Policy Practice Brief 11

The Evolving Role of Political Economy Analysis in Development Practice

Neil McCulloch, Andrew Barnett, Alex Duncan, William Kingsmill, Jonathan Kydd, Olly Owen, Gareth Williams

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Introduction

In 2007 The Policy Practice issued two Policy Briefs on "Tackling the Political Barriers to Development: the New Political Economy Perspective" and "Making the New Political Economy Perspective more operationally relevant for development agencies" (Landell-Mills *et al* 2007; Williams *et al*, 2007). The present Brief summarises how this approach has evolved in the light of the major shifts in the development context over the last decade and draws out the implications for development practice going forward.

The 2007 Policy Practice Briefs

The first of these briefs defined the New Political Economy Perspective (NPEP) as an approach that combines "*the insights of political economy with the 'new institutional economics' and the study of social processes, cultural norms and ethnicity*." It put forward two key propositions: that working out how policies favourable to development can be put in place requires an understanding of the incentives that influence elites and other powerful actors; and that these incentives are also heavily dependent on informal rules shaped by historical and cultural influences.

Proposition 1:
In order to understand how policies favourable to development can be put in place it is essential to **analyse the incentives that influence the decisions of governing elites**, other powerful interest groups and change agents in civil society, the private sector and the government bureaucracy.

Proposition 2:
These incentives result from the pursuit of economic interests and the restraints of formal institutions. They are also **heavily dependent on the informal social rules that govern behaviour**, define the social hierarchy, create and perpetuate embedded power structures and generate reciprocal social obligations, often shaped and perpetuated by historical and cultural influences.

Moreover, the first Policy Brief argued that "*the successful implementation of reforms will depend on success in changing the nature of the incentives and the relative power and ability of different interest groups to influence the key decision-makers*" (Landell-Mills *et al*, 2007). In particular, it highlighted the role for civil society in developing countries to press for change, stating that "*strengthening the information, monitoring and advocacy role of civil society holds the greatest opportunities for external agencies to promote improved policy making in the countries they support*."

The second Policy Brief tried to suggest ways of putting these ideas into practice (Williams *et al*, 2007). It argued that donor[1] countries have a legitimate right to attempt to influence the politics of the countries in which they work, but that in doing so, they should support citizen pressure for reform through: information and transparency; strengthening the capacity of civil society groups; boosting formal accountability institutions; and improving the quality of electoral processes. The Brief also pointed to three ways in which development agencies should do things differently: focussing more on understanding the context and being willing to accept second-best solutions; adopting a more realistic time-scale for change; and working more with non-State actors to encourage reform. The pros and cons of a range of aid instruments were discussed including: conditionality; working with change agents; working with the non-poor; and supporting regional organisations – with the right combination of instruments depending critically on context. Development agencies were exhorted to coordinate and share their PEAs with one another and to be more aware of their own role as political actors.

1 We use the word 'donor' to refer to the countries that supply development funding and the word 'development agencies' to refer to the institutions in those countries that design, procure and evaluate the programmes.

> *"if aid is to be effective there is no alternative to a careful and long-term approach to supporting change based on staff-intensive understanding of the incentives affecting the behaviour of their partners"*
>
> **Making the New Political Economy Perspective more operationally relevant for development agencies, The Policy Practice Brief No. 2, January 2007**

How the development context has changed

Many of the ideas outlined in the 2007 Policy Briefs are now mainstream in development practice. But the last decade has also seen many aspects of the broader development context change dramatically, both externally and in the way in which aid is managed and administered.

Changes in the External Context

Over the last ten years, there have been numerous changes to the external development context which have profound implications for development practice.

