

Contextual Solutions for Institutional Reforms in Developing Countries: The Case of Tanzania and Uganda

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List of Abbreviations

CCM	Chama Cha Mapinduzi
GBS	general budget support
GDP	gross domestic product
IMF	International Monetary Fund
NGO	nongovernmental organization
ODA	official development assistance
QCA	qualitative content analysis
TNA	training needs assessment

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1 Introduction

Since the time of decolonization, development cooperation with poorer countries has been a central task of the international community (Bilzen 2015; Edwards 2015). Despite some success stories (Acemoglu et al. 2003; Zafar 2011; Braga de Maceido and Brites Pereira 2016; Frankel 2016), many countries, especially on the African continent, are still marked by poverty and poor economic performance (North et al. 2007; Handley et al. 2009; Moyo 2009; Easterly 2013; Barton 2015; Beegle et al. 2016; Dang and Dabalen 2017). In a globalized world, the interdependencies of developing and industrialized countries are illustrated by challenges such as the global refugee crisis and climate change. Thus, the question of possible development paths for these countries becomes more volatile.

In order to support reforms towards prosperity and economic development, various policies have been implemented over the decades since the Second World War. They have been marked by different ideas on how to shape reforms in developing countries. Page and Pande (2018) demonstrate that money alone is not enough to improve the situation of people living in poverty. Even if the share of poor people in the world has decreased, programs to foster growth are unable to lift people out of poverty within inequitable middle-income countries (ibid., 174). “But poverty is more than just a lack of money, and escaping it requires more than cash” (ibid., 176). Rather, the authors demand that donors and civil society should strive to build democratic state institutions (ibid., 177).

Page and Pande are not the only ones to conclude that poor countries often lack stable institutions. The economic literature broadly acknowledges that institutions matter for economic development (cf. North 1990; Barro 2000; Rodrik et al. 2004; Easterly 2008; Acemoglu and Robinson 2010; Boettke and Fink 2011; Barton 2015; Seidler 2016; Tylecote 2016; Silberberger and Zweynert 2017; Almeida 2018; Gambus and Almeida 2018; Marangos 2018; Seidler 2018). This claim means that institutions shape economic processes and thus the economic development of a country. Consequently, the influence of institutions is not only acknowledged in economic literature but also plays a central role in development cooperation. Tamanaha speaks of a new consensus on institutions replacing the neoliberal ideas of the Washington Consensus (2015, 89) and even the policies of the World Bank and the International Monetary Fund (IMF) highlight the relevance of institutions (Yousfi 2013). As Rodrik declared: “Institutional reform has become the buzzword of the day” (2007, 182).

In practice, the focus on institutional reform has led to a broad variety of policy action introducing new rules or changing existing ones. The aim of these policies is to improve existing governmental regulations (Andrews 2013). Since it is widely acknowledged that institutions matter, the question of how to obtain a favorable institutional setting comes to the fore (Rodrik 2007; Silberberger and Zweynert 2017). However, economists still have limited knowledge about institutional reforms since many open questions remain about factors influencing institutional change (Sobel 2017). Until now, it is unclear how to build stable institutions and which reforms are appropriate for specific contexts (Seidler 2016 and 2018). This thesis aims to enhance the existing understanding of institutional change by including additional factors into the field of economic analysis.

Institutional reforms cannot be understood globally but have to be analyzed in the specific circumstances in which they take place. Thus, Figart insists on studying particular examples of institutional change to enhance its overall picture (2017). I agree with Figart and claim that we have to include context and culture into the economic analysis of institutional reforms. Considering these factors enables economists to understand some of the surrounding factors influencing processes of institutional reforms. On a theoretical level, the economic literature suggests that some institutions associated with growth and prosperity in developed countries, can be transferred to other contexts (Andrews 2013, 57). Following this logic, numerous aid agencies base their reforms on best practice solutions, copying elements from more developed countries (Rodrik 2008; Shirley 2008; Seidler 2018). Many of these reforms create the appearance of a single set of institutions able to improve the existing situation, which is a detrimental mistake (Rodrik 2007).

Besides contexts, I also include cultural factors in the economic analysis. Culture is a central concept of human beings. Instead of referring to simplistic rational choice assumptions of behavior, the thesis at hand focusses on factors that shape the mental models of individuals. Therefore, the definition of culture applied in this thesis is broad and tries to include the complexity of real-world societies. This allows for capturing the perspective of the individuals embedded in a specific institutional structure. Furthermore, culture is seen as an endogenous factor to development. In itself, culture is neither a barrier to development nor a positive toolkit (Yousfi 2013). Based on these convictions, this thesis seeks to answer two questions. On a theoretical level, I show how context and culture can be considered for institutional reforms in developing countries. The empirical part investigates how development consultants introduce new institutions into specific contexts.

1.1 Institutions, Context, and Culture: Some Theoretical Foundations

The way in which this thesis studies processes of catch-up development involves three fundamental terms: institutions, context, and culture. They build the basis of the theoretical as well as the empirical analysis. Therefore, their foundations and the distinction among the terms are explained in this section. Before exploring every concept in detail, a short definition of each is presented. The concept of institutions is the most fundamental one underlying the definition of the two other terms. According to North, they are the rules of the game (1990, 3). For this thesis, not only do formal rules matter, but also informal constraints. The context comprises the entirety of the given formal rules and informal constraints, as well as the interplay between them. Culture includes not only the interplay between formal rules and informal constraints, but also the way in which individuals make sense of context (Spranz et al. 2012). Thus, culture is the broadest of the three terms. The following discussion starts with institutions and explains how context and culture are based on them.

The frequently used thesis institutions matter states that institutions influence economic processes and are thus an essential factor for the economic development of a country. The influence of institutions on the shape of the economy can be found both in theoretical studies (cf. North 1990; North 1991; Searle 2005; Hodgson 2006; Guala 2016) and empirical studies (cf. e.g. Acemoglu et al. 2003; Rodrik 2004; Acemoglu and Robinson 2013a; Spranz et al. 2012; Seidler 2014). Despite the comprehensive literature on institutional economics, there are still open questions about their functioning. While it is widely acknowledged that formal institutions such as the rule of law and secured property rights have a positive impact on economic prosperity (Shirley 2008; Gwartney et al. 2017; Miller and Kim 2017), it remains unclear in mainstream economics why these institutions cannot develop their mode of operation in other regions or countries. Thus, economic outcomes are not only shaped by formal institutions, but also by the interaction with informal constraints. It is precisely this interaction of the whole institutional structure that underlies the understanding of context and culture used in this thesis.

Probably the most famous definition of institutions comes from Douglass C. North. For him, institutions are “the rules of a game in a society or, more formally, are humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange, whether political, social, or economic” (North 1990, 3). As North’s definition shows, institutions structure interactions between individuals.

According to North, institutions are constraints that on the one hand facilitate interaction between individuals, but on the other hand limit the choices of the single individual (ibid., 4). In addition to restrictions, institutions also allow individuals to behave in certain ways (Hodgson 2006, 2). In principle, institutions exist in all kinds of societies and are not only a feature of developed industrial nations (cf. North 1990, 36). Institutions create incentives and decrease uncertainties (ibid., 3, 6; Boettke and Fink 2011, 499). Furthermore, assuming incomplete information, institutions reduce the transaction costs of human interaction (North 1990). This explains why institutions play a central role in economic development. Nevertheless, institutions are not beneficial per se for the affected individuals. It might be that alternative institutional settings exist, which are more profitable for some individuals (Guala 2016, 5).

In order to analyze the institutional structure and its role in economic development in more detail, different types of institutions can be distinguished. This thesis relies on the well-known distinction between formal rules and informal constraints (North 1990). This is not a binary distinction, but a continuum of different forms of rules and constraints that, depending on their properties and characteristics, are more likely to be attributed to formal rules or informal constraints (ibid., 46). According to North's work, the distinction between formal and informal comprises different connotations such as "legal and nonlegal", "planned and unplanned", and "explicit and implicit" (Spranz et al. 2012; Hochloff 2019; cf. Hodgson 2006). Furthermore, this work aligns with North in using the terms institutions, rules and constraints synonymously (Hochloff 2019; for a critique of North see Hodgson 2006). Formal institutions are legally defined rules, such as the laws or constitution of a country (North 1990, 47). Unlike other authors, I also refer to particular rules as institutions and do not understand institutions merely as a system of rules (cf. Stettler 2002; Hodgson 2006). Informal constraints, on the other hand, include conventions, customs and rules of conduct, and are neither codified in writing nor in law (North 1990, 36; Pejovich 1998, 4; Goldschmidt and Zweynert 2006b, 14). In contrast to formal rules, adherence to informal constraints cannot be enforced in court. Compliance is based on self-obligation and non-compliance is sanctioned by society itself (Pejovich 1998, 4; Pejovich 2003, 348). Formal rules and informal constraints thus differ in their characteristics and modes of action. Formal rules, such as laws, can be changed overnight (Yousfi 2013). They are part of the political decision-making process and can therefore be imposed on society (North 1990, 6; Pejovich 1998, 10).

In contrast to formal rules, informal constraints change gradually, so that the change of the latter is protracted (Pejovich 1998, 10; Yousfi 2013). The slow changeability is also explained by their transfer from one generation to the next (North 1990, 37; Dorner and Klump 1996, 40). Especially in processes of economic development, informal constraints play a central role. In many cases, the sole reform of formal rules that promote prosperity does not lead to the desired effects. Since formal rules unfold their effects while interacting with the respective informal constraints, formal institutions often do not fulfil the anticipated effects in other contexts (North 1990, 36). Understanding the influence of this interaction on processes of catch-up development must therefore be the task of economic analysis (cf. Pejovich 2003, 348).

Institutions are also the fundamental component of context as understood in this work. Here, context describes the totality of the formal rules and informal constraints prevailing in a particular setting, as well as the interplay between them. Other authors also refer to this understanding of context as the institutional context (Boettke and Coyne 2009; Welter 2011). The term context originally comes from the Latin (*contexere*) and means to weave together (Rousseau and Fried 2001; Welter 2011). This meaning of context plays a central role in this work, because it shows how context is the web pattern that underlies society and influences the actions of the individuals acting within that context.

Since the mode of operation of single institutions is not to be understood in isolation, but only within the complete institutional structure, the interaction between formal rules and informal constraints is essential. Different institutions can complement each other and thus increase their effectiveness or even stand in conflict with one another (North 1990, 46; Pejovich 1998, 8). If the institutions are in harmony, this reduces the transaction costs for maintaining the institutional structure (Pejovich 2003, 349). The conformity between different institutions arises from the fact that the individuals adapt their behavior patterns to the formal institutions or, conversely, that the formal rules are designed in such a way that they fit into the existing informal constraints and harmonize with them. The same rule can have a different effect depending on how it interacts with other institutions (Alesina and Giuliano 2015, 937). Furthermore, the interaction between formal rules and informal constraints is particularly important for understanding processes of institutional change (Goldschmidt and Zweynert 2006a, 897; Goldschmidt and Zweynert 2006b, 14). If the institutions are stable, there is also no change in the interaction between the various institutions. However, if formal rules or informal constraints change, their interaction must also be considered because new interactions take effect. Since these effects are

specific and cannot be generalized, the analysis of the interplay between formal rules and informal constraints must take place at the empirical level (cf. Roland 2004, 128).

The concept of context used has changed in the course of work at hand. While Part 2, which was published in 2015, still speaks of various contexts, such as the historical or cultural context, the concept of context outlined here is applied in Part 3 and Part 4 of the work. It turns out that the definition of the institutional context can be better reconciled with the understanding of culture applied in this thesis. It should be noted that culture is a more comprehensive concept than context in this work. By contrast, other authors define culture as informal constraints and thus as only part of the context (cf. Shirley 2008; Boettke and Coyne 2009; Alesina and Giuliano 2015).

The influence of culture on economic phenomena has been recognized more and more in recent economic research.¹ Although economists have long been loath to include the vague concept of culture in economic analysis (Guiso et al. 2006), some current approaches exist, trying to capture the relationship between culture and economics (e.g., Bowles 1998; Pejovich 2003; Goldschmidt 2006; Leipold 2006; Pejovich 2006; Alesina and Fuchs-Schündeln 2007; Tabellini 2007; Jong 2009; Beugelsdijk and Maseland 2011; Bisin and Verdier 2011; Yousfi 2013; Alesina and Giuliano 2015). In the last twenty years, the research on culture in economics has experienced a revival (Gershman 2016). This research is often linked to the two-sided relationship between culture and institutions and mostly considers culture as values, beliefs or informal constraints (Alesina and Giuliano 2015). I am convinced that a broader definition of culture is useful, which includes the subjective perception of individuals when studying the relevance of their contexts. The definition of culture proposed by Spranz et al. fulfils this aim and is thus applied in this thesis. Accordingly, culture is “the on-going interplay between formal rules and informal constraints that emerges in the historical development of every society and must be learned (and reflected) by every individual in the course of their socialization” (2012, 462). This definition and the advantages of its application will be analyzed in detail during the course of this work.

To explain how culture shapes societies as well as the individual members of society, one has to consider how culture has evolved historically (cf. Dux 2000). Accordingly, an analysis of the impact of culture on individuals and the awareness of their environment includes the historical evolution of a specific culture. Research in evolutionary

¹ I first discussed these ideas in Goldschmidt et al. (2014).

anthropology (cf. Tomasello 1999; for economic research, e.g., Witt 2004, 2010 and 2012; Cordes 2006) indicates that the crucial difference between humans and other creatures is that humans are cultural beings because of their basic biological structure. Unlike other creatures, human beings are dependent on first learning those things during their individual development (ontogenesis) that are indispensable in the course of their later life as part of human society. Human beings can be distinguished from primates by their ability to understand the world intentionally and causally. Becoming part of the society implies learning from and by other humans. Consequently, human beings are dependent on a social environment. Without other human beings and interaction with them, one cannot become part of society. The central point of this evolutionary perception of human learning is the cumulative cultural evolution (the ratchet effect). During socialization, each child learns things that have evolved over the course of several centuries of human history. During this short period of socialization, the child develops the ability to deal with learned things individually and creatively. As an adolescent member of society, the child absorbs everything around it – in other words, human culture within a specific environment. This ranges from simple to complex and highly technical skills, from cultural rituals (e.g., shaking hands) to manipulating linguistic nuances and interaction. Based on their cultural background, individuals have a certain perception of their environment, which includes a variety of formal rules, informal constraints, and the interplay between them. Consequently, an understanding of different cultural backgrounds is necessary to understand how specific institutions or institutional change is interpreted and implemented through political process.

Even if the methodological status of the individual in economics is in general still insufficient (cf. Davis 2011), there exist approaches in economics that deal with the perspective of the individual in a similar way. I briefly refer to this to indicate why the potential of the existing approaches can be bunched together by an “individual turn” within a cultural approach to economics. The most famous approach that explains how individuals order their environment allowing for the inclusion of cultural factors is the concept of shared mental models (cf. Denzau and North 1994). Individuals use mental models to make sense of their environment. Because mental models are influenced by personal experience, individuals in the same cultural sphere exhibit similar mental models. Since no individuals share exactly the same experiences in life, mental models are unique for every person. The concept of mental models also allows for the inclusion of cultural and historical factors influencing the individual and helping to bring about an

understanding of individual behavior. Based on these unique experiences, and on common cultural foundations, each person has a distinct way of interpreting their environment and acting according to this perception.

Of course, the perspective of the individual is not only shaped by historical lines of development but also by the present context. As is generally known, this thought has been picked up by Granovetter in the argument of embeddedness that illustrates how the individual is intertwined with the environment. According to Granovetter, embeddedness means that “the behaviour and institutions to be analyzed are so constrained by on-going social relations that to construe them as independent is a grievous misunderstanding” (1985, 482). Consequently, economic processes should be understood against a backdrop of social relations. Besides, the interplay between individuals and institutions is also influenced by different types of rules and constraints. An attempt to explain the interplay between different types of rules and their influence on decision-making processes has been made by Bénabou and Tirole (2012). In their economic model, they control for the influence of values, laws, and norms on private decision making, as well as on policy making. They deal with the question of how (social) norms arise out of human behavior and how the perception of individuals about “normal” behavior can be influenced by interventions such as campaigns. Their paper, which combines insights from economics, law, and psychology, also gives insights into how policies shape the perception of norms. Here again, the authors acknowledge that “the coevolution of norms, law, and the social meaning of private and public actions, offers a vast and promising topic for future research” (ibid., 30). Until today, a comprehensive theory linking culture, context and individual socialization to institutional change is still missing. I am convinced that the aforementioned concepts yield the potential to improve the understanding of the interplay between formal institutions and informal constraints and their relevance for processes of economic development.

1.2 Catch-Up Development through the Lens of Contextual Economics

The aim of the work is not only to write about culture and contexts, but also to include them in the underlying approach. Consequently, the thesis applies a contextual approach to dealing with processes of catch-up development and institutional reforms. Thus, I distinguish a contextual approach to economics from isolating economics. Furthermore,

the characteristics of a contextual approach in development economics are discussed to demonstrate why this approach broadens our understanding of catch-up development.

Basically, two areas can be differentiated in economics: the question of the processes that take place within the economic system and their explanations on the one hand, and the question of the relationship between the economic system and other social systems, and their explanations on the other hand (Goodwin et al. 2008; Goodwin 2010; Altmann 2011; Goldschmidt et al. 2016). Contextual economics deal with the latter question, while isolating economics deal with the former and leave out social influences on the economic system in their analyses. As with other social sciences, the aim of a contextual approach to economics is to broaden the understanding of how human beings behave in certain situations (Goodwin et al. 2008). Thus, it includes aspects which are not part of a neoclassical analysis (*ibid.*). Many theories in isolating economics try to be generally applicable and do not consider specific historical or cultural conditions (Hodgson [2001] 2006). Nevertheless, both approaches have their relevance and spur discussion about economic problems.

The focus of contextual economics on the interaction of the economic system with its environment makes this approach particularly suitable for analyzing changes and transitions that affect the economic system (Altmann 2011; Goldschmidt et al. 2016). When studying processes of transformation, contextual economics thus has an advantage over isolating economics (Zweynert et al. 2016, 3). Contextual economics can therefore be understood as transformation research that investigates the changes between economy and society (*ibid.*). Shifts in the relationship between the various social subsystems arise above all in developing and transition countries when transformations occur in the legal or political systems that also affect the economic system (*ibid.*, 8). The enforcement of new institutions in a specific context always depends on existing informal constraints (Hodgson [2001] 2006). In contrast to contextual economics, isolating economics does not take into account the influence of thought patterns and values on the economic system. Nevertheless, individual actions are interwoven with the context in which they take place (*ibid.*). The aim of contextual economics is to provide relevant policy recommendations for precisely these processes of economic development (Goldschmidt et al. 2016, 10). The inclusion of complex interactions between the various societal subsystems makes policy recommendations befitting the local context possible.

The advantage of applying a contextual approach to questions of economic catch-up development lies not only in the approach itself, but also in the object under investigation.

The different conditions of developing countries must be taken into account in development economic studies, since universally valid theories that originate in industrialized countries do not capture these conditions (Altmann 2011). A contextual approach is able to grasp the complex problems low-income countries face, as it aims to address context-specific conditions.

Not only the aim but also the mode of analysis to capture catch-up development differs from an isolating approach. For example, it is not a question of establishing general, but time- and context-specific theories, as well. They are oriented towards the interplay between economy and society and include cultural factors (ibid., 251). Thus, a contextual approach in development economics is always a second-best approach that is not oriented to theoretical (and practically unattainable) optima, but seeks to reach the best possible solutions under the given constraints (Rodrik 2008; Altmann 2011). First-best solutions, on the other hand, are theoretically optimal, but do not take the respective context into account. As a result, they rarely achieve the desired effect or even cause negative effects (Rodrik 2003). Policy recommendations for developing countries therefore should always be based on the respective context (Rodrik 2004).

