

**Clientelism, Patrimonialism and Democratic Governance:  
An Overview and Framework for Assessment and Programming**

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As countries attempt the difficult transition to democracy and open markets, numerous reforms are necessary in the realm of governance. Reformers in developing and transitioning countries have been reconfiguring their public institutions, trying to build systems that are responsive and accountable to citizens, and that effectively support economic investment and growth. Such reform efforts have tended to concentrate on formal institutions, rules and procedures. These are important because well-constructed institutions channel people toward equitable and above-board behavior—which is why legal and regulatory reforms often meet a hostile response in societies where they are undertaken. Nonetheless, as O’Donnell (1996:40) points out, “formal rules about how political [and administrative] institutions are supposed to work are often poor guides to what actually happens.” In many cases, informal systems of clientelism and patrimonialism are key contributors to stifling popular participation, subverting the rule of law, fostering corruption, distorting the delivery of public services, discouraging investment and undermining economic progress. Because they are deeply entrenched, seldom authorized or openly acknowledged, and take different forms depending on their context, clientelistic networks can be both difficult to detect and to remove.

This paper provides guidance for understanding and analyzing these veiled sources of power and influence, and suggests strategies for tackling them in the context of USAID’s democracy assistance and capacity building programs. We start by examining the concepts of clientelism and patrimonialism, and their hypothetical counterpoints, democratic governance and rational-legal bureaucratic systems. These are ideal-types, not full characterizations of how real countries are run, but are useful points of departure for understanding governance and the interplay between its formal and informal aspects. Next, we look at the dangers of clientelism and patrimonialism (focusing on rent seeking, corruption, incomplete implementation of reforms, ethnic conflict and poverty) and at the hidden positive functions of clientelistic practices (such as giving the poor access to resources or assuring government support). We then offer an analytic framework for diagnosing clientelism and assessing its tradeoffs. The paper subsequently reviews the evidence on economic liberalization, democratization, decentralization and civil service reform as broad strategies for making governance more accountable and effective. We review some promising approaches while drawing attention to how even partial successes seldom happen overnight. Finally, we link the framework to programming options for USAID’s Office of Democracy and Governance. An appendix contains a glossary of key terms.

### *Formal and informal governance systems*

All nations have both formal and informal governance systems—that is, systems within which citizens and government officials interact. Governance involves both public decision-making and public administration. The formal systems are embodied in constitutions, commercial codes, administrative regulations and laws, civil service procedures, judicial structures, and so on. Their features are readily observable through written documents, physical structures (e.g., ministry buildings, legislatures, courthouses), and public events (e.g., elections, parliamentary hearings, state-of-the-union addresses, city council meetings, legal proceedings). The informal systems, by contrast, are based on implicit and unwritten understandings. They reflect socio-cultural norms and routines, and underlying patterns of interactions among socioeconomic classes and ethnic groups. Their manifestations are less easily noticed and identified. Thus, governance systems have a dual character; formal and informal elements exist side-by-side, and are intimately connected in diverse and not immediately obvious ways. For instance, most of what we

understand as corrupt practices in government today result from the clash of uncertified activity with the lawful realm of democratic politics and bureaucratic administration. It is customary and expected in most societies for people to help friends and family members. Yet, the same behavior is improper and, indeed, unlawful when it takes place within a rational-legal civil service organization where appointments are supposed to be made on merit (see McCourt 2000).

This institutional dualism has its roots in the historical evolution of social relations between rulers and the ruled, from tribal chieftaincies, to kingdoms and empires, to feudalism and the emergence of the nation-state. Yet, the changing blend of formal and informal governance elements does not connote a continuum from “traditional” to “modern.” No human society is so “advanced” that it relies exclusively on formal *de jure* institutions to run its common affairs. Informal *de facto* traditions and practices are constantly evolving and being adapted to new circumstances. Those that live on usually do so because they provide some value to people. They are functional in the jargon of social science—or else they would disappear through disuse. One of the challenges of development is figuring out how to separate the *de facto* governance institutions that serve, or at least do not contradict, the majority’s needs and well-being, from similar-looking institutions that block or even reverse improvements in social welfare.

### *Clientelism*

The most famous definition of politics is as the art and science of “who gets what” in society (see Lasswell 1958). To help understand “who gets what” many political scientists in the 1970s began to apply the concept clientelism, first elaborated by anthropologists and sociologists to describe the hierarchical social relations that have long marked the countryside in peasant societies (see Schmidt et al. 1977). They found that clientelism, also known as the patron-client model of politics, permeated contemporary political systems around the world.

The term refers to a complex chain of personal bonds between political patrons or bosses and their individual clients or followers. These bonds are founded on mutual material advantage: the patron furnishes excludable resources (money, jobs) to dependents and accomplices in return for their support and cooperation (votes, attendance at rallies).<sup>1</sup> The patron has disproportionate power and thus enjoys wide latitude about how to distribute the assets under his control. In modern politics, most patrons are not independent actors, but are links within a larger grid of contacts, usually serving as middlemen who arrange exchanges between the local level and the national center (Kettering 1988).

Typically, the poor and marginalized members of society are drawn into these “problem-solving networks” as a pragmatic means to find solutions to their everyday concerns, since they often have limited access to formal sources of assistance (Auyero 2000). A precarious economic system impels people to focus on immediate consumption and to forsake more long-term and abstract gains. Variability of income may be more important than poverty alone in driving the demand for clientelism. Present-day clientelism thus tends to flourish in insecure political and economic environments, both rural and urban, and is integral to the “politics of survival” for both patrons and clients (Migdal 1988).

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<sup>1</sup> Excludable resources are items that change hands only if both buyers and sellers agree on the terms. Third parties do not have access to these items. “Excludability” is an aspect of what economists call “private goods.”

Initially used to explain village and neighborhood politics, the concept of clientelism is now often used to characterize entire political systems. Observers of developing countries commonly note nationwide pyramids of patrons and clients culminating with the national leader. Writing about Latin America, Martz (1997: 10) asserts that clientelism is “an enduring mechanism of control in society...identifiable in all times and settings.” Similarly, Jackson and Rosberg (1982: 39) argue that the typical African regime is “a system of patron-client ties that bind leaders and followers in relationships not only of mutual assistance and support, but also of recognized and accepted inequality between big men and lesser men” (see also Bratton and van de Walle 1997).

Well-known contemporary examples of clientelism include Mexico’s system of *caciquismo*. During the era of one-party rule that recently ended, *caciques* or local power brokers were critical cogs in the party machinery (Fox 1994). *Caciques* provided plots of land and loans, acted as intermediaries for peasants looking to sell their crops, and ran local shops and businesses. They often used strong-arm tactics to reinforce their power. In exchange for services and security, peasants voted for the dominant party at election time. Senegal’s *marabouts* perform a similar function (Fattou 1986). These local holy men and teachers deliver the votes of their followers, whom they repay with farm implements and other gifts. Filipinos have a comparable system they call “bossism.” Bosses enjoy discretionary powers over local funds and the appointment of officials in the local administration, and they can influence the awarding of concessions, contracts and franchises (Sidel 1999).

Clientelism takes on a variety of forms in other cultural settings. According to Kaufman’s (1974: 285) definition, however, it always manifests the following characteristics:

- (a) the relationship occurs between actors of unequal power and status;
- (b) it is based on the principle of reciprocity; that is, it is a self-regulating form of interpersonal exchange, the maintenance of which depends on the return that each actor expects to obtain by rendering goods and services to each other and which ceases once the expected rewards fail to materialize;
- (c) the relationship is particularistic and private, anchored only loosely in public law or community norms.

Clientelistic links rest on a rational economic calculus more than on blind or reflexive personal loyalty. They can be thought of as a type of instrumental friendship—though not an evenly balanced friendship because patrons target the poor and take advantage of their limited information and autonomy. All the same, each participant in the exchange does get something of value. When asked what party leaders offer them in return for electoral support, Mexican voters come up with an impressive list: cash, caps, tee-shirts, pencils, lighters, dictionaries, bags of basic foodstuff, breakfasts, cactuses, fruits, vegetables, beer, washing machines, bags of cement, cardboard, sand, shovels, pickaxes, machetes, hoses, fertilizer, seeds, chickens, cows and sheep (Schedler 2002). The party leaders, of course, get to stay in office with all the benefits that such positions yield.

A classic illustration of the mutual benefits of clientelism is the Sicilian Mafia (Gambetta 1993, della Porta and Vannucci 1999). Beyond its purely criminal activities (theft, racketeering), the Mafia performs quasi-political functions for deprived communities. It is an extra-legal source of legitimate services (contract enforcement, protection of property) that the formal state is supposed

to provide, but does not. The Mafia also meets the demand for gray and black-market services. These are things the formal state has tried to regulate or ban (loan sharking, gambling), but that some individuals want more of and are willing to pay extra to acquire. In either scenario, many mutually advantageous exchanges occur. The fact that both sides acquire something positive from their instrumental friendships is a large part of the reason why patron-client networks appear in so many different political settings.

This is not to deny a coercive element to clientelism. A gangster don or other patron may turn to intimidation or violence to prevent defections among followers. Sometimes the best that a follower can expect is to be left alone (the “protection” racket), which is not much of a gain. Should the patron have a monopoly on important resources, as is often the case, defection may be a moot issue anyway. Followers will not find a better deal somewhere else.

It is significant that neither blandishments nor threats usually form the basis for a stable relationship, so shifting interests may betray any patron-client network. True, there are aspects of clientelism where honor, fidelity and blood ties supersede material self-interest. Think, for example, of the Mafia’s code of silence or *omertà*. Secrets are supposed to be kept no matter what. However, money or physical safety generally prove more enticing than any sense of duty—they are reasons the code of silence has broken down today. Clientelistic relationships are vulnerable to anything that disrupts the flow of material benefits to clients and supporters. That makes clientelism flexible and helps explain its persistence as a mode of governance.

#### *Clientelism and democracy*

Clientelism is usually seen as lying at the far end of the institutional spectrum from democracy. In their ideal forms, democratic institutions are very different from clientelistic ones. They adhere to transparent and legal procedures. Democratic policymaking focuses on the production and open transfer of public goods. Political power is held by elected officials, and contested through regular elections that allow voters to hold political elites accountable. Citizens, even disadvantaged groups, have rights to receive government services, to hold and express political opinions, and to organize themselves to advocate for their interests. Political space exists for autonomous membership organizations, such as labor unions, public interest groups and civil society organizations.

Table 1 summarizes the conventional points of contrast between archetypal clientelistic political institutions and ones based on liberal democratic values. As we have suggested, neither of these archetypes exists in pure form; real countries mix the two (see Kitschelt 2000). For example, clear rules and fair play are central to democratic decision making, but this does not imply that all procedures for taking public decisions must be strictly codified to be considered democratic. Notably, Great Britain lacks a written constitution, yet it is a more representative and orderly polity than many former British colonies, most of which possess *de jure* democratic constitutions but may be missing the tacit social approval that is needed to keep those documents alive.

Table 1. Continuum of Political/Decision making Systems

<i>Clientelistic</i>	↔	<i>Democratic</i>
<ul style="list-style-type: none"> <li>• Authority is personal, resides with individuals</li> <li>• Personal enrichment and aggrandizement are core values</li> <li>• Leaders tend to monopolize power and are unaccountable for their actions</li> <li>• Leaders' relationship to supporters is opaque and may be unreliable</li> <li>• No regular procedures exist regarding leaders' replacement</li> <li>• Leaders hold onto power by providing personal favors that secure loyalty of key followers</li> <li>• Policy decisions are taken in secret without public discussion or involvement</li> <li>• Political parties are organized around personalities</li> <li>• Civil society is fragmented and characterized by vertical links</li> <li>• Decision making standards are tacit and procedures are impossible to follow from outside</li> <li>• Supporters' interests guide decisions</li> <li>• Extensive scope exists for patronage appointments</li> </ul>		<ul style="list-style-type: none"> <li>• Authority is institutional, resides with official roles</li> <li>• Rule of law, fair elections and majority rule are core values</li> <li>• Leaders share power with others and are accountable for actions</li> <li>• Leaders' relationship to supporters is transparent and is predictable</li> <li>• Regular procedures exist regarding leaders' replacement</li> <li>• Leaders hold onto power by providing collective benefits that earn support of large segments of society</li> <li>• Policy decisions are taken in the open after public discussion and review</li> <li>• Political parties are organized around stated programs</li> <li>• Civil society is deep and characterized by horizontal links</li> <li>• Decision making standards are explicit and procedures are transparent</li> <li>• Public interest guides decisions</li> <li>• Limited exists scope for patronage appointments</li> </ul>

Higher-income countries feature democratic institutions in their decision-making systems, but they by no means have abandoned clientelism (Clapham 1982). Clientelistic modes of governance can be adapted to changing circumstances such as free elections or expanded suffrage. For instance, in the United States so-called constituent service remains a major responsibility for state and local representatives. Constituent service involves interceding on behalf of individuals who have problems with their taxes, social security benefits, immigration papers or similar personal matters. Politicians have to emphasize one-on-one assistance to voters to enhance their chances of re-election.<sup>2</sup> This sort of individualized political relationship is at odds with the programmatic politics more often associated with modern democracies.

<sup>2</sup> U.S. members of Congress spend the majority of their time on constituent services not on legislative matters (Rosenbloom 2001). The proportion may be rising as government becomes more complex, creating greater demand for constituent services.

