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The Political Economy of Economic Empowerment: Bringing Politics and Society Back In

Ali Cheema
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In a world shaped by rapid change, the Action for Empowerment and Accountability Research programme (A4EA) focuses on fragile, conflict and violence-affected settings to ask how social and political action for empowerment and accountability emerges in these contexts, what pathways it takes, and what impacts it has.

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Summary

Economic empowerment programmes designed to mitigate inequalities are increasingly becoming an important part of the portfolio for governments in low-income countries (LICs). These programmes give primacy to interventions in the ‘economic sphere’. Their underlying theory of change not only expects a positive impact on economic empowerment, it also expects positive ‘spillovers’ that will change the norms, behaviours, roles and bargaining power that underpin social and political empowerment. This paper reviews the empirical evidence and finds that more often than not these interventions do not strengthen economic empowerment. It also finds that very few programmes create the hypothesised ‘spillovers’ in the social and political spheres. The paper shows that programme outcomes and scale-up are sensitive to the social and political context, in particular the distribution of power and resources among gainers and losers. An important message from this paper is that a robust theory of change must be informed by empirical research that enables us to see how the context, in particular the distribution of power, is shaped. It also reviews the literature on political collective action and institutions to identify political economy mechanisms that are argued either to catalyse or to inhibit the creation, sustainability and survival of effective economic empowerment programmes in LICs and fragile and conflict-affected settings (FCAS).

Keywords: Social and political action; economic empowerment; fragile and conflict-affected settings; context.

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Acronyms

CBT	Cognitive Behavioural Therapy
CGAP	Consultative Group to Assist the Poor
FCAS	Fragile and conflict-affected settings
IDRC	International Development Research Centre
ILO	International Labour Organization
JAPL	Jameel Poverty Action Lab
LICs	low-income countries
NREGS	National Rural Employment Guarantee Scheme
OECD	Organisation for Economic Co-operation and Development
RCT	Randomised Controlled Trial

1 Introduction

Economically empowering citizens remains an important global challenge. Economic empowerment can be defined as expanding the capabilities and agency of women and men to make decisions and influence outcomes regarding opportunities for decent livelihoods and equality in access to and control over productive assets, market opportunities and public services (Duflo 2012; OECD 2012; Kabeer 2012; VeneKlasen and Miller 2002; Ibrahim and Alkire 2007). The challenge is not only in expanding individual capabilities and agency, but it is also in strengthening collective agency.[1] There is considerable evidence that 'persistent inequalities' in access to, and control over, assets, market opportunities and power exist. The literature shows that these inequalities are related to attributes – gender, race, place of residence, ethnicity, family of origin, class – that are structural and not derived through choice (World Bank 2006; Banerjee *et al.* 2006; Bowles *et al.* 2006; Duflo 2012; Black and Devereux 2011; Clark 2014; Chetty *et al.* 2014; Corak 2013). The evidence shows that persistent inequalities are a significant cause of economic disempowerment.

As a result, economic empowerment programmes designed to mitigate inequalities are increasingly becoming an important part of the portfolio of governments in low-income countries (LICs). The programmes aim to achieve a variety of goals and outcomes related to economic empowerment. These include increasing voice, capabilities, access to and control over critical assets and livelihood opportunities, and access to markets and public services for disempowered citizens (OECD 2012; Kabeer 2012; Narayan 2002; IDRC 2013). The programmes are targeted at the poor, particularly women, and use a mix of instruments which can be broadly categorised as 'market access' and 'state redistribution' interventions, to mitigate persistent inequalities. Public action has a central role in these programmes, as an underlying assumption is that markets left alone do not work for the poor. What is common in these core interventions is that they give primacy to the economic sphere.[2]

However, these programmes also aim to affect a broader set of indicators related to empowerment and collective action in the social and political spheres. The expectation is that the economic interventions pursued by the programmes will create 'spillovers' through the resulting economic empowerment that will change the norms, behaviours, roles and bargaining power that underpin empowerment and action within households, markets and communities. In addition, it is expected that the resulting economic empowerment will also strengthen the ability of the disempowered to undertake collective action that will influence community decisions as well as state laws and policies. In short, the expectation of programme initiators is that economic interventions will not only strengthen economic empowerment, but that they will also unleash dynamics with the potential to strengthen empowerment and action in the family, society and the polity. The theoretical underpinnings of economic empowerment programmes are further discussed in Section 2.

This paper asks whether empowerment and action of marginalised groups is strengthened as a result of external interventions that lie primarily in the economic sphere. Section 3 addresses this question through an analysis of the evidence. The main focus in the section is on the findings from quantitative research including impact evaluations and other empirical research using sophisticated identification techniques. The evidence shows that more often than not these interventions do not strengthen economic empowerment. It also shows that when they do, their effect is limited to increasing access to and control over the particular service or asset that is being offered by the programme. There are very few programmes that

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1 The literature recognises the importance of collective action for empowerment as 'collective power with others' enables the development of social and political agency that can change norms and institutions that underlie disempowerment (Eyben *et al.* 2008; Kabeer 2012).

2 These instruments are sometimes complemented by interventions designed to change behaviour (life skills training, family planning, and day care services), enhance voice and make changes in laws and regulations.

create the hypothesised ‘spillovers’ that are expected to positively impact a broader set of empowerment and collective action indicators. I also show that even in successful cases, there is little evidence that working interventions tend to scale-up.

In examining whether the social and political context matters for programme success and why, Section 4 uses evidence of public action for economic empowerment and shows that it can result in diametrically opposite outcomes in different contexts. This suggests that context does matter. Public action for empowerment unleashes distributive conflicts between the gainers (the disempowered) and the losers (the empowered) as it attempts to change the distribution of power and resources. This often results in retaliatory actions by the losers that can raise the social costs[3] of creating, sustaining or scaling-up an intervention. Khan (2009) suggests that these costs include the costs of negotiating an intervention and contesting it. The literature suggests that social costs are a function of the distribution of political and organisational power in society (Khan 2009), which is a function of political and social institutions and norms (Acemoglu and Robinson 2008a; Khemani 2016).

Section 4 further argues that the recognition that context matters takes us beyond concerns of external validity in programme evaluation (Deaton 2010; Acemoglu 2010). It implies that a robust theory of change must incorporate actions and responses in the social and political sphere that are a result of the economic intervention. It must model the specific mechanisms underlying these actions and responses and assess whether it is more effective to enhance economic empowerment through interventions in the economic or in the social and political spheres. The robust theory of change must be informed by empirical research that enables us to see how the context, in particular the distribution of power, is shaped. Pawson and Tilley (1997) argue that outcomes of interventions are generated by a combination of mechanisms and context (Deaton 2010). This implies that the identification of effective interventions cannot proceed without understanding how this combination works in specific contexts. In spite of the importance of this combination, very few programmes articulate a theory of change that is informed by a rigorous analysis of the political and social context (Joshi 2014). And few evaluations rigorously test heterogeneous impacts across different contextual factors.

Section 5 of the paper addresses the question of which features of context matter for economic empowerment in LICs. The section reviews the literature on political collective action and institutions to identify political economy mechanisms that are argued either to catalyse or to inhibit the creation, sustainability and survival of effective economic empowerment programmes in LIC contexts (Khemani 2016; Acemoglu and Robinson 2008a; Khan 2009; Azulai *et al.* 2014). I focus on the political context as my interest is on the effect of economic empowerment interventions that reach a critical scale that enables them to have systemic impact. Section 4 shows that successful public action for economic empowerment is a function of the ability of disempowered groups to succeed in distributive conflicts with empowered groups. Section 5 argues that specific features of political action and institutions are important determinants of the outcomes of these distributive conflicts in LICs. It shows that these features affect outcomes by impacting accountability, political selection, inclusive representation and conflict.

Section 6 draws on the literature to provide implications for economic empowerment programmes in fragile and conflict-affected settings (FCAS). Currently, about two billion people live in countries that are fragile and conflict-affected and externally funded economic empowerment programmes are increasingly concentrated there (Blattman and Ralston 2015; World Bank 2015). Section 6 reviews the findings from the nascent literature on economic empowerment programmes in FCAS. It argues that while the evidence suggests that

[3] This is similar to the notion of transition costs proposed by Khan (2009) and the recognition by Acemoglu and Robinson (2008a) that the relative political power of different groups will determine institutional change.

contextual factors matter, programme design pays these little heed. Finally, I draw on the previous sections to suggest future directions for research on action for empowerment in FCAS. I draw on the broader political economy and development literature as there have been few rigorous, well-identified evaluations of programmes in FCAS (Blattman and Ralston 2015).

2 Theoretical underpinnings of economic empowerment programmes

Donor-supported economic empowerment programmes are informed by the recent theoretical and empirical literature on persistent inequalities, deprivation and poverty traps (Dercon 2003; World Bank 2006; OECD 2012; Banerjee *et al.* 2006; Kabeer 2012). The underlying rationale for programme design comes from the recognition that persistent inequalities and poverty traps are pervasive in LICs. It follows that well-designed policies that are able to mitigate these challenges have the potential to strengthen economic empowerment by improving deprived citizens' access to and control over critical assets and livelihood opportunities and access to markets. It is also hypothesised that well-designed policies are likely to have positive spillover effects on a broad range of empowerment indicators. A significant expectation is that these policies will improve the productivity and earning potential of deprived citizens in addition to their empowerment. That is why many economic empowerment interventions are often a part of inclusive growth programmes. Finally, there is recognition that markets do not work for the poor on their own and an important objective of these programmes is to change this.

