

Addressing the Political Dimensions of Development

By Christopher Pycroft¹

Development is political

Improving the quality of people's lives and their access to resources and opportunities depends on the decisions that society makes (and who makes those decisions) about the allocation and distribution of scarce resources. This is politics. This assertion seems so obvious as to be redundant. But here lies one of the central contradictions of international development.

Development organizations—those charged by individual governments or by the international community—often attempt to depoliticize development. Development organizations prefer, where possible, to provide apolitical assistance—even when assisting with restructuring the recipient government. Seeing the development challenge as a technical or managerial issue enables aid agencies to ignore the political context and focus on improving the capacity of selected organizations to increase the quality and quantity of the services they provide.

The technical capacity building approach is usually allied to a risk mitigation strategy that assumes that the recipient government has the necessary political will to support the technical solution. The absence of political will is viewed as a program risk. But all too often insufficient effort is made in program design to understand the nature of this risk, or to introduce program elements to ensure that the necessary political will is created and retained to guarantee program success.

An apolitical approach to development assistance is not necessarily wrong. The weak capacity of public sector organizations in developing countries remains a major obstacle to improved service and development. But addressing capacity constraints alone—without changing the political environment that operates to perpetuate elite interest—will inevitably have less impact on poverty reduction than anticipated. Building technical capacity is necessary but usually insufficient to secure development.

Avoiding political change processes and still achieving significant development impact are possible, but usually when the recipient government has initiated far-reaching political reform, and seeks to change the previous power relations in society to benefit a broader constituency. This tends to happen following dramatic regime changes such as the end of a civil war, return to civilian rule after military dictatorship, or the adoption of a market-oriented reform agenda following years of a command economy. In these cases, technical support is urgently required, and highly effective, at stabilizing the benefits of political transformation.

In such cases—where the transformational political change necessary to catalyze development has occurred, and where the partner government's systems are sufficiently robust—the donor community's preferred development assistance engagement through the Poverty Reduction Strategy (PRS) can be highly effective. Through the PRS process, donor agencies confirm that the partner government has the necessary political will to promote transformational change, and require that this commitment be demonstrated and maintained (through public consultation, budgetary allocations, monitoring and evaluation, and government statements). Under the PRS approach, the recipient government bears the burden of political responsibility for development, freeing development partners to focus on capacity building support to transpose political commitment into development outcomes.

In many developing countries (to a greater or lesser extent), the assumption—that the government (even those popularly elected) has the political will and commitment to implement reforms required to accelerate development—often does not stand up to close scrutiny. Governments tend to represent powerful interests in society—interests that concentrate both economic wealth and political influence. In many developing countries (as elsewhere), democracy does not act as an unmediated transmission belt by which the majority poor (by virtue of numbers alone) are able to have their demands for improved access to opportunity and a greater share in the nation's wealth acknowledged. Frequently, in a developing context, the state will operate in the interest of an elite group, and not in the interest of the majority poor. Under this scenario, development assistance to the government (however legitimate that government may be) will support a status quo that is operating against the poverty reduction ambition of the development partner.

In this context, donor assistance that focuses on technical capacity building is likely to have less development impact than anticipated, or will produce significant impact only in countries that have initiated their own political restructuring, or have a high degree of political commitment to a poverty reduction agenda. These conditions only apply to a minority of developing countries. Arguments that development assistance should be reserved for good policy environments (countries with the necessary political commitment to promote poverty reduction) make sense if the development “rate of return” is the main criteria for donor success. The argument has less relevance for a donor community committed to achieving the

¹ Senior Governance Adviser, the United Kingdom's Department for International Development (DFID) South East Asia. The views expressed in this article are the author's alone, and do not necessarily reflect the policies of DFID, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), or ADB.

Millennium Development Goals (MDGs) where regimes with limited commitment to poverty reduction—those countries increasingly being characterized as fragile states—govern a large proportion of the poorest.

DFID and the Drivers of Change

The development community confronts the dilemma of designing interventions in countries where the government and the interests they represent do not accept the need for political restructuring as an essential prerequisite for poverty reduction, and where transformational change has not taken place. Attempting to understand how to make aid more effective in difficult policy environments and to recognize the importance of politics in development has motivated the United Kingdom's Department of International Development (DFID) Drivers of Change (DoC) initiative. The DoC initiative began in 2002 with a small group of advisers and academics, clustered around the governance cadre. They began to use political economy analysis and new institutional economics to re-evaluate DFID's program portfolio in more challenging development environments. DFID was not alone in grappling with these issues. Work undertaken by the World Bank and others on low-income countries under stress (LICUS); around the concept of fragile states; and on countries at risk of instability have positioned an understanding of politics (and the politics of power and interest) at the center of their methodologies.

