



Addressing economic problems through politically smart coalitions: core lessons from S2JK

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This paper was commissioned by Palladium as part of a learning and reflection process to accompany programme closure. In parallel, the author worked with FCDO to produce a longer report with more detailed analysis of the programme's ways of working and results: Laws, E. and Rinnert, D. (2022). 'Working politically to support economic reforms in Kyrgyzstan: lessons from an issue-based programme'. London: ODI.

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Acronyms/Glossary

FCDO	Foreign, Commonwealth and Development Office (UK)
GIA	Government in Action
MOF	Ministry of Finance
PEA	Political Economy Analysis
S2JK	Support to the Jogorku Kenesh

1 Introduction

Coalitions of state and business actors working on policy reforms are often cited as important components of successful economic growth outcomes (Peiffer, 2012). In the literature on state-business relations, for example, there are references to ‘growth coalitions’ from studies that go back 30 years or more (Mackie, 1988; Haggard, 1990; Bräutigam et al., 2002). In parallel, since around the early 2000s, development partners have placed increasing emphasis on support such reforms and coalitions in ways that are more flexible, experimental, and learning-oriented, and which respond to and capitalise on local political dynamics and incentives (Leftwich, 2011; Unsworth, 2009; Laws and Marquette, 2018).

Yet, despite many examples of coalitions in everyday politics, and despite the growing donor interest in political engagement, adaptation and local leadership, our understanding of how coalitions are formed, managed and funded, and what makes for successful coalitions in different contexts and for different problems, is still limited. This is especially the case with advocacy or reform coalitions in lower-income countries, and/or countries where the formal institutional and political environment may not be robust or consolidated.

In light of these evidence gaps, Support to the Jogorku Kenesh¹ (S2JK) may provide some important lessons. S2JK is one component of the FCDO-funded ‘Governance in Action’ (GIA) programme in the Kyrgyz Republic. S2JK, which has been operational since 2016, brings together coalitions from government, parliament and the private sector, to develop political solutions to problems holding back inclusive economic growth.

These problems usually involve some combination of divergent interests, weak formal systems, and poor coordination. The coalitions supported by S2JK use government and parliamentary channels to promote policy, legislative and regulatory action to address them.

In building and supporting coalitions, S2JK uses an adaptive, politically smart approach, with the flexibility to respond to political dynamics, new information and windows of opportunity. By working with local stakeholders on tangible problems where there is political traction, this ‘issue-based’ approach contrasts with more conventional aid programmes that concentrate on systems development, organisational strengthening or capacity development (Williams, Derbyshire and Kulutuye, 2021). S2JK’s track record indicates that, when it is done well, there are potentially high development payoffs to this approach. Using these methods, the team has steered numerous legislative reforms to the point of adoption, despite intense political and economic instability.

This short learning paper draws lessons from the programme in two areas: building and managing coalitions (section 2), and solving problems with coalitions (section 3). In both, the report briefly explains S2JK’s approach, then identifies lessons for other development actors looking to replicate successfully the programme’s ways of working.

The paper is based on a short review of programme documents and a brief round of interviews with the programme team, the Senior Responsible Owner in FCDO, and a selection of S2JK’s coalition partners.

1 Jogorku Kenesh is the unicameral Parliament of the Kyrgyz Republic.

2 Building and managing coalitions

Box 1 Key Messages

- Identifying issues that are tangible constraints on inclusive growth, and for which there could be incentives for change among political actors, requires thorough political economy and systems analysis, along with intensive stakeholder consultations and relationship-building.
- S2JK has also found that sound political instincts and awareness among the team, an ability to win the trust of different stakeholders, and long-term immersion in the political and social environment, are just as important as the use of formal analytical tools.
- S2JK works closely with individuals in government, parliament or the private sector who are reform-minded, vocal and influential. However, alongside strong champions it has also often been important to include a broad range of stakeholders across the policy system within reform coalitions. This maximises the chance of success and helps avoid any one group of interests dominating over another.

