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Political Considerations

Political Economy Analysis and the Practice of Development

DAI

Since 1970, DAI has explored alternative paths to development. DAI generates ideas through research, shares these ideas with the development community through publications, and tests the ideas in the crucible of development projects.

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Photo: A young boy bathes in a river outside Datu Piang, Mindanao, the Philippines (see related article on page 24) © David Swanson/IRIN 2011

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WHY POLITICS MATTER AND WHAT WE CAN DO ABOUT IT

by Ann Hudock

Governance matters. Most development practitioners know that, and a growing and powerful body of research and policy analysis confirms it. Yet too often development workers struggle to address the root governance challenges standing in the way of good development performance. Glossing over these issues, or only tackling them on the periphery, risks squandering development assistance funds while leaving in place institutions not accountable to citizens and incentives not aligned with good performance.

Even with the best of intentions, development workers often get it wrong. In a rush to build the capacity of formal institutions recognized as legitimate—since they are based on familiar Western models—the powerful ways that citizens are connected through informal institutions are frequently overlooked. Also missed is the trust and confidence people have in their customary leaders, and development workers struggle to support the evolution of these institutions and leaders in directions that suit modern development challenges. And when they do opt to work through civil society rather than formal government channels, too often they undermine, through an influx of donor funding, the very comparative advantages that attracted them to these groups in the first place: accountability to their constituents, proximity to the development problem, innovation in their solutions, and affordability of delivery. While development workers often support governance reform either through government channels or through civil society, rarely are the two combined in a coherent assistance strategy.

This issue of *Developing Alternatives* builds on DAI's 40 years of experience implementing development projects that try to represent the best fit for the environments where the work is carried out. DAI has had its share of missteps and these mistakes have afforded us some of our greatest insights, usually leading us to put aside technocratic best practices and drill deeper into local realities and organically driven solutions. Yet people's lives should not be treated like laboratories; we owe it to those who give us privileged access to their struggles to get things right.

Political economy approaches provide powerful tools for delving into the operational challenges of development programming, starting from an understanding of the political context and allowing us to bridge the state-society divide. Early attempts at political economy analysis, or PEA, were often described as the dismal science of what is not possible. Today, we see new efforts to develop solution-focused political economy approaches that lead to more realistic project designs. In addition, working with multiple stakeholders around common development challenges often yields a quality of analysis and a commitment to solving problems that render the process as valuable as the product.

At the forefront of the PEA method, the United Kingdom-based Overseas Development Institute (ODI) has shaped the agenda through research, publication, and policy analysis. In this journal, three contributions from ODI researchers reflect both DAI's greater institutional collaboration with ODI and the convergence of development assistance agendas from the United States and the United Kingdom. Increasingly, both nations' assistance programs share an interest in integrating governance agendas with wider development assistance programs and both are being pressured by skeptical publics to demonstrate the value for money of their approaches.

Governance agendas typically do not lend themselves to marketing messages in the same way that, say, health and education programs do. Yet, in the absence of transparent governance institutions accountable to the people they serve, such service delivery falters. Investing in services without the systems to manage them, including channels for citizens to voice their opinions on service quality, is shortsighted and undermines sustainability. ODI's Leni Wild and Marta Foresti suggest in their contribution to this journal how to move forward in putting politics into practice, focusing on improving our understanding of informal actors and institutions, modifying the incentives inside donor agencies to encourage staff to understand country contexts and adopt more nuanced approaches, developing more robust results measures, and deepening public engagement in advocacy for politically informed programming.

Too often there is a sharp divide between governance and economic reform efforts. Successful economic growth programs require a lens through which governance challenges can be tackled. ODI's Alina Rocha Menocal argues that the question of how growth can be made more inclusive and broad-based is essentially a political and not purely a technical one. The successful promotion of pro-poor reforms may require changes in existing power structures and in the nature of the understandings and arrangements linking states and societies. Where elites perceive that "pro-poor change" is likely to result in a relative loss of wealth or a challenge to established power positions, there are strong incentives to divert or block even the most well-intentioned policies. The prospects for reform thus depend on the domestically driven processes of bargaining and contestation among different actors. While these complex and long-term processes cannot be engineered from the outside, it is essential that donors understand the political economy factors at work and adapt their strategies accordingly to maximize the effectiveness of their efforts in support of pro-poor growth.

In another article that explores the linkages between good governance and economic growth, the U.S. Agency for International Development's Meral Karan-Delhaye and Georgetown University professor Matthew Kroenig hypothesize that powerful legislatures (mandated to distribute power and constrain executive authority) will also be more likely to support good economic institutions, which in turn generate higher levels of economic growth.

In her article, DAI's Tine Knott offers ideas for how donors can apply PEA when analyzing, adapting, and developing economic reform programs, with an eye to possible applications of PEA to the new realities of undertaking development in the Middle East or in other transition settings.

ODI's Lisa Denney links PEA to a results-based agenda by showing how critical justice programs in Sierra Leone overlooked the incentives and contexts of the intended program beneficiaries, in this case women. By employing a PEA approach, she argues, programs could enhance access to justice and engage with the informal policing providers to improve services for women.

DAI's Del McCluskey showcases how PEA can be applied to the sector level and to specific operational challenges. He demonstrates how using a PEA approach helped identify opportunities for the Government of the Philippines to improve sanitation and hygiene in the name of public health.

Finally, I propose four key areas of governance reform that, when taken together, could increase the success and sustainability of results-based financing arrangements.

Collectively, these articles remind us that political considerations should be central to development policy and practice, not an afterthought. As development practitioners, we ignore governance at our peril.

UNDERSTANDING PRO-POOR GROWTH: A ROLE FOR POLITICAL ECONOMY ANALYSIS[1]

by Alina Rocha Menocal

The question of how growth can be made more inclusive and broad-based is essentially a political and not purely a technical one. Pro-poor growth requires a state that is developmental in its orientation and can effectively perform key functions such as investing in public goods, ensuring the delivery of basic services, and providing an enabling environment for private sector investment. Often, however, state structures in much of the developing world fall short in these areas. The successful promotion of pro-poor reforms may require changes in existing power structures and in the nature of the understandings and arrangements linking state and society. Where elites perceive that pro-poor change is likely to result in a relative loss of wealth or a challenge to established power relations, there are strong incentives to divert or block even the most well-intentioned policies.

The prospects for reform thus depend on domestically driven processes of bargaining and contestation among different actors in state and society. Crucially, these are complex and long-term dynamics, and they cannot be engineered from the outside. However, while donor influence may be limited, it is essential that donors understand the political economy factors at work and adapt their strategies accordingly so as to maximize the effectiveness of their efforts to promote pro-poor growth.

This article explores why efforts to promote pro-poor growth often confront considerable challenges, how some of these challenges can be addressed, and how political economy analysis (PEA) can be used to improve approaches to pro-poor growth.

Pro-poor growth from a political economy perspective

The ability of stakeholders to influence growth patterns depends not only on what they seek to achieve but also on their relative power and the institutional context in which decisions are made. Processes of contestation and bargaining within and between the state and society over how rights and resources are to be distributed are central in shaping political action and determining policy outcomes (Haggard and Kaufman 2004). When the right constellation of institutions, interest groups, and incentives cannot be achieved, developmental policies and outcomes intended to favor the poor can be blocked by economically and politically powerful groups that may feel threatened by reforms (see Boxes 1 and 2 for examples).

To assess whether and how inclusive and broad-based growth can be promoted, those interested in pro-poor change—be they domestic governments, national or international policy makers, civil society actors, or donors—need to develop a nuanced understanding of the factors that shape the policy influence of the poor and the incentives driving public institutions' amenability to pro-poor measures.

PEA is a powerful tool in this respect because it crystallizes the fact that development is not just a technical but a political process. One of the key insights in a political economy approach is that enabling a "pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to, and benefit from growth" (OECD 2006: 11) depends on reconcil-

[1] This article is based on a Briefing Note on "The Political Economy of Pro-Poor Growth" that was commissioned as part of a Train4Dev / OECD DAC POVNET Joint Learning Event on Promoting Pro-Poor Growth in July 2010.

ing a range of often competing objectives among stakeholders. Thus, PEA can be useful in explaining why reforms in areas such as education, health, and economic infrastructure have stalled or proven ineffective; determining what incentives or constraints politicians, civil servants, and other stakeholders face in these sectors; and—based on such an analysis—informing how pro-poor interventions may be tailored more effectively to facilitate policy change.

For the international development community in particular, PEA potentially offers a major step change in the way donors work. In the past, development agencies frequently saw their role primarily in terms of providing financial and technical assistance, without adequately considering the constraints and opportunities inherent in the political environment (Department for International Development [DFID] 2009). A political economy perspective highlights the need to move away from normative, ideal-driven reforms toward a more strategic and pragmatic approach based on what is feasible within a given context (DFID 2009, World Bank 2009).

Why do efforts to promote pro-poor growth often fail?

Achieving effective pro-poor public policy is not always straightforward and efforts to promote reforms that benefit the poor often encounter considerable difficulties. In the three key stages of public policy making—agenda setting, policy formulation, and implementation—there are a range of reasons why the interests of poor people may be overlooked or ignored (see Figure 1). Problems blocking the development of pro-poor policies go deeper than weak technical capacity and lack of political will (Bird 2008). Structural constraints as well as the quality of institutions, both formal and informal, are especially important because they shape the nature of the linkages between state and society and the underlying political settlement.

FIGURE 1. BARRIERS TO PRO-POOR PUBLIC POLICY BY STAGE OF POLICY DEVELOPMENT

Agenda Setting

Problem:

Policy issues critical to pro-poor growth do not make it onto the policy agenda.

Explanations:

- Low visibility of issue
- Poor representation of poor people in policy-making process
- Policy challenge not sufficiently severe from policy makers' perspective
- Policy challenge poorly understood by policy makers
- Other constituencies dominate attention of policy makers

Policy Formulation

Problem:

Policy is poorly formulated or not formulated at all.

Explanations:

- Perception that existing policies and programs are effective in tackling the policy challenge
- Policy makers and elites consider poor people undeserving of resources and attention
- Politicians uninterested in tackling long-term poverty challenges that extend beyond the election cycle

Implementation

Problem:

Policy is poorly implemented or not implemented at all.

Explanations:

- Policy may be politically contested or opposed by powerful interest groups
- Non-poor may capture majority of benefits of policy reform
- Institutional weakness may limit implementation
- Policy may not be budgeted for through national processes

Structural factors

Structural factors are deep-rooted and historical, and they establish the overall boundaries within which elite incentives are shaped and state-society relations articulated. The history of state formation, for example, is a significant structural factor shaping the access to political and economic power of different groups, relationships between those groups, and perceptions of state legitimacy (Unsworth and CRU 2007).

How a state generates revenue is also central. If the state depends on taxing the population to fund itself, this can strengthen the linkages between state and society. On the other hand, the availability of "unearned" income from natural resources or aid can diminish governments' interest in promoting inclusive growth or in delivering public goods and services in exchange for tax revenues (Unsworth and CRU 2007). This is because such sources of income do not require the support, or at least the acquiescence, of the population to finance the state (see Box 1 on Angola).

Patterns of inequality and exclusion also matter (OECD 2006). Where the political economy is defined by strongly asymmetrical distributions of power, wealth, access, and knowledge, contestation and bargaining become one-sided. The exclusion of the poor works against the provision of an enabling environment that is necessary for pro-poor growth. Women and other marginalized groups are particularly vulnerable.

Institutions

The state is central in promoting pro-poor growth, for instance in terms of providing basic services, investing in public goods, devising and implementing social welfare policies, and providing an enabling environment for private sector investment (see Bird 2008 and OECD 2006, among others). The state need not be a democracy to achieve such objectives, and many nominally democratic systems are not pro-poor. What matters most is whether the state is developmental in its orientation, which among other things implies a high degree of internal coherence, an autonomous and effective bureaucracy, effective constraints and/or oversight on power holders, and a relative independence from special interests but with links to non-state actors that contribute to policy formation (Fritz and Rocha Menocal 2007).

