to cooperate with and support investors because they have alternative ways of obtaining state revenue, financing politics, and funding the institutions that support the political status quo. These alternatives comprise some combination of: a profitable and sizeable state-owned economic sector; large foreign aid inflows; or substantial revenues from the export of natural resources (oil, gas, diamonds, bauxite and other minerals)" (Moore and Schmitz 2008: 37).

dissolved due to the clashing path of political populism that the Mugabe-led government chose to pursue instead (Brautigam, Rakner and Taylor 2002).

Perceived political commitment incentivizes business to invest more in industry within the state and to work in coalition with state elites

However, in many contexts one can imagine that political commitment and a business community's incentives to invest in industry and/or work within a reform coalition would be tightly knit and interdependent (Seekings and Natrass 2011:340). Expressed political commitment to pro-growth economic reforms acts as an indication to business that investments made will be safe from expropriation and that reforms achieved will not be shortly thereafter overturned (Kingstone 1999: 21; Moore and Schmitz 2008: 13; Haber, Razo and Maurer 2003; Sen forthcoming). Put differently, perceived political commitment incentivizes business to invest more in industry within the state and to work in coalition with state elites. This was the aim of reformist political leaders in the 1970s and early 1980s in China, for example, they traveled around the country in a concerted effort to communicate to the business community that the government was focusing on developing a 'socialist market economy.' The messages had the intended effect of signaling to the business community that pro-market policies were likely to last, which worked to ease skepticism and build confidence in domestic and potential international investors (Moore and Schmitz 2008: 13). And, according to Kingstone (1999), signals of political credibility towards neo-liberal reforms by the Cardoso government in Brazil were particularly important for the formation and sustainability of a reform coalition with the business community.

However, expressing a credible commitment to reforms may also clash with short-term political reputations. For example, in an effort to court investors in a newly privatizing water sector in the Philippines, the government pre-emptively raised tariffs on water rates and enacted measures that would reduce the number of the employees in the public water service. Both measures not only made investing in a private water sector more attractive, but they were politically unpopular for the government. Thus, following through with these steps signaled to potential private investors that the government was credibly committed to water privatization (Fabella 2011: 90). This case, and others like it, do not necessarily conflict with the notion that state elites enter into reform coalitions for the sake of political rewards, however. Policy makers may be willing to absorb the immediate political backlash in exchange for a broader record of pursuing policies that would promote development, which might pay more political dividends in the long run. Robert Bates acutely summarizes this point by arguing that policy makers have to "attach their political future" to economic performance, "thus signaling that even when political times are hard and the future therefore uncertain, they will not opportunistically defect from their commitments" (2004: 497).

The question arises: when are policy makers likely to engage in a reform coalition for the pursuit of policies that might, in the short term, be politically dangerous? If we are to take the perspective of viewing policy makers as rational agents who act in their own political self-interest, one possible hypothesis might be that governments are more likely to cooperate in a reform coalition that pursues temporarily 'politically dangerous' policies if they have the luxury of a perceived long time horizon in office (e.g. they will not face a close election in the near future, or are not fearful of being overthrown). To that effect, Whitfield (2011a; 2011b) argues that 'ruling coalitions' in Ghana since the early 1990s have pursued and implemented economic policies

that have had short time horizons. Whitfield attributes this to the equally short time horizons that Ghanaian ruling coalitions have had in power, which is a function of the competitive nature of politics and high degree of fractionalization amongst the ruling elite. However, this hypothesis raises further questions with respect to state actor's likely behavior within a reform coalition setting. For instance, as perceived political time horizons may change, if a policy maker's time horizon is perceived to be shortened, should we necessarily expect that they would exit a reform coalition that may have been 'politically dangerous' in the short term? Or do coalitions have other mechanisms to prevent such exits? Put differently, will a cooperative history of involvement in a particular reform coalition, an ideological belief in the policies pursued on the part of the policy maker, or even social norms within the coalition prevent such an exit? Relatedly, is it fair to view all policy makers so narrowly as to assume that they only act in their immediate political self-interest? Are there not reform minded and/or ideologically driven policy makers as well, that are compelled by ideological incentives to engage in a reform coalition? Or others yet (as in Japan, Korea or Singapore), driven also by an urgent concern for the defence or promotion of the country's 'national' interest or security?

*Policy makers have to
"attach their political
future" to economic
performance*

3.4 Common Characteristics of Reform Coalitions

- Reform coalitions often include top officials in the state
- Reform coalitions are often initiated in circumstances of sudden and contingent crisis, threat or even opportunity ('critical junctures').

Evaluating why these characteristics are present in many reform coalitions provides insight as to what role these factors can play in the formation and sustainability of a reform coalition, and helps to paint a broader picture of what reform coalitions look like.

3.4.1 Reform coalitions often include top officials in the state

In a majority of the cases reviewed, reform coalitions had access to the center of state power, as they included top officials in a state's economic ministries (such as the Minister of Finance or the President of the Central Bank) (Schneider 2004: 468-9). For example, a reform coalition in Zimbabwe worked closely with the Minister of Finance (Brautigam, Rakner and Taylor 2002: 535). In Chile the reform coalition in the electricity sector included the former Foreign Minister and Minister of Labour, and one with the telephone industries included the former Minister of Finance (Schamis 1999: 249). And in the Philippines, President Ramos initiated and led a reform coalition that worked to privatize water services (Fabella 2011: 86). Similarly, in other cases, reform coalitions seem to have been initiated by reform minded high profile bureaucrats and technocrats, who not only had quick and easy access to the 'top of government' but also made a concerted effort to build consensus around reform policies with key members of the business community (Crisuolo and Palmade 2008). Chile's "Chicago Boys," Singapore's Economic Development Board, Malaysia's Economic Planning Unit, and South Korea's Economic Planning Board are all good examples of bureaucratic and technocratic initiators of reform coalitions (Crisuolo and Palmade 2008).

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 Having access
 to ‘connectors’
 ‘champions’ and
 ‘gatekeepers’ are also
 important attributes
 for success”

In certain scenarios, access to top officials is necessary for a coalition's goals and can aid in achieving these goals. In the case of Egypt, for example, the communication and information technology sector needed the approval of the upper echelons of the military for clearance on communication and frequency waves; finding coalitional allies in the President of Egypt and his son aided in cutting through potential mounds of red tape to achieve these goals and in gaining the attention of military leaders for their cause (Abdel-Latif and Schmitz 2010). Alliances with top officials are also likely to heighten the credibility of a coalition or of the reforms that a coalition pursues to other important policy makers. In India, for instance, Rajiv Gandhi's involvement in a reform coalition proved crucial to overcoming strong resistance within the Indian bureaucracy to including Indian business associations in foreign public policy forums (Sinha 2005: 13). Having access to these types of 'connectors,' 'champions', and 'gatekeepers' are also important attributes for success in other kinds of coalitions (Developmental Leadership Program, 2012).

Thus, whether a reform coalition has an effective strategy to gain access or to form alliances with important policymakers may be a deciding factor for a coalition's ultimate success in achieving the reforms sought. President Arroyo in the Philippines, for example, was courted by heads of various industry associations, cabinet secretaries, and local government executives to engage in a reform coalition aimed at developing a more efficient cargo transportation scheme between the islands. The reformers collectively wrote to the President regarding the matter and also targeted their message to the administration. "Knowing the Arroyo administration's concern for Mindanao's development, the reformers made sure that the issue was always raised and included in the resolutions of any major conference in Mindanao" (Basilio 2011: 28). Ultimately the strategy worked; the evidence strongly suggests that the President became a crucial reform coalition member, acted in the coalition's favour by issuing needed executive reforms and, by some accounts, became the lead public 'salesperson' for the reforms (Basilio 2011: 28).

