



## SPEAKING NOTES ALEX DUNCAN

**Ten years of applying political economy analysis to the work of development agencies. What has been done, and not done?**

### Introduction

Aim is to sketch out what someone recently called the 'political economy' revolution. Maybe that is a bit strong, but there is a striking change that is just 10 years old in the extent to which official development agencies have adopted political economy analysis to influence how they think about development; and some of them to varying degrees are changing the way they work.

2002 marked the beginning of a new momentum around political economy analysis among development agencies.

### What is PE?

The interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.

Note:

- Power and wealth – contestation
- Dynamic over time – change
- It's more than politics: links with economic, social (and cultural?) causes and also policy dimensions

PE is a problematic term:

- 200-year history, going back to Adam Smith and Marx.
- It has much ideological baggage
- It doesn't capture social and cultural dimensions.
- It doesn't translate easily, e.g. into French

### What is PE analysis in a development context?

In context of development, it is the attempt to understand PE processes, how they impact on development outcomes, and on the effectiveness of what development agencies do.

Crucially, if it is to sustain the interest of development agencies, and to justify the spending of money and effort, PEA needs to lead to operationally relevant recommendations.

## How has it been applied?

Typically, PEA examines the interactions between three sets of factors:

- Underlying structural or foundational factors that are hard to change, but which have a pervasive and often powerful influence over society, politics and the economy
- Institutions – or rules of the game --- which may be economic, political or social

These two --- foundational and institutional --- combine to create a framework of incentives that strongly influence the behaviour of actors.

- Actors, whether individuals or organisations

The interactions between these three are dynamic, changing over time. For instance, actors, who operate within incentive frameworks, can also influence them.

In trying to understand processes of change, PEA has taken various forms, not mutually exclusive:

- Understanding behaviour by identifying *systemic constraints*: structural settings, historical legacies, power relations, institutions (rules).
  - E.g. The 'natural resource curse'
  - Neo-patrimonialism as a state/society settlement
- Understanding institutions in terms of *actors' decision logics and choices*.
  - Why democracy doesn't (always) lead to better governance and services
- Locating the room-for-manoeuvre arising from *dynamic features of change processes*. Sometimes PEA can demonstrate why progressive change will not happen – and yet it does, unexpectedly and 'against the odds'. Latin American social reforms, Indian economic policy post-1990s

## Three levels

PEA has been applied at three levels:

Country or macro

- Pre-requisite for more focussed/operational PE applications
- Link to international/regional influences

Sectoral and thematic

- Increasingly operational (policy/institutions/investments)

Programme, project or local

- May include choice of aid instruments (budget support...)

PEA can be more contextual or more problem-focussed

## Why now?

Past decades, paradigms changed drastically, but all ignored politics:-

- From projects and project finance (1950s to 1970s)
- To basic needs (1970s)
- To policy reform (get the prices right) 1980s
- To institution-building, but with a technical focus (1990s)
- To understanding that institutions are inherently political; plus the post 9/11 world with a focus on failing states, state-building and conflict

## Who has adopted PEA?

General presumption has shifted from why do it, to why not do it?

But: door is revolving; and varies by agency.

Most bilateral agencies have engaged: frameworks for PEA; staff training; building PE dimensions into the way they think (e.g. Governance analysis) and their strategies (country strategy, sector strategies), or programme design.

Multi-lateral – only World Bank and even there not intensively applied. The Bank is problem focussed; or at least part of it. Not AsDB, AfDB. UNDP has developed a framework (but room for manoeuvre is limited).

Among NGOs --- Oxfam 'How change happens'.

## What results have come out of this work?

Some central ideas:

- Organising collective action which is critical to development because of the need to provide public goods. Insights into why it is so often difficult ; but also perhaps PE shows ways forward.
  - For instance coalitions of change, where different groups have shared interests in a particular issue
- State-society bargaining; the social contract. Deep-seated features of a society that cannot be wished away.
  - OECD countries have variations around the same broad type of social contract
  - Or Nigeria where maybe a social contract is beginning to emerge in Lagos (the new politics.)
- Incentives of elites. We are often too quick to assume that key players share our interests. The role of leadership is too easily quoted as explaining progress or lack of it. One needs to understand what is impelling behaviour.
  - 'I've never known a government in this country (Bangladesh) unable to do something that it really wanted to.'
- Institutions, formal and informal. In particular the informal realities often outweigh the formal structures and processes. The informal are hard to understand; and hard to act on. But if we ignore them, we are likely to fail
  - E.g. civil service reform in Kenya.

### What impact has it had?

- **Thinking:** not just the *what*, but the *why*
  - Deepens governance analysis , for instance
- **Strategy:** looking for ways to promote change that shifts political incentives in a pro-developmental direction, given the realities of the context
  - In paper circulated, Nigeria DFID is most advanced, perhaps
- **Operations:** from supply-driven (financial and technical) assistance to how can aid contribute to feasible change?
  - Working with a wider range of partners, especially outside of government.
- **Impact** --- development effectiveness or aid effectiveness.
  - We don't really know.

### What have we learned?

- The centrality of politics in shaping development outcomes: we need to understand it
- Downplaying the normative: take the country situation as the starting point
- Identifying underlying factors that shape the political process (incl.historical influences)
- Linking development/diplomacy/trade
- Operational usefulness
- It makes us look in the mirror:
  - Recognising that development agencies are political actors
  - Our own PE as (what makes it easy/difficult for us to build PE in to our processes, and/or act on the implications?)