



# DLP

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## Donors Doing Political Economy Analysis™: From Process to Product (and Back Again?)

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## Executive summary

Practitioners and academics are today convinced that 'thinking politically' is important to successful development interventions. Since the early 2000s, attempts to mainstream political thinking in most donor agencies have used a political economy analysis (PEA) approach, and yet this has been largely ineffective. This paper attempts to explain this failure through re-focusing current debate on PEA.

The paper argues that the process of PEA is not fundamentally flawed and indeed agrees, as PEA advocates have consistently argued throughout the 2000s, that success in future development programmes requires a wholesale re-thinking of the relationship between politics and international development.

However, we argue that PEA has today become a tool or product 'sold' to donors and 'done' externally, and it is no longer fit for purpose. We critique this type of 'PEA™',<sup>1</sup> tracing its evolution from a transformative approach to policy-making to a discrete instrument that is applied to specific 'problems', usually by external consultants. We draw attention to the consistently faulty and introspective methodology that has informed the undertaking and application of PEA™.

Our analysis leads us to suggest that throwing away this model and doing something completely different is the only way donors can hope to move forward with the 'thinking politically' agenda.

### Methodology

This research is based on:

- textual analysis of PEA frameworks, reports, 'how-to guides' and evaluations;
- semi-structured interviews with donor staff at a number of agencies, and with consultants and academics working on PEA;
- participant observation of PEA debate and training in a number of settings, including in PEA-focused donor workshops, PEA training at donor events (both as participants and as trainers), PEA 'community of practice' meetings bringing together donors and consultants, and in conducting PEA in-country.

This has given us a unique insight as academics into the production of PEA™, and to the challenges that donors face in mainstreaming PEA into their practice.

### Key findings

This study offers a critical analysis of the political economy of PEA practice to date. It suggests that PEA's overall efficacy has been largely hampered by the methodology used and nature of the approach itself.

#### Changes over time: The narrowing PEA agenda

- The purpose of PEA has changed from its original model as a broad strategy to transform technicalised donor cultures and help officials understand the political dynamics of the countries they work in. It has evolved into a problem-solving tool for tackling specific challenges – ironically, a 'technicalised' use of PEA.

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<sup>1</sup> 'TM' is the symbol used internationally to denote 'trademark', which acts as a 'badge of origin' to identify a particular business or organisation as the source for particular goods or services and giving legal right over these. We use it here to suggest PEA as both a process but also a product that is 'sold' to donors by particular businesses or organisations.

- The focus of PEA has been shifted by its users; initially widely used to understand country-level contexts, it has increasingly been used to analyse local- or even sector-level issues and entities.
- While PEA donors initially intended the approach to be 'mainstreamed' throughout their organisations, there has been an increasing shift towards isolated 'Communities of Practice'.
- Transformative use of PEA has been hampered by barriers such as bureaucratic incentive structures, the pressure to deliver measurable 'results' and donor politics. First generation PEA also did not answer the 'so what?' question; as a result, earlier forms of PEA were dismissed by some as 'commentaries' that identified problems without offering usable solutions.

### **Continuities: The donor-centric focus of current PEA**

- Current PEA practice echoes the approach of the historic, technicalised 'politics-free' approach to aid, keeping recipients at arm's length.
- In the same way, it tends to treat PEA as a form of intelligence-gathering, through a rather secretive process that does little to encourage 'joined-up' government
- PEA has become a risk diagnosis tool rather than a way in which donor staff can 'think politically'.

### **Policy implications**

For most donors, PEA remains a highly donor-centric approach that involves the collection of politically-sensitive data from donor-identified sources to inform donor policy planning processes.

The place of recipient governments and officials within this methodology is, at best, highly circumscribed and, more often, non-existent. This has a negative effect on ownership and development effectiveness.

Our conclusion is that a 'third generation' of PEA should therefore not look to refine first and second generation models, but should instead throw away the PEA™ model and do something completely different.

- Joint donor-recipient studies – though not necessarily solving the problem of getting donor staff to 'think politically' – may be one way to overcome some of the limitations of current PEA frameworks regarding ownership.
- The suggestions of Merilee Grindle might be explored further: donors might look at using existing patronage structures, identified by PEA in recipient states, to achieve development objectives. PEA could also be used to help local reform coalitions to open 'windows of opportunity' in the reform process, as suggested by the World Bank Institute.
- For PEA to lead to behaviour change within donor agencies – where donor staff begin to 'think politically' – we suggest that PEA would need to be done by donor staff themselves, and not just by governance or public sector specialists. PEA™ frameworks are far too complicated to be used in this way. This means they are not fit for purpose, if the purpose is 'thinking politically'.
- Third generation PEA needs to move beyond the PEA™ approach to finally help donor staff 'think politically' in the contexts in which they find themselves – quickly, simply and intuitively. This is clearly what donor staff themselves want.

## 1

## Introduction

**'The process of conducting [political economy analysis] studies is as important as the product of such studies'**  
*Anne Freckleton, Effective States Team, UK Department for International Development, December 2005<sup>2</sup>*

**'The result of the [political economy] study is the process as much as the report'**  
*Swedish International Development Agency (SIDA), Power Analysis, June 2006<sup>3</sup>*

The notion that 'politics matters' has become central to international development thinking in the last decade. An agenda focused on better understanding local political contexts and incorporating these understandings into policy-making has now established itself across development studies (Hickey, 2009: 141-142; Leftwich, 2005: 598-599; Leftwich, 2011; Whitehead and Gray-Molina, 2003:33; Wild, 2011: 1-2) as well as in the policy world itself (Benn, 2006; Unsworth, 2009: 883-884). The recognition of the relationship between politics and development is hardly new, but the recognition by donors of the 'centrality of politics'<sup>4</sup> certainly is. As Marquette and Scott (2005) argue:

During the late 1990s, [donors] became increasingly aware that the introduction of technically sound programmes, supported in-country by individual champions for reform, did not always bring the desired results. From this understanding, instead of just tinkering with programme design or abandoning programmes as failures, [donors] began to focus on the importance of the pre-existing political context to any reform (Marquette & Scott, 2005: 9).

Unfortunately, as we will see, there has been a mismatch between the growing recognition among donors of the need to 'think politically' and their own skills sets and incentives. In order to bridge the gaps between donor ambition, need and capacity, a plethora of 'political economy analysis' (PEA) frameworks have been developed, piloted and, increasingly, jettisoned across the donor community since the early 2000s. The PEA approach focuses on analysing what drives political behaviour in given contexts and the effects these 'drivers' have on policy and development interventions (OECD, 2003). It has today been adopted under various names by virtually every Western donor as a means to establish 'political thinking' at the heart of global development policy-making.

More than a decade since PEA's introduction, however, the approach does not seem to have come much closer to attaining its goal. Indeed, even PEA's major proponents acknowledge that PEA 'is having little influence on mainstream debates about aid and donors are [still] not questioning their implicit assumptions about how development happens' (Unsworth, 2009: 883). To remedy this, the PEA agenda has increasingly moved away from a broad ambition to encourage 'political thinking', to a far more pragmatic one concerned with 'problem-solving' and assisting donors with specific, ad hoc operational difficulties.

2 Freckleton (2005).

3 SIDA (2006: 20).

4 In this paper, we do not set out our own definition of 'politics', and 'politics' is not always explicitly defined in particular PEA studies or frameworks. A typical definition is that by the OECD-DAC: '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' (<http://www.oecd.org/dac/governance/politiceconomy>). In earlier comments on this paper, Rosalba Icaza (Institute of Social Studies, The Hague) pointed out that this 'narrows the view of what *politics* is supposed to be according to a particular set of assumptions and ideas informed by Western experiences over it as the norm: an arena of instrumental rationality, a space of negotiations over conflictive interests, etc...[as such, PEA is] one of the more visible expressions of an unequal geopolitics of knowledge production in the development industry itself'. Our sincere thanks to Rosalba for these comments. Our purpose in the paper is not to discuss PEA as knowledge production in and of itself, but it is an important point that we are glad to reproduce here, and one that is thankfully being taken up by Rosalba and her colleague, Wil Hout, in their research.