2.1 S2JK's approach to identifying issues and building coalitions

While Kyrgyzstan has seen sustained growth since 2010, poverty remains high and there are structural features of the economy that make it particularly vulnerable to external shocks. This includes the small size of the economy, a lack of diversity and flexibility, low levels of income, limited human capital, high dependence on the public sector, and a large burden of pensions and other social payments (ADB 2014). In addition, the sectors of the economy within which poorer citizens are most heavily engaged are hamstrung by various policy and regulatory issues.

S2JK's approach is based on the idea that, whilst the Kyrgyz government faces challenges in addressing these policy limitations, donors can play a supporting role by bringing together like-minded actors to develop solutions and drive change. In addition to convening stakeholders,

S2JK also provides technical assistance and research. The aim is to support reforms that are not only politically feasible, but also liable to make a significant difference to economic development and inclusive growth.

The starting point for coalition-building in S2JK is to find issues that are tangible, in the sense of being relevant to the everyday lives of citizens, and tractable, in the sense that groups of stakeholders will be motivated to work on reforming them. The aim is to identify bottlenecks that hold back market, policy and service development, and that can be eased by convening/brokering and/or technical assistance. Based on this issue identification process, the programme has facilitated 20 multi-stakeholder coalitions to date. At present, S2JK is active in three economic sectors: tourism, fruit and vegetables, and textiles. The team also works on regulatory issues that cut across these sectors.

2.2 Lesson: Formal analytical tools need to be complimented by political awareness and intuition

An important change in the S2JK programme in 2018-2019 was bringing in a more rigorous and research-led issue identification and verification process. Initially, the programme worked on issues that were nominated by government or business. The team was then encouraged by FCDO to use more formal and structured political economy analysis (PEA) to identify champions for reform and to assess how particular issues are perceived by various factions. This process was eventually consolidated into an 8-step sequence for issue identification (see Figure 1).

As part of this more structured analytical process, the team tries to identify a range of connected policy blockages within the specific areas of the economy mentioned above, or cross-cutting legislative issues. This helps the programme avoid working on disconnected issues in different sectors, and increases the chance that individual reforms supported by the programme will contribute to bigger structural changes².

S2JK uses a range of analytical tools as part of this political economy mapping, including fishbone analysis, impact pathways, stakeholder maps and sector analysis. In particular, the team has found that graphic visualisation of the stakeholder landscape, with key information on attitudes and levels of influence, helps them track potential champions and blockers, and design their coalitions and engagement strategies accordingly.

However, it is also S2JK's experience that, to support effective programming, these formal tools need to be accompanied by regular personal engagement and relationship-building. In particular, the team has found that understanding the potential implications of government decisions often involves sustained, informal information-gathering. This informal interaction, and the ability of the team to understand their political environment beyond formal reporting and analysis, is important for generating the kind of 'insider information' that can be crucial for making smart decisions about which issues to invest in.

For example, in January 2019, the Prime Minister approved a new Tourism Sector Strategy. While this formal announcement provided a good sense of the direction of travel in government, the team invested time engaging with policymakers to assess the potential broader implications for the S2JK portfolio. Part of this informal engagement focused on understanding the willingness of decision-makers to support related issues such as regulations on air traffic or the temporary rental market – issues on which S2JK subsequently worked successfully, as we discuss below. The ability to see potential connections across individual issue areas is one of the core strengths of the S2JK team and is an important determinant of whether issue-based programming can deliver lasting institutional change.

The overarching lesson here is that sound political instincts and awareness, and the ability to win the trust of different stakeholders, are equally if not more important for S2JK's approach to identifying issues, as the use of formal analytical tools.

² Laws and Rinnert (2022) provide a more detailed discussion of how S2JK has tried to connect individual issues to make an impact on broader structural constraints in the Kyrgyz economy, with a focus on business formalisation and the investment climate.