An ongoing variation of clientelism that distributes benefits somewhat more broadly than constituent service is “pork barrel” spending. This slang expression refers to publicly funded projects promoted by legislators to bring money and jobs to their own districts, as a political favor to local politicians or citizens. Examples include appropriations for dams, river and harbor improvements, bridge and highway construction, and various government procurement contracts. This kind of geographically targeted spending occurs in all political systems, but seems to be especially common in emerging democracies such as Brazil (Ames 2000) or Philippines (Coronel 1997). (Note, however, that civil engineering projects are quasi-public goods rather than the purely private goods associated with clientelism, in the strict sense of the term.)

“Pork” is allocated not on the basis of need or merit, but on the desire of legislators to curry local support. Sometimes this may not go quite the way you would expect. Schaffer (2002) tells the story of one Filipino congressional representative who tried to halt the construction of a new roadway until after an election so that “his” squatters would not be moved out of his district. Though pork barrel spending is legal, it often looks unfair or underhanded, especially because decisions about funding usually bypass the normal procedures for prioritizing government expenditures. Pork is nonetheless an advance over most individualized patron-client payoffs because more people gain from it—the road that is paved or the school that is built right before an election do have spillover benefits for the community. Pork barrel transactions also have the advantage of winding up in the open for all to see, thereby avoiding some of the secrecy and suspicion that may surround other forms of clientelism. (More will be said later about the “latent functions” pork and other clientelistic arrangements sometimes have in supporting democratic governance.)

### *Patrimonialism*

Clientelism is at its core a means for setting policy about “who gets what.” Governments also need ways for carrying out policy, for making sure that people actually get the service or program that has been decided. This distinction is conventionally called the difference between politics and administration, though in reality no bright line separates the two. Administration, or the implementation of policy decisions, is never a mechanical or automatic endeavor (see Brinkerhoff and Crosby 2002). Politicians often rely on high-level administrators to help draft new laws and regulations. Policy needs to be interpreted and clarified to make it work, so even lower level administrators perform some “political” or policy formulation functions as they complete their duties.

All governments, including those that stick closely to the patron-client model, need administrative structures and a workforce. Weber (1947) coined the phrase patrimonialism to describe situations where the administrative apparatus is appointed by and responsible to the top leader. The rulers’ deputies are delegated jurisdiction over certain domains, and given wide leeway regarding how to act. These measures are mostly informal or off the record.<sup>3</sup> Patrimonial administration is closely associated with clientelistic politics, for administrative jobs are among the choicest plums a boss or patron can offer his protégés. Such jobs are more valuable than the equivalent posts in a state subject to the rule of law and that has carefully circumscribed job descriptions. Under a pure

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<sup>3</sup> Patrimonial rule has similarities to the feudal system of lord and vassal. Weber said the difference is that the feudal relationship is more ritualized and regularized, and thus more stable, than the ad hoc arrangements of patrimonialism.

patrimonial system, a government office is treated as a type of income-generating property, even if the sovereign can reclaim this property at will. Authority is thus decentralized, with incumbents typically free to decide exactly how to carry out their administrative responsibilities.

Weber contrasted patrimonialism with rational-legal systems of public management, characterized by a graded hierarchy, written documentation, salaried, full-time staff and political neutrality. Reliable following of the official rules is highly valued in these systems. People working under them are not supposed to charge for services, except in the case of user fees, which go to the government not into the civil servants' pockets. Table 2 sums up the idealized distinctions between patrimonial and rational-legal bureaucratic systems. Again, these are ideal-types rather than descriptions of real institutions. In particular, we should not put too much emphasis on formality as a defining attribute of any given administrative structure. Akin to the synergy between some clientelistic practices and democracy, impromptu management and rule-bending are at times indispensable to the running of a formal bureaucratic organization (Rudolph and Rudolph 1979). (We explore this ticklish issue further in the next section on the benefits and drawbacks of institutional dualism).

Table 2. Continuum of Administrative Systems

<i>Patrimonial</i>	↔	<i>Rational-legal Bureaucratic</i>
<ul style="list-style-type: none"> <li>• Administrators are recruited and promoted as reward for personal connections with political leaders</li> <li>• Administrators can be dismissed for no reason</li> <li>• There is an unspoken hierarchy, with little specialization or specification of output and uncertain reporting channels</li> <li>• Important orders may be given orally</li> <li>• The public and private realms are blurred</li> <li>• Administrators supplement their salary with bribes and kickbacks</li> <li>• System is decentralized allowing wide discretion on the job</li> <li>• Administrators' actions are arbitrary, based on subjective reasoning, and follow ad hoc procedures</li> <li>• Rules are applied with partiality and some citizens get preferential treatment</li> <li>• Verbal agreements are used in government procurement and sales</li> </ul>		<ul style="list-style-type: none"> <li>• Administrators are recruited and promoted in competitive processes that judge their merit and expertise</li> <li>• Administrators can only be dismissed with cause</li> <li>• There is an authorized hierarchy with clear division of labor, specific standards for output and well-defined reporting channels</li> <li>• Important orders are put in writing</li> <li>• The public and private realms are kept separate</li> <li>• Administrators are prohibited from supplementing their salary</li> <li>• System is centralized with little room for discretion on the job</li> <li>• Administrators' actions are predictable, based on objective methods, and follow uniform procedures</li> <li>• Rules are applied with neutrality and all citizens receive equal treatment</li> <li>• Binding legal contracts are used in government procurement and sales</li> </ul>



<ul style="list-style-type: none"> <li>• Internal controls are lax</li> <li>• Documentation is spotty with sensitive matters left off the books</li> <li>• Subjects have little recourse for poor service</li> </ul>	<ul style="list-style-type: none"> <li>• Internal controls are strict</li> <li>• Thorough records are maintained and regularly audited</li> <li>• Citizens have appeal channels if given poor service</li> </ul>
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Many developing and transitional countries have set up a superstructure of rational-legal administration, which nonetheless continues to rest on a deep foundation of patrimonial rule. Appearances and juristic procedures to the contrary, they implement policy mainly through networks of personal retainers and dependents. In Bangladesh, for example, every government policy becomes riddled with exceptions and exemptions. This flows from the tradition of *tadbir* or personal contacts and lobbying for individual favors (Kochanek 1993). The term applied to administrative systems “in which the customs and patterns of patrimonialism co-exist with, and suffuse, rational-legal institutions” is neopatrimonialism (Bratton and van de Walle 1997: 62).

Weber argued that patrimonial systems (and he would have included neopatrimonial ones) are inferior for capitalist development because they are subjective and changeable. By contrast, the adjudication and administration of laws under bureaucratic rule are “calculable,” in Weber’s terms, leading to governance that creates a better investment climate and encourages economic development. Rational-legal bureaucracy also has the advantage of being less discriminatory than systems founded on personalized exchange relationships. Where public administration is based on the offering of gifts, what happens when one of the parties has nothing to trade? As societies grow larger and more complex, people’s unequal standing before government officialdom typically becomes an important moral and political question (Noonan 1984). Historically, the response has been to try to establish fairer, rule-based systems of implementation that treat everyone the same way.

Still, patrimonialism seldom goes away entirely. In Russia, for example, the historical continuities are impressive. The tsars ruled through grants of property to the nobility. This practice carried over to the soviet period, which was marked by hierarchical chains of personal dependence between party leaders and their underlings. Reliable *apparatchiks* were rewarded with preferred access to consumer goods and perquisites such as vacation homes and better schools. The legacy of patrimonial rule continues to shape public administration in the post-communist era, for example in the appointment of business “oligarchs” to key positions in Moscow, and in the attitudes and behaviors of Russian civil servants toward citizens (Shevtsova 2002).<sup>4</sup>

Patrimonial conventions are often unspoken, but not always. Even primarily rational-legal administrations recognize the juridical right of leaders to appoint supporters to sensitive administrative posts. The U.S. federal government, for example, allows approximately 3,000 political appointees, equal to about 0.25 percent of white-collar civil servants (Ingraham 1995).<sup>5</sup>

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<sup>4</sup> In neopatrimonial systems, bureaucrats’ allegiance focuses upwards toward their superiors who can reward them. The state exists to serve the rulers, not the ruled. Thus a service orientation toward citizens is not simply absent, it is a foreign concept. A recent article in the *Washington Post* notes the prevalence of the old patrimonial attitudes among present-day Russian civil servants (LaFraniere 2002).

<sup>5</sup> As late as the Truman administration, however, as many as 70,000 civil service posts were still open to patronage appointments, nearly half of them within the middle and upper levels of the civil service (Van

Clandestine means must be found to extend federal patronage beyond the legal maximum, such as by arranging a no-show job for a confidante with a government contractor. Developing countries tend to put fewer juridical restraints on patronage hiring. In a survey of Egyptian civil servants, one in ten volunteered that they had received their position through *wasta* or influence (Palmer et al. 1988: 26). As late as 1972 in Turkey, one-third of newly hired civil servants were not subjected to any kind of examination (Heper and Sancar 1998). Many nations have an implicit policy of making public service jobs available to all university graduates who want them. A widespread informal type of patronage (and one that always comes in for official condemnation) involves “ghosts” in the public sector—deceased, retired or non-existent people who nonetheless draw paychecks. The money is often redirected to people with the right connections.

In some of post-colonial Africa’s neopatrimonial states, personal rule has constituted the heart of government administration, rather than simply operating at the margins. These hybrid systems represent an effort by elites to adjust to and manipulate the rational-legal arrangements they inherited from the colonial powers (Walker 1997). National leaders created personality-based patron-client networks that consolidated power through the dispensing and withholding of nominally public resources to followers, and the identification of the leader as the symbol of the nation. Examples include Zaire’s Mobutu, Côte d’Ivoire’s Houphouët-Boigny, and Malawi’s Banda. Many observers are struck by how few resources trickle down through patronage networks in African countries, and how many resources remain in the hands of a select minority at the top (van de Walle 2002a).

*Institutional dualism: What costs? What benefits?*

As some of our comments above suggest, most underground or quasi-legal governance practices such as political patronage are neither good nor bad in themselves. What matters are the outcomes, and those are varied (Hutchcroft 1997). It is probably easier to see the harm caused by clientelistic politics and patrimonial administration than it is to observe their positive features, but the fact remains that no governance system could operate effectively without some degree of institutional dualism, some balance among “bad” informal practices and “good” formal ones.

The negative aspects of ad hoc governance are well-known: procedures lack openness and clarity, officials are not publicly accountable for their actions and therefore government is indifferent to citizen demands and the need for public goods, public investment priorities are distorted, and so on. Patron-client relationships are prone to misunderstanding and manipulation because no independent entity keeps an eye on them. The subordinate party, the client, may be taken advantage of or harmed in various ways, and large segments of society may suffer by being left out of these transactions altogether. But there are some offsetting gains from these same practices. They include the appeasement of elites and the integration of ordinary people into the governing system and society. Almost every *de facto* institution has the potential for benefit as well as harm. Key is the degree of reciprocity, or how much citizens get back from these customs and relationships.

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Riper 1958: 58). None of these figures include state and local governments, where there may be millions of additional patronage positions (Theobald 1990: 56).

Merton (1968) in a famous essay on urban party machines in the United States, labels such compensating benefits “latent functions.” Political machines are manipulative and repressive. They are run largely for private rather than public ends. However, these clientelistic organizations also helped newly arrived immigrants find jobs and establish themselves both socially and economically. They contributed to peaceful development by playing down divisive, collective issues. It is this hidden, beneficial dimension of political machines that explains their durability, despite widespread disapproval. “Good government” reforms to alter this type of urban administration are popular with the middle class, but do not necessarily lead to improved conditions for the poor, who may in fact prefer the benefits and protections afforded by machine politics (Banfield and Wilson 1963). Community groups in some of Brazil’s *favelas* or shantytowns, for instance, find it expedient to negotiate directly with politicians for services and infrastructure improvements in exchange for votes, whereas appeals to municipal service agencies yield little or nothing (see Box 1).

#### Box 1. The changing nature of clientelism in Brazil

In some *favelas* (shantytowns or slums) the form and dynamic of clientelism have changed dramatically in recent years. During the most recent period of military rule, the leaders of one neighborhood association in Rio de Janeiro routinely had thrown their support behind candidates for political office in the hope—rather than the expectation—that as representatives of the *favela*, they would receive something in return. Few attempts were made to negotiate on behalf of the neighborhood and little of collective value materialized. Then, in 1979, local activists from the Catholic church encouraged a group of disgruntled residents to take legal action to have the leaders of the ineffective neighborhood association removed. It was the activists’ intent to bring to an end the practice of clientelism in the *favela*.

The president who was subsequently elected to the neighborhood association made it his business not to end the *favela*’s relationship with politicians but to change the nature and the terms of the deal. Instead of encouraging residents to vote in the hope of a reward, he let it be known that the *favela*’s support would go to the individual (regardless of party affiliation) who bid and delivered the most prior to each election. This invitation provided the basis for what soon became a dense network of relationships between the neighborhood association and politicians.

The president of the neighborhood association achieved such success over the years that it was often difficult to determine which party to the clientelistic transaction enjoyed the upper hand. The exchange relationship became so routine that the president entertained as many as four candidates for political office at the same time. He would tell each candidate how much the neighborhood’s votes would cost and play one candidate off against another. At election time the president may receive at least one phone call a day from office-seekers who are looking to buy votes.

By all accounts, the president’s greatest achievement was the paving of the community on the eve of the elections in 1982. At the next election he secured construction of two bathrooms in the recreational area that was used as a pre-school at the back of the neighborhood association building.

Adapted from Gay (2000).