Recent research (Unsworth, 2009; Duncan & Williams, 2012; Hout, 2012) has suggested reasons why PEA has not had the desired uptake by donors or the expected impact on how donors go about their work. The shift to 'problem-based' PEA is a result of some of their analysis. However, the starting point for our paper is that their critiques do not get to the heart of the problem. Donors are struggling with PEA, despite a deep commitment to understanding the need to 'think politically' and take political context into account in programme design and implementation. This is as much the fault of PEA itself as it is of donor capacity and incentives. In the last five or so years, as we will see, PEA has moved away from largely donor-designed broad political analysis frameworks for understanding the overall political context in a given country. It has moved towards largely stand-alone products, designed by specialist consultants or academics for individual donor agencies, though the products share many common features (and designers). In this paper, we differentiate between PEA, which we see as being about the *process* of political analysis, and PEA™, which is about a *product*. This difference, we will argue, has great significance.

This shift in PEA's focus has not involved any substantial modification of the approach's basic methodology. Indeed, in spite of its many names, forms and frameworks, PEA has retained some key commonalities across time and donor institutions to date – most notably in its donor-centric nature. PEA has consistently been undertaken by donors – or, more often, Western consultants commissioned by donors – primarily to help define their own development agendas. Recipient government 'partners' have rarely been consulted during the PEA process or been made aware of a study's findings. PEA has remained, throughout its iterations, a deeply secretive and exclusionary approach to policy-making, possessing more in common with the practice of 'opposition research' or intelligence gathering than the ideals of ownership, alignment and partnership inaugurated in Paris in 2005 (OECD, 2008).

This research is based on:

- textual analysis of PEA frameworks, reports, 'how-to guides' and evaluations;
- semi-structured interviews with donor staff at a number of agencies, and with consultants and academics working on PEA;
- participant observation of PEA debate and training in a number of settings, including PEA-focused donor workshops, PEA training at donor events (both as participants and as trainers), PEA 'community of practice' meetings bringing together donors and consultants, and in conducting PEA in-country.

This has given us a unique insight as academics into the production of PEA™, and to the challenges that donors face in mainstreaming PEA into their practice.

This paper's primary contribution will therefore be to critically analyse the political economy of PEA practice to date and suggest that it is the methodology and nature of the approach itself which has been most problematic for its overall efficacy.



## 2

## Changes over time: The narrowing PEA agenda

PEA as used by donors today is the product of a decade-long iterative process which has seen the approach employed in increasingly new ways by donor organisations. The evolution of PEA since the early 2000s has seen a move away from country-level studies aimed at institutionalising 'political thinking' in donor agencies, to more ad hoc, problem-focused analyses directed at solving specific practical problems in particular development interventions. The advancement of this narrowing PEA agenda has led both donors and commentators to increasingly distinguish between 'first' and 'second generation' PEA, with the former giving way to the latter during the mid-2000s (SIDA, 2006: 24; DFID, 2009: 25, note 2; Copestake and Williams, 2012: 2). In placing today's PEA in context, therefore, this narrowing agenda – and the factors underpinning its development – will now be explored with a particular focus on three areas of change: purpose, objects of analysis and uptake strategies.

### 2.1. From 'Drivers of Change' to 'problem-focused' approaches: Changes in purpose

One of the key changes undergone by PEA in the last decade relates to its ultimate intended purpose. Early PEA studies, particularly those undertaken as part of the UK Department for International Development (DFID)'s pioneering Drivers of Change (DoC)<sup>5</sup> effort but also, to some extent, the US Agency for International Development (USAID)'s Democracy and Governance Assessments, and Germany's Technical Cooperation Agency (GTZ)'s 2004 Governance Questionnaire, were aimed primarily at providing donor officials with a better understanding of the general political dynamics at work in developing countries they worked in (USAID, 2000: 7-12; ODI, 2009: 1). Sue Unsworth, a former Chief Governance Adviser at DFID who developed DoC along with its derivatives in the Netherlands and EU, for example, noted that the approach was designed to help DFID officials 'understand the underlying causes of weak states and poor governance' (Unsworth, 2007).

A 2003 DFID Public Information Note made clear that DoC was intended to 'enhance DFID and other donors' capacity to understand how change occurs [in developing states]' (DFID, 2003: 1). Moreover, a 2004 DFID-commissioned synthesis report emphasised that 'ultimately the aim [of DoC] is to bring about behaviour change in DFID staff so that political economy thinking is a natural part of how their everyday work is carried out' (Warrener, 2004: 18). Likewise the Dutch Foreign Ministry's mid-2000s experiment with PEA through its Strategic Governance and Corruption Analysis (SCAGA) was intended to result in the full incorporation of political economy considerations into everyday policy-making in the Hague and its foreign missions (Hout, 2012: 411).

For DFID, PEA was originally conceptualised as a broad, ambitious programme to establish 'political thinking' as a central *modus operandi* in the Department, as a means to bring about 'profound transformation in how DFID approaches development and poverty reduction' (Warrener, 2004: 18). Significantly, in positioning DoC in this manner, DFID made it consistently clear that officials should not see it as a 'single, overarching conceptual framework that will enable [them] to "do" a Drivers of Change analysis' (DFID, 2003: 2), nor as just another technical 'tool' to use in programme planning (Warrener, 2004: 18).

Since the mid-2000s, however, this is precisely the direction in which PEA has moved. 'Second-generation' PEA studies now conceive of the approach as practical and instrumental rather than informative and general, as an optional tool available for problem-solving in specific projects or programmes rather than as a way of thinking in and of itself. This narrowing in the purpose of PEA can be observed across a variety of European aid bureaucracies. The evolution of SIDA's Power Analysis, for example, has increasingly focused on the 'operational' value of PEA since c.2006 with a recent exploration of the approach's future development noting that while it was originally intended to 'be used [by Swedish officials] as a starting point for

5 See the GSDRC Topic Guide on PEA for access to a range of PEA tools - <http://www.gsdrc.org/go/topic-guides/political-economy-analysis/tools-for-political-economy-analysis#country>

deep, contextualised analysis... and not as a tick-box exercise' there was a growing risk of Power Analysis being 'used as [a] mechanistic tool for programming' (SIDA, 2006: 7-9; Pantazidou, 2012: 23).

Furthermore, DFID's 2006-2007 'refinement' of DoC was premised on the development of a 'workable understanding of politics...that can be used [by policy-makers in] policy and programming' (Leftwich, 2007b). Its ultimate published output ('The Politics of Development' approach) encouraged DFID staff to commission PEA studies based around 'a precise question, or set of questions, or the problem for analysis, which they want addressed' (Leftwich, 2007a: 6). Recently, DFID staff have come to explicitly contrast the modern 'solution-focused' PEA approach with its defunct predecessor (Kossoff, 2011).

The World Bank largely refrained from the broad PEA approach prevalent in first-generation studies although, like DFID, also attempted to incorporate some political theory into its programming earlier than many other donors – as evidenced in its Expected Utility Stakeholder Model, piloted in 2002 (Marquette and Scott, 2005: 5-9). In recent years, however, it has been especially prominent in developing PEA as a 'problem-focused' instrument – advocating beginning any PEA analysis, as one Bank official has clarified, by focusing on 'what issue a Bank team is trying to address' (World Bank, 2010a). A complex 'Good Practice Framework' developed by the institution's Poverty Reduction and Economic Management (PREM) network in 2009, for example, explicitly makes clear that it advocates PEA as a tool available to Bank officials which they can employ to focus 'on particular challenges or opportunities...such as analysing why [specific] reforms...might not have gained traction and what can be done differently [by the Bank] to move [them] forward' (World Bank, 2009: viii). The same is true of PREM's most recent 'approach to public sector management' which advocates the use of PEA 'to develop a results-focused diagnostic protocol that helps operational staff' (World Bank, 2012a: 15).

PREM-published PEA studies frequently seek to discern whether political economy studies are 'actionable' (World Bank, 2011) and 'operationally usable' (World Bank, 2010c: 1) for Bank officials. PREM-organised PEA training courses focus on bringing 'a political economy perspective to specific operational challenges' encountered by Bank personnel (World Bank 2012b). PEA is also commended to Bank staff as being 'practical and useful for enhancing strategies and operations' and as an instrument for setting out policy 'options and solutions' at the planning stage (World Bank, 2009: 1-2). PEA is discussed internally at the Bank as a 'product' on the Bank's 'menu' (World Bank, 2010d: 5) or as a 'tool' in its operational 'toolkit' – a practical framework to apply in specific circumstances which is then easily discarded (World Bank, 2010b).