2.3 Lesson: Working politically means looking for the right ‘threads’ within the political grain

S2JK has found it important to coalesce around issues that have existing political traction. This demand-led approach helps ensure team is focused on reforms that have a genuine chance of being taken up successfully by government, and avoids the impression that the programme is advancing a donor agenda or lobbying on behalf of private interests. For example, in 2019, S2JK capitalised on expressed political appetite among Kyrgyzstan’s leadership to liberalise the country’s approach to air traffic regulation and to move towards an ‘open sky’ policy, by building an issue-coalition, providing technical advice, and convening stakeholders.³

In addition to picking issues around which there is pre-existing political attention, S2JK has found it important to work closely with individuals in government, parliament or the private sector who are reform-minded, vocal and influential. In the absence of those champions, or in the event there are frequent turnovers of key contacts, reforms are unlikely to progress far into the legislative process. For example, in 2017, S2JK thought changes to agricultural insurance policy could be achieved quickly because of the initial interest from business and parts of the Ministry of Agriculture. However, without corresponding appetite at ministerial level, there was little progress from 2018-2020. The situation changed when a new presidential order on the introduction

of insurance mechanisms in agriculture was issued, incentivising ministerial support and injecting momentum into the reform effort. S2JK had ‘frozen’ their work on the issue when it appeared to have less traction, but had sufficient flexibility in the programme architecture and skills within the team to re-engage once the political environment was more favourable.

However, one of the prominent criticisms of the move towards more politically informed and engaged development practice, is that ‘working with the grain’ (i.e., working on issues where there is existing political momentum and appropriate champions can be identified) might lead to an acceptance of inequitable power structures or institutions (Ní Aoláin, 2016; Bell, 2015). In Kyrgyzstan, as with many countries, there is a high degree of state capture on the part of political and economic elites (ADB 2014). As such, there are risks that S2JK’s approach might inadvertently empower elites who may have a role in perpetuating counter-productive governance dynamics – particularly given the focus of the programme on working with vocal and influential reform champions from government, parliament, and business.

To mitigate this, it is important that S2JK searches for change processes that not only have local resonance and leadership, but which can also be leveraged to support inclusive and pro-poor reforms. For S2JK, this is an important justification for the research-based approach to issue identification, mentioned above. The process

³ The changes to the legislation were designed to allow more air companies to fly to and from the Kyrgyz Republic and pick up or leave goods and passengers. In addition to working behind the scenes with government, MPs and businesses, S2JK has also found it useful, on occasion, to raise public awareness through the media. This had a particularly positive effect on the decision-making process behind the ‘open sky’ policy, by demonstrating the strength of public support for the proposed changes. The programme invested in media engagement more heavily in its later years. Having seen its impact, some of the team feel that it would have been beneficial to develop a more thorough communication and media strategy from the outset.