Political patronage also has latent functions. Firing staff as part of a “spoils system” is disruptive and leads to loss of organizational memory; replacing staff with unqualified political “hacks” cripples government capacity. Favoritism in personnel decisions encourages toadyism and discourages underlings from speaking their minds or using their expertise if it threatens their career. Nobody admits liking these things. However, favoritism is also a means of gaining or maintaining control. One of the best ways for a political leader or agency manager to stay in

control is to be surrounded with loyal people. He or she may calculate that some inefficiency is a small price to pay for loyalty. Patronage allows leaders to build a temporary team of public managers who share the leaders' policy agenda and who can be counted on not to sabotage or delay important programs—which is critical for democratic accountability.<sup>6</sup> Arranging jobs for supporters is also one of the instruments that leaders have to strengthen political parties. Since party organizations are needed to mobilize public participation in civic affairs, party building is an additional latent function of patronage that may move democracy forward.

Another hidden or unintentional advantage of *de facto* governance can be to set up a buffer between society and an impersonal state. Bureaucratic organizations are a mechanism for converting policy into standard courses of action. They assure efficiency gains from organizational specialization and expertise, and from developing universally applied solutions. For routine tasks, no one has identified structures and measures that work better. However, bureaucracies also can be inflexible, uncreative and uncaring. They bog down in rules that have outlived their original purpose, a phenomenon sociologists call “goal displacement.” Bureaucrats come to treat procedures as ends in themselves, at the expense of the larger purposes procedures are supposed to serve. Goal displacement gives rise to improvised behavior outside the formal rules. Going by the book takes too long; the only way to get things done is to work around the system. This may make policy less harsh, tailor it to local conditions and expedite decisions taken under it. Ad hoc governance further serves to humanize bureaucracy: “bureaucratic universalism boils down to indifference and gives rise to feelings of impotence and helplessness” (Gunes-Ayata 1994: 21). Clientelistic relationships with bureaucrats can help people mitigate such feelings. Particularly for the poor and marginalized, these informal patron-client arrangements can be attractive.

The latent functions of institutional dualism are important, because they help explain opposition to well-intended governance reforms. Entrenched elites are not the only people who put up resistance. Governance reforms may not look like an improvement from the perspective of someone on the bottom rungs of society who has adapted to a particular blend of formal and informal institutions. It is important for donors and other change agents to avoid the presupposition that low-income people see clientelism in wholly negative terms, which the Brazil *favela* example shows they may not do. While in a perfect world, slum dwellers and other marginalized groups might prefer to get security and assistance from government, they turn to informal insurance mechanisms when they have no other choice or when they lack confidence in the public sector. This is not a matter of “false consciousness” or “traditional values,” but a reasonable assessment of risk. By taking a more neutral view of patron-client systems, development professionals will be in a better position for assessing the improvements that are likely from authorizing up any new set of official governance institutions.

Our argument should not be misinterpreted to say that all governance systems are basically the same, or that clientelistic politics and patrimonial administration cannot or should not be altered. As societies grow richer and more complex, they tend to rely more heavily on the universalistic and egalitarian principles typical of democratic and rational-legal governance. This is both a positive end in itself and a means for making further social, economic and technological

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<sup>6</sup> Interestingly, the original intent of U.S. President Andrew Jackson's spoils system in the early 19<sup>th</sup> century, referred to by advocates as “rotation in office,” was to combat elitism and increase government responsiveness to citizens (Dionne 2001).

improvements. Nevertheless, institutional change is neither linear in direction nor entirely predictable in different countries, and patron-client networks may provide an important social safety valve for a long while. International development agencies should be wary about their ability to speed up or steer the process of institutional change and be prepared for unexpected outcomes.

### *Clientelism and patrimonialism in practice*

The next sub-sections of this paper explore the costs and benefits of five economic and social phenomena associated with clientelism and patrimonialism in practice: rent-seeking activity, public corruption, interrupted and weak implementation, ethnic politics, and the perpetuation of poverty and social exclusion. These things often get out of control in clientelistic political systems and on balance hurt society. A key issue is the pattern of gains and losses. The gains, derived from the latent functions of clientelism and patrimonialism, go to the specific patrons and clients involved in exchanges, while the losses tend to be distributed widely among members of the polity.

#### *Rent-seeking activity*

One problematic type of political behavior is what economists call rent seeking—or actions by individuals and groups to alter public policy and procedures in ways that will generate more income for themselves. Rent seeking is endemic to politics. However, it may become unmanageable in patron-client systems because they tend to have fewer countervailing powers or “agents of restraint” (Collier and Pattillo 2000) to check the insiders as they use their contacts to pursue self-serving government policies. Under competitive democratic conditions, on the other hand, rival interest groups may achieve a rough equilibrium or stalemate regarding the production and division of economic rents.<sup>7</sup>

Economic rents are simply windfall gains that would be absent in competitive markets. When government intervenes in markets, it creates “distortions” that are one source of economic rents. Since human beings are opportunists, they will work to make government produce more distortions—that is, they will engage in rent seeking. Conservatives are quick to point out that rent-seeking behavior is mostly about how to divide and consume the economic pie (a zero-sum game), instead of how to make the pie bigger (a win-win proposition). It does not entail new economically productive activity, but rather an effort to gain control of the “artificial” payments generated by government endeavors. That usually means taking revenue from one group and giving it to another—though often the redistribution occurs in subtle ways that attract little attention.

Examples of government intervention that creates economic rent include occupational licenses, franchises, permits, special tax breaks, business subsidies and tariffs. All generate value for some groups or individuals, but the intervention also may lead to a misallocation of resources and other inefficiencies that impose sacrifices on other groups. For example, an opaque and confusing tax

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<sup>7</sup> Quantitative analysis sponsored by the Inter-American Development Bank suggests that institutions that increase the flow of information to citizens and encourage political competitiveness reduce the scope for the appropriation of rents. See Adserà et al. (2000).

code is a boon for accountants and lawyers in the private sector, and for revenue agents in the public sector. Taxpayers bear an extra burden of having to figure out how to comply with the code. Government procurement can also be a source of economic rent if the government allows itself to be overcharged. The same is true of pork-barrel infrastructure projects, assuming the funds would have been better spent elsewhere.

Critics say the competition for rents drives governments to do things that are not best for society as a whole. Rent seeking distorts economic incentives and deflects the productive energy of society's most able members. It may skew the way development strategies are designed with a tendency to favor inward-looking policies (Kurer 1996). Rent seeking may foster "crony capitalism," with too many economic decisions made on political criteria rather than sound business reasons. Something like crony capitalism can also occur among state-owned enterprises in nominally socialist systems, such as Vietnam, with its web of patron-client relationships, sometimes termed the "umbrella system." Enterprises were substantially freed from ministerial micromanagement in the late 1980s, but the rent seeking and rent trading continued. Market and management reforms have floundered in Vietnam and have not addressed the fundamental problems of improving economic performance (Appold and Phong 2001).

The competition for rents also affects political development by reinforcing fragmented and "vertical" political connections, based on individual ties to leaders, as opposed to shared interests among members of civil society organizations and political parties representing citizens.<sup>8</sup> In the Vietnam case, for example, strong bonds between enterprises that could act as a basis for countervailing power are not in evidence. These vertical relationships can lead to unstable factionalism and feuding between patron-client networks. Anyone outside the favored faction can expect little from government and the collective goods that are produced tend to be distributed as political pork to help supporters. A divisive, winner-takes-all mentality may emerge and interfere with the give-and-take approach needed for democratic governance to flourish.

Consider Jamaica, which has a competitive two-party system, a working Westminster style parliament, and an independent judiciary—but also a social and economic legacy of plantation agriculture. Party activists at the local level attach themselves to elected officials who provide them with government benefits, such as public housing. Rival party activists are shut out. Over time, public housing estates and land resettlement schemes have turned into a patchwork of reliably partisan constituencies. Regrettably, many also became armed "garrison" communities that are breeding grounds for political gangs (Figueroa and Sives 2002). Violence and organized crime are Jamaica's greatest obstacles to development. The zero-sum game over rents can become especially destabilizing in societies with major regional, ethnic or religious blocs, particularly if the divisions overlap with and reinforce the patron-client networks (see the section on ethnic politics, below).

Yet, rent seeking does not always dissipate resources or lead to conflict. It may have socially desirable byproducts. The key is healthy competition. In most democratic systems, horizontal interest groupings based on occupation or social class lobby the state on behalf of their members. Where there is balance among groups, this may lead to a positive-sum game that produces rents that benefit larger sectors of society—not simply a zero-sum squabble over narrowly self-serving

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<sup>8</sup> Many political scientists argue that even in well-established Western democracies the dynamics of interest group politics undermine the public interest (see Lowi 1979).

projects and programs. Similar beneficial spillovers can happen in clientelistic systems as long as leaders do not have a monopoly on patronage, and their followers have freedom to switch alliances. In Thailand, for example, the contest among patrons to maintain support networks is said to have aided the country's shift from agriculture to manufacturing. According to Doner and Ramsay (1997: 239), intra-elite rivalries opened market opportunities to a variety of business clients. Because none of the favored Thai companies could be sure of holding onto the economic rents they had received, they avoided making inefficient investments and began instead to develop internationally competitive industries. Another constructive scenario occurs when groups vying for government favors inadvertently prevent policies that would cause social harm or promote policies that serve a social good. For instance, when an exporters' association applies pressure for a lower exchange rate to help its members this may have a positive spillover on the nation's economic competitiveness. Botswana has long been an open economy due to the political clout of its export-oriented cattle owners (Samatar and Oldfield 1995).

The literature on developmental states suggests that efforts to "get the prices wrong" and capture economic rents can actually be critical to industrialization. The reason for this is that industries at a competitive equilibrium may not generate sufficient surplus or profit to finance a rapid expansion of capacity and breakthrough into new markets.<sup>9</sup> Thus, instead of precluding high-speed economic growth, pervasive clientelism and rent seeking turn out to be conducive to fast growth over long periods in some countries (Khan and Jomo 2000). South Korean businesses, for example, give family and personal relations primacy over legal rules. A cozy relationship has grown up between a few giant conglomerate corporations and the state, involving the transfer of large subsidies, which some experts suspect may hold the key to rapid industrialization in that country (Biggart 1990). Throughout Asia, the Chinese business community has built mutually beneficial formal and informal relationships with governments of countries such as Malaysia, Indonesia and Taiwan (Perkins 2000). These arrangements have worked because the economic rents are apt to be reinvested not simply consumed.

Africa shows the detrimental effects that occur instead, when favored elites squander rents on themselves. As opposed to the material progress in Asia, African neopatrimonial economies stagnated and sank under the weight of rapacious rent seeking orchestrated by national leaders. Walker (1997), for example, argues that many African leaders designed legal and administrative procedures precisely to maximize the opportunities for rent seeking, thereby mining their economies of their assets at the expense of citizens. Szeftel (2000) notes the catastrophic consequences of African governments' obsession with the division of economic and political spoils to the exclusion of concern for economic development or social justice (see the discussion of predatory states in the next section on corruption).

Finding an equilibrium between the consumption and reinvestment of rents is what Geddes (1994) calls the "politician's dilemma." Political leaders depend on rents to build up their political base. Yet, an excess of rents yields fiscal deficits, inflation and economic stagnation. Poor economic performance will threaten the dominant coalition's hold on power. The politician's

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<sup>9</sup> This view is confirmed in the management literature on corporate strategy, which claims that the ability to create and capture monopoly rents is the key to long-term competitive advantage. It should be noted that the successful developmental states also rely heavily on policymaking by a relatively apolitical elite of bureaucratic officials, who are protected from the day-to-day pressures of rent-seeking companies and individuals and thus can take a broader and longer point of view (Evans 1995).

dilemma is to distribute sufficient benefits to keep the loyalists happy (so they will finance campaigns, canvass neighborhoods, intimidate rivals), while avoiding economic hardship that may alienate the rest of society and destabilize the regime. In trying to walk this tightrope, many countries end up with weak economic performance.

This happened in India. Heavy regulation of business and an inward-looking development strategy provided countless opportunities to gather economic rents. Indians have a special name for the rent-seeking system that grew up in their country. They call it the “permit raj”(Yergin and Stanislaw 1998). Indian bureaucrats liked this system of quotas and licenses because it assured them a job and enhanced their power (and offered opportunities for corruption, discussed next); some business people did not mind heavy regulation because it protected them from competition. But India’s economy lagged.

If rent seeking goes too far, patrons find it difficult to continue satisfying the demands of friends and followers. Shortage of resources encourages additional heavy-handed intervention in the economy, which compounds the problem. It is possible, however, to break the cycle. India dismantled much of the permit raj in the 1990s. India’s economy grew as much over that decade as it had in the previous 40 years since independence. By comparison, many African countries remain mired in interlocking neopatrimonial structures, and despite some efforts to reduce rents, such as streamlining business regulations and eliminating government commodity boards, the gains in economic growth have been marginal.

### *Corruption*

Clientelism is widely associated with corruption, which USAID (1999) defines as the abuse of positions of public responsibility for private gain.<sup>10</sup> In the public sector, a distinction is sometimes made between political corruption and bureaucratic or administrative corruption, with the latter pertaining to the abuse of appointed or professional jobs, as opposed to elected positions. In either case, the corrupt activities involve taking advantage of the power inherent in a government office to advance personal interests. Abuses include bribery and extortion (payment for favorable government decisions), nepotism and favoritism (giving preferences to unqualified family members or associates for public jobs or contracts), and embezzlement (theft of state funds).