In many countries in the developing world, the state performs these functions weakly, if at all. Formal and informal institutions are not

Box 1. The political economy of pro-poor growth in Angola

After a 30-year civil war, Angola has experienced relative peace and stability since 2002. However, Angola today remains one of the world's most poorly governed countries, despite spectacular economic growth over the past 10 years. Driven mainly by oil and diamonds, this growth has been neither broad-based nor broadly beneficial: power and resources remain concentrated in the hands of the ruling party and the executive, and the political system continues to thrive on clientelism, patronage, and corruption.

Constructive linkages between state and society are minimal because most of what the Angolan state needs can be obtained without Angolan labor, taxes, and consumption. The country's elite has had no interest in promoting more equitable growth because it does not depend on the majority of the population to raise revenue or to survive. International thirst for reliable sources of minerals and oil sustains the Angolan state and perpetuates existing power dynamics.

One possible way out of this dynamic is to alter the incentive structures embedded in oil and mineral extraction. International initiatives like the "Publish What You Pay" campaign and the Extractive Industries Transparency Initiative represent efforts in this direction, seeking to increase transparency and accountability in the extractive industries, but much remains to be done if such initiatives are to have real teeth and prove enforceable.

Source: Rocha Menocal (2009)

mutually reinforcing. The quality of formal institutions intended to provide checks and balances and to channel citizens' needs, demands, and expectations (the judiciary, parliaments, and political parties, for example) is poor. Linkages and feedback mechanisms between state and society are weak or antagonistic, and there is little accountability.

Angola is a case in point (see Box 1), but even in less extreme cases, the cards tend to be stacked against equity-enhancing policy change. Given that efforts at resource redistribution are likely to face strong opposition from established elites, a broad coalition of support in society—and/or coherent state action—is often necessary for success (see for instance Haggard and Kaufman 2004). But in settings where formal institutions are weak, co-exist uneasily with informal ones, and as a result are often infiltrated by sectional or personal interests, this degree of coordination can be very difficult to achieve. The proliferation of interests, often exacerbated by clientelistic politics, encourages fragmentation within both the state and society and militates against the emergence of a united front of potential beneficiaries of pro-poor reform. Patronage also undermines the internal unity and coherence of the state, which, as a result, cannot impose reforms benefiting the poor against elite opposition.

Proponents of pro-poor reforms face a hard task: for policies to be formulated and implemented, reformers need to sway all relevant decision-making institutions and players that have the power to derail such efforts. In contrast, those who oppose redistributive reforms only need to gain the support of a limited number of these institutions and players to block change (Weyland 1996). The persistent failure to address the problems associated with unequal distribution of land in Guatemala—a problem that goes back almost two centuries—was a root cause of the country's 30-year internal conflict and offers a powerful illustration of how these different interests can thwart reform. Failed attempts to enact social security policies benefiting the poor in Brazil in the early 1990s also illustrate how clientelism, corruption, and organizational fragmentation within both the state and society can militate against progressive change (see Box 2).

Box 2. Social security reform in Brazil

The advent of democratic politics in Brazil in the 1990s seemed to favor pro-poor reforms in areas such as social security, but such proposals faced stiff opposition from several sides. A wide variety of state and social actors became involved in social security reform, but almost all those constituencies with demand-making capacity had a narrow scope and defended the privileges of better-off categories. Business groups lobbied against equity-enhancing tax raises, for example, and better-off segments of the popular sectors (such as pensioners) defended relative privileges and limited the resources available to the poor. Clientelistic politics posed an additional challenge to equity-enhancing change, while reformers could draw on little support from the potential beneficiaries, many of whom were extremely poor and lacked organization. In the end, little was achieved.

Source: Weyland (1996)

Corruption is another (informal) institution that undermines the prospects for pro-poor growth by disempowering the poor even further and undermining their ability to exercise voice and demand accountability (Transparency International 2008). To begin with, corruption tends to affect the poor disproportionately. It acts as a regressive tax on the poor that robs resources from already hard-pressed households. In addition, corruption adversely affects productive public investment by displacing public funds toward unproductive activities as corrupt officials give priority to projects that generate higher private material and political gains over projects with higher social returns. Thus, public investment may actually increase, but that investment is not likely to be pro-poor.

How can obstacles to pro-poor growth be tackled?

The influence of the poor in reform efforts

The participation of the poor in the policy-making process is central to pro-poor growth (OECD 2006). However, the degree to which the poor lack political influence also depends on which poor one has in mind (see for example Box 2). "The poor" do not constitute a homogeneous group, so their interests and incentives may not always be uniform (Rocha Menocal and Sharma 2008). The very poorest may simply be politically inactive.

However, both rural and urban poor—to take just one internal distinction—may gain salience to the extent that they are allied with better-off groups that have more leverage. The previous section highlighted how fragmented social interests may thwart reform efforts, but many of the poor have ethnic, clan, patronage, or other ties to more vocal and organized groups, which may in turn exercise considerable influence on local politics. In addition, the wealthy can be persuaded to support pro-poor policies if they see such changes as in their interests. This convergence may happen, for example, if a link is identified between poverty and crime, social unrest, or poor economic performance—or if there is political gain to be made from pro-poor measures (Bird 2008). The political influence of the poor is also heightened if the state fears that poor people will be attracted by dissident or radical groups (as in Peru in the 1980s), or if there is a perception that urban protests will paralyze cities and hence the economy.

Clearly, political institutions also shape the influence of the poor and government incentives to adopt pro-poor policies. The structure and strategy of political parties are examples of this. For instance, the Communist Party in Kerala, India, built its strategy on a concerted attack on rural poverty, and the Partido dos Trabalhadores in Brazil is committed to participatory decision making, at least in principle. Decentralization can be an additional channel to increased influence for the poor, its success depending on several factors, including the quality of institutions and political leadership at the local level and the relative strength and orientation of local interest groups.

The importance of program design

Pro-poor policies tend to encounter opposition to the extent that they transfer, or are perceived as transferring, resources from more to less privileged groups. However, there are features of program design that can provide political leaders and policy makers with some leeway in shaping political responses to pro-poor measures. The difficulty of implementing redistributive programs increases to the extent that resource transfers are obvious, long-term, and large. Transfers of assets (like land) tend to be more difficult than transfers of income.

The target group also matters. Transfers narrowly targeted to the deserving or appealing poor (such as conditional cash transfers aimed at the very poorest) are difficult to oppose. Broadly targeted programs have a large clientele. Programs falling between these categories may need to rely on "upward leakage"—that is, permitting benefits to flow to people technically not poor enough to qualify—if they are to survive politically (Nelson 1992). Finally, measures that require considerable institutional change or that remove control over patronage sources are more difficult than those that do not.

Examples of donor use of PEA

PEA is increasingly being used in the international development community to identify opportunities for leveraging policy change and supporting reforms that benefit the poor more effectively (see, for example, DFID 2005; SIDA 2006; World Bank 2007 and 2009; Leftwich 2007). Yet it is important not to place undue expectations on what PEA can deliver. PEA is a tool of analysis that offers a different angle from which to look at a challenge, but it is not a magic bullet and cannot provide quick fixes or ready-made answers to what are complex development problems. That said, the fact remains, as Kate Bird has put it, that while "donors have limited power to influence the fundamental politics of a country, whether they behave in a politically intelligent way or not can make an important difference at the margins" (2008).

The use of PEA is still relatively new in the international cooperation community, but experience among donors—most notably DFID, the World Bank, and the Dutch Ministry of Foreign Affairs—suggests that it can make important contributions in several respects. These include:

- Informing better and more realistic policy formulation and programming
- Enhancing policy dialogue
- Promoting participation and stakeholder engagement
- Identifying entry points to support reform efforts "against the odds"

Informing better and more realistic policy formulation and programming

To date, this is perhaps the area in which PEA has had the most traction in the way donors work. As the examples outlined below help to illustrate, PEA has proven particularly useful in helping to (re)define country strategies and operations based on the existing space for change, and in helping donors move away from blueprint solutions toward policies that are more feasible based on a particular context.

SGACA: The Netherlands Ministry of Foreign Affairs developed the Strategic Governance and Corruption Analysis (SGACA) framework as a tool to assess whether and how ongoing efforts in partner countries should be modified to facilitate a more strategic approach to governance based on context. In Uganda, the SGACA exercise prompted The Netherlands to define where the objectives of the Ugandan and Dutch governments went in the same direction, where they diverged, and where they did not really interfere. Based on the analysis, The Netherlands decided to switch from general to sectoral budget support for key priorities like education and health as a more effective way of reaching objectives such as pro-poor growth.

PSIA: One of the key tools that the World Bank uses for PEA is Poverty and Social Impact Analysis (PSIA) (see World Bank 2007). PSIA is the "analysis of the distributional impact of policy reforms on the well-being of different stakeholder groups, with a particular focus on the poor and the vulnerable" (World Bank 2003). Drawing on a broad toolkit, PSIA attempts to predict the distribution of benefit and loss that will occur as a result of a proposed policy change. This information then feeds into policy design and redesign, sequencing, and the development of mitigating or complementary policies.

Safe drinking water and arsenic control in Bangladesh: In 2005, DFID was planning a program to deliver safe drinking water and arsenic mitigation, but a DFID Bangladesh-commissioned PEA of the incentives for and barriers to achieving the project purpose highlighted political and institutional impediments within the Government of Bangladesh that posed significant risks to program delivery. DFID decided not to proceed with the proposed intervention but to work instead with water users to strengthen pressures for better agency performance (DFID 2009).

Enhancing policy dialogue

As the World Bank has emphasized (2009), "PEA can make important contributions to enriching the policy dialogue in-country because it can create a more nuanced understanding of the interests and incentives of stakeholders and the formal and informal institutional landscape within which they operate." The World Bank's governance and political economy analysis for the Country Assistance Strategy in Zambia (World Bank 2009) illustrates the policy dialogue benefits of PEA. Taking a close look at governance and political economy issues in Zambia's power sector, the Bank shed light on the important role that the state-owned electricity company, ZESCO, plays in Zambia's patronage networks. Mines and better-off urban consumers have been the main beneficiaries of low electricity tariffs, the Bank found, while most of the poor have remained unconnected.

A potential feasible solution short of dismantling ZESCO involves making the utility a full participant in planning reforms. An approach focused on feasibility could involve adding new generating capacity on the basis of full-cost pricing for the increment. Stakeholders with the greatest interest in better supply—mining companies and other potential business users—would pay full-cost tariffs for the added electricity, while investments would not be held back by waiting for overall tariff reform to materialize. For the medium term, the proposal is to engage private business associations and consumer associations in electricity sector expansion and reform, in order to increase demand and to break out of the low-level equilibrium of unwillingness to pay higher tariffs.

Box 3. Building a coalition for procurement reform in the Philippines

Public procurement in the Philippines has been a governance challenge since the 1990s. Initially, the focus of reform was on capacity building for officials at various layers of government, but it became apparent that advocacy had to be revived in order to have greater impact. Since then, activities have focused successively on different sectors. The procurement of regular goods, for example, became fully transparent and monitorable online. The Philippines Boy Scouts became involved in monitoring the procurement of school textbooks. Currently, there are plans for senior citizen associations to start monitoring drug procurement.

The overarching lessons of this World Bank project concerned the importance of getting relevant people engaged and forming a broad and focused coalition of stakeholders. Proactive and professional civil society engagement, the formation of a tightly knit group of reform-minded government officials, the support of progressive legislators, the conduct of in-depth technical studies, and the implementation of a communication strategy all helped mobilize public action that led to the adoption of new procurement legislation and supported its subsequent implementation.

Source: World Bank (2009)

Promoting participation and stakeholder engagement

PEA has also been used to encourage more effective participation of the poor through coalition building and to broaden the circle of stakeholders supporting pro-poor policies. Strategies to increase the participation of poor people in policy processes now form an important part of many donor strategies. As the example in Box 3 illustrates, these may also include actors and/or groups traditionally not engaged by donors.

