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# POLITICAL ECONOMY ANALYSIS, AID EFFECTIVENESS AND THE ART OF DEVELOPMENT MANAGEMENT

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# Political economy analysis, aid effectiveness and the art of development management

James Copestake and Richard Williams

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# Political economy analysis, aid effectiveness and the art of development management

James G. Copestake and Richard Williams

## Abstract

Recognising that aid effectiveness critically depends upon the quality of host country institutions and policies, international aid agencies have sought to inform their activities through more systematic political economy analysis (PEA). Three analytical frameworks for PEA are compared, contrasted and critically appraised in the light reflections of PEA practitioners and recent theoretical debate about development management. We conclude that the potential of PEA to improve development effectiveness depends on how far it addresses the micro as well as macro politics of aid, and permits a finer grained engagement between analysis and action. This requires more reflexivity on the part of those who commission and produce PEA, and further movement from intervention to interaction modalities for aid delivery.

**Key words:** political economy analysis; development management; aid effectiveness; complexity

## 1 Introduction

Aid effectiveness, from a traditional Northern donor perspective, hinges on finding development partners who are both ‘committed’ to common goals and ‘capable’ of absorbing extra resources to help achieve them: see DFID’s 2011 review of its entire bilateral and multilateral partnership portfolio, for example. But such assessment is severely complicated by the difficulty of measuring both concepts, and by their variation within agencies and over time, not least because of their mutual interdependence (Waterman and Meier, 1998). This paper explores an alternative perspective on aid effectiveness as both a “wicked problem” (Grint, 2005), and one that is deeply and unavoidably political (e.g. see Killick, 2004; Hyden, 2008; Hayman, 2009; Booth, 2011). It does so by exploring how, and how well, donor activities are informed by effective political economy analysis (PEA).

The outcome document from the Fourth High Level Forum on Aid Effectiveness, that took place in Busan at the end of 2011, makes no explicit mention of PEA, but it does implicitly highlight both its importance and complexity. External aid should sustain “democratic ownership” within recipient countries – by affirming the role of national parliaments and local government, for example. Traditional and non-traditional aid donors should also foster “inclusive relationships” among themselves; respond to rights-based approaches promoted by civil society organisations and build links with the private sector. They should facilitate “joint risk management” and be transparent about what they spend and how. Target setting and results orientation should be complemented by more open processes of consultation, including those aimed at building partnerships between donors and national recipients over assessment, sequencing and evaluation of institutional and policy change (FHLFAE, 2011).

Current donor frameworks for PEA have evolved without much, if any, reference to a concurrent revival of academic interest in development management theory (DMT), despite overlapping emphasis on power, stakeholder incentives and implications for aid effectiveness. Like PEA, the origins of DMT are old and diffuse. Its recent revival centres on a schism between the extensive literature on management as a planned, rational and above all controlled process, and a contrarian view that regards such “managerialism” as anathema to a political view of development as liberation or empowerment (Gulrajani, 2010). Gulrajani sets out to identify scope for planned management of human development that can overcome this dilemma. She calls such activity “romantic management” in recognition that it is likely to depart from at least some of the Western Enlightenment assumptions that underpin dominant development management thinking, such as the idea that there is one universal ‘best-practice’ framework for PEA that exists independently of who uses it, and in what context.<sup>1</sup> In re-examining PEA as a management tool, we broaden its focus from aid recipient countries to include the diverse range of donors collaborating with them, and explore how far the use and utility of such analysis can also be broadened.

The structure of the paper is as follows. Section 2 provides an overview of PEA and of on-going debate over its strengths and weaknesses as an aid to development effectiveness. Section 3

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<sup>1</sup> In a subsequent paper Gulrajani (2011) also refers to “romantic” as “radical-reformist”. We opt for the former term on the grounds that it echoes a distinct tradition in the social sciences, as recently explored by Bronk (2009).

examines this literature from a wider perspective by drawing on the DMT literature. Section 4 mirrors the other papers in this Special Issue in turning the analytical spotlight on development agencies themselves; more specifically, by considering how PEA is utilised in the context of the complex, open-ended interactions between development agencies, consultants and other stakeholders involved in policymaking. Section 5 concludes that its usefulness as a tool for promoting romantic as well as reformist development management depends upon the freedom, willingness and capacity of users to adapt their own objectives and operational modalities in the light of what PEA reveals. Preoccupation with results-based management, rooted in rational actor ontology, limits the scope for its use in more open-ended and imaginative ways.

## **2 PEA: A brief overview**

PEA is used by development agencies to enhance their understanding of the economic, political and social processes that drive or block policy reform. Their immediate purpose is to inform design, feasibility assessment, and implementation of development initiatives with a view to enhancing their effectiveness.

### **2.1 Three leading examples**

Three PEA frameworks used by leading donors are briefly outlined below.<sup>2</sup> The selection captures variation in the scope of analysis from national to sector level, as well as the chronological progression towards more focused and action-oriented analysis. We focus on broad conceptual frameworks offered by each approach, rather than more specific operational tools to facilitate their use (cf. World Bank, 2007).