Countries are also subject to electoral corruption, which is a somewhat different concept. This entails unfair means to obtain or hold onto government offices, for example through voter intimidation and ballot stuffing. Electoral corruption may also take less pernicious forms, as illustrated by a case in Mexico: the ruling party used a federal anti-poverty program to funnel funds to local civic organizations that gave it electoral support (Molinar and Weldon 1994). This was unfair but not entirely harmful for low-income people. All these forms of corruption are related: the chief reason for trying to manipulate elections usually is to protect opportunities for incumbents and their allies to enrich themselves at public expense. (Electoral corruption is discussed more fully later in this paper, in the section on democratization.)

Many people mistakenly see corruption as synonymous with rent seeking, when it is better seen as just a special form of it. An individual in quest of economic rents may use corrupt means or

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<sup>10</sup> Corruption, of course, also takes place within private organizations (insider trading, accounting fraud and so forth). Private corruption is beyond the scope of this paper.



reputable means to obtain them. While all rent seeking aims to enhance earnings, corrupt methods break the law or firmly established custom. Trying to obtain special benefits from government is a legitimate activity as long as it stays within the bounds set by legal statute or clear community standards. Representative governance systems cannot work without the information conveyed through lobbying and political advocacy. If citizens and interest groups are silent about their needs, elected delegates will have little idea of how best to serve their constituents. Policy advocacy is a core element of established democracies. Corrupt lobbying occurs when some citizens or interest groups gain unfair access to those delegates through fraudulent or criminal means. Because many developing countries lack effective control and disclosure mechanisms, rent seeking slides easily from legal bounds into corruption.

Corruption from the perspective of a government official (either a politician or a state employee) involves using the workplace as a venture from which to extract extra income. Corrupt officials may take bribes for the otherwise lawful granting of licenses, state bank loans or government contracts. They may misdirect public funds for their own or friends' benefit. Or they may look the other way on smuggling or tax evasion as a way of assisting allies in return for continued political support. Economists frame such misbehavior as a principal-agent problem. We often have to rely on someone else to act on our behalf, so we turn over decision-making authority to diverse agents. Corruption arises in government because agents (in this case elected or appointed officeholders) have occasion to put their interests ahead of duty to their principals (the citizenry). As officeholders look after themselves, they sometimes act to the detriment of the citizens for whom they are supposed to be working.

Principal-agent conflicts are largely conflicts of the formal realm of governance. This is because only the formal systems recognize the theory of popular sovereignty, separate the public from the private domain, and devise rational-legal institutional structures to produce and manage public goods and services. Informal systems are not meant to be representative, and they do not neatly divide the interests of the officeholder from the interests of the citizenry, so corruption is a non-issue. No breach of trust results from using a government office for private gain, if that is the accepted norm—as it was under the medieval “prebendal” systems that Weber described.<sup>11</sup> Darden (2002) makes the point that the illegal practices we identify as corrupt today may actually reflect the fulfillment rather than the violation of an informal “contract” between leaders and their subordinates.

We sometimes hear that corruption is subjective and culturally defined. This is another way of saying that some people are more tolerant of conflicts between public and private interest than the law is. The degree of tolerance, however, differs from society to society. In patrimonial societies, people expect friends in high places to bend the rules for them. They may think it wrong *not* to receive special consideration under such circumstances. From a relativist perspective, “corruption” stems from social norms that emphasize gift giving and that put loyalty to family or clan above the legal code. However, such a line of reasoning looks suspiciously like a rationalization for criminality and exploitation. The fact remains that juridical expectations regarding the disposal of state property and the taking of bribes are quite similar around the world, even if enforcement differs.

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<sup>11</sup> Prebends are offices officially endowed with revenue-generating assets.

Bribery and graft thrive in neopatrimonial states due to the murkiness of government procedures and the wide discretion afforded public officials. Lax legal enforcement and administrative systems that do not reward honesty and competence allow officials to exploit these opportunities. Private-sector actors see pay-offs as the path of least resistance or simply as a way to level the playing field if “everyone else is doing it.” One gauge of the extent of corrupt governance is whether officials collect bribes and/or falsify records blatantly, or do so covertly to maintain the fiction of rational-legal administration. Sometimes corruption goes so far that a state degenerates into a perverse form of private enterprise, where most government services are sold to the highest bidder. Zaire during the Mobutu regime is often cited as an extreme example where market transactions permeated the public realm and undermined all confidence in government (Evans 1995, Reno 1997).

At times states pursue extraction so recklessly that they inadvertently destroy the productive capacity of the private sector. Such states have been labeled predatory or kleptocratic. Though the terms are not very precise and it is difficult to pin down which states fall into this category, state predation is said to exist when the rulers ignore long-term efforts to build a well-functioning state based on economic development and social equity, and state institutions are given over almost exclusively to maximizing the ruler’s stake and ability to payoff supporters. Government squeezes the formal economic sector and drives legitimate business activities underground as investors try to minimize the possibility of expropriation. Capital outflows erode the ability of the economy to generate surpluses, which encourages deeper exploitation of the country’s productive assets. Eventually the patronage networks may fragment as state resources decline and the ruler loses control of the once-loyal local strongmen.

Elites are not the only ones who take part in predation by exploiting public resources for personal gain. Englebert (2002) cites the case of Congo’s (the former Zaire) badly deteriorated roads. At the site of potholes or other major obstacles, local youth often set up roadblocks and demand payment for their “maintenance” of the road. In fact, far from repairing or maintaining the road, they make sure the road remains in bad repair so it will provide a constant source of revenue. As a group and from a longer-term perspective, these young people would benefit by doing repairs and encouraging more traffic in their village, but from a short-term individual perspective, they find greater advantage by cashing in on the decayed public thoroughfare.

Predatory political behavior may degenerate into extensive state criminality, with government officials linking up with or even running rings of smugglers, drug-runners and money launderers. This is especially likely in countries such as Liberia and Sierra Leone with abundant mineral resources (notably diamonds) that provide a ready source of patronage (Reno 2000). If central rulers fail to keep patrimonial networks happy, or if rival leaders can turn to smuggling and gun-running to fund opposing networks, this may provoke state failure or collapse and the rise of warlordism to fill the political vacuum. The warlord or gangster-politician is simply the head of a patron-client network (using violence and terror as much as the distribution of favors) that controls commercial activities and is the effective source of governance in some territory or locality where the central state has withered or disappeared (see Box 2). The presence of warlords can destabilize neighboring countries and even present a national security threat to the United States if the warlords choose to welcome or tolerate international terrorist cells.

### Box 2. Predation and state collapse in Sierra Leone

Facilitated by a one party state, neopatrimonialism flourished in Sierra Leone after independence. The patronage system was financed from kickbacks in mining concessions, diverting of taxes and foreign aid, and income from diamonds. The state became in effect a front organization for extracting resources from the private sector according to Reno (1995). A small urban elite profited but little of the national income trickled down to the rest of the population, who became by some measures the world's poorest people.

Far from wanting an effective government administration, those in power saw a functioning system of administration as a threat to their own power base. Infrastructure may have been allowed to fall apart on purpose because it created opportunities for graft. As the formal economy contracted the state lost all legitimacy (Conteh-Morgan and Dixon-Fyle 1999). Collapsing public institutions and authority, coupled with the opportunity for plunder, encouraged rebel groups to proliferate. Civil war commenced in earnest in 1991. Rebels raided towns and villages, looted property, and mined and sold diamonds through illegal channels.

Sierra Leone's main rebel group, the Revolutionary United Front, used the proceeds of the illegal trade to purchase weapons, equipment and supplies for its fighters. The movement murdered unarmed civilians, mutilated the survivors, and forced captured girls into prostitution. Rival tribes were targeted. The young men have dubbed the war "operation pay yourself." They fight without wages, free to pillage the civilian populace. With access to diamonds and other booty, neither militia members nor many government soldiers see much reason to end the fighting, which sputters on despite a negotiated settlement in 1999.

Some of the earlier writing on development argued that a small amount of political or bureaucratic corruption could be benign or even have net advantages, for example by cutting red tape (e.g., Huntington 1968).<sup>12</sup> However, current thinking, based on numerous analyses, is that dishonest dealings in government usually do far more harm than good (e.g., Elliott 1997). Even where the state continues to provide basic services, corruption hurts economic performance because it breeds cynicism among citizens and saps confidence of international investors. The economic cost of corruption in China, for example, is estimated at 2 to 3 percent of gross domestic product (Hodess et al. 2001). That may be bearable in an economy like China's, growing 10 percent per year, but be devastating where the economy is sluggish or contracting, as in many parts of Africa.

#### *Stop-and-go reform and weak implementation capacity*

International donors are regularly frustrated by the way aid-receiving countries fail to follow through on promised economic, sectoral and governance reforms. This has been labeled the "partial reform syndrome" (see for example van de Walle 2001). Bolivia is characteristic. One of the principal formal-legal instruments for public sector reform is the Financial Administration and Control System Law. According to a World Bank (2000) report, the law offers a reasonable legal framework for regulating public administration, but there is little evidence that it had its intended impact on the functioning of the Bolivian state bureaucracy. One reason was a seven-year delay in

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<sup>12</sup> This does not mean all forms of corruption are equally harmful. Bhagwati (2001) makes a distinction between rent-creating corruption and profit-sharing corruption. In his view, the latter type of corruption gives insiders and well-placed individuals a stake in economic efficiency and development, and is therefore tolerable. Rose-Ackerman (1999) and others also argue that the optimal amount of corruption is not zero, since society incurs a cost to prevent it.

the issuance of key implementing regulations. The Ministry of Finance, which was in charge of overseeing implementation of the new control system by line agencies, was not fully behind the reforms and preferred to focus instead on the traditional role of macro fiscal management.

Why is it that reforms like these, which usually take a major effort just to be approved, routinely face reversals? In some cases, technical and administrative capacity is insufficient to make progress with policy reforms. However, experience has shown that as important, or in some cases, more important than capacity are political and institutional factors that influence the incentives policymakers and bureaucrats face (see Brinkerhoff and Crosby 2002). Clientelistic and patrimonial governance systems can lead to a significant gap between espoused and real commitment to reform.<sup>13</sup> Donor-supported reforms such as structural and sectoral adjustment, contain measures that, if implemented completely, significantly reduce opportunities for rent seeking, state control over economic assets, and government discretion to reward clients. The partial reform syndrome arises because aid-recipient governments seek to maintain their patron-client bases. That may be more important than, or at odds with, stated priorities laid down in the conditions of a development loan. Since loan conditions may in fact expose governments to great political risk, governments may be reluctant to go along with what they have signed up to do, and thus pursue reforms either at a glacial pace or highly selectively. Moreover, the availability of a loan may inhibit organizational learning by creating incentives to postpone hard decisions. A neopatrimonial regime may see the loan as a new source of largesse to distribute to its allies and supporters, and never really intend to meet loan covenants. The development agency's temptation is to pile on the conditions, but that may create more noise and make it easier for aid recipients to hide the fact that they are not living up to their promises.

Even in cases where governments are sincerely interested in pursuing reform, when they are beholden to clients for support and have little or no ability to reconcile or resist their supporters' demands, then moving ahead with change becomes difficult or even impossible. These dynamics influence not just reform efforts, but capacity to provide routine public goods and services. In neopatrimonial states, the distribution of services is determined by what Migdal (1988) calls "triangles of accommodation" among bureaucrats, politicians and strongmen. Where survival depends on pleasing patrons and maintaining power over clients, bureaucrats tend to opt for token implementation of official policies, doing just enough to give the appearance of delivering services according to formal regulations and procedures while informally trading public resources for power, influence and cooperation. At the local level, these social relations often play out independently, to varying degrees, of patron-client patterns at the center. Accommodation to local strongmen is less visible, bureaucrats often have more leeway, and the power of the strongmen to mediate demands and control local residents is high. (See section on decentralization below.) Thus, clientelistic politics and patrimonial administration can be strong contributors to weak policy implementation capacity, which can undermine both regular service delivery according to basic principles of equity, entitlement and need, and reforms that seek to change the mix of goods and services provided or the delivery mechanisms used.

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<sup>13</sup> Gaps between stated policy and actual performance are common in all organizations, of course, not only in aid-receiving governments. Sociologists have long noted a useful distinction between what they call the operative goals of organizations and the official goals. The operative goals are the ones organizations actually pursue and they always deviate to some degree from official goals. Regarding developing countries, Migdal's (1988) classic in-depth exploration of weak states analyzes how and why these gaps occur, with a focus on clientelistic state-society relations.

It is hard to see a positive side to stop-and-go reform, but even here there may be a small hidden advantage if it allows policymakers to learn what works in practice. Given their imperfect knowledge, planners never foresee all contingencies. Thus, sometimes a failure fully to carry out a stated policy is a blessing in disguise because it allows for minor adjustments in policy and limits the risk of making major unanticipated blunders. From this perspective, the partial reform syndrome is at times a way of tailoring donors' proposals and projects to fit unique national conditions.

### *Ethnic politics*

Clientelism is often linked with ethnicity and an absence of collective class identity (Lemarchand 1972). An ethnic group is made up of people who see themselves as sharing a common ancestry because of similar physical type, historical experience, language, religion or other customs. While it looks "traditional," ethnic consciousness is usually a "modern" phenomenon that results from isolated groups being brought into contact within larger political units. This is an easy basis on which to segment a population and channel resources to favored groups.