Identifying entry points to support reform efforts “against the odds”

Last but not least, PEA can be useful in identifying potential entry points to support reform efforts against the odds. In such cases, donors may act as facilitators, mediators, or trusted brokers, for example by identifying and engaging actors that can play a role in championing reform.

A PEA that ODI undertook on Uganda’s road sector illustrates this approach (Booth and Golooba-Mutebi 2009). Commissioned to inform the design of DFID, European Commission, and World Bank support to the road sector, the report argues that there is some “room for manoeuvre” arising from the dynamics of the reform process affecting the roads sector in Uganda. It suggests that reforms can succeed against the odds if—but only if—well-conducted third-party interventions can be identified to move things along. And the report argues that donors are particularly well placed to play such a role in Uganda.

Conclusion

Promoting pro-poor growth is not just a technical exercise. Political processes of contestation and bargaining between state and social actors are central in determining the prospects for more inclusive and broad-based growth. Ultimately, outcomes depend not only on what different actors seek to achieve, but also on their relative power and the institutional context within which they operate. Donors should not overlook these dynamics. While far from being a magic bullet, practically oriented PEA can add real value to donor efforts to support pro-poor growth by shedding light on such processes.

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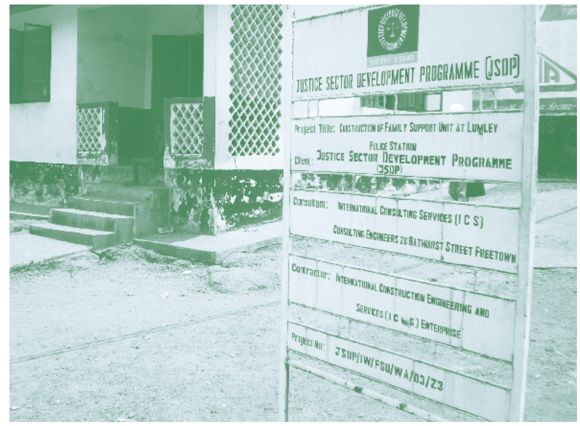
A POLITICAL ECONOMY ANALYSIS OF POLICING FOR WOMEN IN SIERRA LEONE

by Lisa Denney

United Kingdom-led police reform efforts in Sierra Leone have helped forge a modern police service from the remnants of a distrusted and abusive force that has existed since the African nation's 1961 independence. The Family Support Units (FSUs)—police stations created to deal with crimes involving women and children—were a key project within the reforms. Hailed as a success story by donors and international organizations, the FSUs have become the template for similar police reform projects in Liberia and the Democratic Republic of the Congo. Their creation has been described as a "modern" policing project, combining women's human rights and local ownership. However, a political economy analysis (PEA) of the program—looking at the incentives and contexts of those women the units are meant to serve—indicates that FSUs are not quite as successful as donor reports suggest. In fact, women face financial, geographic, linguistic, and cultural barriers that prevent many of them from utilizing the FSUs. As a result, many women—particularly in rural areas—rely on the often oppressive policing of chiefs and secret societies (Egnell and Halden 2009).

Based on fieldwork in Sierra Leone between February and April 2009, this paper argues that the FSUs need to address the obstacles to access and engage with the informal policing providers to comprehensively improve the policing provided to women. Absent these measures, the units' "success" will be limited to urban areas, Western audiences, and the pages of donor reports, rather than improving the daily lives of most women and children in Sierra Leone.



Challenges to the FSUs

Sierra Leone's FSUs have been set up to protect women and children by responding to crime, and they aim to be the primary provider of policing for this group. However, they are challenged by chiefs, secret societies, and other informal actors who remain the primary dispensers of policing for 70 to 80 percent of the Sierra Leonean population,[1] particularly the subjugated categories of women and children (Barnes et al 2007: 14).

Chiefs and secret societies provide significant services in terms of resolving conflict within their communities, particularly cases of domestic violence and sexual crimes. The stronghold possessed by these informal mechanisms means that if the FSUs want to have a lasting impact on the rights of women, they must accommodate or engage with chiefs and secret societies. This option is not as straightforward as it sounds. The policing methods provided by FSUs on the one hand and informal mechanisms on the other are strikingly different: FSUs represent a Western

[1] The percentages cited for the extent of reliance on informal policing and justice providers range from 70 to 90 percent (Human Rights Watch 2008; Baker 2005; Primary Justice Manager, Justice Sector Development Programme 2009; Policing and Justice Consultant, Libra Advisory Group 2008).

style of policing based on universal human rights, while chiefs and secret societies promote customs often oppressive to women that are frequently portrayed as being "traditional." Further, chiefs and secret societies are at times complicit in rendering women insecure, through practices such as clitoridectomy, making engagement with these providers a thorny issue. Yet these informal mechanisms remain the primary policing services due to the high costs of FSU complaints procedures and a cultural bias in favor of informal channels. Not engaging with these traditional police providers risks continuing the historical divide in Sierra Leone where modern policing benefits those in urban areas, while those in rural areas continue to rely on "traditional" policing that often denies fundamental human rights (Collier 1970: 51).

The United Kingdom's policing reform program is attempting to move beyond this bifurcated system by making the state police more locally relevant, community-based, and rights-respecting through the policy of Local Needs Policing (Biddle 2008). But in practice, the Sierra Leone Police are still limited in a financial, geographic, and cultural sense and thereby fail to overcome the two-tier policing system. Improving the rights of women in a practical, everyday sense, as the FSUs aim to do, will depend on changing chieftaincy and secret society practices. If such changes are to be sustainable, they must be the outcome of a dialogue involving the problematic institutions themselves. The PEA outlined below highlights the accessibility challenges faced by FSUs—challenges that ensure that most women in Sierra Leone continue to rely on informal policing providers.

Financial barriers of FSUs

Each FSU visited during our fieldwork indicated that the costs incurred by complainants utilizing FSU services were often prohibitive. These costs include those associated with traveling to a police station that has an FSU attached. Currently, there are only 26 FSUs across Sierra Leone, with eight in the Western Area surrounding Freetown

DISTRICT MAP OF SIERRA LEONE

1 – Western Area Urban
2 – Western Area Rural

(Fakondo 2008: 4). Particularly in rural areas, many communities are a significant distance from a unit. After initial travel to the unit to lodge a complaint, victims reporting rape or assault must obtain a medical report to file charges. Medical reports by government doctors cost approximately 35,000 Leones (US$10) (U.S. Department of State 2009). If the case goes to court, there are new travel costs involved; magistrate courts operate only in the major urban centers of Sierra Leone's 14 districts. For instance, in Bo District, the magistrate court serves 15 chiefdoms, the closest of which is eight miles away (Bo Family Support Unit 2009). As of 2009, the overburdened formal legal system had only one magistrate for each district. This shortage is compounded when district magistrates are unable to perform their duties, as Clare Castillejo points out:

> The magistrate based in Makeni was also covering the court in Kabala, because of the lack of qualified magistrates. Although she was supposed to visit Kabala once a week, the magistrate had not been for almost two months because there was no money provided for her petrol. This meant that the prison was crowded with remand prisoners

> and struggling to cope and that the JPs [justices of the peace] were being forced to bail prisoners who were on remand for serious offenses. (2009: 6-7)

Delays in hearing cases are common, adding to the costs incurred by a complainant, who must travel to court only to hear that her case has been adjourned and rescheduled. If complainants are not present when a case is heard, the matter is dismissed (Bo Family Support Unit 2009). The financial burden of getting to court must also be considered. Costs include not only transport to the court, but also accommodation and food for the complainant and any witnesses she brings. Also to be factored in are the lost earnings for the time a complainant (and the witnesses) are absent from work. In the provinces, where many survive on subsistence agriculture, lost earnings directly correlate to lost food supply.

Compounding these high costs, FSU complainants tend to be among the poorest of the poor (Officer in Charge, Lumley Family Support Unit 2009). It has been estimated that 75 percent of women in Sierra Leone live on less than 50 cents a day, compared to 54 percent of men (Barnes et al. 2007: 16). The FSUs' target population is therefore the least likely to be able to afford FSU services. This means those suffering the greatest abuses are also those most likely to rely upon the informal policing options. Many complainants who do take their allegations to the FSUs subsequently drop them before going to court when the high costs become apparent (Officer in Charge, Lumley Family Support Unit 2009). Women who press charges against their husbands also often settle out of court when faced with the prospect of losing the partner's income, which has substantial follow-on effects, such as paying for their children's school fees (Ibid.). The informal justice system is perceived as being cheaper than the FSUs, and thus more financially accessible to the women of Sierra Leone.

Limits of FSU justice

The costs involved with FSU procedures correlate to the modicum of justice achieved. Women who can afford lawyers receive better representation; those who cannot must navigate the often foreign world of formal English law unaided.[2] This is no easy task given the education level of most Sierra Leonean women, among whom illiteracy exceeds 80 percent (United Nations Development Programme 2007/2008). The Office of the Director of Public Prosecutions is meant to provide a legal representative where the complainant cannot afford one, but this rarely happens in practice, and because men generally control household finances, it is usually men who can afford representation, thereby increasing their chances of escaping conviction (Officer in Charge, Lumley Family Support Unit 2009).

The FSUs do not appear to keep accurate records of convictions, but all those I spoke with suggested the rates were disappointingly low. The Lumley FSU (in western Freetown) indicated that in 2007 there had been only two successful convictions in the entire Western Area (Ibid.). A U.S. Department of State *Human Rights Report* indicates that, as of October 2008, FSUs had "reported 136 cases of child cruelty, of which only nine had been charged to court. There were no convictions" (2009). The report goes on to note that of 1,186 sexual assault cases in 2008, only 437 perpetrators were charged (with 555 still under investigation) and 25 convicted.

FSUs are also hard pressed to deliver justice meaningful to their complainants. While ensuring that a perpetrator is imprisoned is important to some complainants, FSU staff indicated that the lack of financial compensation available to victims under formal English law deters some from utilizing the units (Kenema Family Support Unit 2009). It may be that in addition to being prohibitively expensive, FSU justice does not represent the

[2] Sierra Leone operates a dual legal system with formal English law applying through the magistrate courts and customary law exercised through the local courts. Customary law is also frequently illegally applied through chiefs and secret societies. FSU procedures work through the formal English legal system.

currency of justice valued by women in Sierra Leone. By contrast, the justice system operated by chiefs and secret societies usually results in the guilty party paying the aggrieved party.

Cultural barriers of FSUs

> *"The law says you [a woman] are like a table in my house. So I can treat you like that"* (Male justice of the peace in Sierra Leone, quoted in Schroven 2006: 22).

Long-standing cultural bias against women in Sierra Leone socializes both men and women into believing that women are inferior to men. This culturally sanctioned discrimination is most aptly demonstrated by women's status as minors under customary law in Sierra Leone (U.S. Department of State 2009). They are viewed as the equivalent of children, with subsidiary rights to the fathers and husbands who have authority over them. Women married under customary law are legally regarded as "chattel" (Schroven 2006: 22). More surprising, perhaps, than the tendency of men to protect their position in this hierarchy by suppressing women is the tendency of many women to accept theirs. A 2009 UNICEF study in Sierra Leone revealed that 85 percent of women between 15 and 49 view violence as an acceptable means of resolving marital disputes (cited in Holt-Rushmore 2009: 19). Debilitating in itself, this internalization of inferiority also results in women tolerating the injustices of informal policing and not pursuing the services available to them through the FSUs. As Karen Barnes and her colleagues reveal:

> Many women indicate that physical violence perpetrated against them by their male partners is permissible, as they have been socialized to see this behavior as acceptable and expected. Pursuing recourse against the perpetrators is rarely an option due to stigma, social pressure, expense, lack of awareness and generally prohibitive legal structures. (Barnes et al. 2007: 14)

Women in Sierra Leone do not appear to be entirely convinced that they should be able to press charges against their partners or men within their families or communities (Smits). This view permeates even the high echelons of the government. The Sierra Leonean Minister for Gender Affairs—a woman—admonished a group of Western women for their concerns regarding domestic violence, insisting that a man in Sierra Leone is entitled to beat his wife because that is the cultural norm. This statement from a representative of the "modern" state with a progressive portfolio highlights the embedded nature of cultural mores.