1.3 Qualitative Methods to Study Institutional Reforms

As economic phenomena emerge out of human action, they are more than theoretical or mathematical constructs. They are social phenomena, which cannot simply be described by theoretical models but also have to be investigated empirically. Empirical analyses of economic phenomena can help us to get a better understanding of the processes of their emergence, influenced by specific context. The quantitative methods, which prevail in economics, seem partly convenient for the questions concerning a contextual perspective on economics. Understandably, they are only able to capture those factors in their studies which can be quantified (Altmann 2011, 146). Historical, social, cultural and contextual factors for example can hardly be included comprehensively in econometric model building and regressions. Thus, suitable empirical methods are needed to make contexts ascertainable in an analytically appropriate way. Introducing qualitative methods in the research process fulfils the requirements of this aim, as these methods are able to broaden the existing economic knowledge if applied to appropriate research questions (Starr 2014).

To get a better understanding of how new formal rules are introduced in a specific context, it is necessary to interview the people involved in this process. A theoretical or quantitative empirical examination of institutional transfers is viewed from an external perspective, mainly influenced by the perceptions and assumptions of the researcher. Thus, qualitative methods are complementary to quantitative approaches. The former are able to capture this internal perspective on the process of institutional transplantation, because they take into account the subjective perspective of the individual (Flick et al. 2010). Furthermore, they are able to capture elusive parameters, such as informal rules (cf. Radović-Marković and Avolio Alecchi 2017).

Qualitative research methods generate data that exist verbally instead of quantitative data, which occur in numerical form. Consequently, evaluation methods other than the broadly used econometric methods have to be used for the analysis of qualitative research material (cf. Starr 2014). By investigating the individual perspective of certain phenomena, qualitative methods are suitable for studying the complex social reality and how individuals make sense of it (Denzin and Lincoln 2005, 10ff.), i.e. the “socially constructed nature of reality” (Berger and Luckmann 1966). The aim is not to provide precise mathematical results but to depict a comprehensive representation of this complex social reality.

Several advantages can be identified when it comes to the application of qualitative research methods. First, qualitative methods are able to generate new hypotheses. This is appropriate since human behavior and opportunities of action are complex and only partially predictable (Simon 1992). Second, qualitative research allows one to address problems which occur during the research process and which are unpredictable *ex ante* by the researcher (Piore 2006). Third, the openness of the approach gives opportunity for the discovery of new, unknown issues (Bewley 2002). Fourth, qualitative methods reveal the subjective perspective and subjectively relevant issues of the interview partner. The openness of the research process enables the detailed analysis of some cases in place of producing extensive quantitative data to derive models and correlations. Furthermore, the flexibility of qualitative methods allows interaction among the involved persons (cf. Radović-Marković and Avolio Alecchi 2017). To study specific cases of institutional transfer, it is necessary to specify which tools from the range of qualitative methods are appropriate for this aim. In order to enhance the understanding of institutional transplantation, the process of implementation, as well as the resulting interplay with informal institutions, has to be investigated.

In practice, development consultants as well as the population in developing countries constitute potential interviewees. This thesis focusses on the role of development consultants. In particular those in charge of facilitating training and workshops to transmit new formal institutions can be interviewed about the transfer of institutions. They can deliver information about the process of implementation. Hence, the researcher gains insights about the communication of the new concepts as well as occurring challenges in the interplay with the existing informal institutions.

1.4 The Case of Tanzania and Uganda

The selection of countries for field research constitutes the basis for valid results. The idea of the study is to investigate two similar countries in order to identify differences in their institutional setting, which might impact the course of development. It is clear that the institutional setting of Norway differs diametrically from the one in Uganda, so an analysis of these two countries would hardly deliver new results. Rather, the analysis of two similar countries – in this case Tanzania and Uganda – helps to identify precise differences. The aim of the field study was to analyze the ways in which development consultants translate new formal institutions in a specific context as well as the challenges they face in so doing. Comparing the two countries yields interesting results, especially when analyzing the challenges of transmitting new formal institutions. Even if the analysis of the challenges is not included in this thesis, the investigation of two different countries broadens the basis of the study.

Tanzania and Uganda are East African countries and were former British sovereign territories. Both countries are among the ones with the lowest human development in the world and showed similar rates of growth when the study took place (Hirschler and Hofmeier 2013, 411; Central Intelligence Agency 2015a; Central Intelligence Agency 2015b; United Nations Development Programme 2018). For the selection of countries, it was also decisive that no war or major military conflict was taking place. The complex influence of war on the functioning of formal rules and informal constraints, not within the scope of this study, must be analyzed separately. According to the Conflict Barometer of the Heidelberg Institute for International Conflict Research there were neither wars nor limited wars in Tanzania and Uganda at the time of the field studies. Nevertheless, (regional) violent conflicts existed in both countries (Heidelberg Institute for International Conflict Research 2014).

The United Republic of Tanzania was founded in 1964 and consists of the mainland (Tanganyika) and the island archipelago Zanzibar (Heale et al. 2018). Tanzania has about 55 million inhabitants (Central Intelligence Agency 2018a). 60 % of the population on the mainland is Christian, while the inhabitants of Zanzibar are 99 % Muslim (ibid.).² When conducting the field study, gross domestic product (GDP) growth was between 6 % and 7 % per annum (Hirschler and Hofmeier 2013, 411; Central Intelligence Agency 2015a). The current growth rates show no change in these values and the growth trend, which started in the early 2000s, is persistent (Hirschler and Hofmeier 2017; Central Intelligence Agency 2018a). In the Human Development Index, Tanzania occupies rank 154 out of 189 and thus belongs to the low human development group, the lowest development level listed in the index (United Nations Development Programme 2018).

Tanzania's history has been marked by influences from different Asian and European cultures (Eiletz-Kaube 2014, 28; Engelmann 2016). After the German government took over the sovereign rights for German East Africa in 1890, it designed the country according to the German model (Eiletz-Kaube 2014, 38). The German colony fell to the British after the end of the First World War (Engelmann 2016). In contrast to neighboring Kenya, however, the British paid hardly any attention to Tanzania. As a result, the independence that the mainland Tanganyika achieved in 1961 was much less conflictual than that experienced in Kenya.

After independence, Julius Nyerere's *Ujamaa*'s³ policy pursued the strategy of African socialism, which was initially supported by many Western donors (Edwards 2014, 256). The economic and social consequences of socialism can still be felt today. At the social level, the *Ujamaa*-policy led to the formation of a national identity and the peaceful coexistence of the various ethnic groups in Tanzania (cf. Heale et al. 2018). The after-effects of the *Ujamaa*-policy can still be seen today not only in the social sphere, but also in the political and economic spheres. In the case of Tanzania, it should therefore be noted that the country is undergoing a transition from a socialist economy to a market economy in addition to the process of catch-up development. The political system in Tanzania has also been affected by former socialism to this day. An example of this is the party system, which has been a multiparty system *de jure* since 1992, but with the dominance of the

² The values are based on estimates, since religious affiliation has not been queried in the census since 1967 due to concerns about interreligious tensions (Engelmann 2016).

³ In Swahili, *ujamaa* literally means brotherhood.

ruling party *Chama Cha Mapinduzi* (CCM), is still a *de facto* one-party system (Eiletz-Kaube 2014, 114). The CCM was able to defend its majority in the presidential and parliamentary elections in October 2015, which were relatively competitive (Abbink 2017). Just as in the political system, some aspects of the economic system can be understood against the background of the country's socialist history. Tanzania's capitalism is characterized by monopolies and cartels (Cooksey 2011; Amunkete et al. 2016; TZ_O_9)⁴. Numerous state monopolies from the times of socialism are now in the hands of a small elite. Moreover, there seems to be a lack of state regulatory policy, such as a cartel authority (TZ_O_9). Limited market access for the general population and the control of economic (and political) power by a small elite often characterize less developed countries (cf. North et al. 2009; Acemoglu and Robinson 2013a).⁵

Whether in the form of small bribes and kickbacks or large corruption scandals, the circumvention of existing formal rules for one's own advantage intersects many areas of social life. In addition, corruption scandals occur repeatedly in Tanzania, such as the External Payment Arrears Scandal, in which USD 131 million was fraudulently paid from a central bank account to 22 local firms (Gray 2015). In some cases, the scandals have had political consequences, such as the Richmond scandal, in which Prime Minister Lowassa resigned in January 2008 (British Broadcasting Corporation 2013; Heale et al. 2018). Extractive institutions that do not guarantee security of private property or contractual security characterize the institutional structure. Consequently, the general population has little to no incentive to participate in the market (cf. Acemoglu and Robinson 2013a). These extractive institutions can be explained by Tanzanian history, marked by exploitation – first by the Arabs, then by the Portuguese, and later by Germans and the British (TZ_O_9).

The relevance of development cooperation can be illustrated by the fact that Tanzania is one of the leading recipients of development cooperation and is a so-called “donor darling” (Tripp 2012; Edwards 2014). From 1960 to 2011, Tanzania was the biggest official development assistance (ODA) recipient in the region (Edwards 2014, 52). In

⁴ Extracts from the field research are cited as follows: TZ and UG indicate the country of the field research, i.e. Tanzania (TZ) or Uganda (UG). “I” indicates an interview, “O” an off-the record conversation, and “F” field notes. The numbers are chosen arbitrarily to order the material.

⁵ North et al. (2009) describe countries in which only a small part of the population has access to the market and political power as limited access orders. Acemoglu and Robinson, in their book “Why Nations Fail” (2013a), describe the characteristics of extractive institutions as opposed to inclusive institutions that enable a broad stratum of the population to prosper.

2016, Tanzania was the African country that received the third highest development aid package. Net disbursements amounted to USD 2,318 million (Organisation for Economic Co-operation and Development 2018). The grant can be distinguished according to budget support or project support, with the latter exceeding the former (Ministry of Finance, Planning and Economic Development of Tanzania 2018). Tanzania is thus one of the few African countries which still receives general budget support (GBS). However, the corruption scandals have also led to cuts and a return to project work, in contrast to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (Lutta 2013, 92; TZ_O_2). The share of budget transfers in total transfer payments have declined steadily since 2009/10 (European Commission et al. 2013; Tilley 2014; European Commission and World Bank's Independent Evaluation Group 2015; Ministry of Finance, Planning and Economic Development of Tanzania 2018). However, decades of effort in development cooperation have not brought desired results. Despite hardly any other country receiving so much income from development aid, there have been few lasting changes in the country's context (Lutta 2013, 92).

The Republic of Uganda gained its independence from the British colonial power in 1962 (Central Intelligence Agency 2018b). Today, about 40 million people live in this East African country (ibid.). A large part of the population belongs to Protestantism (45.1 %) and Catholicism (35 %). 13.7 % of Ugandans are Muslim (ibid.). The GDP growth rate in 2013 was 6.0 % (World Bank 2015b). Uganda was also able to achieve similarly high growth rates in most previous years (ibid.). However, growth slowed to only 2.3 % in 2016 (Central Intelligence Agency 2018b). Despite periods of relatively high growth, Uganda is one of the least developed countries in the world. Uganda ranks among the countries with the lowest human development globally (human development index: 162 out of 189; United Nations Development Programme, 2018). In 2016, 24.8 % of total expenditure was externally financed, demonstrating the relevance of ODA in Uganda (Weyel 2017, 402).

The formation of various kingdoms on the current national territory is a historical development which is still noticeable in today's Uganda. In the second half of the 15th century, several kingdoms were formed, ruled by a king (*kabaka*) (Briggs and Roberts 2013, 9). From the 17th century onwards, the kingdom of Buganda, which lay on the shores of Lake Victoria and was very fertile, became particularly powerful (Schweizer-Ehrler 2014). Even today, the kingdom of Buganda, which includes the territory of the capital Kampala, is the most influential of the Ugandan kingdoms and the Ugandan

constitution accepts the king as a cultural leader (Booth et al. 2014, 74; Kasfir 2017). At the end of the 19th century, Buganda and later the entire territory of Uganda became British protectorates (Mutibwa 1992; Kasfir 2017). The indirect exercise of power, in which chiefs were transferred from Buganda to other kingdoms and Buganda was privileged in return, represented a massive intervention in the existing power structure (Mutibwa 1992; Austrian Development Agency 2014). The decades following the attainment of independence were repeatedly marked by coercive rule.

Yoweri Museveni's rule, which continues to this day, brought the country a phase of economic and political stability (Central Intelligence Agency 2018b). Uganda achieved relatively high growth rates and became a model pupil of the IMF, achieving an average annual GDP growth of 10 % in the first ten years under Museveni (ibid.; Schweizer-Ehrler 2014). Museveni's merits can therefore be expected to help the country achieve growth and stability and have contributed to the formation of a nation (Tripp 2010; Central Intelligence Agency 2015b). Donors also credit these achievements positively (UG_O_3; UG_O_4). With the increasing length of his term in office, Museveni has come under increasing criticism. Reasons for this include the growing authority of the government, the prevailing corruption, but also the civil war of the Lord's Resistance Army in northern Uganda (Schweizer-Ehrler 2014).

As in Tanzania, corruption scandals are also causing a stir in Uganda. The corruption scandal in the Prime Minister's office has had far-reaching consequences for international donor cooperation with the Ugandan government (Weyel 2013, 417). Corruption illustrates the need for institutional commitment, which does not exist. In principle, Uganda has relatively comprehensive and *de jure* high-quality formal institutions. For example, Uganda has the most comprehensive accountability bodies in East Africa (Andrews and Bategeka 2013; Booth et al. 2014, 64). Nevertheless, most of them are dysfunctional (Andrews and Bategeka 2013). Moreover, many laws in Uganda are only applied selectively (UG_O_5). In addition to this arbitrary application, there is a wide gap in many areas between the formal institutions established by law and the practical implementation of the laws.

Uganda can be characterized as a limited access order (cf. North et al. 2007). For example, the mixture of political and economic power found in Uganda is typical of a limited access order. Although there are also people who possess economic power without simultaneously holding political positions of power, the possession of political power correlates significantly with access to economic power (Booth et al. 2014, 56; cf.

North et al. 2007). Nevertheless, the limited access order in Uganda differs from the typical characteristics of other countries in the region in two respects. On the one hand, Uganda has a market economy sector that is small but growing. On the other hand, Museveni, a single actor, has dominated political events for decades (Booth et al. 2014, 75).

Unlike Tanzania, Uganda is not a donor darling. Nevertheless, it received USD 1,757 million net disbursements in 2016, putting it in eighth place among the recipient countries in Africa (Organisation for Economic Co-operation and Development 2018). There are several developments in Uganda that could have an influence on the role of development cooperation in the future. These include both the possible revenues from the oil deposits found and Museveni's increasing resistance to donor demands (Booth et al. 2014, 74). At the time of the field study, there was a decline in donor financing in Uganda, which only accounted for 25 % of the budget compared with 29 % in fiscal year 2011/12, with funds coming from a large number of donors (Weyel 2013, 423). As a result of the corruption scandal in the Office of the Prime Minister, in which USD 13 million demonstrably disappeared, most donors withdrew from budget support (ibid., 417; Booth et al. 2014, 74; UG_O_5; UG_O_3).

Field research in Tanzania and Uganda has revealed some significant differences in donor attitudes to their work. In both countries, development cooperation has not produced the desired results in recent decades. However, donors deal with the lack of success in very different ways. In Tanzania, donors are frustrated that development cooperation efforts have not led to a different development (TZ_O_2; TZ_O_4). The country is politically stable and has extensive natural resources. The situation in Uganda is different. Here, too, the reforms of development cooperation (excluding the early Museveni years) did not bear the desired fruit. Nevertheless, donors in Uganda are less frustrated about the lack of success. Rather, failure is associated with difficult cooperation with the political regime, which prevents positive economic development in the country (UG_O_5; UG_F). To what extent the political regime in Uganda can actually be held responsible for the lack of economic development and which reasons for the failure are inherent in the system of development cooperation is an open question that should be examined by further development economic studies. To understand how institutional reforms are conducted in the context of both countries, empirical studies are needed.

1.5 Methods

In the following, I present the methods of the field studies in Tanzania and Uganda. A summary of this description can also be found in Part 4. The explanation of the methods at this point allows more space for reflection and a more precise description of the study. Duplications with Part 4 were accepted in order to provide a comprehensive overview of the methods.

1.5.1 Study Design

Due to the fact that there is no qualitative research on the role of cultural interpreters⁶ in promoting institutional change so far, an explorative study design is appropriate. The study's interest lies in the perception of the cultural interpreters themselves about translating new concepts within a specific context (cf. Flick et al. 2010). Economic outcomes are mostly influenced by individuals' decisions, motives, and the constraints they face (Bewley 2002). Interviewing individuals enables researchers to learn more about their actions and the underlying conditions (ibid.). As institutional transfers often fail in practice, the aim of this qualitative study is to investigate the role of people involved in transmitting new formal institutions. Analyzing individual perceptions enables economists to understand how institutional transfers work (Flick et al. 2010; Schlüter 2010).

To investigate the subjective perspective of local development consultants, semi-structured expert interviews were conducted. My primary focus was on the expertise of the interviewees as development consultants. The literature mentions time pressure as a potential problem of expert interviews (Meuser and Nagel 2009, 466; Flick et al. 2010). Many Africans feel no time pressure in their everyday lives and *pole pole*⁷ is a frequent attitude (TZ_F). Consequently, none of the interviews was marked by a lack of time.

I decided to conduct face-to-face interviews instead of telephone interviews. The former are characterized by synchronous communication, which means that the communication is more spontaneous. In addition, the interviewer has a greater possibility of influencing the interview atmosphere (Opdenakker 2006). A disadvantage of face-to-

⁶ In my study, I identify local development consultants as cultural interpreters. For a definition of this term refer to Part 4. In the following, the terms trainer, development consultant and cultural interpreter are used interchangeably.

⁷ In Swahili *pole pole* means slow.

face interviews is high expenditure of time and money. Nevertheless, carrying out the interviews on site both allowed the interviews to be linked to field research and for a thorough investigation of the context.

The construction of the interview guide followed Helfferich (2009) and aimed at reconstructing the perspective of the cultural interpreters, as well as allowing for openness. Accordingly, I applied four steps to generate the interview guide (cf. Appendix 1 for the complete interview guide). First, I collected all questions that seemed relevant for the study. Second, I examined the questions to eliminate factual questions and to ensure openness of the remaining ones. Helfferich's checklist guided the second step (2009, 182ff.). Third, the questions were ordered and assigned to four different clusters (professional expertise; reform concept; contextual factors; implementation and communication of the reform concept). Fourth, a stimulus to narrate was placed at the beginning of each cluster. In addition, I subsumed three to five narrower questions under each cluster. The fourth step deviated from the original procedure as I did not create the interview guide in the form of columns and clusters but used formulated questions. Finally, a fifth cluster was added at the end of the interview guide enabling the interviewees to mention aspects that were not included before (ibid., 181). Before executing the field research, the interview guide was discussed with several qualitative researchers. I simulated the interview with two German researchers experienced in intercultural interview research. The first interview in Uganda functioned as pretest, which I discussed with other researchers via e-mail. The pretest was neither transcribed nor analyzed by applying qualitative content analysis (QCA).