To some extent, the move from 'thinking politically' to 'problem-solving' apparent in this transition might be interpreted as the natural consequence of the first generation's success in achieving its objectives. Since DoC, there has been a growing consensus in the development world that 'thinking politically is now the received wisdom' in most development agencies.<sup>6</sup> DFID officials in the later 2000s have emphasised the 'centrality of politics at DFID' (Robinson 2008), that 'thinking...more politically is now at the heart of DFID's agenda' (ODI, 2009) and 'at the heart of its analyses'<sup>7</sup> while DoC is reported to have transformed the 'culture and language' of the Department (Kossoff, 2011). Moreover, donor officials in Washington and elsewhere make clear that 'we know this [the importance of thinking politically]'<sup>8</sup> and 'we have already started doing this'<sup>9</sup> during internal and external discussions on PEA.

However, the extent to which donors do actually intuitively 'think politically' today, in contrast to a decade ago, is far from clear. Large sections of donor bureaucracies have consistently resisted attempts to mainstream PEA in their organisations for a variety of reasons (see below). At the World Bank and DFID, PREM and governance officials respectively have noted longstanding and substantial opposition to PEA from within their institutions at most levels (ODI, 2005: 31-37; Leftwich, 2007b; Unsworth, 2007).<sup>10</sup> In addition, many USAID officials have, to some extent, resisted the perceived 'politicisation' of their work linked to adopting PEA approaches.<sup>11</sup> In general, commentators (most notably Unsworth) continue to maintain that while 'donors may be paying more attention to politics...the default position [within donor agencies] is still technocratic' (Unsworth, 2007, 2009: 884; see also Hout, 2012: 410-411). In other words, the move to second generation PEA has come about not because of a natural progression following the first generation's success but, it would seem, because of its failure.

## 2.2. From country level to local level: Changes in objects of analysis

As the purpose of PEA has evolved and narrowed over time, so too has the object of analysis in most PEA studies. Reflecting the more expansive approach and ambitions of the first generation, initial PEA studies were almost exclusively concerned with analysing political dynamics at the state or country level. As several commentators have observed, between 2003-2007 DFID and the Netherlands, commissioned PEA studies of 25 and 35 countries respectively, across Africa, Asia and Latin

6 Interview with World Bank official, 01/05/12.

7 Interview with senior DFID official, 30/11/09.

8 Interview with USAID official, 10/05/12.

9 Comments from World Bank PREM official, 'Public Sector and Governance Day' event, World Bank, Washington DC, 04/05/12.

10 Interview with World Bank official, 02/05/12; Interview with DFID official, 23/09/09.

11 Interview with USAID official, 10/05/12.

America (Scott, 2007: 86; Duncan and Williams, 2012: 137).<sup>12</sup> Though less prolific by comparison (at least in terms of publicly-available outputs), the World Bank also commissioned a number of country-level PEA studies in the early 2000s.<sup>13</sup> SIDA's Power Analysis and GTZ's Governance Questionnaire were likewise designed for analyses undertaken at the national level (Nash *et al.*, 2006: 21-25; Haider and Rao, 2010: 7-13).

The transformation of PEA into a 'problem-solving' and 'solution-based' tool, however, has seen a reduction in the size and scope of units under analysis since the mid-2000s. Second generation PEA has, to some extent, therefore, come to be more frequently applied to thematic and procedural issues such as the Malawian national budget processes (Rakner *et al.*, 2004) or the Ghanaian middle classes (Luckham *et al.*, 2005; Scott, 2007: 87). More often, however, PEA has increasingly been used at the local and sector-level (Duncan and Williams, 2012: 137). Recent studies commissioned by DFID, for example, have focused on the road sector in Uganda (Booth and Golooba-Mutebi, 2009) and the research environment in Pakistan (DFID, 2012). Similarly, second generation World Bank PEA studies have looked at the mining sector in Mongolia (World Bank, 2009: 19), the electricity sector in India (World Bank, 2009: 46) and civil service reform in Burundi<sup>14</sup> while those of the EU have looked at the agriculture sector in Zambia<sup>15</sup> and water sector in Kenya (Rampa, 2011). The dynamics of this switch from 'country-level' PEA to 'sector-level' PEA can be seen in the growing role of local country offices and embassies in commissioning PEA studies in the last five years, rather than national ministries and headquarters.

The application of PEA to issues at the sub-national level (along with, theoretically, those at the international level) was nevertheless a possibility floated early on by some first generation PEA donors. DoC, for example, was conceived of as a flexible and malleable approach which was to 'ask...questions at different levels' (DFID, 2003: 2) and could be used, as Scott notes, 'to analyse any sector or focus area, in any country or region' (Scott, 2007: 88). Crucially, however, there is a difference between 'asking questions' (first generation PEA) and 'providing solutions' (second generation PEA). As donors have moved to sector-level studies in the later 2000s they have not stopped to question the appropriateness of using the established PEA™ methodology to answer questions that it was never intended to answer. This issue, to a considerable degree, lies at the heart of continuing donor frustrations at the questionable quality and robustness of PEA.

## 2.3. From 'mainstreaming' to 'Communities of Practice': Changes in uptake strategies

Closely linked to these two issues, a final development in PEA's evolution can be discerned in donor strategies for 'mainstreaming' the approach within their own bureaucracies. First generation PEA donors, in line with their general desire to instil 'politics' into the culture of their institutions, initially intended the approach to be 'mainstreamed' throughout their organisations. DFID, for example, established a DoC team in its Policy Division in June 2003 which existed for fifteen months before being dissolved (Warrener, 2004: 13). This team was given primary responsibility for encouraging the uptake of PEA within DFID. It attempted to do this by supporting and facilitating country-focused PEA studies throughout DFID, both directly and through the production and dissemination of internal practice notes (Warrener, 2004: 13; Dahl-Ostergaard *et al.*, 2005: 4; Scott, 2007: 86).

In the subsequent 12 months, designated DoC 'champions' based in existing teams within Policy Division were tasked with leading mainstreaming efforts from London (Warrener, 2004: 13; Dahl-Ostergaard *et al.*, 2005: 4; Scott, 2007: 86). This more ad hoc approach to mainstreaming PEA at DFID has continued since then with an increasingly small number of staff given responsibility for the enterprise, on top of their existing workloads. Most recently, DFID's PEA 'champions'<sup>16</sup> have been located within Policy Division's Governance and Fragile States team (ODI, 2009; Kossoff, 2011).

According to DFID, the disbanding of the DoC team in September 2004 was something planned 'from the start' by those in the Department responsible for mainstreaming the approach (Warrener, 2004: 13). An alternative view has been put forward, however, in an OECD-commissioned report co-authored by Unsworth which notes that the dissolution occurred because 'there was [then] judged to be sufficient momentum to sustain the approach at the operational level' (Dahl-Ostergaard *et al.*, 2005: 4). This conclusion, nevertheless, seems to have been drawn prematurely. As Unsworth noted in 2007, 'the fundamental mindset [among DFID officials] has not changed [since 2002]' (Unsworth, 2007). In 2008 she observed '[political analysis] is not changing the underlying assumptions, organisational priorities or operational approaches of any major donor agency' (Unsworth, 2008).

Indeed, it appears that DoC's early popularity among some operational staff led policy officials in London to erroneously assume that the approach was being taken-up more systematically at the country office level than, in fact, was the case.

12 See <http://www.gsdcrc.org/go/topic-guides/political-economy-analysis/examples-of-political-economy-analysis> for examples of most.