The commodity boom and collapse. Since 2007, there have been two commodity booms and crashes. Prices of major commodities almost doubled between the beginning of 2007 and the onset of the global financial crisis in 2008 but then fell rapidly. However, from early 2009 onwards, another commodity boom started, peaking around 2011/2012, but with high prices maintained until mid-2014, at which point the price of oil and several other commodities rapidly declined again, reaching lows in 2016 not seen since the early 2000s. Commodities prices are now rising again. The rollercoaster ride of commodity prices has had an important impact on developing countries. New oil and gas discoveries, along with mineral developments over the last decade has made several developing countries more rather than less dependent on primary commodity exports. High commodity prices have fuelled strong economic performance in some economies – but some have faced challenges managing the macroeconomic shocks associated with price fluctuations resulting in painful adjustments during times of price collapse. Indeed the difficulties in managing the volatility inherent in resource-based economies is one of the reasons that they perform less well than other countries (van der Ploeg and Poelhekke, 2009).

The rise of conflict and terrorism. The last ten years has seen the emergence of new conflicts in developing countries and the continuation of long-standing civil wars.[2] This includes not only the ongoing conflicts in Iraq, Afghanistan and Syria, but also a wide range of other countries including Sudan and South Sudan, DRC, Libya, Somalia, Yemen, Colombia, and Ukraine. The rise of ISIS and other groups has led to an increased number of terrorist attacks both in developed and developing countries. The consequence has been a huge increase in the number of internally displaced people – IMDC report that there were 40.8 million people internally displaced worldwide as a result of conflict and violence at the end of 2015 (IMDC, 2017). This has re-oriented development assistance because significantly more resources are now devoted

2 The overall trend in armed conflict was downwards from the end of the Cold War, but has risen since 2013 (Gates *et al*, 2016).

to humanitarian relief and several development agencies are increasingly focussed on providing support in fragile and conflict affected areas.

Migration and the growth of nationalist politics in the West. One of the consequences of the conflicts described above is the growth in the number of people who have sought refuge in other countries. UNHCR estimates that there are 21.3 million refugees. The majority of these are hosted by countries adjacent to the conflicts – Turkey, Pakistan, Lebanon, Iran, Ethiopia and Jordan. However, the increase in refugees arriving in Europe in recent years has contributed to a resurgence of nationalist politics, both in several European countries and the USA. This change in sentiment towards foreign nationals could also undermine support in donor countries for development assistance.

The growth of the climate change agenda. The last decade has seen substantial growth in efforts to tackle climate change, culminating with the UN-sponsored Paris Agreement which entered into force in November 2016. Development agencies globally have greatly increased the resources available for tackling climate change, with a focus on supporting the development of renewable energy in developing countries and, more broadly, the development of sustainable energy systems.

Changes in the way aid is managed

The aid system has also changed significantly in the last ten years. We highlight five important changes:

The expansion of aid. Globally Overseas Development Assistance (ODA) has been rising since the late 1990s. Between 2007 and 2015, it rose further from $112 billion to $146 billion.[3] This was driven largely by increases in spending by the US and the UK: US spending rose from $24 billion to $30 billion over the period, while UK ODA more than doubled from U$9.4 billion to $19.9 billion as a result of the government's legal commitment to meet the 0.7% of GNI UN aid target (OECD DAC, 2016). ODA has also grown from non-traditional donors, notably China (although official aid flows remain small at $6.4 billion in 2013 (Lowy Institute, 2014)). The nature of this assistance has also been different, with the explicit use of aid as a vehicle to promote strategic commercial interests and access to natural resources.

The shift towards aid in the national interest. Aid has always been used, in part, to further the interests of the donor country (Carothers and de Gramont, 2013). However, since the 2001 DAC recommendation to untie aid, progress has been made towards untying aid to developing countries, reflecting evidence that tied aid was more costly and less effective (DAC, 2001). Recently, however, there have been moves in a number of countries, including the UK, to link aid more closely to the national interests of the donor (HM Treasury/DFID, 2015). Whilst this does not mean a retreat to tied aid, it has meant the increased use of aid explicitly to promote both developmental outcomes and the national interest.[4] Other countries have gone further and explicitly merged (or in some cases, subsumed) their aid agencies into their Foreign Affairs and Trade Ministries e.g. Canada, The Netherlands, Australia.