1.5.2 Access to the Field

The interviews were conducted during a period of field studies in Eastern Africa. The field research in Uganda and Tanzania took place in May and June 2014, and September and October 2014, respectively. The three-month period in between was used to prepare the field study in Tanzania. The Konrad-Adenauer-Stiftung, a German political foundation operating worldwide and based in Uganda, provided office space. As a postgraduate scholarship holder of the foundation, my research in Uganda as well as in Tanzania was financially subsidized. In Dar es Salaam the Konrad-Adenauer-Stiftung was unable to provide me with a working place due to lack of space in their Tanzanian office. Thus, I contacted the Hanns-Seidel-Stiftung, a political foundation based in

Munich running an office in Dar es Salaam. The foundation put at my disposal an office at their foreign representation. This experience benefitted my research as I was able to use the infrastructure of the offices (i.e. internet access and generator). In addition, I was in daily contact with the staff members. In Kampala, the staff was both German and Ugandan. During my stay in Tanzania, I was the only German person in the Hanns-Seidel-Stiftung office. All staff members were Tanzanian at that time. The conversations with the team members improved my understanding of the country's situation, the problems and abilities of development cooperation, and the culture of the country. Nevertheless, my research was not connected to the work of the foundations nor to any other organization or research project.

A relevant part of getting access to the field was taking up contact with potential informants (Wolff 2010, 195). Before my research stay, I contacted several German organizations and foundations working in Tanzania or Uganda. In the field, I expanded my contacts to local and international organizations relevant for my study. Especially in Uganda, my first aim was to align my theoretical consideration with the conditions in the field by talking to development practitioners. Four different points were central in these conversations depending on whether the interviews took place at the beginning or the end of my research stay, and on the conversation partner:

- 1) the general situation in the country
- 2) the actual situation of ODA and other aid structures in the country
- 3) the projects of the conversation partner
- 4) the relevance of my research project for the country and ODA in general.

In Uganda, most of the background discussion took place before the interviews, which I conducted during the second part of the research stay. In Tanzania, background discussions and interviews proceeded concurrently.

1.5.3 Sampling and Recruitment

For the qualitative study, purposeful sampling instead of probability sampling was appropriate. The aim was to investigate information rich cases, even if they are not representative (Patton 2015, 264). A deductive theoretical sampling strategy was chosen to study the role of cultural interpreters. The sampling strategy is appropriate to deepen or verify the existing theoretical construct by investigating case manifestations (ibid., 289). Thus, the theoretical construct was the cultural interpreter. The underlying inclusion

criteria existed in local development consultants (i.e. Tanzanians or Ugandans). The theoretical concept of cultural interpreters implies that they translate new formal institutions to the affected population. The initial idea was to investigate the decentralization programs in Tanzania and Uganda as examples of good governance reforms (International Development Association et al. 2010; Republic of Uganda 2010; Deutsche Gesellschaft für Internationale Zusammenarbeit 2013). This strategy was not practicable, as decentralization programs were either terminated or of decreasing relevance in both countries. Consequently, the inclusion criteria were broadened to local development consultants working for programs aligned to institutional reforms. Finally, local development consultants working for three different sectors were included in the sample (cf. Table 1). Some of the consultants were working for different projects since they were specialized in conducting trainings instead of being specialized in a specific topic. The trainers included in the sample worked either for a consulting firm or as independent consultants assigned by donor organizations to conduct trainings. Some interviewees worked directly for a nongovernmental organization (NGO). As many donor organizations outsource the training to NGOs and consulting firms, a distinction according to the consultant's employee was not feasible. Consultants from Western countries performing trainings (of trainers) in the two countries were excluded. Additionally, only consultants working for projects with a focus on institutional change were involved. Thus, infrastructure projects were ruled out, as they do not focus on the introduction of new formal institutions.

Two different strategies were chosen to recruit participants. First, potential participants were contacted by gatekeepers (Helffferich 2009, 175; Wolff 2010, 199). In both countries, staff members of Deutsche Gesellschaft für Internationale Zusammenarbeit performed as gatekeepers and put me in contact with one or more consultants. In addition, European staff of two NGOs performed as gatekeepers in Tanzania. Besides, snowballing was applied for recruitment (Helffferich 2009, 176). After the interview, the participants were asked if they know other consultants, potentially interested in participating. In some cases, a phone call in advance to the interview ensured that the participants fit the deductive theoretical sampling strategy. No allowances were made for participating in the study.

Table 1: Sample of the Field Study

Sample (n=14)		
	Tanzania	Uganda
Gender		
Female	1	3
Male	6	4
Projects		
Good Governance	5	1
Finance	1	5
Agriculture	1	1

1.5.4 Data Collection

In total, I conducted 15 face-to-face interviews with local development consultants. I carried out eight interviews in Kampala in May and June 2014 and seven in Dar es Salaam in September and October 2014. The first interview was a pretest interview not included in the analysis.⁸

The place of the interview was chosen by the participants. The aim was to ensure that the interviewees were comfortable during the interview and to keep effort for participation low. Eight interviews took place at the participants' offices. The other interviews were located at different cafés in Kampala and Dar es Salaam. Phone calls interrupted several interviews. Colleagues coming in the office to talk to the interviewees interrupted two interviews. The boss coming in and shortly intervening in the conversation interrupted one interview. The participant announced this before the beginning of the interview. In none of the cases, did I have the feeling that the interruptions influenced the course of the interview.

The language of the semi-structured interviews was English. They lasted between 32 and 58 minutes. All interviews were recorded. Additionally, I took notes during the interviews to facilitate queries (Opdenakker 2006). Subsequent to the interviews themselves, I took minutes to document several aspects of the interview: basic information about the participant, contact with the participant, and a summary of the main points during the interview and post-interview phase. The post-interview phase was not

⁸ In the following, I consider only the 14 interviews included in the analysis.

recorded but I took notes during the conversation. Later on, the minutes were used to facilitate the interpretation of the data where necessary.

All interviews were transcribed verbatim. A system of rules is necessary to satisfy transparency and scientific requirements (Kuckartz et al. 2007). For the present study, a simple transcription system is appropriate as the aim is a concise description, not an in-depth analysis. In addition, none of the persons involved in the study was a native English speaker. Thus, the simple transcription system of Dresing and Pehl was chosen (2013, 20f.).

Besides the interviews, I distinguish two other types of data resulting from the fieldwork: field notes from background discussions and field notes as a field journal. The two types are described as no standard way of taking field notes exists (Schwandt 2015). The background discussions were not recorded but I took notes during the conversations. Afterwards I structured the notes, complemented them by memory minutes and digitalized them. Besides the content of the conversation, they contain basic contextual information. Field notes were taken according to a salience hierarchy strategy. This type of taking field notes depends on the researcher's knowledge, beliefs and expectations as deviant situations and cases are recorded (Wolfinger 2002).

1.5.5 Data Analysis

I analyzed the data using QCA (Schreier 2012 and 2014; Mayring 2014 and 2015). For this thesis, the material was only analyzed with respect to the task of cultural interpreters in translating new formal institutions. Part 4 excludes the challenges they face when doing so even if the challenges were part of the interviews. The question asked in Part 4 is: How do cultural interpreters translate formal institutions in a specific context? As the research question is descriptive (cf. Schreier 2012, 42ff.) QCA is an appropriate evaluation method to answer the question. In total, 14 interview transcripts from Tanzania and Uganda were analyzed using QCA.

I applied a data-driven strategy to build the coding frame. The categories were built inductively by progressive summarizing and subsumption (Mayring 2014 and 2015). These categories were derived from three interviews that were chosen according to a maximum variation strategy. The first categories were created by comparing codes across interviews (progressively summarizing). Afterwards, relevant segments of other

interviews were either subsumed under the existing coding frame or additional categories were created where necessary (subsumption).

I defined three types of units relevant for the analysis (cf. Schreier 2014):

- 1) Unit of analysis: In the present study each interview constitutes a distinct unit of analysis. Generally, units of analysis correspond to the case. Here, each interview represents the case of an individual and thus the unit of analysis.
- 2) Units of coding: Units of coding are those parts that are relevant with respect to the research question and can be assigned to one (sub)category of the coding frame. In most of the cases they constitute a subset of the unit of analysis comprising only a sentence or larger parts of the transcript. I chose a thematic criterion instead of a formal criterion to divide the material into units of coding. Thus, a thematic shift was an indicator of the end or the beginning of a unit of coding.
- 3) Context units: As it is hardly possible to analyze the isolated units of coding, context units are a suitable aid. They are necessary to interpret the given unit of coding. I defined the whole study as well as the interview minutes as units of context. In some cases, I also made use of the field notes as units of context to facilitate the understanding.

Based on this, I split my material into units of coding relevant for answering the research question.

In a pilot phase, the preliminary coding frame was applied to four interviews (two from Tanzania; two from Uganda). During the pilot phase, I assessed the coding frame for reliability and validity. In QCA the reliability corresponds to the consistency of the coding. If no other coders are involved in the analysis, the stability of coding over time can be applied to assess reliability (Schreier 2012, 167). As no other coders were involved, I recoded the four interviews after 10–14 days. Based on the result I slightly modified the coding frame to reduce the occurrence of ambiguous codes.

In addition, the results of the pilot coding were checked for face validity. Face validity reveals to which extent the instrument measures what it should measure (ibid., 185). A frequent coding of residual categories is a sign of low face validity (ibid., 188), which was not given during the pilot phase. I discussed the preliminary coding frame with several researchers. Based on the detected shortcomings the coding frame was improved (cf. Appendix 2 for the final coding frame).

The final coding frame was applied to all interviews. As no other coders were involved in the main analysis, five interviews were recoded after 10–14 days (Schreier 2012, 198f.). No further changes to the coding frame were necessary during this phase. The results were presented in categories using continuous text. Illustrative examples were used to describe the meaning of the categories.

1.5.6 Limitations of the Study

The study has several limitations. The interviews stem from different sectors. The initial idea was to conduct all interviews in decentralization projects as an example of good governance reforms. Despite the relevance of decentralization in the development plans (International Development Association et al. 2010; Republic of Uganda 2010; Deutsche Gesellschaft für Internationale Zusammenarbeit 2013) donors pulled out of decentralization more and more in both countries (TZ_O_5; UG_O_3; UG_O_13). Thus, it was not possible to carry out all interviews with consultants running trainings on decentralization. To collect the necessary data during the field research, I decided to broaden the approach and to investigate different sectors with a focus on introducing new formal institutions. Because of the diversity of sectors, it is not possible to discuss every project and its implications for institutional change in detail within this thesis. Rather the process of transmitting new formal institutions and the adaptation to the context is described in general underlined by illustrative examples from the different sectors. Nevertheless, the interviews yield comprehensive information about the role of cultural interpreters in translating new formal rules.

In addition, the aim of the study was to point out similarities between Tanzania and Uganda in the realization of institutional change. This comparison is especially relevant for analyzing the challenges the cultural interpreters face when transmitting new formal institutions. However, Part 4 focusses on the role of cultural interpreters in translating new formal institutions into a specific context. Thus, analyzing two countries does not yield significant findings for the present thesis but is relevant for the concept of the whole study.

Another critical issue is the interview language. All interviews were carried out in English even if it is neither the native language of any interviewee nor my own native language. Although all persons involved in the interviews had sufficient language skills, linguistic expressions in their other language(s) might have been a hindrance. Thus,

misunderstandings cannot be excluded. Nevertheless, choosing English as the interview language yielded several advantages. First, it was not necessary to include interpreters in the interview situation, which could have caused interruptions in the interview atmosphere. Second, interviews were analyzed in the same language as they were captured and it was not necessary to translate the examples from the interviews for publication.

Furthermore, the influence of culture and intercultural research has to be discussed. The cultural background can influence the way in which the data is analyzed (cf. Aneas and Sandín 2009). Nevertheless, qualitative inquiry is able to deal with this issue as it aims to investigate how individuals perceive their reality (Kruse 2009). One strength of qualitative inquiry is to reconstruct an individual's perception. Therefore, it always constitutes a form of foreign understanding (*Fremdverstehen*) whether or not it is an intercultural study. Since researchers have to interpret these perceptions using their own relevance scheme, it is necessary to diminish this scheme as much as possible (ibid.). Consequently, reflections on personal behavior and understanding guided the whole research process.

1.6 Structure of the Thesis and Personal Effort of the Candidate

This thesis consists of three parts dealing with different questions of catch-up development from a contextual economics perspective. It is structured as follows: Part 2 demonstrates that processes of institutional development cannot be understood from a sole economic perspective. Economic policy reforms, as well as the resulting outcomes, are influenced by the organization of violence and political power. This interdependence can be systematically described by the concept of institutions. Furthermore, a contextual approach to economics is suitable to analyze economic policy reforms. This perspective captures not only the interplay between political and economic factors but also cultural conditions, into which the institutions are embedded. Culture shapes the interpretative patterns of individuals and thereby the formation of political and economic rules. Including the complexity of these conditions into the analysis allows a more precise understanding of institutional reforms to emerge. The starting point for this part was the findings of my field studies in Tanzania and Uganda. Beyond that, knowledge from earlier works by Alexander Lenger and Nils Goldschmidt was incorporated into the paper. The

paper has been published in *Zeitschrift für Politik* in 2015. *Zeitschrift für Politik* is a peer-reviewed German journal on political science, which also covers topics on the political economy. For this thesis, the paper was translated into English and literature was slightly edited.

Part 3 demonstrates that considering the contexts of developing countries in processes of institutional reforms necessarily leads to second-best solutions. The general idea of second-best is that if one optimality condition is violated, the best available option is to optimize under the given constraints. Second-best institutions take the specific context into account and constitute local first-best institutions even if they deviate from the theoretical optimum. Thus, local constraints are not an obstacle to development but can guide successful institutional reforms if reformers work with a second-best mind-set. Therefore, reforms should focus on introducing second-best institutions instead of transferring first-best institutions, which are inappropriate for the specific context. I developed the basic idea for the argument of the third part together with Nils Goldschmidt. In particular, he has enriched the history of economic theory of the emergence of the second-best theorem with his ideas and experiences. I generated the explanations of the argument.

The fourth part constitutes an empirical analysis of institutional reforms in Tanzania and Uganda. This part seeks to answer the question how development consultants translate new institutions to the domestic population. To investigate the role of local development consultants they are described as cultural interpreters. This concept originates in the existing literature on cultural and political entrepreneurs. For the aim of this study, the focus is not on entrepreneurial characteristics but on communicative patterns. The empirical results stem from interviews with local development consultants in Tanzania and Uganda. The interviews focus on their training programs to translate new formal rules to the domestic population. The results show three areas of importance for the cultural interpreters. First, they have to deal with the constraints existing in the specific context they work in. Second, they have to consider how the participants of the training perceive the newly introduced concepts. Third, they apply different means of communication to translate the concepts to the population. The fourth part is based on a single authorship. I developed the figure of the cultural interpreter that constitutes the foundation for the interviews, which I conducted in Tanzania and Uganda. The empirical results are based on the outcomes of the field studies. It was published in the *Journal of Contextual Economics – Schmollers Jahrbuch Volume 138 Number 4*. The different parts

of the thesis demonstrate how an improved understanding of culture and contexts can improve our understanding of processes of catch-up development. Thus, they broaden the theoretical understanding and allow conclusions for development practitioners to be drawn.

2 Political Economy as Contextual Economics

Institutions and Development between Politics, Economy and Culture

Processes of catch-up development are not only influenced by economic trends but are embedded in the interplay between political, legal, and cultural factors. There is a growing strand of literature that considers economic development in its interaction with political and economic decision-making. Reforms in the field of economic policy as well as the respective economic results are closely linked to the organization of violence and political power. The concept of institutions allows to describe and to explain this phenomenon more systematically. Based on these approaches the paper presents a contextual approach to economics that can further our understanding of institutional reforms. From a contextual economics' perspective, the cultural context is central because it shapes the interpretative and action patterns of individuals and thereby the formation of political and economic rules. Consequently, an economic approach which delivers practicable policy advice must consider not only these interdependencies but also develop a cultural sensitivity.

2.1 Introduction

Despite several decades of development cooperation, many countries still suffer from poverty and economic underdevelopment. Although different development theories and numerous practical endeavors and initiatives exist, it has not yet been possible to bring about extensive and systematic positive economic development (North et al. 2007; cf. Fukuyama 1995 and 2013; Easterly 2007; Landes 2010). This insight is – especially against the background of the transformation processes in East-Central and Eastern Europe as well as the current upheavals in Northern Africa – a lasting and profound challenge for a modern, practice-oriented political economy.⁹

Why some countries are rich and others are poor remains a classic research question which not only concerns economists, but also other social scientists (cf. Besley and

⁹ See Halbweiss (1983) and Groenewegen (2018) for definitions of the term and its changing meaning over time.

Persson 2011). That the latter also deal with this question seems only natural, as processes of catch-up development are not only influenced by economic, but also by the respective political, legal, social, and historical conditions. In the specific development economics literature, there is an increasing number of approaches that look at economic development in this interplay of the various societal subsystems (economy, politics, law, etc.) (cf. Luhmann 1987; Schimank 2007, ch. 3–4) and show how interdependent political and economic decisions enable or block efficiency-enhancing reforms. Nevertheless, these approaches – where political and societal factors are central building blocks of a coherent theoretical design and thus integrated into economic analysis – continue to be the exception in modern economics (cf. Acemoglu and Robinson 2013b, 173).¹⁰ In this paper, we will point out that including political and societal factors is mandatory in order to gain a deeper understanding of processes of catch-up development. In addition to the interdependencies between the political and the economic spheres, the concept of contextual economics¹¹ highlights that especially factors that are unique to each country, like its culture and history, must be included in the economic analysis of processes of catch-up development. Our aim is to show how considering these interdependencies can broaden not only the understanding of catch-up development, but also of economic processes in general, and thus give new substance to the approach of a globally oriented political economy.¹²

The article is structured as follows: First, the role of political power and the organization of state violence in processes of economic catch-up development are examined. Both factors are central influencing factors in the political as well as in the economic sphere (Section 2.2). Second, the concept of institutions is analyzed in more detail. In particular, the contribution made by the institutional economics' approach to explaining social problems as well as the interdependence between politics and economy is highlighted. Furthermore, the challenges posed by reforming of transplanting

¹⁰ Of course, earlier approaches that included these factors in the analysis exist, for example the Historical School of Economics, the observations of which could virtually be interpreted as a reflexion of a first globalization of the 19th century (cf. Rieter and Zweynert 2006).

¹¹ The contextual economics approach is characterized, among other things, by the fact that the scope of application of theories is determined by the respective context. In addition, society plays a central role, since the economy itself is rooted in society (cf. Altmann 2011, 251). For the term “contextual economics” see Goldschmidt and Zweynert (2009).

¹² We are currently conducting research in which development processes in Tanzania and Uganda are analyzed according to the theoretical perspective presented in this paper. The field research is carried out by Pia Becker. In the course of this text, we will create several links to this research. See also Spranz et al. (2012) for a respective case study of Indonesia.

institutions will be illustrated (Section 2.3). Third, the approach of contextual economics is used to demonstrate that, in addition to interdependencies with the political system, institutions are also embedded in a specific cultural context, the analysis of which is necessary to enable effective institutional reforms (Section 2.4). We will conclude by summarizing the main findings of the paper and giving a brief outlook on further research (Section 2.5).

2.2 Political Power and State Violence as Links between Political and Economic Sphere

The question of the organization of power in a society has, as is well known, a long tradition. Thomas Hobbes' idea of the Leviathan, in which, by a social contract, all power is transferred to a superior, sovereign and ultimately omnipotent authority in order to overcome the dangers of an anarchic state of nature (Hobbes [1651] 2017)¹³ was also central to the early political economy.¹⁴ The fundamental idea of transferring, delegating or limiting (state) power through a social contract can still be found in today's economic approaches, whereby the influence of the organization of power on economic development is particularly addressed (cf. Olson 1993; North et al. 2007). In anarchy, the incentives for investment and production are massively impeded by the lack of legal certainty and the danger of theft. Since there can be no production outside a non-violent society, every society has an incentive to overcome this situation (cf. Buchanan 1975). Furthermore, Olson noted another link between the organization of state power and economic development: The conditions necessary for a stable democracy are the same conditions that are a prerequisite for economic development, such as the rule of law and secured property rights (Olson 1993, 572ff.; we will also return to these aspects later). At the same time, it is a question of the rule of law how the respective state activities can be tied back to the interests of the members of society:

¹³ For an interpretation see Kersting (2005), ch. III.