#### **2.1.1 Drivers of change (DoC) analysis (DFID 2004)**

DoC was launched by DFID in 2001, and was used during the next few years to inform more than twenty country studies (Leftwich, 2006a; Scott, 2007). These sought to understand the main progressive and regressive political forces influencing poverty reduction. Although individual champions of reform are sought, drivers of change are viewed more broadly. A distinction is made between: (a) structural features, or natural and human resources, economic and social structures; (b) agents, or individuals and organisations pursuing particular interests; and (c) mediating institutions, comprising frameworks and rules structuring the behaviour of agents. The DoC framework avoids imposing a more elaborate framework on analysts, seeking instead to assist DFID country offices in identifying and understanding political dynamics most relevant to design of pro-poor interventions. The logical sequence is from detached analysis of country level dynamics (how the world is), to assessment relative to the normative goal of poverty reduction (how it should be), then finally to an assessment of what DFID can do to close the gap (how it could be).

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<sup>2</sup> Other PEA frameworks that could have been included are SIDA's Power Analysis, the Dutch Foreign Ministry's Strategic Governance and Corruption Assessment (SGACA), EC Sector Analysis, ODI's sector framework (Moncrieffe and Luttrell 2005) and Leftwich (2006a&b, 2007). Also particularly relevant is the work of Grindle (2010; 2011) and analysis of (in)security, welfare and well-being regimes (Gough and Wood, 2004; Gough and McGregor, 2007; Copestake and Wood, 2008). Other reviews of PEA frameworks include Endlemen (2009) and Haider and Rao (2010).

### **2.1.2 The political economy of policy reform (World Bank 2008)**

This framework is intended to aid sector level reforms, and builds on evidence from World Bank engagement in agricultural marketing, water supply and sanitation sectors. The approach highlights distributional implications of proposed reforms through a threefold sequence of analysis, process and action. The “analysis” stage seeks understanding of how rules governing selected sectors are generated, followed and contested. This includes identification of key stakeholders and their role in each stage of the policy development process (from problem diagnosis to implementation) as well as links from the selected sector to relevant institutional and decision-making structures at the national level. The “process” stage addresses modalities for stakeholder interaction (e.g. partnerships, participation and leadership) and how these affect information flows, coalition building, public debate and transparency. The “action” stage extends analysis into reform implementation. This includes monitoring the political economy of timing and sequencing of reforms to inform pragmatic, flexible and strategic responses. It also emphasises the need to schedule “partnership-based reform debate” and to sustain the evidence base for policy making through monitoring, evaluation and communication strategies, including creating new channels for accountability.

### **2.1.3 Problem-driven governance and political economy analysis (World Bank 2009)**

This framework aims to assist World Bank teams to learn “best practice” lessons from reform, provide them with a “menu of options” for conducting good diagnostic studies and translating them into action. Rather than offering a broad national analysis or sector focus it addresses a particular institutional problem or constraint. It also aims to identify how momentum for change can be fostered, thereby overcoming criticism of earlier governance assessments for a static emphasis on institutional gaps and weaknesses. There are again three stages: to identify a problem, challenge or “vulnerability”, to map relevant institutional and governance arrangements, and third to identify the political economy drivers and obstacles to change. The crux of the approach is on why institutional arrangements or policies are not supportive of a particular reform process. This is built around a distinction between structures, institutions and actors similar to that of DoC analysis. At the same time, it seeks to link analysis of risks facing particular policy reforms to strategies that World Bank country programmes can use to addressing them. This includes understanding strategies of other stakeholders, and opportunities for the World Bank to influence them in the political realm. It highlights the use of different types of communication strategies to build support for change, emphasising how the initial PEA can influence the type of policy dialogue to be used - from passive (“do no harm”), to active coalition building. It also provides in-depth guidance on what information to collect and how to analyse it.

## **2.2 Similarities**

Table 1 summarises the distinctive focus of each framework on overall national political economy, sector-specific and problem-specific issues. At the same time, it is the similarities between them that are perhaps more striking. All three explore links between a structural context for an intervention, the key stakeholders affected and the influence of institutions on stakeholders’ opportunities and incentives for action. These similarities reflect common conceptual origins and academic reference points within the wider literature on economic



institutions, governance and policy making in low and middle income countries.<sup>3</sup> Linked research into aid effectiveness forced staff in development agencies to recognise that it was inadequate for them to blame the failure of many supposedly ‘good’ policies on poor implementation or lack of ‘political will.’ More fundamentally, attempting to reconcile the case for enhancing ‘domestic ownership’ of policies without necessarily abandoning their own views prompted closer engagement with local policy processes (Hyden, 2008).

**Table 1: Summary of distinctive features of the three frameworks**

<b>PEA framework</b>	<b>Distinctive features</b>
Drivers of Change	<ul style="list-style-type: none"> <li>– Simple and flexible framework that can be adapted to diverse country contexts.</li> <li>– Aims for a comprehensive evolutionary analysis of country’s economic, social and political characteristics.</li> </ul>
The Political Economy of Policy Reform.	<ul style="list-style-type: none"> <li>– Evidence based, having been built from a comprehensive set of sector case studies.</li> <li>– Focus on the political dynamics of policy change: how reforms are tabled and why, how they are perceived, who supports, opposes and attempts to change them.</li> <li>– Includes an action framework to assist in translating analysis into operational implications. Emphasises the need to build partnerships and coalitions for change to overcome political sensitivity and to create the space for evidence-based discussion, negotiation and policy making.</li> </ul>
Problem Driven Governance and Political Economy Analysis	<ul style="list-style-type: none"> <li>– Centres on a specific issue or problem with a view to guiding action as well as analysis.</li> <li>– Provides examples of PEA in action, and highlights operational implications of different stages of analysis. For example how it maps onto the World Bank’s operational strategy and types of public dialogue appropriate to each.</li> </ul>

In addition, the World Bank frameworks attempt to respond to criticism of DoC (elaborated below in section 2.2) for being short on guidance about how to use PEA to inform programme strategies. This is illustrated by Table 2.