Democratic rule may make identity politics and patronage grow more pronounced. Under competitive conditions, political bosses need criteria to single out and reward followers and to exclude non-supporters. Because ethnicity serves this purpose well, the patron has an incentive to build a winning coalition by steering benefits toward people who visibly share the same background or heritage. For their part, low-income voters may mobilize into ethnic blocs as a strategy for maximizing their chances of obtaining individualized benefits available from the state (Chandra 2001). Even as such benefits dry up, there is logic to voting for politicians from one's own tribal or linguistic group, on the grounds that such a politician will tend to defend the interests of the group as a whole. Wantchekon's (2002) field work in Benin, for example, indicates that clientelism has a significant impact on voting behavior and tends to reinforce ethnic voting.

Ethnic politics are seldom seen in a positive light. They are divisive, exclusionary and prone to escalate into violent struggles over finite resources. For example, during the Lebanese civil war, that country's clientelistic networks degenerated into rival sectarian militias. By virtue of armed strength, the militias divided Lebanon into semi-autonomous cantons run on the basis of unrestrained corruption and extortion that benefited militia members at the expense of ordinary clients (Hamzeh 2001). It is easy to overlook that ethnically oriented clientelism, like most aspects of informal governance, can have beneficial outcomes, too. In highly pluralistic societies, patronage and political pork may be the best instrument for building bridges across ethnic groups. This was often the case during the post-independence, "nation building" phase of African history, though in many cases the ability of African regimes to use clientelism as a way to accommodate minorities has diminished under structural adjustment programs.

### *Poverty reduction*

Patron-client networks play an ambiguous role in the fight against poverty. While clientelism can bring benefits to some of the poor, it breeds inequity because it excludes individuals who have no assets with which to negotiate. More prosperous people who lack patrons due to ethnicity or partisan affiliation may also be left without access to work or land and other factors of

production. People within a patron-client network use state authority and resources to improve their incomes and livelihoods, but even the network participants may be held down because of the unequal or extortionate character of the exchange relationships in which they are trapped.

As we have seen, some patrimonial leaders develop a vested interest in slow or negative economic growth. Such power brokers do not want their clients getting richer because that would alter the balance of power to the brokers' disadvantage. The rent seeking, corruption and ethnic conflict associated with many patron-client systems may inadvertently fulfill their wishes by strangling the private sector. On the other hand, clientelism exists in countries with very different income levels and poverty rates. Some leaders recognize that a "growing pie" may actually preserve their ability to use clientelism. For instance, as long as the economy was surging ahead, as it had for decades, the Suharto government in Indonesia could shore up its power by forging clientelistic links with disparate groups in society in the form of privileged contracts and protected monopolies. Family members and business associates were also richly rewarded. When the economy collapsed there was no way to hold together existing rent seeking arrangements or to accommodate new groups (Abbott 2001).

Clientelism is too complex and varied a social phenomenon to always produce the same effects, and this applies to poverty reduction. Many Asian countries have seen wide improvements in health, nutrition and education in recent decades despite the prevalence of patron-client relationships, though notably those nations often had relatively egalitarian distribution of assets to begin with. The poor have fared less favorably in Latin America or Africa, where the gulf in incomes is often much deeper.

#### *Analytical framework for diagnosing clientelism*

Expanding on what we have said thus far about the dynamics of clientelistic politics, Table 3 outlines how to assess the patron-client systems that exist in different countries. We see the illustrative questions in the table as constituting potential additions to other analytic tools rather than as a stand-alone investigation. For example, they could be integrated into the Democracy and Governance Office's DG assessments, decentralization handbook, or anti-corruption guidance (see USAID 2000a, 2000b, 1999).

We recognize that using the framework poses a number of data collection problems, which are shared by other investigations into governance issues. Little of the information regarding patron-client systems is likely to be available in documents, since by definition informal governance practices are tacit, undeclared, and not readily verifiable. Thus, data collection must rely on: a) existing data bases and b) key informants. Regarding the former, for some countries, there are scholars and analysts who have focused on governance issues over extended periods; their work constitutes a valuable data source that can inform and deepen an assessment exercise. Other data sources include the various monitoring and reporting systems that compare and rank different countries, for example Transparency International's annual corruption perception index and Freedom House's annual country assessments of the state of freedom. These can help to sharpen the focus of in-country investigations.

Using key informants requires creativity and recognition that their views are inevitably incomplete and biased in ways that may not be immediately obvious. Government informants

engaged in quasi-legal or illegal activities are unlikely to be forthcoming in interviews with outsiders. Citizens may be reticent as well; reluctant to cite specifics, fearing in certain cases some kind of retribution. Often informants may not have direct experience, and thus report on general perceptions, rumors, and allegations rather than verifiable facts. Donors need to partner with knowledgeable indigenous individuals or groups for data gathering and analysis. Partners could include, for example, local chapters of Transparency International; academics from departments of political science, sociology, or anthropology; staff of think tanks; government personnel in anti-corruption, ombudsman, or oversight and accountability agencies; members of the media; and/or citizen advocacy associations or watchdog groups.

Because clientelistic politics are most common in conditions of low productivity and high inequality, the first analytic task is to understand the cultural and sociopolitical context of the country, including underlying social relations and traditions, basic characteristics of the state and the economy, and the range of choices available to citizens. Regarding culture and social relations, it is useful to appreciate the balance of power among social groups, the depth of dependency relations, and the extent to which poor people rely on elites for land, credit and other resources. These factors create a social setting in which clientelism is likely to thrive. This is especially so where the private sector is relatively impoverished and the public sector is a major source of money and help. Concerning the contextual variables related to characteristics of the state, its governance systems, and the economy, it is important to identify the structures and incentives that limit or encourage clientelism and patronage. For example, do policy making and resource allocation take place transparently and more or less according to written rules? Has the state been captured by particular segments of society, or is it being used by leaders for pillage and personal aggrandizement? How distinct are the boundaries between public and private?

Table 3. Skeleton Diagnostic Tool: Analyzing Patron-Client Systems

**CONTEXT**

Culture, social relations, and tradition

- How extensive are poverty and lack of ownership of or access to productive assets? How stable are incomes?
- What is the degree of social and ethnic heterogeneity? Are there marginalized minorities?
- What is the relative balance of power among social/ethnic groups?
- What is the degree of elite monopolization of economic resources?
- What dependency relations exist between elites and the poor?
- Is there religious or historical legitimation of clientelism?
- Are ethnic or familial ties important to political and economic decision-making?
- Are social relations primarily hierarchical and vertical, or egalitarian and horizontal?

Characteristics of the state and the economy

- To what extent do public agencies operate as rational-legal bureaucracies? What is the proportion of political appointments in the civil service relative to regular career employees?
- How clear are the boundaries between the public and private sectors? Do leaders see state institutions mainly as a means for rent-seeking and personal corruption?
- Does the state dominate economic decision-making? How large and important is the public sector in comparison to

the private sector, especially the informal sector?

How scarce or abundant are government resources? What assets are actually or potentially available for patronage?

Is decision-making monopolized by one or more social/ethnic groups? Do policies and programs regularly favor/exclude certain groups?

How transparent are government regulations and procedures? Do citizens know what services they are entitled to? How accountable are government agencies for the application of regulations and procedures?

### Agents of restraint and enforcement

Do changes of government take place through open and fair elections? What is the degree of vote-buying, coercion or other irregularities?

Are there alternative political parties, and are they programmatic or personalized? Are there effective community organizations? What other interest groups exist that act or could act as a countervailing power to patron-client networks?

Do people have choice among competing patrons or are they locked into monopolistic dependency relationships? To what extent are new patrons emerging or likely to emerge?

What is the relative balance of power among the executive, judicial and legislative branches of government?

What other institutional and legal checks and balances exist that inhibit clientelistic practices? Ombudsmen? Secret ballots? Others?

### ACTORS/ACTIONS

How prevalent are favors and special considerations for constituents? How widely are patronage jobs and contracts distributed? Who is appointed?

What is the frequency of demands for bribes and kickbacks in return for service delivery?

Are there particular sectors that exhibit high degrees of clientelistic practices?

What is the distribution of public goods and services? Do many people/groups have a chance of being assisted by government? Who is left behind?

Who are the patrons? Intermediaries? How personalized are patronage relationships? Direct to national leaders? Mediated by political parties, by ethnic or religious groups, or by lower-level administrative officials?

What constituencies exist for reforms? Where are they located (state, civil society, private sector)? Are they mobilized (what actions will they take to support or oppose change)?

### OUTCOMES

#### Apparent functions and reciprocity

How much do clients give up in these relationships, and what do they get in return?

For patrons, are the economic impacts of clientelism and patronage perceived as substantial or marginal?

Are the resources channeled through clientelistic networks consumed or invested? Are they employed locally or transferred abroad? If consumed, is this in the form of quasi-public goods (political pork) or mainly individual favors?

What is the perceived impact of clientelism on private investment, both domestic and foreign?

Are the current levels of patron-client relations accepted as tolerable or is there widespread outrage?

Have the current levels and patterns of clientelism led to social/ethnic tensions and unrest, cynicism and political apathy?

#### Latent functions and hidden outcomes

Are there hidden or unintended social benefits of patron-client networks? For example, is clientelism an essential social safety valve? A means of integrating new groups into the larger society? A way to co-opt elites?



Do the recipients of patronage do their job regardless of how or why they got it?

Does clientelism compromise core state functions? For instance, is the central bank politicized? Is clientelism so bad that technocratic elite has not emerged within the civil service?

How large is the *net* cost of clientelism to society as a whole? To poor people in particular?

Are these relationships breaking down or evolving? If so what is replacing them?

The next category of questions looks at clientelistic governance practices in action. The aim here is to identify the prevalence and distribution of these practices, ascertain which societal actors are involved, and figure out the pattern of winners and losers. For example, to what extent are public health services or agricultural loans provided according to pull or influence, as opposed to being offered to people based on objective criteria of eligibility? How evenhanded is the hiring for rural road repair or food-for-work projects? Is there an orderly and needs-driven system for deciding where to build or renovate schools, clinics and community centers? Do certain people have to make under-the-table payments to teachers, health workers, or police officers to obtain services? Useful techniques for assessing actions and actors are stakeholder analysis and political mapping (see Brinkerhoff and Crosby 2002). Another important aspect of this step in the assessment is to identify where there are actual or potential constituencies for change. Are there political leaders who have expressed commitment to address governance issues related to clientelism, abuses of patronage, or corruption?<sup>14</sup> Are there members of the business community and civil society who are opposed to these practices? What actions have they taken to express or act upon their opposition?

The last two sets of questions about patron-client arrangements have to do with how one-sided the outcomes are and the net effects on society and the economy. These are primarily issues of the functions of clientelism, some of which are readily apparent and others hidden, and the distribution of costs and benefits. The aim is to use the results of the contextual analysis and identification of specific actions and actors to provide clues as to whether the net social outcomes are negative, and if so, the perceived magnitude of the cost. If members of a particular ethnic group or political faction monopolize patronage and other government benefits, the social cost of clientelism is probably high. This kind of situation can lead to increased poverty among groups marginalized by these dynamics, and can provoke social tensions that can erupt into conflict and violence. If, on the other hand, meaningful competition occurs and many different types of people share government benefits, or if marginalized groups gain access to services and social exclusion is reduced, then the social cost may be much lower or even represent a net social gain should enough people participate.

On the economic side, the impact of clientelism is affected by how the government resources are employed, whether they are consumed or re-invested and, if re-invested, by the productivity of those investments. When clientelism or patrimonialism has a neutral impact on government output, the opportunity cost may be tolerable. For instance, hiring family relatives to do administrative jobs should not diminish the quality of the work being done provided the relatives are qualified to do the jobs. Or, consider a public works contract. The fact that a favored firm got the construction contract is less important than whether the company actually built the road or

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<sup>14</sup> The degree of political will for reform is both critical for sustainable change and hard to assess. Its absence is often used after the fact to explain why reform failed. One effort, supported by the DG Office, to explore how to examine political will can be found in Brinkerhoff (2000a).

bridge up to standards and on time. Donors should worry first about output and give less weight to the details of accounting, auditing, procurement, contract compliance and other aspects of what Leonard (1987) provocatively calls “bureaucratic hygiene.”

After studying a country’s social and economic structure, identifying the actions and actors associated with clientelistic practices, and examining the social and economic costs and benefits, policymakers can begin to devise targeted strategies for improving governance. They may see little payoff, for example, in trying to reform a political machine if that organization delivers many individualized services to poor people or shows a bias for building pork-barrel projects in disadvantaged neighborhoods. On the other hand, if that political machine uses extensive violence to maintain control, steals vast sums for its leaders to spend on themselves and to export abroad, or shuts out minority groups, then the case for governance reform is much stronger. In other words, international donors and their local allies have to be selective. Good governance is enhanced by trying to eliminate *de facto* practices that are injurious, not the ones that are relatively inoffensive or benevolent.

#### *Major strategies for reforming clientelistic systems*

While donors increasingly recognize that patron-client systems can be deadweight on socioeconomic development, donor-supported reform strategies rarely employ this concept as the primary organizing principle for reforms. Thus, the title to this section is somewhat inaccurate. Here we sketch out the major strategies employed to promote institutional change, and note their effects on, and connections to, clientelism and patrimonialism. The strategies are economic liberalization, democratization, decentralization and civil service reform.

None of the reform strategies is fail-safe. As discussed below, the adoption of objective or impersonal rules and laws may do less than hoped in the near term to counteract clientelism. Economic, political and administrative reforms may allow ordinary people more chances to better themselves over the long term, but they should not be expected to replace existing networks of influence immediately. It is difficult to predict how fast or effective any governance reform will be before it is tried, but as a rule technocratic or legalistic approaches do not work absent broad-based political backing and supportive constituencies. The mobilization of domestic support can produce more transparent and accountable governance, and donors need to monitor their anti-clientelism strategies closely and be prepared to make changes should local support be slow to come about or produce so much conflict that it is counterproductive.