3.4.2 Reform coalitions can be influenced, both negatively and positively, by economic crises.

A crisis can serve as the stimulus for a reform coalition to form (Johnston and Kpundeh 2002; Leftwich and Wheeler 2011). As with other coalitions, these 'critical junctures' may create an "opportunity for institutional or policy changes which might not have been there before;" (Leftwich and Wheeler 2011: 10). Thus, post-crisis, state leadership may face fewer constraints on their choices over both economic policy and structural/institutional reform (Collier and Collier 1991; Brady and Spence 2009: 210; Kingston 1999). If perceived as a tangible record of failed market or policy performance, for instance, a crisis can serve to humble previously opposing positions of state actors and members from the business community and precipitate them towards one of common ground. This was the case in Brazil, where once strong business support for the ISI model dissipated after the 1980s debt crisis and resulting fiscal crisis of the state. The crises eroded the legitimacy of the state's presence in the economy, and key members of the business community became more open towards working in coalition with a government that favoured more neo-liberal reforms (Kingstone 2000: Chapter 2).

Also, if prior to a crisis the business community's economic reform preferences had little leverage within policy debates, a crisis may cause policy makers to re-evaluate economic institutions and policies, increase dialogue with industry leaders, and become newly incentivized to join business in reform coalitions, even if the reforms sought were previously politically unfavourable. In Zimbabwe's case, for example, a self-professed socialist state leadership was more open to discuss structural adjustment reforms with a reform coalition, made up of organized business interests and ideological allies within the state, after economic crises. The coalition enjoyed a prominent role in the Mugabe government's ultimate decision to adopt a neoliberal reform program in the early 1990s (Brautigam, Rakner and Taylor 2002: 535). This was also the case in Korea, where its economic crisis in 1997 had the effect of weakening the political clout of vested interests, which otherwise might have blocked reform, and it opened new avenues for the government to join in coalition with foreign industries for economic reforms that would encourage more foreign investment (Lim and Hahn 2006).

A crisis can serve as the stimulus for a reform coalition to form

Strictly on the business side, an economic crisis can serve as the focal point or impetus for business interests to overcome classic collective action problems in organizing themselves to support a coherent set of economic reforms. Again, in Zimbabwe's case, recessions in the 1980s motivated various business associations to unify under one umbrella organization that pushed for various economic reforms (Brautigam, Rakner and Taylor 2002: 534-544). And, after the Allende government in Chile dismantled its ISI regime, which represented a crisis to landowners and industrial groups, various industry leaders came together with the upper echelons of the military to not only support the future coup, but to participate in designing economic policies that would later be adopted by the post-coup Pinochet government (Schamis 1999: 245).

However, if an economic crisis can be identified as the 'trigger' that initiated a reform coalition, it may also serve as a catalyst for the coalition's demise. For example, a severe recession in Chile, post-liberalization and privatization reforms, prompted Pinochet to distance himself from the financial conglomerates his regime had previously worked closely with and instead aligned his government with a protectionist team of technocrats to navigate the crisis (Schamis 1999: 248). In cases like this, a reform coalition becomes a political liability for state leaders rather than a mechanism through which support can indirectly be garnered.

4. Dimensions and Possible Implications of Reform Coalition Variation

As noted before, reform coalitions vary along several dimensions. These dimensions of variation introduce possible sub-types of reform coalitions, such as informal vs. formal reform coalitions, sectoral vs. sub-sectoral reform coalitions, and long lasting vs.

short-term reform coalitions. Although these sub-types are certainly not an exhaustive list of all the conceivable ways reform coalitions can vary, a review of these dimensions suggests useful hypotheses and possible generalizations within the literature related to the contexts in which reform coalitions are likely to form, how they will operate, whether they will have safeguards against collusion, and at what point a reform coalition might end. Interestingly, many of these are also common to a wider class of coalitions (Developmental Leadership Program, 2012).

Reform Coalition Variation

- Having a pre-existing degree of trust and shared style of communication among state and business actors usually advantages informal reform coalitions. However, informally operating coalitions can also hide collusion and rent seeking easier than their formal counterparts.
- Formal or institutionalized settings that bring state and business actors together for discussions about policies will not always result in a reform coalition.
- Coalitions that organize around sectoral issues are likely to improve the chances that business actors will aggregate their interests.
- A reform coalition may end due to a failure of the coalition to adequately address a specific problem, reconcile differences between members, and/or when commitment to the coalition is weak or shifts.

4.1 Informal vs. Institutional Reform Coalition Mechanisms

4.1.1 *Institutional Mechanisms*

In several countries, governments have institutionalized their interactions with members and representatives of the business community. In Samoa, for example, the Chamber of Commerce takes a formal role in screening the government's proposed budget. By doing so the Chamber is able to give the government direct and early feedback about the budget's likely impact on the business community (SCCI 2010). Business associations in Ghana similarly have a formal role in deliberating the budget to provide the government with feedback (Ackah et al. 2010). Also, since the beginning in the 1970s in Mauritius, the private sector, as represented by the Joint Economic Council (JEC), has met with the government twice a year (December and August). This has afforded the private sector access to review and insert input into economic

policy planning (Brautigam, Rakner and Taylor 2002: 526; Brautigam 1997: 59). And, similar to that of Mauritius, in Japan, Korea and Taiwan, governments hold regular and institutionalized meetings with business representatives (Hisahiro 2005: 24-26).

However, providing a formal setting for state and business actors to meet will not necessarily result in a reform coalition, and a series of meetings to exchange views should not be regarded as a coalition. As discussed earlier, for a reform coalition to have formed, state and business actors must meet **with** a shared purpose of solving an agreed upon collective action problem and with the incentives to work cooperatively with one another towards a reform solution (Abdel-Latif and Schmitz 2010: 9); scheduled meetings do not guarantee that such an arrangement will arise. However, it has been observed that because these types of institutionalized settings afford actors the benefit of having regular opportunities to meet, formal state-business forums may enhance the chances of the parties developing a shared agenda for economic reform and thus potentially laying the foundation for the emergence of a reform coalition around a specific policy or institutional issue or, more widely, a package of reform measures (Brautigam, Rakner and Taylor 2002: 539). Additionally, such formalized meetings are typically 'open' which might mean that if a coalition were to form as a result, the coalition would have fewer opportunities to become collusive in nature. "Without a mechanism, usually in the form of a forum, it is more difficult for the state and the private sector to be on agreeable terms in a transparent way, and to avoid harmful collusive behaviour" (Sen and Te Velde 2009).

Many reform coalitions that meet informally, are created out of pre-existing networks

4.1.2 *Informal Mechanisms*

Informal coalition meetings serve alternative, but still conceivably useful, purposes. For instance, in settings where formal institutions, like state-business forums, are weak or non-existent, informal networks can instead be relied upon to bring together actors from the government and business (Sen forthcoming: 9). Additionally, informal coalition meetings seem to be more favourable to negotiations when the two parties hold conflicting visions of economic planning, as this setting appears to be most appropriate to establish trust between both parties and allow both sides to 'test the waters' without committing to one path of development (Johnston and Kpundeh's 2002). The director general of the Confederation of Indian Industry (CII), Tarun Das, echoed this sentiment in speaking of their informal dealings with the state on India's Foreign Exchange Regulation Act (FERA): "we arranged an informal briefing between the core group [within the CII that worked on FERA] and the people in the government working on the redrafting of the FERA. Our meetings are –informal, off-the record, not for publicity at all...And we try to build up this relationship of mutual trust very very carefully..." (Sinha 2005: 14).

Indeed, coalitions that meet informally are advantaged in their ability to conduct negotiations "behind-closed-doors", which might be best to solve potential policy implementation problems. A reform coalition focused on the food sector in Egypt, for example, benefitted from this ability in relation to a particularly sensitive issue. Once the coalition agreed that the state should reclaim inefficiently used desert land from recent graduates (to whom it was originally assigned to by the government) for food sector investors, meetings took an increasingly closed and informal approach. The closed setting allowed the coalition to decide how best to implement the policy and make it robust to possible opposition (Abdel-Latif and Schmitz 2010: 15). It

should be stressed here that, like so many reform coalitions that meet informally, this particular reform coalition was created out of pre-existing networks; the actors knew each other through familial, professional and other social ties. As in other coalitions, these types of informal and pre-existing relationships served a very useful purpose of easing the establishment of trust, needed among the members, to deal with this especially delicate issue (Wheeler and Leftwich 2012; Abdel-Latif and Schmitz 2010).

