



ESID Briefing No. 5

Mainstreaming political economy analysis (PEA) in donor agencies

KEY FINDINGS:

- The impact of political economy analysis on aid is mediated by the internal administrative politics of donor agencies.
- Greater impact in the future depends on the ability and willingness of PEA proponents to promote organisational change.
- Mainstreaming strategies involve trade-offs, such as control over PEA usage, the level of sophistication of analysis, and its impact on actual operations.
- We outline the trade-offs of three potential strategies for organisational change: PEA as a professionalisation component; as a programming requirement; and as a management tool.
- Regardless of strategy, governance specialists will have to deal with the administrative politics of donor agencies in order to take PEA beyond the governance cocoon.

ESID's research on political economy analysis (PEA) has found that the impact of this new tool is mediated by many factors, but particularly the internal organisational features of donor agencies. The aspiring PEA epistemic community has worked hard to establish policy viability (through intellectual links with academia) and is frantically pursuing

greater political viability (by grafting itself onto the aid effectiveness agenda). But ultimately it will have to demonstrate the administrative viability of PEA, reconciling a political conception of aid with donor cultures and bureaucracies focused on disbursement and value-for-money.

The basics: What is PEA and why does it matter?

- “Political economy analysis is concerned with 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” (OECD 2009).
- “Political economy analysis helps us to understand how incentives, institutions and ideas shape political action and development outcomes in the countries where we work” (DFID 2009).
- “Applied political economy analysis (PEA) therefore holds considerable promise to help identify what policy responses and strategies are most likely to work for addressing difficult and persistent development challenges” (Fritz et al. 2014).

Our comparative research has shown that administrative viability remains a hurdle for the agenda’s institutionalisation in both the UK Department for International Development (DFID) and the World Bank, two donors widely considered to be “PEA leaders”. While subject to very different environmental and internal pressures, the internalisation of PEA practice in both agencies betrays a certain similarity: PEA remains an afterthought in planning and programming requirements, its implementation depends largely on the personalities of office and project staff, and as a field of expertise it remains firmly anchored in the governance profession.

A NEW MAINSTREAMING STRATEGY IS NEEDED

Most aid donors now have some sort of PEA framework. But this does not mean that donor agencies as a whole have internalised the role of political analysis in development assistance: across aid bureaucracies PEA efforts have been led by small groups of governance specialists, who rely on a very small number of consultants, academics and private firms to supply new models and frameworks. The professional incentive to develop the next big model is as strong within this aspiring community as is the corporate incentive to resist PEA outside of it. Our research demonstrates that the largest obstacle to PEA dissemination is not the quality of the models themselves, but the internal dynamics of aid bureaucracies. The logical implication is that PEA proponents should not devote themselves to intellectual refinement: their chief task is one of changing the organisations in which they work.

Frequent administrative obstacles to PEA

- *The disbursement imperative*: “The value added of PEA has to be proved to task teams who control the money ... Task teams are paid to ensure that the money is disbursed”.
- *Risk avoidance*: “You need to have people able to work with and tolerate levels of risk ... we are in a very risk-averse environment, we have to cope with that”.
- *Quantifying results*: “If you are doing complex systems-oriented development within a political system that is not your own, it is very difficult, if not impossible, to quantify the delivery of your interventions”.
- *Lack of evidence of impact*: “It is very difficult to argue that there is an effect with senior management, due to the lack of evidence on impact”.

Source: ESID PEA project interviews.

Unfortunately, the intellectual underpinnings of PEA have limited the ability of its proponents for bureaucratic advocacy thus far. For one thing, there is no agreement on a single model for PEA: even within individual agencies, PEA documents often highlight complexity

and are more likely to portray political economy analysis almost as a state of mind rather than an operational toolkit. This lack of definition is representative of the larger domain of governance, which is still seen as a catch-all term for “what governance people do”: everything from public finance management to decentralisation or anti-corruption. And a sizeable portion of the blame lies with the academic community of development politics, which itself remains locked in constant bickering over fundamentals. PEA proponents have all too often mistaken this lack of consensus for sophistication, which has limited the operational relevance of political economy analysis specifically, and governance considerations more broadly.

“the chief task for PEA proponents is one of changing the organisations in which they work”

Organisational amnesia in a donor mission

One of the country offices that we have studied perfectly illustrated the consequences of not institutionalising PEA in professional training, programming or management. During a first time period there was an office manager willing to include governance considerations, as well as a senior specialist with the requisite knowledge of PEA and the willingness to commission studies. After some staff changes, during a second time period the office simply stopped allocating funds to PEA, and the previously conducted studies at the country and sector levels were abandoned for a more technocratic approach to programming. Due to the lack of project requirements, professional training, or managerial imperatives, there was no organisational memory of PEA, and future proponents would have to begin from scratch.

There is an emerging consensus in the community that political economy analysis cannot remain restricted to the professional circles of governance advisers: indeed, it is likely to be most valuable when deployed in non-governance sectors, where politics are often less visible but no less impactful. But our research shows that PEA mainstreaming – like governance mainstreaming – is a challenge of bureaucratic politics, not of intellectual persuasion. This means that its proponents are likely to face certain trade-offs involving their control over PEA, the sophistication of analytical work, and its ultimate impact on aid operations. Here we outline these trade-offs in terms of three potential strategies for PEA mainstreaming: professionalisation, programming and management.