3 In constant 2014 prices. See http://www2.compareyourcountry.org/oda?cr=5&cr1=oecd&lg=en&page=1 for details.

4 See for example, the UK's Prosperity Fund. https://www.gov.uk/government/publications/cross-government-prosperity-fund-programme/cross-government-prosperity-fund-update

The increasing use of contractors. As a result of larger aid programmes, there has been an expansion in the use of contractors, or private development consultancies, to deliver aid programmes. This reflects the need to reduce the transaction costs of procuring aid projects, by bundling together activities into larger projects. Such projects require professional management and monitoring and accountability mechanisms that can typically only be achieved by larger contractors or multilateral organisations. Since bilateral aid programmes already channel large amounts of aid through multilaterals, the main area of growth has been in the use of contractors. However, this has led to controversy as these companies make profits from the delivery of aid projects. In the UK, this has led to some unfavourable media attention[5] and political pressure to remove the 0.7% commitment and shrink the aid budget. Similar pressures are now emerging in the USA.[6]

The acceptance of civil society as a key actor for change. The 2007 briefs placed a strong emphasis on the need for development agencies to pay more attention to the potential role of civil society as a key actor for change. The last decade has seen growth in this area with a multiplicity of programmes attempting to work with and through a variety of civil society organisations – including not only NGOs, but also research institutions, private sector associations, parliamentary bodies, and the media – to promote demand for reform. Indeed, some of the most celebrated project successes e.g. Pyoe Pin in Myanmar, FOSTER and SAVI in Nigeria (Booth and Unsworth, 2014, Lucia-Lopez *et al*, 2017; DFID 2013), have focussed on building the capacity of civil society to demand reform as a vital counterpart to programmes attempting to support reform through building the capabilities of government.

The results agenda. As a response to increasing criticism of aid, some development agencies have begun to change contracting arrangements to ensure that implementing organisations are paid by results. This agenda has led to a greater enthusiasm for transactional aid, for example vaccines delivered by the Global Alliance on Vaccines and Immunization, rather than transformational aid that seeks to build developing countries' institutions and organisations. This agenda has raised particular difficulties in situations where development projects are attempting to tackle problems where the results cannot be easily defined in advance. Contractors have claimed that this trend discourages innovation and risk taking, even when such activities might have a major developmental pay off.

The desire to leverage the private sector. The last ten years have seen growth in work with the private sector to achieve development outcomes. This includes not only measures to encourage good corporate citizenship, but explicit attempts to encourage and facilitate private investment in particular sectors and countries, including foreign investment. This has also entailed the development of a variety of new aid instruments e.g. Challenge and Innovation Funds, development impact bonds, returnable capital, guarantee mechanisms etc. There is, so far, relatively little evidence about the efficacy of these new mechanisms for catalysing private investment. There is also a risk that measures designed to promote foreign investment are not necessarily those needed to stimulate domestic investment, which is usually much more important. Moreover, the enthusiasm for stimulating private investment has not always been matched by an understanding of the ways in which such measures can influence domestic

5 See for example, See for example: "Foreign aid consultants grab £43m in payouts", Jonathan Ungoed-Thomas, *The Sunday Times*, January 1 2017, 12:01am.

6 See http://www.undispatch.com/gutting-foreign-aid-budget-going-harder-trump-thinks/

politics in developing countries and how this, in turn, can affect the success of economic reform programmes.

How the Political Economy approach has evolved

In parallel with and influenced by the many changes in the external context and the aid system, there has been substantial evolution and growth in interest in the political economy of development. We highlight five key trends and the opportunities and challenges that they bring:

1. **Everyone agrees that understanding the politics is important now.** The last decade has seen important theoretical and practical advances in the application of political thinking to development challenges. Analytical statements such as Carothers & de Gramont (2013) and Booth & Unsworth (2014) have provided convincing arguments for the value of moving from a project-based approach to development to more politically-aware, flexible and innovative means of enabling change. At the same time, ways of working 'with the grain' of the prevailing political, social and economic conditions and structures have evolved. The theoretical basis for this has been outlined by Levy (2014), amongst others, and a wealth of research programmes[7] have provided a growing evidence base that taking politics into account improves outcomes. One practical implementation of this approach has been elaborated in the form of Problem-Driven Iterative Adaptation (PDIA) proposed by Andrews, Pritchett & Woolcock (2012).