However, as a flip side to the safeguards that formalized coalitions may have against collusion, it should also be acknowledged that informally operating coalitions might also hide collusion and rent seeking between state and business actors. In Chile, for example, some of the privatization reforms undertaken by the Pinochet regime resulted in natural monopolies of various utilities services. Not only did several of the Pinochet government's top officials become board members of these entities, but also they used their informal ties and access with the government to protect the monopolies' interests (Schamis 1999: 249).

4.1.3 *Contextualizing further the informal/formal dichotomy*

- When are informal reform coalitions likely to transform into formal reform coalitions?
- And under what contexts are informal rather formal reform coalitions likely to arise?

There appear to be no clear answers to these questions in the existing literature. But Sen (forthcoming) offers some related thoughts that might illuminate some hypotheses to address these questions. Specifically, Sen argues that informal networks may be relied upon more by governments to signal to business actors that they are credibly committed to a specific reform or set of reforms and will not expropriate from business, in contexts where formal legal institutions, like the rule of law and property rights, are weak and or non-existent. Consequently, Sen asserts that informal networks likely play a much greater role in assuring the business community that it is safer to invest during a period of growth acceleration for poor countries, than during a period of economic growth maintenance. While not referring directly to reform coalitions, per se, this argument does enlighten questions regarding the informal and formal nature of reform coalitions. For example, should we expect that informal reform coalitions will be relied upon more frequently in contexts where formal legal institutions are weak? And, during episodes of growth acceleration in a country's economic trajectory? And, should we expect that when informal coalitions transform into more formalized arrangements they do so for the purpose of pursuing long term economic reforms, such macro-economic stabilization? Seeking answers to these questions seems to be an important avenue for future research as they will be paramount to our understanding of what evolving role reform coalitions might have as economies develop.

The potentially evolving nature of reform coalitions along this dimension of variation also makes clear that one must acknowledge that these two types of 'coalitional mechanisms' are hardly conceptually mutually exclusive, either. As with other coalitions, reform coalitions formed within a formal institutional setting are likely to be strengthened if pre-existing informal networks between participants are present

(Leftwich and Wheeler 2011). To that effect, Abdel-Latif and Schmitz (2010: 18) state, “we found it however very difficult to specify where the informal ends and the formal begins. More than that, we found that separating them was unhelpful, because often they interacted. In other words, seeing them together enhances our understanding considerably.”

4.2 Sectoral vs. Cross-Sectoral Reform Coalitions

Whether a reform coalition forms along sectoral or cross-sectoral industry lines is a function of the type of reforms sought, the pre-existing organization of business, and the networks between business and the state. However, one implicit hypothesis found in the literature on reform coalitions is that cross-sectoral reform coalitions naturally face more difficulties in their formation and may thus be less likely to form. Specifically, writing on sectoral coalitions, Abdel-Latif and Schmitz contend that within sectors there is an enhanced likelihood of “business people aggregating their interests, business and government gaining a common understanding of problems, [and] business and government joining forces to bring about change” (2010: 7). These hypotheses are largely derived from collective action theory, as one of its tenets is that larger and more diverse groups suffer from higher organizational costs than smaller, more homogenous groups (Olson 1965). And, in an identical fashion, this tenet of collective action theory has also been applied to other types of coalitions as well (Leftwich and Laws 2012; Wheeler and Leftwich 2012; and see Schlager 1995 on advocacy coalitions, for example). Through this logic, cross-sectoral reform coalitions are disadvantaged as they cannot easily coordinate members effectively because such coalitions seek to bring actors with diverse industry interests under one umbrella. Such endeavors may suffer, it is deduced, from their inability to coordinate communication and gain consensus on the types of the collective action problems at hand, much less their favored solutions. However, as is discussed later, effective business associations organized along cross-sectoral lines may reduce these challenges.

4.3 Duration

Reform coalitions, like all coalitions, vary in terms of their duration and they are likely do so for the same reasons that apply to other coalitions as well. For instance, if the coalition does not achieve policy goals and if policies do not benefit coalitional members as they expected, the perceived incentive to be in the coalition may fade. A reform coalition for structural adjustment was cut short in Zambia, for example, when business viewed the effects of the reforms they at one point supported as being harmful (Brautigam, Rakner and Taylor 2002). Reform coalitions are also cut short when political commitment to the coalition changes and becomes weak. As discussed above, this was the case in Zimbabwe, when the political leadership’s preferences over economic reforms shifted towards populism. Additionally, reform coalitions may also have a short life because a policy solution was obtained relatively quickly. Finally, although not always necessarily the case, longer-running coalitions seem more likely to be institutionalized. However, this is perhaps in itself a mechanism to ensure the longevity of a coalition.⁵

Larger and more diverse groups suffer from higher organizational costs than smaller, more homogenous groups

⁵ However, the informal coalitions in Chile between the government and heads of conglomerates were very long in duration (pre-coup and well into the 1990s) (Schamis 1999).

5. State and Business-Specific Factors that Contextualize Reform Coalition Success

Just reviewed, were the implications of dimensions of variation general to reform coalitions. However, the cases in the literature on reform coalitions also illustrate that other issues, specific either to the state or business side of a reform coalition, are likely to have important implications for the emergence and success of a reform coalition to achieve the policy goals it has set out. As is apparent in the discussion below, these issues also illustrate the context-specificity of all reform coalitions and hence the over-riding necessity for donors and other intermediaries who wish to promote reform leaderships and coalitions to know the political, institutional and structural context very well, and also the players.

5.1 Business Side Factors

- Leadership of well-organized business associations are able to effectively represent a wide range of private interests, and, once in coalition with government, are more likely to pursue reforms that impact the broader economy.
- Reform coalitions that include the leadership of business associations benefit when the association and its leadership have a degree of political and technical capacity that can match or complement that of the state.
- Reform coalitions may be less likely to form when the private sector's presence in the economy is much smaller than that of the state.
- A 'moderately concentrated' economy may be optimal to induce business to participate in reform coalitions that strive for pro-growth reforms.

5.1.1 Organizational quality of business groups

In most contexts, the organizational quality and strength of business seems to enhance the prospects for the emergence of a reform coalition.⁶ In many cases, business interests are pre-organized in sectoral or cross-sectoral business associations. As several of the examples of reform coalitions illustrate, such associations have proven themselves to be instrumental members of effective reform coalitions. However, such associations have varying degrees of organizational quality, access to resources, size

⁶ However, high quality business organization is not a necessary pre-requisite for a successful reform coalition. For instance, in Egypt, Abdel-Latif and Schmitz (2010) describe the formation of a successful furniture sector SB coalition between a governor, former Minister of Industry and a dispersed group of private investors, that previously had few informal relations (13). In these scenarios, it appears, the formal organization of business interests prior to the reform coalition formation was not necessary.

of membership and professional capacity. This variation may have important implications for an association's ability to be a meaningful member of a reform coalition.

Strong and representative leadership, the ability to discipline members and broad-based - or 'dense' - membership characterize higher quality business organizations (Brautigam, Rakner and Taylor 2002; Abdel-Latif and Schmitz 2010; Donor-Schneider 2000: 270). Well-organized business interests facilitate negotiations between the state and business, as the leaderships of such business associations are able more effectively to represent a wide range of private interests (Weiss 1998). As alluded to above, this can help to reduce classic communication and coordination costs that typically come with collective action. In Mauritius's case, for example, the director of the JEC, a cross-sectoral organization that represents the entire business sector in consultations with the government, carried a member-agreed upon mandate to push for specific economic policies when in discussion with the government (Brautigam, Rakner and Taylor 2002: 526). In this case, the government was able to work with fewer actors, but be certain that a broader business community was supportive of the positions expressed by their leaders. Higher quality business associations have also played a significant role in facilitating the formulation, implementation, and monitoring of economic policies and provision of feedback to the government, making them an attractive and meaningful partner within a reform coalition setting (Hisahiro 2005). In Japan for example, business associations participate in the policy process through submitting formal recommendations to the government, dispatching members to ministerial deliberative councils, coordinating policy with relevant ministries through informal contacts, and providing the government with the latest information with respect to policies and their intended effects on the market (Hisahiro 2005: 21).