¹⁴ One example of many is Adam Smith: "Commerce and manufactures can seldom flourish long in any state which does not enjoy a regular administration of justice, in which the people do not feel themselves secure in the possession of their property, in which the faith of contracts is not supported by law, and in which the authority of the state is not supposed to be regularly employed in enforcing the payment of debts from all those who are able to pay. Commerce and manufactures, in short, can seldom flourish in any state in which there is not a certain degree of confidence in the justice of government" (Smith [1776] 2005, 910).

“When government takes on an independent life of its own, when Leviathan lives and breathes, a whole set of additional control issues comes into being. ‘Ordered anarchy’ remains the objective, but ‘ordered’ by whom? Neither the state nor the savage is noble, and this reality must be squarely faced” (Buchanan 1975, ix; we will return to this problem later on as well).

It is obvious that lacking limitation of state power complicates economic activity and that the political power structures influence reforms towards other – more efficient – institutions positively or negatively. The explanatory approach of the limited access order by Douglass C. North, John J. Wallis, Steven B. Webb, and Barry R. Weingast (2007; North et al. 2009) has had a major influence on the economic debate on this issue in recent years (cf. Pies 2008; Bates 2010). They assume that social dynamics in developing countries differ fundamentally from those in developed countries. It is necessary to understand these differences and integrate them consistently into the theory in order to achieve expedient development policies. According to their main argument, the fundamental difference between the forms of society is to be found in the different forms of organization of state violence. On the one hand, an open access order is not only characterized by a competitive market economy and a multi-party democracy, but also by a stable state monopoly on the use of force. A limited access order, on the other hand, lacks this specific state monopoly. As a result, the elites play a central role in a limited access order, since access to both the political and the economic system is limited. North, Wallis, Webb, and Weingast thus see the centralist form of organization of state power as the crucial problem to be overcome in the development process. Development policies that do not take this problem into account will therefore not succeed (North et al. 2007, 41). The authors also point out that processes of economic development are not to be understood as linear paths, but rather that there are different types of developmental stages that are maintained by itself through the underlying logic they are based on. Rather than trying to transplant individual elements of an open access order into a limited access order without considering the issue of violence, one should attempt to identify conditions that enable or make likely the transition from one order to another. For North, Wallis, Webb, and Weingast the transformation process thus consists of two steps: First, impersonal exchange between the elites must be made possible within the limited access order. The authors identify three conditions for this: 1) rule of law for elites, 2) permanent organizations independent of individual networks, and 3) centralized control of violence (2007, 21). In a second step, the aim is to expand this impersonal exchange in order to

give all citizens open access to social, economic and political systems (ibid.).¹⁵ Consequently, the design of (state) power is linked to the question of the limitation of power of the ruling elites, a Leviathan “who lives and breathes”.

Accordingly, the next step is to take a closer look at the interface between economic policies, the political sphere, and the question of power. Economic policy reforms, whether in industrialized or underdeveloped countries, are obviously decided *de jure* by politicians and formulated or transformed into legal texts – independently of grassroots democratic impulses and party-political constellations. Reforms aimed at economic development are thus directly dependent on the conditions in the political sphere, which is why political structures have a crucial explanatory power in every reform. Accordingly, it seems unhelpful for economic reforms to be aimed exclusively at correcting market failures or market structures. It is equally important to look at the respective political effects caused by possible income effects, which can lead to the strengthening or weakening of elites and individual interest groups (Acemoglu and Robinson 2013b). In order to prevent these political effects from exceeding the positive short-term economic effects and possibly hampering long-term and sustainable development, it is important to analyze the political implications in advance and take them into account when implementing such reform measures (ibid., 174).

This is where the current development economics literature and the German Tradition of the Freiburg School meet (cf. Zweynert 2015). It is this research paradigm’s central insight that economic processes are significantly influenced by power processes, i.e. that individuals, by seeking privileges and acting discriminatory, influence – consciously and/or unconsciously – outcomes of (economic) distribution and production with regard to their individual position within society (Vanberg 2008). At the same time, however, the very negotiation processes in search of desirable framework conditions for a market economy are shaped by existing power relations. Therefore, in order to realize an economic order free of privileges, two decisive questions must be addressed and answered: On the one hand, there is the problem of the prevention of power, which was already central to the early Freiburg School (cf. Böhm [1928] 2008; Böhm et al. [1936]

¹⁵ In addition to the limited and open access order categories, North, Wallis, Webb, and Weingast also deal with the concept of the primitive hunter-gatherer society and distinguish between different forms of the limited access order. These include the fragile limited access order, in which the state has difficulty maintaining its monopoly on the use of force and protecting itself against internal or external violence. In a basic limited access order, on the other hand, there are stable state structures. A mature limited access order also supports organizations outside the state (cf. North et al. 2007, 9ff.).

2008). On the other hand, from an economic-ethically point of view, the constitutional economics' consideration, according to which the members of a community are free to decide on the respective social arrangement in such a way that they agree on a social order that is in the constitutional interest of all individuals involved, must also be discussed (Buchanan 1975; Vanberg 2008).¹⁶ In this respect, the development economics mainstream is now approaching a view that has long been pursued by the German tradition of the Freiburg School (Goldschmidt et al. 2009).

In addition to the interactions between political and economic effects, the ruling political elite can also directly block a reform project. Daron Acemoglu and James A. Robinson note that such a blockade occurs particularly often when the political elite fears losing its position of power as a result of the reform (2013a; cf. Roland 2002). Since the ruling elite is above all interested in maintaining its power, it has an incentive to prevent (economic and institutional) reforms even if they promoted the overall welfare of society. A blockade of reforms occurs particularly often in developing countries, firstly because there is little political competition and secondly because the political elite achieves particularly high economic rents there, which increases the incentive to maintain power. In some cases, the interest in maintaining power not only leads to a blockade of reforms, but also to violent action against the population (Besley and Persson 2011). Such violent behavior is obviously one of the characteristics of a limited access order, in which the population must protect itself from the violence of the ruling elites.

In addition to the motive of the person in power, the distribution of power can also explain why certain reforms to overcome inefficient social arrangements are not implemented in some countries. Acemoglu and Robinson explain the influence on economic institutions¹⁷ (and thus on economic development) through the interaction between political institutions and political power (2010, 7). According to the authors' core argument, economic institutions are collective decisions of society (cf. North 1990, 4). Since there are divergent preferences about the design of economic institutions, however, the political power of different groups must be seen as a decisive factor in the choice between different economic institutions. When it comes to political power, one must differentiate between *de jure* power and *de facto* power. *De jure* power is defined

¹⁶ For a discussion, see also Goldschmidt and Lenger (2011), Feld and Köhler (2011), and Fuchs-Goldschmidt and Goldschmidt (2013).

¹⁷ We will deal with the concept of institutions and their role for economic development in more detail in Section 2.3.

as a form of power derived from political institutions. The *de facto* power of a group, on the other hand, refers to their power of disposal over economic resources (Acemoglu and Robinson 2010, 8).¹⁸ Here, too, as in the previous explanations, it becomes apparent how important it is not only to consider the desired economic institutions or results in an economic policy reform, but also to consider the political power structure in an overall analysis, since dysfunctional economic institutions are often maintained by the existing political structures. Accordingly, this insight must also be taken into account when proposing structural reforms of these power relations. In order to solve the development problem, it is therefore particularly important to understand why countries are stuck in certain inefficient institutions, i.e. undesirable social arrangements, and to develop and test instruments that can overcome these rules, which represent the interests of the members of society only in a deficient way (ibid., 28). In order to approach this problem, we show in a next step how institutions should be understood in order to find acceptable solutions for all members of society.

2.3 The Role of Institutions in Processes of Catch-Up Development

A precise analysis of institutions makes it possible to explain both how interdependent obstacles to development arise and how these can be overcome. In addition, the question of how institutions are linked to shaping political power and state violence comes to the front of the research interest.

According to North, institutions are “the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction” (North 1990, 3). A distinction can be made between formal and informal institutions.¹⁹ Formal institutions are treaties, laws and a country’s constitution (ibid., 47; Erlei et al. 2016) and are characterized in particular by the fact that they can be changed relatively quickly. The reason for this is that they function as a sanctioning power’s legal right and can therefore be changed by it – within certain limits. Apart from the information problem, laws can virtually be changed overnight (North 1990, 6). The situation is different when it comes to informal institutions, which take a long time to change or adapt (cf. Roland 2004).

¹⁸ About the effects of *de jure* and *de facto* factors of rule of law (e.g. judicial independence) on economic growth see Haggard and Tiede (2011).

¹⁹ For a criticism of this distinction see Hodgson (2006).

Informal institutions are usually understood as non-codified patterns of action such as norms, religious beliefs, conventions or rules of conduct. Non-compliance with these informal rules is not sanctioned by the state, but by the actors themselves. Formal and informal institutions cannot always be precisely distinguished (North 1990, 40ff.). For example, the rules of a traditional tribal community can also assume functions similar to those of formal institutions even if they are unwritten, as long as they are sanctioned by a third instance.

For the purpose of these considerations, it is relevant that institutions assume various functions in a society. Fundamentally, the entirety of institutions determines the social incentive structure (Erlei et al. 2016). By structuring the interaction between individuals and thus limiting certain socially undesirable options for action and at the same time making possible other options that have tended to be exploited, institutions reduce uncertainty – which in turn generates transaction costs – and allow scope for social cooperation (North 1990, 4; cf. Knight 1997). In this sense, institutions represent an essential determinant of economic development (Barro 2000; Acemoglu and Robinson 2010; Boettke and Fink 2011).

There is broad agreement in the literature as to which institutions lead to economic growth (Rodrik 2008; Boettke and Fink 2011; Leschke 2011), examples include the rule of law and secured property rights (Olson 1993; Rodrik 2008, 100; Haggard and Tiede 2011). In order to effectively implement such prosperity-enhancing institutions it is necessary to understand how institutional reforms can be brought about and to what extent certain institutional arrangements block economic development (Goldschmidt et al. 2014).

In the previous chapter, the role of power and violence and the impact of these forces on the economic and political sphere were presented. How can these problems be analyzed and solved by resorting to institutions? North, Wallis, Webb, and Weingast point out that it is not possible to transfer the institutions of an open access order into a limited access order, since they cannot achieve the same effect in the latter as under the mechanisms of the former (North et al. 2007, 26ff.). The quintessence is that knowledge of institutions that promote prosperity in certain contexts is not sufficient to ensure that these institutions also have the same effects in other contexts. Moreover, the successful implementation and transplantation of institutional reforms depends on the respective political interests. On the one hand, this is due to the fact that institutional arrangements have different effects in different politico-institutional orders. On the other hand, certain

political regulations – motivated by the self-interest of the political elites – block or make possible certain institutional reforms. As in principle, politicians run the risk that the introduction of new institutions will reduce their political power, in which case they will block institutional reforms (Acemoglu and Robinson 2006, 129).²⁰

As mentioned above, the interdependence between the economic and political systems is of great relevance when it comes to institutional reforms. Economic institutions are dependent on the respective political institutions (Acemoglu and Robinson 2010). This close connection between the political and economic sphere in developmental contexts can be illustrated, for example, by the existing form of capitalism in Tanzania, which is characterized by a large number of monopolies and cartels. The former state monopolies from the times of socialism are now largely owned by the political elites. There are no formal institutions (laws) that restrict market power, for example through a cartel office. Since the politicians themselves benefit from the companies' monopoly profits, they have no incentive to reform the existing formal institutions. At the same time, the existing regulations mean that only a very small part of the population has access to the market. The gain of an institutional economics approach is thus based on the fact that it explicitly introduces the importance of political regulations with regard to the effect of specific institutional arrangements as well as with regard to the practicability of these arrangements in the economic analysis. Subsequently reform options can be identified which ideally lead to sustainable prosperity. For this, however, it is also necessary to consider those factors constituting or maintaining the existing inefficient institutional structure. A direct reform of formal institutions that does not take these very forces into account will in most cases not lead to the desired effects or might even cause adverse effects (ibid., 12f.). Consequently, the interdependence of the entire institutional structure is crucial to a country's economic development. A reform of existing formal institutions is thus only possible if the respective informal context and existing interdependencies are taken into account as well.

²⁰ It should be pointed out that if it is assumed that only measures that do no worse for anyone can be implemented, the concept of Pareto optimality is behind such considerations. In practice, however, such a Pareto concept is not easily applicable, since virtually every real-life economic policy measure generates both winners and losers. Since such a situation does not correspond to the criterion of Pareto optimality, however, such a measure would always have to be refrained from. Thus, the Pareto criterion can also be aptly described as a "conservative criterion", since it contributes to maintaining the status quo, regardless of the nature of the situation. Development policies that are based exclusively on the Pareto criterion would in reality have almost no room for manoeuvre (cf. Goldschmidt and Lenger 2012).

That inefficient institutions or institutional arrangements contribute to underdevelopment or maintain weak economic performance is described by Acemoglu and Robinson in their widely discussed book “Why Nations Fail” (2013a; cf. Easterly and Levine 2012; MacLeod 2013). The authors describe those institutions that contribute to the failure of states as extractive institutions, while prosperous states have inclusive institutions. As inclusive – i.e. institutions that promote prosperity – they understand institutions that guarantee secured property rights, legal security, and contractual freedom. With these inclusive institutions in place, much of the population has an incentive to participate in the market (Acemoglu and Robinson 2013a, 75f.). The characteristics of extractive institutions are contrary to those of inclusive institutions. In a country with extractive institutions, only a small elite has the opportunity to achieve prosperity – at the expense of the majority of the population – as the oligarchs in Eastern European countries well illustrate (*ibid.*, 76f.). In order to counteract the failure of states, the extractive institutions of a country must therefore be transformed into inclusive ones. In achieving this goal, Acemoglu and Robinson’s view coincides with the argument already mentioned several times that a mere transfer of prosperity-promoting institutions will fail (*ibid.*, 447). Rather, it is first of all a question of understanding which forces maintain the existing extractive institutions. Even support for countries with such extractive institutions will not bring about sustainable change unless they are transformed into inclusive ones (*ibid.*, 435).

This is where modern development economics must come in. One must critically question how the transformation from extractive to inclusive institutions can be initiated. Should this happen via an information process for politicians and the population, or should (developing) countries be obliged to adapt their institutions by (economic) coercion? It is obvious that development based on the society-specific perception and interpretation of institutions facilitates acceptance and understanding of institutional interdependencies, promotes endogenous structural change, and thus – due to lower transaction costs and higher legitimacy – will be more successful in the long run and cheaper than the obligation to certain reform processes.²¹ To this end, however, it is necessary to issue the corresponding arguments and professional discourses into the developing countries and to provide structures to accompany and support such a catch-up process.

²¹ The large countermovement against reform commitments currently taking place in Greece – a highly developed country – illustrates the importance of this fact.

Examining the role of institutions in processes of catch-up development should make it clear that institutions are a crucial determinant of economic growth. Depending on their design, institutions can either hamper or promote growth. However, a reform from inefficient institutions to those that promote prosperity only seems promising if it is accompanied by a comprehensive analysis of the context in which the institutions are embedded. So far, particular attention has been paid to political conditions that maintain certain formal institutions and prevent reforms toward more efficient solutions. Moreover, formal institutions are also part of cultural and historical contexts, particularly with regard to their interaction with informal institutions. What is required, therefore, is a difference-theoretical approach that considers economic development in the interplay of the various societal subsystems. In the following, we propose the approach of contextual economics, which does justice to such a difference-theoretical approach and considers phenomena of catch-up economic development embedded in their respective comprehensive institutional environment.

2.4 The Contextual Economics Approach

It is necessary to consider the specific context of a country, since developing countries differ substantially from industrialized countries in terms of their historical, cultural and social lines of development and thus in terms of the conditions under which they implement economic reforms. For a long time, however, development economists ignored the different contexts and the characteristics of the existing institutional structure (Altmann 2011, 2). With the concept of contextual economics, we would like to propose an approach that considers processes of catch-up development embedded in their respective contexts. Culture is thus not seen as an exogenous, immutable factor, but as an endogenous variable of economic development. Consequently, there can be no generally applicable solutions (“first best”), but policy recommendations must be based on context-specific solutions that represent the best possible solution under the given conditions (“second best”, cf. Rodrik 2008).²²

We consider the cultural context to be decisive because it underlies the different societal institutions and fundamentally shapes contexts, such as the political or economic

²² The distinctions presented here, as well as further differences between contextual and isolating economics, are presented by Altmann (2011, 251).

one (Goldschmidt and Remmele 2005; cf. Blümle et al. 2004). We understand culture as “the ongoing interplay between formal rules and informal constraints that emerges in the historical development of every society and must be learned (and reflected) by every individual in the course of his or her socialization” (Spranz et al. 2012, 462). The form of the respective institutions in a society is thus to be understood embedded in the respective country’s cultural structures (Altmann 2011, 235).

Not only institutions, but also individuals are shaped by their respective context. The idea that the individual’s perspective is influenced by the respective context has been taken up by Granovetter in his argument of “embeddedness”. He illustrates how the individual is intertwined with his or her environment. According to Granovetter, “embeddedness” means that “the behavior and institutions to be analyzed are so constrained by on-going social relations that to construe them as independent is a grievous misunderstanding” (1985, 482). Consequently, economic actors must be understood embedded in a nexus of social relations that surround them and structure their economic actions (cf. Polanyi [1944] 2001).

The context in which individuals are embedded also shapes their interpretations and structures of meaning with which they perceive the institutions surrounding them. The best known economic explanation, which describes how individuals organize their environment and at the same time allows for the inclusion of cultural factors, is the concept of shared mental models (cf. Denzau and North 1994). Individuals use mental models to map and structure their environment. Those individuals living in the same cultural sphere have similar mental models, since the latter are influenced by personal experiences. However, since there are no individuals who have had absolutely identical experiences in their lives, mental models are unique to each person. Thus – although mental models are not identical – common or similar socialization processes (“enculturation”, Dux 2000) shape similar mental models and enable a certain degree of proximity or rapprochement in communication between individuals in comparable cultural spheres. The concept of mental models makes it possible to include historical and cultural factors that influence the individual’s perceptions and actions in the analysis and thereby helps to interpret the behavior of individuals appropriately. Due to their own unique experiences and a common cultural basis, each person ultimately has a certain way of interpreting the environment and acts according to these conceptual patterns.

Based on this understanding of institutions embedded in a cultural context, we can now make specific statements about the problems of economic development from a contextual

economics perspective. In the previous sections it has already been sufficiently explained that the design of the institutional structure is a central building block towards economic development. The mere introduction of formal institutions or transfer from other orders does not automatically mean that institutions have the same positive effects as in other contexts. In addition to the above-mentioned challenges – particularly in the political sphere – it must also be ensured that newly implemented institutions can also be anchored in their new cultural context, especially since this context also has a significant influence on the political sphere.