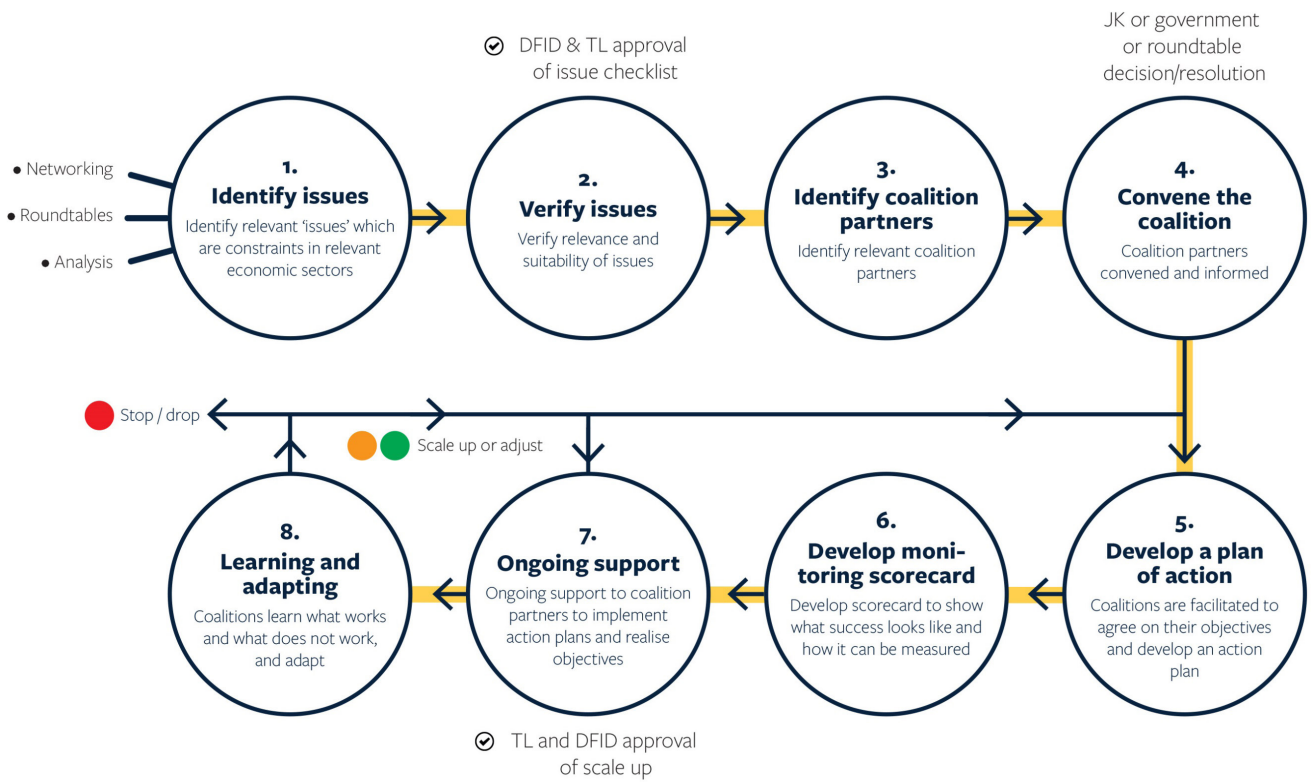
was developed specifically to identify constraints in sectors with the potential to grow and be competitive; sectors where alleviating constraints would create a collective benefit for a number of firms; sectors within which a large number of poor are employed; or sectors which have potential for rapid transformation as a result of productivity gains (S2JK, 2017).

2.4 Lesson: Successful facilitation requires understanding the political implications of coalition geometry

When forming coalitions to achieve collective outcomes, there is always a risk that the reform effort could be de-railed by political economy challenges within the coalition itself. The internal political dynamics within coalitions are often, in part, a function of their geometry – i.e., the numbers of and relative size and strength of different members. S2JK has found that, while powerful and/or heavily committed actors need to be interested in and assume ownership of reforms, it is often important to include a broad range of stakeholders across the policy system within a reform coalition. This can help avoid any one group of interests dominating over another.

For example, one of S2JK's coalitions supports new legislation to regulate electronic commerce (e-commerce). The team felt that a lack of relevant legislation was limiting the use of new technologies and lowering the competitiveness of Kyrgyz entrepreneurs. Once the coalition got underway, it became apparent that some senior members had a strong preference for how the tax regime should be reformed, advocating for a conservative approach that would tax e-commerce at the usual business rate. Those members tried to control the reform process to achieve their preferred outcome. However, their position was counter-balanced by representatives within the coalition from other parts of the business sector, as well as expert consultants hired by S2JK, who provided arguments and evidence for an alternative, preferential tax regime. The advocacy and evidence provided by these members, along with careful, patient convening and management on the part of S2JK, was apparently crucial for generating consensus on how to move ahead – with the group eventually agreeing to advocate for the preferential policy.

Figure 1 8-step coalition process



Source: Palladium, 2022

3 Solving problems with coalitions

Box 2 Key messages

- S2JK coalitions focus on fostering specific and targeted government action rather than wide-reaching but potentially unrealistic government reforms. Nevertheless, getting agreement between different groups of private and public stakeholders in Kyrgyzstan can be a difficult process, and often involves prolonged deliberation.
- S2JK’s problem-driven and political approach seems to be particularly appropriate when the policy constraint in question stems from failures of coordination, a lack of technical information or data among key decision-makers, or the low visibility of an issue among decision-makers.
- By contrast, issue-based coalition work can be more challenging when the blockage in question is due to different vested interests. S2JK has supported policy breakthroughs in the face of these kinds of challenges – but it requires careful analysis of the relative power of different stakeholders, and a low profile of the part of the implementation team, particularly when commercial vested interests are involved.
- Regardless of the kind of policy blockage, a consistent factor in S2JK’s success is providing relevant stakeholders with the right technical information, at the right times. This underscores the combined importance of political feasibility and technical accuracy in solving economic problems through coalition work.