   The application of PEA has spurred the development of numerous PEA Toolkits and guides (e.g. DFID 2009, OECD 2015, USAID 2016, Hudson *et al* 2016) and the creation of several fora and Communities of Practice (e.g. DAC Network on Governance, Thinking and Working Politically Community of Practice, the October Gallery group, the Doing Development Differently campaign).[8] Extensive training has also been provided to development agency staff (see Box). Yet the adoption and embedding of this new approach in most development agencies appears to have been slow.[9] There are still agencies that do not undertake PEA at all – relying on purely technical feasibility analysis for their projects. And even development agencies that have been pioneering the adoption of the approach report that, in practice, implementation is often pro forma and does not have a strong influence on practice (Piron *et al*, 2016). Also, there are still very few development agencies that take the time to reflect on their own political economy i.e. the internal incentives and constraints that influence what sorts of activities and approaches are and are not feasible. Nonetheless, it is important to recognise that, in a substantial part of the development community, there has been a shift towards accepting the importance of understanding the political context in which development interventions operate.

7 See, for example, the Development Leadership Programme (http://www.dlprog.org/); the Building State Capability programme at the Harvard Centre for International Development (http://bsc.cid.harvard.edu/); the Effective States for Inclusive Development Programme (http://www.effective-states.org/); and the ongoing work of the Politics and Governance team in the Overseas Development Institute (https://www.odi.org/programmes/politics-governance) among many others.

8 See: http://www.oecd.org/dac/accountable-effective-institutions/about-govnet.htm; http://www.dlprog.org/research/thinking-and-working-politically-community-of-practice.php; http://thepolicypractice.com/wp-content/uploads/2015/03/Monitoring-and-learning-in-politically-smart-and-adaptive-programmes.pdf; http://doingdevelopmentdifferently.com/.

9 It is, of course, hard to judge the extent to which PEA and similar methods have been adopted internally by development agencies since the outputs of such work are rarely made public.

Building capacities within development agencies for political economy analysis

Over the past decade, several development agencies have invested in the capabilities of their own staff to commission and undertake PEA. The most substantial initiative is a course, Political Economy Analysis in Action, which began in 2008 and continues to the present. Initially commissioned by DFID, it is run jointly by the Policy Practice and ODI, and has been provided some 35 times in total to around 1,000 staff members of twelve bilateral and multilateral official agencies. The course is offered in two formats: a face-to-face course, normally over three days; and online.

http://thepolicypractice.com/onlinetraining/

2. **There has been widespread adoption of flexible and adaptive approaches to programme implementation, but less change on local ownership.** Many programmes now claim to be flexible and adaptive and PDIA principles have been widely applied, although sometimes in a rather technocratic way. However, effective programmes also need to be locally owned (and this is not necessarily the same as government ownership in the DAC Paris Declaration sense). In the long term, it is the populations of developing countries that will change their country's institutions and incentives to achieve development outcomes (Green, 2016). This implies that aid should support local actors with the capacity and interest to pursue change. Some of these actors are in government, but many are not. Programmes that simply attempt to apply external expertise to fix a problem without embedding that support into a locally owned reform process are likely to fail. This has led to a growing interest, not merely in PEA, but in thinking and working politically. In practice, this requires a different skill set, with programmes led more by local development entrepreneurs (Faustino and Booth, 2014) and less by development agency officials and contractors. Thus political economy has become a catch-all phrase for two rather different things – the first is the analysis of political and economic context which is often done to inform the design and decision making around programmes; the second is thinking and working politically i.e. engaging and encouraging politically-savvy local actors who can create and use opportunities for reform (Grindle 2002).