13 See, for example, a PEA study of Uganda in 2004 (Barkan *et al.*, 2004).

14 Interview with World Bank official, 09/05/12.

15 See video link at <http://www.youtube.com/watch?v=6xSknBX0XIQ>.

16 This terminology is no longer used.

Without the driving force of a strong DoC team in London after 2004, the mainstreaming of first generation PEA at DFID foundered outside of Policy Division. For other first generation PEA donors, however, even top-level commitment was not always effective in the mainstreaming exercise. For example, Hout notes how disinterest and resentment at the embassy level, together with mid-level mismanagement, frustrated efforts by the Netherlands' Foreign Ministry to see its SGACA exercise mainstreamed throughout the country's development bureaucracy. This was in spite of the fact that the Dutch development minister herself remained firmly committed to the process (Hout, 2012: 412-413).<sup>17</sup>

In the move to second generation PEA, therefore, efforts to systematically mainstream the approach have been largely abandoned by most development agency HQs. In the case of some donors, such as the Netherlands, this has led to PEA largely fading away as an area of engagement for development policy-makers in the 2010s (Hout, 2012: 412-413).<sup>18</sup> More commonly, however, donor officials still interested in PEA have focused on building coalitions of supporters and sympathizers within their organisations to stimulate continued 'demand' for PEA studies.

The work of the World Bank's internal 'Political Economy Community of Practice (CoP)' is perhaps the most prominent example of this latter strategy. The Bank's CoP is a semi-informal grouping of like-minded officials from PREM, the World Bank Institute (WBI) and other parts of the institution. They meet regularly to discuss PEA findings and to promote PEA within the Bank through offering PEA training courses and advice on operationalising 'politics' in specific contexts (World Bank, 2010a, b, d; 2012b).<sup>19</sup> The CoP specifically 'targets' Task Team Leaders (TTLs) – local project coordinators – rather than senior Bank policy and strategy personnel. This is because TTLs control country office budgets; PREM itself has limited funds of its own.<sup>20</sup> This points, however, to the lack of appetite within the group for devising an overall strategy for mainstreaming PEA throughout the Bank. The targeting of specific operational Bank staff in this manner also compels CoP officials to develop PEA approaches that are 'useful' to these individuals in their everyday working life, thereby accelerating the move towards problem-focused PEA.

Finally, donors have also increasingly externalised PEA in recent years. Earlier ambitions to cultivate a generation of development officials who have fully internalised the PEA approach and are able to instinctively 'think politically' have essentially been abandoned in most donor bureaucracies. Instead, external (both Western and Southern) consultants have steadily become the de facto suppliers of political analysis and training<sup>21</sup> for donors. This is in spite of growing recruitment of political scientists and the construction of 'governance cadres' in some donors' administrations since the mid-2000s (Armon 2007: 653-654). In addition, external consultants (primarily from ODI and The Policy Practice) have led PEA training efforts for DFID officials since 2008 (ODI, 2008) rather than in-house donor teams.

This represents a departure from the earlier 2000s not so much in practice – consultants have consistently played this role since DoC – but rather in theory: it is now commonplace for PEA studies and training courses to be 'farmed-out' to consultants. This has been acknowledged by DFID itself with one senior governance official noting in 2011 that the development of 'tools to make it easier for staff to engage [with PEA] – rather than relying on 'long consultancy-heavy studies all the time' – was still 'a work in progress' within the Department (Kossoff, 2011). However, donors have, to some extent, attempted to referee this process through cultivating external Communities of Practice – networks of approved consultants, policy institute staff, former donor officials and academics – from whom the majority of PEA studies are commissioned. The World Bank's internal CoP, for example, maintains and frequently updates an online repository of favoured 'potential Political Economy consultants' that country office staff can draw upon when searching for appropriate 'experts' to carry out particular PEA studies.<sup>22</sup> Having started as a transformative vision for the way donors think about the way they do their job, PEA has instead become a multimillion dollar industry focused around a product – PEA™. It complete with 'preferred suppliers', and its transformative vision for internal change may be being lost as a result. Without an organisational focal point (beyond 'communities of practice', which are weak focal points without high-level support), it is harder to turn mind-sets towards 'thinking politically'.<sup>23</sup>

17 Hout's analysis is matched by one of the author's (HM) own experiences in leading a team conducting a SGACA in Kenya soon after the post-election violence in 2007/08. Tensions between the political and sector staff, between the Embassy and the Ministry in the Hague and the wider donor community and government made the process very interesting, academically speaking, but also very frustrating.

18 Interview with World Bank official, 02/05/12.

19 Interview with World Bank official, 01/05/12; Interview with World Bank official, 02/05/12.

20 As a result of this, PREM has been able to offer only limited places on its PEA training courses – around 80 in one which took place in April 2012 (Interview with World Bank official, 02/05/12) and 36 in another advertised internally in May 2012 (World Bank, 2012b).

21 Interview with World Bank official, 02/05/12.

22 Interview with World Bank official, 02/05/12.

23 Personal communication with Jesper Jøhnsen, U4 Anti-Corruption Resource Centre, 27/09/13.

## 2.4. Accounting for narrowing agenda: Bureaucratic incentives, donor politics and the 'so what?' question

In the last decade, therefore, donors have significantly modified the way they see and use PEA. It was originally envisaged as a broad strategy to transform technicalised donor cultures of thinking and to help officials understand the political dynamics of the countries they work in. It has increasingly become a problem-focused, externally-designed tool for tackling specific operational challenges in the field. Commentators and practitioners have suggested three major reasons for this metamorphosis, all of which imply that longstanding structural obstacles to PEA's incorporation within donor institutions remain substantial and largely intact.

Donor sociologies have been highlighted as a particularly important barrier to PEA uptake in recent years (Copestake and Williams, 2012: 5). Approaches to development in most donor agencies continue to be informed by historic, technical understandings of the enterprise which focus on the mechanistic, technicalised process of 'implementing projects and programmes successfully' without regard for the political context (Hout, 2012: 407-408). This intellectual mindset – which Ferguson has characterised as 'doing development' – has been a fundamentally central way of thinking for many donor officials for much of their career. It continues to be bolstered by existing bureaucratic incentives within development agencies (see below and Ferguson, 1990). It is also important to recall the large number of economists employed by donors such as the Bank in contrast to political scientists.<sup>24</sup> 'Getting people to...change their existing mental models of how development happens', as Unsworth notes, is a highly complex and difficult operation. It is clear that donors have not adequately acknowledged this or been sufficiently 'reflexive' in their approach to mainstreaming PEA (Unsworth, 2009: 889; Copestake and Williams, 2012: 5). As a result, donor officials have naturally used PEA only in so far as it conforms to their own intellectual constellations – as a 'tool' to 'fix' specific, local-level problems, an ironically 'technicalised' approach to PEA.

In addition, PEA as originally envisaged has consistently undermined the prevailing bureaucratic incentive structures within most donor agencies, and this has forced its continued modification by donor officials. The pressure to 'spend money' is a major imperative for donor personnel (Teskey, 2007; Gulrajani, 2010). Spending or, in the Bank's case, lending money is the main avenue to promotion in most donor agencies and the primary marker of success for development officials (Hout, 2012: 408). Indeed, as Barkan has noted, communications from senior Bank staff to their subordinates specifically flag-up the importance of 'meeting our lending targets' and 'moving the money', making the 'disbursement culture' explicit as well as implicit (Barkan, 2009: 73).<sup>25</sup> Since c.2008, donor officials have also been increasingly encouraged to demonstrate that aid funds are being spent effectively and transparently in the drive towards 'Value for Money' and 'results' in the 'age of austerity' (Scott, Mcloughlin and Marquette, 2012).

First generation PEA, however, has presented substantial challenges to both of these agendas. Country-level, DoC-style PEA studies, for example, have frequently emphasised the limited influence of donors in particular states and the vulnerability of donor programmes to corruption. They have warned of the risks of continued donor engagement and in some instances have recommended aid cuts, reductions and suspensions (Unsworth, 2007).<sup>26</sup> Rarely, however, have they vindicated a donor's continued aid intervention or encouraged it to disburse more funds (though see Duncan and Williams, 2012: 137-144) leading to PEA being labelled by some as the 'dismal science of constraints' (Duncan and Williams, 2012: 145).<sup>27</sup> Consequently, limited incentives exist for donor officials to implement PEA recommendations or to commission PEA studies at all, since doing so may end up damaging their career prospects. In this context it is therefore understandable that donor personnel have increasingly used PEA as an instrument to suggest solutions to specific problems rather than a means of identifying even more.<sup>28</sup>

Finally, and closely linked to both of these points, it is clear that first generation PEA simply did not adequately answer the 'so what?' question posed by most donor officials introduced to it. Operating in a fast-paced, results-focused and assessment-centric work environment, many donor officials were deeply frustrated by the seemingly vague nature of first generation

24 Interview with Joel Barkan, 27/10/09.

25 A DFID official confirmed the urgency felt on keeping the 'pipeline' from 'getting sluggish', with messages from Finance/the Treasury coming in to staff about not hitting their spend targets. Interview with DFID official, 11/10/12.