3.1 S2JK’s approach to solving problems with coalitions

As outlined above, S2JK’s method involves identifying policy problems that vocal and influential stakeholders wish to see resolved. In this sub-section we discuss the team’s approach to developing solutions.

Once issues are selected and the facilitation process has started, the team has to engage in intensive, ongoing discussions at different levels of government, parliament and the private sector, to build and maintain political support for reform. The team’s adaptive method involves revisiting strategies and assumptions at regular intervals to adjust, pause or scale up the reform work.

The changes supported by S2JK coalitions typically involve regulatory reforms, changes to government services or improvements to the implementation of existing regulations. There are three main pathways through which S2JK coalitions can encourage these changes: working directly with government actors to address issues at an executive level (e.g., change in a ministerial regulation or plan), working with parliament through the legislative process (e.g., proposing a new law or revising an existing law), or working with parliament through other parliamentary mechanisms (e.g., conducting oversight to hold the executive to account).

Kyrgyzstan has experienced considerable political upheaval⁴ in recent years and at particularly turbulent moments the team has faced a rapid turnover of government actors, requiring continual monitoring and repeated stakeholder engagement to keep coalition-led reform efforts on track.⁵ In the face of this political turbulence, maintaining the original objectives of reform campaigns has required persistence from the S2JK team: working closely alongside political and parliamentary processes and staying involved right through the policy and legislative process.

This highlights, again, the role of the individual S2JK team members. Having staff who are able to (re)engage constructively and build trusting relationships with stakeholders across the private and public sectors has been key for the programme. These are skills which the team has developed over several years. Other programmes looking to replicate S2JK's method should therefore be mindful that it may require considerable time and experience to be done well.

S2JK has also supported a Business Council as an entry-point for the private sector to engage with parliament⁶. The council is itself a coalition, with its

membership balanced across medium-sized and big businesses, parliament and government. Chaired by the Speaker of the Jogorku Kenesh, the Business Council is one of only two formal mechanisms in Kyrgyzstan that enables the private sector to hold dialogue with policymakers on the design of legislation and public policy.⁷ It has helped drive several changes supported by the programme, including the aforementioned campaign to liberalise regulations in the airline industry. The Business Council provided a platform for debate on this policy between different stakeholders (government agencies, airlines, tourism associations and MPs), as well as providing evidence on its economic and legal impacts. Having demonstrated the effectiveness of the Business Council on this issue, as well as on a range of others, the team feel this platform has the potential to sustain itself beyond the life of the programme.

3.2 Lesson: identify demand by keeping money off the table

As with other issue-based, politically smart governance programmes (see, for example, Kelsall, Laws and Befani, 2021; Williams, Derbyshire and Kulutuye, 2021), S2JK prefers to keep 'money off

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- 4 In 2020, Kyrgyzstan experienced an economic crisis linked to the COVID-19 pandemic, as well as political turbulence following the annulment of the 4 October parliamentary elections. This was followed in early 2021 with the election of President Sadyr Japarov and an ongoing constitutional review process. This economic and political disruption has led to an overall shrinking of pluralistic political space – notably a reduced role for parliament, greater concentration of power in the hands of the president, increasingly personalised politics, and a lack of focus on economic policy reform. As noted in successive annual reviews (S2JK 2018; S2JK 2019), the flexible nature of the programme and its skilled approach to political analysis and risk mitigation enabled S2JK to quickly shift its engagement strategies. In particular, it responded to the weakening of the power of parliament by focusing on working with partners to influence change through the executive. The impact of this instability on S2JK's reforms is explored in more detail in Laws and Rinnert (2022).
- 5 To respond appropriately to political uncertainty and change, S2JK has also found it important to engage with other donors that have been working on relevant issues, and to understand and build constructively on their previous work and experience.
- 6 The Council was established by the Speaker of the Parliament in 2011 and placed under the Chamber of Commerce & Industry but never convened. It lay dormant until 2016, when S2JK encouraged the Speaker to move it into the Parliament and place it under his jurisdiction.
- 7 The other formal platform is the Investment Council, which sits underneath the Prime Minister.

the table' when solving problems with coalition partners. In other words, rather than providing direct funding or large capital investments, S2JK usually performs a brokering or facilitation role, and provides expertise and technical support to partners by contracting expert consultants directly. It usually does this through established structures within government (e.g., ministerial technical working committees) and parliament (a legislative Business Council, discussed below).