#### *Economic liberalization*

Economic reform is central to the struggle against destructive patron-client systems. Measures that reduce the monopoly and discretionary power of governmental officials favor democratic, rule-based governance; however, they do not automatically or instantaneously lead to diminished clientelism. The assumption is, “get the prices right” and most economic rents will disappear. By shrinking the state with legal and regulatory reform, and putting an end to protectionist trade policies, economic actors will lose both the opportunity and the motivation to seek handouts and special deals from government. The state will become less vulnerable to elite capture (see Frischtak 1994). Loosening the straitjacket of regulation will open the economic playing field to

new, often small, business entrants, and competition will punish politically-connected existing companies if they do not learn to become efficient.

Liberal economic reforms ought to shake up the political system by reducing politicians' access to patronage. Benton (2001) reports that in Argentina, Mexico and Venezuela, voters have abandoned established parties, leading to a rise of new ones. The shift away from state-led economic development in the 1980s undermined the capacity of established parties to cultivate support by distributing particularistic benefits. As a result, parties in these Latin American countries are, of necessity, growing more policy oriented and programmatic. In South Korea, small business has recently emerged as a voice for change, successfully making claims for economic incentives previously denied to them and supporting democratization (Nam 1995). These smaller companies now stand as a countervailing force that is disrupting the longtime symbiotic ties between large companies and the Korean state, in which favored monopolies were given lucrative business opportunities in exchange for political cooperation.

Nonetheless, we should not have exaggerated expectations about how quickly economic reforms will work to curtail clientelism and crony capitalism. Patrons and bosses frequently figure out ways to take advantage of economic reforms at least temporarily. Privatization of state-owned companies, for example, often turns into sweetheart deals for government allies who pick up public assets at bargain prices (Tangri 1999). Deregulation of capital accounts may make it easier to ship ill-gotten wealth abroad. Liberalization of foreign investment rules may attract multinational companies, especially in extractive industries, that are willing new sources of political contributions and kickbacks. Russia typifies many of these disappointing trends. According to Hellman (1998), leaders there exploited market distortions during the early stages of the transition to capitalism, siphoned off the gains, and then blocked further reforms that would undermine their special advantages.

Even if economic liberalization does not fizzle as it did in Russia, people at the bottom of the economic ladder may be thrown back into the arms of their patrons. This is not what neo-classical theory predicts. Competitive markets are supposed to produce a range of options not available before. The poor are supposed to be freed from depending solely on the local landlord, moneylender and merchant for resources. However, even as competitive markets sometimes stimulate economic growth, they usually add to income inequality and heighten people's sense of insecurity and dispossession. That may make clientelistic ties more important than ever, particularly during periods of economic slump. It is argued, for example, that an indirect consequence of the 1997 financial crisis in Malaysia has been to entrench the insider dealing that unites that country's political and economic elites (Painter 2001).

Another unforeseen scenario is for economic liberalization to drive elites to find to new sources of patronage. Budgetary austerity and privatization have often devalued the state sector jobs traditionally used to reward supporters. In countries such as Kenya or Zimbabwe, land has emerged as an alternative resource, made attractive partly because land is less subject to international scrutiny and adjustment conditionalities (Klopp 2000). Because it involves redistribution, this form of clientelism is often accompanied by growing political violence. In Central Java, economic liberalization had the unintended effect of reestablishing minority-owned rural marketing networks, in so doing fueling ethnic resentment and intercommunal bloodshed (Galvan 2001).

Economic liberalization is usually expected to boost private sector demand for democracy (see the next section). Wanting a say in government policies, the business community should support institutional changes that coincidentally open up the political process for everyone. That was the historical path in the West, but is not always the case in developing countries today. China's new business elite, for example, has been co-opted into clientelistic networks run by the Chinese government. Business success is heavily dependent on cultivating good relations with government officials. These informal connections restrain the business community's autonomy and interfere with the formation of cohesive interest groups. Thus, despite an accelerating rate of market-oriented economic reform, the private sector is not leading the call for greater political freedoms in China (Pearson 1997).

### *Democratization*

Democratic theory holds that giving ordinary people a say in public affairs will make government work for the majority, not simply for people who have the right connections. Reformers have come up with many practical ideas for how to translate this theory into practice. At the beginning of the 20<sup>th</sup> century, for example, Americans introduced a raft of egalitarian institutions and procedures. Voting by a secret ballot was established. Direct primaries allowed voters to pick which candidates could run for office. The initiative and referendum provided voters with a greater voice in making laws. The recall enabled them to oust objectionable elected public officials, while the commission and city manager forms of municipal government marginalized political bosses. Citywide elections replaced ward-based elections to reduce pork barrel spending. These "clean government" reforms were instrumental in the decline of U.S. machine politics. They have not prevented a slide in voter interest and participation, however, and may even have produced cynicism and boredom among city residents (Banfield and Wilson 1963: 331).

Developing and post-communist countries have undertaken comparable reforms to give power to citizens. Since the fall of the Berlin Wall, multiparty elections have been introduced around the world. In some countries, leaders now face term limits, the press has been freed so it can play the role of watchdog, people are at liberty to organize political parties and advocacy groups, and they can vote against politicians who do not follow through on promises. These reforms have helped to undercut clientelistic networks, for example in Morocco (see Box 3).

#### Box 3. Clientelism and democratization in Morocco

King Hassan II, the long-time leader of Morocco in 1961, ruled through an informal patrimonial system called the *makhzen*, while overseeing a gradual and limited evolution toward democratic institutions. Morocco's *makhzen* is a traditional political and administrative structure that involves submission, rituals and the paying of tribute. Under Hassan, the *makhzen* grew into a complex nationwide web of rural notables, business leaders, religious authorities and other elites.

To ensure his dominance and control, Hassan balanced competing groups and individuals against each other by handing out favors and punishments. He skillfully managed the granting of licenses, concessions and monopolies, and the distribution of hundreds of farms and companies recovered from the French. The military were treated especially well. The king offered his officers improved salaries and perquisites, and allowed them many opportunities for personal enrichment. On the civilian side, the king distributed high administrative and government posts, which the officeholders were left to operate like personal fiefdoms.

Running through Moroccan political life, however, is another, more egalitarian thread that is associated with the influence of the Kharidjite version of Islam (the Muslim world's most

democratic) (Bendourou 1996). Multiple political parties have been legal and active since independence. Constitutional amendments passed in 1996 provided for an upper house elected indirectly from various local government bodies and professional associations, and a directly elected lower house. By 1997, the political parties and the ruling authorities in Morocco signed joint declarations on the electoral process and a supervisory electoral commission. The following year, Hassan launched an initiative called *tanawub* (alternation in power) by appointing a coalition government, led by the opposition socialist leader.

Hassan II died in 1999, and his son and successor, King Mohammad VI, has continued the path of gradual political liberalization started by his father. Soon after taking office, the new king dismissed some of the old guard. Activists began calling for inquiries into past human rights abuses, corruption and patronage networks, and illegal drug trafficking. Mohammad recruited new officials from the business community. He freed thousands of prisoners and allowed exiled dissidents to return. Parliamentary elections in September 2002 proceeded without a hitch.

Political liberalization in Morocco has its limits, however. Major power brokers oppose any change that threatens their interests. The king has given mixed signals about his willingness to confront older members of the *makhzen*. An anti-corruption campaign has revealed widespread financial fraud and embezzlement in banking, social security, agricultural credits, public housing, state contracts, public companies, municipal councils and international aid projects, such as one program to provide school lunches. In 2001, the government began an investigation into more than \$1 billion in state funds allegedly diverted during the 1990s to friends of the monarchy through a state-owned real estate bank. Several employees of the bank were arrested for mismanagement of funds, but it remains to be seen how many higher-ups will be identified and prosecuted (Maghraoui 2001).

Yet, as Morocco also shows, democratizing reforms cannot root out clientelistic practices completely. The impact of reforms is especially limited where large disparities in wealth and social status exist. Entrenched patrimonial leaders may shake down potential supporters and manipulate the new electoral mechanisms to retain power. They often become political brokers, using patronage and pork to hold onto voters whom they deliver to the emerging national parties.<sup>15</sup> There may be “prisoner’s dilemma,” where the voters prefer an alternative to clientelistic policies, but they vote for the brokers’ candidate anyway out of fear of being shut out from the perks of clientelism. Political competition in emerging democracies may also result in frequent turnover from one set of patrons and rent seekers to another, a pattern that Carothers (2002) calls “feckless pluralism.”

Taiwan illustrates how the formal institutions of democratic governance can inadvertently fuel the informal practices of clientelism. The monopolistic Kuomintang party drew on local factions for support. With the advent of party competition in the 1990s, these factions grew in influence rather than declined, as might have been expected. Certain features of Taiwan’s voting system encouraged the factions to diversify, build new alliances and mobilize members to support favored candidates, using misappropriated funds from local farmers’ associations and other groups. Official sanctions against vote buying and corruption are toothless or enforced selectively, and political pluralism has deepened the patron-client networks in Taiwan, according to Göbel (2001).

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<sup>15</sup> Cross-national research by Montinola and Jackman (2002) finds that corruption is typically higher in countries that have partially democratized compared to dictatorships, but once past a threshold, democratic practices inhibit corruption.

The structure of the party system itself can be part of the problem. In Bolivia the fragmentation of political parties perpetuates the widespread use of patronage appointments. Bolivian society is deeply divided and the electoral process has an overwhelming tendency to produce coalition governments. Given the lack of clearly differentiated policy programs, parties negotiate coalition arrangements with explicit agreements for sharing patronage jobs. According to the World Bank (2000), this practice has been the basis for the formation and maintenance of governing coalitions, and thus of democratic stability, so it is not all bad. But it does make it hard to rationalize the public service (see the section on civil service reform, below).

Elections, with the need to finance political campaigns, can contribute to clientelism and add to incentives for “money politics” (Moran 2001). Money politics have been a serious issue in South Korean elections, for example. Most political party income comes from private business support groups called *huwonhoe*. Corporations donate to legislators whose committee assignments are important to the firm. Huge amounts of funds are said to go unreported (Hoon and Mo 2001). Similar problems are reported for central and eastern Europe. Campaign finance is difficult to keep within bounds in a multiparty system since politicians need to raise money to win elections.<sup>16</sup> Office seekers may find themselves beholden to wealthy patrons in the private sector. Kaufmann et al. (2002) refer to this phenomenon as state capture—when powerful groups buy influence and shape the laws to their benefit. The result may be a tax code that favors the wealthy or an agricultural subsidy program that goes to the largest farmers. State capture also may entail malfeasance during implementation, often involving low-level bureaucrats or locally elected leaders who have authority to distribute state resources. Box 4 describes one such case in rural North India.

#### Box 4. Clientelism and state capture of farmers’ organizations in North India

Throughout Uttar Pradesh, Cane Societies act as intermediaries between cane farmers and the sugar mills. Established in the late 1930s to reduce the large cut taken by middlemen, each Cane Society is charged with organizing the supply of sugarcane to the corresponding mill. The Cane Societies, which also provide loans to farmers to buy equipment, seed and fertilizer, have local elected officials and permanent staff who are recruited by the government. The elected officials are responsible for overseeing the supply of sugarcane and decisions regarding the disbursement of loans to cultivators. Members of the Cane Society’s staff are charged with more specific tasks, such as accounting, weighing cane, and sending out supply slips to farmers when it is their turn to deliver cane. These slips reflect each farmer’s quota for the season and are administered until the quota is filled.

Unless a farmer has influence, the society’s officers may delay issuing a slip that rightfully belongs to a farmer until the farmer pays a bribe. Clerks who are responsible for remunerating farmers for the cane supplied often withhold payments until a bribe is paid, while those whose job it is to weigh sugarcane at the point of delivery also extract large illegal payments. Farmers recognize that these officials can have a significant impact on what they are paid for their sugarcane, either by underestimating the weight of the crop, or by falsely declaring it to be a particularly valuable variety of cane.

Rich farmers (most of whom are upper caste and non-Muslim) are best able to manipulate this system. They often attempt to foster relationships of trust and friendship with employees of the Cane

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<sup>16</sup> In the United States, corporate campaign donations have been against the law for nearly 100 years, yet American society is still wrestling with the problem of how to curb business “soft money” contributions to candidates and parties.

Society in anticipation of the need for future help. These proactive measures frequently involve visiting offices to drink tea and gossip about politics and village affairs. A more reactive strategy after failing to receive a supply slip or payment is to take up the matter with an official in the Cane Society office. The speed with which a person's complaint is addressed and the likelihood of success depends on his or her capacity to bribe an official and perceptions of the person's political clout.

Some poor farmers (usually lower caste or Muslim) take part in these clientelistic networks, and may be successful in their efforts to collude with Cane Society officials, though they usually find it much more difficult to build links proactively. Poor farmers may also avoid being exploited by seeking out government officials in Cane Societies who abide by official rules, refuse bribes and do not engage in corrupt practices.

Their situation may be improving due to the increasing influence of a low-caste political party. Since taking control of the Uttar Pradesh government it has been encouraging a more transparent system for the disbursement of supply slips. The face-to-face system of organizing cane payment has been replaced by the direct crediting of farmers' bank accounts. Many farmers said this had reduced delays in receiving remuneration for the delivery of cane.

