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Can aid bureaucracies think politically? The administrative challenges of political economy analysis (PEA) in DFID and the World Bank

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Abstract

Although politics has become central to international development assistance, the use of political economy analysis (PEA) as a means for greater aid effectiveness remains an aspiring epistemic agenda. Even though virtually all aid donors have some personnel working on the development and implementation of PEA methodologies and frameworks, whether this new cognitive model for aid is compatible with pre-existing administrative factors is still an open question. We argue that for PEA to become fully institutionalised in donor agencies it needs to overcome the hurdles of administrative viability: its proponents need to reconcile it with corporate and professional incentives, as well as with the political environment in which an agency operates. We track this process empirically within two PEA leaders: the UK Department for International Development (DFID) and the World Bank. Using documents and interviews from headquarters as well as three country offices – Bangladesh, Ghana, Uganda – we find that political economy analysis has not yet become institutionalised in programming, management or the professions, and remains an intellectual agenda very much rooted in the governance silo. We conclude by arguing that the future of PEA lies in organisational change, not any particular framework, and that this change is more likely to occur by disseminating PEA outside of the governance profession into agency management and the various sectors of development assistance.

Keywords: political economy analysis, donors, aid effectiveness, public administration, organisational sociology.

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Acronyms

CAS	Country Assistance Strategy
CGA	Country Governance Assessment
CMU	Country Management Unit
CPS	Country Partnership Strategy
DFID	Department for International Development
DoC	Drivers of Change
ESW	Economic and Sector Work
GACS	Governance and Anti-Corruption Strategy
GPF	Governance Partnership Facility
GPSM	Governance and Public Sector Management Cluster
IGR	Institutional and Governance Review
ORAF	Operational Risk Assessment Framework
PAD	Project Appraisal Document
PEA	Political Economy Analysis
PREM	Poverty Reduction & Economic Management Network
TTL	Task Team Leader
VfM	Value for Money
WB	World Bank

1. Introduction: an insider's game

Over the last decade or so, governance has become mainstream in development policy and theory, forcing aid donors to find new ways to assess whether and how politics influences the chances of project success in recipient countries. Animated by a small but vibrant community of transnational practitioners and experts, a number of OECD donors have developed analytical frameworks for identifying and processing governance challenges. The labels and buzzwords vary: power analysis, corruption and governance assessments, drivers of change, and so on (OECD 2009). But the basic aim of all these forms of political economy analysis (PEA) is to improve rates of project success through better diagnostics of reform challenges and operating environments. The promise of PEA is one of aid effectiveness.

Much of the conversation about PEA has so far involved the very researchers and practitioners who proselytise PEA: a loose network of professionals spanning bilateral donors like the UK Department for International Development (DFID) or the Netherlands aid agency, multilaterals like the World Bank and UNDP, think tanks like the Overseas Development Institute, and private companies like Oxford Policy Management or the Policy Practice. PEA remains an insider's game, the realm of governance advisers and consultants. The dominant questions in the nascent PEA literature therefore address the issues deemed most pressing by its foremost practitioners: what are the best frameworks for PEA; who should be involved in doing it; how to identify solutions instead of just problems; and how to think and speak politically in development contexts which often reward discretion over honesty (Routley and Hulme 2013).

While debates so far have dealt with PEA as a principle, discussing what its substance and form should be, perhaps the more fundamental question is one of practice, specifically whether it can be reconciled with the current context of development policy (Unsworth 2009; Duncan and Williams 2012; Hout 2012; Fisher and Marquette 2013). So far it has been individuals – acting alone or as a network – who have been pushing for PEA, but its ultimate implementation depends on donors, on aid bureaucracies for whom change on the scale demanded by governance analysis may be a great challenge – perhaps too great to handle. The fundamental question of PEA – at this stage at least – is not so much whether its application can lead to better aid and thus improved development, but whether it can be institutionalised within aid organisations subject to institutional constraints and cultural inertia. Understanding PEA requires the “unpacking” of donors as much as the analysis of recipients.

In this paper we begin to unpack two aid organisations, DFID and the World Bank, which are widely regarded among the PEA community as first-movers or leaders, intellectually as well as practically. Both these donors have spent the better part of the last decade grappling with the challenges of governance and trying to process – in fits and starts, with more or less success – what its lessons are for day-to-day development practice. And while we may be studying political economy analysis, the

chief objective of this paper is not to analyse PEA frameworks and objectives, but to investigate whether and how those frameworks actually make it into development practice. To that end, we will delve into the internal organisational dynamics of each donor, using examples from their aid operations in Bangladesh, Ghana and Uganda – three partner countries in which DFID and World Bank broadly pursue the same objectives and identify the same challenges, but where their current use of PEA could not possibly present a starker contrast.

2. The institutionalisation of PEA ideas in aid organisations

Political economy analysis, in its many faces and variants, can be conceptualised as a set of cognitive or causal ideas about the practice of development: these ideas provide a map for policy action by justifying the identification and mitigation of governance risks as the instrumental solution for the problem of lacklustre aid effectiveness. In contrast to normative ideas about the appropriateness of a given course of action (how things ‘should’ be), cognitive ideas like PEA invoke the technical or scientific logic that justifies the rational pursuit of such course of action (how things ‘work’) (Schmidt 2008). By bringing politics to the centre of development policy, PEA is in some ways complementing and in other ways displacing other dominant cognitive ideas which may see the problem of development as one of market refinement or needs provision. From a PEA perspective, the vanquishing of pro-developmental political forces by anti-developmental ones is among the chief reasons for the recurrent failure of aid-sponsored reform initiatives, a diagnosis that forces donors to think politically and perhaps even act politically (Carothers and de Gramont 2013).

The centrality of politics to development is not new to scholars or even practitioners (Routley and Hulme 2013), but PEA is the first attempt to distil such conventional wisdom into tangible operational practices. This relatively recent effort has been formulated and disseminated by a purposeful transnational network built, not around normative activism (of the kind analysed by Keck 1998), but around expertise: the PEA transnational network of governance and public sector advisers, former practitioners, consultants and academics is an aspiring epistemic community, ‘a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area’ (Haas 1992, 3). PEA experts and practitioners are engaging in a process of ‘coordinative discourse’, in which the foundations and implications of these new ideas are dissected and refined in analytical terms through the use of technical methods (Schmidt 2008, 310). PEA, from this perspective, is a ‘framing process’ (Zucker 1987) seeking to redefine what we mean by development.