Additionally, the quality of private organization may have an impact on the targeting of reform benefits that result from reform coalition work. A reform coalition with a poorly organized industry may result in benefits that affect only a small group of enterprises, while ones with well-organized industries will likely result in benefits that affect many enterprises within the industry, which presumably has a larger impact on the broader economy (Abdel-Latif and Schmitz 2010:20; Doner and Schneider 2000; Sinha 2005). Two examples from Egypt illustrate why this is likely to be the case. Egypt's furniture sector was poorly organized and its Furniture Chamber, the association that worked closely with state actors, was dominated by businesses that only represented a small subset of the furniture market. The leaders of the Furniture Chamber used their access to the state to obtain benefits exclusive to this small subset of enterprises, such as "preferential treatment by the government bureaucracy and substantial funds to obtain several rounds of technical support services for their factories," (Abdel-Latif and Schmitz 2010: 21). Thus, the poor organizational quality of the industry resulted in government assistance being targeted to far fewer firms. In contrast, Egypt's Food Chamber enjoyed a high quality of organization among the sector. It had almost 100 percent membership of the formal food sector, a qualified manager and highly paid personnel. While there were varying sub-sectoral disagreements on what policies would be best pursued, the inclusive nature of the organization and its general quality, meant that common issues of interest across the sector were pushed forward (Abdel-Latif and Schmitz 2010: 21).

Reform coalitions are more likely to succeed if they have a certain degree of political and technical capacity

5.1.2 *Political and Technical capacity of business groups*

The size of business in relation to the state's presence in the economy seems to be particularly important



In addition to the quality of such organizations, reform coalitions are more likely to succeed when a pre-organized association has a certain degree of political and technical capacity that can match or complement that of the state. Business associations vary in their political capacity to respond strategically to the characteristics of the politics of a state, and therefore in their ability to negotiate, deal with and lobby the government for their goals (Sinha 2005: 5). When an association is particularly weak in its capacity to fulfil these political functions it is likely to be overlooked by the government as a potential partner in a reform coalition. Leading up to structural adjustment programs Zambia, for example, the private sector, suffering from previous economic crisis, did not have the resources and thus the capacity to stand as a counterweight to the government in negotiations; this contributed to the weakness of the business voice in the Zambian economic policy debates (Brautigam, Rakner and Taylor 2002). In situations like this, coalitions between the state and business communities are vulnerable to state capture and reforms might be undertaken for exclusively political purposes.

Technical capacity is important as well. In Mauritius, two large business associations have a staff of professional economists and thus have the capacity to offer professional analyses (Brautigam, Rakner and Taylor 2002: 427). Capacity like this gives the association credibility in discussing economic policies with the government, and helps to ensure that mutual confidence and respect is formed between actors in the reform coalition (Brautigam, Rakner and Taylor 2002). Of course, resources are needed to build this type of capacity, and thus the two concepts are heavily interlinked.

5.1.3 *The relative size of business interest groups*

If sought after reforms are potentially wide in scope, such as a structural adjustment program or trade liberalization, then the size of business in relation to the state's presence in the economy seems to be particularly important to business's likelihood of being considered as an essential partner in a reform coalition. Again, Zambia's case serves as an important example. As mentioned before, a reform coalition never really consolidated there. In leading up to structural adjustment reforms in Zambia the private sector represented less than 20% of formal sector employment, and thus was eventually regarded by the state as neither a potential electoral threat to co-opt or a useful partner to cooperate with in negotiating the terms of structural adjustment implementation (Taylor 2007; Brautigam, Rakner and Taylor 2002). As a result, the MMD government increasingly disregarded domestic business interests, in lieu of pursuing policies that would expand its political base (Brautigam, Rakner and Taylor 2002). "As long as the mining industry [in Zambia] continued to provide the vast majority of state revenues and command the majority of its resources, the state had little practical need for the private sector and its associations" (Taylor 2007: 86). In this case, where the economy was dominated by the state and there existed no notion that the state was interdependent with the private sector there was little incentive for policy-makers to enter into a meaningful coalition with members of the business community.

5.1.4 Sectoral vs. Cross-sectoral business organizations

Whether business interests are organized sectorally or cross-sectorally seems to have an impact on the goals that a reform coalition will seek. Quite obviously, reform coalitions with sector-specific business organizations will seek to target issues that are important to the sector. For instance, an association representing Pakistani surgical instrument producers in the mid-1990s successfully pressured the Pakistani government to finance industry-wide consultant services on quality upgrading (among other things) after Pakistani-made surgical instruments failed to meet internationally accepted standards of good manufacturing practices and were banned from the US market (Donor and Schneider 2000: 269).

In contrast, if business interests are effectively organized cross-sectorally, there is a higher likelihood that business members of a coalition will be supportive of economic reforms that are thought to be generally good for economic stability and growth, even if it is at the cost of a smaller sub-set of their members (Donor and Schneider 2000: 264; Maxfield and Schneider 1997:21). Put differently, all-encompassing business associations, or “peak associations,” are more likely to press for policies that bring about economic growth throughout the economy, rather than favor particular sectors at the expense of others. This point is well illustrated in the Mauritian case, where most business associations are organizational members of the previously mentioned JEC. In its collaboration with government, the JEC seeks broad economic reforms in lieu of sector-specific reforms (Brautigam, Rakner and Taylor 2002: 528). Also in India, the cross-sector association, the CII, “self-consciously abjures distributive and particularistic needs of its individual members, claiming that no narrow and individual specific demands of members are defended in front of the government” (Sinha 2005: 9).

5.1.5 Concentration of Business interests: moderate concentration being key

The concentration of business interests within the economy or a sector is thought not only to increase the likelihood of businesses organizing themselves into an association for a common goal of wider economic reforms, but also decreases the likelihood of business entering into collusive and rent-seeking reform coalitions that are harmful for growth and competition. On this point, von Luebke (2009) argues that when an economy is highly diversified, or a sector of the economy consists of several firms with a low percentage of the market, business actors face a classic collective action problem to organize themselves to form effective reform coalitions. However, at the other extreme, in monopolistic settings, business is more likely to use reform coalitions to seek particularistic rents, rather than economic reforms that would benefit the wider investment/business climate (Abdel-Latif and Schmitz 2010). By definition, monopolies have no competition to restrain their access to particular rents and, arguably, thus have few incentives to engage in growth-enhancing reform coalitions, which strive for wider economic reforms.

As von Luebke (2009) argues, it seems that moderately concentrated settings are optimal for inducing economic actors to participate in growth inducing reform efforts. In this environment there will not be too many actors that prevent effective coordination, and an individual firm’s influence will be kept in check by other firms. “Moderate economic concentration is likely to give rise to contested oligarchies,

“The concentration of business interests within the economy is thought to increase the likelihood of businesses organizing themselves into an association”

a circle of multi-sectoral elites that have strong access to government and at the same time stand in competition to each other” (von Luebke 2009: 4). The presence of a contested oligarchy “paves the way for constructive public-private cooperation and governance improvements” (von Luebke 2009: 5). von Luebke uses the cases of the cities of Surakarta (Indonesia) and Marikina (Philippines) to provide support for the ‘moderate concentration’ hypothesis. Both cities have relatively moderately concentrated economies and this has coincided with a high level of government performance. He argues that this is probably due to the platform and incentives that a moderately concentrated economy gives business elites to urge reform.