Based on Jeffrey (2002).

A divergent problem afflicts other fledgling democracies. Rather than firms or other wealthy private interests capturing the politicians whose campaigns they fund, the main issue may be politicians who use their influence over state resources to pay supporters, suborn opponents and manipulate elections. This is nothing new. Vote buying was very common in mid-19<sup>th</sup> England after the extension of the franchise in that country, before dying out due to stricter enforcement of anti-corruption statutes. To make certain of election results, parties in some boroughs would give away free drinks on election day, at times locking in the drunken voters until they had cast their votes (Lehoucq 2002). Similar state-centered electoral corruption based on clientelistic links is widespread in democratizing countries today.

Ghana is a good example of this second form of electoral corruption, with competitive politics accompanied by increasing distribution of divisible benefits (known locally as "chop money"). Members of parliament help out constituents with money for school fees, electricity and water bills, funeral and wedding expenses, and by distributing cutlasses and other tools for agriculture. They reportedly wake up almost every morning to face a queue of constituents that expect MPs to take time to address their concerns and provide various sums of money. This obviously distracts from MPs' other functions as policymakers and critics of the government (Lindberg 2002). In African democracies, however, these other functions are relatively unimportant when compared to gaining access to the patronage resources available from the state. African politicians tend not to espouse policy or programmatic platforms; most voters want the same things—access to basic services—so politics plays out around accommodation with political and ethnic elites that can increase the chances that such benefits will be available (see van de Walle 2002b).

These pitfalls and obstacles do not mean that democratic governance is impracticable under conditions of clientelism that typify developing and transitional countries in the 21<sup>st</sup> century. Schedler (2002) finds that Mexican voters reject clientelistic practices and demand universalistic policies, contradicting common assumptions about physical needs always forcing the poor to trade their political rights for material favors. In Brazil, Gay (2002) reports that leaders of some neighborhood associations have eschewed using elections to bargain for local spoils and use them instead to sit in judgment of their representatives.

Highly imperfect changes in formal institutions can make a difference, even if on the margin. In Escobar's (2002: 36-37) study of Colombia, she shows how the introduction of the secret ballot in 1991 greatly increased the cost of paying for votes on election day. Many voters "rob" the political brokers by accepting money and voting for another candidate, impairing though by no means eliminating clientelistic practices. In general, vote-buying may not be very stable basis for political power due to the patron's difficulty monitoring the client's behavior at the ballot box, and the lack of certainty that money will produce the intended electoral results. Procedural political reforms may thus open the door to substantive participation and empowerment despite active or passive resistance from above.

### *Decentralization*

A corollary of democratization is decentralization. Decentralization deals with the allocation between center and periphery of power, authority, and responsibility for political, economic, fiscal and administrative systems. Decentralization has a spatial aspect in that authority and responsibility are moved to organizations in different physical locations, from the center to the local level, in essence bringing government closer to the governed. And it has an institutional aspect in that these transfers involve expanding roles and functions from one central agency to multiple agencies (from monopoly to pluralism). Decentralization is not an either-or proposition. Governance systems combine centralized and decentralized components, often in complex ways. By decentralizing, reformers hope to improve public policies and resource allocation so they better reflect the needs and capabilities of citizens, and take account of local knowledge held by those who have the most relevant information.

Decentralization may seem an odd way to fight patron-client systems given that they are typically less centralized than rational-legal systems. The problem is that patrimonial decentralization restricts decision making and implementation to a select group. Formal decentralization tries to let in more people and draw on their energy to solve local problems. This may happen through community councils, village assemblies or city and regional government bodies.

There are many instances in developing countries where decentralized participation and mobilization of citizens for civic action have reduced local clientelism and cronyism. One reputed successful case of decentralization is the state of Kerala, India, which has seen a large increase in the number and activities of grassroots groups taking part in policy formulation (Heller 2001). Fisher (1992) cites several cases in Latin America and Asia where grassroots organizations working with communities have made inroads in reducing rural elite dominance of local government. In one Brazilian city, Porto Alegre, a system of popular councils in neighborhoods and workplaces has unseated the older system of closed, patronage-based area associations (see Box 5).

#### Box 5. Making local government more accountable in Brazil

Local government in Brazil has severe problems of political clientelism and corruption. After the promulgation of a democratic constitution in 1989, people who had earlier opposed Brazil's dictatorships formed the Workers Party to deepen democracy through "popular administration" of government. They began an experiment of engaging a wide spectrum of people to formulate city budgets. The Porto Alegre case stands out as a success story of democratic and participatory municipal budgeting and expenditure management (Abers 1998, De Sousa Santos 1998, Baiocchi).



2001). The system has now spread to some one hundred municipalities in Brazil.

Local governments in that country have considerable autonomy over their revenues and expenditures. When the Workers Party came to power in Porto Alegre, it was determined to end the clientelism of the old administration and set up an inclusionary process that involved citizens from all social groups in establishing budget priorities, allocating investments and monitoring results. Many city council representatives held support based on a clientelistic network tied to neighborhood associations. Though often disagreeing with participatory budgeting, they voted for it with the hope of using the program's popularity to gain votes in the next election. It was difficult for these legislators to oppose projects that directly benefited their own constituents (Wampler 2000).

The participatory budget process starts with need-based principles for resource distribution. There is public deliberation and selection of priorities, a municipal-wide council where all districts and some civil society organizations elect delegates to oversee the program, and year-end reports detailing budget outcomes. The people set different priorities than what the elected councilors had first expected. Originally, the new administration had targeted public transport as the main concern. But when the council began participatory budgeting it discovered that sewage and water came first.

Since 1989, the Workers Party has won three consecutive municipal elections in Porto Alegre, and the city has witnessed some spectacular achievements in improving municipal services. By 1996, the number of households with access to water services and municipal sewage disposal soared. The number of children enrolled in public schools doubled. Because of increased transparency and accountability, citizens' motivation to pay taxes has risen, and municipal revenue increased by nearly 50 percent. A notable change in attitudes of public officials, well-versed in the technical aspects of budgeting and engineering, has also been observed as a result of their increasing interaction with citizens through the participatory process.

Attractive as grassroots influence and self-management can be, the truth is that small is not necessarily beautiful when it comes to government. There are economies of scale that make many regimes reasonably pluralistic at the national level but monopolistic at the local level. In the periphery, press scrutiny is generally less intense than at the center. Electoral fraud and financial chicanery may be easier to pull off at this level. Most local governments are short on finances and expertise. Community members may be too apathetic to take part in politics, or too intimidated. Under these conditions, it is easy for a mayor, police chief or large landowner to manipulate the poor, taking advantage of their need for immediate benefits and their limited information and autonomy. Sometimes the problem is simply the way laws are written. Ribot (1999) reports that many of the new statutes being carried out in the name of decentralization in West Africa fail to enfranchise local people. These laws are in fact structured to make local authorities upwardly accountable to the central state, rather than being downwardly accountable to the community. In the absence of financial controls, decentralization may increase the opportunities for corruption, as well.<sup>17</sup>

At any rate, turning official power over to lower levels does not guarantee that government will grow more representative and accountable. It may simply enhance the power of local elites. The triangles of accommodation discussed by Migdal (1988) often connect local officials, politicians and strongmen in tight networks, limiting citizen access to government through the formal

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<sup>17</sup> Empirical analysis suggests that countries with more tiers of government have greater degrees of corruption (Treisman 2000). Also see Goldsmith (1999b).

mechanisms of government. In some cases, the local penetration of the state is so weak that strongmen can predominate with little outside interference. For example, in Brazil drug gangs have taken effective control of some *favelas*, forming a type of parallel state. The gangs administer a rough justice that meets grudging approval, though many slum dwellers live in fear and have no way to voice complaints to gang leaders (Leeds 1996).

The former socialist countries illustrate how hard it can be to dislodge influential people through decentralization and local government reform. Before 1989, interlocking networks of national and local communist party officials and state bureaucrats dominated governance. This meant real decision-making power at the local level resided with the *nomenklatura*, select members of the communist party. Accountability of the local and regional administration to the citizens was perfunctory. When the Soviet system collapsed and reforms to democratize and decentralize governance were introduced, the *nomenklatura* moved into the political and administrative vacuum by using connections and acquaintances to build a new power base (Matsuzato 2001). In many parts of the old eastern bloc, there is not yet much meaningful engagement of citizens in local affairs.

#### *Civil service reform*

Civil service reorganization and reorientation play a part of most efforts to curb patrimonial rule. Having government agencies that employ meritocratic recruitment and offer predictable careers is closely associated with economic growth and modernization (Evans and Rauch 1999). Some developing and transitioning countries have set up reasonable approximations of the Weberian archetype bureaucracy, but they are the exception. Most emerging societies have a strong undertow of patrimonialism in their rational-legal administrative systems.

Kenya is a case in point. At independence, the constitution provided for an independent Public Service Commission. However, Kenya's first constitutional amendment reduced the commission to a rubber stamp, and gave the country's president broad authority over the civil service. The administrative system became an instrument of personal political power, used by the chief executive to support a system of clientelistic relationships (Goldsmith 1999a). Nepal's Public Service Commission offers a more hopeful model. Its constitutional status makes it independent of politicians. Commissioners have a term of office that is separate from the electoral cycle. Despite rampant clientelism, Nepal is reputed to have protected the autonomy of this institution since its inception in 1956 (McCourt 1998).

Civil service reform is important to depoliticize and professionalize the bureaucracy, but this always encounters resistance. In the United States, for example, Progressive Era reformers introduced laws to reduce the number of positions available to political machines for patronage. They established permanent civil service commissions to oversee and administer the state and federal civil service system, required open and competitive examinations for all appointments, and prohibited fundraising from government employees. Civil servants could only be discharged for just cause, not their politics. These reforms took decades to fully carry out despite continuous political pressure from civic organizations.

Most developing and transitioning countries have adopted comparable reforms to control administrative costs and increase staff performance. The World Bank and other donors have supported these cost-cutting and performance-enhancing initiatives. The first steps are usually

wage and hiring freezes, followed by the more politically difficult steps of early retirements and layoffs. Efforts may be made to develop clearly defined job descriptions and performance standards. There may be arrangements to introduce or strengthen the office of ombudsman—a public official who investigates complaints about the activities of government agencies. Officials may be required to submit financial disclosure forms. A code of conduct may be established and backed by an ethics commission or inspector general’s office. Uganda illustrates one of the more comprehensive civil service reform programs undertaken in Africa (see Box 6).

#### Box 6. Reforming the public service in Uganda

When the National Resistance Movement took power in Uganda in 1986, it inherited a country shaken by civil war and state terror. The civil service had been undermined by the habitual use of patronage and nepotism and by the lack of systematic accountability. The new government launched a root-and-branch program of civil service reform, with assistance from the World Bank.

The first step was a review of all government ministries to evaluate their roles and determine which activities should be privatized or shared. At the district level, similar reviews were conducted to reconsider the role of government, set objectives and priorities, agree on performance indicators, remove redundant staff and focus more closely on capacity-building. Two overriding objectives were established: a minimum wage and the introduction of results-oriented management.

One component was to reduce the number of ministries and departments and to streamline staffing. As a result, the civil service shrank in half by 1995. Senior managers were prohibited from recruiting their own casual, short-term workers without reference to established job grades. A new management system was introduced to improve the efficiency and performance of government employees. Promotion is supposed to be clearly linked to performance with incentives to reward superior performance within individual salary scales. Each employee must take an oath of commitment and if dismissed for breaching the code, is prohibited from government service for at least five years (Meagher 1996).

Despite all these formal changes, however, the necessity of satisfying everyone by way of patronage has not changed. After the election in 1996, President Yoweri Museveni appointed several dozen ministers violating the spirit if not the letter of the reforms. The reason why such a high number was necessary was to satisfy promises he made to tribes, religions and other groups during his election campaign (Kjaer 1999). Museveni also uses his powers of patronage in staffing the military. Corruption remains pervasive. According the National Integrity Survey of 1998, two-thirds of Ugandan citizens had to pay a bribe to police, half had to bribe court personnel, and one-quarter had to bribe health service workers. Nevertheless, given the legacy of Uganda’s past, even the imperfect steps taken toward civil service reform represent important progress.

One noteworthy trend in Africa is the merger of customs and income tax departments into national revenue authorities. Allowed to operate on a self-financing basis, these bodies have raised wages, shed poorly performing workers, and established revenue collection systems that limit the opportunities for rent seeking and abuse of authority. This is an example of one strategy to fight corruption: the creation of “islands of integrity” among civil servants (see Stapenhurst and Kpundeh 1999). While it remains to be seen if such efforts can succeed in the face of entrenched corruption, such enclaves may have desirable spread effects for civil service reform.

Some success has also been had with ideas adapted from the new public management or reinventing government movement (see Manning 2001). New public management promotes

performance over process and flexibility over rules. Organizations should be flatter and managers given more freedom. The focus is on satisfying the “customer” (citizen). Tendler (1997) finds in Brazil that government workers prove most effective if they are allowed to exercise discretion and feel accountable to the community in which they work.

