

Launch of DFID HTN on political economy analysis - Event Report

ODI – 23 July 2009

Headline messages

- **Thinking and working more politically** is now at the heart of DFID's agenda, particularly in its work in fragile states and in relation to state-building. A commitment to an increased use of political economy analysis is central to this approach.
- There is an increasingly **wide range of frameworks, tools and approaches** which can be used to provide good quality political economy analysis. DFID's Drivers of Change approach was a pioneer in this field, and other donors including the Dutch and SIDA have recently developed country level tools such as SCAGA and Power analysis.
- Good quality political economy analysis should have **operational relevance**. A recent development is the use of problem-focused and sector level analysis to address specific policy questions.
- Donors such as DFID need to consider the challenges posed by **moving from technical approaches to more political ones**, not only in relation to thinking politically but also, crucially, for acting politically.
- For example, thinking more politically can help donors to work more strategically and to identify and effectively engage with key actors and 'change-makers'. But it also requires **donors to be aware of the political impacts of their actions**, and to 'do no harm'.
- The dynamics of change processes are key for understanding the potential for interventions to achieve positive outcomes in reform process. Donors may act as **facilitators or mediators** in these change processes, for example through the timely identification of, and engagement with, different actors who can play a role in facilitating reform. However greater realism is needed about what can be achieved by external actors in what are essentially domestically driven reform and change processes.
- Commitments to the **aid effectiveness** agenda may limit the donors' ability to work in a politically informed way and take forward some of the implications of political economy analysis. Matching up these two agendas particularly in fragile states is one of the frontiers of the current development debate including within the OECD DAC.
- The success of political economy analysis depends in part upon its consistent and long term application, and may require **greater up-skilling of staff**, in headquarters and at country level.

Bella Bird, (DFID):

1. Bella Bird officially launched DFID's 'How to Note on Political Economy Analysis' and outlined the two key objectives of the meeting:
 - Share DFID's experience with political economy analysis and the lessons learned
 - Open a discussion with a wider audience of practitioners about how this emerging area of work can be taken forward
2. Bella drew attention to the contribution of political economy analysis to the new DFID white paper and in particular how it underpins DFID's agenda on state and peace

building in fragile states. For DFID it is critical that the 'How to note' shapes practise about how we can better understand the political dimensions of development.

Stefan Kossoff, (DFID):

3. Stefan Kossoff welcomed the launch of the 'How to note' which marks the end of a long consultative process with stakeholders both within and outside of DFID. Drawing on the experience and lessons of recent years the 'How to note' represents a DFID consensus on an approach to political economy analysis, the purpose of which is to demonstrate the operational value of political economy analysis.
4. Kossoff outlined political economy analysis experience within DFID making particular reference to the drivers of change (DoC) studies and their impact on DFID country programmes and strategies. He also highlighted recent developments in country level tools by other donors (SIDA Power Analysis, Dutch SGACA) and the growth in sector and problem level analysis in response to the challenge of translating political economy analysis into operationally relevant solutions to development problems.
5. Kossoff outlined four ways in which the new white paper contributes to the 'thinking and working politically' agenda:
 - Commitment to increase the use of political economy analysis to inform DFID work
 - Recognition of the centrality of politics to the state and peace building agenda
 - Greater emphasis on strengthening core political institutions and deepening democracy, beyond elections
 - More focus on strengthening the international architecture to address global drivers of bad politics (e.g. natural resources, money laundering, tax evasion etc.)
6. He went on to identify five specific challenges faced by donors in operationalising a political economy approach:
7. Firstly, he asked whether donors currently have the necessary skills to make the **intellectual shift** from the traditional aid focus of technical assistance to dealing with the implications of thinking politically. There are inherent tensions between the two and questions on donors' current capacity to make this shift.
8. Secondly, given the **institutional pressures** faced by donors (i.e. challenges of the new results agenda and the need to disburse large funds in a short timeframe), he asked how will this sit with a more politically informed approach to development
9. Thirdly, he questioned how tensions between the **aid effectiveness agenda**, with its priority on harmonisation and country ownership, and the need to address underlying political challenges can be overcome particularly in fragile states
10. Fourthly, he raised questions regarding the perceived **legitimacy** of donor agencies to undertake political economy analysis
11. And finally, as monitoring and evaluation becomes increasingly important, he asked how we can **measure the impact** of political economy analysis work? This will be a key area of for DFID in the future.