Persistent inequality and poverty traps are argued to be a consequence of structural inequalities interacting with a range of imperfections in the markets for credit, insurance and labour. It is well documented that credit markets are plagued with asymmetric information (moral hazard and adverse selection) and enforcement problems. This results in lenders making access to finance contingent on securities such as collateral, which disproportionately affect the poor. There are a number of models that show how credit market imperfections can interact with initial assets inequality to create low productivity and poverty traps (Azariadis 1996; Banerjee 2003; Mookherjee and Ray 2003; Eswaran and Kotwal 1986; Banerjee and Newman 1993; Ghatak 2014; Kraay and McKenzie 2014). Ghatak (2014) shows that initial inequality of assets will result in poverty traps if production or savings technologies are subject to non-convexities (due, for example, to weak property rights) and imperfect markets.

Ghatak (2014) also shows that poverty traps can result if non-convexities interact with market imperfections in other markets, such as human capital and insurance. Human capital market imperfections will make it difficult for the asset-poor to acquire skills using the market mechanism. The main mechanism for the intergenerational transmission of skills in this context will tend to be the family. This can exacerbate human capital inequality if the initial distribution of skills is unequal. Dercon (2003) argues that another serious market failure impacting the poor disproportionately is the lack of security and insurance in the face of risk. Insurance market imperfections are also likely to arise due to asymmetric information and enforcement problems. These imperfections are likely to cause considerable problems in LICs because of the high incidence of shocks related to natural disasters, conflicts, and insecurity, as well as income and health shocks.

Dasgupta and Ray (1986) show that persistent inequalities can also arise due to nutritional traps. Their model shows that there is a non-linear relationship between food consumption and physical capacity for work. Nutritional traps arise because poor individuals are too malnourished to physically be able to do productive work, leading to low earning capacity and low production ability resulting in continued malnutrition. Individuals are thus trapped in a low-productivity–malnutrition equilibrium.

The key point highlighted by these models is that the issue is not just inequity. The existence of poverty traps implies that the poor are likely to be less productive than the rich because of inefficiency in the use of assets and resources. Eswaran and Kotwal (1986) show that in an agrarian economy this may lead to inefficiency in factor use as the poor use less than optimal levels of fertiliser and farm too intensively in terms of labour. Banerjee and Newman (1993) model the adverse growth impacts of asset inequalities in the presence of credit market imperfections. They show that the combination of initial inequality and market failures creates barriers to entry into profitable activities for those with limited assets. The barriers to entry inhibit the asset poor from accumulating human capital and climbing up the occupational ladder. Galor and Zeira (1993) show that credit market imperfections combine with indivisibilities in human capital investment to produce a dynamic equilibrium where individuals from asset-poor backgrounds are stuck in a low human capital equilibrium trap.

Recent work in behavioural economics suggests that inequalities and poverty may reinforce themselves because of the way in which the disempowered make decisions (Banerjee and Mullainathan 2010; Shah *et al.* 2012). The basic idea of these models is that the poor and the deprived could escape deprivation by continually saving and investing. However, they are unable to do this because the deprived are either present-biased (too focused on temptation goods) (Banerjee and Mullainathan 2010) or their experience of life under conditions of scarcity can focus them on short-term firefighting rather than planning for the future.

There is also research on geographic poverty traps that suggests a higher persistence of disempowerment in some places than others. These models argue that the attributes of a place, in particular its isolation, can restrain consumption from growing because isolation leads to multiple deprivations as well as limitations in access to technology (Jalan and Ravallion 2002; Kraay and McKenzie 2014). They show that geographic traps constitute an equilibrium because of the high costs of migration, which is an outcome of thin rural land markets and weak property rights.

Insights from these models have had tremendous implications for international development agencies' design of economic empowerment programmes that are increasingly being adopted by states in LICs. It is now well recognised by the protagonists of these programmes that the notion that the disempowered can overcome their deprivations through hard work and thrift alone is misplaced as markets are unlikely to allow sufficient prospects for mobility in LICs. These programmes also recognise that initial inequality matters not only for the persistence of deprivations but also for the efficiency with which the deprived use their resources. This directly impacts economic empowerment measured by the poor's access to and control over assets and market resources. This suggests that the famous efficiency–equity trade-off that traditional textbook economics argues is inherent in redistributive state interventions may not hold (Okun 1975). Instead, it implies that there may be no efficiency–equity trade-off and well-designed redistributive interventions could simultaneously increase empowerment, efficiency, mobility and growth. These models argue that there is a compelling case for state redistribution and market correction policies.

This research makes a case for introducing two broad categories of interventions to complement those designed at improving the access of deprived citizens to public services and infrastructure (Ghatak 2014; OECD 2012; Kabeer 2012). The first category aims to improve market access for the deprived by reducing transactions costs in a host of markets (e.g. microfinance), providing inputs which are not readily provided by the market (e.g. skills training and business development services), improving access to information, and reforming property rights (Ghatak 2014). The second category involves asset redistribution and transfers. It includes conditional and unconditional cash transfers, asset transfers, in-kind transfers and access to subsidised employment. It is important to recognise that the proposed design gives primacy to interventions in the economic sphere. The expectation is that well-designed interventions in the economic sphere will not only have a positive impact on empowerment measured in terms of access to and control over assets, resources and opportunities; they are also likely to have spillover impacts on a broad range of empowerment indicators that relate to improvements in capabilities, security, control, power, agency, participation and influence.

3 What does the evidence suggest?

In this section I review the empirical evidence provided by quantitative studies on the impact of the following types of interventions: (1) microfinance, (2) skills training, (3) business development services, and (4) asset transfers. I focus on these interventions because donor, government and NGO support for economic empowerment tends to embody and allocate substantial funding to them (ILO 2014; OECD 2012; Kabeer 2012; Taylor and Pereznieto 2014; Domingo 2013).

To assess the impact of these interventions, I reviewed recent meta-evaluations and rigorous impact evaluations that employed quantitative methods. Impact evaluations were classified as rigorous if they used randomised controlled trial (RCT) methodology or used appropriate statistical techniques in quasi-experimental designs or panel-data analysis to minimise selection and omitted variable biases. I mainly focused on studies whose results have been published in peer-reviewed journals but also report the results of others that have been cited in the meta-evaluations.

3.1 Theory of change

Typical theories of change of economic empowerment programmes show dynamic and multifaceted change processes that reflect transformational changes in agency and economic advancement. Taylor and Pereznieto's (2014) meta-evaluation provides examples of theories of change used by economic empowerment programmes. They show that typical theories of change map expected changes over the short, medium and long term. The short-term impact of these interventions is expected to increase women's access to the service, goods or opportunity that is being offered by the programme. This change is anticipated to occur at the individual or community level depending on how the intervention is designed.

In the medium term, the intervention is expected to enhance: (1) individual capabilities and income, (2) economic decision-making power within the household and community, (3) access to and control over assets and income-generation activities, and (4) economic and social action. In the long term, the intervention continues providing medium-term outcomes and adds to them: (1) self-esteem, life satisfaction and self-belief; (2) economic mobility and the division of labour within the household and community; (3) entry into leadership positions in the community and the polity; (4) collective action in the community and the polity; and (5) active participation in community and political matters. The expectation of these programmes is that the sequence of change will flow from greater economic empowerment of the individual within the household, which will be followed by an increase in social and political empowerment in the community and the polity. Similarly, the sequence of change moves from the improvement of individuals' economic capabilities and agency to an enhancement of their social and political agency and empowerment.

3.2 The evidence: microfinance

The evidence shows mixed results for the impact of finance on business start-up and survival. Four RCT evaluations that were part of the review find that microfinance enables women to start new microenterprises, at least in the short to medium term (Augsburg *et al.* 2012; Banerjee *et al.* 2014; Attanasio *et al.* 2011; Field *et al.* 2014). Two studies find negative impacts on both women's and men's business creation (Tarozzi *et al.* 2013; Karlan and Zinman 2011). However, like other recent meta-evaluations and reviews (Buvinic *et al.* 2013; Mehra *et al.* 2013; Bandiera *et al.* 2013; ILO 2014) I find limited evidence that access to microfinance leads to sustained increases in profits and income for its beneficiaries. This suggests that economic empowerment is not being impacted by these programmes in the narrow sense of an increase in control over assets and income earning opportunities.

More importantly for our purposes, none of the studies found that access to finance led to substantial increases in investment for girls' education or impacted on other broader indicators of empowerment, such as decision-making autonomy. Women's empowerment in these studies is measured in terms of female decision-making power within the household or in terms of having the agency to make independent decisions. Angelucci *et al.* (2015) find little positive statistical effect on empowerment in spite of finding significant effects on business growth in their treatment sample. Crépon *et al.* (2015) do not find any effect on empowerment in spite of significant effects on business revenue and investment.