“PEA is likely to be most valuable when deployed in non-governance sectors”

Trade-offs of alternative strategies for PEA mainstreaming

STRATEGIES	TRADE-OFFS		
	<i>Control</i>	<i>Sophistication</i>	<i>Impact</i>
Professionalisation	↑ High	↑ High	↓ Low
Programming	? Uncertain	↓ Low	↑ High
Management	↓ Low	? Uncertain	↑ High

THREE STRATEGIES FOR GREATER IMPACT

Strategy 1: PEA as a professionalisation requirement

One possible strategy for mainstreaming would introduce PEA into the competency frameworks of non-governance specialists (e.g. economists, education or health advisers), whether as part of their agency induction process or as on-the-job training. Potentially this strategy could truly mainstream PEA, by changing the organisational culture of donors across all sectors of assistance. Nevertheless, such an approach would still have to overcome some familiar administrative hurdles, like countervailing professional incentives and an over-reliance on individuals – who may be more or less inclined to conduct PEA – for donor institutional memory. In terms of the PEA agenda, a professionalisation strategy is likely to entail high control by its proponents, who would become the natural trainers and expert advisers; because of this, it is also likely that PEA could be imparted as a sophisticated toolkit. But the fact that it becomes a field of knowledge without direct operational requirements would also diminish the likelihood that PEA will have a significant, generalised impact on aid projects. Non-governance specialists would be better equipped to think about the challenges and dilemmas of governance and political economy, but the corporate and operational environment (for example, if it prioritises aid disbursement) may still limit their ability to act accordingly.

This is the strategy that the UK Department for International Development (DFID) is pursuing through its PEA training courses, which target mostly non-governance advisers.

Strategy 2: PEA as a programming requirement

The exact opposite strategy to professionalisation entails maximising breadth, not through training and organisational culture, but through compliance with political economy analysis as a mandatory component of aid programming. The potential for mainstreaming through this approach lies in the transformation of organisational procedures by adding an operational requirement to the project cycle. The attendant risk, however, is the dilution of PEA, as universal applicability would be likely to reduce it to the lowest common denominator, with project advisers coming to regard it as just another box-ticking exercise. In terms of the PEA agenda, a programming strategy would likely enhance the impact of PEA over all aid activities, but the degree of analytical sophistication would probably remain very low. The control that PEA experts would be able to exert over mandatory and standardised PEA would also be uncertain: on the one hand, they could very well author the necessary guidelines and reporting systems, but on the other hand, they are likely to have a diminished role in overseeing how project specialists interact with the project preparation requirement.

This is the strategy that Social Development specialists at the World Bank are pursuing through the integration of Poverty and Social Impact Analysis in operational policies.

Strategy 3: PEA as a management requirement

A third potential strategy for PEA mainstreaming would make it a core feature of aid management at the country and sector levels, whether as a job requirement for management positions, a corporate evaluation tool for managers, or a reporting requirement for country-level evaluation. This approach could potentially turn PEA into a professional incentive for managers, who would then see it in their professional interest to ensure that analysis is embedded into the projects that they oversee; given the wide discretion that country management has traditionally enjoyed in donor agencies, they are uniquely positioned for incentivising PEA at a lower level. But such a strategy also risks making PEA ultimately reliant on the personality of individual managers, whose professional and intellectual profiles may or may not lead them to take it seriously. In terms of the PEA agenda, a management strategy is likely to entail higher impact by directly addressing the incentives at play at the operational level of country and project management; however, the degree of sophistication in analysis would be uncertain, as the content would depend on the dynamics of specific offices and would probably be beyond the control of PEA experts.

CONCLUSION: BEYOND THE GOVERNANCE COCOON

There is no scenario in which PEA proponents get to have their cake and eat it too – that is, extending and deepening the use of PEA while retaining control over it. Political economy analysis is very unlikely to remain a sophisticated and highly controlled agenda if disseminated across entire aid bureaucracies. The trade-offs of PEA mainstreaming are inescapable. So far the main victim of keeping PEA an insider's game has been impact: ESID research shows that even PEA leaders like DFID and the World Bank display an astounding variation in implementation and relevance across country offices.

In the coming years, as the donor environment shifts towards lower aid dependence and higher demands on efficiency and effectiveness, the emerging epistemic community will have to turn its analytical lens on itself in order to open the black box of organisational change. The future of PEA for donors may well rest on better political economy analysis of donors.

FURTHER READING

- ESID Working Paper 33: Can aid bureaucracies think politically? The administrative challenges of political economy analysis (PEA) in DFID and the World Bank, by Pablo Yanguas and David Hulme (2014). Available at www.effective-states.org.
- ESID Working Paper 19: Donors, development agencies and the use of political economic analysis: Getting to grips with the politics of development? By Laura Routley and David Hulme (2013). Available at www.effective-states.org.
- OECD (2009). *Donor Approaches to Governance Assessments: 2009 Sourcebook*, 2009. Paris: OECD.
- DFID (2009). *Political Economy Analysis How to Note*. London: DFID.
- Fritz, Verena, Brian Levy and Rachel Ort, eds. (2014). *Problem-Driven Political Economy Analysis: The World Bank's Experience*. Washington, DC: The World Bank.

ABOUT THIS BRIEFING

This briefing was prepared by Pablo Yanguas and David Hulme as part of ESID's ongoing research project on the use of political economy analysis by the UK Department for International Development and the World Bank in Bangladesh, Ghana and Uganda. For more information on the project please visit: www.effective-states.org/political-economy-analysis. This briefing is a companion piece to ESID Working Paper 33: "Can aid bureaucracies think politically? The administrative challenges of political economy analysis (PEA) in DFID and the World Bank".

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ESID researchers are based in Bangladesh, Cambodia, Ghana, India, Malawi, Peru, Rwanda, South Africa, Uganda, UK, USA, Zambia and elsewhere.

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DFID funds four Research Programme Consortia (RPCs) on governance and development, of which ESID is one. The others are the International Centre for Tax and Development (ICTD) at IDS, the Justice and Security Research Programme (JSRP) at LSE and the Secure Livelihoods Research Consortium (SLRC) at ODI.

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