5.2 State Side Factors

- Without the state being capable of fulfilling some basic functions, business interests may more easily capture a reform coalition.
- States that have bureaucracies with ‘Weberian’ characteristics may be more likely to avoid entering into reform coalitions that will result in rent seeking, corruption and collusion.
- The reforms chosen and implemented by the state must be careful not only to protect coalitional business interests, but to benefit them.
- Any assumed potentially positive effect that democracy has on reform coalition formation stems from an assumption that it provides a political framework that legitimizes consultation.
- A free press has worked to expose collusive coalitions.

5.2.1 Capacity of the State

As previously discussed, reform coalitions are more likely to emerge and succeed when there exists a certain degree of symmetry between the capacity of the state and business associations. While this point was made, above, with regard to highlighting the importance of the capacity of business associations, the same point is made here, giving emphasis to the importance of the capacity of the state. Put differently, in failed state, or very weak state, contexts the state may be far weaker in capacity than the organization of business associations and/or multinational corporations. For example, the state may lack the resources and ability to extract due taxes, enforce a regulatory environment, and otherwise regulate the private sector. A rather extreme example of this scenario might be in Somaliland. Although the country and its government is not officially recognized, the weak ‘pseudo-state’ does not yet have the capacity to regulate interests and is struggling to get the business community to agree to pay taxes.⁷ Yet, these state functions are important for the broader business environment and for growth in general. In the ideal ‘developmental’ state, the government acts as the protector of growth, by being able to check private actors in the interest of a broader goal of achieving economic growth (Callaghy 1989). Without the capacity to fulfill some of these basic state functions, a coalition that forms between the two communities may not resist the capture by business interests, which could have dire implications for the broader business environment and economic growth.

⁷ Information obtained from a discussion with Dr. Sarah Phillips.

5.2.2 *Embedded Autonomy*

In probably the most influential work on the impact of state-side characteristics on reform coalition formation, Peter Evans (1995) asserts that state bureaucratic characteristics shape whether reform coalitions will result in rent seeking, corruption and collusion, or if they will support developmental growth. Conventionally applied to understand the success of the 'Asian Tigers', Evans' work is often seen as the bridge between two opposing arguments. The first asserts that all coalitions between the state and business communities are prone to rent seeking and are thus bad for growth. Those who hold this point of view argue that the state should be isolated from social and business interests to prevent any coalition from forming with state actors. A second argument, however, mainly emphasizes the potential for reform coalitions to achieve enhanced economic growth and almost overlooks the prospects for state-business coalitions developing into insidious arrangements (Lucas 1997). In contrast, Evans highlights the contextual nature of reform coalitions' ability to achieve positive results by focusing on a concept he calls "embedded autonomy."

State bureaucratic characteristics shape whether reform coalitions will result in rent seeking, corruption and collusion, or developmental growth

Specifically, Evans' argument starts by first asserting that it must take for granted that all states are "embedded," within the larger society, which means that in all states, policy makers and bureaucrats have ties or form loose and informal links with the business community and other social groups, and thus cannot be isolated from them. Further, he demonstrates that policy makers in 'developmental states,' like Japan and Taiwan, have had different incentives to those in predatory states where reform coalitions are characterized by their rent-seeking and collusive nature (Bavister-Gould 2011: 4). Specifically, developmental states have mature Weberian-like bureaucracies (corporate coherence, meritocratic recruitment, and professionalism). These bureaucratic qualities enable policymakers to have autonomy from potential rent-seekers within society (either distributional coalitions or business coalitions). Policy makers in these settings reach for goals within their bureaucracy where merit is rewarded and graft is heavily punished. This autonomy incentivizes bureaucrats and political elites to pursue a developmental economic agenda in coalition with industry leaders, by giving bureaucrats a greater ability to resist corruption and capture by actors whose rent-seeking behavior would otherwise derail the efforts of states to promote development. While at the other extreme, in 'predatory states,' like Zaire, bureaucracies lack these Weberian characteristics, and thus bureaucrats pervasively find it in their interest to corrupt their position for private gain, and enter into collusive and detrimental-to-growth reform coalitions.⁸

5.2.3 *Policy Choice and Sequencing of Chosen Policies*

New reform coalitions need 'winners' – that is, successes – in order to be sustained. This seems to be particularly true for actors representing business in reform coalitions. As discussed earlier, and quite obviously, if actors perceive coalitional reforms as harmful or neutral to their business or organization, their incentives to meaningfully engage in the coalition diminish (Leftwich and Wheeler 2011). This can be particularly harmful for structural adjustment reforms, as sustained political and private support for longer periods of time are often cited as necessary to the eventual

⁸ Indeed, Evans and Rauch (1999) find systematic support for this assertion. Specifically, across a large sample, they found that a positive change in a country's 'Weberian score' of bureaucratic capacity was associated with an increase in GDP from 1970 to 1990.

effectiveness of reforms (Gordon 1996). Thus, the reforms chosen and implemented by the state must be careful to not only protect coalitional business interests, but to benefit them (Nelson 1989: 27).

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*New reform coalitions
 need 'winners' – that
 is, successes – in order
 to be sustained*
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Reform sequencing is often important to producing winners and protecting interests in the private sector (Nelson 1989). Reforms targeting trade liberalization, for example, are likely to produce winners from businesses that are already exporting. However, as Brautigam, Rakner and Taylor (2002: 542) note, few African businesses were export-oriented prior to the implementation of liberalization reforms. Consequently, as was the case in Zambia, reform coalitions broke down when prominent business members of the coalition felt the negative impacts from liberalization (Brautigam, Rakner and Taylor 2002: 531). However, a similar scenario was avoided in Taiwan, for example, where the government adopted reforms to promote exports almost two decades prior to liberalization (Wade 1990).

Additionally, the speed with which reforms are taken can aid in protecting the local business community, and thus the sustainability of a reform coalition. 'Rapid trade liberalization does little to make local industry more competitive in the short run; without time to adjust, businesses simply fail' (Brautigam, Rakner and Taylor 2002: 542). While there is some debate about the long-term economic merits of rapid versus gradual implementation of economic reforms (see Wei 1997, for example), the point here is the likely negative effect of rapid reforms on the sustainability of a reform coalition. If coalitional business interests fail as a result of rapid liberalization, they will lose the incentives and capacity to effectively participate in a reform coalition.

5.3.4 *Selective Benefits*

However, careful sequencing and gradual reforms are not the only tools the state has to protect coalitional business interests. An important point to reiterate here is that the sustainability of a reform coalition relies on reforms producing coalitional winners, and not necessarily winners across the broader business landscape. Put differently, the state can tailor reforms in other ways to shelter those businesses that are key players in supporting reform coalitions, while allowing more painful elements of reform to be felt disproportionately by the private sector external to the coalition formed. As Etchemendy (2001) showed, the Argentine government courted the most influential actors of a sector into reform coalitions by giving them selective compensations at the cost of other, less influential actors within the sector. For example, in negotiated administrative reform, the Menem administration targeted the oldest and largest of three unions for negotiations, while shutting out the other unions from the coalition. Among other things, the reforms ultimately agreed upon recognized the included union as the administrator of the welfare system for workers in the entire national public sector, which displaced the role of an excluded union that controlled health-care for the public sector. Through these types of particularistic negotiations, this coalition succeeded in seeing a reform package through, that ultimately significantly reduced the size of the civil service and made the coalition business actors winners.

5.3.5 *Regime Type, Regime Transitions*

The effect of regime type on reform coalition formation is ambiguous, at best. Any assumed positive effect that democracy has on reform coalition formation stems

from an assumption that it provides a political framework that legitimizes consultation (Lindblom 1977). However, these notes have referred to cases of reform coalitions across a full spectrum of regime types. Thus, any contribution that an examination of the effect regime type has on reform coalitions, must be contextualized much further. Also, some have noted that because democracies give voice to labour and other interest groups, reform coalitions are somewhat prevented from capturing the state for corrupt and/or rent-seeking purposes (Brautigam, Rakner and Taylor 2002). However, this possibility for other societal actors to give input and potentially disrupt coalitional work for reforms, may limit the ability of a reform coalition to achieve swift results. Thus, in democracies, change is assumed to be more gradual due to the demand pulls from multiple constituencies (Brautigam, Rakner and Taylor 2002).