3.3 The evidence: skills training

The skills training programmes that were evaluated either provide vocational training or what is classified as 'business training'. The evidence suggests that there is some impact from training on start-ups. Premand *et al.* (2012) find participation in an entrepreneurship training programme leads to an increase in self-employment rates by 6 per cent for males and 3 per cent for females one year after its completion. Field *et al.* (2010) find heterogeneous impacts in India. They find that upper caste Hindu training graduates were 19 percentage points more likely to report that they were engaged in an income earning activity during the past week relative to the control group. They find that training had no effect on the relative income earning behaviour of lower caste Hindu women or on Muslim women. Premand *et al.* (2012) and de Mel *et al.* (2012a), however, find that short-term increases in self-employment after training are offset by a reduction in the likelihood of wage work. This implies that the net effect on the employment of trained graduates is close to zero.

Similarly, very few studies detect a significant effect from training on business profits or sales. Only two studies find large and positive effects (de Mel *et al.* 2012 and Calderon *et al.* 2012). However, de Mel *et al.* (2012a) do not find any impact of training on the profits of existing firms, but they do find a 40 per cent increase in profits for women-owned start-ups, although the confidence intervals around this estimate are wide. Calderon *et al.* (2013) find a 24 per cent increase in weekly profits but the effects are marginally significant, and there is large attrition in their follow-up surveys so this estimate needs to be interpreted with caution. Some studies report a large and significant erosion of short-run gains in profits over time (Berge *et al.* 2015). Again this suggests that the impact of these programmes on economic empowerment in its narrowest sense is quite weak.

Very few evaluations measure the impact of training on broader indicators of empowerment. Valdivia (2012) and Gravestejin (2012) measure the impact on women's agency within the household and their decision-making capacity, however, both find little to no effect in the medium term. One evaluation that does find substantial effects from training on women's empowerment is of an intervention in Uganda that combines vocational training with life skills training (information on sex, reproduction, and marriage) (Bandiera *et al.* 2012). It finds that relative to adolescents in the control communities, the intervention raises the likelihood of girls engaging in income generating activities and raises their expenditure on private consumption by 38 per cent. The study also finds that teenage pregnancy falls by 26 per cent and the share of girls reporting rape halves.

3.4 The evidence: business development services

These programmes tend to combine two or more enterprise support activities – namely finance, business training, and ongoing technical assistance. I reviewed nine interventions (Berge *et al.* 2015; Blattman *et al.* 2013; Drexler *et al.* 2014; Fiala 2014; Gine and Mansuri 2014; Klinger and Schündeln 2011; de Mel *et al.* 2012a; Gravesteijin 2012; Valdivia 2012). Three of these were explicitly targeted at women and all but one was aimed at micro entrepreneurs.

The impact of these interventions on business growth is very mixed. Only three find positive effects on business growth (Blattman *et al.* 2013; de Mel *et al.* 2012; Valdivia 2012). However, both Blattman *et al.* (2013) and Valdivia (2012) find limited effects from providing business development services on women's agency and decision-making. Blattman *et al.* (2013) do find some limited effects in terms of improving spousal communication. This suggests that the impact of these interventions on empowerment outcomes is likely to be small.

3.5 The evidence: asset transfers

There have been two waves of experimentation with asset transfer programmes. In the immediate aftermath of colonialism, enhancing the asset-base of the poor was viewed as a central strategy to relieve endemic poverty (Chenery *et al.* 1970). In what were largely agrarian economies at the time, this meant improving the terms on which the poor had access to land. As a result land reforms became an important instrument used by the state for asset redistribution in society. The current wave is taking the form of what are called ultra-poor programmes (JPAL-MIT 2015). The objective of these programmes is to enable ultra-poor households to diversify from insecure menial labour to self-employment. These programmes usually combine asset-transfers of livestock with skills training, consumption support, savings, home visits to build self-confidence, health education, and life skills training. The unit of intervention for these interventions is usually the household although sufficient safeguards are included for gender protection. This approach was innovated by BRAC and has since been adopted in eight countries (Bangladesh, Ethiopia, Ghana, Honduras, India, Pakistan and Peru) with support from the Consultative Group to Assist the Poor (CGAP) and the Ford Foundation.

I begin my analysis by providing evidence on the impact of ultra-poor programmes on empowerment. I then provide evidence on land reforms, which include pure land redistribution, tenancy reforms and titling programmes for the poor.

3.5.1 Ultra-poor programmes

The impact evaluations of ultra-poor programmes (Bandiera *et al.* 2013; Banerjee *et al.* 2015) find that every measured economic outcome (consumption, food security, increase in assets, and revenue from paid activity) improved significantly relative to the control group two years after the programme ended. The evaluations also find that all economic outcomes saw similar gains a year after the programme ended, which suggests that there was no erosion in the gains between the two end lines. Ultra-poor household consumption increased by close to 5 per cent relative to the control. These gains were observed in all countries except Honduras. There was a significant increase in food consumption measured by a pooled index of food security, which increased by 0.11 standard deviations relative to the control. Again, these gains were observed in all countries except Pakistan and Peru. Total assets increased significantly in all countries except Honduras and Peru. There is also a 10 per cent increase in adult labour supply relative to controls, which is associated with a 35 per cent relative increase in revenue from self-employment.

However, with regard to women's empowerment (measured as women having greater say in household decisions related to expenditure), the studies find a gain after the first year that has been eroded by the end of the second year. Interestingly, the erosion occurs in all eight countries. Contrary to this, the programme had a large and significant positive effect on all components of political empowerment (self-reported measures of the likelihood of involvement in political activity and community actions) except voting. It also reported significant results for psychosocial and physical wellbeing.

3.5.2 Land reforms

Besley and Burgess' (2000) panel-data analysis for land reforms in India shows that these reforms are associated with significant reductions in rural poverty. Using the average number of land reforms implemented in India from 1958 to 1992 as their independent variable, they find that these reforms can explain a 10 per cent reduction in the all-India poverty gap during this period. They find stronger poverty reduction effects for tenancy reforms. The persistent inequalities literature suggests that these interventions also have the potential to enhance productivity (see Section 2). Banerjee *et al.* (2002) find a large and significantly positive effect on agricultural productivity in Indian states where tenancy reforms were successfully implemented. They find that tenancy reforms in West Bengal raised the average productivity of rice cultivation by 20 per cent.

Taken together the evidence on land reforms and ultra-poor programmes suggests that economic empowerment programmes need not involve a trade-off between poverty and productivity as suggested by the persistent inequalities literature. It is clear that both interventions have a large and significant effect on economic empowerment and productivity outcomes. In spite of this success the literature on land reform highlights two major challenges for asset transfer programmes: (a) they may either create no 'spillover effect' or perverse ones for a broad set of women's empowerment indicators, and (b) there may be tremendous heterogeneity in effective implementation by government and limited scale-up.

In a recent paper Bhalotra *et al.* (2014) look at the impact of the West Bengal tenancy reforms (analysed by Banerjee *et al.* 2002) on gender discrimination in child health investments. They do find a significant decline in infant mortality risk in districts where tenancy reform was implemented on a wide scale. However, they find heterogeneity in infant survival that is related to the religion of the household and the gender composition of children. Specifically they find that boys' survival rates increased far more than girls in Hindu families, which exhibit greater son preference than non-Hindu families.[4] This difference is driven by the lack of improvement in survival rates among Hindu girls with firstborn older sisters who appear to face parental discrimination in child health investments. As a result, they find that the sex-ratio at age one is more male-biased after the reform in these families in spite of its impact on agricultural productivity and poverty reduction. These results seem to be driven by an interaction of male dominance in intergenerational land transfer and the social practice of exogamous marriage among West Bengali Hindu women, which weakens ties to their natal home. These findings are in line with the pioneering work of Agarwal (1994a, 1994b) which shows that women's ownership of land in India is integrally tied to the inheritance norms followed by different communities. This suggests that the social context presents challenges for women's empowerment even under conditions where economic outcomes are improving for poor and marginalised households. Seen in this light, the finding that ultra-poor programmes have no impact on measures of women's decision-making autonomy is unsurprising.

Another challenge is the effective implementation of high impact reforms across regions as well as their successful scale-up in the regional or national context. Again, the Indian example reveals that there is tremendous variation in effective implementation across Indian

[4] Almond *et al.* (2013) also show that son-biased selection increased in China following land reform.

States (Besley and Burgess 2000; Joshi 1975; Ghatak and Roy 2007). The Task Force on the Agrarian Relations of the Planning Commission of India (India Planning Commission 1973: 8) noted that: 'The lack of political will is amply demonstrated by the large gaps between policy and legislation and between law and its implementation. In no sphere of public activity in our country since Independence has the hiatus between precept and practice, between policy pronouncements and actual execution been as great as in the domain of land reforms'. Ghatak and Roy (2007) show that the poverty reduction and productivity enhancement effects of land reform are contingent on their successful implementation. This raises the question: What factors can account for the variation in implementation?

3.6 Summary: What the evidence suggests

This section has reviewed the evidence on the effectiveness of economic interventions for empowerment. There are two key findings. Interventions that are aiming to provide market access for deprived citizens by reducing transactions costs for finance, labour and enterprise have weak and inconsistent impacts on fairly narrow indicators of economic empowerment. While none of the evaluations measured the impact on social and political action, a few studies did measure the impact on women's decision-making autonomy in the household and found no effect. This is probably in part an outcome of design challenges, but it may also partly be a consequence of omitted contextual factors.