26 Interview with USAID official, 10/05/12.

27 At least three of the PEA consultants we interviewed spoke about being put under pressure to change their findings in order to present more palatable analysis to the donors. In some cases, this was said to be explicit, while in others they said that they felt that if their findings were seen to be too 'negative', in terms of scope for donor activity, they may not be asked to undertake PEA again. We fully acknowledge that this may be atypical, and a small-N sample such as this is in no way sufficient to make sweeping generalisations. However, it is a point worth considering.

28 As observers, it is not clear to us whether this tension is real or if it is perceived; would a donor official actually suffer as a result of acting on evidence of risk flagged up through PEA, as long as they were acting appropriately? If pipelines are sluggish because they are doing due diligence, would they be told to spend without the right safeguards in place, even if those safeguards take time? This battle - essentially the Treasury vs. parliament, tasked with ensuring that aid money is well-spent - is a domestic political question for donors and, in our opinion, needs urgent clarification, not just with regards to PEA uptake.



PEA studies. Dismissed as 'commentaries' by some, earlier PEA studies appeared to problematise much of what donors were doing and yet offer no 'usable' solutions or 'actionable' strategies for dealing with these challenges. 'So what? What do we do with this?' has been a frequent reaction to DoC-style analyses within a variety of donor organisations.<sup>29</sup> This was, nevertheless, exactly the tenor of responses from World Bank officials at the May 2012 launch of PREM's Better Results from Public Sector Institutions by PREM managers in Washington DC.<sup>30</sup>

Second generation PEA has therefore been, to a considerable extent, a response to these questions and to general donor demands that the approach be 'made more concrete' and 'anchor[ed] into service delivery goals'.<sup>31</sup> This, to a large extent, explains why PEA has evolved into a problem-focused tool in recent years.

This also accounts for a growth in the language of supply and demand by PEA proponents inside and outside development bureaucracies. Duncan and Williams, for example, argue that 'practitioners of PEA [a category which includes both authors] can also do a much better job of "selling" the approach [to donors], by showing how political analysis can be useful... ' and have discussed the topic in terms of 'proselytising' in the past (Duncan, 2011; Duncan and Williams, 2012: 137-145). Donors and practitioners involved in promoting PEA have, therefore, tended to 'go with the grain' of donor demands and organisational incentives in modifying and developing PEA since 2002. In doing so, however, they have fundamentally changed the original purpose of the approach without reconsidering its methodology and practice in parallel. Being 'problem-driven' is not necessarily a bad thing, of course, and perhaps only negative when the problems are preconceived in a donor's 'walled garden',<sup>32</sup> constraining the PEA being undertaken. The issue is that PEA is a tool that is intended to be used to identify problems, or opportunities, but there seems to be a tendency with a 'problem-driven approach' to skip this step because the 'problems' have already been identified. PEA frameworks are inherently exploratory, and were never meant to provide solutions – and yet this is how 'problem-driven' PEA is often presented.<sup>33</sup>

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29 Interview with World Bank official, 02/05/12; Interview with USAID official, 10/05/12; participant observation at EC training events on governance/corruption and PEA, 5-6 July 2011 and 18-21 October 2010.

30 Personal observation during attendance at a Public Sector and Governance Day at the World Bank, Washington DC, 04/05/12.

31 Comments from World Bank official at ODI meeting on Policy in Practice: A Dialogue on Governance Strategies and Action in International Development, ODI, 07-08/12/10, London: ODI.

32 This is a phrase coined by one of the authors (HM) at a DFID/U4 Workshop on 'Donor-Supported Anti-Corruption Interventions: the State of the Evidence and the Future Research Agenda' in London (3 July 2012), referring to a propensity among donors to stay within an area in which they feel comfortable.

33 Personal communication with Jesper Jøhnson, U4 Anti-Corruption Resource Centre, 27/09/13.

## 3

## Continuities: The donor-centric focus of current PEA

It is crucial to note that the methodology and design of PEA has not in fact changed significantly in the move from first to second generation studies – something that has not generally been noted by commentators and practitioners. PEA as practiced in donor agencies today remains an approach designed by donors and Western consultants alone, undertaken primarily (though not always) by donors and Western consultants (albeit usually with assistance from local counterparts) and envisaged, ultimately, as primarily of relevance for donor staff. In defiance of prevailing donor rhetoric on ‘ownership’ and ‘partnership’, recipient governments are often consciously excluded from the PEA process – except as objects of external analysis.

The continuity of this donor-centric PEA model over the last decade is perhaps not surprising given the on-going centrality of particular individuals, policy institutes and consultancy practices in the PEA ‘story’ since 2002 (see below). The problematic design of PEA, however, has not been explored sufficiently to date and the remainder of this article will attempt to rectify this gap. In doing so, three major drawbacks associated with current PEA methodology will be investigated.

### 3.1. Keeping recipients at arm’s length and donors in the ‘walled garden’: PEA design, practice and sharing

Since DoC, PEA studies have often been commissioned independently by donors and carried-out by consultants without alerting the relevant recipient government or seeking their input or cooperation in the process. A 2009 OECD report, for example, concluded that 14 of the 18 donor PEA approaches (including DoC and SIDA’s Power Analysis) surveyed provided ‘little or no role’ to partner country officials (OECD, 2009: 5). Of the remaining four, three<sup>34</sup> afforded such officials ‘some role’ while only one, the World Bank Institute (WBI), carried out ‘joint assessments’ (see below; OECD, 2009: 5). Significantly, all major first and second generation PEA donor approaches were located in the ‘little or no role’ category, demonstrating that while the purpose of PEA may have changed for donors in recent years, its introspective design had not.

Indeed, most donors to date have not simply neglected to seek partner government cooperation but have, in fact, often deliberately tried to keep their developing country counterparts ‘in the dark’ about the entire PEA enterprise. Donor officials have often commented on how PEA studies are ‘usually not about pretty things’ and can potentially ‘ruffle the feathers’ of partner governments when ‘awkward [that is, politically sensitive] issues’ are raised (DFID, 2005b: 1).<sup>35</sup> To avoid such a situation, donors have often advised PEA consultants not to ‘be blatant’ about their activities vis-à-vis partner government officials.<sup>36</sup> Indeed, at times, consultants are specifically instructed ‘not to talk to anyone in government’ by donor agencies.<sup>37</sup>

Moreover, donor personnel commissioning PEA studies often identify and arrange fieldwork interviews with subjects deemed appropriate on behalf of the consultants nominally leading the project.<sup>38</sup> Usually, however, these subjects are drawn from local NGOs, universities and donor country offices, as opposed to government departments or political parties, and consultants are rarely given much time to engage with actors inside government. Indeed, the in-country fieldwork element of most PEA studies appears to be around a fortnight, and many of those who have been involved in PEA have commented on the ‘quick

34 The European Commission and two regional development banks.

35 Interview with USAID official, 10/09/12.

36 Interview with USAID official, 10/09/12.

37 Personal communication with PEA consultant, 21/12/12.

38 Ibid.

and dirty' nature of this element of the work (Moncrieffe and Luttrell, 2005: 23; Booth and Golooba-Mutebi, 2009: 32; Knott, 2011: 40). A typical example can be found in a 2009 Norad PEA project on Kenya where the conducting of in-country interviews by the majority Norwegian team lasted from 16-30 April (Norad, 2009: 36-37).