Gareth Williams, (Policy Practice):

12. Gareth Williams presented a case study of sector level political economy analysis in Ghana to highlight how taking the country analysis down to the sector level permits engagement with **operational issues of interest to donors**. The strategic governance

and anti-corruption assessment (SGACA) carried out by Williams built on a previous in-depth DoC study carried out in 2005. Initial analysis confirmed the validity of this previous study and observed that a culture of patronage politics persisted in the country creating sectoral distortions. His team employed a political economy perspective and undertook sector analysis in an attempt to capture and understand the distortions observed in the natural resource management and health sectors.

13. Williams outlined operational recommendations from assessment in two sectors:
14. In the health sector, it was recommended that donors take a much less technical view of public financial management and concentrate on enhancing budget transparency and citizen engagement around issues of how to spend public money. The operation of multi-donor budget support was criticised for leaving little space for civil society engagement. Finally improved transparency was considered necessary to tackle the challenge of urban tertiary health systems; greater engagement with the decentralisation agenda was highlighted as a means of achieving this.
15. In natural resource management, recommendations included the renegotiation of contracts to ensure that they are less tied to patronage systems.
16. Williams suggested two ways in which political economy analysis can be taken forward:
 1. Real gains can be made from **in-depth sector and problem level analysis**, shift away from broad-based country analysis
 2. Political economy analysis has to be used identify real opportunities for change, which is the key to becoming more operationally relevant.

David Booth, (ODI)

17. David introduced his case study by arguing that country-level political economy analysis has various limitations. He argued that one of the gains of focusing more on problem and sector level analysis is that we can draw on a **wider range of intellectual tools** and that that this would enable such work to be more easily linked up to operational purposes and to become more relevant to donors.
18. Booth presented a case study from Uganda in which problem focused political economy analysis was used to help design a programme of donor support to the reform of the road sector. The analysis was carried out using a three layered approach:
 1. The characteristics of the political system and how the patronage system distorts the quality of policy outcomes
 2. Stakeholder analysis which looks at decision logics and collective action problems
 3. Dynamics of change processes – the potential for intervention to get positive outcomes in reform process
19. Drawing heavily on Grindle's work on social sector reform in Latin America, Booth argued that at the third level, within the process of change, there may be actors who might be encouraged to act in a slightly different way and produce an outcome that would not otherwise happen. He suggests that **donors can play a facilitating role**, so that well-timed interventions make real differences in some local contexts.
20. The case study conclusions suggest that in order to reinforce the prospects of the reform the donor support programme should be:
 - Intensive in personnel but not in money
 - Designed as a process project, with the capacity to learn and adapt in light of experience

- Focused on well connected human interventions, to help the large financial inputs planned by the EC and World Bank to have positive effects

Taylor Brown, (IDL Group)

21. Taylor Brown made four specific comments about how political economy analysis can be taken forward:
22. Firstly, he argued that in order for political economy analysis to be taken seriously development practitioners need to be prepared to work **outside of their comfort zones** and think beyond the technical and supply driven approaches to development and improving governance.
23. Secondly he suggested that we need to acknowledge that working on the demand side of governance (civil society organisations) does not always stimulate supply of good governance (increased accountability, deepening democracy). He called for the **dynamics of civil society organisations to be problematised** so that we can be clearer about what motivates civil society to act, who it represents and how it interacts with government.
24. Thirdly, he questioned whether the aid effectiveness agenda creates the **necessary incentives** for greater use of political economy analysis. Commitments to the Paris agenda may limit the donor communities' ability to work in a politically informed way and take forward some of the implications of political economy analysis. He argued that internal incentives within donor organisations around delivering monitorable results can also create disincentives to take on political economy approaches.
25. Finally he argued that external development actors need to have **greater modesty** in their expectations of what they can achieve. This means realising the limitations of their role as external actors. He suggested that there may be more coordinated and systematic ways in which donors can interact with key actors to stimulate change. Political economy analysis approaches can increase understanding of the formal and informal rules of the game and encourage thinking about the incentives faced by external actors and well as an understanding of the context in which we work.

Marta Foresti, (ODI)

26. Marta Foresti highlighted four specific challenges faced by donors and development actors in making the move from thinking politically to also acting politically.
27. Firstly, the **tensions between field/operational structures and global policy imperatives**. Although donors increasingly recognise that context matters, she argued that there are tensions in the ways global priorities (and programmes) are designed and implemented. These are often difficult to reconcile with specific and different contexts where donors operate
28. Secondly, the practical implications and **problems of moving form technical approaches to political ones**. Drawing on examples from Benin she argued that the shift from technical to political can create tensions and increase exposure to risk in some cases. It is essential that donors have the role and skills not only to carry out political economy analysis but also to act on it in realistic and politically sensitive ways

29. Thirdly, the size and **financial spend of interventions**. How can the examples cited in the 'How to note' which recommend spending less based on political economy analysis recommendations, be squared with DFID's increased operational spending objectives?
30. Finally, **assumptions regarding demand side accountability**, and whether it can strengthen aid delivery needs to be questioned. She noted that many of the conclusions in the 'how to note' and in political economy analysis in general seem to encourage engaging with civil society as a means of creating accountability, which is at odds with the premise of political economy which is to question these kinds of assumptions.