Evidence suggests that asset redistribution interventions have a large impact on the economic indicators of beneficiaries. The access of beneficiaries to, and control over, assets and sustainable livelihoods increases, as does their food and consumption security, and psychosocial and physical wellbeing. There is also evidence of improvements in civic and political agency in some programmes. However, the ultra-poor programmes have no impact on women's decision-making autonomy within the household. Importantly, evidence from India and China suggests that effectively implemented land reforms can worsen gender discrimination in spite of providing large gains in productivity and poverty reduction for poor and marginalised households. The land reform case suggests that evidence of successful impact does not guarantee successful scaling-up.

These results have a number of implications. First, even successful economic empowerment programmes do not create the expected 'spillover effects' on broader indicators of empowerment and action even at the household level. This suggests that economic interventions by themselves may not be enough to improve empowerment and may need to be complemented with interventions in the social and political sphere. Indeed, the Uganda training intervention that did have a large impact combined training in economic and social skills (Bandiera *et al.* 2012). Second, the analysis indicates that the impact of economic empowerment interventions on broad indicators of empowerment is highly contingent on the context. The context clearly affects both successful implementation and scaling-up. It also affects the outcomes of economic interventions.

4 The political and social context matter

In what way does the political and social context matter? This section uses evidence from the political economy and development literature to illustrate that the success of economic empowerment interventions is affected by their social and political context. Success is defined as effective implementation of an intervention at all, or at scale, and its ability to move the prime economic empowerment outcomes in the predicted direction.

4.1 Empowering the poor: redistributive asset transfers through land reforms

Section 3 alluded to the extensive heterogeneity in the implementation of land reforms across Indian states. What factors explain the success and failure of implementation across states? Besley and Burgess (2000) provide evidence on what explains the differential success of land reforms across Indian states during the period of 1958–92. They do this by regressing the stock of land reform legislation on a range of political and other variables. Their aim is to use the political variables as instruments for their land reform measure in order to address endogeneity concerns in their estimation of the reforms' impact. They find that Congress administrations had a negative effect on the passage of the legislation. Unsurprisingly, left-wing administrations had a positive and significant effect. Conning and Robinson (2007) also find that in the case of Indian states the likelihood of land reforms is positively correlated with the political strength of peasantry, the proportion of population in non-rural areas and initial land inequality. Bardhan and Mookherjee (2005) use village-level data from West Bengal to show that land reform activity in the state is not only correlated with the share of seats held by left-wing parties in the state legislature; it is also correlated with the degree of political competition faced by them.

The evidence shows that the success of these programmes is contingent on political collective action that increases the relative power of the peasantry. Tenancy reforms have been successful in contexts where left-wing parties have been able to consolidate power such as in West Bengal. Similar interventions, however, have been unsuccessful in contexts where mainstream parties are dominating the polity. The evidence also shows, however, that left-wing parties have been more responsive to their peasant base during periods of high political competition. This suggests that programme success not only requires a shift in the distribution of political power but also institutional conditions that create political competition. This evidence reveals the importance of the political context in determining the success of land reform legislation.

Conning and Robinson (2007) formulate a theoretical model to explain the evolution of tenancy rights in Indian states. They argue that the evidence shows that the success of reforms is co-determined by the economic organisation of agriculture and the political environment. The latter factor accounts for the fact that tenancy rights are the endogenous outcome of collective political choices. In their model, landlord behaviour is influenced by anticipated challenges to their property rights. The model shows that under plausible assumptions, landowners may have an incentive to minimise the impact of the reforms on their properties by repossessing land from tenants. This may result in distorted equilibria with suppressed activity in both the land rental and land sales markets with landowners overusing land and tenant-labourers overusing labour. Conning and Robinson provide considerable historical evidence from Latin America on the use of pre-emptory eviction tactics by landlords. This suggests that endogenous political economy responses to public action that attempt to redistribute assets may create perverse outcomes that adversely affect programme success. It also suggests that programme theories of change must account for the relative distribution of political power and the possibility of pre-emptory responses by asset holders for distributive gains.

4.2 Empowering women: closing the gender earnings gap

Closing the gender-income gap is an important channel through which economic programmes aim to strengthen women's empowerment and their ability to engage in social and political action. An important goal of programmes such as microfinance, skills transfer and support for the ultra-poor is to enable women's access to and participation in secure occupations that offer better earnings prospects. The theories of change underpinning these programmes expect financial empowerment to have spillover effects on women's safety. This is a narrow but fundamentally crucial indicator of empowerment. Criminologists and economists have proposed theories where an increase in women's employment and/or relative wages lowers the violence against them (Dugan *et al.* 1999; Pollak 2005; Aizer 2007). The exposure reduction theory proposed by criminologists argues that increased employment will reduce violence by reducing the time partners spend together (Dugan *et al.* 1999). Whereas economists argue that an increase in women's relative wage increases her bargaining power and this lowers violence by enabling her alternative options (Pollak 2005; Aizer 2007). However, the sociological 'male backlash' theory argues that women's financial independence may lead to increased violence against them in contexts where the culturally prescribed norm is male dominance and female dependence (Macmillan and Gartner 1999). In this view, empowerment measured as the protection from violence is predicated on the interaction between economic opportunities and social norms.

Aizer (2007) shows that violence against women declined in the US between 1990 and 2003 as their employment and earnings increased. An identification challenge in estimating a causal relationship between earnings and violence against women is the endogeneity between measures of wages and demand from female labour, which may be correlated with exposure to violence and/or unobservable factors related to violence. Aizer (2007) addresses this challenge by constructing a measure of wage that reflects exogenous demand for female and male labour. She finds causal evidence that the decline in the relative gender wage-gap during this period explains 9 per cent of the reduction in violence against women. Her evidence does not support the 'male backlash' theory or the exposure reduction theory. In the latter case it is because reductions in violence occur during non-working hours. This evidence provides strong support for interventions in the economic sphere that aim to narrow the male-female earnings gap.

Contrary to this, however, a number of studies from India show that an increase in female labour income or an increase in their relative income position within the household increases violence and/or the threat of violence against them (Luke and Munshi 2011; Eswaran *et al.* 2013; Eswaran and Malhotra 2011). Amaral *et al.* (2015) find that increased female labour force participation following the establishment of the National Rural Employment Guarantee Scheme (NREGS) increased total gender-based violence including kidnappings, sexual harassment and domestic violence. Eswaran and Malhotra (2011) find that working women face greater spousal violence and those working away from home face even more violence. The policy conclusion reached by them is that empowering women through better employment opportunities may be accompanied by increased spousal violence. This is in stark contrast to the conclusion reached by Aizer (2007).

What accounts for these heterogeneous impacts across the two contexts? Luke and Munshi (2011) suggest that differences in social norms may provide an explanation. Their study of tea plantations in South India shows that conditional on total household income, an increase in female income increases the probability of marital violence. They find that this effect only exists among lower castes, who have weaker norms against exogamy and mobility relative to other castes. They show that a relative increase in female income among lower castes, leads to behaviour that weakens the family's ties to the ancestral community and results in women responding to earnings opportunities and challenging the norm of male decision-making. This is dealt with through increased violence. Other castes, however, who maintain endogamous relations, have a more muted response to opportunities and do not challenge male authority. Another factor that may explain the heterogeneous impacts is the difference in criminal justice effectiveness against violence between the US and India. These examples suggest that the impact of economic empowerment on women's overall empowerment will depend crucially on the interaction between economic opportunities, social norms and legal institutions.

Both Eswaran and Malhotra (2011) and Luke and Munshi (2011) argue that these findings make sense if the underlying model of bargaining assumes a non-cooperative instead of a cooperative framework. In latter models bargaining is a cooperative endeavour and hence the outcome is Pareto efficient. In the non-cooperative framework, however, violence is an effective means to obtain distributional advantage in bargaining situations as there is hardly any effective legal recourse against it (Farmer and Tiefenthaler 1997; Bloch and Rao 2002). In these models economic empowerment interventions may result in perverse outcomes unless they are accompanied by interventions that provide security for battered women and better legal protection against domestic violence. These models also suggest that endogenous behavioural responses by abusers to public action that aims to enhance economic opportunities may result in disempowering rather than empowering women. Again, we need a theory of change that takes into account retaliatory responses for distributional gain under specific norms and institutional conditions.

4.3 Empowering the poor: strengthening the right to unforced labour

An important objective of economic empowerment programmes has been to strengthen the poor's, and women's in particular, right to own-labour by removing legal and social restrictions on labour mobility. Agricultural slavery (Fogel and Engerman 1974; Wright 2006) and serfdom (Brenner 1976; Domar and Machina 1984) are important institutions that have historically placed significant restrictions on labour mobility. In LICs the institution of bonded or forced labour imposes serious restrictions on labour mobility (Bardhan 1983; Mukherjee and Ray 1995). In spite of the prohibition against slavery under the 1948 Universal Declaration of Human Rights, it persists across the world. ILO (2012) has documented that 21 million people around the world are victims of forced labour with the incidence being particularly high in Asia and Africa. There is considerable evidence that forced labour takes on the form of involuntary and voluntary debt-bondage (Genicot 2009). There is a commitment within the international community to deal with this challenge through the passage of legislation, strengthening prosecution, increasing awareness that this is a criminal practice, and economic support (HM Government 2014). These measures aim to increase economic and social empowerment through changes in the legal framework.