According to the programme team, this is not a common approach for a development partner in Kyrgyzstan, and therefore does not always align with prospective partners' expectations. However, this has not reportedly been a significant barrier to generating interest in the programme from local private sector actors, particularly if the issues are critical to the survival and growth of the businesses they represent. Those incentives mean these members are generally self-motivated, and only need a relatively low level of coordination and support from S2JK.

S2JK has found that government-led issues tend to require a higher level of engagement from the team, particularly if there are less directly perceived benefits to the reform in question; if it involves ministries or agencies with overlapping and/or competing mandates; or if the lead ministry is relatively under-resourced or not motivated (S2JK, 2019). In addition, the team has learnt to avoid advocating for reforms that are likely to be blocked by strong government agencies, including the Ministry of Finance (MOF) – this includes reforms that would require changes to the MOF budget allocations to different ministries and state departments. Conversely, when working through relatively under-resourced ministries, the team has had to invest more programme resources to sustain momentum.

3.3 Lesson: Coalition strategy should be informed by the type of policy blockage

Coalitions supported by S2JK tend to focus on fostering specific and targeted government action, rather than wide-reaching but potentially unrealistic reforms. Nevertheless, getting agreement between different groups of private and public stakeholders in Kyrgyzstan can be difficult, and often involves prolonged deliberation. The political economy literature identifies several problem 'types' which help explain the common policy blockages that S2JK works on. This sub-section briefly explores these problem-types in more detail.

Coordination problems arise when individuals or organisations have a common interest, but they fail to work together because of factors like geographical or social distance, lack of trust, or because they see the problem in different ways (Rodrik, 2004). Collective action problems happen when a group shares a common interest, but fails to work together because individual members reason they can benefit from the contributions of others without contributing themselves ("free-riding"). Vested-interest problems occur when some actors block a change because they have an interest in the status quo.

S2JK's problem-driven and political approach to solving economic problems seems to be particularly appropriate when the political constraints to inclusive growth stem from failures of coordination, a lack of technical information or data among key decision-makers, or the low visibility of an issue among decision-makers. Convening, communication and using governance mechanisms to lock in commitments, are all sensible and well-tested ways of addressing these kinds of problems.

In these cases, S2JK's technical assistance and convening approach can create 'win-wins'. For example, S2JK has worked on introducing reforms to make Kyrgyz textiles more competitive in the regional market. High social fees and taxes for workers in textile and garment firms were identified as key deterrents for formalisation and business growth in the sector. The team found there was agreement amongst several key stakeholders on the reforms that were necessary. S2JK worked with the head of the textile committee to communicate the main challenges and opportunities to MPs, which raised the profile of the issue and eventually persuaded them to develop and legislate for reforms (S2JK, 2019).

However, these types of coordination and information problems are different to vested-interest problems. These arise when different actors have fundamentally opposing interests and objectives, and are trying to maximise their share of benefits at the expense of others. When deciding on the feasibility of working on policy blockages that involve strong vested interests, S2JK looks initially at whether those supporting progressive reform outweigh any vested interests opposing change, and whether supporting actors are sufficiently incentivised to drive change.

When faced with competing vested interests, S2JK also considers whether information and convening can tip the political scales and make a reform more politically feasible. This kind of calculation played a role, for example, in the team's reforms to the aviation regime, mentioned above. At the outset, the Ministry of Transport and the Civil Aviation Agency were joined by local carriers in strongly opposing the proposed changes to the Air Code. However, when Prime Minister Abylgaziev and progressive reform-minded MPs showed political will and support for this initiative, S2JK saw an opportunity to leverage their influence and power.