3. **There is a tension between the lessons from the political economy literature and current development agency processes for transparency, accountability and results.** Development partners sometimes face challenges in implementing aid projects because they are caught between multiple competing incentives. On the one hand, taxpayers in donor countries rightly want transparency and accountability for the use of the money. This can create a bias towards the micro-management of projects and sometimes the imposition of burdensome reporting requirements. Similarly, although the need to demonstrate that aid spending is value for money can help to improve the economy, efficiency and effectiveness of projects, it can also create delay and inflexibility. The more recent introduction of payment by results in aid projects has generated controversy.[10] It has sharpened incentives

10 See for example the debate in Duncan Green's blog on it at https://oxfamblogs.org/fp2p/payment-by-results-hasnt-produced-much-in-the-way-of-results-but-aid-donors-are-doing-it-anyway-why/ .

for the delivery of contractual outputs – but can also encourage short-term behaviour and discourage contractors from pursuing opportunities for reform that are not linked to milestone payments.[11]

Similarly, the political economy literature over the last decade has highlighted the uncertainty and serendipity of reform – often the results targeted are not achieved, but other outcomes are achieved that were not even considered at the outset. This has prompted the development of new systems of monitoring, evaluation and learning that attempt to measure results *ex post* (Booth and Chambers, 2014; Ladner 2015) and to focus on the development outcomes desired rather than the outputs produced. However, such approaches do not sit well with incentive mechanisms that chart progress against milestones agreed in advance. Moreover, one of the most powerful uses of PEA is not measured at all – stopping bad ideas from going forward. It would be valuable to consider the benefit of PEA as being not only guidance about what to do going forward, but also the avoided cost of interventions that the analysis showed to be politically infeasible.

4. **The trend to work more in fragile and conflict affected localities makes a deep understanding of politics all the more important … but also harder.** The push by several development agencies to focus more attention on conflict-affected and fragile countries and regions (see Box on p.9) requires a focus on understanding underlying political processes. Analytical approaches which are a form of PEA or which incorporate strong PEA elements have been developed. For example, in the case of DFID, the former Strategic Conflict Assessment (a form of PEA which, along with structural and institutional factors, paid attention to the triggers of conflict) has been superseded by the cross-government Joint Analysis of Conflict and Stability (JACS)[12].

   The analytical approaches and concepts that have been developed in relation to the political economy of conflict are subject to varying degrees of contestation. However, several have considerable explanatory power. Two deserve particular mention, *political settlements*, and *limited access orders*. A recent review of the literature on political settlements suggests that, as an analytical concept it has many flaws (and needs to be complemented by an understanding of the underlying economic forces which underpin particular settlements) but that 'the central project of trying to understand the extent to which stopping violent conflict depends on powerful elites reaching deals on cooperation, and the ways in which such deals enable or limit projects of attempted transformation remains an important one'[13]. Similarly, the work of North *et al* (2007) on limited access orders highlights the common feature of limited access orders that political elites divide up control of the economy, each getting some share of the rents. Since outbreaks of violence reduce the rents, elite factions have incentives to be peaceable most of the time.

   However, operationalising such concepts in practical programming is complex. On the one hand, the disappointing results from traditional methods in such contexts has made development agencies more receptive to locally-driven adaptive programming. At the same

11 See Clist and Dercon (2014) on when payment by results should and should not be applied.
12 See 'Analysis for Conflict and Stabilisation Interventions,' What Works Series, Stabilisation Unit October 2014
13 'What we talk about when we talk about Political Settlements: Towards Inclusive and Open Political Settlements in an Era of Disillusionment,' by Christine Bell. Political Settlements Research Programme, Working Paper 1. University of Edinburgh, 2015

time, conflict-affected and fragile areas pose major challenges for the implementation of PEA. These include not only the difficulties of access due to security concerns but also the non-existence of data, requiring programming to be undertaken in an environment of uncertainty. Also, donor commitments to fragile countries have traditionally been expressed in terms of additional spend. This raises serious challenges if PEA analysis suggests that an intervention has little or no chance of success at the same time as political or spending commitments provide strong incentives for implementation. In some settings, PEA's principal role may be as much to help development agencies to do no harm, as to guide the implementation of programmes. Hardest of all, perhaps is where PEA suggests that long-term developmental progress is more likely if there is a shift in the political settlement, but that challenging the status quo runs the risk of renewed violent conflict. Development agencies cannot support actions that might lead to more conflict, but PEA can help them to frame their activities to take advantage of developmental opportunities that may arise from structural political changes.