**Table 2: Operational guidance included in PEA**

<b>PEA framework</b>	<b>Guidance to inform programme activity</b>
Problem Driven Governance and Political Economy Analysis	<ul style="list-style-type: none"> <li>– Assists policy engagement and “partnership based reform programmes” through a flexible approach that manages risks, public dialogue and “coalitions for change”.</li> <li>– Links analysis and communication strategies through understanding</li> </ul>

<sup>3</sup> These include Stiglitz on market failures, North on path-dependency, Grindle on policy analysis, Bates on the politics of economic reform and Williamson on institutional embeddedness. More rarely cited is Mahoney and Thelen (2009) on institutional change, and Powleson’s (1994) work on power diffusion that anticipated the contribution of Acemoglu and Robinson (2006).

	stakeholder concerns and facilitating wider engagement where needed.
	<ul style="list-style-type: none"><li>– Provides information on what is feasible for external actors and therefore how to influence strategies in the short and long term. This includes analysis of current strategies of stakeholders and potential windows of opportunity.</li><li>– Highlights scope for using PEA to enhance policy dialogue and foster innovative approaches to operations through a more granular understanding of the behaviour of stakeholders. For example going past the proponents/opponents dichotomy.</li></ul>
Problem Driven Governance and Political Economy Analysis	<ul style="list-style-type: none"><li>– Provides information on what is feasible for external actors to influence strategies over the short and long term. This includes analysis of the strategies of other stakeholders and of potential windows for opportunity.</li><li>– Takes into account and manages risks; for example through public dialogue strategies and building coalitions for change.</li><li>– Integrates evidence-based policy making with partnership based reform programmes.</li><li>– Links analysis with monitoring and evaluation, and with communication strategy, through improved understanding stakeholder concerns, leading to more participatory approaches where needed.</li><li>– Realign accountability frameworks through analysis of demand and supply for information.</li></ul>

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### 2.3 Critical debate over PEA

PEA as a mainstream development management tool is still relatively new, but has already been the subject of substantial critical discussion (Unsworth, 2007; 2008; 2009; Leftwich, 2006a; 2006b; 2007; Duncan and Williams, 2012; Grindle, 2010; 2011; and World Bank Institute and CommGap, 2010, for example). Four perceived strengths of PEA can first be identified. First, while proponents of PEA did not, of course, introduce the analysis of institutions into development practice, they can claim to have promoted a wider and more realistic understanding of their functions including the importance of informal norms and beliefs. This has helped to counter simplistic assumptions that development can proceed through transfer or promotion of universal 'best practices' with a greater appreciation of contextual constraints. Landell-Mills et al (2007; 2), suggests that the focus on institutions, particularly informal institutions, amounts to a 'new political economy perspective' (NPEP) – "The most striking feature of the NPEP is that it combines a strong sociological component with political analysis, taking account of embedded beliefs, cultural norms and ethnicity that change only gradually, and yet have a profound influence on the way agents act and react..."<sup>4</sup>

Second, PEA has promoted a more open discussion of power within the donor community and of the political processes through which policy is both formulated and implemented. This has promoted deeper analysis of stakeholders' capacity to subvert and countered simplistic

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<sup>4</sup> Leftwich (2006a) caveats this by highlighting that the conceptual ambiguity between structural features and institutions in DoC studies partly led to largely agent centric analysis with broader social and cultural influences not fully incorporated or explained.

explanations of policy failure as 'lack of political will'. By giving donors greater insight into commitment and capacity for country-led reform PEA thereby directly addresses the aid effectiveness agenda, though it leaves open the question of how far they are themselves willing and able to adjust their strategies accordingly.

A third and more general point, linked to both of these is that PEA has injected greater realism into development policy and practice and the need to engage with the political struggle. Fourth, the development of PEA frameworks and tools bring a more systematic approach to analysis, in pursuit of methodological consistency. This opens up the possibility that tacit knowledge and hard-won experience of individuals can be lodged more firmly in institutional memory. Unsworth (2008: 1) illustrates the last two points by stating that PEA "contrasts with more normative approaches to governance assessment that focus on how formal institutions are performing, or political reporting of embassies that tends to be preoccupied with current events and actors".

At the same time, practitioners continue to find weaknesses in PEA as a development tool, citing the failure to change fundamentally the way agencies operate (Thornton and Cox, 2005; DFID 2005; Landell-Mills et al, 2007; Unsworth, 2007; and Foresti and Wild, 2009). While recognising that PEA has contributed to a deeper understanding of the nature of development problems, it remains less clear to them how useful it is in identifying solutions. This section reviews four criticisms: excessive scope, which makes it hard to draw specific conclusions; overly abstract language; the politically sensitive nature of findings; and the organisational difficulties of translating findings into action.

The scoping problem was highlighted by a review of early DoC studies (Thornton and Cox, 2005). They were found to generate broad conclusions about underlying influences on change within selected countries, for example the recognition of neo-patrimonial relationships. But this was at the expense of more detailed analysis of specific agencies and their incentives, and in the absence of such analysis it was difficult for donors to identify and prioritise stakeholders who they could align with most effectively. In addition the focus on historical processes, particularly in the case of DoC distracted attention from understanding the more relevant short to medium term dynamics of reform (Leftwich, 2006; Haider and Rao, 2010).