There are cases that both support and undermine the claims about regime type generalizations made above. For example, there are successful cases of state-business growth-enhancing coalitions in East Asia, Egypt and Chile where the states were clearly not democratic when they formed. These cases illustrate that democracy is not necessary to open up the government to consultations with business leaders. On the other hand, Mauritius's case seems to support the notion that a democratic environment can work to legitimize and formalize consultation with business, as well as the point that reforms are likely to take a more gradual pace in democracies (Brautigam, Rakner and Taylor 2002). As noted before, business there enjoys regularized meetings with economic planners, and reforms to liberalize the country have been taken slowly.

5.3.5 Press Freedom

There is some evidence to suggest that reform coalitions have more potential to be collusive, rather than growth enhancing, when press freedom is limited. A free press can work to expose collusive coalitions, which disincentivizes political involvement in such arrangements. For example, a collusive reform coalition had formed in Egypt between the government and the iron and cement industries, which made it possible to curb imports and, as a result, excessive prices were charged in the domestic market. However, when the press exposed the excessive prices and profits of iron and steel producers, policy makers withdrew their support of the policies, fearful of the political implications of being involved in such a coalition (Abdel-Latif and Schmitz 2010: 21-22).

*A free press can work
to expose collusive
coalitions*

6. Present External Encouragement and Lessons for the Future

6.1 What do we know about the role of donors?

Given the likely influence that reform coalitions have in ensuring that economic reforms are adopted, to what extent have donors acknowledged the potential

Lessons for External Actors

- A donor's role in assisting reform coalitions should be informed by in-depth analysis of the political, business and sectoral climate within which they aspire to encourage a successful reform coalition, and a detailed understanding of the players and their relationships.
- Donors will be more effective in encouraging reform coalitions if they have the flexibility to respond to critical junctures, such as sudden economic crises.
- Donors can assist with financially and logistically supporting meetings between stakeholders.
- If donors wish to bring stakeholders together, they should focus on the most influential business leaders and policy makers, letting go of a full participation model.
- Donors should look to facilitate coalition work within and between actors that are a part of already established networks and coalitions.
- Donors may find it useful to assist business organization to build their professional and political skills so as to enhance their capacity for effective policy dialogue with agencies of the state.
- Donors must recognize their inherent limits and that effective reform coalitions cannot be created from the outside, but instead are the result of endogenous political and policy processes.

importance of reform coalitions for development? And, do donors fund programs that attempt to encourage the creation of reform coalitions, as a concrete expression of such an acknowledgement? Indeed, several donor agencies have rhetorically acknowledged the importance of encouraging public-private partnerships and, to varying extents, have designed and supported programs that seem to aim at facilitating the rise of state-business coalitions. A preliminary review of the descriptions of these programs indicates that donors fund directly, and through intermediary organizations, programs that provide forums for the state and private sectors to meet, and capacity building efforts for private business associations to become effective and active development partners within a reform coalition-like setting. For instance, DFID and the World Bank fund several private-public dialogue programs that are designed to

bring together business and governments to work cooperatively at identifying and resolving constraints for private sector development.⁹ Another example can be found

⁹ <http://www.sbf.sl/About-SLBF/about-sbf.html> http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Sustainability/Sustainable+Business+Advisory+Services/Women+in+Business/Investment+Climate/Public-Private+Dialogue/

in the Australian Government's Pacific Leadership Program support of the Pacific Islands Private Sector Organization (PIPSO), which among other things aims to assist in building the capacity of private sector organizations to engage in dialogue with the state and to contribute to national policies related to private sector investment.¹⁰

Key Questions

- What work is done to strengthen the political and negotiating capacity of professional associations? Does this work vary across programs/projects? Are there any results as to whether these programs have worked? Can we derive generalizations about the comparative advantages of one approach over another? How is capacity building success measured?
- In encouraging a better 'business enabling environment', in what ways do donors or intermediary organizations include representatives from private sector in discussions with the government with regard to regulatory reform? Through what types of forums? What input do the three actors (donors, private sector, government) have in such meetings? How do these meetings transform policies?
- What are the variations in approaches to bringing together business and state stakeholders to meet? Do some programs try to include all possible stakeholders? Are others more selective of identified 'most important/relevant' stakeholders? If variation exists across programs, is there any evidence of which approach is more successful?
- How can donors avoid promoting 'artificial' processes or consultations between local interests that are not domestically 'owned', but which come together only to access funding and which, in consequence, neither initiate reform coalitions nor achieve policy or institutional change.
- What challenges have faced donors or organizations interested in facilitating reform coalitions? What lessons can be learned from these experiences with respect to a donor or any other 'exogenous' actor's role in encouraging the rise of reform coalitions?
- How is progress monitored/measured with respect to most of these projects? Is it done through tangible market indicators, like the increase in jobs, or the opening of more small businesses? Or is it done through something more direct and specific to the rise of 'reform coalitions' themselves, and the robustness of the relationships between state and business actors?

To my knowledge, there has not been any targeted research on the role that donors have had in encouraging reform coalitions or a comparative evaluation of various donor approaches to encouraging reform coalitions, and thus these questions identify both a gap in the current literature and a significant opportunity for further research. Lessons learned from research focused on these questions would not only assist in the development of future donor programs aimed at facilitating reform

¹⁰ http://www.webmediaclients.com/pipso/index.php?option=com_content&task=view&id=43&Itemid=76

coalitions, but it would contribute to broader debates about the kinds of context in which reform coalitions are likely both to arise and to be successful in achieving the reforms they seek.

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*Mapping players
 (agents) is as
 important as mapping
 the context (structure)*



6.2 Preliminary Lessons for External Encouragement

This paper has thus far outlined preliminary generalizations and hypotheses about reform coalitions that have arisen from case studies of reform coalitions and related literatures on state-business relations. Pertinent to the purposes of this review, the question arises: what can these generalizations offer by way of policy lessons for donors that wish to actively encourage the rise of reform coalitions? I next outline a handful of preliminary policy lessons that seem to be important considerations for donors to take into account in any efforts to encourage reform coalitions:

1. Know the Scene Well and Develop the Analytical Skills to Understand it Locally

Reform coalitions face different constraints and different chances of succeeding dependent upon local circumstances. As was clear with the generalizations summarized above, there is not a single list of factors that will guarantee that a reform coalition will form, that it will avoid collusive behavior, or that it will have a meaningful role to play in ensuring that economic reforms are adopted and implemented. This conclusion underlines the necessity for donors to assure themselves that they have the best in-depth analysis of the political and business environment, and the players within it, in which they aspire to encourage a successful reform coalition. If donors are to help facilitate or broker the formation of coalitions, they must have a comprehensive understanding of the key players within the business and policy-making communities, they need to know who is influential, who knows who, where from, and in what ways (Wheeler and Leftwich 2012). Mapping the players (agents) is as important as mapping the context (structure).

2. Have the Flexibility to Respond to Windows of Opportunity/Critical Junctures

As was discussed in Section Three, crises and other critical junctures play a prominent role in the inception and demise of many reform coalitions. Donors should view such moments as either windows of opportunity to encourage the formation of new reform coalitions among previously unlikely partners, or a particularly vulnerable moment in a pre-existing reform coalition. Thus, donors will be more effective if they have the flexibility to respond to such critical junctures (Wheeler and Leftwich 2012).