The Politics of Conflict and Fragility

The reasons for the shift to a focus on conflict and fragility are threefold.

First, in the post-9/11 world, many governments (including, but by no means limited to, western governments) have been anxious about the security impact of ungoverned areas and political entities which do not follow the established formal rules of government and international relations. This has highlighted the need for analytical techniques, including PEA, which may be able to throw light on complex informal processes and provide some guide to action.

Second, the fact that the world's poorest and most vulnerable people are increasingly concentrated in conflict-affected and fragile areas, combined with disappointment with the extent of development progress made in such countries has led development partners to conclude that new and more effective ways of working must be found if the Global Goals are to be achieved.

Third, the changing nature of conflict, which is now less formal, and more prone to recurrence than was the case with formal inter-state wars, emphasises the need to understand political economy dimensions and to intervene in holistic ways if conflict is to be reduced[14].

5. **Mobilising the private sector may boost growth and jobs…but it is fraught with political challenges too.** There is enthusiasm among many development agencies for mobilising the private sector and for incentivising the investment of private capital in developing countries. This is a laudable objective – the investment needs of developing countries are immense and there is no realistic prospect that these can be met in the short-

14 For these last two points, see World Bank (2011).

term either by domestic resources or by aid. Tackling the constraints to domestic and foreign private investment could therefore multiply the impact of aid.

However, the enthusiasm for engaging the private sector can sometimes overlook the fact that major investments are inherently political. The private sector in many developing states is not separate from the governance and political structures, with many actors straddling both. Understanding the interests of politically-aligned private sector groups is essential in order to judge the likelihood of success of reform efforts and to provide pointers to approaches that are likely to be more politically feasible. Moreover, private sector incentives are, in general, not pro-competition, with private actors often supporting various forms of protection and local monopolies or oligopolies. Such monopolies can be rent-seeking and damaging for growth.

But New Institutional Economics also suggests that monopolies or compacts between private sector actors can sometimes play an important role in solving coordination failures by facilitating coordinated investment in complementary assets. Schmitz *et al* (2015) show that the drivers of economic reform in Vietnam were linked to the capacity of both the state and of the local private sector to coordinate policy and investments for growth. Moreover, there are several countries in which the state still plays a key role as an economic actor and investor and where economic performance has been good.

This suggests that development agency engagements with the private sector need careful analysis, not only of the politics of the sector in question, but also the economic structure and transaction costs of the sector, to ascertain whether the structure of the market is more likely to promote or to stifle investment and growth.

Recommendations

We have outlined above how both the development context and the thinking around political economy have evolved in recent years. We conclude with some recommendations – for development agencies, implementing organisations and researchers – about how this evolution should affect the way in which they work.

Development agencies

- *Get PEA out of the ghetto*. In many development agencies, PEA is still seen as the preserve of governance teams, or a separable input provided by external consultants. Embedding PEA in all programmes, both up front to help shape the approach, and throughout implementation to support adaptation, could significantly improve the impact of development programmes. The power of PEA is not just to identify the risks, but to shape the approach.
- *Get everyone trained in thinking politically and ….* Several development agencies have started to train staff in PEA and thinking and working politically. But this is still the exception rather than the rule. Training on political thinking should become as mainstream as training in gender or M&E.
- *… integrating political analysis, with that of other disciplines.* The political dimension is not the only dimension of relevance to most problems – economic, social, cultural and historical

analysis matters too, as does gender and conflict analysis. The aim should be to conduct a holistic analysis of the relevant dimensions for the problem being addressed, rather than to bolt on yet another requirement. It is not knowledge of the names in the Cabinet that matters, but understanding how the structure of a country's economy and its history shape the possibilities for developmental progress today.