Key points raised in the discussion included:

1. Firstly, despite the many challenges still to be overcome, there was recognition that there have been significant advances made in the political economy agenda in recent years. It was recognised that DFID's approach to politics has changed drastically in a short space of time and that the Dutch's strategic governance and anti-corruption assessment has also contributed to the political economy debate. These pioneers of the political economy agenda have been successful in bringing political economy challenges to the forefront of the development debate.
2. A number of comments focused on the challenges of **shifting from technical to political thinking and translating this into actions** – in other words what it means to act politically, as well as the **legitimacy** issues that this raises. Thinking politically can help donors to avoid mistakes and it can help them identify existing forces for progressive change and work in a more strategic way to nurture them. However it is important for donors to recognise their role as political actors and the political impact that their interventions have. There needs to be some clear thinking to address the questions of legitimacy posed by greater political involvement in country and some consideration of the increased risks involved with acting politically in certain contexts.
3. Engagement with political economy analysis implies **a realisation that donors have to tailor** their work to the local context and this may include **working within neo-patrimonial systems, which** implies a need for higher **risk** threshold. Can donors be encouraged to have higher risk thresholds? David Booth argued that political economy analysis can help to begin identifying risks although he suggests what we are really talking about is the willingness to accept leakage of funds. He argues that the question is about which of those leakages we should live with because there is a net benefit for development and those which we shouldn't. Stefan Kossoff argued that the new white paper does take a step forward in this direction. In recognising that state-and peace-building agendas are fundamentally political and by committing to invest more resources in fragile states the white paper accepts that greater risks are inevitable.
4. There were also questions raised around how we can best apply **political economy approaches in fragile contexts**. Political economy analyses are often based on large studies which take time to deliver results. In fragile contexts where there are rapidly changing political settlements and political actors how can political economy approaches be agile enough to keep up? It was argued that political economy analysis can be especially useful in fragile environments as it enables us to uncover deeply embedded structures and identify rules of the game layers and that to improve political economy analysis in-house expertise is essential.
5. The importance of the **up-skilling of DFID staff** was highlighted as an important element for taking the political economy agenda forward. Concerns were raised regarding the possible tensions between the up-scaling of spending to meet the GNI

target ratio and pressures to cut operational staff costs, which could inhibit donors' ability to be sufficiently agile in addressing staff capacity issues.

6. Moving on from this point there was discussion of the **tensions between the aid effectiveness and political economy agendas**. Kossoff and Bird agreed that matching up these two agendas particularly in a fragile states situation is one of the frontiers of the current development debate and will likely be one of the key discussions at the next High Level Forum in Seoul 2011. A stream of work within DAC has already started to explore questions of aid and accountability; it is important that this work highlights the political economy challenges that underlie the tensions between aid effectiveness and governance. The white paper's commitment to joint strategies in fragile situations also represents an opportunity to improve coordination between aid effectiveness and governance staff within DFID.
7. A number of questions and comments focused on the **methodology and quality** of political economy analysis:
 - How can we move from observations of distortions to understanding their underlying causes: in other words **what makes good political economy analysis?** David Booth argued that there are two key ingredients for carrying out good political economy analysis: good local collaborators to get under the surface of local realities and a wider knowledge of academic literature in the field. Gareth Williams argued that real research on the ground and in-depth work in-country as well as the triangulation of sources was essential.
 - The focus until now has been on the analytical frameworks and tools of political economy analysis. In the future it would be valuable to focus more on the **process of research and analysis** which are equally key to ensure that political economy work is of good quality and useful for informing policy and programming options.
 - Gareth Williams highlighted the importance of **quality assurance and measures of quality**; this further underlines the need for greater expertise within donor agencies, so that change processes can be monitored internally by donors themselves.

Bella Bird, (DFID)

8. Bella Bird concluded the meeting with the following three points:
9. The political economy agenda is exciting and very relevant for development actors but it is extremely difficult to do well. DFID is committed to pushing the boundaries of the agenda forward but it is subject to constraints.
10. Donor have to be more realistic about what they can achieve and accept that as political players donors may not always get things right.
11. The success of a political economy approach depends upon a consistent agenda over a long period of time with skilled and experienced in-country donor advisors.