Further, women are aware that even if they do choose to assert their rights against abusive men, and somehow could overcome the financial obstacles involved with FSU procedures, they would face stigmatization by their family and community. The women may be viewed as "spoiled" if they are known to have been abused prior to marriage, or married women who report their husbands may be viewed as bad mothers, wives, and daughters (United Nations Population Fund 2005: 9-10). Not only does such stigmatization disgrace one's family, but, in extreme cases, it can lead to expulsion from the chiefdom (Bo Family Support Unit 2009; U.S. Department of State 2009).

The FSUs also represent a foreign complaints system unfamiliar to the vast majority of women. Informal complaints mechanisms, however, while far from perfect, represent a system that Sierra Leoneans understand. This familiarity is particularly important when disclosing highly personal or traumatic incidents. Such disclosures are difficult enough without the added stress of an alien environment and unfamiliar procedures and personnel. Chiefs and secret societies have the benefit of being known to their community—in terms of both the individuals who administer these systems and the processes they use. The FSUs also operate predominantly in the official language of English, which is not uncommon in Freetown but rarely known outside the capital, except by the educated elite. While complainant interviews may be conducted in local languages, the formal court system operates in English, putting most women at a disadvantage.

Conclusion

As Bruce Baker and Eric Scheye have noted, "[t]here are many reasons for the vitality and strength of non-state service delivery, including their: physical, linguistic and cultural accessibility; legitimacy; efficacy; timeliness of decisions; low transactional costs; support for restitution and restorative justice rather than punishment and incarceration; and degree of participation afforded to disputants" (2007: 512). There are thus strong cultural and economic forces working against the FSUs, making their policing service inaccessible to women in rural Sierra Leone. Women are rendered inferior to men through customary law, which breeds a culture of oppression that women often tacitly accept. There is also a fear of stigmatization of women who break cultural taboos by seeking justice against male counterparts, thus silencing women who might otherwise speak out. Finally, cultural familiarity with informal justice procedures, as compared to the foreign practices of the FSUs, further inhibits women from relying on the latter. "Culture dies hard," as the staff from the Kenema FSU put it (2009). These cultural obstacles, combined with the financial barriers and justice dividend described above, ensure that women continue to depend overwhelmingly upon informal policing mechanisms.

The FSUs must address these obstacles if they are to improve the rights of women within policing practices in a meaningful way, as intended by the United Kingdom's Security Sector Reform program. This program has undoubtedly improved the quality of policing in Sierra Leone (Baker 2005: 176). But its success is limited to areas where state policing is prevalent. In rural Sierra Leone, where there is little history of state police presence, communities have innovated their own policing systems that, while at times oppressive, are also viewed as legitimate by those who rely on them. Political economy analysis of the FSUs reveals that their proclaimed success is not widespread outside of Freetown and major urban areas. If donors wish to comprehensively reform policing in Sierra Leone, they will need to engage with these informal actors and overcome the challenges of financial, geographic, linguistic, and cultural access that currently impede the use of FSUs.

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PUTTING POLITICS INTO PRACTICE: AIMING FOR MORE POLITICALLY INFORMED AID PROGRAMMING

by Leni Wild and Marta Foresti

Walking the walk

A strong grasp of a country's political context is crucial if we are to combat poverty and insecurity in that country. This is a widely accepted principle, but applying it has proven difficult for development agencies and individuals in the development field. The 2005 Paris Declaration on Aid Effectiveness demands that donor and recipient governments engage more substantively with their own citizens, but it does not mention the importance of understanding the political processes and incentives necessary to achieve effective development support. The extent to which development agencies can—and should—engage with domestic political processes is likely to be hotly debated at the Fourth High Level Forum on Aid Effectiveness in Busan, Korea, in November 2011.

How do politics shape development interventions and outcomes? Two examples—from Afghanistan and Sierra Leone—show how outside engagement can run up against on-the-ground political realities.

In Afghanistan, an often supply-driven approach to nation building and development may have overlooked village-level, customary groups and institutions that provided a range of public goods (Centre for the Future State 2010). Therefore, the Government of the Islamic Republic of Afghanistan rolled out the National Solidarity Programme—managed by the Ministry of Rural Rehabilitation and Development and funded by multilateral and bilateral donors—and created 18,000 community development councils as part of its commitment to the participatory, decentralized delivery of public goods (Brick 2008). These councils provided much-needed funds for infrastructure but are not seen as accountable to villagers and, in some cases, disrupted local patterns of decision making already in place at the village level, including some customary groups and institutions that provided a range of public goods such as local security and dispute resolution (Ibid.). These drawbacks revealed a need to account for informal actors and institutions, and local processes and structures, in the design of governance programs.

Writing in this issue of *Developing Alternatives*, Lisa Denney similarly shows how donor support has tended to focus on formal institutions and has ignored important customary and informal actors in Sierra Leone. The U.K. Department for International Development (DFID), for example, funded a security sector reform program to reform the justice and policing systems, among others, following the country's civil war. However, these reforms focused overwhelmingly on the formal system, overlooking the informal policing and justice systems to which 80 percent of the population was actually exposed. In particular, donor engagement tended to ignore the role of traditional chiefs who provide some forms of policing and justice services in Sierra Leone, missing opportunities to improve justice and address oppressive practices (cited in Wild and Foresti 2011).

In response to growing awareness of these challenges, development organizations—including bilateral and multilateral donor agencies—have invested heavily in political and governance programs, as well as in related research. This increasing interest has included investment in political economy analysis (PEA), or analysis of "the interaction of political and economic processes in a society" and the "distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time" (Collinson 2003).

DFID, for example, has invested in national-level PEA, often in the form of "Drivers of Change" analysis, and increasingly supports sector-level studies. The Netherlands Ministry of Foreign Affairs and its embassies rolled out Strategic Governance and Anti-Corruption Assessments to 33 countries between 2006 and 2009. And the World Bank has developed a framework for "Problem-Driven Governance and Political Economy Analysis" (World Bank 2009).

Wider use of these tools, supplemented with training in the core principles behind them, should inform practice and lead to new ways of working (Wild and Foresti 2011). Experience suggests that when PEA is more closely focused on particular cases and operational challenges, it results in practical options and ideas about feasible interventions, rather than being limited to explaining the constraints and challenges of a given situation.

What are we learning?

Lessons from real-life experience are now being systematically reviewed and shared by practitioners in different countries, and evidence-based political insights are more available and better disseminated than ever before. These insights and their implications for development practitioners were discussed at a policy dialogue event in London in December 2010, hosted by the Overseas Development Institute (ODI), a U.K.-based independent research institute.[1] Some of ODI's own work—and its collaborations with others—is helping to inform these new insights. For example, ODI hosts the Africa Power and Politics Programme (APPP), a five-year program of research and policy engagement, launched in 2007, which brings together research centers and think tanks in Africa, Europe, and the United States (with funding from DFID and the Advisory Board of Irish Aid). The program aims to discover institutions that work for poor people, and it is already generating useful insights.

For instance, while conventional governance thinking usually identifies the prevalence of "clientelistic" behavior and patterns of patronage as serious constraints on development, research from countries such as Rwanda underscores the diversity of regime types and reveals that some clientelistic or patronage-based systems might still achieve significant economic growth and poverty reduction. In these contexts, a uniform policy of simply eradicating corruption or patronage may undermine gains and actually set back development progress (Kelsall et al. 2010; Booth and Golooba-Mutebi 2011). What is needed are pragmatic approaches that distinguish between different forms of corruption and rent-seeking, and eradicate those most detrimental to reducing poverty. In reality, many donor staff may be pragmatic in their day-to-day operations, but organizational policies and constraints can make it difficult to replicate that individual flexibility at the institutional level.

Another important insight relates to the promotion of social accountability. Conventional governance approaches have commonly responded to weaknesses in the supply side of state accountability by paying increased attention to the demand side, including support for local democratization, citizen empowerment, or social accountability initiatives. In the case of basic service delivery, for instance, the need to make service providers more accountable to users has been promoted through a range of social accountability initiatives. But some research finds that, on its own, establishing formal mechanisms for strengthening civil society—through providing resources and skills building—cannot support the bottom-up account-

[1] Generously supported by the Australian Government Overseas Aid Program, the German Marshall Fund of the United States, the BBC World Service Trust, and DAI, this event brought together policy makers, researchers, and practitioners from the United States, the United Kingdom and other European countries, and multilateral agencies (see Wild and Foresti 2011).

ability envisaged under some of these standard approaches (Centre for the Future State 2010; Rocha Menocal and Sharma 2008; Booth 2010).

Instead, we need to move beyond supply versus demand dichotomies to identify bridging channels that can bring together citizens and the state and address incentives for bottom-up and top-down reform together. The APPP, for example, has found that promoting “voice” alone is a weak source of accountability, unless it is accompanied by strong top-down pressures such as corporate disciples or other ways of enhancing motivation within organizations responsible for providing public goods (Booth 2011). In a similar vein, research from the Centre for the Future State has emphasized that support to a particular set of actors, such as civil society organizations, is not particularly effective; more effective are broad-based alliances that bring together a range of actors with common interests in reform, and across the public-private divide (2010: 45). Any work on accountability should be informed by a realistic approach to the power dynamics and incentives that limit demand-side pressures, and should rigorously analyze the interactions between actors, interest structures, and institutions (formal and informal) that constitute broader accountability systems.

Despite this growing body of evidence in the governance field, we have seen a disappointing lack of change in strategies and programs. Translating these lessons into practice remains a challenge for aid donors and other international actors. Development support often continues to rely on template approaches that do not sufficiently engage with the wider power dynamics and incentives at play or with informal institutions and the rules on the ground. As development practitioners, we urgently need to identify why these challenges persist. What are the incentives and political imperatives that can prevent changes in practice? Which of these problems are tractable and what can be done to address them?

Three areas for discussion

In addressing these questions at the ODI-hosted dialogue, we brought to light three core areas for further discussion: donors’ own organizational cultures, internal incentives, and structures; their approaches to results and evaluation; and tensions around public communication.

Various factors shape the incentives and organizational cultures of development agencies. In one of the most in-depth studies of the institutional incentives of a donor agency (in this case the Swedish International Development Cooperation Agency), Ostrom et al. highlight how information asymmetries, rapid staff turnover, and pressure to disburse funds all create incentives that mitigate attempts to foster stronger understandings of the wider political context (2001). ODI’s policy dialogue and ongoing research also highlight the extent to which organizational cultures, incentives, and structures within development agencies can be obstacles to developing and implementing politically informed programs (Wild and Foresti 2011). Imperatives to disburse funds can work against the need for flexibility in the field, where time-consuming experimentation and the use of piloting may be necessary. Rapid staff turnover and rotation between postings is cited by Ostrom et al. and others as a key barrier to building a deeper understanding of context, with many agencies rotating staff every three to four years (less in many fragile contexts).

This conundrum is reflected in current donor-country debates on results and evaluation. In the reigning climate of fiscal austerity and public spending cuts, media and political attention is understandably focused on results and evaluation. At times, this has led to a polarized debate between those who see governance support in general (and institutional change) as inherently difficult to measure and susceptible to being sidelined by new approaches and those who see real opportunities to discuss what more realistic and feasible approaches to measuring results might look like (in governance support and more widely).

At the same time, there is a growing recognition that a narrow focus on "compliance"—the process by which donors and their implementing partners adhere to the regulatory and contractual requirements that govern development programming—will undermine substantive measures of transformational change, as Andrew Natsios, the former U.S. Agency for International Development Administrator, has persuasively argued.

In this budget-constrained and politically charged environment, the importance of communicating some of these more complex messages on governance support and development progress cannot be overlooked. Mainstreaming the adoption of more politically informed strategies for development therefore requires more nuanced communication and the engagement of a much wider set of actors than is currently the case.