Briefly, the DoC approach moves from the traditional focus of donor intervention on the generic capacity of individual organizations, and focuses on structures and institutions as well as organizations. At the structural level, all countries have different resource endowments—combinations of point-source resources; access to international trade routes through a navigable coastline; a temperate climate suited to intensive agricultural production—that are given and relatively unchangeable at least in the short to medium term. But resource endowment is not a good indicator of development. Some countries with relatively poor objective structural characteristics, such as Switzerland, have achieved some of the highest levels of development. Other countries that are rich in natural resources, such as the Democratic Republic of the Congo, remain among the least developed countries. Botswana has derived significant development benefits from its primary point-source resource—diamonds—to achieve among the highest levels of development in sub-Saharan Africa; while a country like Nigeria, with oil, has been less able to transpose this abundance into a development advantage. It is the utilization of these resources—how those in power manipulate these resources—that determines a country's development trajectory.

The DoC approach does not assume that the action of individuals and organizations upon the structural endowments of a country determines its development path. It emphasizes a country's institutional framework—rules that govern how agents interact with each other—and its structural characteristics. All countries have a set of formal institutional arrangements—the legal framework to govern the interactions of individuals and organizations. Societies also have informal institutional arrangements, based upon culture, tradition, and norms of behavior that have become embedded in society over time. Often, the difference between how things are supposed to happen (the formal institutional arrangements) and how they actually happen (governed by the informal institutional arrangements) can be profound. International

development organizations tend to focus on the formal—the legislation, regulatory environment, constitution, electoral system, and judicial processes—while frequently, the informal institutional arrangements (governed by patronage systems, familial and client relations, and cultural influences) are more significant in determining how public and private activities are transacted.

Once the structural and institutional environment is better understood, the DoC analysis then turns to individuals and organizations that operate within that space. The focus of the analysis is to determine how different organizations and interests interact to affect change at the institutional level, and to understand what rules of the game need to be changed to enable individuals and organizations to maximize the development potential of the country's structural assets. These institutional changes will focus on the economic, social, and political (including governance) institutions. It is an overtly political approach—acknowledging that development will be accelerated only when the rules governing society have been restructured. The approach is, therefore, focused on exploring opportunities for transformational change rather than the more traditional governance focus on enabling environments and effective redistribution. This restructuring will create winners and losers within the society. From a development perspective, the objective is to restructure the institutional framework to benefit the long-term interests of the poor and powerless. But as the poor and powerless tend to be dramatically under-represented by developing country governments, this can mean working against vested interests that currently dominate government. Also, paradoxically, some transformational changes needed to kick-start rapid development (e.g., land reform) can operate against the short-term interest of the poor.

A political economy analysis with a focus on power and interest may well conclude that the government—as protector and promoter of elite and powerful interests (and the institutions that defend those interests)—is a contributory factor in the slow pace of poverty reduction. Yet the international development community derives its legitimacy to engage in development work through close association with, and support to, recipient governments. The analysis may also conclude that the transformational changes most needed to accelerate development will increase poverty in the short-term, before the long-term benefits of transformational change can be harnessed. These conclusions—counter-intuitive to the development community's objectives—may define the operational boundaries of the political economy approach.

The question has become what will be done with the analysis generated through DoC research? How can the findings of the political economy analysis be incorporated into development policies and programs that both respect the national sovereignty of partner governments and accelerate poverty reduction through support for transformational change? Drivers of change work in Indonesia and Sri Lanka has started to grapple with this dilemma.

Understanding institutional complexity: Loan making in Indonesia

At the request of the Asian Development Bank (ADB), DFID implemented a short and focused DoC analysis of the institutional environment relating to infrastructure loans in Indonesia. Despite a change in government that has seen significant reforms, the Indonesian Government has been reluctant to take up available development loans

from multilateral banks. Since 1997, there has been a downward trend in both borrowing and government expenditure on infrastructure. This represents a missed development opportunity, as available concessional loans—that could accelerate infrastructure development, leading to improved economic performance and poverty reduction—are not being utilized.