A stream of literature in development has argued that debt-bondage can sometimes permit Pareto-improving outcomes that may not have occurred otherwise. The argument is that debt-bondage enables asset-poor citizens to gain access to credit and insurance, which they will not be able to get from the market (Bardhan 1983; Mukherjee and Ray 1995). This would suggest that placing restrictions on forced labour could make families without assets worse off. However, a body of literature shows that in the presence of incomplete markets, banning forced labour contracts can improve welfare. Genicot (2002) shows that a ban on bonded labour can stimulate new credit market opportunities for families without assets. Basu (2003) argues that legalising bonded labour could lead to an over-supply of bonded labourers, forcing down their wages. Similarly, Conning and Kevane (2006) show that the existence of bonded labour may create incentives for employers to collude on low wages.

What is the evidence on the effectiveness of a legal ban on forced labour? Does it lead to the empowerment of citizens who were subject to forced labour before the ban? These questions can be answered by learning from the evidence on the abolition of slavery in the Southern United States. During the antebellum period, the South was one of the poorest regions in the US with income per capita at 70 per cent of the national average GDP per capita (Easterlin 1960; Barro and Sala-i-Martin 1992). There is no evidence of any convergence after the abolition of slavery in 1865. In fact, until the 1940s the income per capita in the South remained at about half of the US average. Historical evidence also shows that the abolition of slavery was replaced by a variety of forced labour contracts that tied labour to land in exchange for access to protection, credit and insurance (Alston and Ferrie 1999; Ransom and Sutch 2001). Why did the abolition of slavery and the enfranchisement of freed slaves not lead to the decline of forced labour institutions?

Acemoglu and Robinson (2008a, 2008b) argue that the persistence of these institutions cannot be explained by their relative economic efficiency (see also Wright 1986; Ransom and Sutch 2001). Instead, they explain the persistence of forced labour institutions through the persistence of *de facto* economic and political power and *de jure* political power in the hands of the antebellum white elite (see also Wiener 1978). This power enabled the state legislature of Alabama to pass the Black Code which included a vagrancy law and a law against the enticement of labourers. Naidu (2010) finds that in the wake of the civil war, all southern states apart from Tennessee strengthened these laws and enticement became a criminal offence punishable by fines. He provides evidence showing that the anti-enticement laws did in fact bind sharecroppers in statistically and economically significant ways: these laws lowered the probability of a labour market move by 12 per cent and the returns to experience for black workers by 0.6 per cent per annum.

This example suggests that public action that aims to reform economic institutions through legislation may result in perverse outcomes if the distribution of *de facto* economic power and *de jure* and *de facto* political power remain in the hands of the elite that benefited from these institutions. Again, we find that the success of specific economic interventions is predicated on the relationship between legal changes, economic empowerment and social and political power. This example shows that abolition of forced labour may not have the effects expected because of the lack of spillover benefits for social and political empowerment.

4.4 Empowering the poor: strengthening property rights

Disempowered citizens not only lack access to secure jobs and market opportunities, but they also lack access to, and control over, assets with which to generate income, access markets and obtain secure shelter. Weak property rights are a significant factor in this respect, affecting economic empowerment by increasing expropriation risk, which may reduce incentives for investment and effort (Besley and Ghatak 2010). They also increase enforcement and protection costs for resource and asset-poor individuals with adverse consequences for economic empowerment. Weak property rights also reduce people's access to credit and land markets (Besley 1995). Strengthening property rights to agricultural land and residential land in urban and rural areas is an important component of economic empowerment programmes. Again, these measures are aiming to increase economic and social empowerment through changes in the legal framework. Section 3 reviewed the empirical evidence and found that these interventions have had a positive effect on economic empowerment in many contexts. Is there a relationship between the political environment and the evolution of the economic institutions of property?

It is well-recognised that land rights in weakly institutionalised LIC settings are not consolidated in the forms of exclusive individual or corporate control comparable to notions of private property in the advanced economies (Berry 1993; Goldstein and Udry 2008; Khan 2009). For example, Goldstein and Udry (2008) document the complex structure of land rights in rural Ghana (also see Besley 1995). They find that most of the land cultivated by farmers is under the control of a village chief and is allocated through matrilineage. The general principle is that land is 'owned' by the social institution of the paramount 'chieftaincy' and is controlled by a particular matrilineage. However, the control of the matrlineage is conditional on its members meeting their obligations as subjects of the chieftaincy. This results in overlapping claims to land and allocation being decided on the basis of an individual's political influence and perceived need. Khan (2009) documents the complex structure of land rights in colonial South Asia that has persisted in the post-colonial period. He argues that politically and socially mediated non-market mechanisms for property rights allocations – including informal ones – play a much more important role than market-mediated and formal mechanisms.

This creates a complex web of rights that are mediated through informal social and political institutions. Goldstein and Udry (2008) show that in this context local power structures play an important role in affecting economic empowerment through the security of property rights. They also show that the earnings of producers are impacted by political power as it is the main foil against expropriation of effort and incentives. In Ghana, fallowing is the most important investment in land productivity and Goldstein and Udry's evidence shows that the amount of fallowing in their sample is extremely inefficient. This is because fallowing increases the risk of confiscation of land by the chiefs and individuals connected to them. They show that individuals with political power have much higher levels of fallowing because they face a lower risk of expropriation. It is evident that introducing economic interventions that incentivise producers, in this context, to leave their land fallow will lead to economic disempowerment of the less powerful as they will be exposed to higher rates of expropriation of assets and effort. This example suggests that theories of change underlying economic empowerment interventions must account for the interaction between the structure of economic rights, informal social and political institutions and the distribution of local power. Failure to do so could result in perverse effects. It also suggests that careful work is needed to map the correspondence between formal and informal institutions and the rights assigned to individuals.

There is a vast literature which suggests that weak property rights for the disempowered may not only be an outcome of the way non-state institutions and actors function but also the way the state functions (Besley and Ghatak 2010; Khan 2009; North 1990; Acemoglu *et al.* 2005). This is because property right structures are collective choices of society. The literature suggests that property rights not only determine the productive potential of society – thereby opening up the opportunity for Pareto optimal trades – but also offer different distribution of gains for different individuals and social groups. This results in a conflict of interest over the choice of property right. The literature contends that the distribution of political power will be the deciding factor in determining the system of property rights (Acemoglu and Robinson 2008a and Khan 2009). Evidence suggests that relative power is shaped by the type of political institutions, which determine *de jure* power. It also shows the importance of the distribution of organisational and political power of different groups that enable them to participate in political institutions and define the distribution of *de facto* power (Khan 2009; Acemoglu and Robinson 2008a).

4.5 Summary: Political and social context matters

This section uses evidence from the literature to show that public action for economic empowerment can have diametrically opposite outcomes in different social and political contexts. Why does the context matter? The evidence suggests it matters for two reasons. First, in weakly institutionalised LIC settings the structure of economic rights is complex and often embedded in informal social and political arrangements and institutions that may or may not have formal recognition. Second, economic empowerment interventions attempt to change the distribution of resources, assets and power between the disempowered and the empowered. These distributional changes can manifest themselves within households, communities and the polity. Therefore, public action for economic empowerment by its very nature involves complex negotiations in the social and political sphere. It also results in endogenous political economy responses from agents who see their economic and political rents threatened or see an opportunity to increase their rents.

This suggests that there are social costs of creating, sustaining and scaling-up these interventions (Acemoglu and Robinson 2008a). These costs include the cost of social agents negotiating the intervention and contesting it in the social and political spheres (Khan 2009). The examples suggest that high social costs could result in the persistence of the initial empowerment equilibrium or could worsen it. The evidence also suggests that these social costs are a function of the distribution of political and organisational power in society, which is affected by political and social institutions, action and norms. The interaction between economic interventions and the social and political context tends to be complex, non-linear and can bring about unintended consequences (McGee and Gaventa 2011). I have shown that changing outcomes positively in one sphere – say, economic – may lead to worsening outcomes in social and political spheres.

The design of interventions, therefore, must be informed by theories of change that build a systematic understanding of how economic interventions (mechanisms) will combine with social and political factors (context) to create programme success. These theories of change must take into account the possibility of distributive conflicts and involve features that enable programmes to take into account endogenous political economy responses to interventions by both gainers and losers in specific LIC contexts. A robust theory of change must also recognise that economic interventions are one of many potential drivers and change in economic empowerment may also result from self-standing or complementary interventions in the social and political spheres. For example, tenancy reforms in West Bengal would not have been possible without the political changes preceding it.

5 What aspects of context matter?

This section synthesises the political economy literature and identifies features of political action and the institutional context in LICs that the literature suggests may affect economic empowerment outcomes. I show that these features affect outcomes by impacting accountability, political selection, inclusive representation, and conflict. I also analyse the evidence on inequality as a channel that affects economic empowerment. The literature also shows that the preferences of voters and their information environment are important determinants of their ability for action and their ability to influence selection and hold leaders accountable. I focus on the political context with an interest in the effect of economic empowerment interventions that reach a critical scale enabling them to have systemic impact.