Ensuring this anchoring is the crucial challenge when it comes to transplanting institutions. Obviously, this situation is particularly complicated, since the formal institutions come from other, mostly Western countries and are introduced into specific informal settings of the “rule-import countries”, which differ from the informal restrictions and cultural contexts of the respective “rule-export countries”.²³ Quite a few consultants in development processes²⁴ entrusted with the implementation of such (Western) institutions argue that it is crucial for the successful introduction of the institutions that they are linked to existing concepts familiar to the population (cf. Zweynert 2009, 352). For example, a consultant in Uganda reports that she adapts the institutions to be mediated to the respective target group with which she works. If, for example, she conveys basic economic rules to pastoralists, she “wraps” these rules in stories that correspond to the everyday world of these people. She adapts the stories in the same way if the target group are fishermen. The aim is for the newly introduced institutions to merge with the existing institutions, otherwise the former will be “repelled” and thus not have the desired effect (ibid., 341). In order for the merging to be successful, it is necessary that the functioning of formal institutions and the existing behavioral patterns and interpretations support each other and do not have an opposing mode of action (cf. Goldschmidt and Zweynert 2006b, 19f.). The latter is the case, for example, if there are certain religious behaviors that are not in harmony with the formal institutions to be introduced, such as the ban on interest for Muslims or the ban on work on Sundays, reports a consultant in Uganda. Concerning the institutional sphere, this means that transplantations often lead to undesired transplantation effects. So far, studies dealing with these effects from a theoretical perspective have largely focused on the respective collective historical and institutional factors (cf. Jong et al. 2002; Berkowitz et al. 2003;

²³ For the problems of importing economic ideas – especially in the case of Russia – see Zweynert (2018).

²⁴ In our research we define such people as cultural interpreters (cf. Goldschmidt et al. 2014).

Couyoumdjian 2012; Seidler 2014). In our view, however, it is also necessary to include the specific cultural context, including the interpretative patterns of this context. The transplantation of institutions will only succeed if there is a “willingness” for reform at the political level²⁵ and, at the same time, if the formal institutions introduced can also unfold their effect within society and its members in interaction with the existing informal institutions (Zweynert and Goldschmidt 2006). The example of the decentralization process in Uganda shows that a mere change in the formal institutions is not sufficient, but that their mode of action must be supported by the informal institutions. Although the rights and duties of local politicians and citizens are laid down in law, they are often not respected by politicians or claimed by citizens. Due to the traditional system of clan chiefs and kingdoms, the majority of citizens regard politicians as higher-ranking individuals. Holding politicians accountable, as is customary in Western democracies and is also formally provided for in Uganda, however, does not take place in most cases, as this contradicts the informal institutions that have evolved over time. It is therefore not possible to establish a decentralized democracy through formal institutions alone. Rather, the existing informal institutions must be taken into account and integrated in the reform.

A contextual approach is necessary because institutional structures, like the underlying mental models, are not universal, but require specific analysis. This means that contextual economics requires empirical case studies. While the fundamental relevance can be clarified at the theoretical level, the structure of the specific context with the existing institutions and incentive mechanisms must be captured in each individual case in order to identify concrete options for policy-making. A broad approach that concentrates on the specific situation and considers the existing interdependencies seems more promising for solving the development problem than generalizing theories that do not take into account the limits or diversity of different economic and social structures.²⁶

²⁵ See Section 2.2.

²⁶ A similar discussion is currently taking place under the label “Varieties of Capitalism”, where the company forms the analytical starting point and different forms of capitalism are distinguished, according to which forms of company coordination is predominant in the economy (cf. Hall and Soskice 2001; Amable 2003; Crouch 2005; Cernat 2006).

2.5 Conclusion

Problems of economic development are interdependent phenomena that must always be analyzed against the background of specific development strands. In this paper, we have tried to show why both the political sphere and cultural contexts are relevant for a catch-up economic development. As a first step, we have illustrated that economic policy reforms and the associated economic results are closely linked to the shaping of state violence and political power. The concept of institutions can be used to systematically describe and explain this shaping.

However, a reform towards more efficient institutions or a transfer of wealth-promoting institutions to developing countries often fails. This is related to the power relations in the political sphere and the institutions' embeddedness in their respective contexts. The cultural context is decisive here, since culture can be understood as a "weave pattern" of society that also shapes individual way of understanding, interpretation and action. The existing cultural context thus also explains how political orders develop and why corresponding power structures can unfold. For an effective reform, new formal institutions must therefore be interwoven with the respective context or given a context-specific design.

The results presented here may also allow for conclusions to be drawn for the work of development organizations that are committed to finding practical solutions for sustainable economic development. If the contextual economics approach is taken seriously, this means that context-related programs must be developed instead of simply taking up "proven" blueprints from other contexts. This implicitly means, however, that the development of such programs must be preceded by an in-depth analysis of the specific context.

Development economics as a scientific discipline will also have to be guided and measured by this. Empirical case studies, especially qualitative ones, are required to expand our knowledge of the interplay between politics and the economy as well as the embeddedness of institutions in their respective contexts. Although these case studies alone do not permit generalizations, they are useful for researching the forces at work, for deriving theoretical implications at the methodological level and for developing potential solutions to questions of economic development.

For economics in general, too, the proposed approach of contextual economics can be used to derive a number of challenges in order to gain a deeper understanding of questions of economic development. If economics is to provide realistic policy recommendations,

it must, as a science, respond more strongly to interdependent social problems and develop cultural sensitivity. This would be the basis of a modern, global and practice-oriented political economy.

3 Contextual Economics as Second-Best Economics

Understanding Catch-Up Development and Institutional Reform

This paper demonstrates that including developing countries' specific contexts in economic analysis underscores the necessity of second-best institutions. Thus, we elaborate the concept of second-best institutions in contrast to first-best institutions and apply it to institutional reforms in processes of catch-up development. Considering context, and the fact that developing countries differ substantially from their counterpart, unavoidably leads to second-best institutions, which are appropriate for the given constraints. If we deviate from the idea of reaching a set of first-best institutions, these constraints are not part of the problem but part of the solution towards successful institutional reforms. To conduct institutional reforms under second-best conditions, local knowledge is needed to construct reforms, thus development consultants play a central role in forging context-specific institutional reforms. They are able to adapt second-best institutions to their specific context and to implement them.

3.1 Introduction

Despite years of development assistance, the situation in various countries is still marked by poverty and economic underdevelopment (North et al. 2007; Moyo 2009; Easterly 2013). This is especially true for Africa (Handley et al. 2009; Beegle et al. 2016; Dang and Dabalén 2017). Since the 1960s, different strategies have been applied to improve this situation so that nowadays, we can distinguish several decades of catch-up reforms. Most of these attempts have fallen short of their expectations. A currently heavily criticized approach is the Washington Consensus, which has been part of the World Bank's and the IMF's policy since the end of the 1980s. The Washington Consensus was a template to liberalize, privatize and stabilize developing countries on different continents (Rodrik 2006). A vast critique on the Washington Consensus exists alongside a broad agreement that this template is incomplete and insufficient to reach the desired results (cf. Ocampo 2004; Maxwell 2005; Marangos 2018). Rather each country has to identify and develop its own optimal reform (cf. Kumar 1997). By contrast, the Washington Consensus implicates that a first-best solution can be transferred to different contexts. Even if the rhetoric in development cooperation has changed, the practice still

sticks to adapting templates. Despite broad critique of the Washington Consensus, “[t]here is little evidence that operational work at the Bank has internalized these lessons to any significant extent” (Rodrik 2006, 977).

Nevertheless, the idea that institutions are intrinsic for development is increasingly replacing the Washington Consensus. Tamanaha even speaks of a new institutional economics consensus in development thinking (Tamanaha 2015, 89; Schneider and Nega 2016, 435). In spite of the comprehensive literature on the relevance of institutions, the work on institutional reforms is still fragmentary (Sobel 2017, 550). This paper is a contribution to help improve our understanding of institutional reforms. We claim that a crucial factor of successful development cooperation is the consideration of contexts in developing countries. The conditions and constraints they face differ from those of industrialized countries. As Banerjee and Duflo claim: “To progress, we have to abandon the habit of reducing the poor to cartoon characters and take the time to really understand their lives, in all their complexity and richness” (Banerjee and Duflo 2011, viii). Considering cultural factors can improve new institutional economics analysis as culture influences economic behavior (Schneider and Nega 2016, 435). The inclusion of cultural factors, which vary across societies, makes it necessary to adapt reforms to the local context (cf. Yousfi 2013). Incorporating the contexts of developing countries into the economic analysis implies dealing with imperfect conditions. Thus, we transfer the idea of second-best (Lipsey and Lancaster 1956; Rodrik 2008) to institutional reforms in developing countries. Second-best solutions incorporate the existing constraints of the specific context, whereas first-best solutions are nothing more than a “nirvana approach”. Local constraints become part of the solution instead of being an obstacle to institutional reforms. Thus, they provide better solutions for specific contexts rather than unsuitable, standardized blueprints.

Our main argument is that including specific contexts of developing countries in the economic analysis, makes second-best institutions pertinent. Thus, we elaborate the concept of second-best institutions in contrast to first-best institutions. In addition, we demonstrate that the need for contextual reforms in developing countries comes alongside the former whereas the latter is not able to fulfil this need. To develop this argument, we proceed as follows. Section 3.2 refers to the emergence of second-best thinking in economics, which originates in welfare economic analysis and the evolution thereof. The general idea of second-best is that context-specific solutions can outperform general solutions if an optimality condition is violated. Based on these insights, we develop a

concept of first-best and second-best institutions and their strategies, to establish these institutions. We investigate the role of institutions for economic development in Section 3.3. For institutional reforms to occur, newly introduced formal institutions must interact with existing informal constraints, which in turn is dependent on how individuals interpret this interplay. These interdependencies have to be considered in order to develop appropriate second-best institutions. Therefore, second-best institutions are always contextual. Section 3.4 links second-best institutions to a contextual approach to economics and shows that local constraints are not an obstacle for institutional reforms but can instead guide successful reforms if reformers work with a second-best mind-set. Section 3.5 turns to more practical aspects and investigates the role of development consultants, which we identify as cultural interpreters. They have a crucial role in implementing second-best institutions. Their task is to investigate the specific context, adapt the institutions and convey them to the affected population. Section 3.6 concludes by summarizing the main arguments.

3.2 From the Second-Best Theorem to Second-Best Institutions

Implementing blueprints is mostly an inappropriate policy advice when considering contexts. In his paper “Second-best Institutions”, Rodrik makes his famous claim that real-world reformers in developing countries should work with a second-best mind-set (2008, 100). He presents several examples of second-best institutions trumping first-best institutions in developing countries. Nevertheless, he remains vague concerning the notion of second-best institutions. Even if Rodrik gives several examples to demonstrate that second-best mind-sets are needed in development economics, he does not explicitly define his understanding of first-best and second-best institutions. To close this gap, we develop a concept of second-best institutions. Therefore, we return to the origins of the theory of second-best in economics.

The idea that second-best situations exist in economic processes stems from welfare economic analysis. James Meade (1955a) was the first to use the term. Meade claims that in the case of several divergences of marginal conditions, diminishing one divergence reduces economic welfare instead of increasing it (*ibid.*, 102). Meade examines the effects of commercial policy on economic welfare. He develops “second-best solutions” (Meade 1955b, 14) to analyze the welfare effect of policy under the condition of the given policies

and not under ideal conditions (*ibid.*, 15). Lipsey and Lancaster were the first to formulate the theorem: “given that one of the Paretian optimum conditions cannot be fulfilled, then an optimum situation can be achieved only by departing from all the other Paretian conditions” (Lipsey and Lancaster 1956, 11).²⁷ This implies that in the case of an additional constraint leading to the non-achievement of Pareto optimal conditions, “a second best optimum can be achieved by departing from all other optimum conditions” (*ibid.*, 12). A principal characteristic of the second-best theorem is that many possible second-best optima exist in comparison to the Pareto optimum in a single equilibrium system (*ibid.*, 13). The theory of second-best also has implications for policy recommendations as it demonstrates that piecemeal policy recommendations are pointless: “To apply to only a small part of an economy welfare rules which would lead to a Paretian optimum if they were applied everywhere, may move the economy away from, not toward, a second best optimum position” (*ibid.*, 17). In reality, we always deal with imperfect conditions, never with perfectly efficient first-best conditions.

Since the introduction of the second-best theorem by Lipsey and Lancaster, the theory has evolved (*cf.* Boadway 2017). Originally, the second-best theorem was introduced in standard welfare economic theory. Based on this, some authors have tried to refine the basic theorem. Mishan (1962) considered the complexity arising from the second-best theory and the contribution of the theorem to welfare economics. Davis and Whinston (1965) elaborated on the conditions under which a violation of a Pareto condition occurs. Besides these theoretical contributions, a broad range of applications of the second-best theorem exist, *e.g.* optimal commodity taxation (*cf.* Mirrlees 1971; Boadway and Harris 1977). In recent literature, many environmental economic problems have been analyzed under a second-best perspective (*cf.* Antoniou *et al.* 2012; Courtois and Haeringer 2012; Kampas and Horan 2015).

In general, the second-best debate is about the question of whether general solutions are feasible for economic problems or if context-specific solutions are more appropriate. As Lipsey states: “One of the most enduring conflicts in economics is between those who believe that the more general a theory the better it is and those who believe that to be of practical use in most instances theories need to be tailored to specific contexts” (2017, 167). Furthermore, Lipsey remarks “the theory of second best supports those who argue

²⁷ A similar idea was demonstrated by John M. Clark in 1940. He elaborated on the understanding of competition as an imperfect process and concluded that if one of the conditions for perfect competition is violated, it might be better to depart from the other optimum conditions (Clark 1940).

in favour of the need for context specificity” (ibid., 168). This paper is part of this debate and links second-best thinking to institutional reforms in developing countries. We argue that considering contexts in developing countries makes the introduction of second-best institutions necessary. Context-specific second-best solutions are able to deal with prevailing constraints in the best possible way.

In institutional economics, the Pareto criterion is often used to evaluate different reform concepts (Fernandez and Rodrik 1991; Weingast 1995). While Buchanan advocates for the Pareto criterion, he interprets it in a different way. He uses the concept of Pareto superiority instead of Pareto optimality. By definition, an optimum cannot be improved. The concept of Pareto superiority is based on a comparative institutional analysis. An institution is Pareto superior if the individuals deviate from the existing institution and reach a consensus to stick to the new institution. Nevertheless, this does not mean that there is no other superior institution. Furthermore, Buchanan criticizes the idea of the omniscient economist who knows the preferences of all individuals (Buchanan 1959, 126; Buchanan 1962). Rather, the affected people must agree on a Pareto superior rule themselves (cf. Vanberg 2005). Another principle that is closely linked to the idea of Pareto optimality is the concept of efficiency. In his fundamental work “Institutions, institutional change and economic performance”, North (1990) expounds several points on how institutions are linked to efficiency. It becomes clear that institutions are not per se efficient: “The major role of institutions in a society is to reduce uncertainty by establishing a stable (but not necessarily efficient) structure to human interaction” (ibid., 6). Nevertheless, institutions shape the performance of an economy and economists progress by measuring the influence of institutions on economic performance (ibid., 69).

Based on these investigations of the functions of institutions and the role of efficiency, we define first-best institutions as follows: first-best institutions are efficient, reduce transaction costs and have a positive impact on the performance of an economy. From a merely theoretical perspective, second-best institutions are non-efficient institutions. Even if second-best institutions are inefficient when considered in isolation, they can be more efficient than first-best institutions when placed in a particular context. Therefore, second-best institutions are local first-best institutions (cf. Table 2). They deviate from the first-best optimum but are the best available solution under the given constraints. In real-world contexts, no general first-best institutions exist. Thus, it is more appropriate for countries to implement second-best institutions which fit the specific context instead of exhibiting nonfunctional first-best institutions. In an appropriate context, second-best

institutions can lead to increased efficiency. When switching from first-best to second-best institutions, all parameters are open and have to be redefined. Thus, economic policy-making is much more complicated in a second-best situation compared to first-best situations (Blackorby 1990, 762). Furthermore, we petition for quasi-first-best institutions instead of first-best institutions, as there are no perfect conditions in this complex reality. Nevertheless, there are several institutions which are empirically associated with positive economic development (Rodrik 2008, 100). We specify those institutions, broadly associated with economic growth, as quasi-first-best institutions (cf. Table 2). Despite that, there are slight differences between these quasi-first-best institutions, even in industrialized countries. In other words, even if empirical studies condense certain institutions, e.g. a functional legal system, the institution itself is not exactly the same in different industrialized countries.²⁸

Table 2: Terminology of First-Best and Second-Best Institutions

Institutions

Term	Definition	References
First-best institutions	Positive impact on the performance of an economy Do not exist in real-world contexts	Rodrik 2008
Second-best institutions	Non-efficient from a merely theoretical perspective Outperform first-best institutions if they fit the context	Rodrik 2008; Lipsey/Lancaster 1956
Quasi-first-best institutions	Real world institutions associated with positive economic growth	Becker/Goldschmidt
Local first-best institutions	Second-best institutions fitting a specific context	Becker/Goldschmidt

Solutions

Term	Definition	References
First-best solutions/ blueprints	Anticipate the solution without investigating the context Assume optimal conditions	e.g. Rodrik 2003
Second-best solutions	React to the context and individuals surrounded by this context	Becker/Goldschmidt
Third-best solutions	Consider imperfections but react as if perfect conditions exist	Ng 2017

²⁸ For a comprehensive analysis of the various forms of institutions in advanced countries, cf. Hall (2004), Ebner (2016), Hodgson (2016).

To illustrate the introduced terms, we use the example of courts for contract enforcement (cf. Rodrik 2008). It is well known that courts which enforce contracts among firms have a positive effect on the private sector and hence on economic growth (cf. Demsetz 1967). Thus, they constitute a first-best institution from a theoretical perspective. Even if many countries with a functioning jurisdiction exist, the arrangement of the legal systems differs among countries. Nevertheless, these differing institutions fulfil almost the same function and come close to the theoretical first-best institutions. We denote these institutions as quasi-first-best institutions to indicate that in reality, institutions are always adapted to context. In many contexts, the implementation of quasi-first-best institutions does not work. In such a situation, second-best institutions can outperform quasi-first-best institutions. An example of a second-best institution is relational contracting among firms. In some contexts, it is more efficient to enhance the functioning of relational contracting based on trust and relationships instead of trying to implement a court system, which may be incompatible to the existing context. Seen in isolation, relational contracting is less efficient than a court system, but in practice it can outperform a codified legal system. Under the locally given constraints, the second-best institution outperforms the first-best institution. Thus, it constitutes a context-specific optimal solution.

The next step is to think about strategies to implement second-best institutions. Implementation processes of institutions in developing countries are often based on theoretical blueprints. Thus, we denote blueprints as first-best solutions. Nevertheless, to implement functioning institutions in developing countries we need second-best solutions. Second-best solutions are those strategies which consider the context and offer suitable solutions for the existing constraints (cf. Table 2). Furthermore, second-best solutions incorporate knowledge about the mental models of the people affected by the institutions. Whereas first-best solutions assume optimal conditions, second-best solutions react to the contexts and the individual surrounding contexts. Of course, these processes are much more complex than pursuing first-best solutions, but they constitute a chance to improve the institutional setting in developing countries. Second-best solutions provide pathways to appropriate institutions in specific contexts.

3.3 The Role of Institutions and Individuals for Institutional Change

If institutional reforms are central to development processes, we have to clarify our understanding of institutions. Besides, we even go one step further and explain why not only institutions but also the individual interpretative patterns of institutions are relevant for institutional reforms in developing countries. By doing so, we refine our understanding of second-best institutions and their potential for development processes.

Today the economic literature broadly acknowledges that institutions matter for economic development (cf. North 1990; Rodrik et al. 2004; Acemoglu and Robinson 2010; Boettke and Fink 2011; Barton 2015; Tylecote 2016; Silberberger and Zweynert 2017). This assertion means that institutions influence economic processes and hence, the economic development of a country. Despite the comprehensive literature on the role of institutions, several open questions remain. It is clear that some institutions as secured property rights, a functioning legal system and a clearly defined rule of law are associated with a positive economic development (cf. Gwartney et al. 2017; Miller and Kim 2017). Nevertheless, it remains obscure why these institutions are often unable to evolve their positive effects in different contexts, and which kind of reform would work in a specific setting (Seidler 2018). The numerous failures of institutional reforms suggest that economic outcomes are not only determined by formal rules but also by the interplay between the respective informal constraints. For the analysis of institutional reform, the distinction between formal rules and informal constraints plays a crucial role (North 1990; for a discussion cf. Hodgson 2006). In general, these rules structure individual actions, create incentives and reduce uncertainty (North 1990). All social orders consist of a variety of formal rules and informal constraints. Formal rules are legally codified rules, such as laws and the constitution of a country. Informal constraints comprise customs, codes of conduct and conventions, and are not legally codified (ibid.; Pejovich 1998). Whereas formal rules can be changed overnight, informal constraints change only gradually (Yousfi 2013). Consequently, informal constraints play a crucial role in processes of economic development because a reform that focusses only on formal institutions might not lead to the desired results. Formal rules can deploy their potential only in the interplay with informal constraints. Thus, in many cases formal institutions do not cause the expected effects in different contexts. As the interplay between formal rules and informal constraints is unique for each context, the analysis has to take place on an empirical level (cf. Roland 2004, 128).