This transnational network operates within a very particular environment: the organisational field of foreign aid and development, that is, the set of organisations and actors – governmental and non-governmental, national and supranational, in the North as well as in the South – which are involved in the practice of development

assistance (see DiMaggio and Powell 1983). The primary target of PEA ideas is, specifically, aid organisations.

Like most bureaucracies, donor agencies are usually slow to change, due to the weight of accumulated common knowledge and cognitive short-cuts informing how a development organisation should work. There is a lot of isomorphic mimicry in the aid business, with donors internally replicating 'what works' or at least 'seems to work' for their peers. The separation of development and politics has been a traditionally powerful schema for aid organisations, internalised and institutionalised through the segregation of governance and non-governance professionals or even the complete delegation of governance issues to ministries of foreign affairs. The institutional environment of aid organisations, which is generally risk-averse and hungry for results, only reinforces the dominant cognitive model of development as a technical task (see Scott 2008). Operating under this kind of 'automatic cognition', aid agencies are prone to continue doing what they do best; in contrast, what the aspiring PEA epistemic community is attempting to do is to jolt aid agencies out of their cognitive inertia by proposing a process of 'deliberate cognition', through which donors can 'override programmed modes of thought to think critically and reflexively' (DiMaggio 1997, 271).

But for PEA to fundamentally alter how donor organisations function and behave, it has to overcome a number of policy, political and administrative hurdles (Schmidt 2008). First, the internalisation of a new cognitive idea has to establish its policy viability, which in the case of PEA may be warranted, given the overwhelming academic consensus and relative practitioner consensus on the centrality of governance and politics more generally to development processes. Second, PEA has to attain political viability, and in this case the institutional environment in which donors operate may prove a mixed blessing: on the one hand principals – tax-payers and politicians – crave effectiveness, which is exactly what PEA promises to deliver; on the other hand, they also crave – perhaps even more intensely – efficiency and value for money, which are basically antithetical to pursuing PEA in all its implications. Finally, PEA has to achieve administrative viability, which means congruence with or transformation of the dominant organisational practices and cultures in aid agencies. Even if it makes sense scientifically, and even if it garners enough political support, PEA might ultimately fail due to the reluctance of aid professionals to adopt new processes and changed incentives.

This paper investigates the question of administrative viability, arguing that the success of the PEA transnational network will lie in its ability to reshape donor agencies. There is no agreed upon benchmark for such 'success'; indeed, for many PEA proponents, simply getting non-governance specialists to talk about politics is a triumph in itself. However, in terms of organisational sociology we have to conceptualise 'success' in terms of institutionalisation, with such indicators as the introduction of new mandatory procedures, the internalisation of new ideas by organisational management, or the (re)design of professional competence.

Specifically, for each aid donor dabbling in PEA we pose three questions of institutionalisation:

- (1) Has PEA led to changes in organisation-wide planning and implementation procedures?
- (2) Has PEA affected the culture of organisational management at the level of country offices?
- (3) Has PEA significantly modified the substance and dynamics of organisational expertise?

By focusing on the World Bank and DFID we are setting a high bar for our theoretical framework of administrative viability: given their position and track record as PEA leaders, these two donors should pose less of a challenge for the aspiring PEA epistemic community to achieve some degree of institutionalisation. If anything, it is the distinction between multilateral and bilateral, with its implications for political viability that should govern the variation in PEA internalisation across the two donors. If we find, however, that organisational challenges impede the adoption of PEA to a roughly similar degree in both agencies, then our basic approach will be vindicated.

3. The rise of PEA principles at DFID and the World Bank

It should not be surprising for DFID to have become a PEA leader among bilateral donors: in a way the British aid agency was 'born political' when in 1997 the incoming Labour government extracted the Overseas Development Administration from the Foreign Office and gave it full departmental status and independence under the leadership of a powerful Minister, Clare Short. By the year 2000 the first White Paper on International Development released by DFID listed 'promoting effective governments' and 'combating corruption' among the chief objectives of British aid. To that effect the agency would need a way to identify and assess the quality of government, the sources of corruption, and generally the politics surrounding development in the countries where it operated. Thus emerged the 'drivers of change' (DoC) approach, which in some ways launched political economy analysis in its current form.

The objective of DoC country studies was to understand 'the underlying political system and the mechanics of pro-poor change', in particular 'the role of institutions – both formal and informal' in enabling or hampering such change (DFID 2004). Following initial conceptual work, the DoC approach was adopted by country offices with the explicit political backing of the Minister. By June 2003 a dedicated DoC Team had been created in DFID's Policy Division with the purpose of advising country offices and centralising findings and lessons learned. When the team was disbanded by late 2004, there was a sense that the approach had secured enough momentum and buy-in after more than 20 offices had conducted DoC studies with the help of scholars and consultants. The following year DFID's Policy Division released two 'How to Notes' on Drivers of Change: the first one summarised lessons learned on planning and undertaking DoC studies (DFID 2005a); the second one

discussed how to use these studies to ‘improve aid effectiveness’ (DFID 2005b). It is this latter document that encapsulates the first real hurdle that PEA faced: the dreaded ‘so what’ question.

Despite the flurry of DoC activity in the first few years, involving many country offices, academic experts, and think tanks like ODI, by 2005 there was an apparent lack of examples in which Drivers of Change studies had actually changed DFID programming. The How to Note on aid effectiveness did not mince words: most studies focused on ‘what is already known’, and few made any practical suggestions about ‘levers of change’ for altering the structure of political incentives. This generated a certain disenchantment with DoC as an approach, which was deemed to be too focused on historical structures and institutional inevitabilities, and not enough on political action and policy change; this led to the search for new analytical frameworks for political analysis which could prove more useful for aid practitioners (Leftwich 2007). And yet DFID’s institutional environment remained favourable to governance analysis, as demonstrated in the 2006 White Paper on International Development, which called for ‘quality of governance assessments’ at the country level, what would eventually become Country Governance Analysis (CGA) mandatory for all country offices preparing country assistance plans (DFID 2007).