The team arranged numerous meetings with MPs, Prime Minister's Office, Ministry of Transport and Civil Aviation Agency and provided detailed information and analysis on the potential positive impact of the proposed changes to the Air Code on the economy and citizens. These meetings reportedly played an important role in keeping the PM's office on board, and lending political momentum to the reforms that was stronger than the collective opposition.

3.4 Lesson: The political roots of institutional blockages are not always set in stone

While the political economy problem-types listed above are useful entry-points for understanding the underlying reasons for policy blockages, it is also important to note that the nature of the problem(s) at hand can shift depending on various factors, including the influence of international partners. In addition, the underlying political reasons that explain policy blockages sometimes exist in complex combinations, or are 'nested' within each other. A thorough PEA process can help identify whether apparent zero-sum problems involving competing vested interests could potentially be transformed, through better information and/or technical assistance, into the kind of coordination issue that is more readily soluble through S2JK's methods.

S2JK's support to the development of new e-commerce legislation, mentioned above, provides a good example. While most of the telecom operators and ICT and banking sector actors support the introduction of the new legislation, traditional business such as supermarkets, malls and big trade chains have traditionally been opposed, because of perceived competition and market share risks. However, while this problem appeared to involve conflicting vested interests,

S2JK assessed that the main blockages were largely because parliament and business stakeholders were not well-informed on the positive effects of e-commerce on competitiveness and business growth. In particular, the team reasoned that supermarkets could be transformed from blockers into supporters if they could be persuaded to view e-commerce as an alternative trading platform, rather than a competitor. This ‘cognitive shift’ changed the problem from being one of vested interests, which are generally not readily soluble through convening and brokering alone, into the kind of coordination issue that can, in principle, be addressed through the kind of convening and brokering that S2JK specialises in.⁸

3.5 Lesson: Both political feasibility and technical accuracy are critical for solving economic problems

The examples above show that a critical factor in S2JK’s successes is providing relevant stakeholders with the right technical information, at the right times. This underscores the combined importance of facilitation skills, contextual knowledge and technical accuracy for solving economic problems through coalition work.

However, the team emphasised the challenge of obtaining or generating reliable and current data in Kyrgyzstan, particularly given the niche and/or emerging nature of many of the issues on which they are working. In keeping with its mandate, S2JK has supported the adoption of numerous legislative reforms, in part through addressing data limitations, as some of the examples above show. But as the programme winds down in 2022, it is important that domestic stakeholders, FCDO and other international partners consider what technical and political inputs are now needed to support the implementation of those reforms. For example, S2JK has encouraged the adoption of several laws to promote formalisation among SMEs. The government’s continued implementation of those reforms will likely depend on its capacity to track their impact over time on various measures, including on the volume of tax revenues. Maintaining the supply of this kind of data to decision-makers seems to be particularly important for sustaining governance solutions to economic problems in Kyrgyzstan, given the frequent changes in organisational composition and mandates in government, and the way this instability can shorten institutional memories.

⁸ Some traditional businesses subsequently became more easily persuaded due to the negative impact of Covid-19 on in-person shopping. This was a major external shock, which S2JK was well-placed to manage and respond to, due to the programme’s flexibility and skilled implementation team.

4 Conclusion

This short learning paper has drawn, from the S2JK programme, lessons on how to address complex policy challenges through issue-based coalitions.

S2JK's approach requires thorough formal and informal political analysis and understanding, accurate technical assistance and research, and a team that is highly skilled in networking, relationship-building and facilitation. Strong team leadership and a supportive authorising environment from the government and donor are also critical.

These methods seem to be particularly appropriate when the policy constraint in question stems from failures of coordination or a lack

of technical information or data among key decision-makers. S2JK has also supported policy breakthroughs in the face of competing vested interests, but this requires careful analysis of the relative power of different stakeholders, and a low profile on the part of the implementation team.

As S2JK prepares for programme closure in July 2022, it is now incumbent on the government and international partners to support the implementation of the reforms on which the team has worked. S2JK's experience suggests that, as part of this, it will be important to continue building and maintaining consensus across different stakeholders and policy communities. The examples, tools and skills outlined in this paper may provide useful lessons for doing so.

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