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POLITICAL ECONOMY AND SUSTAINABLE DEVELOPMENT

Making development assistance more effective by using political economy analysis

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WHY PEA?

- Until the 2000s little focus by **development agencies** on political issues– now PEA being more systematically used by development agencies
- Explore strategic political economy **issues that facilitate and/or inhibit development** interventions
- Identify **potential for change** in the sectors
 - feasible entry points
 - likely pace of reform
 - potential for developmental impact
- Review institutional and **governance** arrangements
 - consider underlying interests, incentives, rents/rent distribution
 - historical legacies, prior experiences with reforms
 - social trends
- How all of these factors effect or impede change

PEA AND DESIGN OF DEVELOPMENT PROGRAMS

- PEA can be central to **design** of development interventions
- Providing:
 - a **context** within which **development tools and practices** can be most effectively applied
 - a **framework** for determining which assistance modalities will have the most **impact**
 - which **partners** will be the most **effective**
 - what other types of programming will be required to create an environment conducive to economic development

THE CENTRALITY OF POLITICS IN DEVELOPMENT

- How political power is secured, exercised and contested
- **How, where and why** development happens
- Incentives that may **enable or block** development
- Development agencies are political actors
 - Geostrategic, commercial and developmental objectives
 - Providing resources to **selected beneficiaries** changes the dynamics of political contestation.

DEFINITION OF POLITICAL ECONOMY

- Interaction of political and economic processes in a society
- Distribution of power and wealth between different groups and individuals
- Processes that create, sustain and transform these relationships over time
- Politics often explains where development assistance has been effective and where it has not

COUNTRY LEVEL PEAT TOOLS

TOOLS/USERS	MAIN ISSUES
<p>"Drivers of Change" DFID</p> <p>Strategic Governance Corruption Assessment Netherlands</p>	<p>Context, opportunities/ challenges for change</p>
<p>Power Analysis SIDA</p>	<p>How best to influence</p>
<p>Political Analysis and Prospective Scenarios Project (PAPEP) UNDP</p> <p>Asian Foundation Political</p>	<p>Design of more realistic country strategies</p>
<p>EC Country Political Economy Assessment</p>	<p>Briefing donor staff, background for informed policy dialogue.</p>

SECTOR LEVEL PEA TOOLS

TOOLS/USERS	MAIN ISSUES
EC Addressing Governance in Sector Operations	Understanding interests and incentives
ODI/DFID Analytical Framework for Assessing the Political Economy of Sectors and Policy Arena	Determining priorities
EC Sector Political Economy Assessment	Informed policy dialogue

GENERIC PEA ANALYTICAL FRAMEWORK

- **Governance:**
 - Analysed on effectiveness of bureaucracy in managing policy process, designing strategies and implementing programs
- **Power analysis:**
 - Who are the drivers/blockers to reforms? Who sets the policy agenda? Whose ideas and values dominate policy?
- **Identification of drivers or sources of potential change:**
 - Under identified political scenarios, discussion is pursued under each of the strategic issues or problems identified

DIMENSIONS OF USE IN DEVELOPMENT ASSISTANCE

■ Thinking:

- Clarity on possible level of influence of development agencies
- Time-scales of change, setting realistic expectations
- Recognising the value of local institutions and approaches

■ Strategy:

- Looking creatively for ways to promote change, political incentives in a pro-developmental direction
- How best leverage existing institutions
- linking aid strategies to other instruments

■ Operations:

- Informing the content and priorities of aid programmes and ways of delivering them
- Handling risk, including managing relationships, and maximising influence.

EXAMPLE:

State-Society Bargaining Over Taxation

- Historically in Western Europe, rulers needed revenue, notably to fight wars
- Strong incentives to
 - Nurture broad-based economic growth
 - Develop bureaucracies to assess, collect and manage tax revenues
- Citizens demanded more say in use of state revenue (thus increasing accountability)
- A problem in many developing countries is that rulers have access to natural resource revenues or other non-tax sources of income
- Few incentives to bargain with taxpayers or to nurture economic growth
- Governance suffers as a result.

Based on Moore (2007).

EUROPEAN UNION APPROACH

- **Foundational factors**
 - Social, political and institutional landscape that shape constructive **state-society bargaining**
 - History of state formation, **sources of public revenue**, country's geography and geo-strategic position
- **Rules of the game**
 - **Formal and informal institutions** that shape the incentives and capacity of key actors, the relationships between them.
 - **Opportunities for different groups**, including the poor people, to mobilise and engage in collective action that promotes development
- **Here and now**
 - **Examine conduct of day-to-day politics**, and the way this is shaped by rules of the game as well as more contingent "events".

LESSONS FROM RESEARCH AND EVALUATIONS

- Limited success to transfer formal institutional models from OECD countries into very different social and political contexts
- Important role of informal institutions. For example in China (Qian 2003)
- Experience in fragile states informal, local institutions provide security, resolving disputes, supporting livelihoods and providing links to more formal, public institutions
- Sub Saharan Africa reveals damage by frequent changes in donor policy prescriptions, and by incoherent, incomplete institutional reform (Booth 2011b).
- Donors should aim to "do no harm"; creation of parallel administrative structures and ill-timed pressure for elections can undermine state building processes (Putzel 2010).

CONCLUSION

- **Development agencies** can use PEA in pursuit for Sustainable Development design and interventions
- Need to understand **issues that facilitate and/or inhibit development** interventions
 - Governance
 - Power analysis
 - Identification of drivers or sources of potential change
- Development Assistance need to adopt a “do no harm” philosophy
 - Use local institutions as much as possible
 - Incomplete institutional reforms have done more damage
 - Incoherent and frequent policy changes
- Need to understand context and process of national building

OUR VISION

- *We envision an Afrikan Society that is progressive, strong and self-reliant. A society where individuals are able to work for themselves, their families and communities; where they are able to build strong institutions that guarantee peace, stability, social and economic progress, freedom and happiness.*

OUR PURPOSE

- *We promote education for the advancement of Afrikan society. We gather, co-create and share barefoot education for transformation. We strive for an Afrikan society that places value on its shared cultural identity. We work for Afrika's capabilities and creativity in advancing the Afrikan Continent and its peoples.*

THANK YOU

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