For a brief period of time, CGAs institutionalised PEA into DFID programming. But that kind of country-level analysis failed to scratch the DoC itch, which was about applicability and operational relevance. Eventually an effort was made to rescue PEA from the cul-de-sac of DoC by developing a multi-level analytical framework which could be deployed by practitioners in parallel to Country Governance Assessments, targeting specific sectors, problems or projects. The 2009 How to Note (DFID 2009) remains to this day the clearest and most coherent formulation of the promise of political economy analysis for DFID, advocating the use of PEA – the study of interest and incentives, formal and informal institutions, values and ideas – in country planning, choice of aid modalities and partners, project and programme design, and more broadly informing dialogue and engagement with development partners. In other words, a framework for PEA which could pervade the entire range of DFID’s policy operations.

The 2009 DFID How to Note was emblematic of a time when the PEA transnational network was becoming particularly active and self-reflective. That very year the OECD released a handbook of donor approaches, and the World Bank released its very first comprehensive approach to political economy analysis.

Despite an explicit prohibition in its Articles of Agreement from ‘interfering’ in the political affairs of a member state, in the late 2000s the World Bank became an important player in the governance side of development policy. The role of politics-by-other-name can be traced back to the 1997 *World Development Report*, which was heavily influenced by the theories of Douglass North and the new institutionalist political economy (World Bank 1997). By the year 1999 the Bank began conducting ‘institutional and governance reviews’ (IGRs) in selected countries: ‘analytical reports

that focus on the functioning of key public institutions' and studied 'the feasibility of reform recommendations with a rigorous assessment of political realities and constraints to reform' (Manning and Bureš 2001, 1). Although their scope, execution, and impact varied widely, IGRs cemented the role of governance analysis in the Bank's work, even though the first guidelines produced for political economy work in Bank operations actually came from social development specialists, not public sector ones (Social Development Department 2007; Social Development Department 2008).

The current wave of PEA at the World Bank is closely linked to the adoption in 2007 of a group-wide Governance and Anti-Corruption Strategy (GACS), which was updated in 2012 (World Bank 2012). Among the objectives that the Bank set for itself through this Strategy was more and higher quality diagnostic work in the areas of governance and corruption, including PEA, which would generate a repository of knowledge for all staff as well as build more explicit links between governance and non-governance activities, thus 'mainstreaming' governance. In this task, the Bank secured the assistance of a small group of like-minded donors (DFID, Netherlands, and Norway): in 2008 they established a multi-donor trust fund for a Governance Partnership Facility (GPF) which, among other objectives, would ensure that 'the Bank's country assistance strategies and the programs and projects they support increasingly address governance and anti-corruption in a systematic way' (GPF Secretariat 2008, 1). Political economy analysis was one of the specific outputs to be achieved through GPF financing, which means that part of the World Bank's own analytical work would be funded by DFID (see Sridhar and Woods 2013 for a critique of this kind of trust fund).

In 2009 the Bank released its own approach to problem-driven PEA, which like DFID's latest effort was intended to provide analytical guidelines for analytical work at all levels of programming, from country strategy all the way down to project design and implementation (Fritz, Kaiser and Levy 2009). A How to Note was released in 2011 outlining a 'menu' of analytical options for country managers and task team leaders, crafted for them by a PEA Community of Practice spanning public sector specialists, social development specialists, and researchers at the World Bank Institute (Poole 2011). Five years after the problem-driven approach was developed, the PEA community released a volume of case studies seeking to demonstrate impact across a range of client countries (Fritz, Levy and Ort 2014).

From the perspective of the aspiring epistemic community, by 2014 PEA seemed to have made considerable inroads into both DFID and the World Bank, even if both donors have become PEA leaders in very different ways – DFID through an internal political imperative, the Bank through a DFID-funded intellectual effort. In principle at least, PEA seemed to have achieved policy and political viability. But had it secured administrative viability? The following three sections review PEA practice in both donor organisations at the level of programming, management and

professionalisation, with illustrations from aid operations in Bangladesh, Ghana and Uganda.¹

4. PEA in organisational planning and programming: Conflicting incentives

The main indicator of whether PEA has altered how DFID and the World Bank operate is its degree of institutionalisation into the planning and programming policies centrally established for the entire organisation. Below we examine in turn the role of PEA in country planning and in project design, using illustrations from current DFID and Bank operations in Ghana.

4.1 PEA in country planning

As of 2013 DFID country offices faced no policy requirement to conduct any kind of PEA as part of country planning. This was despite the earlier advances when Drivers of Change studies had become 'routine' in the country planning process (Dahl-Østergaard et al. 2005), and the later mandate to conduct Country Governance Assessments (DFID 2007). That mandate had been dropped with the introduction of the Operational Plan for all DFID departments, including country offices. How much a CGA influences the operational plan depends on the personal influence of particular governance advisers; and even then there is a tendency for other advisers to assume that the CGA only applies to governance work (Interview 882). A 2010 How to Note clearly stated that country offices were expected to use existing analyses as part of country planning, but 'they [we]re not automatically required to complete new analysis documents' (DFID 2010, 5–6). That was certainly the case in Bangladesh, where a Country Governance Assessment developed as part of the five-year country programme found that local conditions had not changed much since 2008 and therefore no new political economy analysis was needed (Interview 082). Similarly, there has not been any new comprehensive analysis in Ghana since the DoC study was updated in 2007-08, and only one Country Governance Assessment was ever drafted (Interview 726). The only context in which political economy analysis might become necessary is under the terms of the Fiduciary Risk Assessment that was required for all countries receiving financial aid.

