



Aiding reform: Lessons on what works, what doesn't, and why

Event summary

Introduction

On 2nd June, the ODI convened a discussion on “Aiding reform: Lessons on what works, what doesn't, and why”. The aim of this event was to move the discussion on ‘thinking and working politically’ further and to look in very concrete ways at how more politically smart, locally led approaches have achieved concrete development results.

Alina Rocha Menocal, author of a think piece on [Getting real about politics: from thinking politically to working differently](#) and Verena Fritz, co-author of [Problem-Driven Political Economy Analysis: The World Bank's Experience](#), set the scene for the discussion. A series of case studies were presented on how aid can support politically smart policy reform and strategy, and the lessons from the case studies were considered in an open discussion.

The case studies

The case studies presented are summarised below:

[Aiding Institutional Reform in Developing Countries: Lessons from the Philippines on what works, what doesn't and why](#) – David Booth

This paper examines two completed reforms in the Philippines, one concerning the formalisation of residential land rights, and the other regarding taxation and public health. For the former, the 2010 enactment of a law on Residential Free Patents (RFPs) resulted in a 1,400 per cent increase in residential land titling in the Philippines. To achieve this, a team of activists, assembled and gently steered by Jaime Faustino of The Asia Foundation, discovered a way of formulating the reform objective so as to side-step major opposition, avoid threatening entrenched interests, and generate support in unexpected quarters. It was important to the reform team's success that the team had control over its ways of working and that it was protected from undue donor compliance demands. Accountability was provided through formal and informal channels, and the trust and mutual respect established

between Faustino and his superiors on the one hand, and the self-motivated reform team on the other, was essential to the smooth functioning of this relationship.

The taxation and public health reform centred on the congressional approval, in 2012, of a law restructuring excise tax on alcohol and tobacco, popularly known as the ‘sin tax reform’. This reform brought to an end a precipitous decline in the value of excise taxes on alcohol and tobacco caused by loopholes in previous legislation. The revenue raised by the tax was used to support healthcare subsidies for the poorest. The legislation was made both technically sound and politically smart through a process involving a network of players within and outside of government. Central to this network was a dedicated core of individuals in a couple of organisations, notably one called Action for Economic Reforms (AER). This core group was able to address the severe coordination problems that normally afflict broad-based campaigns. It was also in a position to make tactical decisions about how to divide the opposition and make alliances, without the need for consensus other than on the reform objective itself. Much of the coalition building was tacit, and AER was headed by a public intellectual who had strong intellectual and political networks and an impressive command of the technical issues.

Forest law enforcement, governance and trade action plan (FLEGT) – Sue Unsworth

The FLEGT Action Plan to reduce illegal logging addressed a problem that was large-scale, complex, and initially only broadly defined. The team used politically astute, iterative approaches to identify and define an effective strategy, and subsequently to explore and negotiate more specific solutions, including locally led voluntary partnership agreements with timber producing countries. The Action Plan adopted a multi-faceted approach including tougher public procurement policies in EU member states; EU legislation requiring timber importers to exercise due diligence and making handling of illegal products a criminal offence; and voluntary partnership agreements between the EU and individual timber producing countries. This case is a particularly interesting example of how changes in the external environment can help to stimulate local change. The UK government, and especially a small group of DFID forestry advisers, played a high profile role in conceiving, negotiating and implementing the FLEGT Action Plan.

Dealing with a Resource Shock: Political Economy Analysis and Its Impacts in Mongolia – Verena Fritz

This case study highlights three main lessons emerging from applying political economy analysis to the management of a natural resource boom in Mongolia. A combination of country-level and issue-specific analysis, addressing three sets of drivers—structural drivers, institutions, and contingent choices made by stakeholders—proved to work well for understanding how key policy choices emerged. Overall, political economy analysis (PEA) contributed to a strengthened relationship between the World Bank team and its Mongolian partners. In terms of influencing engagement, the PEA had both benefits and limitations. It did influence two generations of country strategies, the Interim Strategy Note developed in 2009 and the Country Assistance Strategy adopted in 2012, but did not totally adhere to advice that would have deliberately deviated from international best practices. Instead, it sought to identify potential alternatives from a perspective of robustness in the face of the diagnosed political economy constellations.

Discussion:

A wide number of issues and reflections were raised during the discussion. Some of the main themes are summarised below:

From analysis to practice

Questions regarding how best to **operationalise these findings** were frequently stressed. A common question asked was why taking a politically aware approach has not yet become

the standard way of working for donor organisations. Many participants felt that while the importance of politics for development has been recognised for many years, progress in changing practice remains slow.

Yet, other participants acknowledged that there is now a greater evidence base for **how working politically can have positive results**, as the cases presented show. This means we now have clearer evidence on how politically smart and locally-led approaches to aid can help to support effective reform in different contexts.

Nonetheless, **a number of challenges have been frequently cited for donors** seeking to act on these findings. These include pressures to spend and disburse funds, challenges of staff turnover, and imperatives to set clearly defined outputs. Working differently may involve, in some cases, spending less, investing more in staffing, and adopting open-ended, iterative learning processes. Finding ways of getting traction for these in the context of current incentives seemed to be key.