The interplay between formal rules and informal constraints is especially important when new formal rules are transferred to developing countries. During the transfer, the newly introduced formal rules have to be anchored in the specific context. This is a complex endeavor as most of the formal institutions that are introduced to the informal setting of the “importing country” are quasi-first-best institutions from Western countries (cf. Evans 2004). The “importing countries” differ fundamentally from the “exporting countries” concerning their informal constraints. The aim of the process of transplantation is that the newly introduced formal rules coalesce with the preexisting institutions instead of being disregarded (cf. Zweynert 2009, 341). Nevertheless, the transfer of institutions often leads to so-called transplant effects (Jong et al. 2002; Couyoumdjian 2012; Seidler 2014). To avoid transplant effects, it is necessary to strengthen the role of second-best institutions. This can also be demonstrated by some successful examples of transfers which have been adapted to the local conditions (Seidler 2016, 156). Instead of transferring first-best institutions one by one to developing countries, the focus of institutional transfers should be on the adaptation of institutions to specific contexts.

An example of the failure of institutional transfer, based on altered formal institutions without a functioning interplay between the existing informal constraints is the long process of decentralization in Uganda (Steiner 2006; Bashaasha et al. 2011).²⁹ Comprehensive codifications about the rights and obligations of local politicians are in place. Nevertheless, while the politicians fail to comply with these rules, the general population fails to demand compliance. Based on the traditional system of kingdoms and clan chiefs (Central Intelligence Agency 2018b), the citizens consider politicians to be superior. Even if the citizens are *de jure* allowed to demand accountability from their politicians, they hardly do so as it interferes with historically grown informal constraints (UG_I_4). Consequently, a change in the formal rules is not sufficient enough to establish a functioning decentralized democratic system. The first-best institution cannot deploy their potential within the existing context (Andrews and Bategeka 2013). Reformers have to consider the existing informal constraints and incorporate them into the reform concept. In other words, taking into account the existing context necessarily leads to second-best institutions and avoids transplant effects.

²⁹ As part of a research project, we are currently analyzing development processes in Tanzania and Uganda against the background of the theoretical perspective of this paper. Pia Becker conducts the field research. We will refer to several examples of this research. The examples are mostly based on qualitative guided interviews with development consultants conducting trainings to introduce new formal institutions into a specific context. Some examples result from field notes taken during off-the-record conversations with development practitioners.

To incorporate the specific context into reforms, a comprehensive analysis of the institutional setting of each country or region is necessary. This is especially important as developing countries differ from industrialized ones concerning their historical, cultural and social lines of development (Altmann 2011; Banerjee and Duflo 2011). For a long time, development economists have ignored the different contexts and the differences in the institutional systems (Altmann 2011). We argue that economists have to include the specific contexts in their analysis when dealing with processes of economic development. We even go one step further and include not only the existing constraints of a context, but also the individual perceptions of the rules and constraints in our analysis. For the implementation of functioning second-best institutions, it is necessary to consider how individuals interpret the constraints surrounding them. Whereas context comprises formal rules and informal constraints, culture also involves the way in which individuals make sense of the context. To be more precise, we define culture as the on-going interplay between formal rules and informal constraints that emerge in the historical development of every society and must be learned (and reflected on) by every individual in the course of their socialization (Spranz et al. 2012, 462). This definition highlights several factors that are important when investigating the relationship between culture and economics. First, investigating economic phenomena from a cultural perspective implies the analysis of the interaction between formal rules and informal constraints. Second, the definition emphasizes the role of historical factors and path dependencies for economics. Third, even if a whole society passes on the common historical experience from one generation to the next, the learning of culture happens on an individual level. Thus, the learning of culture and the influence of a specific culture is an individual process called enculturation, which every individual passes through during the process of socialization.

Our understanding of culture deviates from common definitions of culture in economics. Many economists define culture as values and beliefs, or as the entirety of informal constraints (Alesina and Giuliano 2015). In the last twenty years, the research on culture in economics has experienced a revival (Gershman 2016). This research is often linked to the two-sided relationship between culture and institutions. We are convinced that our definition of culture is useful since it explicitly includes the subjective perception of individuals when studying the relevance of their contexts. The existing literature on second-best institutions acknowledges the role of context, but does not consider the relevance of culture. However, the functioning of institutions not only

depends on the existing constraints but also on the way individuals interpret and apply the rules which surround them.

Individuals interpret the same formal rules, informal constraints, and the interplay between them in a different way because of their cultural background. Consequently, an understanding of different cultural backgrounds is necessary to understand how specific institutions, or the change of institutions, is interpreted. Individuals use mental models to make sense of their environment (World Bank 2015a). The most famous approach that explains how individuals order their environment allowing for the inclusion of cultural factors is the concept of shared mental models (cf. Denzau and North 1994). The formation of mental models depends on personal experiences, as well as on the culture in which the individuals are socialized (cf. Wrenn 2006). The concept of mental models therefore allows for the inclusion of cultural and historical factors influencing the individual in the analysis and helps us to understand individual behavior (Mantzavinos et al. 2004). As there are no individuals who share exactly the same experiences in life, mental models are distinct for every person. Even if mental models are never identical, similar processes of enculturation form similar mental models. This facilitates communication between individuals in the same cultural sphere as they exhibit similar mental models. Based on their own unique experience, and on a common cultural basis, each person has a certain way of interpreting the environment and acts according to this perception.³⁰ The development of shared mental models of individuals within the same society helps them to coordinate their behavior (ibid.). Mental models affect development processes through their influence on decision making (World Bank 2015a).

Even if the concept of mental models seems to be abstract at first sight, it can be illustrated by an instructive example. A development consultant in Tanzania used this example to demonstrate the role of mental models for processes of development cooperation. A European comes to Africa, does not feel well, and tells an African that she wants to see a doctor. The African takes her to a traditional healer so that she can practice her treatments (Kisangau et al. 2007; Hegemann 2014). The European person does not feel well in this situation and wants to leave instead of being treated. The other way around, an African comes to Europe and wants to see a doctor because she does not feel well. The African expects a traditional healer. Instead of this, she comes to a hospital with

³⁰ The approach of program-based behavior (Vanberg 2002 and 2004) and the idea of adaptive preferences (Weizsäcker 2005; Croitoru 2011) can also be interpreted in this way even if they originate from a different research agenda.

many machines and persons in white coats. The African is afraid and prefers to leave that place (TZ_I_4). Obviously, this example simplifies the complexity of real-world mental models. Nevertheless, it demonstrates that people from distinct cultural backgrounds have different things in mind when talking about the same concept. Consequently, these differences are even more relevant when talking about more complex concepts, such as specific formal rules. Thus, individuals apply and interpret the same formal rules in a different way to people from other cultural backgrounds. Taking into account the role of mental models, it becomes apparent that first-best institutions that have the same effect on a different cultural setting do not exist. Rather, it is necessary to develop second-best institutions for the existing context, as well as for the mental models of individuals in this context. We agree with Yousfi, that “[o]nly when we accept the existence of different cultural ‘traditions’ across societies can we begin to understand that what people believe and do matter in the real sense, and then effectively adapt universal standards to local contexts” (2013, 56).

3.4 Second-Best Institutions as Contextual Solutions

Even if economic literature acknowledges that institutions matter, the work on institutional reforms is still sparse and unrelated (Sobel 2017, 550). We agree with Sobel that we have to decode institutional reforms, but we deviate from his methodological perspective. Whereas Sobel chooses a quantitative approach analysing the Economic Freedom of the World Index, we claim that a contextual approach to economics and a qualitative survey of institutional reforms can make a significant contribution to our understanding of institutional reforms.

As Banerjee and Duflo (2011) acknowledge, developing countries vary fundamentally from developed countries concerning the economic and social conditions people face in these countries. Furthermore, Banerjee declares, “the single most important insight of the field of economics – that you have to be aware of the fact that everything is connected to everything else” (2009, 207).

We connect the contextual approach to economics to the idea of second-best institutions and show that development practitioners should always work with a second-best mind-set. This is necessary, as real world settings are complex phenomena (cf. Hayek 1967). Institutional reforms affect the interdependencies between different institutions. Consequently, reforms which aim to copy first-best institutions can misfire and might not

lead to the desired results (Seidler 2017 and 2018). On the contrary, working with a second-best mind-set enables reformers to discover reform options, which are ignored when having a first-best institutional world in mind (cf. Rodrik 2008, 100ff.). Furthermore, reformers should keep in mind that real world complexity reserves space for institutional diversity. There is not only a single set of institutions but a broad spectrum of institutional arrangements, when thinking about second-best institutions. Reformers with a second-best mind-set cannot only have a single solution in mind but decide on one second-best optimum. If institutional reforms do not per se seek to achieve first-best institutions, what can guide reforms?

The most important guide to successful institutional reforms are the local conditions of a given region. Institutional reforms must fit the local context and build on existing circumstances. It might appear that some local conditions may hamper institutional reforms and economic development, but it is more adequate to see local conditions not as part of the problem but as part of the solution. When leaving the idea to reach a single set of first-best institutions and investigating local conditions, successful institutional reforms are possible even if some conditions seem to be obstructive. Therefore, it might be more appropriate to speak of local opportunities instead of local constraints. To conduct institutional reforms under second-best conditions, local knowledge is needed to construct reforms. The anchoring of institutions in the local context has to be based on local knowledge (Rodrik 2007, 164). The importance of being aware of local circumstances and the time it takes to acquire this knowledge was also raised by a development consultant in Tanzania. He worked in a local community for two years and emphasized the importance of understanding the challenges and opportunities on site. Working every day with the local authority enabled him to find solutions applicable to their specific problems (TZ_O_1)

Even if there might be some cases of successful implementation of blueprints, this purpose fails in most cases. Best practice institutions ignore the relevance of local contexts, which can be ineffective or in some cases even harmful (Rodrik 2003, 13). The results from field research illustrate that the rhetoric in development cooperation has changed even if blueprints are still a common practice (TZ_O_3; TZ_O_7; UG_O_1). These reforms lack a connection to the local conditions as they are developed far away from the specific problems. Besides, the idea of blueprints plays a role in institutional economic literature. Many studies try to identify those institutions associated with growth and economic welfare (cf. Kaufmann et al. 2009; Gwartney et al. 2017; Miller and Kim

2017). Even if it might be helpful to understand which institutions can lead to positive economic effects, copying these institutions is not appropriate for contexts of developing countries in most cases (Seidler 2016).

The most important policy advice for developing countries is to acknowledge local circumstances instead of applying best practice solutions (cf. Dixit 2009, 21; Tamanaha 2015, 90). To satisfy the requirements of the complex interactions of real world phenomena, local solutions are more promising than best practice advice (Tamanaha 2015, 107). Consequently, context-specific policy advice is most likely to lead to suitable institutions for the existing local context (cf. Rodrik 2004, 6). As local conditions vary, the institutional designs are not unique but differ from one context to another. Even if the problems seem to be the same as in other settings, specific contexts require specific solutions (cf. Rodrik 2006, 976). This is especially relevant in developing countries as the conditions and constraints faced diverge fundamentally from the ones in industrialized countries (cf. Rodrik 2008, 100).

Even if context specificity contradicts the application of solutions from other contexts directly, it can be helpful to study other arrangements and learn from them (Rodrik 2007). When studying other arrangements, as well as when developing institutional reforms within a specific context, the observation of local conditions is an important task of reformers (Dixit 2009, 21). As Rodrik emphasizes:

“Sensible advice consists of a well-articulated mapping from observed conditions onto its policy implications. This simple but fundamental principle seems to have gotten lost in much of the thinking on economic reform in the developing world, which has often taken an a priori and mechanical form” (2006, 986).

Even if institutions are an inefficient residue from history, an innovative institutional reform builds on these existing constraints. A set of first-best institutions to deal with these complex problems neither exists in industrialized nor in developing countries. Consequently, transferring best practice institutions to developing countries is a “nirvana approach”. Contextual characteristics constrain institutional reforms. If we allow the idea to reach a set of first-best institutions, these constraints are not part of the problem, but part of the solution for successful institutional reforms.

3.5 Implementing Second-Best Institutions in Practice

We have seen that institutional reforms have to be adapted to a specific context, and that an observation of local contexts is necessary for appropriate second-best institutions. Based on our findings, we want to investigate how second-best institutions can be developed and implemented in practice. Which preconditions are needed to implement second-best institutions? We argue that institutional transplantation can only be successful if development consultants exist who are familiar with the context and culture of the respective region and thus able to implement and communicate new context-specific institutions. To illustrate how a contextual approach to second-best institutions can enrich studies of institutional reforms, we strengthen the role of development consultants, henceforth identified as cultural interpreter. To understand the bigger picture of institutional change (cf. Figart 2017, 282) we analyze the role of cultural interpreter.

A cultural interpreter is an expert in investigating and understanding specific contexts. This characteristic is of crucial importance when implementing second-best institutions. The cultural interpreter is aware of the existing conditions and is able to convert general reform concepts to second-best solutions. A crucial condition for implementing successful second-best solutions is the comprehensive context-specific knowledge of the policy-maker (Lipsey 2017, 176). We agree with Lipsey that context-specific knowledge is needed for second-best solutions. Most certainly, local knowledge of policy-makers is a decisive factor for successful policy implementation, especially in developing countries. By including the implementation of second-best institutions we bolster the role of cultural interpreters instead of that of the policy-makers. Access to local knowledge is a controversial aspect of second-best solutions. Ng criticizes that in cases of informational poverty, third-best solutions should be preferred to second-best solutions (2017). Ng's third-best theory implies that the best policy option is to fulfil first-best conditions in situations of informational poverty. Nevertheless, third-best solutions do not take existing contexts into consideration. We disagree with Ng as we claim that the acquirement of local knowledge is a solution to deal with informational poverty in second-best contexts. The cultural interpreter represents a potential solution to the problem of informational poverty. Instead of switching to third-best solutions in cases of informational poverty, a cultural interpreter could investigate the context and generate the necessary information. The investigation of the context constitutes the first core responsibility of the cultural interpreter. The second main task is to adapt institutional reforms to the preexisting culture and to translate them for the individuals affected. The third interest of the cultural

interpreter is to convey the ideas to the affected population, i.e. influencing the preexisting mental models. Consequently, the cultural interpreter fulfils a coordinating role between development organization and population during the implementation process. As the three tasks are central to understanding how cultural interpreters can implement second-best solutions, we describe them in more detail and illustrate them with examples from interviews with cultural interpreters in Tanzania and Uganda. First, the cultural interpreter investigates the institutional diversity of a specific context. A cultural interpreter from Uganda explains that their programs always need an empirical basis. This can be either qualitative or quantitative. Before implementing certain institutions, she always investigates the needs of the people affected by the program: “we always assume people need what we do. But sometimes you get [sic] amazed that people need completely different things” (UG_I_2). The consultants call this a training needs assessment, which always precedes the implementation of new institutions. In order to complete this first step of an investigation, the consultants often travel around and discuss with people (TZ_I_3). This example is helpful to understand how cultural interpreters generate local knowledge in order to deal with informational poverty (cf. Ng 2017), and are thus able to develop second-best solutions. Second, the cultural interpreter adapts the proposed institutional reforms so that they fit the preexisting conditions and the individuals’ perception of these conditions. A cultural interpreter from Tanzania explains the process of adaptation with the example of enhancing democratic structures. First of all, he asks the people what the concept of democracy means to them: “So you start engaging at that level and let them provide the answers because their answers are more accurate than yours” (TZ_I_4). After this, the cultural interpreter shares his understanding of democracy with them. Finally, he starts a discussion on how the different ideas can come closer together. Nevertheless, it might happen that the cultural interpreter has to scrutinize if he wants to pursue the idea or if the different perceptions are too far from each other: “Because if you force it on the people it means that they will reject it” (TZ_I_4). These examples illustrate that the adaptation of institutions necessarily leads to the development of second-best institutions. Third, the cultural interpreter conveys the new institutions to the population. One possible way of communicating the reform is to tie in with established patterns and thereby focus on compatible elements (cf. Zweynert 2009, 352). Many development consultants share the opinion that new institutions have to be linked to existing concepts, familiar to the population, for a successful implementation to occur. A Ugandan consultant reports that she adapts the institutions to the respective target

audience. For example, if she conveys basic economic rules to a group of herdsmen, she wraps these rules to stories which are part of their world of experience. Similarly, she adapts the rules when the target group is fishermen (UG_I_2). Another cultural interpreter calls this process “anchoring”. He always relates the new institutions, which he wants to introduce, to something the people have in their community (UG_I_3). This demonstrates that even if second-best institutions are adapted, they still have to be anchored to a specific context by the cultural interpreter.

We claim that the concept of a cultural interpreter can be linked to the overall argument of the paper. First, by implementing new formal institutions and by interacting with the local population, the cultural interpreter is a facilitator between individuals and institutions. Second, each cultural interpreter operates within a unique context. Every context exhibits specific constraints and opportunities for institutional reforms. To deal with these conditions in an optimal way, context-specific second-best solutions have to be developed and implemented afresh every time.

3.6 Conclusion

We have shown that second-best institutions are needed in the specific contexts of developing countries. Even if second-best solutions are inefficient, if they are regarded in isolation, they are local first-best solutions. Development practitioners, as well as development economists, have to accept that blueprints are inappropriate because they do not deal with specific constraints in developing countries.

The interplay between formal rules and informal constraints matters for institutional reforms. For a successful institutional reform to occur, newly introduced formal rules have to be compatible with preexisting informal constraints. The context and the individual perception of this context in which new institutions are introduced differ fundamentally between developing countries and industrialized countries. Second-best institutions constitute potential solutions to deal with these differences. Development economists have to work with second-best institutions because they consider the specific context of developing countries.

In general, the question of second-best is whether economics needs general theories or context-specific approaches. We are convinced that it is a nirvana approach to think of first-best institutions in reality, because institutions always have to be adapted to their context. Certainly, first-best institutions are more efficient than second-best institutions

when considered in isolation. Practically speaking, however, second-best institutions outperform first-best institutions if they are adapted to an existing context and are thus local first-best institutions.

We can even go one step further and argue that not only the context but also how individuals interpret the context by which they are encompassed matters for institutional reforms. Based on their cultural background, individuals interpret and apply the institutions, which surround them in a different manner. The concept of shared mental models is useful to understand how individuals make sense of their environment and how this interpretation is influenced by their cultural background. Consequently, second-best institutions have to be adapted to both the existing context and the way in which individuals make sense of that context. This ensures the acceptance of reforms (cf. Zweynert 2015).

Development consultants play a central role in developing and implementing institutional reforms. They are able to adapt second-best institutions to specific contexts and to implement them. Their role can be summarized through their three key tasks. First, they have to investigate the institutional setting of the specific context. This task is especially important as cultural interpreters have the local knowledge, necessary to develop context-specific second-best solutions. Second, they have to adapt the proposed institutional reform to these conditions. To adapt context-specific second-best institutions, they have to consider the existing constraints as well as the mental models of the people affected by the reform. Third, the development consultants convey the new institutions to the population. Therefore, they anchor the newly introduced second-best institutions to a specific context.