Since the change of government in the UK in 2009, and subsequent ministerial and policy changes, the operational plan model does not need to present a coherent strategy so much as establish value-for-money (VfM) in DFID operations. For instance, in Ghana the operational plan is less a cohesive strategy than a series of discrete proposals, each with a separate set of achievements and indicators with an emphasis on evidence rather than political understanding (Interview 691). DFID's own interpretation of value-for-money calls for a nuanced and mature understanding of outcomes, theories of change and risks (DFID 2011a), but the drive to evaluate

¹ It is worth noting that by 2013 the World Bank had entered a process of organisational restructuring, with major implications for practice. This paper analyses the Bank's internal procedures and culture in the time leading up to – but not including – the restructuring process.

alternative interventions on the basis of evidence represents a particular challenges for governance operations (DFID 2011b). Already in the mid-2000s there was ‘a sense of growing tension’ among DFID staff between careful analysis and ‘the pressure to increase spending, especially in Africa, and to pursue short term interventions to achieve the Millennium Development Goals’ (Dahl-Østergaard et al. 2005, 17). This tension in corporate incentives reduced the impact of Drivers of Change studies on country planning, and would find its ultimate expression in the current VfM discourse. In that sense, the recent introduction of Country Anti-Corruption Strategies after a recommendation by the Independent Commission on Aid Impact (ICAI 2011) can be read less as an invitation to politically informed programming than as a desire to increase VfM. Above all, work is driven by the results agenda, which assumes predictability and linear input-output processes which contrast markedly with PEA’s recognition of uncertainty, multiple pathways and reversibility. The drive for results has thus made it increasingly difficult to find ways to justify political economy analysis (Interviews 567, 560).

In terms of the World Bank’s country planning, the chief instrument is the Country Assistance Strategy (CAS) or – more – recently Country Partnership Strategy (CPS), which establishes the Bank’s lending priorities for a period of time. A CAS/CPS provides an assessment of country context, including a brief treatment of the political context, discusses the sectoral context for each of the pillars of intervention, and summarises lessons learned from the previous cycle of country programming. However, there is no formal requirement to conduct country- or sector-level political economy analysis as part of this planning process and, as we will discuss below, country management units enjoy considerable autonomy in defining their offices’ country strategies. In Ghana, for instance, the current work programme does not include any new PEA work, nor was it informed by PEA (Interview 871). For the most part, World Bank country offices have remained focused on ‘fiduciary risk at the level of individual investment lending transactions’ to the detriment of more comprehensive identification of systemic risk factors (World Bank 2012, 47).

The 2007 Bank-wide Governance and Anti-Corruption Strategy (updated in 2012) sought to incorporate governance concerns in the Bank’s dialogue with the recipient government, sharing analysis and experiences across communities and expertise in order to ensure that political risk-assessment and mitigation guidelines were country-specific (OPCS 2009, 3–4). The first window of funding of the Governance Partnership Facility – co-funded by DFID – was precisely intended to create strong incentives for GAC strategies in countries, including technical assistance and analytical and advisory work for country offices (GPF Secretariat 2008, 8). Expected window-one outputs were ‘CGA-like Business Plans addressing governance constraints to development’, which would then open up the programming portfolio to PEA-informed sector and project approaches (GPF Secretariat 2008, 27–28). Despite its current lack of governance focus, in the past the Ghana office accessed \$2m of GPF funding for studies on social accountability for inclusive and transparent governance, which included PEAs of oil and gas, agriculture and the broader Ghanaian reform context (GPF Secretariat 2012, 98, 119). Likewise, in Uganda, with

\$1.8m in support from the GPF the CAS takes the approach that analytical studies are to be carried out in sectors of Bank lending, and as a result PEAs were conducted for the agriculture, transport and health sectors (GPF Secretariat 2012, 93, 118–19). But the impact of GPF-funded analytical efforts depends crucially on the personalities at the office management level, and their ultimate implementation is subject to project-level incentives.

4.2 PEA in project design

At the level of project and programme design, the value-for-money imperative in DFID has found expression in the business case model of project preparation and assessment. Based on a template adopted by the UK Treasury, a business case comprises five different assessments or ‘cases’: strategic case, appraisal case, commercial case, financial case, management case. The chief objective of a business case is to demonstrate a project’s value for money; in that sense, it can be seen as an expanded procurement document in which project advisers justify their proposed expenditures of aid money.

There is ample room for political economy analysis within a business case. According to the 2012 How to Note (DFID 2012), project leads are encouraged to consider all risks and opportunities during the scoping stage, including those related to ‘political economy’. A quality assurance process for most business cases is intended to ensure through external peer review that all relevant risks are taken into account before project approval. As part of the business case itself, PEA can play a role in establishing the local context for intervention: advisers are encouraged to consider CGAs, anti-corruption strategies or PEA as part of the strategic case. But it is the appraisal case where alternative options and attendant risks are fully assessed. Again, business case guidelines encourage advisers to ‘fully integrate all relevant professional expertise’ and to avoid ‘taking the “easier” route of selecting options that are only about single defined interventions where assessment of impact is relatively easier’ (DFID 2012, 14, 19). All risks appropriate to the intervention are supposed to be weighed as part of the appraisal process, including ‘economic, social, political, institutional, environment, fragility and conflict, fraud, corruption, and climate change risks and opportunities’ (DFID 2012, 24).

However, the stated requirements of the appraisal case only envision mandatory dedicated sections for those transversal issues that are considered DFID organisational priorities: climate change and environment, social impact appraisal, and fragile and conflict-affected countries. A political economy appraisal can be attached to a business case, but more as an annex than a programming requirement. Which means that project leads have no real incentive to conduct PEA during the scoping stage, and that the quality assurance process is unlikely to consider the further analysis of issues that are not already covered by the business case. Moreover, according to the DFID Blue Book, quality assurance is mandatory only for business cases which are ‘politically sensitive, novel or contentious interventions and/or investments over [£]40 million’ (DFID 2013a). This means that speedy

approval of projects is likely to be hampered by any careful consideration of political economy issues, which almost inevitably identify the politically sensitive nature of most change processes or call for novel and probably contentious interventions. Instead of upending intervention designs, political analysis tends to suggest minor changes of focus – the incentives do not lead to honest explanations for why things are done (Interview 879). Consequently, there is now less political analysis in the business case than in the old project memorandum, where it used to be a distinct section (Interviews 615 and 409).