For donor agencies and their implementing partners, this expanded engagement is likely to mean greater cooperation with other parts of their *own* governments (particularly the diplomatic corps) as well as careful attention to political sensitivities in recipient countries. This collaboration is easier where donor agencies are themselves part of ministries for foreign affairs, but still presents challenges where there are different organizational approaches and cultures.

Development policy makers and practitioners must also examine strategies for wider public communication. Parliamentarians emerge as actors who have often been left out of these debates, despite their crucial roles in political decisions on the use and funding of development assistance. Working with members of parliament and wider groups of citizens in donor countries will be helpful to building understanding of local political realities and the need to work "with the grain" in different countries and contexts (Kelsall 2011).

A more politically informed approach may imply greater modesty about what is achievable in developing countries, as well as ways of working that differ starkly from standard development models. Real questions remain as to how this approach can be effectively communicated to other parts of donor governments and to taxpayers who may be increasingly skeptical of development assistance. The key challenge lies in demonstrating where more politically informed programming can help achieve better development results—and determining how to move away from templates to more context-specific design.

The World Bank's recent *World Development Report* (WDR) makes some persuasive arguments in this respect, looking at issues of conflict, security, and development. First, the report highlights the potential tensions between donors' "dual accountabilities"—namely, their recognition of the need to do things differently (particularly in fragile states) and their sensitivity to international criticism on the grounds of abetting corruption, waste, or poor governance. The report also examines international drivers of poor governance—such as cross-national organized crime or trafficking networks (we would add capital flight and tax evasion)—to highlight some of the key incentives for political elites in developing countries. Such an analysis takes us part of the way to understanding why changing practice is challenging on the ground, and what changed practices might look like.

Second, the report argues that institutional transformation lies at the heart of successful transitions from fragility because legitimate institutions can provide an "immune system" against external and internal shocks. In defining legitimate institutions, however, it takes care to emphasize "best fit" (with local realities and institutions) rather than "best practice," and stresses the need for much longer timeframes and less normative or ideal models for supporting institutional transformation. "Even the fastest-transforming countries have taken between 15 and 30 years to raise their institutional performance from that of a fragile state today—Haiti, for example—to that of a functioning institutionalized state, such as Ghana," the report notes (World Bank 2011: 10). The WDR puts forward the concept of "inclusive-enough coalitions" that might serve to restore confidence in contexts of violence and fragility—defined as political power groupings that do not have to be fully inclusive but must include key stakeholders in order to build confidence at local and national levels. This observation draws on examples of deliberate efforts to build such coalitions in countries such as Timor-Leste, following its recovery from renewed violence in 2006, or Chile during its political transition (Ibid: 12).

The ODI's policy dialogue has not generated a definitive set of answers for how to put politics into practice, but rather it has enabled us to identify some promising areas for changing practice and policy, and we conclude with the following observations:

- Where conventional models prove ineffective, development practitioners must better understand and address informal actors and institutions, and work to build coalitions for reform rather than focusing attention on a narrow selection of actors.
- Organizational cultures that work against political economy insights can be changed. Changes in donor reward structures and handover procedures—so that staffers are incentivized to understand country contexts and adopt more nuanced approaches—would be a first step. Greater openness to innovation and pilot programming where standard approaches have been found wanting would also be helpful.
- Forms of applied political and political economy analysis can help meet the need for robust results measures. For example, they can help build plausible theories of change, featuring intermediate change processes and milestones, which are the key to effective program design, rigorous monitoring and evaluation, and the delivery of concrete results.
- Deeper public engagement is crucial. Advocacy for politically informed programming needs to engage a wider set of actors than is currently the case. Engagement with the parliamentarians and general population of the global North and the South on these issues can no longer be avoided.

We look forward to ongoing debate on these issues with all those who share a commitment to putting politics into practice.

A report on the "Putting Politics into Practice" policy dialogue will be available soon, at http://www.odi.org.uk/work/programmes/politics-governance/, where you can find further information on ODI's Politics and Governance Programme.

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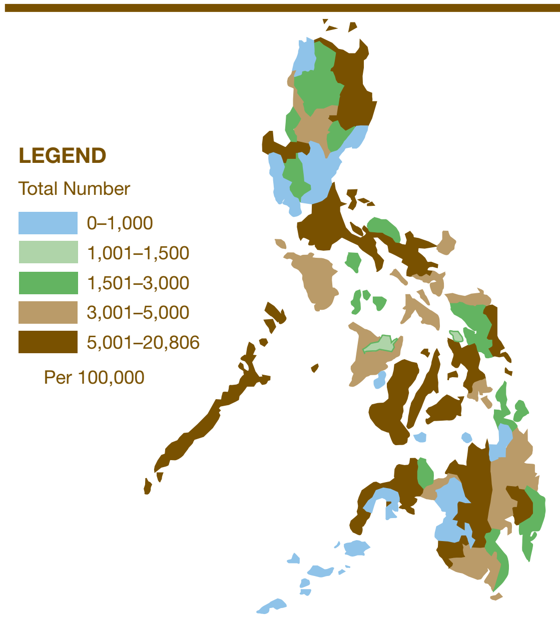
POLITICAL ECONOMY ANALYSIS IN ACTION: EXPANDING ACCESS TO SAFE SANITATION IN THE PHILIPPINES

by Del McCluskey

Historically, sanitation has not been a high priority for the Government of the Philippines. While direct responsibility for sanitation services in urban areas rests with both local governments—known as local government units, or LGUs—and government-organized water utilities, in practice a general lack of concern and the poor enforcement of sanitation standards and environmental regulations have led to very low investment in sanitation infrastructure and services. Most households in urban and rural areas rely on pit latrines or toilets connected to septic systems. If households cannot afford—or do not have space for—sanitation facilities, they use public toilets or practice open defecation. Government attempts to improve sanitation and health through the distribution of ceramic toilets have had underwhelming results.

Philippine government investment in sanitation accounts for only 3 percent of funds spent on water supply and sanitation in the past 30 years. According to a 2010 report by the World Health Organization (WHO) and UNICEF Joint Monitoring Program, the Philippines has met its overall Millennium Development Goal target of 84 percent of the population with access to improved sanitation. Yet the incidence of diarrheal disease and intestinal parasites associated with contact with fecal material remains a significant health threat. The Philippines Department of Health's (DOH) Field Health Service Information System (FHSIS) reported in 2008 that diarrheal diseases were the second leading cause of morbidity overall and the third leading cause of mortality among children under five. Figure 1 maps the incidence of diarrhea by province according to the 2008 FHSIS information. Studies carried out under the Sustainable Sanitation in Southeast Asia program in two municipalities in the Philippines reported widespread infection by the intestinal parasites ascariasis and trichuriasis among school-age children in areas where open defecation was common. Comparable studies and data at the national level do not exist, but studies such as these show that despite reported improvements in access to safe sanitation, the inadequate treatment of human waste and the continued prevalence of open defecation still pose serious public health threats, especially in poor urban areas.

FIGURE 1. INCIDENCE OF DIARRHEA BY PROVINCE



A political economy analysis of sanitation investment options

It was against this backdrop that a five-person DAI team explored the sanitation programs and investments undertaken by the Government of the Philippines and donors over the past seven years. Using a political economy analysis (PEA) approach, we sought to identify opportunities for

the government to improve sanitation and hygiene in the interest of public health. The PEA had four steps:

- **A document review** to understand previous donor programs and recent plans and analyses produced by government working groups focused on regulating the sector, expanding access to sanitation, and improving national health.
- **Key informant interviews** of groups representing central and local governments, donors, service providers, community leaders, and sector professionals.
- **Focus group discussions** on particular issues designed to elicit collective ideas to formulate integrated strategies.
- **A consultative stakeholder workshop to rank opportunities** identified through the interviews and group discussions. The team organized opportunities into four categories—financial, policy and regulatory, service delivery, and behavioral—and asked participants to rank these options in terms of the timeframe for achieving impact, the sustainability of possible interventions, the "pro-poor" nature of the activity, and the anticipated gender implications.

Breaking through barriers of limited interest and resources

The limited government and donor resources available for sanitation have focused on the construction of wastewater collection and treatment infrastructure. In 2003, the World Bank estimated that the Philippines needed to invest 250 billion Philippine pesos (nearly US$6 billion) over the following 10 years in wastewater collection and treatment infrastructure to halt the degradation of surface and groundwater and to reduce waterborne diseases in and around major urban centers. As shown by WHO studies, reducing the incidence of waterborne diseases requires access to clean water, access to improved sanitation that eliminates the potential for human contact with waste, and good household hygiene practices. The Government of the Philippines has made significant progress in improving access to clean water. Thus, the missing ingredients are investments in infrastructure to improve access to sanitation and provide safe disposal of wastes, and improved public knowledge of good hygiene practices.

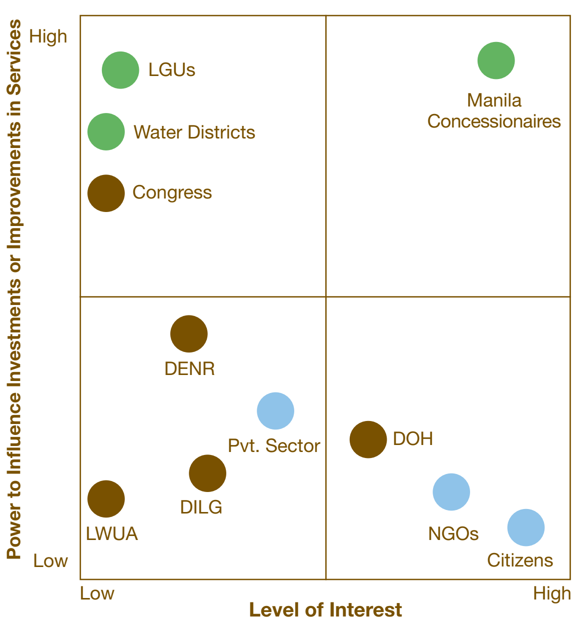
Issues highlighted in the individual interviews and focus group discussions of our PEA had four themes: limited investment, weak enforcement of existing regulations, poor public understanding of sanitation and its link to health, and poor information on the state of sanitation. Underlying each of these issues, we found, was the lack of any national government entity responsible for achieving specific sanitation and sanitation-related health improvement targets. In carrying out the PEA, the team focused on those groups and entities that have some role in—or perceived responsibility for—improving sanitation, and analyzed their role in terms of their apparent level of interest in reducing waterborne diseases and their ability to influence investment decisions by LGUs and water utilities in sanitation infrastructure, sanitation services, and hygiene improvement programs. As shown in Figure 2, we divided these organizations into three groups: national government agencies (brown), service providers (green), and advocacy groups and beneficiaries (blue).

Three critical features of the political economy emerged from this analysis:

Low interest in improving sanitation among most LGUs and water service providers.

National law makes LGUs and the government water utilities responsible for providing sanitation services. However, because these organizations do not have access to affordable resources, this duty is simply another unfunded mandate for these already resource-challenged entities. Thus, while many LGU officials and water utility managers understand the problem, few exhibit any interest in taking on the investments required to improve sanitation. The exceptions are the two private concessionaires that serve metropolitan Manila. The regulatory office of the Metropolitan Waterworks and Sewerage Services holds the two concessionaires accountable for improving the collection and treatment of sewage and septage. In return, the concessionaires are able to recoup their investments in infrastructure and costs of operations through tariffs. Outside of Manila, LGU officials and water utility administrators cited one or more of the following reasons for their lack of attention to sanitation: limited public demand (that is, poor knowledge of how sanitation affects health), a concern that customers would resist paying for sanitation services, and the high upfront costs of building infrastructure.