The record of accomplishment of across-the-board civil service reforms, however, has been mixed. Politicians are reluctant to give up patronage and the influence it gives them over government agencies; bureaucrats are averse to acquiesce in changes that threaten their freedom of choice on the job. To take an example, informal practices based on clientelistic networks have continuously undermined Bolivia’s efforts at civil service reform. Meritocratic and performance-oriented programs in public administration often split between observance of rules and covert pressures to bend the rules and “get things done” (Molina and Chávez 2002). Turkey has had similar difficulties. As part of its structural adjustment policies, the government has attempted to transform its bureaucracy into a rational-legal organization. It brought outsiders, many of them engineers, into the top positions. However, the political leadership undermined its own efforts by continuing to pay more attention to political loyalty than merit, and Turkish administrative reforms have fallen short of expectations (Heper and Sancar 1998). According to the World Bank’s (1999) evaluation of its administrative reform projects, only about one third had satisfactory outcomes. Moreover, those satisfactory outcomes were hardly ever sustainable. There was little evidence that civil servants stuck with the new codes of conduct.

#### *Programming for the Office of Democracy and Governance*

As the preceding discussion indicates, each of the four reform strategies can help in curbing clientelism and patrimonialism, though each also faces obstructions that can interfere with their effectiveness. The fact that these obstacles can undermine anticipated results does not mean, however, that nothing can be done to address clientelistic governance. The objective of programs that tackle clientelism should be to replace patron-client systems with participatory political institutions and efficient public services, which adhere to standards of fairness and equal access for everyone.

In our view, an explicit focus on patron-client systems adds the following to DG assessments and programming:

- More detailed understanding of the embeddedness of social relations and state-society interaction patterns.
- Recognition that there are functional aspects to these relations and patterns, as well as negative outcomes, which account for their persistence.
- Attention to the net social cost of clientelism, differentiating between practices that are clearly illegal and dysfunctional and other activities that may be in a gray area of legality and do not undermine property rights or deter productive investment.
- Increased ability to target interventions on specific sectors, clientelistic practices and societal groups where negative effects are occurring.
- Increased ability to fine-tune interventions to take into account potential backlash and unintended consequences of reform efforts that concentrate on formal governance systems.

- Greater realism regarding the possibilities for DG change and appropriate program timetables, recognizing that the best external actors can do is try to encourage the emergence or strengthening of the domestic actors and institutions that help mitigate the damaging effects of clientelism.

Building a finer grained understanding of patron-client systems informs more targeted DG interventions that recognize the latent functional aspects of clientelism as well as the harmful ones. This distinction allows for a focus not simply on elimination of clientelistic practices and patron-client relations wherever they are found, but on containment and mitigation measures, while leaving non-harmful practices alone. These can be either general interventions that impact upon clientelistic practices among a range of DG targets, or ones specific to clientelism.

The DG Office should also pay heed to “mainstreaming” these issues. Patron-client networks not only create problems for narrowly defined democracy and governance activities; they affect service delivery patterns and outcomes in agriculture, health, education and other sectors too. For example, clientelistic networks based on ethnicity, caste, religion and tribe often exclude citizens that fall into the “wrong” categories from receiving services. Indeed, the narrowly technical biases of project design and the inattention of managers to political or sociological factors during implementation, are repeatedly identified in evaluations as a primary reason for the shortcomings of development assistance. Clientelism and patrimonialism should therefore be made specific concerns for USAID activities beyond the DG sector. The Agency and the DG Office have already recognized the importance of cross-sector linkages (Brinkerhoff 2000b, Lippman 2001).

Highlighting clientelistic governance in DG programming yields four generic types of strategies. These may be pursued individually or, in some circumstances, in tandem or sequentially. We do not suggest that these four exhaust the realm of possible intervention approaches. Rather we offer them as a starting point for the DG Office to incorporate the results of analysis of patron-client systems into USAID programs. What follows is a brief overview of each strategy type.

#### *Containment*

This strategy type is essentially the “do no harm” default option and involves avoiding intervention in situations where the injection of resources is likely to feed clientelistic governance with little or no social benefit. Containment may make sense in highly predatory or failed states such as Sierra Leone (Box 2) where the political and administrative systems are too deeply compromised to be trusted to function in a reasonably transparent and honest way. Rebuilding governance systems is a task fraught with potential to foster unintentional harm as a country emerges from conflict. For example, donors may provide resources to host country groups during peace and reconciliation work, which inadvertently fall into the hands of the privileged few for use as patronage (Brinkerhoff and Brinkerhoff 2002). In this situation a containment strategy would entail steps to assure that no single group monopolizes reconstruction resources or the access channels to those resources.

In both post-conflict and regular country programming, a containment strategy could also mean limiting contact with corrupt government institutions while working with civil society organizations to provide needed social services or to build constituencies for reform. Over time containment may blend into the strategy of building alternate power nodes, if the security situation improves in the country and conditions are ripe to begin building wider accountable

governance systems. Containment may also be appropriate in a situation where insufficient information exists to support the other strategies and thus may be coupled with additional assessment and analysis. An important focus of further study would be to distinguish between highly negative clientelistic practices and those that may be relatively benign.

#### *Information dissemination and civic education*

This programming strategy centers on information dissemination campaigns aimed at attitudinal change similar to programs that inform citizens and policymakers about the costs of corruption. It could lead to efforts to target citizens to modify their attitudes about patron-client relations through civic education. The themes of such outreach campaigns might be how the exchange of individualized favors through the public sector distorts service delivery and hurts everyone. As Roniger (1994: 213) notes, “changes in the perception of patronage, if they occur, may be of special consequence for clientelism if they lead to the institutionalization of mechanisms through which citizens can press for their rights and entitlements...” These messages could be transmitted via the media as well as through various specific events and forums. Such activities would introduce new perspectives, values and beliefs into a society that may challenge entrenched ways of doing business and serve to lay the groundwork for mobilizing constituencies for policy and administrative reforms. Training for journalists is an important input into the success of the information dissemination and civic education strategy.

Civil society groups and NGOs are prime partners for this programming strategy. For example in Bulgaria, “Coalition 2000,” a network of local NGOs launched in 1998 with USAID, World Bank, UNDP and Council of Europe support, undertakes a variety of anti-corruption activities to mobilize citizens around the corruption issue. These include public awareness campaigns, round-tables, drafting of legislation along with parliamentarians and watchdog efforts.<sup>18</sup>

#### *Pockets of reform/islands of alternative systems*

This strategy supports comprehensive changes in a few key public agencies and helps them lead by example to bring along other organizations. A case in point is the widely cited participatory budget process in Brazil (Box 5), which has now spread to many cities and has influenced decision-making structures at the state level. This approach might entail working with carefully chosen entities (autonomous governmental agencies, ministries, advocacy groups, watchdog organizations) to establish clarity around decisions, set ethical standards and raise the bar for excellence in governance. In doing so, “inside constituencies” for reform and against clientelism could be quietly mobilized. The choice of which organizations to work with can be critical; it may be difficult to work simultaneously with government and civil society entities if the level of mutual suspicion is high.

Another example of the creation of islands at the local level is strengthening democratic local governance to break up triangles of accommodation among bureaucrats, politicians and local bosses where they disadvantage the poor. Democratic local governance involves: a) increasing representation of marginalized groups on local councils and other governing bodies, b)

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<sup>18</sup> See <http://www.arc.online.bg/annual/98/main/coalition.html> and <http://www.online.bg/coalition2000/eng/metdesign/1.htm>.

empowering these groups to express themselves and mobilize political pressure, and c) influencing the distribution of services and benefits so as to modify existing clientelistic patterns. USAID's experience shows that making progress with democratic local governance is possible, although building the capacity of disadvantaged groups is a slow process, particularly where patronage relationships are longstanding and entrenched, as for example, in Philippines or the Indian state of Karnataka. Increased accountability through the combined effort of civil society, media and political parties is important to translating expanded representation into empowerment and real influence (Blair 1998).

*Increased competition to generate multiple nodes of alternative political power*

This strategy provides backing to civil society groups, political parties or other organizations that may emerge as countervailing forces against entrenched patron-client networks and/or seeks to make procedural changes in electoral or administrative systems that encourage alternate sources of political power. For example, a reform of electoral systems to shift from voting for a slate of candidates to voting for individuals could help to reduce the ability of national-level powerbrokers to provide patronage to their supporters. Political party development that facilitates the replacement of personalized political fiefdoms by issues-based political platforms is another example. The Uttar Pradesh case (Box 4) exemplifies this strategy, where one of the political parties is successfully bringing pressure to make agricultural marketing services fairer and more transparent for small farmers. The existence of a reform-oriented political party also was instrumental to participatory municipal budgeting in Brazil. The DG Office's broad goal might be to consolidate these countervailing power bases by helping to ensure that they are positioned to solve problems, deliver services and compete successfully for constituent support against patron-client networks and resource flows. The idea is to cultivate institutional options for people to meet their day-to-day needs.

This last option of supporting competition may offer some of the most promising ways of leveraging USAID's scarce resources. USAID Missions may find opportunities to support budding alternative nodes of power with training or technical assistance. This might be most feasible at the community level, provided effective advocacy groups have emerged and mobilized the poor for collective action and self-help. These groups are unlikely to eliminate favoritism and cronyism altogether, but they may be able to demand a wider distribution of public services and less opacity around government decisions.

*Conclusion*

This paper has reviewed the sources of institutional dualism in governance. We have seen that clientelistic politics and patrimonial administration thrive in situations of scarcity and uncertainty, and become less important when resources are plentiful. However, clientelism and patrimonialism never vanish from human societies; they are resilient and pervasive institutions that evolve and take new forms as societies change. Typically, reforms in official procedures and institutions drive patronage networks underground, disrupting but not eliminating them. Sometimes the evolving patron-client relationships hurt the larger society to which the patron and client belong, but not necessarily. Clientelism and patrimonialism are bad for democracy and development when they deter the entry of political challengers or when they create an interest among officials in economic stagnation. Depending on the circumstances, though, some clientelistic activities

may be compatible with, or conducive to, economic growth, poverty reduction and rising levels of productivity—for example, when the patrons accumulate economic rents to fund export-led industrialization.

Even when they mostly obstruct economic development and democratization, the informal institutions of governance are hard to dismantle because they serve the immediate needs and narrow interests of many individuals. Those persons are highly motivated to block, slow down or dilute any statutory changes that imperil the informal set of connections from which they benefit. The potential beneficiaries of formal institutions tend to be a diffuse, latent group, uncertain where their interests lie. This creates a classic collective action or free-rider problem. What is rational at the level of society (a fairer political and administrative system for all) makes less sense at the level of the individual, and creates disincentives for people to get together to press for changes in governance that would benefit the majority. Policy makers should be aware of these impediments to reform and recognize that some efforts to increase competition and participation, and limit discretion, will create a backlash.

Fortunately, the evidence also shows that people can overcome their inertia and make government work more fairly and openly. We do see improvements in political and administrative institutions, which impede the ability of elites to perpetuate imbalanced and self-serving clientelistic networks. These changes may occur as a result of political parties competing based on generalized appeals to interest, through the activities of policy entrepreneurs trying to remake the system, or through advocacy by civil society organizations. International development agencies can help by providing technical assistance to the agents of reform, both in government and in civil society. However, progress takes place with incremental gains and small victories.

For governance reforms to be sustained they need political support within the country. The support may come from the center, with national elites bargaining among themselves for more formal, open and competitive systems. Reform at the center may have little practical effect on people in the hinterlands, however. Productive change can come from the bottom-up, as well, with community organizations taking the lead. This is possible even in societies that are authoritarian and closed at the national level. The greatest progress toward democratic governance and efficient public service is likely where pressure for reform comes from both directions.



*Appendix: Glossary of key terms*

- Accountability** The ability to hold an individual or agency responsible for properly executing delegated powers.
- Bureaucracy** A system of government administration that uses standardized procedures, a formal chain of command and a division of labor according to expertise.
- Clientelism** A political system based on conditional loyalties and involving mutual benefits, in which individuals of unequal power are linked together through the exchange of favors. Also called **Patron-client systems**. Also see **Political machines**.
- Crony capitalism** An economic system in which the adjudication of commercial disputes and the allocation of resources favor people who have close ties to government leaders.
- Democracy** A political system based on constitutional rules and the consent of the governed, with freedom of expression and organization.
- Economic rent** A material gain that would be absent in a competitive market.
- Governance** The processes through which individuals and state officials interact to express their interests, exercise their rights and obligations, work out their differences, and co-produce public goods and services.
- Latent function** A term in sociology referring to the unintended or unrecognized consequence of some process in a social system.
- Neopatrimonialism** A mixed system of government administration, with a rational-legal veneer overlaying a web of personalistic ties characteristic of patrimonial rule.
- Patrimonialism** A system of government administration in which management personnel are responsible only to the political leadership, and where government jobs are treated as income producing personal assets.
- Patronage** The distribution of government jobs or other favors to political allies irrespective of their qualifications.
- Patron-client system** See **Clientelism**.
- Political corruption** The subversion of public office for private purposes, which includes such illegal and unethical activities as payoffs, kickbacks and extortion; may also refer to fraud and other irregularities in the electoral process.
- Political machine** A party organization that recruits its members by dispensing tangible incentives such as money or jobs, and that is characterized by a high degree of leadership control over member activity.
- Pork barrel spending** Appropriations of public funds for geographically targeted projects that do not serve the interests of any large portion of the country's citizenry, and that bypass usual funding procedures.
- Predatory state** Government by thieves, where the administrative apparatus of government is used to maximize resource extraction.

**Principal-agent problem** A relationship in which the interests of a principal and his or her agent differ, the principal cannot fully control what the agent does, and the agent takes advantage of the situation by shirking and double-dealing.

**Rent seeking** Efforts to get government to create or maintain economic rents, which can then be seized for private gain, without regard for the general good.

**Transparency** In government, refers to full disclosure of rules, plans and actions so they are understood by people who might be affected by them.

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