As a result of this incentive structure, in general DFID offices produce a very limited number of dedicated studies informing their projects: formal PEAs seldom cover 10 percent of active operations. In Ghana the office has recently conducted PEAs for education and health budget support, as well as for a Northern development project; all of them were carried out during the design stage (Interview 879). In Uganda the office commissioned a PEA study on roads in 2009; later there was a horizon-scanning report which was then adapted into a CGA (Interview 969). In Bangladesh DFID commissioned PEAs for public financial management and the water and sanitation sector around 2005-06, but there were no clear accounts of how they have helped to shape programming (Interview 082). There is much more PEA happening at the informal level, but that makes analytical work reliant on the interest and credibility of specific staff.

World Bank programming is equally dominated by incentives to disburse rapidly and in a cost-effective manner. Although the lengthy and convoluted project preparation process has greater scope than DFID's for careful analysis of governance risks, its actual programming requirements are heavily biased against conducting and implementing any kind of PEA. The three stages during which analytical work can shape investment project financing are identification, preparation and appraisal. The Project Concept Note outlines the basic contours of the project: objectives, risks, scenarios and timetables; it sets the stage for the project preparation phase, during which the World Bank safeguard policies can be triggered, depending on the anticipated environmental and social impacts of an intervention. But it is the project appraisal phase which requires a comprehensive analysis of viability: the Project Appraisal Document, which contains a full assessment of operational risks, is then submitted to the Board of Executive Directors for consideration and approval.

Despite the stated aims of the 2007 Governance and Anti-Corruption Strategy, which sought to mainstream political analysis and the availability of funding under Window 2 of the Governance Partnership Facility, there is no formal programming requirement to conduct political economy analysis. Project preparation guidelines for investment financing make no mention of PEA as a potential source of background information, and requirements of institutional appraisal refer to the capacity of local implementing agencies, not the governance or political context (OPSPQ 2013a). The Bank's operational department did release guidelines for dealing with governance risks, but it explicitly refrained from providing a 'how to manual for practitioners' (OPCS 2009, 2). Instead, it merely suggested that the Project Concept Note reflect

Bank experiences with GAC concerns in the applicable sector, and encouraged task teams to conduct governance risk assessments, perhaps even drafting a project-specific Anti-corruption Action Plan (OPCS 2009, 9–11). Even then, the role of governance specialists in the production of these plans is only advisory; they never actually write them for task teams (Interview 968). The actual way in which any given lending operation takes governance into consideration is left to the discretion of country and team management, which we discuss in Section 5 below.

The Project Appraisal Document (PAD), which is the central assessment step in project preparation, does begin with a section on strategic context, but this is not intended to be longer than 2-3 pages, and it is supposed to convey country context, capacity constraints, sectoral and institutional context, and links between the project and higher-level objectives (OPSPQ 2013b). The section on key risks and mitigation measures builds on the World Bank's Operational Risk Assessment Framework (ORAF), the guidelines for which include room for PEA concerns under operational risk (stakeholder, country, economic/fiscal, civil society, transparency) as well as a dedicated subsection on governance risk (ownership and commitment, accountability and oversight, decision making, fraud and corruption) (OPSPQ 2013c). However, given the number of boxes to tick and the likely prioritisation of managerial risks, PEA can easily get lost in the ORAF framework, which at times becomes a way to get politics out of the way (Interview 727). Moreover, ORAF can only assess risks after project identification, so it is unlikely to lead to the identification of alternative entry points or counterparts. Finally, the Project Appraisal Document itself does not contain a section on political or institutional assessment: the Appraisal summary contains a subsection on economic and financial appraisal, technical, financial management, procurement, social (including the Bank's safeguards), environment (including safeguards), and other safeguard policies (OPSPQ 2013b). Unlike Poverty and Social Impact Analysis (PSIA) (Social Development Department 2007, 4), for instance, PEA has never been fully institutionalised as a programming safeguard for World Bank lending operations.

As in DFID, the absence of distinct programming requirements and guidelines limits the role of PEA at the project level, with an even lower ratio of studies conducted per investment approved. In Ghana there have been PEAs for a multi-purpose dam project and a commercial agriculture project (Interviews 871 and 093). In Uganda, despite the presence of GPF funds, the office does not have much more to show: there have been PEAs for the transport, agriculture and health sectors; there is no evidence of projects being dropped or aborted because of PEA, but the studies did inform the design of transport and agriculture projects (Interview 901). In Bangladesh the public sector governance team has secured GPF funding for a right to information intervention (GPF Secretariat 2012, 88). Perhaps governance analysis has its greatest impact through governance and accountability action plans which are now required in Uganda and Bangladesh as annexes to the PAD before project approval eventually feed into the PAD (Interviews 901 and 968).

5. PEA in organisational management: Personality dynamics

The lack of PEA institutionalisation in policy, together with its formulation as a suggested approach, means that its usage depends almost entirely on the discretion of donor personnel, and in particular of country management and project leaders. Both DFID and the World Bank are remarkably decentralised organisations, which means that country office dynamics can vary widely both across space and time.

5.1 Country office management

At DFID the country Head of Office is the chief managerial actor for operations, and as such is likely to have an enormous impact on PEA activities at the country, sector and project levels. The Head of Office has to approve the Operational Plan, the Fiduciary Risk Assessment for countries with development lending, the office's Anti-Corruption Strategy, and the Country Governance Assessments before they are sent out for peer review (DFID 2007; DFID 2010; DFID 2013a). Heads of Office also have a say in deciding whether any business case is sent to the Quality Assurance Unit for review (DFID 2012). No wonder one of the key lessons learned from the Drivers of Change exercise was to involve the Head of Office at all stages of the analytical process, in order to ensure that its implications were made operational (DFID 2005a). It is also up to the Head of Office to request additional governance advisers; given a limited pool of advisers within DFID, not all offices may have even a single governance expert on staff.

In Ghana, the DFID office used to have just one governance adviser focused on public finance management; now there is a two-person team with a growing portfolio, and there is a sense that political economy considerations play a stronger role in Head of Office decisions than they used to in the days of Drivers of Change (Interview 879). Having two governance advisers has mildly increased political awareness in the office, and at the big-picture level there has been considerable thinking on specific sectors or issues; however, staff find it hard to precisely assess how much PEA has affected the office's work (Interviews 879, 691, 615). In Uganda the Head of Office has not pushed explicitly for greater political analysis, but the Management Team does hold discussions on political events and analysis; a lot of political analysis remains informal, though, based on the expertise of local staff and contacts with key actors by office advisers (Interviews 833, 226). In contrast, DFID Bangladesh has established a Project Advisory Committee looking at business case development, which brings input from all advisers in a one-hour discussion that is practically focused. The idea was introduced by the Head of Office, and is a fairly light-touch process that nonetheless remains a constructive hoop for all advisers (Interview 082).