FIGURE 2. MAP OF INFLUENCE AND INTEREST IN IMPROVING SANITATION



DILG: Department of Interior and Local Government
DOH: Department of Health
LGU: Local Government Unit
LWUA: Local Water Utilities Administration
NGO: Nongovernmental organization

Several donors have attempted to address these concerns, with limited success. For example, several have tried to spur investments in sanitation infrastructure by demonstrating to mayors and city managers alternative low-cost technologies. Others have financed public advocacy and handwashing campaigns to demonstrate the effectiveness of hygiene in reducing diarrhea. A few donors have made low-cost loans and grants to the Government of the Philippines for sanitation investments. The U.S. Agency for International Development (USAID) took a different approach. It helped establish the Philippines Water Revolving Fund (PWRF), based on the U.S. revolving fund model, as a way to make more affordable funding available to cities and water utilities. The team leading this effort more recently has focused on showing LGUs and water utilities how they can make sanitation services into profit-generating enterprises. While early responses from both LGUs and water utilities have been positive, it is too early to say whether this approach will be adopted widely.

Limited interest among national government agencies able to influence sanitation investments.

In many countries, the national governments combine public hygiene education programs, low-cost financing, and strict enforcement of pollution regulations and sanitation performance standards to stimulate investment in sanitation infrastructure and better household hygiene. In the Philippines, these programs, incentives, and disincentives do not exist.

For example, the DOH has no national handwashing or household hygiene program and only one small unit of five people devoted to promoting improved sanitation. The DOH does no systematic monitoring of the sanitation situation in terms of coverage, service performance, and costs. Similarly, the structure and poor quality of the FHSIS data make it difficult to analyze the impact of investments in sanitation on improved health outcomes at the community or LGU level.

In terms of financing, the Government of the Philippines has received low-cost financing from donors such as the Japan International Cooperation Agency (JICA), the Asian Development Bank, and the World Bank. However, once passed through to LGUs and water utilities, these funds often cost between 9 and 13 percent in annual interest because of foreign exchange fees, guarantees, and other management fees imposed by the national government and the government development banks. Given the relative high cost of money, few LGUs and water districts can afford to undertake the large sanitation investments required to address the current lack of wastewater collection, treatment, and safe disposal prevalent in virtually every municipality in the Philippines.

In terms of regulation, no single organization holds LGUs and water utilities accountable for the provision of sanitation services. LGUs are essentially self-regulated, and the local water utility authority that regulates the performance of the larger water utilities does not track nor hold utility managers accountable for provision of sanitation services. The environmental regulatory unit of the Department of Environment and Natural Resources that is charged with enforcing pollution control is understaffed and under-resourced.

Finally, other supporting government institutions—such as the Department of Interior and Local Government, whose job is to strengthen the capacity of LGUs—have very few programs and resources devoted to improving sanitation. In sum, the diverse and fragmented roles of different national government organizations, combined with an apparent lack of interest among many actors, present a significant near-term obstacle to improving health by scaling up sanitation investments, expanding sanitation coverage, and improving hygiene.

Lack of influence by citizens, the private sector, and nongovernmental organizations (NGOs).

The poor sanitation situation in the Philippines is, to a great extent, a byproduct of low public awareness of the links between safe sanitation, the treatment of human wastes, public health, and economic well-being. Altering this situation typically requires a concerted, long-term effort, often beginning with school-based outreach and social marketing programs that focus on household hygiene while building a constituency for improvements in community sanitation. The private sector is directly affected by poor sanitation through lost revenue and low employee productivity. For example, a 2008 joint USAID/Water and Sanitation Program study estimated that poor sanitation costs the country approximately 77 million pesos per year in increased healthcare expenditures, lost productivity, and lost revenues from tourism, fisheries, and other economic activities. But the private sector shows only sporadic enthusiasm for sanitation reform, or limits its interest to a specific locale. For example, hotel owners at the resort island of Boracay became interested in improving sanitation when faced with a dramatic drop in tourism revenue caused by the revelation of high levels of fecal coliform in the coastal waters. For the rest of the country, the middle and upper classes show little interest in reform, while the poor have limited political clout and minimal economic capital with which to change sanitation practices. Similarly, the few NGOs that focus on sanitation tend to concentrate on narrow objectives such as building better pit latrines.

Opportunities to support sanitation reforms

The PEA process helped the DAI team better understand the issues highlighted above that contribute to the lack of investment in sanitation and the high rates of diarrheal disease in the Philippines. The involvement of diverse stakeholders in the development of the Philippines Sustainable Sanitation Roadmap, the National Sustainable Sanitation Plan, and the National Sewerage and Septage Management Plan has built a sense of urgency to address the sanitation crisis and forged a consensus around specific needs.

There is now general agreement on the need to establish a strong central regulatory authority that can set—and enforce the achievement of—sanitation performance standards by local governments and water utilities. There is also a growing realization among local governments and water utilities that sanitation can no longer be ignored—it has long-term consequences for local economic development. Finally, there is widespread understanding that households must improve sanitation and hygiene practices to radically reduce diarrheal disease. This emerging consensus offers several opportunities, discussed in detail below, that the government and donors can capitalize on to significantly improve sanitation coverage and reduce threats to human health and the environment.

Opportunity 1: Consensus on the need to strengthen the regulatory environment and establish a single regulatory entity that oversees sanitation. Past regulatory weaknesses have sparked widespread support for an initiative under way to establish a single regulatory authority—the Water Regulatory Commission—that will hold LGUs and water utilities accountable for meeting sanitation coverage and wastewater collection and treatment objectives. Such an agency could also provide a platform to empower consumers in what has historically been a backwater of public concern.

Support required: Technical assistance to support passage of the Water Regulatory Commission Act. This legislation is a top priority of the current government. Once brought into being, the Water Regulatory Commission will require initial support in setting up its operations and funding mechanism, and in rolling out national sanitation policies, standards, and tariff structures to LGUs and water utilities.

Opportunity 2: Growing interest among LGUs and water utilities in septage management. Reducing diarrheal disease requires stopping the flow of untreated human wastes into rivers, streams, and groundwater. Activities supported by various donor projects have demonstrated different household- to city-scale technologies for the safe collection, treatment, and disposal of human wastes. However, interest among LGUs and water utilities only emerged when they were shown how to recoup costs and generate income from sanitation services.

Support required: Technical assistance and training for LGUs and water utilities in developing comprehensive municipal septage plans and implementing innovative sanitation approaches in urban slums and peri-urban areas. While several pilot projects exist that demonstrate different technologies for the collection, treatment, and disposal of wastes, LGUs still require considerable support and training in 1) citywide sanitation analysis and planning, 2) the preparation of feasibility studies and financial plans for septage collection and treatment, and 3) the design of public outreach strategies. Working through local universities and similar agencies provides a way to scale up successful approaches.

Opportunity 3: Growing interest in sanitation and septage management, which must be matched by access to affordable financing. The National

Sustainable Sanitation Plan recommended that the national government provide grants totaling 5.6 billion pesos to the 17 urban areas outside metro Manila to build sewerage and septage collection and treatment infrastructure. Carrying out this recommendation poses a significant challenge, given the Government of the Philippines' financial constraints and competing priorities. But these 17 cities and their water utilities are some of the most creditworthy in the country. USAID, in partnership with JICA and the Philippines Department of Finance, set up the Philippines Water Revolving Fund to leverage private sector funds and lower the capital requirements needed to finance appropriate investments in water and sanitation infrastructure. The PWRF has proven a flexible model for blending national government, donor, and private sector funding, and making available affordable financing that cities and water utilities can use to construct or expand sanitation infrastructure and services.

Support required: Expand the use of the PWRF mechanism to make affordable financing available for sanitation infrastructure projects. The assistance required includes helping the Government of the Philippines develop an annual process for allocating and prioritizing the use of its scarce grant funds to leverage private sector capital to meet priority sanitation needs.

Opportunity 4: Growing interest among Philippine government institutions to improve hygiene through community and school programs. While LGUs and water utilities play essential roles in improving sanitation, achieving significant reductions in diarrheal disease also requires changes in household hygiene behavior. The Departments of Education, Health, and Interior and Local Government recently established formal agreements and internal orders to work together to improve community and school sanitation conditions and hygiene education. Working through local schools provides an excellent avenue for influencing current and future household leaders and for transferring lessons learned and best practices from other countries—such as community-led total sanitation—to improve community sanitation and household hygiene.

Support Required: Work with the above departments to integrate hygiene and behavior change programming into school programs. Many schools are in desperate need of improved water and sanitation facilities. The national government, with donor support, can work through the departments' collaborative framework to create programs that 1) improve water and sanitation in schools, 2) sponsor hygiene education and handwashing programs, and 3) promote "open defecation-free municipalities."

PEA approach offers flexibility, validation

The PEA process provides a framework that enabled the assessment team to quickly analyze different government and nongovernment actors in terms of their interest in—and ability to influence—investments that would significantly reduce the incidence of diarrheal disease caused by widespread exposure to human waste. Addressing this situation requires a combination of 1) expanded access to basic household sanitation facilities; 2) greater investment by local governments and water utilities in the infrastructure required for the collection, treatment, and safe disposal of human wastes; and 3) improved household hygiene and hygiene behavior. Through the PEA process, the DAI team validated and fine-tuned its institutional analysis and identified opportunities that enjoy broad stakeholder endorsement and, with focused donor support, could significantly reduce the incidence of diarrheal disease, especially in the urban centers.

MAKING LEGISLATURES RELEVANT TO ECONOMIC GROWTH[1]

by Meral Karan-Delhaye and Matthew Kroenig

Over the past two decades, academics and practitioners have devoted much time and brain power to debating what role institutions play in development. Scholars have demonstrated that institutions are an important (some say the most important) determinant of long-term rates of economic growth. They argue that countries with broad-based political institutions are more likely to adopt sound economic institutions, such as those that protect property rights, which contribute to greater levels of national income over time. Although scholars have highlighted the importance of institutions and good governance on economic growth more broadly, there has been limited analysis of specific *political* institutions.

What does it mean, for example, for political institutions to be broad-based? Many political institutions are assessed simply according to their regime type, but knowing whether a country is democratic or authoritarian reveals little about where power truly lies. This lack of clarity matters not only for scholarship, but also for policy. Reformers cannot easily overhaul a country's regime, but they can strengthen specific political institutions within that regime.

To assess the impact of political institutions on economic growth, it helps to move beyond general categories for classifying political systems and measure the actual power of specific institutions. Our findings reveal that countries with more powerful national legislatures enjoy greater economic growth. This relationship holds true for both developed and developing countries and it extends to broader development indicators such as health and education.

Why political institutions affect economic growth

According to the theory of new institutional economics, good economic institutions are drivers of economic performance. Institutions are the mechanisms by which individuals can manage anonymous transactions and, as Douglass North explains, "impose constraints on human interaction in order to structure exchange." Good economic institutions are those that provide "security of property rights and relatively equal access to economic resources to a broad cross-section of society" (Acemoglu et al. 2005: 395). In other words, they encompass the fundamental "rules of the game" in economic life.

The logic linking good economic institutions to economic growth is straightforward. Without secure property rights and access to economic resources, individuals lack the ability and the incentive to invest and participate in economic activity. In countries with discriminatory economic institutions that benefit certain groups while disadvantaging others, competition is reduced and economic performance suffers. On the other hand, national economies are more likely to flourish when economic institutions protect the economic interests of a cross-section of society and more people are encouraged to participate in growth-enhancing economic activity.

In turn, a country's economic institutions are heavily shaped by its political institutions—for two reasons.

First, broad-based political institutions are more likely to lead to broad-based economic institu-

[1] This article was written while Meral Karan was employed at DAI. Statements made in this article do not necessarily reflect the position of USAID, its employees, or the federal government.

tions. Economic institutions are often set up to benefit holders of political power. In countries where political power is concentrated in a narrow elite, this privileged group will be more likely to adopt discriminatory economic institutions that disproportionately benefit themselves—to the detriment of the rest of society. Where political competition is limited, economic competition and access to markets are also likely to be constrained. When political power is dispersed, power holders are more likely to adopt economic institutions that protect the economic interests of a larger cross-section of society.