A traditional approach would have seen the change in government, the policy statements committing the Government to poverty reduction, and the introduction of comprehensive decentralization as evidence of the Government's political will to implement poverty-reducing reform. The assumption of political will allows the international community to adopt an apolitical approach to engagement, focusing attention on organizational constraints that prevent the Government's commitment to poverty reduction being translated into action. The traditional approach would seek out key individuals and organizations within the Indonesian governance system, trying to identify "champions" (key reform individuals) who can be cultivated and encouraged to facilitate development loans. Attention would have been given to key "gatekeeper" ministries and questions raised about these organizations' capacity to manage complex negotiation processes needed to develop new loans. Given the years of civil service neglect, capacity constraints would have been inevitably identified, and efforts made to address these constraints.

The DoC analysis, while accepting the evident constraints within the Indonesian Government, has focused more on the institutional environment that determines the boundary of action for individuals and organizations. Indonesia's institutional environment exhibits high levels of fluidity and uncertainty. Governance institutions (both formal and informal) have yet to effect a decisive transition from patronage and corruption-dominated institutional arrangements to a new formal institutional system based on the rule of law, transparency, and accountability. The fluidity within the institutional environment makes transactions—particularly for development agencies such as ADB—more complex, and the prospect of success less certain. Attempting to transact business as usual in this environment is unlikely to be successful, as the previously understood rules of the game associated with borrowing are changing, but are insufficiently developed to guarantee the right outcome. Focusing attention on champions and gatekeeper organizations—those committed to reform and with the political influence to achieve results—may be successful in the short-term as the institutional fluidity can be exploited by politically powerful sections within the governance structure. However, in the absence of new formal rules, the potential for backlash from powerful vested interests with political and material stakes in the old institutional arrangements makes these piecemeal approaches vulnerable to reversal. A focus on capacity building—the classic apolitical technical approach to development in difficult environments—is also unlikely to yield anticipated results. Any new capacity tends to become locked within the organization and underutilized, as the institutional conditions to allow the capacity to effect reform are not in place.

The development challenge is to shift the focus from the organizational to the institutional level to accelerate the development of new, appropriate, formal rules, thus supporting the government-led transformation agenda. This will require a different approach from ADB (and other development players)—from accepting the institutional environment as a "given" to accepting the institutional

environment as a development variable that needs to be engaged with and changed. This is a far more complex form of development intervention than the traditional capacity building, technical approach. It requires engaging in the political realm where power in society is arbitrated, and where winners and losers from development choices are created.

Improving government performance in North East Sri Lanka

In the North East Province of Sri Lanka, DFID is working in partnership with the German development agency Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) on the performance improvement program (PIP). The North East Province presents a complex institutional environment to attempt development assistance for poverty reduction. The February 2002 ceasefire between the Government of Sri Lanka and the Liberation Tigers of Tamil Eelam (LTTE) has enabled development organizations to increase financial support for development and reconstruction. In an attempt to depoliticize development, the majority of development funding is channelled by multilateral agencies as concessional loans. To facilitate the delivery of this aid, each program has established its own managerial structures, insulating programs (as much as possible) from the turbulent political arena in which they operate. This means that reconstruction can take place, but the underlying structural and political causes of unrest in the North East Province are not being fully addressed. Furthermore, in bypassing the constitutionally sanctioned governance institutions (as well as the unconstitutional arrangements put in place by the LTTE), an opportunity to engage with and restructure governance in the North East Province is lost.

Partly in response to governance constraints in the North East, the PIP was designed. Unlike elsewhere in Sri Lanka, the North East does not have a democratically elected provincial government, significantly weakening the devolutionary intention of the 13th amendment to Sri Lanka's constitution that provides for provincial government. Instead, the North East has a North East Provincial Council (NEPC) Secretariat, headed by a Chief Secretary, with administrative responsibility for coordinating (and also implementing) development activities in the North East. Formal executive authority resides with the president-appointed governor, and the majority of government is undertaken through a parallel central government structure dominated by the government agent and extends down through divisional structures, local government, and community level. The weakness of the provincial system, the dominance of central government, and the control over development resources exercised by major donor-funded programs combine to reduce local autonomy and worsen the political frustration of the divided community in the north and east. The challenges confronting the provincial secretariat were highlighted in the aftermath of the tsunami when the central government dominated recovery and reconstruction work.