For the World Bank, the most important planning and programming decisions at the country level are made by the country management units (CMUs), which are responsible for the preparation of Country Assistance Strategies as well as the approval and coordination of any governance or PEA-related activity. Above all, CMUs are responsible for country risk assessments, which are uniformly applied to

all projects in the country portfolio (OPSPQ 2013c). Some CMUs have decided to set up GAC Committees within their country offices, which are supposed to mainstream governance by vetoing projects at the Concept Note stage. Other country teams have gone so far as to issue their own guidelines on identifying governance risks and formulating governance and accountability action plans (OPCS 2009, 18). During project identification it is the Country Director and the appropriate Sector Manager who select the leader for the project task team, as well as determining the participation of governance and public sector specialists in project teams. Sector managers have the additional responsibility of advising project staff and ensuring that they have the requisite expertise, as well as signing off on annual risk assessment updates (OPSPQ 2013a, 11). They also determine whether a project would benefit from external Quality Enhancement Review. Finally, the Country Director has the final word before a project moves into the approval phase. Together, the CMU is responsible for managing the incentives of project teams: if they do not support an analytical outlook, risk-taking and innovation, PEA is highly unlikely to take root in a country office (OPCS 2009, 19). Having an engaged Country Director ensures that political economy analysis has impact on projects (Interviews 126, 871).

The Ghana office of the World Bank perfectly illustrates the extent to which country management determines the role of PEA in country strategies and project design. The 2009-2012 CMU wanted to understand the PE implications behind technical issues: it secured GPF funding, commissioned a country-wide PEA and several shorter studies for various sectors, and formed an expert civil society group to discuss them. However, the implications were never fully internalised, and when a new country management team arrived the focus shifted: for instance, a new country-wide analysis that was supposed to have been done in 2012 never actually happened due to a lack of prioritisation (Interviews 871, 883). In Uganda it was also the CMU that pushed for a role for analysis in the preparation of the country assistance strategy, bidding for GPF funding and making a conscious decision that every sector should carry out a PEA in order to protect World Bank and government resources (Interviews 901, 762). In Bangladesh the office has a tradition of governance orientation, but with very little dissemination due to fears of harm to the relationship with the national government. Recently there has been a strong demand for governance analysis from the CMU, with the introduction of governance and accountability action plans; but it is too early to assess their impact (Interview 968).

5.2 Project management

In DFID the lead adviser on a project has the final say on the development and eventual presentation of the business case, including the strategic and appraisal cases encompassing the brunt of risk identification and mitigation measures. It is project leads who have to make the case for value-for-money for a given intervention (DFID 2011a; DFID 2011b), and who face the strongest personal incentives to ensure that a project progresses to the disbursement stage. Whenever governance advisers have played a prominent role in advising or participating in project

management besides their issue area, it has often been due to the trust and respect for experienced individuals (Interview 316).

In the Ghana office, for each business case there has been an internal document on politics and institutions, but this informal practice is not based at all on the Business Case Guidelines. Political appraisal depends on the project leader, with each lead adviser for a sector usually familiar with the sector battles; governance advisers are contacted only when additional advice is needed. Sometimes teams discussing projects include a governance adviser; that said, usually the probability of political risk is deflated, as is the estimation of their impact in final evaluations (Interview 879; 615; 726). Similarly, in Uganda the governance team leader may assist other teams with their appraisals. But a lot of PEA is done informally and on a day-to-day basis; if there is a need to make submissions, then minutes are drafted, but these written pieces are not long (Interviews 833; 226).

At the World Bank, the most important person in the project management cycle is the task team leader (TTL), who has overall responsibility for the project from inception to completion. Selected on the basis of experience and professional expertise, the TTL determines the early identification of risks and project objectives, decides whether to build PEA into the project identification or preparation phases, and is free to request the ad hoc advice of thematic networks, such as Poverty Reduction and Economic Management (PREM) (OPSPQ 2013a). Overall, the TTL is also responsible for mainstreaming GAC issues and concerns at the project level (OPCS 2009, 18). Given the relative discretion of TTLs, their personal valuation of political economy analysis and their willingness to include public sector specialists in their teams (or at least request their advice) is likely to have the greatest impact on the institutionalisation of PEA at the project management level. In Section 6 below we discuss how professional boundaries may make interdisciplinary task teams a rare occurrence, so that – other things being equal – we should expect more PEAs for projects whose TTLs are governance or public sector specialists more than for those whose TTLs are economist or sector specialists. But perhaps the single most important factor militating against the adoption of PEA is the ‘overwhelming pressure to get money out of the door’, the fact that ‘task teams are paid to ensure that the money is disbursed’ (Interviews 606; 883). And in the process of ensuring disbursement a task team leader cannot solve all problems: usually there is concern only for the ‘20 percent of recommendations that ensures 80 percent of results’ (Interview 093).

The pre-eminence of task team leaders is evident across World Bank offices, with public sector and governance specialists often relegated to an advisory role and with little influence over analysis beyond their own investments. There are simply no clear rewards for knowledge production, just for publishing reports and getting projects to the Board, which does not ensure effectiveness over the long term (Interview 968). In Uganda, for instance, TTLs do not want to muddy the waters of their relationship with the government, and they do not tend to value analysis until evidence shows that returns to their investments are not as high as expected (Interview 726). In

Bangladesh too, World Bank task teams are reluctant to let members of the governance team become involved, as that might interfere with the flow of funding. Governance specialists play an advisory role to task teams who have to write governance and accountability action plans, but they never actually write such documents, except for their own interventions (Interview 968). In contrast to the other two offices, in Ghana governance specialists are often members of tasks teams, which leads to the incorporation of issues in the results framework. However, this involvement does not ensure that this framework has measurable indicators for governance issues (Interview 871).