In **fragile states**, high political polarisation and the risk of exacerbating violence may make working politically more challenging. Moreover, donors working in fragile and conflict states can face particular international scrutiny and are acutely sensitive to increasing political divisions. However, these conditions also exacerbate the risks of not working in a politically informed way. In such scenarios, support to different local stakeholders needs to be managed carefully.

Reference was made to the Effective States and Inclusive Development (ESID) Research Centre's recent work examining the [uptake and use of political economy analysis](#), which reveals some important insights. These include challenges of promoting internal change within donors, including the lack of administrative and managerial buy-in, and challenges where political settlements in states in which donors are working may not be in line with poverty reduction aims. Discussion highlighted that donors like DFID may need to better mainstream lessons about working politically across their work, and to communicate, and even 'brand', issues of working politically more clearly.

The discussion also highlighted some important nuances. Building in more politically smart and agile programming as part of larger funding by bilateral and multilateral donors is possible. Often, aid can be used to support third parties; those working at 'arm's length', as discussed in [a paper by David Booth](#). This requires a deep understanding of context in order to identify the right organisations or individuals to undertake this work.

Building the evidence for politically-smart, locally led approaches

A draft report on '**Politically smart, locally led development**' was shared by David Booth and Sue Unsworth, which aims to review seven cases of aid interventions that show how donors have been able to support or adopt politically smart, locally led approaches. The cases include: i) programmes that address relatively well defined problems and adopt iterative, politically smart approaches to finding and implementing solutions (e.g. rural livelihoods programme in India, economic reforms described above in the Philippines, and reintegration of ex-combatants in DRC); ii) programmes that address problems which are large scale, complex and only broadly defined initially (e.g. the FLEGT Action Plan) and; iii) programmes in challenging, volatile environments, where programming needs to adapt to rapidly changing conditions (e.g. in Burma and Nepal).

Across these different cases, David and Sue identified a number of emerging factors that seem to explain success, namely: political 'smartness' (i.e. a strong understanding of context and astute strategies for operating within it), local leadership (genuinely locally led and motivated), self-motivated team of activists (i.e. not established because of donor funding or donor priorities) and with the freedom to negotiate and set their own strategy (e.g. with relative room for manoeuvre). These were put forward as testable propositions that could be analysed for other cases too.

It was noted that evidence is being gathered from other sources too: The Budget Strengthening Initiative, which provides technical expertise in politically savvy ways to governments, is building up examples of impact. Likewise, the Africa Governance Initiative is starting to compile studies of the positive impact of providing forms of politically smart, technically grounded advice to governments. The Developmental Leadership Programme is planning a series of case studies on ‘working politically’ and ODI will document future cases for the The Asia Foundation and others. This is a growing evidence base, and participants acknowledged the importance of ensuring coordination and complementarity as different sources of data emerge.

Next steps

The discussion seemed to highlight a number of potential next steps. These include:

Building a more solid **evidence base** on what works and what doesn’t in supporting effective reform continues to be a priority. In general, case studies promoting locally driven and politically aware approaches to development tend to have strong internal validity. However, establishing external validity is more difficult and participants reflected on the need for more systematic evidence to support the adoption of politically astute approaches in different development sectors. Building this evidence will also help to reach out to non-governance specialists and to broaden the debate to other sectors and disciplines.

Greater reflection is therefore needed on what to measure and how. The shift of attention towards focusing on reform outcomes and tangible development results was seen as welcome, and important in the long term. This is because it usefully defined success as both development outcomes and as the creation of greater political capacity to overcome collective action problems and ensure sustainable reforms.

Going forwards, some noted the importance of learning from failure too, and including examples where a more politically aware approach may not have worked. Others also noted the need to continue to explore the scales at which working politically is appropriate, and the types of projects for which a politically shrewd, locally led approach is feasible.

It was agreed that the notion that politically smart, locally led approaches do not focus on **results**, or that they are incompatible with the results agenda is a misconception. Rather, the case studies and discussion demonstrated that this approach is about achieving results, even if they are long-term and some can be harder to monitor.

A range of **aid modalities and approaches** that can best support politically smart development were discussed. Taking a ‘venture capital’ approach, in which risk-taking and experimentation is tolerated, has been raised as a way forward for working more politically. This might allow donors to undertake a range of small scale politically smart, locally led projects, understanding that many may fail but that this would be worth the learning experience gained from taking a new approach.

Others noted that donors must increase their capacity to take advantage of opportunities to work politically as and when they arise. This could involve a greater use of network analysis to identify such opportunities. Ultimately, it requires much greater capacity and incentives for agencies to work iteratively and to manage and learn from failure.

Overall, a key point emphasised throughout the discussion was the need for a **clearer narrative** about what ‘working politically’ or working differently is and how to achieve it. Finding this would be crucial for considering how to engage with those from different sectors and communities of practice, and for creating wider traction across the development field.