3. Provide the Space

Donors can assist in the development of reform coalitions by carving out the physical and social space for potential partners to meet. At a minimum, this would involve providing a physical space for stakeholders to meet and negotiate. In addition to the physical space, donors can also assist in several other ways that may facilitate the logistics of meetings. For example, donors can finance the attendance of potential stakeholders at meetings, which might serve as an incentive for them to attend. Donors can also act as a liaison between stakeholders to schedule meetings. They can also bring in people or organizations from elsewhere to share their experience

and lessons learned in forming reform coalitions. Acts like this may help to provide solutions to some of the collective action problems inherent in reform coalition operations.

4. Let Go of a Full Participation Model

As the cases reviewed reveal, reform coalitions are rarely inclusive of all possible stakeholders, but instead mostly involve the interaction of influential business leaders and important policy makers. As has been observed of other types of coalitions, due to classic collective action problems of coordination and communication, facilitated meetings between all possible stakeholders may be less productive than those with fewer actors (Leftwich and Laws 2012). Further, to the extent that coordination and communication issues among a large group might reduce potential payoffs for the actors involved, a full participation model may actually work to deter influential actors from participating at all. Those that hold political and economic power may be particularly reluctant to engage in a coalition building process if they are skeptical that any payoffs will result. Thus, donors who wish to facilitate meetings with possible stakeholders should focus on the few that potentially matter most (Abdel-Latif and Schmitz 2010).

*fundamentally,
the formation of
an effective reform
coalition is an endog-
enous process*

5. Target Assistance to Already-Established Networks and Coalitions

Targeting pre-existing networks of business people and state actors is likely to mitigate several problems. Within pre-existing networks, actors from both sides are more likely to “speak the same language” already and have a pre-existing degree of trust among members (Wheeler and Leftwich 2012). These two qualities are not only essential to a successful reform coalition, but seem most difficult, if not impossible, to construct from the outside.

6. Assist Business Organizations in their Ability to Negotiate with the State

In a majority of the reviewed cases, business organizations were the primary organizational unit on the business side of reform coalitions. However, as the literature makes clear, business associations (not to mention workers or farmers associations) vary considerably with respect to their access to resources and their economic and political capacities to act as a counterpart to the state. Thus, assisting with building the professional and political capacities of business associations to negotiate and work with the state seems to be a particularly important avenue for donors to pursue. Such ‘political capacity building’ efforts should be tailored to the needs of the business association and the political environment, but they might include financial assistance to increase an association’s ability to offer independent industry-specific analysis, assisting the association’s leadership with effectively communicating with members, and training in political negotiations.

7. Recognize their Own Weakness

Donors must also recognize their inherent limits. The cases reviewed illustrate that, fundamentally, the formation of an effective reform coalition is an endogenous process led by specific leaders from within state and business elites. This is not something that can be transplanted from without or created from scratch. An

attempt by the World Bank and USAID to create closer business relations in Ghana, illustrates this point. As a condition for aid, the NDC government was pushed into dialogue with business associations. And, while several business-state consultative forums were set up, they failed to transform the distant relationship that government had with domestic business, because of a lack of domestic political will to do so (Witfield 2011a: 29). As this example illustrates, genuine domestic political commitment through the mobilization of people and resources – a key feature of any coalition – cannot be created from the outside. Thus, efforts to facilitate reform coalitions should be undertaken with an appreciation of this limitation and with a clear eye to the local configuration of power and persons.

7. Conclusion

This paper has suggested some emerging generalizations, hypotheses and important researchable questions related to reform coalitions, which were derived from a review of the literatures. In doing so, it is hoped that a preliminary sketch has been made about what is known with respect to the inner political dynamics of these potentially important coalitions, as well as what has yet to be established in the literature and what is important for future inquiry.

To summarize, this paper first discussed how reform coalitions are conceptualized in the literature, offered a definition of a reform coalition, and highlighted some necessary and common features about reform coalitions. These points are reiterated below:

7.1 Conceptualising reform coalitions

- The term 'reform coalition' and its synonyms, suffers from considerable conceptual ambiguity in much of the literature. Scholars should clearly define what they mean when referring to a reform coalition.
- The following definition of a reform coalition was offered: *a (formal or informal) political mechanism and process utilized and formed by state and business actors, initiated by either, which enables them to work cooperatively to address specific state and market collective action problems through the pursuit of a specific economic reform agenda.*
- There are few detailed studies of the inner politics of 'reform coalition' – their origins, forms, activities and achievements.
- Reform coalitions require that state and business have a common understanding of the problems they are working to address as well as incentives to work with each other in coalition. Additionally, reform coalitions often involve alliances with top officials of the state. And, several are also influenced, positively or negatively, by economic crises.

7.2 Varieties of reform coalition

The following generalizations were derived with respect to different dimensions of variation of reform coalitions:

- Institutionalized settings that bring state and business actors together for discussions about policies will not always result in a reform coalition forming. They do,

It's easier for business and government to gain a common understanding of problems in sectoral reform coalitions.

however, give actors regular opportunities to meet in an open and transparent setting, and this may enhance the chance of actors developing a shared agenda, which could lay the foundation for a reform coalition to form that will avoid collusion.

“ Rapid trade liberalization does little to make local industry more competitive; without time to adjust, businesses may simply fail ”

- Informal reform coalitions are likely to benefit from having a pre-existing degree of trust and shared style of communication among state and business actors. While coalitions that meet informally are advantaged in their ability to conduct negotiations in “behind-closed-doors” meetings, informally operating coalitions can also hide collusion and rent seeking more easily than formally operating coalitions.
- Coalitions that organize around sectoral issues are likely to increase the chances that business actors will aggregate their interests. It seems to be easier for business and government to gain a common understanding of problems in sectoral reform coalitions.
- Reform coalitions may live a short life due to a failure of the coalition to adequately address a specific problem, reconcile differences between members, and/or when commitment to the coalition is weak or shifts from one or more sides (i.e. state elites or business). Without a certain degree of institutionalization, reform coalition organization is more difficult to maintain in the long run.

7.3 Business side factors

Next the paper offered lessons from the state and business side of reform coalitions. The following are the main ‘business side factors’ touched upon:

- Well-organized business interests facilitate negotiations between state and business, as leadership of business associations are able to effectively represent a wide range of private interests, and once in coalition with government, they are more likely to pursue reforms that impact the broader economy. A reform coalition with a poorly organized industry may result in benefits that impact only a small group of enterprises.
- Reform coalitions are also more likely to succeed when a pre-organized business association has a certain degree of political and technical capacity that can match or complement that of the state.
- The size of the private sector in relation to the state’s presence in the economy seems to be particularly important to whether the business community is seen as a needed coalition partner to the state.
- A ‘moderately concentrated’ economy is optimal to induce business to participate in growth inducing reform efforts.

7.4 State side factors

The following are the main 'state side factors' touched upon:

- State capacity is also important; without the capacity to fulfill some basic state functions, a reform coalition may not be able to resist capture by business interests.
- State bureaucratic characteristics may be a factor in whether reform coalitions will result in rent seeking, corruption and collusion or if they will support developmental growth
- The speed with which reforms are taken can aid in the protection to the local business community, and thus the sustainability of a reform coalition.
- The reforms chosen and implemented by the state must be careful not only to protect coalitional business interests, but to benefit them.
- Any assumed potentially positive effect that democracy has on reform coalition formation stems from an assumption that it provides a political framework that legitimizes consultation.
- A free press can work to expose collusive coalitions, which disincentivizes political involvement in such arrangements.

Reform coalitions are rarely inclusive of all possible stakeholders

7.5 Messages for donors

Also outlined were the following messages for donor agencies interested in facilitating and supporting reform coalitions:

- A donor's role in facilitating reform coalitions should be informed by both in-depth analysis of the political and business climate with which they aspire to encourage a successful reform coalition and an understanding of the players and their relationships.
- Donors will be more effective in encouraging reform coalitions if they have the flexibility to respond to critical junctures, such as economic crises.
- Donors can assist financially and logistically by supporting meetings between potential stakeholders, but need to proceed with caution to avoid funding 'feeding frenzies' or consultations that have no genuine and locally driven developmental objectives.
- If donors wish to bring stakeholders in the business and state communities together, they should focus on the most influential business leaders and policy makers, letting go of a full participation model.
- Donors should look to facilitate coalition work within and between actors that are a part of already established networks and coalitions. These actors are already more likely to speak a common language with regard to desired reforms

and have a certain degree of trust established.