The over-centralization of political authority has been one of the major causes of tension, and one of the factors worsening conflict. The PIP seeks to support the development of provincial and local administrations to improve local autonomy and decision making. The central hypothesis of the PIP approach is that developing the capacity of the NEPC Secretariat (and the organizations under its jurisdiction including the Provincial Planning

Department, Management Development Training Department, and Centre for Information Resources Management) will improve government service delivery in the province, having a positive impact on conflict alleviation and eventually poverty reduction.

There is, however, no guarantee that improved capacity within the provincial secretariat will lead to improved service delivery. Many other organizations—with few under the direct control of the NEPC, including local government and the donors—must cooperate in this endeavor, sharing the same objectives and motivations as the PIP-assisted NEPC. A complex institutional environment—rules, regulations, legislation, and informal arrangements between those in power and the communities they serve—confuses the link between the improved capacity within the NEPC and better service delivery to poor people. It is quite possible that capacity will be improved in the target organizations—but equally possible that this will have no impact on communities in the North East of Sri Lanka.

To ensure that the improved capacity of the NEPC has an impact on local communities, a further element has been added to the PIP that draws directly on DoC work. This issues-based approach works with a full range of organizations—from the NEPC through local government, private sector, community groups, nongovernment organizations (NGOs), media, and faith-based groups—around a single transformational issue related to the mandate of the NEPC. The issue-based approach is designed to link the improved capacity of the NEPC to the demand of local communities for better services. The primary aim of this approach is to ensure that service delivery is enhanced. But there is a broader objective—to engage with the transformational agenda to change the way services are provided that demonstrates to local communities that their demands on government (provincial and local) can be met, and to demonstrate to civil servants (and politicians) that service delivery improvements are achievable. Instead of attempting to build the capacity of a single organization, this approach builds part of the capacity of a range of organizations—the part necessary to achieve the transformational change is the objective of the approach.

Instead of focusing on the organizational level, this approach focuses on the institutional change required to achieve transformational change. This institutional change is usually political, in that changing the way services are provided usually benefits some (with an explicit focus on the long-term benefits to the poor) at the expense of others (usually those who previously manipulated power and influence to serve elite interests). The objective of the issues-based approach within the PIP is to strengthen the formal institutional environment of the NEPC, increasing its legitimacy by demonstrating its ability to deliver improved services. If this link between the NEPC and the local communities is strengthened, then the additional capacity being developed within the NEPC is more likely to work through the improved institutional environment to address poverty.

Conclusion

The development community has a preferred, tried, and tested way of supporting development. Development assistance, as currently structured, works best when the recipient government has a clear commitment to poverty reduction, and where the governance institutions have been restructured to maximize the development impact of both government (supply-side) and civil society (demand-side). The standard for this approach is embodied in the PRS, where the transparency of the Government's commitment is reinforced with accountability, providing development partners with a higher degree of assurance that development resources will be appropriately managed, thus facilitating budgetary support. In this environment, development partners can focus on apolitical technical solutions to capacity constraints confronted by most government organizations, confident that the necessary political safeguards are in place.

In many developing countries, the government is recognized by the international community as legitimate but the necessary institutional conditions and political commitment to poverty reduction have yet to develop. In these countries, development organizations have limited ability to influence transformational political change processes, even when there is significant demand for change within the population and within the government. This means that once the fabled low-hanging fruit of development quick-wins have been picked through the apolitical and technical solution type of assistance, significant development constraints will remain and large numbers of people will still be living in poverty. A political economy approach can identify the constraints to development imposed by power relations and elite-interest domination, but development tools are still required to support transformational change without undermining the sovereign government's legitimacy.

DFID, through its DoC work (and the World Bank with its LICUS approach, and other donors, including ADB with their fragile states analysis) has started to grapple with this dilemma. Some of the experimentation with an issues-based approach—i.e., working with numerous different organizations from both government and civil society to achieve transformational change associated with the delivery of an individual service—has shown some promise. The challenge now is to see whether this approach can be implemented at scale beyond a few pilot case studies in a few established programs.

Improving our knowledge through political economy analysis to better understand how power, influence, and interest are managed is an important point of departure. The challenge now is to turn this knowledge into action. The next step may be the development of aid instruments that operate between technical/capacity building for organizations, on the one hand; and budgetary support associated with the PRS, on the other. What is needed is an aid instrument to support transformational change through institutional reform that releases the development capacity of all individuals and organizations in society. What is needed is an aid instrument that embraces the concept that development is political.