Second, non-specialists find the academic language used in PEA studies abstract and often over-elaborate. At the same time, detailed description of the numerous groups and structures in society confront them with a level of institutional complexity that is hard to incorporate into standardised country strategies and logical frameworks. It was also not feasible to collect the data and evidence required to ground theoretical frameworks adequately in local empirical reality (Haider and Rao, 2010).

Third, the political sensitivity of these studies inhibited dissemination of results and thereby limited scope for dialogue with local actors over the findings. An evaluation by DFID into DoC studies concluded that they were most successful when tailored versions of reports were presented to different audiences (DFID, 2005; Haider and Rao, 2010). As Landell-Mills et al (2007) note: "a key challenge is to find ways to conduct such studies in a manner that is non-confrontational, but avoids being secretive". Indeed, there is inherent tension in the extent to which such studies can lead to enhanced ownership; joint studies present the potential for

increased contextual understanding and ownership of its findings and operational implications but risk bias or suppression. Unsworth (2009) highlights the fear among donors that sharing or implementing findings of PEA could jeopardize important relationships or “rock the boat”.

PEA can pose a similar risk for bilateral agencies with respect to relations with their political principals and accountability to taxpayers. For example, Duncan and Williams (2010) point out that second best or “good enough” solutions suggested by PEA are harder to explain and to justify than, say, direct investments in schools and roads. As Grindle (2011: 2) states, “scholars of development rise fast if they produce parsimonious truths rather than complicated options”. This reflects the norm of presenting development as technical rather than political, and is reinforced by internal performance structures that incentivise disbursement of funds or deployment of technical experts.<sup>5</sup> While PEA can still be justified as a tool for managing programme risks, emphasis on demonstrable impact and value for money can work against interventions aimed at tackling deeper and more long-term institutional issues (Eyben, 2008).

There appear to be clear diagnostic benefits of PEA, but significant challenges remain in translating these into donors’ existing operational practices to enhance aid effectiveness. The ideal may be that PEA frameworks furnishes a deeper understanding of local problems, institutions and ways of addressing them; the reality may be that they do little more than embellish engrained intervention models used by donors informed by perceived deviation from universal ideals of ‘good governance’ with very little regard to local specifics (Grindle, 2007). Unsworth (2007: 1) argues that this is the case at the corporate level within donors, with an essentially technocratic approach continuing to dominate. She states that “overall, the impact of political science research has been patchy. Policymakers may be talking about politics, while still thinking in quite conventional ways about governance and development”.

### **3. PEA and Development Management Theory.**

At its most general, PEA is necessary for any public or private organisation, particularly in turbulent and uncertain times (e.g. The Economist, 2011:74). If broadly defined as a form of horizon scanning and problem diagnosis, then its integration into strategic decision making is a generic management problem. The narrower issue pursued here is with the micro-level politics of using PEA to inform the strategies and actions of development agencies themselves.

Our starting point is a longstanding tendency in the academic literature on development administration and management for schism (McCourt and Gulrajani, 2010). On one side are reformist writers, who while not uncritical of existing practice, accept that promoting poverty reduction and related development through planned, rational, technical and controlled processes is at least possible. In opposition are writers for whom management (pejoratively labelled ‘managerialism’) is anathema to development as a political process of empowerment and emancipation of the many. Gulrajani (2010:136) calls this contemporary radical perspective “Critical Development Management” (CDM) to reflect its roots in both “Foucauldian post-

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<sup>5</sup> Duncan and Williams (2010) also highlight other factors such as an inflated view of donor’s importance; a preference for working with formal institutions and a lack of understanding of the informal. In practical terms, overly-rapid staff turnover restricts staff from being able to develop the necessary depth of understanding.

development theory and neo-Marxian critical management studies”.<sup>6</sup> By tracing the origins of managerialism, as a rational scientific pathway to progress, back to its 18th Century Enlightenment roots she opens up the possibility of a more imaginative, intuitive, and value-laden “romantic” perspective on development perspective. This, she suggests, represents a distinct form of “non-managerial development practice” that is neither reformist nor radical. Three key characteristics of this tradition, she suggests, are: first, a strong emphasis on diverse experiential knowledge; second, an emphasis on performance, improvisation and intuition; and third, a heightened degree of reflexivity among practitioners rooted in the unavoidably contingent and contested nature of their practice.<sup>7</sup> This echoes Richards (1989), who compares small-scale farmers to musicians in order to extol their local knowledge and creative improvisation, contrasting this with a more mechanical view of their role as passive recipients of extension advice from all-knowing agricultural scientists.

An alternative route to a similar conclusion about development practice starts from an explicit recognition of complexity and uncertainty as core experiences of development practitioners (Ramalingam, 2008). Confronted with the impossibility of being all-knowing, people are forced to act on the basis of simplified mental models (North, 1990). The diversity of their experience produces a multiplicity of such models, and limits the scope for agreement on a single overarching vision or plan.<sup>8</sup> Instead, fragmented and often competing ideas regarding development proliferate, with no one position or stakeholder capable of capturing the full picture. As Enberg-Perderson (2012) explains, one response to this has been the decentralisation of aid agencies in an attempt to accommodate and promote such diversity. However, which ideas or visions are legitimised and become dominant depends on messy processes of interaction that reflect prevailing power imbalances (Eyben, 2008).