A change in development assistance is necessary to base institutional reforms more on local knowledge. Even if the rhetoric on development organizations has changed, blueprints still play a dominant role in practice. More effort is needed to investigate the local conditions as well as to adapt and implement context-specific reforms. Development practitioners have to accept that first-best institutions are inappropriate in almost all cases.

Besides the policy recommendations, this paper comprises several implications for research in development economics. Comprehensive case studies are needed to understand the role of contexts. In addition, the task of cultural interpreter is always linked to an empirical level and cannot be captured by theoretical argumentation on a general level. Consequently, empirical methods are needed to investigate specific contexts as well as the role of the cultural interpreter in this context. If we apply the idea of second-best

solutions to the field of development economics, we need qualitative methods to gain a more precise understanding of the contexts and second-best institutions for this context. Therefore, strengthening the role of qualitative methods in development economics can complement the existing quantitative methods. Furthermore, an examination of the role of development consultants would enhance our overall understanding of institutional reforms. An investigation of the role of development consultants and their subjective perspective on institutional reform processes is a ripe topic for further research project.

4 Fitting by Adjusting

A Field Study of Tanzanian and Ugandan Development Consultants Promoting Institutional Change

This paper investigates the role of local development consultants, which are described as cultural interpreters, in promoting institutional reforms in Tanzania and Uganda. The empirical analysis seeks to answer the question how cultural interpreters translate new formal institutions into a specific context. The results show that they adapt their training programs to the specific context in order to ensure successful implementation. Furthermore, they have to consider how the participants of the training perceive the newly introduced institutions. The way in which they communicate with the participants is a central factor to ensure the application of new concepts.

4.1 Introduction

Despite several decades of development cooperation, Tanzania and Uganda rank among the lowest countries according to the Human Development Index (Tanzania: 154 out of 189; Uganda: 162 out of 189; United Nations Development Programme 2018). Over the last years, there was a recurring prominence of sectoral programs managed by donor organizations, even if the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action intended to strengthen partner countries' national development strategies (Organisation for Economic Co-operation and Development 2005/2008). In both countries, the GBS remained either stable at a low proportion of ODA or decreased over the last years. As a consequence of the corruption scandal, Uganda no longer receives the GBS, whereas Tanzania still receives a share of ODA as GBS (European Commission et al. 2013; European Commission and World Bank's Independent Evaluation Group 2015; Ministry of Finance, Planning and Economic Development of Tanzania 2018). The low amount of GBS implies that aid programs under the leadership of donor organizations constitute the major part of ODA (Organisation for Economic Co-operation and Development 2018). Throughout the history of development practice since World War II and still true today, training programs are an essential activity of development organizations (Seidler 2016, 155). Development consultants engaged by donor organizations play a central role in implementing these programs to the affected population.

The aim of this paper is to develop a better understanding of the role of development consultants and to investigate how they transmit new formal institutions to the population. I designate these consultants as cultural interpreters as they translate new institutions for the relevant population by carrying out trainings and other capacity-building programs. The paper focusses on institutional development programs. The economic literature broadly acknowledges that institutions matter for development (cf. North 1990; Rodrik et al. 2004; Acemoglu and Robinson 2010; Boettke and Fink 2011; Barton 2015; Seidler 2016; Tylecote 2016; Silberberger and Zweynert 2017; Almeida 2018; Gambus and Almeida 2018; Seidler 2018). This is not only a theoretical assertion but influences the practice of development cooperation. Thus, development organizations build a broad variety of programs on the insights of new institutional economics with the aim to promote good governance and the rule of law in developing countries (Burki and Perry 1998; Cameron 2004; Tamanaha 2015). Tamanaha (2015) even speaks of a new consensus replacing the neoliberal Washington-Consensus in development cooperation. Many institutional reforms in development cooperation contain elements which stem from more developed countries (cf. Seidler 2018). The interplay of newly introduced formal rules with preexisting informal constraints is a complex real world phenomenon that cannot be analyzed merely from a theoretical perspective. The same is true for the role of development consultants intervening in this process. Rather, empirical analyses are necessary to investigate how development consultants transmit formal institutions into a specific context. Empirical studies broaden the understanding of specific contexts. Furthermore, they improve the existing understanding of development processes by explaining factors influencing institutional reforms. To study the role of development consultants, a qualitative research design is appropriate. Qualitative methods constitute an open approach. This means that they investigate not only given assumptions but enable the researcher to detect new and unexpected issues. An examination of development consultants can explain their role in promoting institutional change (for theoretical considerations cf. Grimm 2011; Brinkerhoff 2016; Silander and Silander 2016a; for the role of individual actors in institutional change cf. Seidler 2017 and 2018). In addition, this study can improve the existing understanding of institutional reforms.

The paper proceeds as follows. Section 4.2 develops the concept of the cultural interpreter based on existing literature on political and cultural entrepreneurs. Section 4.3 presents the empirical study about the translation of new formal institutions by cultural interpreters and I reflect on the methods of the study. The results of the interview study

with cultural interpreters in Tanzania and Uganda are presented in Section 4.4. Afterwards, I discuss the results and reflect on policy conclusions for ODA (Section 4.5). Section 4.6 concludes.

4.2 Local Development Consultants as Cultural Interpreters

The aim of institutional reforms is to implement new formal rules in a specific country environment (for the definition of formal rules North 1990; for a critique Hodgson 2006; for institutional reforms Andrews 2013; Tamanaha 2015; Brinkerhoff 2016; Sobel 2017). For reforms to be effective, merely changing formal rules is not sufficient (cf. Andrews and Bategeka 2013). Rather new rules have to be internalized by the affected population. Donor organizations often run training programs to familiarize the population with new formal rules and to ensure their implementation. Consultants typically conduct these trainings. In practice, the implementation process resembles a network with a variety of actors engaged. This paper focusses on the role of local development consultants³¹ in Tanzania and Uganda and their role in translating new formal rules for the affected population.

I identify local development consultants as cultural interpreters. The concept is based on the literature on cultural and political entrepreneurs (cf. Wohlgemuth 2000; François 2003; Kubik 2003; Schnellenbach 2007; Zweynert 2009; Grimm 2011; Neck 2016; Scopa 2016; Silander and Silander 2016b). According to the existing literature, cultural or political entrepreneurs push through a political agenda and thus influence the political process (Wohlgemuth 2000; François 2003; Kubik 2003). Cultural entrepreneurs do this by linking the reform to the existing cultural heritage so that it appears familiar to their fellow citizens (Zweynert 2009). I adapt this concept with the aim of studying the relationship between institutions and individuals when introducing new institutions in a specific context.³² The cultural interpreter is not a mere theoretical figure, but rather a

³¹ The terms (local development) consultant, trainer, and cultural interpreter are used interchangeably. The participants of the study used the terms consultant or trainer to describe themselves. The denotation cultural interpreter stems from my own theoretical consideration about local development consultants.

³² The specification that they are cultural interpreters does not refer to “cultural” in the sense of creative industries or arts. For an investigation of the cultural entrepreneur in the field of the creative industry cf. Klamer (2011), Naudin (2018), Swedberg (2006).

concept that serves to identify specific individuals who become part of the empirical study.³³

The term cultural interpreter is used because the main task of these persons is to translate new formal rules for the domestic population. In opposition to the existing ideas about cultural entrepreneurs (cf. Kubik 2003; Zweynert 2009), cultural interpreters do not necessarily exhibit entrepreneurial characteristics. Rather, their specialization is in conducting trainings for the local population. Thus, the necessary competences of cultural interpreters are methodical skills for imparting new rules to the local population. In addition to transmitting ideas the communicative process is at the core of their activities. Therefore, the wording of an “interpreter” is chosen. These persons speak the “language” of the various actors involved in the reform process (cf. Brinkerhoff 2016, 233). The role of cultural interpreters has to be distinguished from classical interpreters focussing only on the translation of the language. Cultural interpreters deal with different perceptions of institutions based on socialization in specific cultural spheres. I apply the definition of culture by Spranz et al. (2012). Accordingly, culture is “the on-going interplay between formal rules and informal constraints that emerges in the historical development of every society and must be learned (and reflected) by every individual in the course of his or her socialization” (ibid., 462). The notion of culture needs to be differentiated from context, which comprises the existing formal rules (e.g. laws) and informal constraints (e.g. habits, codes of conduct) but excludes the way in which individuals make sense of them. Thus, context designates the institutional setting independent from individuals. Nevertheless, it matters how individuals make sense of the institutions which surround them. As the cultural interpreter deals with these different understandings, the interplay between the cultural interpreter and the respective participants matters, which takes place in a communicative process.

Cultural interpreters have to be familiar with the Western and the domestic culture to be able to perform the cultural translation. As I focus only on local development consultants, cultural interpreters are by definition conversant with the domestic culture. Nevertheless, cultural interpreters have to investigate the constraints and opportunities existing in the specific context they are working in (Silander and Silander 2016b, 195), which can differ even inside a country. The familiarity with the Western culture can stem either from staying abroad or from working within Western development organizations

³³ As cultural entrepreneurs are quite rare in reality (cf. Brinkerhoff, 2016), the concept of the cultural interpreter is more convenient for an empirical investigation.

(cf. Seidler 2016, 164). The comprehension of Western culture is necessary as most of the institutions introduced in developing countries originate from Western countries. Cultural interpreters have to capture the purpose of these institutions and translate them to the domestic population. In addition, they have to be conversant with the existing formal rules and informal constraints in order to perform this task. By implementing new formal institutions and being in interaction with the local population, cultural interpreters can be seen as facilitators between individuals and institutions.

The main task of cultural interpreters is to enable institutional reforms by conducting trainings. They communicate the reform to the population by applying familiar patterns. Familiarity with the newly introduced concept is a necessary premise for successful institutional transfers (ibid., 157). Thus, they translate the reform to the importing culture. One possible way of communicating the new concepts is to tie it in with established patterns, thereby focusing on compatible elements of the new institutions in the given context (cf. Zweynert 2009, 352). For example, cultural interpreters translate new ideas by using argumentative patterns that sound familiar to the local population and thereby increase the acceptance of the reform. It is also possible that these argumentative patterns which cultural interpreters use contain elements of the historical past and the cultural legacy (cf. Kubik 2003, 319, 342ff.). This implies that they are familiar with hitherto existing institutions (cf. Brinkerhoff 2016, 57). Accordingly, their task can also be described as interpreting between different cultures. Unlike entrepreneurs, their incentive is not to seek for profit but to initiate change in their countries (cf. Grimm 2011, 454). This does not exclude a critical attitude towards ODA but requires the willingness to change the situation in their country.

I am convinced that documenting the actions of cultural interpreters and to analyze them with regard to processes of institutional change promises to improve the existing understanding of institutional reforms. Thus, an empirical investigation of cultural interpreters is necessary.

4.3 Methods

Study Design

As there is no qualitative research on the role of cultural interpreters in promoting institutional change so far, an explorative study design is appropriate. The interest of the research project is to capture the perspective of the cultural interpreters of their role in

translating new concepts in a specific context (cf. Flick et al. 2010). As institutional transfers often fail, the aim of this qualitative study is to investigate the role of the people involved in transmitting new formal institutions. Listening to these people enables economists to learn how to improve the process of institutional transfers (cf. *ibid.*; Schlüter 2010). Qualitative interviews are an appropriate tool to identify the subjective patterns of the interviewees. The construction of the interview guide followed Helfferich (2009) and was based on preliminary considerations to investigate the role of the cultural interpreter in practice. The interview guide comprised a section about the process of translating new concepts in a specific context as well as the challenges when doing so (see Appendix 1).³⁴ Expert interviews were conducted with local development consultants performing trainings in Tanzania and Uganda. The interviews were semi-structured (Flick 2014).

Access to the Field

The interviews were embedded in a period of field studies (six weeks in Uganda; six weeks in Tanzania). I had working places at two German nongovernmental organizations (NGOs), one based in Kampala and one in Dar es Salaam. This allowed me to use their infrastructure (internet access, printers, electric generator) and I had daily interface with local and German staff. The research was neither connected to the work of the NGOs nor to any other organization or research project. Besides the interviews, I talked to various actors working in the development cooperation (national and multinational donor organization as well as NGOs). The background discussions with these actors were important to adapt my theoretical concept to the field as well as to get in contact with potential participants for the study. Due to “short time planning” in Uganda and Tanzania, most appointments were settled on site. None of the participants were recruited beforehand.

Sampling and Recruitment

For sampling, a deductive theoretical sampling strategy was chosen (Patton 2015, 288f.). Only local development consultants (i.e. Tanzanians or Ugandans) were considered for the sample. The trainers included in the sample worked either directly for an NGO, a consulting firm or as independent consultants. As many donor organizations outsource the training to NGOs and consulting firms, a distinction between these consultants was

³⁴ The challenges cultural interpreters face are not addressed in this paper as it focusses on the process of translation.

not maintainable. Their common characteristic is that donor organizations hire them as trainers or that they conduct capacity-building for NGOs. Consultants from Western countries performing trainings in Tanzania and Uganda were excluded. Additionally, only consultants working for projects with a focus on institutional change were interviewed. Thus, infrastructure projects were ruled out, as they do not focus on the introduction of new formal institutions. In total, consultants from three different types of sectors were included in the sample (cf. Table 1). The fields of work were not selected in advance but were considered in Tanzania and Uganda as fitting to the role of cultural interpreters in promoting institutional change. Some of the consultants were working for different projects as they were specialized in conducting trainings instead of being specialized in a specific topic. To recruit participants a snowballing technique was used (Helfferich 2009; Patton 2015, 298). After the interview, the participants were asked if they know other consultants which might be interested in participating. In some cases, a phone call in advance of the interview ensured that the participants fit the deductive theoretical sampling strategy.

Table 1: Sample of the Field Study

Sample (n=14)		
	Tanzania	Uganda
Gender		
Female	1	3
Male	6	4
Projects		
Good Governance	5	1
Finance	1	5
Agriculture	1	1

Data Collection

I conducted 14 face-to-face interviews with local development consultants (seven in Kampala; seven in Dar es Salaam). The setting was chosen by the participants and was either at a public place or in their office (Uganda: two at a public place, five in office; Tanzania: four at a public place, three in office). The language of the semi-structured interviews was English. The interviews lasted between 32 and 58 minutes. No remuneration was granted for participating in the study. I conducted the interviews in Kampala in June 2014 and the interviews in Dar es Salaam in September and October

2014. The three months in between the field studies were used to prepare the field study in Tanzania. Based on the experiences from Uganda I slightly adapted the interview technique. I documented the data collection by taking notes on the recruitment process, the interview setting (including potential interruptions of the conversation), and the post-interview phase. The notes were used to facilitate the interpretation of data, if necessary. All interviews were recorded and transcribed verbatim following the simple transcription system of Dresing and Pehl (2013, 20ff.).

Data Analysis

I analyzed the data using QCA adapted from Mayring (2014) and Schreier (2012). The coding frame presenting how cultural interpreters translate formal institutions into a specific context was developed inductively by progressive summarizing and subsumption (Mayring 2014). To generate the coding frame, three interviews were chosen according to a maximum variation strategy. The first categories were created by comparing codes across interviews (progressively summarizing). Afterwards, relevant segments of other interviews were either subsumed under the existing coding frame or additional categories were created if necessary (subsumption). In a pilot phase, the preliminary coding frame was applied to four interviews (two from Tanzania; two from Uganda), which I recoded after 10–14 days. The resulting coding frame was checked for face validity (Schreier 2012, 186). The final coding frame was applied to all interviews. Five interviews were recoded to ensure reliability by comparing codes across points in time (ibid., 167).

Limitations

The study has several limitations: due to the situation in the field I was not able to conduct all interviews in projects with the same subject, such as good governance. Based on the diversity of projects it is not possible to discuss every project separately. Thus, the process of adaptation is described in general but not with regard to the specific sector. Nevertheless, the interviews yield comprehensive information about the role of cultural interpreters in transmitting new formal institutions.

In addition, the interview language might have caused misunderstandings (cf. Choi et al. 2012), even if all participants had sufficient language skills. However, the interviews were neither in my native language nor in the native language of any of the participants. Different understandings due to language issues and the cultural background might have caused different interpretations during the data analysis (cf. González y González and Lincoln 2006; Carter and Bolden 2012).

4.4 Results

The interviewees described different ways how they translated new formal institutions into a specific context. The focus of the interviews was on the role of cultural interpreters in conducting trainings. As described in Table 1, the consultants ran trainings on a variety of topics. Concerning the subjects of the training, the trainers depended on NGOs or donor organizations and were not able to influence agenda setting (UG_I_2; UG_I_6). Within the given framework, they could adapt the curriculum according to context and participants. The addressed participants of the trainings varied according to the subject and the aim of the training. In a decentralization program, for example, participants could be either citizens informed about their rights or professionals working for public institutions.³⁵

The data analysis shows that cultural interpreters focused on (1) the context itself (2) the participants of the training and (3) the ways they communicated with the participants (see Appendix 2 for the completely coding frame and Appendix 3 for main results). First, it was of interest how trainers interacted with the given context. Second, it mattered how the people living in this context interpreted and applied the new concepts. This considered the interaction of the participants of the training with the given context. Third, to translate the new concepts, the methods to communicate mattered. Thus, the process of translation can be analyzed only in the interplay between cultural interpreters and participants against the background of the given context. The three domains described below are underlined by illustrative examples.³⁶

Context

A main part of the descriptions of the cultural interpreters to ensure a successful translation of new concepts relates to context. They focused on two steps in handling context. First, they familiarized themselves with the specific context. In the sense of a translation process this corresponds to learning vocabulary and grammar. Second, they perceived an adaptation to the context as necessary to transmit new concepts.

Before delivering the training, cultural interpreters examined the context in which they were operating. They did so by using research methods, sometimes in collaboration with other institutions. An important aspect of this investigation was the assessment of needs

³⁵ In most of the cases, participants received remuneration. The influence of paying monetary rewards is not discussed in this paper.

³⁶ Some examples were slightly edited to improve readability.

or problems existing in the given context. This aspect, which they called the training needs assessment (TNA), was described by most of the trainers. The TNA informed consultants about context. Thus, they ran it before they developed the content of the specific training. During the TNA the trainers listened to the people to understand the needs they had. “When you are doing your TNA, your ears have to be open. [...] The TNA brings out the relevance. Is it relevant to their needs? Does it answer their needs?” (UG_I_2).

The focus was mainly on existing problems. Only one consultant mentioned that he evaluated the needs as well as the assets which were available. Besides assessing the needs in advance of the training, it might also happen that they appeared during the training sessions.

Cultural interpreters mentioned various ways of adapting the training to the specific context. They described two reasons for doing so. First, disregarding the context irritated the participants and thus made the learning atmosphere less productive. Second, the adaptation of the training to context facilitated the learning process.

Several trainers experienced that they could not conduct trainings when they ignored the cultural practices of a specific context. A Tanzanian trainer designated context specificity as a crucial criterion for successful trainings. He depicted that trainings had to be sensitive to the existing gender norms. Gender norms constitute a part of the informal constraints which are specific to each context. Being sensitive to these gender norms helped the participants to feel comfortable during the sessions.

“Practical example: we need to do some training, so put a room together, the usual stuff, you know and without consideration you just put ladies in the front, men at the back and whatever. So we start training, nobody is going to listen, the men feel offended, the women feel insecure. Their natural role will be the women in the back, men in front, you may not like that, but that’s how they could listen to you better. Now you change the roles, so they respect you, they don’t want to argue with you, but these ladies are sitting there totally uncomfortable, the men feel totally disregarded, disrespected and they just say let this thing go and then we go home and sleep. So you are busy talking, they clap, they will do everything but they are not paying attention at all. They’re totally offended” (TZ_I_4).