6. PEA in organisational professions: cultural change?

The third way in which PEA could potentially become institutionalised within donor agencies is by changing the culture of the professionals working for the organisation. In this section we investigate the professional reach of the PEA network within DFID and the World Bank, and what impact it has had in economic and sectoral work.

6.1 PEA among governance professionals

The aspiring PEA epistemic community within DFID is a small network of governance advisers working in the headquarters or in specific country offices. Intellectually, Drivers of Change and the current PEA framework were gestated within the Policy Division, which is tasked with providing 'the best policy options to help DFID focus its efforts on building economic, social and political institutions that provide the environment for sustained growth and poverty reduction' (DFID 2013b, 3). The Division has housed successively the Drivers of Change Team, Effective States Team, and Politics and the State Team, which have been the teams issuing guidelines and How to Notes regarding PEA over the last decade. In professional terms, PEA has come to be identified with the cadre of governance advisers. Indeed, the mandatory technical competency for governance advisers is 'governance, political and institutional analysis'. This encompasses the 'ability to apply political and institutional analysis and use this to influence strategic planning and programming decisions', which in turn includes knowledge and experience with DoC, CGA, anti-corruption assessments and 'the key features of political economy analysis and the main PEA frameworks and tools' (DFID 2013c). Oversight and updating of governance advisers' professional capacity lies with their Head of Profession (Interview 409), who also works under the umbrella of the Policy Division. However, this does not mean that PEA has become fully institutionalised outside competency frameworks: for instance, the 2011-2015 Operational Plan for the Governance, Open Societies and Anti-Corruption Department makes no mention whatsoever of PEA (DFID 2013d).

At the World Bank, PEA has been promoted by intellectual entrepreneurs within the Governance and Public Sector Management cluster (GPSM), which is part of the Poverty Reduction and Economic Management Network (PREM); but its actual operational implementation has been led by regional sector managers and specific CMUs. Much of the funding behind PEA work comes from the Governance

Partnership Facility, which between 2008 and 2012 made 102 grants totalling \$82.2 million (the overall project portfolio affected by GPF grants is calculated at \$22 billion); 39 of those financed political economy analyses, which are considered the most significant form of GPF influence over Bank activities (GPF Secretariat 2012; Interview 794). The GPF also enabled the creation in 2009 of a PEA Community of Practice, with some 75 core participants and 300 members across networks and regions. Although not a very formal instrument, the Community has sought to centralise knowledge management, providing ad hoc assistance with terms of reference and consultants to country teams, and disseminating some of the guidelines developed within the PREM anchor (Interviews 727, 198). However, the fact that the Bank does not have a governance cadre akin to DFID's has meant that, without a clear set of best practices to follow, regional sector managers and CMUs were free to experiment with governance and political analyses as they saw fit, usually depending on the personalities involved and without any kind of strict quality control (Interviews 727; 794; 061).

Despite the absence of a governance cadre as such, GPF has been clearly dominated by public sector and governance specialists at the PREM anchor and across the different regions, chiefly Sub-Saharan Africa (GPF Secretariat 2012). To begin with, the GPF Secretariat itself is housed within the Bank's public sector cluster, with its governing council co-chaired by the PREM vice-president (GPF Secretariat 2008, 12). The bulk of GPF grants have been managed by PREM and particularly GPSM units: between 2008 and 2011, PREM received 47 out of 94 grants, amounting to almost half of the \$65 million allocated (World Bank 2011, 42). Indeed, GPF is deemed to have been helpful for the governance agenda, not least due to its ability to finance governance staff positions in a context of Bank-wide budgetary constraints and a conscious decision not to recruit governance specialists for country offices (GPF Secretariat 2012; Interview 727). Even the Bank-wide Governance and Anti-Corruption Strategy – which GPF supports financially – can be considered a professional instrument of the governance and public sector management cluster: for instance, the 2012 updated strategy claimed that 'a majority of staff also now see some form of attention to political economy analysis as essential for development effectiveness', when in fact those surveyed had come exclusively from the public sector profession (World Bank 2012, 18).

6.2 Diffusion of PEA beyond governance advisers

Early on, a review of Drivers of Change found that the main users of DFID's early PEA studies were the country offices that commissioned them and the DoC analytical team within the Policy Division, whereas other adviser cadres and departments were much less familiar with the approach (Dahl-Østergaard et al. 2005, 11). This is not surprising, given DFID's system of professional cadres, which separates advisers into vertically organised competency frameworks: conflict, humanitarian, economics, education, climate and environment, governance, health, infrastructure, livelihoods, private sector development, social development, statistics, and evaluation. All economists are organisationally subordinate to the Chief Economist, which limits

intellectual cross-pollination with governance advisers. But even if all other cadres dwell under the same roof of the Policy Division, they still have to comply with drastically different competency frameworks and report to separate Heads of Profession and Chief Advisers. Therefore, and despite a clear lesson from a decade of PEA to involve non-governance advisers in analytical work, at the end of the day the professions are intellectually independent from each other, establishing linkages only when country or project management so decides it. The dedicated effort to extend PEA training beyond governance may be making progress at the central level: only a quarter of the 300 DFID advisers who have undergone PEA training come from governance (Robinson 2013). Indeed political thinking and – to some extent – basic PEA considerations seem to have entered into the DFID ‘psyche’ and ‘DNA’. But there are still outstanding questions about what this state of mind actually entails or how it can improve operations (Interviews 373; 020; 511; 119). From the standpoint of professional expertise and programming requirements, PEA is just another layer on top of all the mandatory assessments that project leads have to go through, one serving the professional needs of governance advisers (Interview 087).

The divide between advisory cadres can be felt in the country offices, but the actual patterns of interaction between governance and non-governance advisers vary. In Ghana, for instance, there has always been a culture of political engagement, but the value that non-governance advisers attach to PEA varies greatly: some are reluctant to acknowledge political concerns, whereas others are so attuned to them that they almost think like governance advisers. In some sectors, like oil and gas, political analysis plays an important role; in others, like education, the office has not done as much (Interviews 879; 691; 615). In Uganda, other specialists see governance analysis as an interesting task, but they still consider it part of the governance adviser’s role, and not something that they can do by themselves (Interview 226). In Bangladesh, finally, some degree of institutionalisation seems to be occurring: the Project Advisory Committee which reviews business cases has prompted advisers to think about issues outside their immediate portfolio; in particular, it has increased the office-wide understanding of governance issues, so that sector advisers look at them more carefully before coming to the PAC (Interview 082).