This is not to diminish the importance of seeking new understanding, building consensus and developing coherent plans for action. But it helps to explain why such endeavours often fail, and serves as a reminder that development is not the logical outcome of negotiations between all-knowing actors, but an evolutionary process replete with discoveries, surprises and accidents (Mowles et al 2008; Mowles, 2010). PEA, from this perspective, can itself be viewed as embellishing a relatively narrow and technocratic shared mental model of development management as rational planning. Rather than a mutual examination of the aid process it can reinforce an outward focus, with the development agency itself largely absent from diagnostic analysis, except as one stakeholder in the mix – with its own internal norms, competing mental models, interests, internal politics and processes off limits.

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<sup>6</sup> Gulrajani (2011) finesses this distinction further by noting the existence of left and right wing variants of the radical critique of aid effectiveness, united only in their critique of mainstream reformism.

<sup>7</sup> Bronk (2009) identifies the romantic tradition in economics as drawing more upon organic than mechanistic metaphors, emphasising non-commensurable values, resisting over-reliance on rational actor assumptions about individual motivation and emphasising the importance of imagination.

<sup>8</sup> See also Denzau and North (1994) for a discussion of the idea of shared mental models. North (1990: 17) observes that “individuals make choices based on subjectively derived models ... the information actors receive is so incomplete that in most cases these divergent subjective models show no tendency to converge”.

In turning the analytical spotlight of PEA back on the sponsoring development agency itself, we connect with a wider “aidnography” literature that emphasises the value of empirical research into how development works, as well as whether it succeeds (Lewis and Mosse, 2006). This also links with Gulrajani’s (2012) examination of how different environments, governance structures, goals and levels of discretion influence donor organisations. This sets the scene for future research into the extent to which PEA may reform but ultimately reinforce a managerial process of aid intervention, or open up new romantic possibilities for interaction among PEA analyst, client and other stakeholders and ultimately contribute to enhanced development effectiveness.

## 4. Problematising development practice

### 4.1. From intervention to interaction models

In its current guise, discussion of PEA is relatively silent on the micro-politics of the commissioning development agency itself: it is generally assumed to play a passive role in the analysis, and then appears as a *deus ex machina* at the intervention stage. The implication is that who carries out a PEA, and how, is not relevant to how it is used. Professionally conducted PEA should aspire to inform the commissioning agency in a way that is both dispassionate and objective. However, as demand for more detailed, prescriptive, practical and positive forms of PEA grows so the likelihood of bias and omission is likely to be higher, hence the imperative of exploring more openly and realistically the process by which PEA is produced and utilised. The discussion of complexity in the previous section reinforces the case for paying closer attention to how PEA relates to aid processes and relationships. More flexible, adaptable and improvised approaches imply a need for a more fluid and granular interaction between analysis and action. In exploring the move from intervention to interaction frameworks of development practice this section explores how this entails a more explicit treatment of the micro-politics of relations between donors and other stakeholders, including the consultants they commission to assist them with PEA.

A starting point for this discussion is the dominant mode of development action as a series of time bound episodes of planned intervention based on explicit goals, causal steps and resource requirements – often in the form of a logical framework. The DoC framework echoes this in distinguishing between how things are, how they should be and how to close the gap. More generally, PEA can contribute to the identification of the causal chains by which development goals are to be achieved by ensuring deployment of agency resources in ways that are more congruent and align with local structures and institutions. It can also assist in appraising the capacities and incentives of other stakeholders required to deliver complementary resources, and the risks of opposition or indifference. PEA can also assist in appraisal of modalities for scaling up or mainstreaming pilot interventions. Likewise, it can play an important role in evaluation of why projects fail.

Much of the criticism of this position is based on the view that what development agencies take on is simply too complicated to be planned in this way (Hirschman, 1967: 1-9; Easterly, 2006;

Barder, 2010; Mowles et al, 2008 and Mowles, 2010).<sup>9</sup> PEA can, therefore, be viewed as part of the reformist quest to find better ways of dealing with complexity. This perhaps corresponds favourably with another response, which is, to restrict interventions to fewer and simpler tasks that can be achieved and evaluated more reliably – particularly during periods of general budget austerity. However, a more imaginative alternative is to reframe development management in a way that recognises its complexity as a “wicked problem” (Grint, 2005) requiring a more consultative, experimental and iterative processes.

Grint (2005) describes three mechanisms for legitimising authority and leadership: presenting problems as “critical” legitimises coercive responses or the use of hard power; presenting them as “tame” suggest scope for calculative and negotiated solutions, but “wicked” problems favour a leadership style that consults and invites wider collaboration. Thus, while the use of PEA frameworks reviewed in this paper can be criticised along with logical framework analysis as an attempt to sanitise and professionalise development management (Mowles, 2010: 153), a less reified approach to it has the potential to stimulate wider political debate about development and greater consultation, including between donor and recipient policymakers (see also Booth, 2011).