These attempts to exclude recipients from the PEA process have been problematic from a number of perspectives, particularly the extent to which the approach undermines the principles of ownership, alignment and partnership outlined in the 2005 Paris Declaration on Aid Effectiveness and in subsequent international fora held in Accra (2008) and Busan (2011). In Paris, for example, OECD donors agreed to 'respect partner country leadership' in their aid management policies and to 'base their overall support [to a partner country] on [its] national development strategies' (OECD, 2008: 3). The conscious exclusion of developing country officials from involvement in the PEA process, however, works strongly against both of these ideals in that donors then 'come to the table' to discuss cooperation with partner country officials having already identified the sectors or areas they are willing to support and where they are not.

Furthermore, the secrecy surrounding the PEA research process has sometimes led to an unwarranted breakdown in trust between recipient and donor when PEA findings have been released or, more often, leaked. In 2004, for example, the World Bank commissioned a PEA on Uganda that flagged Uganda's 'negative governance trend' and ultimately encouraged the Bank to 'rethink' the 'appropriateness' of budget support provision to the state (Barkan *et al.*, 2004: vii, 58). Taken aback by these pessimistic conclusions, senior Bank officials rapidly censured the report, preventing its internal circulation as well as denying a request from representatives of some bilateral donor agencies that its findings be discussed at a seminar.<sup>39</sup> The report was nevertheless leaked to the Ugandan media in 2005 from outside the Bank, leading to a rash of panicked headlines in the Ugandan press on the major donor's supposed plan to suspend its lending to the country and to angry denouncements from senior Ugandan officials (Busharizi, 2005; Atuhaire, 2005). A Ugandan presidential adviser, John Nagenda, remarked in reaction to the report that '[the Bank] should use its people on the ground to discover what Ugandans want. It would be tragic if the World Bank uses its financial power to punish the majority of Ugandans...why [do donors] think they should speak for Ugandans?' (Atuhaire, 2005).

Secondly, the limited engagement of consultants with the key national or local political stakeholders during the fieldwork phase of the PEA process raises serious questions about the quality and robustness of the studies produced and the reliability of their conclusions as 'evidence' upon which donors should base policy decisions. To what extent can university lecturers, NGO staff and local journalists provide adequate information on the innermost workings – the 'black boxes' – of governments? How robust an analysis of an entire state's political system can be put together on the basis of only a fortnight's fieldwork? These questions become even more pertinent when turned on their head: would a consultant undertaking a PEA of the UK turn largely to Oxbridge dons, Human Rights Watch, Transparency International-UK and Daily Telegraph journalists in carrying out their research? If so, how comprehensive would their findings be? Such concerns about robustness and the varying quality of PEA outputs explain, to some extent, the Dutch government's abandonment of its SGACA PEA framework in recent years (Hout, 2012: 412).

These issues have been further exacerbated during the 2000s by donors' terminal reluctance to share PEA studies with colleagues and the development community at large. As politically-sensitive, internal documents, PEA studies have sometimes never been distributed in any form beyond the walls of particular donor agencies. In other instances, donors have asked consultants to prepare two reports – 'one for internal circulation only' and another for wider dissemination (DFID, 2012: 3). Donors have also attempted to avoid disseminating PEA studies even when their institution is nominally committed to 'sharing knowledge' (World Bank, 2010e: 2). World Bank officials, for example, have devised a number of strategies – including classifying PEA studies as 'drafts' – to render PEA reports ineligible for publication under the organisation's wide-ranging information-sharing regime.<sup>40</sup> PEA studies that are publicly released also generally provide very little information on methodology, sources of information, and interviewees consulted during the research process.<sup>41</sup> They are not subject to rigorous, double-blind peer review as is typical with research, nor are they subject to what academics know as standard research ethics procedures.<sup>42</sup> As such, they are likely to be of dubious use as 'evidence'.

The limited sharing of PEA findings between donor agencies has also been a key feature of both first and second generation PEA. This has been periodically acknowledged and lamented by donor officials (DFID, 2005a: 3; ODI, 2009). Though many donor personnel see the value in 'reaching out' to colleagues in other organisations,<sup>43</sup> this does not seem to have translated into the establishment of any direct mechanism for the pooling of knowledge in the last decade. There have even been

39 Interview with Joel Barkan, 27/10/09.

40 Interview with World Bank official, 2/5/12.

41 A 2009 report published by Norad appears to be an exception to this rule as it, unusually, lists the 33 individuals interviewed during fieldwork (Norad, 2009: 36-37) and even includes a transcript of one interview with two local Kenyan government officials (49-53). Of the 33 subjects interviewed only three were drawn from Kenyan government ministries (with a further two from local government and three from Kenyan public human rights institutions) while eleven came from Kenyan civil society and twelve from the Western donor community in Nairobi.

42 For example, see the UK's Economic & Social Research Council's 'Framework for Research Ethics' (<http://www.esrc.ac.uk/about-esrc/information/research-ethics.aspx>) or the Australian Research Council's guidance on 'Research Integrity' ([http://www.arc.gov.au/general/research\\_integrity.htm](http://www.arc.gov.au/general/research_integrity.htm)).

43 Interview with USAID official, 10/05/12.



instances of PEA studies not being distributed within donor institutions themselves for operational reasons (see above). This situation is, to some extent, the result of what one WBI official has called the 'silo mentality' existing in many donor institutions.<sup>44</sup>

It is, however, a particularly perplexing gap in practice given the regularity of PEA 'roundtable' and seminar-style events attended by multiple donor representatives (particularly the World Bank and DFID) and selected consultants since the early 2000s (DFID-World Bank, 2008; ODI, 2009; ODI, 2010). The fact that a relatively small group of individuals have been responsible for designing PEA™ frameworks and for undertaking PEA studies across the donor community makes this state of affairs even more surprising. Regular attendees at such events and external members of donor-organised 'communities of practice' have, for example, tended to have been drawn from an extremely small pool of largely UK-based consultancy groups since the DoC era.

Finally, the introspective design of first and second generation PEA is also discernible in the delineation of beneficiaries contained in many ToR and communications strategies annexed by donors to most PEA studies and frameworks. Those listed are almost all located in the donor bureaucracy itself, as if improving donor operations were the final goal of international development. A 2009 World Bank PEA framework, for example, makes clear that the approach is 'to encourage and facilitate thinking... among Bank Group teams' and that, while 'a number of the ideas [discussed in the framework] may also be of interest to others such as policy researchers and CSOs in client countries' it is Bank personnel alone ('across all sectors and levels') who are envisaged as the audience (World Bank, 2009: 2-3). Similarly, a 2005 DFID How to Note on the subject discusses 'who to involve outside DFID' in the PEA process but, in doing so, highlights only UK government personnel, other donors and 'a reference panel of individuals able to provide validation of the findings' (DFID, 2005b: 2).

The Terms of Reference for a 2010 Norad PEA are equally silent about the relevance of the study for actors outside the donor community, referring ambiguously to potential non-Western stakeholders only once in a four-page document ('ensure that key persons in Nigeria are consulted'; Norad, 2010: 57). Similarly, inter-donor discussions on 'communicating' PEA have generally ignored the place of recipient states within this dialogue. At a December 2010 meeting in London's ODI, for example, representatives of DFID, the EC, World Bank, Norad, USAID, the Netherlands and AusAid discussed communication strategies solely in terms of donors, Western foreign ministries and other Western institutions (parliamentary committees, the G20 etc.) (ODI, 2010).

PEA's exclusion of recipient country officials and perspectives has, therefore, remained a fundamental tenet of the approach since the early 2000s. This is problematic not only from a normative perspective – disregarding the 'ownership' and 'partnership' paradigm enshrined in the Paris and Accra declarations – but also from a practical one. The majority of PEA donors use recipient country systems and ministries as the primary channels for funneling their aid disbursements and interventions. While understanding the political economies of these institutions is undoubtedly important for engaging with them, this knowledge alone is not enough. Donors do not have substantial influence in most developing countries and cannot force particular reforms upon unwilling recipients, as numerous studies have argued and many donors have conceded (Mosley et al., 1991; Fritz, 2012). It is crucial, therefore, that donors work with recipient governments in the development enterprise and focus on reform programmes to which they are both committed. To do so, donor-recipient dialogue and trust is vital at every stage of the policy process. PEA can undermine this trust, particularly if treated as 'intelligence gathering'.