- Donors may find it useful to assist business organizations in their ability to negotiate with the state. Helping to build up an association's credibility as a partner to the state is paramount to their likely success of being included in coalition activity in the future.
- Donors must recognize their inherent limits and that effective reform coalitions cannot be created from the outside, but instead are the result of endogenous policy processes.

Establishing a causal link between a reform coalition and economic reforms represents a significant challenge

7.6 Future issues for research

Although the preliminary generalizations and hypotheses noted in this paper might provide some insights into how and when state and business actors are likely to work in coalition for economic reforms, the picture is far from complete. It is clear that there are several related unanswered questions and specific hypotheses that require attention. This is a reflection of the limitations of existing scholarship. For instance, at the outset of this review, the conceptual ambiguities of the term 'reform coalition' were discussed. As mentioned in that section, a priority for future research on reform coalitions should be to define explicitly what is meant by the use of the term (and its synonyms), and its relationship to other forms of coalition. Doing so will move forward a dialogue about how development scholars should conceptualize reform coalitions, facilitate cross-study comparisons, and generate theoretical insights into the politics of reform coalitions. This paper concludes with a discussion of some other issues that challenge the current literature and a preliminary list of related unanswered questions.

7.6.1 The challenge of establishing causality

Establishing a causal link between a reform coalition and adopted economic reforms represents a significant challenge. The presence of a reform coalition at the time of economic reform adoption is not sufficient evidence that a reform coalition was responsible for the reforms. Instead, scholars must be able to 'trace' where and how a reform coalition was important and causally influential at each stage of the policy process, including the political negotiations and drafting of policy, gaining the legislative support for passing related bills and/or other policy maker support for leveraging state investment, and later policy implementation (Haggard 1990: 34). To do so, scholars must have an in-depth knowledge of both the inner politics of the reform coalition and the policy making process within the relevant context. Relatedly, scholars should also avoid attributing reform policies or economic growth to the presence of a reform coalition without providing sufficient evidence to establish the causal connection between the two. This is especially the case with economic growth, where the dependent variable is so aggregate and is influenced by so many different variables, that it will be very difficult to isolate the contribution of a reform coalition alone.

7.6.2 A tendency to examine coalitions that have formed

In the cases found and reviewed, there is an over-representation of instances where reform coalitions have formed. While this review has made an effort to explore cases where reform coalitions have and have not formed, non-starting cases are less frequently documented, and when documented are generally dealt with in less detail. A couple of notable exceptions are Seekings and Natrass (2011) and Brautigam, Rakner and Taylor (2002). They documented instances, South Africa and Zambia respectively, where reform coalitions did not form and their work offers interesting hypotheses as to why this was the case in those instances. Their research illustrates that it is equally important to document the contexts where reform coalitions cannot or do not form. A more complete comparative sample of formation and non-formation would supply more robust evidence as to whether suspected drivers of success/failure do indeed necessarily lead to success/failure.

7.6.3 Lack of detailed accounting

A striking limitation in the current literature is the lack of granularity with which reform coalitions are usually described or analysed: their detailed inner politics are overlooked. Often undocumented are the details of how the reform coalition formed, who the key players were or are, what specific challenges they faced in achieving their reform agenda, the power dynamics between state and business actors within the coalition, and what has led to a reform coalition's demise. One possible reason for the lack of detailed accounting of reform coalitions is that they seem to be innately difficult to examine closely. Reform coalitions often emerge from pre-existing informal networks, meet behind closed doors, and include powerful business players and high-ranking policy makers, all of which make gaining access to the detailed political story behind their formation and operations difficult. However, as this review makes plain, reform coalitions are often assumed to be crucial to the process of achieving economic reforms. Therefore a more detailed accounting and a general focus on the politics of reform coalitions would fill an important gap in our understanding of economic reform policy processes. After all, one cannot hope to fully explain, much less encourage, an outcome of economic reforms, for example, if we do not have an intimate understanding of the processes by which that outcome is achieved. Reform coalitions, as such, represent particularly interesting examples of a form of policy making in developing countries. They deserve future research around questions such as the following:

Key Research Questions

- How, if at all, do reform coalitions compare with other kinds of coalition? Are the characteristics of successful reform coalitions similar to those of other coalitions?
- Where do 'reform' coalitions, or 'growth' coalitions, fit into a wider typology of coalitions?
- Are there challenges that reform coalitions face that are similar to those that other coalitions face? Are their means for overcoming these challenges the same as those of other coalitions, or different?
- Does a successful reform coalition only involve state and business players, or (to ensure pro-poor growth, stability and longevity) do they also need to include organizations (such as unions) that represent the interests of both urban and rural labour?
- What role do individuals from the state or business play in the initiation of such coalitions? In other words, under what contexts are state actors (whether politicians or officials) likely to reach out to the business community to form a possible coalition? Likewise, under what contexts are private-sector leaders likely to reach out to state actors to work in coalition for reforms?
- What role do top politicians and officials (including the technocrats) of the state play in reform coalitions? Is it enough for them to vocalize support, or are successful coalitions more likely to see top officials play a more 'hands on' role?
- What impact might it have on the success and trajectory of a reform coalition when the state initiates coalition activity? Or when the business community initiates coalition activity? Does it, for example, prevent state capture when the business community initiates coalition activity?
- What 'leadership' role can senior civil servants and technocrats play in this process?
- When, how and why do (or should) reform coalitions move from working 'behind closed doors' to more a more transparent mode of operation? Further, what drives a reform coalition to seek institutionalization?
- In what ways, if at all, do reform coalitions differ across variations in industry (i.e. local, multi-national, export-oriented or extractive sectors)?
- What role have reform coalitions played in generating economic reforms aimed at the reduction of poverty?
- How do the political time horizons of state policy makers affect their proclivity to reach out to business? Or the type of reform coalitions they form?

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1. The Developmental Leadership Program (2011) "Politics, Leadership and Coalitions in Development: Policy Implications of the DLP Research Evidence" Papers for the Frankfurt Research and Policy Workshop, 10-11 March 2011.
2. Adrian Leftwich & Chris Wheeler (2011) "Politics, Leadership and Coalitions in Development: Findings Insights and Guidance from the DLP' first Research and Policy Workshop" Frankfurt, 10-11 March 2011.
3. The Developmental Leadership Program (2012) "Coalitions in the Politics of Development: Findings, Insights and Guidance from the DLP Coalition's Workshop, Sydney, February 15-16 2012.

Research Papers

1. Jo-Ansie van Wyk (2009) "Cadres, Capitalists and Coalitions: The ANC, Business and Development in South Africa".
2. David Sebudubudu with Patrick Molutsi (2009) "Leaders, Elites and Coalitions in the Development of Botswana".
3. Eduard Grebe with Nicoli Nattrass (2009) "Leaders, Networks and Coalitions in the AIDS Response: A Comparison of Uganda and South Africa".
4. Deborah Brautigam with Tania Diolle (2009) "Coalitions, Capitalists and Credibility: Overcoming the Crisis of Confidence at Independence in Mauritius".
5. Jo Beall with Mduduzi Ngonyama (2009) "Indigenous Institutions, Traditional Leaders and Developmental Coalitions: The Case of Greater Durban, South Africa".
6. Adrian Leftwich (2009) "Bringing Agency Back In: Politics and Human Agency in Building Institutions and States".
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2. Adrian Leftwich & Steve Hogg (2008) “The Politics of Institutional Indigenization: leaders, elites and coalitions in building appropriate and legitimate institutions for sustainable growth and social development”.
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