One step in this direction is for PEA to incorporate a fuller and richer comparison of the contrasting ways of thinking or ‘mental models’ about development of key stakeholders to a project. The bigger the project and the more diverse the range of stakeholders the more complex is the task of ensuring that there is sufficient mutual understanding not only of key goals, but also rules and norms of how to pursue them. Copestake (2011) contrasts “single gap” thinking implicit in much PEA with “triple gap” thinking in development practice that systematically identifies such disjuncture.<sup>10</sup> A growing “aidnography” literature attests to the often disastrous effects of such disconnects (Lewis and Mosse, 2006). Indeed, given the desire for supporting recipient countries ownership, understanding the nature and strength of such disconnects is critical to successful implementation. While such failure can conveniently be attributed by donors to others, they also share responsibility for not anticipating and adapting to non-aligned priorities and incentives.<sup>11</sup>

However, disjunctures or disconnects between stakeholders are rarely solely semantic. Indeed, power structures underpinning the aid chain itself often limit the scope for improvised or romantic development management. For example, Grammig (2002) provides a detailed ethnographic study of such dynamics based on case studies of two technology transfer projects involving three parties – donor, expatriate ‘expert’ and local counterpart. He found that the

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<sup>9</sup> An important variant on this position is that development may not be inherently complex, but made so by meddling “counter-bureaucrats” who insist on impossibly tight and rigorous procedures for monitoring expenditure and measuring results (Natsios, 2010).

<sup>10</sup> The first gap is the difference between universal goals of development (e.g. the MDGs) and estimates of how far there are attained by a designated group. A second gap is the difference between the goals or aspirations of this group and how satisfied they are with achievement of them. The third gap is the difference between these two perspectives.

<sup>11</sup> Martins et al (2002) formally explore these issues using principal-agency theory and other standard tools of microeconomics, with particular reference to the role of consultants’ provision of technical assistance. Williamson (2008) investigates varying degrees of donor and government alignment in Ethiopia. Bevan (2000) reveals wide divergence among stakeholders in their perception of whether development consultancies were successful or not.

effectiveness of both projects was constrained by tensions between expatriates and locals arising not from cross-cultural misunderstandings or technical disagreements, but from structural differences in their relationship to the timing and financing of the project by donors, including differences in capacity to exit from the project. Any PEA that excluded these aspects of projects' design would have revealed little about their success or failure.<sup>12</sup>

This discussion suggests that any role PEA can play in shifting the meta-mental model of development management from mechanistic/mainstream to organic/romantic requires more explicit discussion of the politics of who conducts PEA, for whom and how. In short, and somewhat ironically, the political implications of PEA often remain inadequately conceptualised. Hughes and Hutchison (2008:18) make this point particularly forcefully: "there has been insufficient recognition that contention over development represents more than transitory conflict over temporary or compensable costs attached to the process of change. The donor literature retains these weak conceptions of politics precisely because they permit avoidance of the full implications of political analysis: namely the need to take sides politically in order to promote poverty reduction goals". Having made this point they then draw a useful distinction between opportunistic, pragmatic and idealistic practice that hinges on how far donors rely on tactical alliances with powerful interests, or seek more fundamental political transformation through direct empowerment of the poor and politically weak.

#### **4.2. The role of the PEA practitioner: from Marx to Machiavelli?**

In the remainder of this section we examine the implications of this argument for the practical task of carrying out PEA. The immediate issue facing any development agency commissioning such work is to make a realistic assessment of its own comparative advantage. PEA may be conducted by the agency's own staff, or it may be contracted out to consultants, including those with important local contextual knowledge. This obviously has a bearing on how far the PEA is expected to move from diagnosis to detailed policy prescription. In separating PEA from its use, those commissioning the study implicitly assume they (or other sub-contractors) will be better able than the PEA consultant to address these downstream tasks separately. The flipside of an external consultant's possible lack of insider knowledge is critical detachment and possibly a better understanding of how the agency is perceived by others. But allowing an outsider to shine the analytical spotlight of PEA too strongly onto the commissioning organisation itself is potentially distracting, internally destabilising and politically risky.

Even within a bilateral contractual relationship for an entirely externally focused PEA, a consultant may move beyond the role of obedient servant (bound by formal terms of reference) by offering informal views about the need for internal changes.<sup>13</sup> For example, the PEA may be intended specifically to provide key internal messages that build on prior relationships of the analyst. PEA may also serve both as a loss-leader for the consultant and as a pre-screening device for the commissioner. In the language of institutional economics, consultants seeking

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<sup>12</sup> See also the distinction between foreign versus indigenously introduced indigenous and exogenous institutions explored by Boettke et al (2008).

<sup>13</sup> Andersson and Auer (2005) explore these issues by drawing on interviews with contractors for the Swedish International Development Cooperation Agency (SIDA) in Zambia. Wood (1998) offers a rare in-depth case study of competition between consultants thrown together in a single aid mission. See also Mahoney and Thelen (2009) for a useful classification of different kinds of change agents.



new markets compete in selection tournaments to lower the initial information asymmetry between principal and agent. If so, then success entails not only demonstrating professional competence as an analyst but also political savvy in coming in 'on-message'. Indeed, the art is even finer: the analyst needs to convincingly justify the political message in the language of dispassionate PEA; and at the same time judge how far it is possible to go 'off message' in order to retain professional and personal integrity and reputation. This is also a game played over several rounds, as mutual trust generates opportunities for analysts to win follow-up work, participate in internal debates within the commissioning agency and represent it externally.

More experienced consultants and counterparts are likely to have learnt how to work around tensions arising from the micro-political economy of their contrasting relationship to development modalities and finance. For example, at critical moments in building a working relationship they may find ways to signal to each other how their personal and official views (and identity) diverge. However, in doing so they take the risk that any break from the official norms and rules of their structural relationship may backfire. And the possibility of virtuoso cross-cultural performance should not obscure the dominant position of the funder to dictate terms of the consultancy.