Many political organs, such as the executive and judicial branches, are purely state institutions, but the national legislature is designed to link state and society. As such, legislatures disperse power in a variety of ways. First, they disperse authority away from executive-branch officials by directly empowering the members of parliament. In many countries, the executive branch tends to be composed of a tight-knit elite that includes the head of state and a dozen or so cabinet members. National legislatures, on the other hand, are generally large bodies consisting of hundreds of members. In countries where national legislatures are genuine fonts of political power, authority is dispersed among numerous individuals. Countries with powerful legislatures are more likely to push for economic institutions that protect the economic well-being of the broader society because the power holders themselves benefit from such institutions.

In addition, parliaments diffuse power throughout society because members derive their authority in part from the representation of their constituents. Voters can hold lawmakers accountable for their handling of economic issues, further incentivizing legislators to adopt economic institutions of general benefit. As Steven Fish argues in an empirical study on legislative strength and democracy, countries with more powerful legislatures "[are] better at linking people and elected officials—that is, at promoting vertical accountability." In short, countries with powerful legislatures that disperse political power to a broader elite may be better able to represent the interests of society at large. For this reason, they are more likely to adopt sound economic institutions.

Second, countries with political institutions that constrain executive power can provide more credible commitments to economic actors in society that good economic institutions, where they exist, will remain in place. Entrepreneurs will be reluctant to build new factories, managers will shy away from hiring new workers, and individuals will be hesitant to make long-term economic investments if the economic rules of the road are not clear and predictable. In countries with relatively unconstrained executives, economic actors have good reason to be cautious because they know that the government can radically change economic institutions overnight. Even if such a government has every intention of maintaining sound economic institutions, it will be less able to make this commitment credible to the private sector. Economic actors know that if at some point in the future it behooves a loosely constrained government to, for example, expropriate a domestic industry, there are no political constraints to prevent it from doing so. In countries with more constrained executives, a government cannot simply reorder economic institutions on a whim.

The legislature is also the primary political constraint on executive power. In fact, checking executive power is a definitional mission of the national legislature. As Max Weber argues, the national legislature is "the agency for enforcing the public control of administration." Strong legislatures can constrain the executive in various ways, including removing the chief executive from office; placing their own members in government; questioning executive branch officials; conducting formal investigations of the executive branch; overseeing the police, military, and intelligence services; appointing the prime minister (if applicable); appointing cabinet ministers; and electing the president (if applicable).[2] Indeed, there is no more significant institutional constraint on executive authority than a potent parliament. Conversely, in countries in which the legislature lacks many or all of these powers, executives face fewer institutional constraints on their rule. Again, according to Fish, "Stronger legislatures [serve] as a weightier check on presidents and thus [are] a more reliable guarantor of horizontal accountability than [are] weaker legislatures" (Fish 2006: 18).

In sum, scholars have shown that political institutions that distribute power and constrain the executive branch contribute to the development of stronger economic institutions (which in turn leads to greater economic growth). Therefore, we hypothesize that powerful legislatures (mandated to distribute power and constrain executive authority) will also be more likely to support good economic institutions, which generate higher levels of economic growth.[3]

Legislative strength and economic growth: empirical analysis

To assess the relationship between legislative strength and economic growth, we draw on new data that measure the strength of the national legislature for every country in the world with a population of at least 500,000.[4] This data set, the Parliamentary Powers Index, includes 32 indicators of legislative strength, grouped in four categories: influence over the executive, institutional autonomy, specified powers, and institutional capacity. Because our interest is in the legislature's ability to disperse power and constrain the executive branch, we use an index provided by Fish and Kroenig (2009) that gauges the legislature's ability to influence the executive. The variable ranges from zero to seven, with higher values indicating a more powerful legislature. Data are available for all years from 1990 to 2006. To measure levels of economic development, we use gross domestic product (GDP) per capita.

We focus our discussion on developing countries (defined here as countries that are not members of the Organisation for Economic Co-operation and Development [OECD]) to better understand the relationship between governance and development and to inform the development interventions of governments and donors. When the analysis is performed on all countries in the developed and developing worlds, however, all of the relationships between legislative strength and economic growth reported below continue to hold and become even stronger.

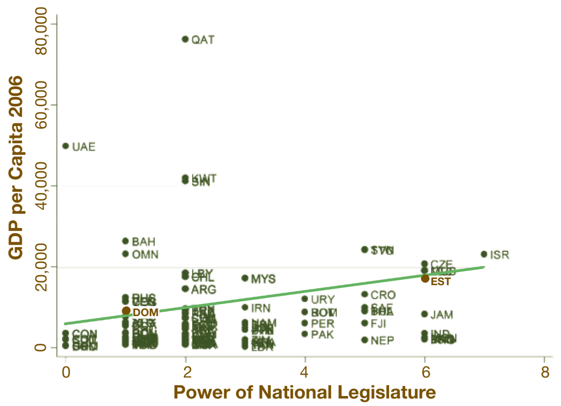
Figure 1 illustrates the relationship between the strength of the legislature and the level of

[2] This list of ways in which the legislature holds influence over the executive branch is taken from Fish and Kroenig (2009). A powerful legislature is marked by numerous powers and authorities, as indicated earlier—including the authority to constrain the executive, institutional autonomy, specified powers, and institutional capacity. Consistent with previous literature on economic growth, we focus on a legislature's ability to constrain the executive.

[3] This is not to argue that more powerful national legislatures always result in improved economic performance. Nor is it to claim that legislatures are, or should be, the only factor that shapes long-run rates of economic growth. Rather, the argument is probabilistic and multicausal. Of course, some countries with powerful legislatures experience periods of low or negative economic growth, and other countries with relatively weak legislatures are rapidly expanding. The argument presented here is that on average, countries with more powerful parliaments enjoy higher rates of economic growth. The link between legislative strength and economic growth is evident when looking across a broad cross-section of countries, but it does not hold in every case. Moreover, economic growth is multicausal. Economists have identified many fundamental and proximate causes of economic growth, including investment, capital accumulation, factor endowments, geography, and entrepreneurship. The argument of this article is not that this list should be discarded, but rather that legislative strength deserves a spot on this list.

[4] Fish and Kroenig's (2009) Parliamentary Powers Index (PPI) measures the strength of the national legislature for every country in the world. While recognized as a leading effort, these data have been criticized by some in the development community for focusing too heavily on formal powers and not adequately capturing important informal powers and capacities in some countries. This criticism is largely misguided, however, because the data were generated not only through a review of all formal powers enshrined in the national constitutions, but also through a large international survey of country experts who scored whether formal powers were exercised in practice. Where, according to country experts, the formal powers as articulated in the constitution and actual practice on the ground diverge, Fish and Kroenig code de facto not de jure power. While this process is not an exact science, and future research could seek to improve the PPI, the index remains a best effort in measuring and analyzing legislative strength across countries.

FIGURE 1. RELATIONSHIP BETWEEN LEGISLATIVE STRENGTH AND ECONOMIC GROWTH, 2006



economic development in 2006 in a sample of the 97 developing countries for which data are available. The analysis shows a statistically significant link between legislative strength and economic development. Countries with more powerful legislatures enjoy higher standards of per capita income. The relationship is statistically and substantively significant. An increase of the legislature's ability to influence the executive by one point on the seven-point scale corresponds with an increase of US$597 in per capita income.

To illustrate this effect, let us compare two typical countries with high and low levels of legislative strength: Estonia and the Dominican Republic. These countries are typical in the sense that they are practically on the regression line. The Dominican Republic scores a one out of seven in terms of legislative strength and possessed a per capita income of $8,968 in 2006. Estonia scores a six out of seven and in 2006 enjoyed a GDP per capita of $17,214. Our estimate implies that the five-point difference in legislative strength between the two countries should translate into a difference of $2,985 in per capita income. This estimate implies that a substantial, but not implausibly large, difference in the levels of economic development between these two countries can be attributed to legislative strength.[5]

Do stronger legislatures reduce poverty?

So what does this all mean for development professionals? As is often discussed, GDP growth may not directly result in measurable benefits for many people, as the rich tend to get richer and the poor continue to be marginalized. Perhaps more powerful assemblies increase aggregate levels of economic growth only at the expense of other development goals, such as education or health?

To test these questions, we examined the impact of legislative strength on the Human Development Index (HDI) and Gini Coefficients to assess how legislatures affect the quality of economic growth. The HDI is a composite index that includes information on GDP at purchasing power parity, education levels, and life expectancy. The Gini Coefficient is a measure of the concentration of wealth within a society. It varies from zero (perfect equality) to 100 (perfect inequality). Data for both are drawn from the *United Nations Human Development Report* 2009.

The tests reveal that legislative power appears to be an unmixed blessing for development. Countries with more powerful national legisla-

[5] Do stronger legislatures result in greater economic growth or the other way around? Definitively establishing causality is difficult. Indeed, it is likely that the causal arrows go both ways. However, we attempt to control for causality by examining the relationship between the strength of the national legislature in 1990 and levels of economic development in 2006. It is, of course, impossible for legislative strength in 2006 to affect the level of economic development in 1990. To rule out the possibility that the level of economic development in 1990 was the cause of both legislative strength in 1990 and levels of economic development in 2006, we control for level of economic development in 1990. This test allows us to analyze whether countries with more powerful legislatures in 1990 enjoyed greater gains in per capita income over the time period from 1990 to 2006. The findings again provide support for our hypothesis. There is a strong relationship between legislative strength in 1990 and levels of economic development in 2006, even after controlling for levels of economic development in 1990. The findings also continue to hold after accounting for other factors thought to influence economic performance. Moreover, the relationship between legislative strength and economic growth remains substantively important in this new test. Increasing the legislature's strength by a single point on the seven-point scale in 1990 is associated with an increase of $520 in per capita GDP in 2006.

FIGURE 2. RELATIONSHIP BETWEEN LEGISLATIVE STRENGTH AND HUMAN DEVELOPMENT, NON-OECD COUNTRIES, 1990–2006

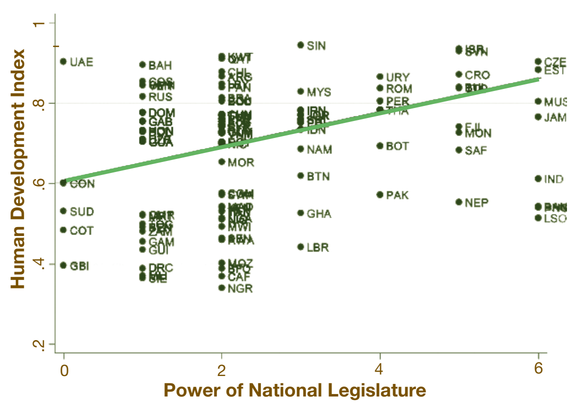
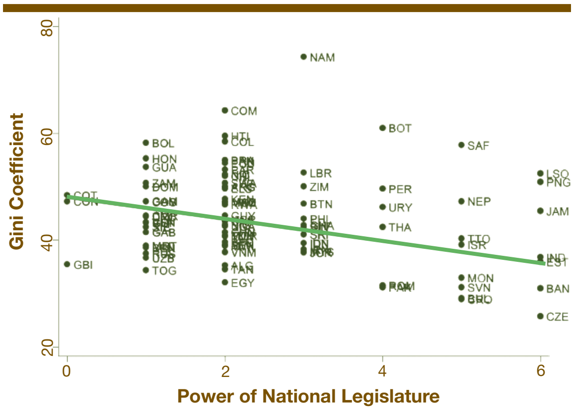


FIGURE 3. RELATIONSHIP BETWEEN LEGISLATIVE STRENGTH AND INCOME INEQUALITY, NON-OECD COUNTRIES, 1990–2006



tures not only possess higher levels of economic growth, they also enjoy higher levels of human development and lower levels of income inequality. These relationships are illustrated in Figures 2 and 3, respectively.

By ensuring greater access to political power, an effective legislature can develop and advocate for economic and social policies that reduce overall poverty rates and disperse economic prosperity across society.

Conclusion

Our research contributes to a growing body of thought exploring the relationship between political institutions and economic growth by going beyond the concepts of broad-based good governance writ large to dissect the role of one specific political institution, the national legislature. Our findings suggest that countries with stronger national legislatures—particularly those that can most effectively constrain the executive—enjoy higher rates of economic growth, greater development, and less income inequality in the long term.