### 3.2. Intelligence-gathering and 'joined-up' government

A second problem with both first and second generation PEA follows on from the inherent secretiveness of the approach discussed above. As noted, the practice involves mainly Western personnel, commissioned by donor governments quietly gathering politically-sensitive data on foreign governments and polities without (if possible) this coming to the attention of the relevant national authorities. Indeed, a 2005 DFID paper informed staff that departmental experience reveals that using external consultants to conduct PEA research 'limits the potential for difficult issues to undermine... relationships with the partner governments' (DFID, 2005b: 2). The data is collected mainly from foreign informants identified in advance by the donor agency itself. It is then written-up and transferred to the donor who is then fully authorised to publicly release it (or not) in any form it wishes.

The nature of this process is, to a considerable degree, reminiscent of intelligence-gathering as some donors themselves have in fact acknowledged. In a presentation to colleagues, observed in 2012, a donor official noted that his work resembled 'political intelligence' and that 'governance advisers [involved in PEA] are almost working as intelligence officers'.<sup>45</sup> Likewise, Alex Duncan – a prominent development consultant, key developer of PEA frameworks and author of several major PEA studies – has argued that PEA 'takes [donors] into difficult and sensitive areas that have traditionally been the realm of diplomats' (Duncan, 2011). Indeed, the line between PEA and 'intelligence work' has become increasingly indistinguishable during the 2000s. A number of PEA studies, for example, have been commissioned by Western embassies rather than aid

44 Interview with World Bank official, 09/05/12.

45 Comments from World Bank official made at Public Sector and Governance Day, World Bank, Washington DC, 4 May 2012.

offices. This happens where the donor state's aid bureaucracy is either part of its foreign ministry (such as the Netherlands) or managed, at a country level, by an ambassador (such as Sweden and Norway). Likewise, UK Foreign Office staff have attended PEA training courses alongside their DFID counterparts since 2009.<sup>46</sup> Such courses have been promoted by consultancy firms involved as being aimed at 'staff of international development agencies and foreign ministries' (Policy Practice, 2009: 1).

Even where donor political and development structures are clearly separated, PEA's value as an intelligence tool has been recognised and made use of by diplomatic actors. DFID noted in 2005, for example, that 'DoC has promote[d] cross-Whitehall and joint working, particularly with the FCO' and has strengthened collaboration with other government departments... by building a common understanding of the [recipient country] context' (DFID, 2005a: 1, 6). USAID officials have also noted how extensive their 'collaboration' with diplomatic corps colleagues has been in relation to PEA.<sup>47</sup>

That donors themselves recognise that PEA research has the appearance of intelligence-gathering raises questions about how the practice is interpreted by developing country governments. Certainly it cannot be helpful for fostering a sense of donor-recipient partnership and solidarity in the pursuit of development goals. More fundamentally, however, it is unclear if it is appropriate for donors to engage in this form of activity at all or, indeed, if it is within their mandate to do so. World Bank officials, for example, have assured their external CoP members that 'political economy assessment is within the Bank's mandate'. It is unclear whether this is the case, particularly considering that PEA has consistently been used to diagnose 'easy win' and 'high risk' possibilities for aid intervention prior to consultation with the recipient in question.

Recently, the European Commission announced that it would no longer invest in PEA, a move that has surprised many within the wider development community, especially given the EC's recent investment in developing a new PEA tool. Writing on the Capacity4dev website, an EU official wrote:

For some time the EU has been working on the development of a methodology for political economy analysis and in the past year it has been tested in a number of countries. We have recently been taking stock of the lessons from this work. DEVCO [EuropeAid] management has been reviewing the use of PEA and a number of important issues have been raised.

Two particular concerns have been discussed. Firstly, understanding the political and economic reality in which we operate belongs among the core tasks of desk officers and staff in delegation and the EEAS [European External Action Service]. Therefore the method should make more use of the staff of DEVCO and EEAS and avoid the use of external consultants. Secondly, there is an inherent political risk of pulling together detailed information on the political context into a single report.

These considerations lead to the conclusion that the exercise under its present form should be discontinued. As a result the EU will not be initiating new PEA exercises in the immediate future. We will be looking into how the work achieved so far can be put to use in future, particularly in training to enable staff to make use of political economy approaches in their work.<sup>48</sup>

Both of the concerns raised here are clearly in line with the arguments made in this paper. What effect this may or may not have on other donors, however, is not yet clear.

### 3.3. PEA as a risk diagnosis tool

Finally, though PEA was originally designed to educate donors in 'political thinking', the uniform exclusion of recipient states from its design has nevertheless led, in practice, to its employment as a donor-centric diagnostic and risk management tool. Early DFID assessments of DoC, for example, noted how the approach had helped staff in Zambia and Uganda to 'analyse and mitigate' the risks associated with budget support provision in both countries, leading to 'decisions [being made] on altering' use of the modality in the latter (DFID, 2005a: 6). In both cases, however, these 'risks' appear to have been primarily reputational (DFID budget support funds being used to finance unsavoury or corrupt activities) rather than linked to fears that achieving poverty reduction goals might be jeopardised.

Similarly, the authors of a 2004 Bank-commissioned Uganda PEA study advised the institution to 'rethink the way it approaches budget support [in Uganda] and especially...the desirability of increasing budget support...[owing to] the risks of such a strategy' (Barkan *et al.*, 2004: vii). Donor officials continue to speak of PEA as a means to 'ring the bell' and identify 'red flags' about potentially risky sectors and states for donors to invest in.<sup>49</sup> PEA has therefore increasingly become a key tool for public

46 Interview with David Booth, 10/10/12.

47 Interview with USAID official, 10/05/12.

48 This post was taken down very quickly after it went online, but it was available at the address <http://capacity4dev.ec.europa.eu/political-economy/blog/new-directions-eu-pea-0>, posted on 28/06/2013 at 16:28. The authors were fortunate to have a copy of it before the post was removed. We have asked the official who wrote the post for comment but have had no response so far.

49 Interview with USAID official, 10/05/12.

servants in development agencies to minimise what Hood calls the 'blame risk' – 'the risk of personal blame faced by public officeholders, including politicians, managers, professionals and front-line bureaucrats' – associated with leading or managing individual aid programmes in states where there is a significant fiscal or reputational risk attached to the donor in doing so (Hood, 2011: 5).

PEA has also been praised by donors for its usefulness in highlighting 'easy-win' investment opportunities. DFID commended PEA to its staff in 2009, for example, as a means to identify 'what to support' [in development interventions] and to 'support risk management and scenario planning' (DFID, 2009: 5). Likewise, the World Bank, in a 2011 Working Paper, promotes PEA as a means to help Bank staff 'identify feasible reform options [in particular sector-based] and better target interventions' (World Bank, 2011: 11). Clearly this dynamic has come increasingly to the fore in the move to problem-focused, second generation PEA approaches since the mid-2000s.

PEA's value in this regard has also grown in the later 2000s as the drive towards 'aid effectiveness' and 'value for money' within aid agencies has increased. Following the global economic crash of 2008 and reductions in Western public spending, donor officials have been increasingly pressured by their political masters to demonstrate that aid provision has been 'effective' in securing 'results' and 'efficient' in providing 'value-for-money' for the Western taxpayers who finance it (Scott, McLoughlin and Marquette, 2012). PEA's diagnostic nature has, therefore, made it a particularly valuable tool for donors. They have been able to use it in the earliest stages of policy-making to identify projects and programmes where obtaining specific, demonstrable 'results' (such as numbers of vaccinations, primary school enrolment etc.) in a relatively short space of time will be most achievable. Indeed, those involved in providing PEA training courses for DFID, UNDP and Irish Aid staff since 2009 have noted that practical concerns about how to align PEA approaches with this 'results agenda' have been one of the central areas of discussion among donor officials at such events.<sup>50</sup>

This feature of PEA's design, however, is highly problematic for a number of reasons. As noted, it hinders recipient ownership when donors decide upon their specific development interventions without conferring with government officials in the state concerned. In identifying 'easy wins' and 'no-go areas', donors are effectively using PEA – however inadvertently – to exclude recipient voices from the development enterprise. In addition, development interventions can deliver 'value for money' and rapid 'results' and still not be genuinely successful in terms of impact: 'those development programs that are most precisely and easily measured are the least transformational', as Andrew Natsios, a former USAID Administrator, has noted (Natsios, 2010:3). This critique of current donor approaches to development goes beyond the scope of this study. It is important to note, however, the extent to which PEA as it is currently designed supports, rather than challenges, this increasingly untenable stance. Once again, the implications this conclusion has for the question of PEA's robustness as a policy-making aide should also be considered. Ultimately, if PEA™ cannot bring about behaviour change among donors, and may not deliver on impact, what is the point of it?