Emphasising the complexity, diversity and uncertainty of the terrain for development management also suggests a more fluid role for the political economy practitioner, such as that specified by Room's (2011) "agile policy toolkit". He highlights eight non-sequential processes of policy making which the agile policy maker must continuously weave between, adapting to situations and allowing each of these processes to co-evolve with the others.<sup>14</sup> This requires a conventional PEA framework/toolkit to be augmented with a 'reflexive' focus to take into account the two (or more sides) of the aid relationship. In this sense, PEA can be viewed as a sequential game of joint and independent analysis and action between potential collaborators. Joint action creates new opportunities for information sharing and analysis, and vice versa; thereby opening up possible virtuous circles of deepening collaboration, as well as vicious circles of estrangement and conflict. Proceeding cautiously, an important part of the role of PEA is to identify obstacles as well as opportunities. This makes it politically sensitive and opens up the potential for a trade-off between openness and potency of analysis. Formal aid modalities based on rational-actor assumptions and tidy logical frameworks can serve as a convenient smokescreen for the messy informal politics that inevitably occupy much of practitioners' time (Eyben, 2010).

This section has suggested that practical PEA requires the analytical skills of Machiavelli as well as of Marx. There are two points here. The first is about the need to incorporate the micro-politics of development agencies own inter-relationships into PEA. The second is that doing recognises at least some room for manoeuvre on the part of the commissioning development agency to change the way it operates in the light of such analysis. These points are explored further in Section 5 which points towards an approach to PEA that is both more self-critical and iterative.

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<sup>14</sup> They are: map the landscape, identify the protagonists, model the struggle, watch for tipping points, tune the landscape, energise the protagonists, civilise the struggle, watch for predators. For a summary explanation see, <http://www.bath.ac.uk/soc-pol/people/gjroom-policy-making.html>

## 5. Finding the spaces for change

This final section provides some tentative views on the future possibilities for more reflexive and interactive PEA to enhance development effectiveness. This is elaborated through reflection, in the light of the arguments put forward in the previous section, on five areas for reform of PEA practice identified by practitioners (World Bank Institute and CommGap, 2010). In each case, we contrast a reformist position with more radical and romantic perspectives.

### 5.1 Identifying room for manoeuvre for reform

A common worry is that increased realism generated by PEA can contribute to fatalism, and loss of belief in the feasibility of reform. For example, Duncan and Williams (2012) note the risk of PEA being regarded as “the dismal science of constraints” and while others emphasise the need to seek (and presumably find) possibilities for change and ways in which PEA can assist in promoting local approaches to resolving problems. As Levy (2011), an architect of the World Bank’s thinking to PEA, comments, effective action works with the grain of a dynamic, adaptive process in the hope it can “nudge” it forward.<sup>15</sup>

From a radical perspective this point illustrates the charade of much of the effort to ground development practice in reality – nudging towards the same end goals still implies a rational controlled intervention model. It also illustrates the way in which consultants may be forced to prostitute themselves if they are to maintain favour with clients: while there is much talk of evidence based policy making, this always opens up possibilities for policy based selection of supportive evidence. From a more romantic perspective, in contrast, a more realistic understanding of local political constraints and complexity may strengthen support for deeper and more open consultation in pursuit of more contextualised policy. And greater recognition of this reinforces the case for optimism and experimentation: better false positives than false negatives.

### 5.2 Knowledge-driven change: combining diagnosis and coalition building

Much of development practice can be regarded as a process of establishing the basis for collective action to promote pro-poor change. However, there is a lack of clarity within PEA between this task and that of data collection and analysis. The World Bank approaches presented in this paper aim to identify and provide a focal point for change: clearly communicating the benefits of collective action; revealing the credibility and legitimacy (or otherwise) of potential stakeholders; generating evidence and providing the rationale for broadening coalitions; and last but not least, helping to get the timing and sequencing of action right.

From a radical perspective, this again errs on the side of misplaced optimism in focusing on long-term positive-sum games rather than the short-term zero-sum struggles that are the stuff of ‘tribal’ politics between well entrenched interests. On the other hand, recognition that analysis and action cannot be rigidly demarcated, and that differences in perception are key influences

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<sup>15</sup> Work by the Centre for the Future State (IDS, 2010) and ODI’s ‘Africa Power and Politics’ programme provide specific examples. See also Booth (2011) which sets out the potential role for development actors in facilitating collective action solving through informed political analysis.

on policy outcomes is meat-and-drink to a romantic perspective. The view that collective action is a messy and cumulative trial-and-error process of building coalitions also fits well with a romantic and complexity perspective on development practice (Room 2011). In this sense, rather than informing the 'alignment strategies' of development agencies through seeking specific 'progressive change elements', the role of PEA is to identify networks and relationships where consultation and collaboration, mutual learning, exploration of divergent mental models and emergent possibilities might occur.

### **5.3 Challenging knowledge production processes: for whom and by whom**

The World Bank and CommGap (2010) conference report is mostly consistent with the two World Bank frameworks in emphasising the role of PEA in supporting the political activities of other stakeholders in favour of reform. This entails giving more emphasis to dissemination of information to selected local actors and their participation in analysis. More specifically, it suggests a stronger focus on civil society to address the "chronic misalignment of objectives between donors and client governments (Ibid: 4)". To do so, all commentators argue that the findings of PEA need to be clearer and simpler.