5.1 Political action and economic empowerment: the role of political institutions

The economic history literature suggests that strengthening democratic accountability through political institutional reform is an important pathway underpinning effective public action for empowerment. The literature suggests that political institutions that disenfranchise citizen groups worsen their access to public services. Carruthers and Wanamaker (2015) examine the effect of women's suffrage in the American South in a context of continuing disenfranchisement of black citizens. They find that female voter enfranchisement accounted for a one-third rise in public expenditure on schooling from 1920 to 1940. However, they also show that this rise was disproportionately targeted at white schools, which worsened racial inequality and human capital outcomes and resulted in the continued economic disempowerment of the black population. Similarly, Miller (2008) finds that the electoral enfranchisement of women in the US was followed by radical shifts in legislation and a rise in public health spending. He shows that as a result of women's enfranchisement child mortality declined by 8–15 per cent.

The political economy literature also finds that political institutions in LICs that strengthen the re-election incentives of politicians have a positive impact on the outcome of economic empowerment interventions and on effective service delivery. De Janvary *et al.* (2012) find that the re-election incentives of elected mayors that resulted from variations in term limits affected the performance of a conditional cash transfer programme[5] in Brazil. They find that while the programme reduced school dropout rates by 8 per cent; its impact was 36 per cent more in electoral districts governed by mayors who faced re-election. They also find that mayors with a good performance record increased their re-election probability. Similarly, Ferraz and Finan (2011) show that in Brazil stronger re-election incentives (measured by the number of terms a mayor has been elected) reduce corruption in public service delivery and improve outcomes. The pathway to improved outcomes in these examples is stronger political accountability.

However, there is a paucity of rigorous empirical evidence on the mechanisms and contextual factors that enable disempowered citizens to hold leaders accountable in non-democratic settings. Evidence shows that there is huge variation in the performance of autocracies (Besley and Kudamatsu 2008). However, our understanding of the processes underlying this variation is limited and much more research is needed to unpack the mechanisms that underlie it. In particular, it is important to understand the role of spontaneous politics, public protests, 'revolutions' and non-electoral checks and balances as mechanisms for citizen empowerment in these contexts. There are a few empirical papers on the effectiveness of these mechanisms (Aidt and Jensen 2014; Acemoglu *et al.* 2011) but much more work is needed.

5.2 Political action and economic empowerment in LICs: ethnic politics, clientelism and the limits to democratic accountability

A paradox in LICs is that while the overall distribution of political institutions has shifted towards those that allow greater political engagement among poorer and less educated citizens, a majority of citizens question the fairness and integrity of these institutions (Khemani 2016). Khemani (*ibid.*: 60) shows that Wave 6 (2010–14) of the World Values Survey reveals 'a high degree of perceived incidence of violence, vote buying, and electoral fraud in developing countries, in sharp contrast to the lack of such problems reported in OECD countries'. This suggests that changes in formal political institutions may not be sufficient to ensure that distributive conflicts over resources and rents is decided in favour of the disempowered. Evidence suggests that forms of political action such as ethnic politics and clientelism underpin violence, vote buying and electoral fraud, which have adverse consequences for economic empowerment.

The literature shows that ethnic politics is an important form of political action in LICs. Azulai *et al.* (2014: 38–40) show that an important feature of the LIC context is the much higher degree of ethnic and linguistic fractionalisation that gives rise to ethnic politics. There is a large literature that has documented the tendency of groups to mobilise politically around identity to appropriate targeted benefits often using strategies that involve violence (Burgess *et al.* 2015; Bates 2000; Banerjee and Pande 2007; Varshney 2002; Birnir 2006; Chandra and Wilkinson 2008; Chandra 2004, 2012).

The evidence suggests that ethnic politics undermines public action for empowerment by weakening the accountability of leaders mandated to provide public goods and inclusive market opportunities. Burgess *et al.* (2015) show that districts in Kenya with a population majority sharing the president's ethnicity, received twice as much expenditure on roads and four times higher paved road provision during the period 1963–2011. Miguel and Gugerty (2005) find that local ethnic diversity is robustly associated with a sharp drop in local school funding in Kenya. The drop in local school funding associated with median school-level ethnic diversity is approximately 30 per cent of average local school funding. Banerjee and Pande (2007) show that ethnic and caste mobilisation is associated with greater corruption in the delivery of public services in India. The underlying cause of these outcomes is weak

5 This is also an important intervention used by economic empowerment programmes.

political accountability of leaders to citizens who are not co-ethnics. Alesina *et al.*'s (2012) findings show that inequality between ethnicities is not only correlated with lower public good provision, it is also correlated with perceptions of discrimination.

The evidence suggests that adverse effects of ethnic politics on empowerment are a consequence of ethnic conflict and actions that weaken political selection. Ksoll *et al.* (2014) find that ethnic electoral conflict in Kenya during 2008 reduced weekly export volumes by 40 per cent. They found that on average firms suffered a loss during this period and absent workers suffered welfare losses at least three times more than weekly earnings. Hjort (2014) finds that firm-level adjustment to this shock involved a sharp increase in ethnic discrimination within supply chains (see also Varshney 2002). The ethnicity-based disempowerment equilibrium can also operate through the selection of leaders. Aidt *et al.* (2011) show that political parties in India that are organised on ethnic lines are also likely to field candidates who are subject to serious criminal allegations. Prakash *et al.* (2014) find that the election of criminally accused politicians in the Indian context results in a 24 per cent drop in economic activity.

There is evidence that ethnic political divisions are not predetermined but are often manipulated by politicians for gain. Padro-i-Miguel (2007) highlights a mechanism whereby politicians target interventions endogenously in order to create conflicts of interest among co-ethnics. This could happen, for example, by targeting resources and goods to co-ethnics (Padro-i-Miguel 2007). Leaders have an incentive to do this if it gives them a better chance to win power and also increase their private rents by excluding other groups from the provision of public services. Eifert *et al.* (2010) show that when the Afrobarometer survey is run close to elections, citizens tend to identify more strongly with ethnic markers. A significant implication of this mechanism is that the expectation of sustaining power and rents drives political action that worsens ethnic-based discrimination and disempowerment.

There is a growing corpus of literature from LICs which documents how the political rights of voters, especially the disempowered, and their access to public goods and redistributive transfers is undermined by clientelist political action (Stokes 2011; Kitschelt and Wilkinson 2008; Stokes *et al.* 2013; Schaffer 2007; Khan 2000). Stokes (2011: 2) defines clientelism as 'the proffering of material goods in return for electoral support, where the criterion of distribution that the patron uses is simply: did you (will you) support me?' The literature acknowledges that clientelism can come with an offer of inducement or intimidation (Stokes *et al.* 2013; Tam 2005; Chubb 1982), and it can involve outright vote buying or patronage (Stokes 2011). Scott (1972) argues that clientelism is usually between a powerful patron and a client of lower socioeconomic status. The literature finds widespread prevalence of clientelism in LICs even under democratic political institutions which use secret ballots in elections. It suggests that clientelism is prevalent in contexts where market imperfections reduce the access of the client to protection, economic and social services and goods. While the client lacks resources to enter market transactions, she has certain other resources: like abundant time, a vote, and access to social networks, which are available to offer to the patron as part of the clientelist exchange (Stokes 2011). Wantchekon's (2003) experimental research in Africa shows that leaders have strong incentives for using clientelist campaigns and mobilisation to sustain power.

The evidence suggests that clientelism undermines public action for empowerment by weakening the ability of the state to provide public goods and successfully implement economic empowerment programmes. Anderson *et al.*'s (2015) findings show that clientelism between landowning elites and lower class agrarian households in India results in lower public investment in social safety nets and anti-poverty programmes.[6] Khemani (2015) shows that vote buying in the Philippines is associated with lower provision of broadly delivered pro-

[6] These are two important components of economic empowerment programmes.

poor public services in health and education. She also finds that the incidence of vote buying is correlated with a higher incidence of wasting among children. Larreguy (2013) shows that stronger clientelist networks in Mexico are associated with lower public school provision. Again, clientelism undermines outcomes by weakening electoral accountability.

This evidence suggests that economic empowerment interventions are likely to have attenuated outcomes in LIC contexts dominated by ethnic and clientelist politics. In these contexts, political interventions designed to mitigate the adverse consequences of ethnic and clientelist politics may be important pre-conditions for the success of economic empowerment actions and programmes.

5.3 Political action and economic empowerment in LICs: interventions to mitigate the adverse consequences of ethnic and clientelist politics

Evidence suggests that reforms in the political sphere may mitigate the adverse effects of ethnic politics on empowerment. Burgess *et al.* (2015) and Casey (2015) provide evidence that the introduction of political institutions that strengthen checks and balances through electoral competition in sub-Saharan Africa helped overcome the distortions in public action caused by ethnic politics. Burgess *et al.*'s (2015) study on Kenya finds no evidence of ethnic favouritism in provision during periods of democracy. Casey (2015) finds that local elections helped to erode ethnic and partisan loyalties in politics in Sierra Leone.

There is also evidence that suggests that enforcing minority political rights through inclusive political institutions and creating mechanisms for checks and balances may offset the exclusionary consequences of ethnic politics. Pande (2003) evaluates the impact of caste reservation for local government mayors in India and finds that states which reserved the office of local mayor for lower caste groups increased spending on public education programmes benefitting lower caste citizens. However, Munshi and Rozensweig (2015) show that the positive impact of political reservation on the outcomes of economic empowerment programmes and actions is sensitive to the demographic distribution of ethnic groups in electoral constituencies.