## 4

## Conclusion

This study critiques the ways in which PEA has developed in the last decade. It has shown how the approach has come to be used as an ad hoc problem-solving, local-level 'tool' by donor officials in recent years. Yet originally PEA was designed to more broadly insert 'political thinking' into the culture of development bureaucracies as a whole.

In charting the changes undergone in this move from 'first' to 'second generation' PEA, however, the paper has also highlighted a number of major continuities. Though PEA has been used differently by donors since the mid-2000s, its design has not fundamentally been transformed. For most donors, PEA remains a highly donor-centric approach that involves the collection of politically-sensitive data from donor-identified sources to inform donor policy planning processes. The place of recipient governments and officials within this methodology is, at best, highly circumscribed and, more often, non-existent. This is problematic for a number of reasons, including its negative effect on ownership and development effectiveness.

It is not our aim here, however, to suggest that PEA is fundamentally flawed. Indeed, there is a growing consensus in the scholarly community that success in future development programmes requires a wholesale re-thinking of the relationship between politics and international development (Booth, 2012; Grindle, 2007, 2011; Hickey, 2008; Marquette, 2004). This is also an argument that PEA advocates have consistently made throughout the 2000s.

Our analysis, nonetheless, cautions against an overly-optimistic appraisal being made of PEA's status quo; clearly the approach has not yet been able to constructively incorporate recipient governments and officials into its methodology. This has had negative consequences for ownership and long-term development effectiveness. The 'third generation' of PEA should thus not look to refine first and second generation models, but should instead throw away the PEA™ model and do something completely different.

### Box 1: Joint donor-recipient PEA studies and 'third generation' PEA?

Joint donor-recipient studies – although not necessarily solving the problem of getting donor staff to 'think politically' – may be one way to overcome some of the limitations of current PEA frameworks regarding ownership. The concept of joint donor-recipient PEA studies has not been wholly overlooked by major PEA donors. In a 2005 preliminary assessment of DoC, for example, DFID outlined the 'pros' and 'cons' of undertaking PEA analyses 'jointly with partner governments' (DFID, 2005a: 3). The issue was again discussed at a joint donor seminar attended by representatives of DFID, the EC and the World Bank in late 2009, where 'different approaches regarding whether and how to engage with national actors' in the PEA process were considered (ODI, 2009: 11-12). During these debates, donors have also recognised the 'potential for increased ownership of [development] issues by partners' which would be generated by the introduction of joint studies (DFID, 2005a: 3). It seems, however, that this and other 'pros' of such an enterprise (including increased respect for 'alignment principles') have been outweighed by the 'cons' ('possible bias and suppression of findings [by recipients]') in the view of most donors (DFID, 2005a: 3-4; ODI 2009: 11-12). The subject has, therefore, clearly been 'on the radar' of donor agencies for a number of years, although it appears that it has not progressed beyond the discussion workshop.

There is, however, one important exception to this generalisation. The World Bank Institute (WBI), the Bank's development capacity arm, has recently developed and promoted a much more recipient-focused approach to PEA (OECD, 2009: 5). WBI's Leadership for Results (LfR) programme has argued for a 'paradigm shift' in the way that donors design and use PEA which places recipient governments (or other domestic 'reform actors'), rather than donor agencies, in the position of 'final beneficiary of the analysis' (WBI, 2010: 1). LfR argues that PEA should largely be undertaken by 'local analysts'. They should, together with donors, work fully with recipient governments throughout the process in order to enhance 'the credibility and legitimacy of PEA' as well as recipient 'ownership' (OECD, 2009: 4-6). In doing so, recipients (or other

### Box 1: Continued

domestic reform 'coalitions') can make clear their reform priorities to donors in a partnership-oriented environment. They can use PEA techniques, with the assistance of donors, to work out how to achieve these goals.<sup>52</sup> The role of donors in this approach is much more to support 'indigenous political economy production' than to 'produce' information. This re-imagining of the place of donors in the PEA process arguably takes PEA into its 'third generation' (OECD, 2009: 5).

Clearly the WBI's approach, as with any joint donor-recipient approach, relies to a considerable degree on donor sympathy for a recipient government's stated reform objectives and trust in the latter's commitment to them. As one WBI official has put it, 'if the client is not interested in engagement, this makes it much more difficult [to use the LfR approach]'.<sup>53</sup> It is important to note, however, that there are likely to be some shared donor-recipient reform objectives in all but the most extreme cases. A joint analysis undertaken in these limited areas alone provides a space for general dialogue and an 'entry point' for future donor-recipient engagement. A recent joint WBI-Burundian government PEA, for example, focused on civil service reform to the exclusion of other issues owing to the government's level of commitment to it. The success of this venture has provided fertile ground for continued Bank-Burundian dialogue in other, more contested, arenas.<sup>54</sup>

Significantly, in advancing cooperation with recipient governments as a way forward for PEA, the WBI has also attempted to pioneer a novel donor approach to the existing status quo of power in recipient societies. While many PEA donors see informal, neopatrimonial power structures in developing states as potential 'challenges' to development policy-making (ODI, 2009: 11), the WBI instead sees them as providers of opportunity. Encouraging donors to 'reshape thinking from what is missing to what is there', the WBI's approach to PEA emphasises that 'local modes of problem-solving' can potentially be harnessed by donors to help facilitate reform in 'malfunctioning states' (WBI, 2010: 2). The WBI states that 'the epistemological tools of political economy knowledge production should be further debated and refined... what kind of bird's eye view do we need for understanding local contexts [and] problem-solving modes?' (WBI, 2010: 4-5). Whether or not this approach leads to better outcomes in terms of 'thinking and working politically' is unclear at this stage, but it certainly deserves further research and evaluation.

In her keynote speech to the World Bank's PREM network in May 2012, Merilee Grindle expressed her wariness of PREM's current approach to the implementation of PEA findings<sup>54</sup> and openly explored whether 'existing patronage structures [in recipient states] could be used to achieve [development objectives]'. She also highlighted the 'importance of [PEA donors] working with local collaborators' in their interventions and using PEA to help local reform coalitions to open 'windows of opportunity' in the reform process (Grindle, 2012). This is language also employed by the WBI in its own discussions of PEA (WBI, 2010: 3, see Box 1). A potential danger of this approach would, of course, be the possible entrenchment of counter-developmental patronage politics in many states by donors through their proactive engagement with these networks.<sup>55</sup> This danger, however, may be no more significant than in any form of international intervention where the authority of local powerbrokers is often strengthened inadvertently through the policies of external actors – as Ferguson's seminal work on World Bank activity in Lesotho has shown (Ferguson, 1990). Those donors adopting Grindle's suggestions will at least be intervening with their eyes and minds opened to their potential political impact on the state's power dynamics.

For PEA to lead to behaviour change within donor agencies – where donor staff begin to 'think politically' – we suggest that PEA would need to be done by donor staff themselves, and not just by governance or public sector specialists. However, PEA™ frameworks are far too complicated to be useful in this way. They are designed by governance people for governance people, and require far more time than the already overburdened donor staff member has. Current PEA tools are almost impossible for any donor official to use themselves and, as such, are not fit for purpose, if the purpose is 'thinking politically'. Third generation PEA needs to move beyond the PEA™ approach to finally help donor staff 'think politically' in the contexts in which they find themselves – quickly, simply and intuitively. This is clearly what donor staff themselves want. If we do not do this, we may see PEA as an industry flourish, but we are likely to continue to be disappointed with the results.

51 Interview with World Bank official, 09/05/12.

52 Interview with World Bank official, 09/05/12.

53 Interview with World Bank official, 09/05/12.

54 Represented, to some extent, by the content of World Bank (2012a).

55 We are grateful to Jon Cloke of Loughborough University for highlighting this important point.

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