What is most striking about this is the extent to which engagement with civil society is presented not as a form of dialogue but as a means to achieving already finalised development goals. This can be interpreted from a radical perspective as a brazen bid to co-opt civil society onto the side of donor 'patrons' in their struggle to secure compliance of 'client' governments. Further, the reformist desire to make PEA 'clearer' reaffirms its position as an instrumental tool. In contrast, innovation in knowledge production from a romantic perspective starts with recognition of pervasive uncertainty and the fragmented nature of understanding. Ambiguity and disagreement may open up space for open, plural and reciprocal learning leading to more creative policy possibilities. This suggests movement from set piece PEA studies to a more iterative approach to PEA that involves more stakeholders in the knowledge production process.

### **5.4 Operationalising PEA**

Reformist ideas for improving the operational value of PEA include: refining tools for mapping actors and gaining a better insight into their incentives; developing innovative ways to link coalition groups together to address collective action issues, including through use of cell phones and other technology; incorporating PEA more fully into monitoring and evaluation to assess real time risks to reform processes; moving from standardised frameworks to sector and problem specific approaches; and linking PEA to scenario analysis, which can then be used to elicit feedback and build links with key stakeholders. Enhancing the predictive element of PEA, including through better gauging of public and private sector opinion, can also help build the case for context specific or "second best" policy choices relative to universal prescriptions (Endlemen 2009).

Such suggestions indicate support for more open co-production of PEA, and for relaxing the boundary between analysis and action. But they do not seem to challenge the basic assumption that donor agencies commissioning PEA should remain at the centre of policy development processes. In addition, they do not change the fundamental framing that donor agencies can predict and control processes of development. Nor do they go very far in reflecting on the broad

political economy of donors themselves within the policy process. Mowles et al (2008) also emphasise the methodological individualism inherent in logical frameworks and similar planning tools - with complexity relegated to the 'assumptions and risks' column. To that end PEA becomes another tool or lever to use to achieve change.

A more complex and less prescriptive PEA recognises the potential benefits of accommodating messier but more open processes of interaction and performance in policy-making. Approaching problems with agility and art entails being more honest about the shared knowledge base on which decisions are made, the inevitability of making mistakes, the importance of learning from them, and the challenge of trying to hit constantly moving targets. This is not incompatible with target setting and measurement of results but does have a bearing on how they are set (including room for more cooperation), as well as how shortfalls are interpreted.

### **5.5 Mainstreaming PEA within development practice**

A number of commentators highlighted the challenge of publically airing politically sensitive views. This is despite topics such as corruption and vested interests being increasingly discussed in mainstream policy debate. Participants recognised that consistency demands PEA should likewise stimulate debate over the internal constraints on donors to mainstreaming PEA within policy design and implementation, including the need to deliver and demonstrate quick and measurable results within rigid and often unrealistic timeframes. The recognition of the structural constraints to donor practice fits well with the more reflexive romantic perspective on aid management. The international dialogue on aid effectiveness leading to Busan can be cited as evidence that there is some willingness to acknowledge the institutional problems of donors alongside those of aid recipients and explore an agenda for addressing both based on mutual accountability.

A radical response is to be sceptical that PEA of development agencies themselves will greatly weaken Western control over donor policies or significantly modify the way they operate. Both the managerialist approach adopted at Paris to measure and monitor progress against fixed targets, and lack of sanctions in punishing failure to achieve them can be cited as evidence of this. In reverting to more fluid dialogue around a diverse set of 'building blocks', the outcome of Busan suggests a more romantic approach, but one open to criticism in turn for lack of specificity and 'teeth' from both reformist and radical perspectives. But the change in style can in part be attributed to the need to accommodate non-traditional donors, opening up new possibilities of departure from the dominance of Western influence (via the OECD as well as the World Bank) over the aid industry.

## **5 Conclusion**

This paper has examined the interest of traditional aid donors in PEA, exploring on-going debates among its practitioners over how to make it more useful in the light of theoretical debates over the nature of development management. In viewing aid effectiveness as a wicked problem, we have highlighted the importance not only of increased consultation but also reflexivity and adaptability on the part of donors. If PEA is regarded solely as a technocratic means to better understanding the commitment and capacity of others, without opening up opportunities for internal learning and adjustment then its role in enhancing aid effectiveness

will be correspondingly limited. Indeed, there is a somewhat sinister aspect to suggesting improvements to the toolkit of PEA by brushing up on Machiavelli as well as Marx. Recognising that development management is in reality less a form of intervention than a process of interaction and discovery we have affirmed the romantic case for more open dialogue and for closer integration of analysis and action.<sup>16</sup>

At the same time reformist, radical and romantic positions can be viewed as alternative mental models for addressing not a single development problem but a complex, diverse and uncertain set of inter-related development problems. If so, then their relative explanatory power will vary: some development tasks are wickered than others. Hence, while critical of the dominance of the reformist position we are not rejecting the role of planned intervention outright, but arguing for locating it within fuller and more honest political economy analysis: sensitive to diverse contexts and to the interaction between ways of thinking about and doing development at global, national and sub-national levels (Gaventa, 2006). No universal framework for PEA can ever realistically encapsulate such complexity; but that is an argument for more political economy analysis of aid effectiveness rather than less, including more empirical research into the use of PEA itself.

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<sup>16</sup> See Copestake and Williams (2012) for an attempt to systematise these arguments in the form of an alternative framework for PEA that emphasises reflexivity, agility and specificity.

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