The literature also suggests that changes in voting technology, again a reform in the political sphere, positively impacts empowerment by undermining the consequences of clientelist action. There is a recognition that as clientelism does not involve simultaneous exchange, it requires monitoring mechanisms that enforce agreements between patron and clients (Stokes 2011; Larreguy 2013). An important mechanism sustaining clientelism is the absence of anonymous voting. The literature suggests that reforms in the political sphere that strengthen anonymous voting can have positive empowerment effects by eroding clientelism. The classic paper providing evidence for this mechanism is Baland and Robinson (2008), who show that the introduction of the secret ballot in Peru was associated with the erosion of clientelism and better economic outcomes for the landless. Similarly, Fujiwara (2015) shows that the introduction of electronic voting in Brazil enfranchised disempowered voters, undermined clientelist action, and improved the delivery of health services.

There is emerging evidence that empowerment interventions in the economic sphere may also be effective in undermining the consequences of clientelist action. Larreguy *et al.* (2015) shows that a land titling programme in Mexico was able to reduce clientelism, while at the same time rewarding the federal political party responsible for implementing the programme. Their findings suggest that economic empowerment interventions can erode clientelism and at the same time create strong political incentives for the sustainable implementation of the intervention. They also show that there is a strong symbiotic relationship between lack of property rights and clientelism in urban Mexico as political brokers at the municipal level offer protection against eviction in exchange for votes. The land titling programme reduced vote selling by reducing the demand for property rights protection. The recipients of the land titling also experienced improved access to public goods and a positive net wealth effect.

5.4 Political action and economic empowerment: the role of inequality

There is considerable evidence that shows that the relationship between institutions, political selection and public action for empowerment is mediated by inequality. However, the evidence is mixed on what type of inequality matters. Nunn (2008) uses information from the US 1860 census to analyse the relationship between historic inequality and current economic inequality and development. He shows that historically unequal counties in the US also had a much higher incidence of slavery, suggesting that inequality was directly related to disempowerment in this context. The study finds a positive relationship between historic and current economic inequality, but it does not find an empirical relationship between historic inequality and current income levels. Acemoglu *et al.* (2008) find that in Colombian municipalities there is a positive relationship between nineteenth century land inequality and current rates of primary and secondary school enrolment. As opposed to this, Engerman and Sokoloff (1997, 2002) and Banerjee and Iyer (2005) find that unequal economic institutions adversely impact economic outcomes that are likely to impact the disempowered. While the evidence on the relationship between economic inequality and public action for empowerment is ambiguous, there is emerging evidence that shows that political inequality leads to poor outcomes. Acemoglu *et al.* (2008) show that political inequality in Colombian municipalities is negatively correlated with economic inequality and schooling outcomes.

There is evidence that elite political control over institutions of violence and coercion can weaken access to political power for the disempowered and worsen their development outcomes. Acemoglu and Robinson (2006, 2008b) and Acemoglu *et al.* (2013) document the presence of elite capture of state institutions in the US South in spite of the extension of voting rights. They show that in these contexts political elites maintained power through the widespread use of violence, coercion and economic sanctions and this worsened outcomes for the disempowered. Acemoglu *et al.* (2014) focus on variations in the colonial organisation of chieftaincy in Sierra Leone, to show that areas with fewer ruling families face fewer constraints and less political competition, and also have worse rates of educational attainment, child health and asset ownership.

5.5 Political action and empowerment: voter preferences and the information environment in LICs

Recent evidence suggests that voter preferences may not behave in ways suggested by conventional political economy models. For example, Chapman (2014) finds mixed results for increases in municipal spending on clean water and sewer systems in response to the extension of voter franchise in nineteenth century England. Standard political economy models would suggest that an extension in voter franchise would be associated with greater public spending on water and sanitation as the poor stood to gain most from this investment. However, Chapman (2014) found a U-shaped relationship between the expansion of the franchise and public spending, with expenditure per capita peaking at intermediate levels of the franchise. He suggests that this was because the expenditure was financed through property taxes, which meant that the poor had to share the fiscal burden of provision with the rich. This suggests that the poor’s support for redistributive policies and public good provision is predicated on how the distribution of the tax burden is imposed and what is the perceived tax burden they may face.

This finding is related to an empirical puzzle that democracies, where the median voter is typically poorer than the mean, have lower tax rates than is predicted by the standard Meltzer and Richard (1981) model. This could be explained by the use of distortionary taxes, which are likely to lower the incentive of the poor to vote for provision. It could also be a result of the complex nature of preference formation among the poor and disempowered.

Bénabou and Ok (2001) and Alesina and La Ferrara (2005) show that there is considerable variation in the preferences for redistribution within lower classes. They show that poor citizens with higher prospects of upward economic mobility prefer lower levels of redistribution. Luttmer and Singhal (2011) find that within European countries, immigration from countries with higher preferences for redistribution typically maintain this higher preference, and this effect persists over much more than a decade. There is emerging evidence that the media is a powerful means for shaping voter preferences towards both state programmes and other groups in society (Paluck and Green 2009; Trujillo and Paluck 2011). This suggests that there is need for rigorous empirical research that provides a better understanding of voter preferences in specific contexts.

The literature also suggests that the accountability of political leaders to disempowered citizens in democracies may be weakened because the latter lack the information to hold them accountable. Classical models of democratisation predict that informed voters can and will hold politicians accountable for their performance. Knowing this, politicians will become more responsive to the interests of disempowered voters. The evidence on how voters respond to information provision is, however, mixed. Ferraz and Finan (2011) show that voters penalise corruption when information about its practice is revealed. Banerjee *et al.* (2011) find that voter information campaigns increase turnout and reduce vote selling. However, Humphreys and Weinstein (2010) fail to find a relationship between information and accountability in Uganda. Chong *et al.* (2013) find that information provided on fraud can lower turnouts, resulting in citizen disengagement. There is also emerging evidence that the effectiveness of information as an instrument that shapes voter preference and strengthens accountability is predicated on the medium through which it is disseminated. Television and radio have been shown to have significant effects on people's preferences and attitudes (e.g. Paluck 2009; Jensen and Oster 2009), and they are shown to be particularly effective in contexts with low literacy rates and a strong oral tradition.

5.6 Summary: What aspects of context matters for empowerment?

The review of literature suggests that a combination of the political institutional context and features of political action matter for empowerment outcomes. These contextual factors appear to affect the effectiveness of public action for empowerment as well as the outcomes of economic empowerment interventions. The economic history and political economy literature suggests, on the one hand, that the transition to political institutions that strengthen democratic accountability is an important pathway that positively impacts empowerment, but on the other hand the available evidence suggests that ethnic and clientelist political action, which is highly prevalent in LICs, undermines this impact. This is an important facet of the democratic challenge in LICs.

Ethnic and clientelist political action limits democratic accountability by weakening political accountability and selection, and engendering conflict. This, in turn, weakens the effects of economic empowerment interventions as well as public action for empowerment. The literature indicates that we should expect heterogeneous outcomes of public action and programmes for empowerment with implementation and returns being higher where the constraints imposed by ethnic and clientelist political action are weaker. However, we need much more evidence on the contextual factors that lead to the erosion of ethnic and clientelist action in some sub-national settings as compared to others. The literature also suggests that political interventions and reforms designed to mitigate the adverse consequences of ethnic and clientelist action may be important for empowerment, and that there is a case for designing interventions that extend across the economic and political spheres.

6 What are the implications for fragile and conflict-affected settings (FCAS)?

I draw on the broader political economy and development literature to examine the implications for FCAS as there have been few rigorous, well-defined evaluations of economic empowerment programmes in these settings (Blattman and Ralston 2015). I begin by describing the salient features of FCAS and their implications for economic empowerment programmes. I then review the findings of the nascent empirical literature on economic empowerment programmes in FCAS. I argue that while the nascent literature implies that contextual factors do matter, it pays them little heed. Finally, I draw on the previous sections to suggest future directions for programming and research on action for empowerment in FCAS.

6.1 What are the features of FCAS?

FCAS contexts are defined as having weak institutions, high risk of coups or other political instability, ongoing or recently resolved conflicts, and unstable policy environments (Blattman and Ralston 2015; Woolcock 2014). In addition, they are vulnerable to internal and external shocks such as economic crises or natural disasters. In such insecure contexts, the rule of law is likely to be highly uncertain and the return to any factor of production is unlikely to be high or stable. In contexts with ongoing uncertainty and instability, incentives to accumulate any form of capital are likely to be too low and too risky for most individuals and firms, except for those with power and stability. However, the returns to factors of production may be very high in FCAS regions where settlements have been reached, the powerful are able to provide property rights protection, or where uncertainty has recently been resolved and stability restored. Economic empowerment programmes are expected to increase economic returns for the marginalised in these types of FCAS contexts, by not only increasing employability and raising income, but also incentivising people to disengage from conflict and violence (Blattman and Ralston 2015; Blattman and Miguel 2010).