At the World Bank, PEA is much less known and employed outside the governance and public sector professions, despite the original intent to use the institutional and governance reviews of the early 2000s as learning tools for all Bank staff (Dahl-Østergaard et al. 2005, 10–11). The GPF did act as a catalyst for a group of some 200 innovative staff, from sector managers to task team leaders, who were given funding to experiment with new governance approaches (Interview 180); and yet public sector specialists remain the majority of active participants within the PEA Community of Practice. In a sense, all Bank operational staff members know what is going on, and to that extent there is ‘tacit political economy analysis’ going on at all times (Interview 382). But, inevitably, the PEA content of what the Bank calls economic and sector work (ESW) is ‘uneven’ and has been little affected by the Governance and Anti-Corruption Strategy: ‘ESW seldom discussed political incentives to implement governance reforms, sector programs, or development

projects'; it discussed stakeholders, but 'rarely analyzed their preferences, degree of mobilization, access to rents, and ability to veto reforms'... 'Institutional and capacity weaknesses were among the most commonly mentioned constraints, although their underlying causes were often not diagnosed' (World Bank 2011, 82, 84). The 2012 Strategy found that 'only 63 percent of staff are fully familiar with the GAC strategy', noting that most were committed to governance issues, but did not feel they had 'the skills needed to identify and mitigate risks at the sector and project level, or to supervise high-risk projects' (World Bank 2012, 56). There was a widespread perception among staff that PEA was 'optional and only undertaken with additional resources' (World Bank 2012, 58).

Country offices exhibit marked variation in sectoral interest in PEA. In Uganda, for instance, the roads, agriculture and health analyses elicited positive reactions, while the natural resources study generated much less interest among sector specialists (Interview 762). Despite some interest by country management, the Bangladesh office is a much less welcoming environment for PEA work: with sector specialists fearful of politicisation and claiming superior knowledge about their sectors, it is very challenging for governance specialists to promote the inclusion of PEA considerations in their projects (Interview 968). At the end of the day, bids for Governance Partnership Facility grants for these country offices have come from public sector and governance specialists. This perfectly illustrates the degree to which PEA remains identified with the governance profession.

7. Conclusion

The findings of Power and DoC analyses may not be well aligned with donor incentives to demonstrate short term impact, respond to their own taxpayers and lobby groups, and to spend allocated aid resources ... A direct implication is the value of undertaking analysis of the political economy of donor agencies in particular country contexts in order to improve the utilisation of Power and DoC findings and recommendations. (Dahl-Østergaard et al. 2005, 26–27)

The practice of the World Bank and DFID offices demonstrates that the principles of political economy analysis are far from institutionalised in the actual operations of these two organisations. Despite different political environments – multilateral and bilateral – and very different lending instruments and goals, the administrative viability of PEA in both donors is equally reliant on the discretion of country and project management, due to the lack of its formalisation into operational guidelines. This challenge is compounded by the lack of awareness about PEA outside the governance professions, from which the PEA emerging epistemic community almost exclusively arises.

Perhaps one of the reasons for the lack of familiarity with PEA outside public sector and governance professional networks can be found in the puzzling reluctance of PEA advocates to put forth a single, unequivocal model for conducting PEA work as part of operational work. At DFID, the Drivers of Change team considered a single

blueprint 'inappropriate', opting instead for 'a structured set of questions' (DFID 2004); similarly, the 2009 PEA How to Note refrained from presenting a single approach, instead presenting it as a way of thinking which could apply to each and every level of planning and programming (DFID 2009); there is some concern that formalisation may actually hinder the kind of constant informal analysis that PEA advocates seek (Interview 373). As a result of this 'laissez faire' mentality, however, PEA is not a consistent policy, even among governance advisers (Interviews 087; 119). At the World Bank, institutional and governance reviews were never consistently designed or executed (Dahl-Østergaard et al. 2005), and the 2009 Problem-Driven PEA framework failed to remedy such inconsistency by choosing to offer 'a menu of options', rather than 'prescribe one particular way of doing things' (Fritz, Kaiser and Levy 2009, 2); the Community of Practice believes that PEA should not be standardised, but should serve instead as 'a big tent' (Interview 337). Even 'governance' itself is a contested term detached from any concrete results framework, a lack of definition which has muddled priorities and hampered dissemination among non-public sector specialists (World Bank 2012, 28–29). This leads to conflict and confusion between governance broadly understood and PEA as a nuanced understanding of risk (Interview 337), with the former enjoying at least lip service from Bank staff, while the latter remains tied to a specific professional community.

We have argued in this paper that the aspiring PEA epistemic community, by proposing a new set of cognitive ideas about how development works, is fundamentally challenging how things have always functioned in donor organisations, DFID and the World Bank in particular. Instead of adding to the processes of automatic cognition by which DFID and the World Bank tend to function, PEA forces on aid practitioners a process of deliberate cognition, for which few incentives – if any – currently exist. Value-for-money, managerial decentralisation and professionalisation all militate against the institutionalisation of PEA principles in development practice. However, in contrast to social impact assessment frameworks, which have entered DFID and Bank due diligence procedures in programming, PEA remains a nebulous field of expertise, a way of thinking more akin to political intelligence than anything that can be operationalised. As such, it remains closely identified with the professions of public sector specialist and governance adviser, which means economists and sectoral specialists have little incentive to pay it any attention. The likely impact of PEA in organisational practice will be limited as long as PEA remains an epistemic agenda firmly rooted in the governance silo.

The politics of administrative change require some kind of mandatory implementation for political economy analysis to become internalised, especially when facing such powerful professional and corporate incentives as steady disbursement and value-for-money. It also requires releasing PEA from the protective cocoon of the governance profession, integrating it into sectoral work in such a way that it ceases to be 'what governance specialists do' and becomes instead a constitutive part of aid effectiveness. Perhaps the single most important lesson from this paper for PEA proponents is that the institutionalisation of political analysis in donor agencies is not

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a question of perfecting existing frameworks, but one of promoting internal organisational change.

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