Besides considering the habits, the cultural interpreters adapted various domains of their training to the context, including language, terminology, and the concepts to be communicated themselves.

Language as an institution constitutes a central element of each context. The aim of adapting the language was to make the concepts comprehensible. Even if some trainings were conducted in English, many cultural interpreters described that they translated their sessions to local languages. As Kiswahili is widely spoken in Tanzania, the consultants

mainly had to deal with the question whether to run their training either in English or in Kiswahili. On the contrary, the Ugandan consultants were concerned with a variety of local languages. Finding a participant within the group able to translate the training to the local language or including more visual aids were potential solutions to deal with this issue. In practice, different languages were often combined.

Additionally to the language, cultural interpreters modified terms, names, and examples they used according to the context. Even if the general curriculum was already set, cultural interpreters changed elements of the training. The aim of the adaptation was to link the concepts which they translated to something familiar in the recipients' known context. A Ugandan consultant running trainings on financial literacy described that she adapted the names of the stories she told during the training according to the predominant religion. Even if the underlying concept remained the same, she employed different names and examples which were part of the given context.

“Even the names in the stories, you need to adapt them. If you know you are going to a Muslim classroom, or whatever you are going to communicate, you know there are many Muslims in that place. Mary becomes Mariam. Very simple. Josef becomes Yusuf. [...] So, when you talk about what they know, they relate to the training very fast. So, when's a Muslim community, you know there's a Mariam. It has to be there. It could be part of the participants. So, when you bring it to about Mariam didn't pay very well and so on they connect emotionally. And that is assisting your learning” (UG_I_2).

By relating to elements the participants knew from their community, the consultants anchored the new concept in familiar surroundings. The cultural interpreters experienced that this adaptation facilitated the participants' process of understanding. By adjusting the terminology, the concept to be translated remained the same.

In some cases, development consultants even went one step further and adapted the concepts themselves to the context. Here, the motivation was not to facilitate the learning of the participants but to provide context-specific solutions. A Tanzanian consultant, running trainings in the public sector, explained that he always tailored solutions to specific circumstances. The only exception were legal requirements, for example international accounting standards, which had to be respected.

“We do tailor recommendations, for example we did a study of how local councils can improve revenue collection. So we went down, spoke to those people who are collecting revenue, the people who are paying taxes and then we came up with recommendations of like outsourcing. Instead of council collecting, let it outsource. Now they said okay we shall outsource it, but we know how much it is a problem to collect. They know we can do another study to see the potential, revenue potential of each source of tax. So most of these applications we do recommend are practical. Practical and tailored to the circumstances” (TZ_I_6).

Participants

Cultural interpreters described various aspects related to the participants of their trainings. They reacted to the participants and engaged them in the sessions. Again, adjustments of the training were described. In addition, some consultants discussed the handling of different understandings of the same concept. Others demonstrated the benefit of new ideas to improve acceptance. Furthermore, they applied different strategies to ensure the application of the new concept by the participants.

The consultants adapted their sessions to the respective audience, much as they also made contextual adaptations. Cultural interpreters explained concepts in a different manner depending on the characteristics of the participants. Aspects mentioned were age, gender and level of education. A Ugandan trainer with a specialization in finance described the variety of trainings she ran for different target groups. The staff of microfinance banks had different needs than potential customers not using the service of financial institutional or children in need of basic financial education.

To respond to the differences of the participant, the methods used by the trainers changed.

“If you’re talking to different groups, let’s say difference can be gender. It can be educational level. It can be ethnic. It can be geographical. So, depending on what the difference is you could use different techniques. For example, if I’m training people who are fully literate, they can read, they can write, they can follow me in English, then I know that I do not need to utilize visual aids that much. We can even lecture and debate and concepts. So, it depends on the difference” (UG_I_6).

Besides, trainers had to be able to handle different levels of understanding by the participants. With regard to this aspect, understanding played a role on different levels. First, understanding was described in the sense of a learning process. Second, consultants referred to understanding in the sense of subjective interpretative patterns. Especially the second aspect required that the trainers showed sensitivity for dissimilar mind-sets. Even if words were identical, cultural interpreters considered that they carried different meanings in different circumstances. A Tanzanian trainer described that he had to be aware that the participants understood the same things in a different way.

“Now, training is a very personalized type of thing, it’s got a lot of cultural aspects in it. If you don’t understand the culture in a very Americanized English how the people are switched on, you know, how their minds are connected, you will never get a course, because you’ll be speaking two different languages” (TZ_I_4).

This cultural interpreter reflected the provision of answers by the participants as a solution to handle different mind-sets.

“Well, basically the best approach we take is to introduce the subject matter and get the people to tell us what this message does to them, more or less. I mean we want to discuss democracy, okay, what is their understanding of democracy, what is democracy to them, what could it mean, how they notice there is democracy or there is a lack of democracy, whatever. So you start engaging them at that level and let them provide the answers because their answers are more accurate than yours, because that’s their life, okay?” (TZ_I_4)

Additionally, trainers discussed different understandings. They reflected that they did not act as a teacher in this part of the training. Rather they initiated a debate and included their own opinion in this discussion. Consultants described the sharing of different opinions as necessary since participants did not accept the new concepts unless a common understanding was reached.

Cultural interpreters perceived that they could initiate change by these discussions but the transformation proceeded only slowly. One trainer described that he could initiate a reflection about “good” or “bad” customs but the participants had to decide if they changed their behavior or not. “But for them they need to start themselves. To tell, that is fine, our ancestors did it like this, can we now today do the same or we can change a little bit. Then they will start to know, okay, let us change, we need to change this and this” (TZ_I_3).

Nevertheless, in some cases trainers did not reach a consensus among different mind-sets. In this case, they had to decide if they still wanted to pursue their idea or if they dropped it because they could not force the participants to accept it.

Moreover, the consultants themselves provided solutions to improve the situation of the participants. Some trainers described that they not only presented their solutions but also developed them in collaboration with the participants. Trainers characterized their role in doing so as active. Several consultants illustrated during the training how the participants could benefit by applying the new concepts. To initiate a change, it was necessary that the participants realized the opportunities of the new concepts. A consultant working with farmers in Tanzania described the realization of benefits as an incentive for the participants to adopt new concepts. “The incentive is, if it is adding any value to our life as compared to the previous ones. That is, if there is any value that becomes a very good incentive” (TZ_I_2).

Besides demonstrating solutions, the consultants let the participants apply the new concepts. This happened either during the training session or accompanying the training program. Some techniques to ensure a durable application were integrated in the training, such as the development of a plan for future activities. In this case, the trainers had to ensure that the plan was feasible and built on available opportunities. In the case of a

financial literacy program the trainer ensured that the participants integrated alternatives to a bank account in their saving plans if bank accounts were not available. In some cases the consultants remained available after the end of the training if needed. This was especially important for more technical training programs, such as accounting. Trainers even stated that they returned to the target group or cooperated with local capacity builders to ensure a durable application. The way to ensure a durable application mainly depended on the budget available for the training program.

Communication

As cultural interpreters translated new concepts into a specific context, communication was a central topic of the interviews. Trainers intensively described a variety of methods they used communicating new concepts to the participants. Furthermore, consultants depicted the combination of several channels of communication as a successful way of translating new concepts.

When describing the methods, consultants emphasized that they applied different methods depending on the context and the participants. Usually, several methods were combined even within one training. One type of method described were the ones used in a classical classroom training. The trainers applied communication and education methods such as power point presentations, handbooks, and picture cards. The usage of these methods depended on the literacy of the participants. Besides these methods, which focused on the trainer, several methods were applied to engage the participants. Most trainers mentioned that they use group discussions. Other methods described are role plays, case studies, the sharing of experiences, simulations or composing songs around key themes. In one program, an on-the job training was conducted, which was uncommon compared to other training sessions.

In some cases, no training was conducted because other methods were more suitable. An example were farmers or fishermen who could not attend the training sessions because of their job. Several trainers of a financial literacy program transmitted a radio broadcast as an alternative, because radio was a frequently used medium and people could listen to it during their work. A Ugandan consultant in charge of capacity building with respect to the decentralization process used a SMS tool to increase the political participation of the population.

“We have a SMS platform where we now engage the citizens, we send blast messages on the performances of their leaders and facilitate to a communication between the citizens and their political leaders. Because you can be able to send a message, we have a system here, it comes and it can be identified that you want to talk to that particular counsellor. So the information is rooted to the counsellor and the counsellor can be able to respond. If you have a service delivery challenge as a citizen, you send a message. It is rooted to the counsellor and the counsellor can be able to respond” (UG_I_4).

These non-training methods were in line with the existing circumstances, as they only worked when radios or mobile networks were available. An alternative method to communicate new concepts outside training sessions was the dissemination of civic education material.

Another aspect mentioned with respect to communication was the application of different channels of communication. Trainers described that they used various channels of communication to send the same message. By doing so, they intended to facilitate the learning process of the participants.

4.5 Discussion

The empirical results described here are beneficial to refine the theoretical concept of the cultural interpreter and to improve the understanding of their task in promoting institutional change. In contrast to the assumption that cultural interpreters are familiar with the existing context and culture, a major role they take on is the investigation of the context. Despite their general knowledge about context and culture of the country, the trainers have to analyze the needs and opportunities in the training specific context. Another task which has not been considered so far is adaptation. Consultants do not apply the given curriculum one-to-one but adapt it to the context. The descriptions of the trainers are in line with the assumption that they incorporate familiar concepts to anchor the new concepts in context (cf. Zweynert 2009, 352; Brinkerhoff 2016, 57).

Some consultants go even one step further and not only adapt the modalities of training but also the concepts to be introduced. Rather than making the new concepts appear fitting to the context (Zweynert 2009, 352), cultural interpreters make them fitting by adjusting them. Or to state it in the sense of interpreters: if a mere translation is impossible, new words must be created. By doing so, the consultants deviate from the given first-best institutions and develop context-specific second-best institutions (cf. Rodrik 2008; Tamanaha 2015). Following the welfare economic concept of second-best (Lipsey and Lancaster 1956; Boadway 2017; Lipsey 2017), I define second-best institutions as

institutions which deviate from the theoretical optimum but take into account existing local constraints (Rodrik 2008). Thus, they constitute real optimal institutions for the constraints given in the specific context. These second-best institutions outperform best practice institutions, as they are local optima (Becker and Goldschmidt forthcoming). This is in line with the results of Andrews and Bategeka (2013, 18) who demonstrate that blueprints are one reason for limited success of institutional reforms in Uganda. In the present study, only some trainers describe that they perform an adaptation of concepts. This is in line with the findings of Seidler who claims that only few intermediaries are able to perform an adaptation (Seidler 2018). I argue that these trainers respond innovatively and act not only as cultural interpreters in the sense of translating reform concepts. Rather these individuals even go one step further. When inventing new institutions the consultants are not only inspired by the context but also by the perspective of the participants. Nevertheless, most of the trainers act solely as cultural interpreters and do not create new institutional forms. These results make a first contribution to the question of how institutional transplants can be adapted to a specific context. As far as I know, the existing literature reveals no answers to this question (cf. Seidler 2016, 158).

Cultural interpreters have to consider that individuals interpret the same formal rules, informal constraints, and the interplay between them in a different way when they are conducting trainings. Here, the theory of shared mental models plays a crucial role (Denzau and North 1994; Mantzavinos et al. 2004; Wrenn 2006; World Bank 2015a). The formation of mental models depends on personal experiences as well as on the culture in which the individuals are socialized (Wrenn 2006). As no two individuals ever share exactly the same experiences in life, every person exhibits a distinct mental model. Nevertheless, persons with a common cultural background exhibit similar mental models (Denzau and North 1994). Cultural interpreters need a sensitivity for mental models to be able to deal with different understandings. This sensitivity was not included in preliminary theoretical considerations. Their familiarity with the domestic as well as with the Western culture facilitates their role to deal with different mind-sets. However, a mere investigation of the formal rules and informal constraints is not sufficient to perform the role of the cultural interpreter. In addition, they have to consider how the individuals make sense of this environment. Nevertheless, the sensitivity remains a rather personal characteristic than the fulfilment of an assigned task. Further research should address which individuals exhibit this characteristic.

The joint development of solutions by cultural interpreters is a strategy to deal with different mental models. Thus, the role of the participants has to be strengthened. They should not be seen as students to be instructed but as experts for local challenges and opportunities. In such a setting, the cultural interpreter acts not as a teacher but as a facilitator proposing solutions for the problems at hand.

The empirical results demonstrate that communication is a central aspect in translating new formal institutions into a specific context. Cultural interpreters express that it is not only communication in general but also the methods to facilitate the communication process that matter. Thus, they need methodological skills about training methods and their application. As many trainers work on distinct topics as well as with participants with different age and educational levels they have to adjust their communication accordingly. Again, cultural interpreters need sensitivity for the setting and the ability to adapt the training to it. In addition, cultural interpreters translate between English and various local languages. When doing so, they consider not only the vocabulary, but also the meaning linked to the terms.

My results correspond with existing policy challenges, which are described in the literature. First, development programs have to be adapted to a specific context. Transferring blueprints to developing countries cannot provide solutions for complex problems (Rodrik 2008; Andrews 2013; Andrews and Bategeka 2013; Seidler 2016 and 2017). Even within a country, flexible solutions are needed to fit local conditions. Second, cultural interpreters can develop such context-specific solutions in interaction with the affected population. This implies strengthening a bottom-up approach in ODA (Easterly 2008; Easterly 2013; Graham 2015). Furthermore, the negotiation process of solutions responsive to the local conditions deserves more attention than the transfer of existing and only seemingly best practices. In a bottom-up approach, cultural interpreters play a central role in promoting institutional change. Besides the general characteristics of cultural interpreters, these persons require a contextual and cultural sensitivity and the ability to invent new institutional forms. As individuals to perform this task are rare, further research on cultural interpreters and entrepreneurs is needed. It should be investigated which individuals are able to perform the role of inventing new institutional forms. Furthermore, strategies to encourage individuals to perform such tasks have to be explored.

4.6 Conclusion

I argue that we need individuals who are familiar with the culture as well as with the existing institutions to realize context-specific solutions in developing countries. The empirical analysis of cultural interpreters in Tanzania and Uganda demonstrates their central role for successfully translating new concepts into a specific context. In a first step, they have to understand the target context and adapt the elements of the training to the given institutional setting. As the application of new institutions is influenced by the way how individuals make sense of them, they have to consider how the participants perceive the new concepts. To translate the new concepts, cultural interpreters apply a variety of communication methods.

Many programs in development cooperation are still based on best practices. Introducing best practice solutions fails in most of the cases as they usually do not fit to the existing informal constraints of a given context. Thus, strengthening a bottom-up approach is necessary to enable contextual solutions, which are effectively applied by the population. These contextual solutions may deviate from theoretically optimal solutions. Nevertheless, they can still outperform the latter in practice as they fit given constraints and opportunities. Even if the development of contextual solutions is time-consuming, it is more useful than wasting time and money for the implementation of ineffective blueprints. The role of development consultants has to be strengthened, as they are able to adapt existing reform concepts to the context and translate it to the affected population. That these persons are not able to affect agenda setting demonstrates one of the challenges in the existing ODA. On a policy level, local actors need more responsibility to influence development processes.

This paper does not analyze the challenges cultural interpreters face when they translate new formal institutions into a specific context. This issue should be addressed by further research. In addition, more research is needed to investigate which persons are able to fulfil the role of a cultural interpreter and which persons are able to go even further and invent new institutional forms. Additional research should also explore how the participants of the trainings perceive the newly introduced concepts as well as the training itself.

Appendix

1 Interview Guide

Professional Expertise

1. Can you tell me something about your current work and your professional background?
 - 1.1 How did you come to work on these issues?
 - 1.2 For how many years have you been involved in this work? Have you done anything similar before?
 - 1.3 Have you worked in other countries as well? Have you implemented reforms in these countries?

Reform Concept

2. What is your perception of the reform?
 - 2.1 Can you please describe the basic features of the reform!
 - 2.2 In which ways is this reform similar to other reforms that you know?
 - 2.3 What is your personal opinion about the reform?
 - 2.4 In your opinion, does the reform have a chance to succeed? If so, what would success look like?
 - 2.5 How can the reform contribute to/hinder the economic development of your country?

Contextual Factors

3. What should be considered when implementing reform for Ugandan/Tanzanian society?
 - 3.1 Are there any parts of the reform which you consider as not (practically) feasible for this context here? Are there any parts which are especially suitable for this context?
 - 3.2 Have you ever observed any difficulties when rules introduced by the reform concepts do not fit the preexisting norms and conventions of society? If yes: What kind of difficulties have there been? What can be done in such cases? Do you have any opportunity to interfere in such situations?
 - 3.3 How does society respond to the reform?
 - 3.4 Which parts of the reform don't make any sense to the people here? Why?

- 3.5 How would you describe your relationship to society on the one hand and the development organization on the other?

Implementation and Communication of the Reform Concept

4. How do you explain the reform to society?
- 4.1 What kind of argumentative patterns do you use when communicating the reform?
- 4.2 When was the last time that you talked to someone about the reform?
- 4.3 Do you use different words for different groups when you talk about the reform?
- 4.4 Are there local ideas which are similar to the ones defined in the reform concept?
Are there local concepts which are opposed to those of the reform?
- 4.5 Do words exist in Luganda/Swahili which can be used to translate the reform (directly)? Are there local words to describe the reform concept?

Miscellaneous

- 5.1 If you could create your own reform on this topic: what would be the content of the reform and how would you try to implement it?
- 5.2 Is there anything else that we haven't discussed that seems important to you?

2 Coding Frame

Context

Investigation of the context	Assessment of needs in the context
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Adaptation of the training to the context	Adaptation of language
	Adaptation of terminology
	Adaptation of concepts

Participants

Adaptation of the training to the participants

Dealing with different understandings	Consideration of participants' understanding
	Provision of answers by the participants
	Discussion of different understandings among cultural interpreters and participants

Demonstration of beneficial solutions for the participants

Application of new concepts	Application of new concepts by the participants
	Ensuring durable application by the participants

Miscellaneous participants

Communication

Methods to communicate	Training methods	Trainer centered methods
		Cooperative methods
	Non-training methods	

Usage of multiple channels of communication

3 Main Results

Main Category	Category	Example
Context	Investigation of the Context	“Every day when you go, you get new information, you talk to the people. They are the one who will tell you that if your project goes this and this and this. It will be much better and that’s why we are saying that in this context is it very difficult if you go with a project with a 100% preset kind of things to do” (TZ_I_2).
	Adaptation of the training to the context	“And then there’s also the question of understanding the seasons. Especially if you’re dealing with farmers. There are certain parts of the year when you shouldn’t attempt to be conducting training. Because people are too busy doing this. So analyzing the seasonality and understanding what the activities are like, is likely to help you to schedule your training” (UG_I_6).
Participants	Considering participants’ understandings	“So sensitivity, understanding that the other can understand the same thing in a different manner, you know, use of words, what words are used when, you know, words are neutral but they always have, they carry different meaning under different circumstances” (TZ_I_4).
	Provision of answers by the participants	“When you want people to actually understand more, give them the opportunity to feel that they are sharing ideas. Don’t talk to them, you see, in just talking to them you now you are supposed to do this, this is like this and this and this. People will think they are in a lecture. But you are not a teacher, you are just a facilitator, trying to ensure that there is a discussion. So, I find that it kind of like elicits more positive responses than going and teaching them” (UG_I_4).
Communication	Application of methods to communicate	“Say for example savings. I can do it. It’s possible. So, we develop a song around savings and how we can improve savings using a song. So like (singing): Saaavings, saaaaving, savings in the morning, savings in the evening. Saaavings (stops singing). Like that. It enforces that you can save in the morning, that you can save in the evening. The issue is: SAVE!” (UG_I_2)

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