- *Draw lessons from ethnographic and embedded approaches*. Self-aware and reflexive analyses can help to understand how an intervention may impact on a dynamic social field. Taking subjective factors in account, such as the different values and framings which multiple actors bring to a partnership, can help to anticipate why things do not always proceed as planned. Diagnostic approaches which take the time to examine the status quo ante and the forces, motives and institutions which have created it, before pressing ahead with interventions, can help to avert projects that are unlikely to succeed from the start.
- *Encourage implementing organisations to use PEA and to Think and Work Contextually*. Implementing organisations' actions and investments are influenced by funders. Development agencies should not see PEA as just for themselves, but rather as a tool that all implementing partners should use. Implementers should be encouraged not only to think and work in a politically-savvy way, but also take into account the relevant aspects of the economic, historical, social and cultural context too.
- *Measure the results that matter*. Shift from systems focussed on compliance and incentivising deliverables to those that encourage the measurement of systemic change; and encourage new ways of harvesting and measuring results ex post.
- *Consider who might be hurt by interventions and play a long game*. It is sometimes impossible for progressive changes to do no harm to anyone. But it is important that the drive to do more in fragile contexts is sensitive to the impact of interventions, particularly on conflict. Consider explicitly, and be honest about, the competing agendas of different development actors in such contexts e.g. Defence, Foreign Affairs, development agencies. Prioritise minimising harm, whilst maximising the long-term developmental gains, even if this entails delay and failing to spend budgets.
- *Recognise the incentives in the private sector*. This includes understanding the underlying ownership and power structure of the economies in which one is working and the incentives of partners and counterparts (as well as the incentives of investors and private actors in the donor country). It also means understanding the size and structure of local markets and kinds of institutional arrangements that will make investments viable.
- *Educate the public at home on what it takes for aid to be effective*. Narratives about poverty and security are often used to sustain domestic support for aid programmes. But development is complex; showing how aid programmes are smart and sensitive to local politics might help to show that funding is used thoughtfully, and not spent when the political context is not conducive to it being effective.

Implementing organisations

- *Identify development entrepreneurs*. Successful programmes often have a development entrepreneur at their heart. Yet the skill-set of the staff hired by implementing partners is often steeped in traditional project management. Practitioners could do more to identify and hire policy and development entrepreneurs, facilitate their leadership and nurture a more flexible and politically savvy skill set. This might entail empowering local entities or organisations and building local skills to carry out this sort of work.

- *Ensure programme designs incorporate political economy analysis*. Implementing organisations tend to respond to the designs emerging from development agencies. However, they can also push the envelope by encouraging more innovative and politically-aware designs and building the skills internally to work in this way.
- *Develop better approaches to measuring results and learning from flexible and adaptive programmes*. Implementers are faced with the day-to-day reporting requirements to funders. However, this also provides them with an opportunity to promote innovation in the way in which results are measured and how programmes are held accountable for delivering development outcomes.

Researchers

- *Build a better evidence base about whether, when and how thinking and working politically approaches work* (or fail). Huge progress has been made in the last decade in understanding the conceptual issues and identifying methods that appear to be effective. However, there is still a need for better evidence about whether and in what contexts such politically sensitive approaches are more or less effective.
- *Explore the impact of aid interventions in fragile contexts and the implications for programming*. Researchers are beginning to generate information about aid in fragile and conflict affected areas. But much more needs to be known about how aid interventions influence local political dynamics in fragile contexts and how to structure and manage such interventions most effectively.
- *Assess the effectiveness of measures to stimulate private sector capital*. Work on the effectiveness of leverage mechanisms has lagged behind implementation. There is a need for a more rigorous understanding of what types of intervention are most successful and how this is shaped by the political context.
- *Examine more explicitly the politics of donors*. Our 2007 Policy Brief (Williams *et al*, 2007) concluded with the view that more needed to be done to map out the politics and incentives faced by donor countries and their development agencies, and how this influences what they can and cannot do. Whilst some progress has been made, there is still much to be gained from further work in this area.

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About this policy brief and The Policy Practice

For further information on this particular topic contact Neil McCulloch (Neil.McCulloch@thepolicypractice.com)

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