FCAS are also defined by a political context in which states either don't have a monopoly over violence or there are few constraints on executive power; groups organise to offer protection to their members; security for elites is typically higher than that available for non-elites; and access to resources, public goods and protection for non-elites is negotiated through participation in social and political groups (North *et al.* 2007). There is ample evidence that in these settings social and political groups organise on the basis of ethnic affiliation or clientelist action (*ibid.*). In this context, public action for empowerment is going to be affected by the ability of social groups to reach peaceful settlements. The outcomes of public action will also depend on how accountable and responsive the leadership of social and political groups is to their non-elite members and whether these groups can place effective checks on executive power.

6.2 Evidence on the impact of economic empowerment programmes in FCAS

What is the evidence for the effectiveness of economic empowerment programmes in these contexts? Blattman and Ralston's (2015) comprehensive review shows that capital-centric interventions appear to offer the most promise, in the sense that these programmes can stimulate self-employment and earnings cost-effectively. These interventions include start-up grants, cash infusions and in-kind asset transfers. Their review also finds that, as in the broader LIC case, microfinance promises low returns in terms of economic outcomes and skills, and business training programmes rarely pass a simple cost-benefit test unless they are bundled with capital-centric programmes. The review also finds that capital-centric programmes tend to be the exception rather than the rule in spite of considerable evidence for their success in LIC settings and some emerging evidence for their success in FCAS

(Blattman *et al.* 2015, 2016; de Mel *et al.* 2012b; Gilligan *et al.* 2012). The FCAS results show that the programme returns are highest either in moderately war-affected districts, or once people have returned from forced displacement in the aftermath of war or a natural disaster.

Initial evidence from FCAS, however, shows that contextual factors matter for the sustainability of outcomes. Evidence from an economic empowerment programme in Liberia, which gave an eight-week course in cognitive behavioural therapy (CBT) and a US$200 cash transfer to urban men at risk of engaging in crime, found short-term increases in self-employment and earnings, and a reduction in criminal engagement one month after the programme ended (Blattman *et al.* 2015). However, the gains had dissipated a year later due to criminal loss as these men were working in insecure and fragile neighbourhoods with high crime rates. The study found that once the effects on employment and earnings dissipated, criminal engagement began to rise again.

The macro evidence suggests that weak institutions have more sustained adverse effects for FCAS than war, presumably because conflict eventually ends. Cerra and Saxena (2008) look at how national output was affected by two types of political crises: the outbreak of civil war and a sudden deterioration in constraints on executive power, in 190 countries. They find that output fell by around 6 per cent for both. They also find, however, that while national output rebounded from war, it persisted with the deterioration in executive constraints. This suggests that deterioration in political institutional conditions can have persistent long-term effects in FCAS.

Finally, there is evidence which suggests that improvements in employment and earnings may not have spillover effects on violence reduction in FCAS. Berman *et al.* (2011) find no correlation between employment levels and insurgent attacks at the district level in Afghanistan, Iraq and the Philippines. This evidence shows that the nature of mobilisations underlying insurgencies is likely to affect the correlation between employment, earnings and violence reduction. It suggests that the correlation is likely to be low when the political action underpinning insurgencies results in recruitment based on club goods or ideology as compared to political action that uses the low economic opportunity cost of conflict to recruit members. This indicates that the outcomes of economic empowerment programmes in FCAS will be sensitive to the political basis of mobilisations.

The nascent literature on economic empowerment programmes clearly shows that political and institutional contextual factors matter. In spite of this evidence, programmes typically pay little heed to these factors in their design.

6.3 Suggested directions for future work on empowerment in FCAS

6.3.1 Paying heed to context

The first big message from this literature review is that both programme design and future research on empowerment in FCAS must pay heed to context. A good starting point would be to build a corpus of research that enables us to understand which sub-national contexts promise the highest marginal return in terms of empowerment outcomes in FCAS. It would be important to analyse the pathways to impact in contexts with high and low returns. Research must also provide a better understanding of the factors that put these contexts on different paths. It would be important to understand the differences in the nature of distributive conflicts; the distribution of political, social and organisational power between the empowered and the disempowered and the *de facto* and *de jure* institutional environment in these contexts. This research is important because it will enable us to understand what types of interventions are best-fits for specific sub-national contexts.

6.3.2 Bringing politics and society centre stage

The second big message is that action for empowerment will lack bite in contexts where accountability relations are weak and disempowered citizens are unable to influence the selection and accountability of social and political leaders. The evidence shows that economic empowerment interventions on their own rarely produce spillover effects in terms of social and political empowerment. This is also true of economic empowerment interventions that have high economic returns. We also know that the scale-up of successful economic empowerment interventions is highly sensitive to political and social contextual factors. This suggests that the design of interventions in the social and political spheres has to be an important part of empowerment programmes. The aim of these interventions should be to strengthen the accountability relationship between the empowered and the disempowered in FCAS. It would also be important to estimate the returns to programmes that combine interventions across spheres. We know that it may not be enough to focus on the design of formal institutions in contexts where ethnic and clientelist politics is embedded. An important future direction of research would be to design interventions that can enable the marginalised to hold local ethnic and clientelist apparatus accountable[7] or reduce the reliance of the marginalised on ethnic and clientelist groups.[8] Designing information interventions that seek to affect the accountability of ethnic and clientelist machines is a promising area of future work.

6.3.3 Combining interventions is likely to promise higher returns

I have already argued that combining social, political and economic interventions may be necessary to enhance the empowerment of the marginalised in FCAS. There is emerging evidence that combining economic and social interventions may promise high returns in FCAS (Blattman and Ralston 2015). In particular, the literature identifies experimentation with socialisation interventions as a promising area of future work. There is a large qualitative literature on how violence groups use strategies of coercion, indoctrination and socialisation to shape young people's behaviour (Vigil 2003; Wood 2008; Maruna and Roy 2007). Blattman and Ralston (2015) make a strong case for experimentation with combined rehabilitation programmes that use similar socialisation techniques in reverse process. The problem in FCAS isn't just access to capital (financial or human), it is also insecurity due to environmental shocks and a weak institutional environment. In this context, it would be important to empirically assess the returns to programmes that combine capital-centric interventions with insurance or community-based collective action around protection.

6.3.4 Building trust between states and communities

It is difficult to see how programmes can reduce violence without building citizen trust in the state, giving organised groups a stake in peace and an incentive to shift their allegiance away from non-state actors. Building trust will require moving away from centralised delivery models and giving communities a voice in the programming of state initiatives. There is some evidence to support the efficacy of this approach in FCAS. Berman *et al.* (2011) show that small-scale community identified reconstruction projects funded by the US military led to fewer insurgent attacks in Iraq and the Philippines. Olken (2010) shows that direct participation in political decision-making can substantially increase the satisfaction and legitimacy of development projects.

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7 An example would be generating citizen or provision report cards on unelected local intermediaries employed by ethnic and clientelist apparatus and revealing the results to the apparatus' electoral leaders. This may help change the accountability relations between citizens and the intermediaries and strengthen the incentives for these intermediaries to become more responsive to marginalised groups.

8 Land titling programmes are an example that has shown promising results in terms of reducing clientelist dependence.

6.3.5 *Developing clarity in defining programme goals and identifying target groups*

Empowerment programmes often have multiple goals that can be achieved through different target groups, yet these programmes and their theories of change often lack clarity about the groups that would be the most effective targets. For example, programmes designed to reduce violence may have poverty reduction as a complementary goal and fulfilling these multiple objectives may require targeting different groups. This is important as the poorest group in a population, which is often the target of these programmes, may not be the high-risk one (Blattman and Ralston 2015; Blair *et al.* 2013). Therefore, theories of change for these programmes must define programming goals clearly and identify the most effective target group through which these goals can be achieved.

6.3.6 *Giving centrality to experimentation and diagnostics*

This review makes it clear that there are no silver bullets for addressing the empowerment challenge in LICs and FCAS. There is ample evidence that economic empowerment programmes that have received large allocations of public money have failed to show adequate returns in terms of economic empowerment and haven't produced the anticipated spillovers for social and political empowerment. This suggests that there is a problem with implementing a best-practice and solution driven development approach in a context where the portfolio of effective solutions doesn't exist. We have to recognise that we can only move forward through experimentation, testing and innovation. This would require an approach where small-scale innovative interventions are tried and tested to see what works based on a rigorous embedded diagnostic system. The aim would be to scale-up what works and shut down what doesn't.

6.3.7 *Knowledge gaps*

There are a number of knowledge gaps about FCAS settings that need to be addressed if we are to design effective theories of action and change. As mentioned earlier, there is a paucity of rigorous empirical work on the mechanisms that enable disempowered citizens to hold social and political leaders accountable in non-democratic settings. It is particularly, important to analyse the role of spontaneous politics, public protests, revolutions and non-electoral checks and balances in this regard. Further work is needed on the relationship between different types of inequality and empowerment in FCAS settings. The development and economic history literature seems to suggest that economic inequality may not be an adverse factor for empowerment in FCAS settings and much more attention may need to be paid to political inequality. The formation of voter preferences and the strategies used by political elites in this regard are really important areas of future research. As mentioned earlier, voter preferences may not behave in ways suggested by conventional theory and they may be endogenous to messaging used by politicians and the media. This suggests that the interaction between voter preferences and political strategies may be iterative and non-linear and this would require designing very different mechanisms of change.

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