This is a powerful message. Conceptually, it highlights the common cause between those who seek democratic freedoms and those who advocate economic and social development. Rather than choosing democracy or economic growth, we see that these two concepts are mutually reinforcing—within a robust legislature.

Practically, it emphasizes the importance of including the national legislature in all development programs. While donors have often preferred to work with executive branch officials—such as the ministries of finance or health—when addressing economic growth and other development challenges, our findings (and our experience implementing legislative strengthening and economic growth programs worldwide) indicate that strengthening the legislature's capacities yields greater and more sustainable development impact.

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APPLYING POLITICAL ECONOMY ANALYSIS TO ECONOMIC DEVELOPMENT

by Tine Knott

"Politics," said Marx, "is the art of looking for trouble, finding it, misdiagnosing it, and misapplying the wrong remedies." Needless to say, we're talking about Groucho Marx, not Karl. And Groucho was talking about politics, not development. But development professionals know all too well how crucial the political context is to finding the right remedy for development problems. Surefooted political economy analysis (PEA) has the potential to forestall implementation problems, guide programming decisions, and—as Marx would put it—prevent us from "finding [trouble], misdiagnosing it, and misapplying the wrong remedies."

PEA has begun to overtake less-rigorous discussions about "political will" when attempting to dissect and address development issues. The World Bank has developed an impressive framework for PEA of decentralization; the U.K. Department for International Development is undertaking comprehensive PEA training programs; and the U.S. Agency for International Development (USAID) has incorporated PEA into its USAID Forward vision of utilizing more host-country systems and organizations. PEA is being used to examine issues such as public administration, political reform, institutional development, and corruption. But its applicability stretches beyond these traditional governance issues.

A recent piece in *The New York Times* (Leonhardt 2011) presents a new thesis by the Center for Global Development's Charles Kenny that the world's poor are better off—despite stagnant economies in many countries—by virtue of their improved health and education. Leonhardt argues that the disparity between improvements in health and education and the stagnant economic growth underlay much of this year's political upheaval in the Middle East. In other words, people had two of their basic needs (health and education) sufficiently covered to allow them to protest the fact that a third basic need (employment) is lagging. While some development professionals might disagree with this argument, most recognize that development sectors are not discrete and autonomous but interrelated and overlapping, so success or failure in one sector affects success or failure in another. PEA, done well, offers us a better understanding of how the relationships among the various actors, competing interests, and environments affect each component of the political dynamic and create conditions conducive to a project's success or failure.

This article offers ideas for how donors can apply PEA in analyzing, adapting, and developing their economic reform programs, with an eye to possible applications of PEA to the new realities of undertaking development in the Middle East or in other transition settings. It also presents some country-specific success stories from DAI's global experience.

Given the increasingly complex and politically fraught operating environments that have resulted from conflict, political upheaval, and continued global economic fragility, economic reform programs will face steep new challenges over the next five years. In some countries, traditional economic reform programs have been less successful than expected, despite large donor investments of technical assistance and other resources. It is essential that we, as development professionals, better understand these failures so we can adapt our approaches accordingly.

PEA is a particularly promising tool in the development and implementation of economic reform programs—especially those that address trade, service delivery, business environment, and public financial management issues—because it can help us better understand these more complex environments and analyze past successes and failures. That said, the method is not a panacea for all that ails the development arena; there are many other factors besides political economy that affect the success-to-failure ratio of development programs. PEA will not fix shortages of funding or personnel, poor implementation practices, or bad program management, though in many cases it will enable us to identify these problems early enough to find remedies.

To deal with these emerging and complicated challenges, we will need a variety of interventions to advance appropriate economic development programs, and PEA can provide a context within which other development tools and practices can be most effectively applied. It can provide a framework for determining which assistance modalities will have the most impact, which partners will be the most effective, and what other types of programming will be required to create an environment conducive to economic development.

At a minimum, the questions in Table 1 should be addressed to provide the parameters of the analysis.

Once an initial PEA is completed, more traditional economic development interventions such as regulatory guillotines, trade agreements, and tax reform can be adapted to better capital-

TABLE 1. THE QUESTIONS UNDERLYING POLITICAL ECONOMY ANALYSIS

Actors	Interests	Environment
• Who are the existing/new decision makers overall? • Who are the existing/new decision makers in this sector? What are the lines of authority between these actors? • Are these new decision makers expected to remain in their positions over the short, medium, or long term? • Who are the other economic growth donors? • Who are the nongovernmental, nonstate, and private sector actors who could affect reform? • Which groups are most closely associated with economic reform success? Which are most closely associated with economic reform failures? • Are there many foreign companies operating here or generating business from this country?	• What is the historical record on economic reform in this country? • Which groups and/or individuals have benefited from past successes and failures? • How influential are nongovernmental, nonstate, and private sector players? • Are rent-seeking, cronyism, or other forms of corruption a problem? If so, who benefits and who pays? What is the estimated economic cost of this problem? • How influential are donors and other foreign parties? What are their interests in this country?	• Is there basic stability and rule of law and is this expected to remain the case? • Is there a government development or reform plan under which economic reform fits? If so, what are the priorities overall and in economic growth? • What are the societal ideologies and values that might affect economic reform programs? • What are the legal framework constraints or openings? • Is there any local funding (public or private) available to support economic reform/development efforts? • What economic development projects have been previously implemented? How successful were they? • Are unions or other professional associations influential and will they affect the success or failure of economic reform initiatives?

ize on the specific opportunities and avoid the specific constraints in a country. For example, if a PEA identifies a situation where the local labor unions are politically powerful and benefiting from certain provisions in the existing tax code, it will be necessary to identify other powerbases that would be willing to support changes to the tax code and that could balance out the influence of the trade unions. If an alternate group could not be identified through the PEA, then it would be unlikely that tax code reform would be successful, so development resources should probably be spent working on other issues—which could include developing a powerbase for tax reform in the future. Another example would be if the PEA identified a weak legal system as a constraint; then a regulatory guillotine program would benefit greatly from a concurrent court administration and/or access-to-justice program.

Not a one-time exercise

PEA should not just be the first tool applied when undertaking an economic development program—it should be viewed as a continuous process, informing everything from the initial strategy development phase through the completion of the program. Actors, interests, and environments change over time, and the most successful development programs adapt accordingly. For economic development programs, this observation is especially true considering the large number of players involved, the strength of the interests at play, and the globalization of the economic environment.

PEA can also spur the development of new tools. In Vietnam, for example, DAI was asked to implement a USAID economic competitiveness program called the Vietnam Competitiveness Initiative (USAID/VNCI). Using PEA techniques, DAI determined that one of the main factors retarding a more competitive business environment at the provincial level was the lack of incentives. We also determined that provincial leaders were highly competitive with each other because they could leverage local successes into political influence at the national level. To take advantage of this feature of Vietnam's political economy, DAI worked with donor, government, and nongovernmental partners to develop the Provincial Competitiveness Index (PCI), which "ranks" each province using a customized index to weigh factors that make up the microeconomic business environment. In Vietnam, the PCI emerged from a survey of thousands of private companies in 64 provinces. The questionnaire asked respondents to rate their experiences with their provincial governments in nine categories, including entry costs, transparency of and access to information, favoritism, and private sector development policies. Provinces were then ranked according to their survey scores. The PCI is now a widely accepted part of the business landscape in Vietnam, where it serves to spur and record advances in the enabling environment.

The PCI example from Vietnam also provides a model for how PEA can be translated into mid- to long-term cost savings for donors by creating the conditions necessary for viable public-private partnerships (PPPs). In our role as implementer of the USAID Global Development Alliance (GDA) Strategic Support Program, DAI found that private sector concerns over the uncertain operating environments of many developing countries are a major impediment to the development and implementation of PPPs. In Vietnam, the PCI provides an annual PEA-based snapshot of the state of economic governance. To date, the findings of the PCI have been translated into 1) development programs for improving the economic governance of various provinces, 2) strategies for attracting foreign and domestic direct investment, and 3) provincial and national-level public-private dialogues around economic governance and policy issues. Now that the PCI is well established and its methodology proven, the next step in Vietnam is for donors to actively partner with consistently strong-performing provinces to capitalize on their demonstrated good economic governance to attract PPP investments that will leverage the initial donor investments in the PCI.

Globally, donors do not need to invest in the development of expensive, wide-reaching competitiveness indices to reap the potential cost-saving benefits of PPPs. Strategic PEAs focused on the economic governance of individual government units (that is, individual municipalities, states, provinces, or government ministries) can be used both to identify areas where the conditions are ripe for viable PPPs and to assuage the operating-environment concerns of potential private sector partners. Under the GDA program, for example, USAID has been a leader in demonstrating the huge leveraging potential of well-structured PPPs. USAID has undertaken some 900 partnerships with more than 1,700 partners and, in doing so, has leveraged billions of dollars in combined public-private resources.

PEA: Limits and pitfalls

While PEA is an exceptionally useful, adaptable tool, it cannot define our development goals. It should instead help us choose the best path to get there. To go back to the earlier tax example, the PEA should not determine our objective ("A more equitable tax system in Country X") but it should rather affect what we do to achieve that objective and shape our thinking on how long it will take to do so. Importantly, PEA does not give us an excuse to under-reach on our goals just because it illustrates how difficult it might be to succeed. PEA techniques evolved in response to the frequent use of the "political will" paradigm—the refrain that "there is no political will for economic reform in Country X" and "the program in Country Y failed due to a lack of political will"—as a rationale for program failure or abandoned development agendas. PEA unpacks the individual factors underlying a given strategy's or activity's chances for success by allowing for more refined and nuanced solutions for tackling development constraints.

PEA and economic policy

Prior to the current wave of instability, most economic policy initiatives in the Middle East—especially in the areas of trade, service delivery, business environment, and public financial management—were heavily legislated, with a top-down, government-oriented approach. Interestingly, a wide range of outcomes resulted from this relatively uniform policy-making approach. In the 2011 World Bank *Doing Business* report, for example, Saudi Arabia ranked 11th of 183 countries overall in ease of doing business, while Jordan, Lebanon, and Morocco ranked 111th, 113th, and 114th, respectively. Because each country has different actors, interests, and environments, the outcomes were wildly different. In turn, development programs clearly should be tailored to each of those countries' unique actors, interests, and environments.

The current political unrest and uncertainty in many of these same countries adds a further dimension of complexity that will need to be understood if future development programs are to succeed. There are obvious immediate changes to actors, interests, and environments in places such as Egypt, Tunisia, and possibly Libya and Yemen, but these too will continue to evolve as the nascent democracy movements in these countries develop into national governments. We will need to design and regularly update PEAs with additional in-depth questions about actors, interests, and environments to ensure our analysis remains accurate and useful.

Economic development programs in Egypt, for example, must adjust to the changed environment there. Development practitioners will need to understand the new actors, their relationships to the former actors, their values and norms, and how these values and norms differ from the previous regime's. It will be essential to re-evaluate institutions in light of the new actors and environment to determine the depth of institutional change that will be implemented by the new regime. (Will civil servants remain in their posts?

If so, will they embrace or hinder change? If not, where will they go and what impact will this have on employment and economic growth?) Implementers will also need to understand how they themselves are perceived by the new players. (Are they viewed as being closely tied to the old regime? If so, can they be effective under a new government?) The initial PEAs will need to inform not only the activities to be undertaken but also the implementation modalities to be used. Traditional bilateral development programs are extremely difficult to implement in transition settings, which will require donors to identify other, more appropriate mechanisms for implementing key development programs. By nature, however, transition settings are fluid, so programs will need to be flexible enough to respond to changes identified in subsequent PEA updates.

PEA in Jordan

In Jordan, DAI has been applying PEA in USAID-funded public financial management and water programs, as well as in analyzing Jordan's overall development climate. We are using PEA to examine whether a tool such as the Provincial Competitiveness Index used under USAID/VNCI could be applied in Jordan as a way of fostering competition among recently created Development Zones to make them real drivers of investment rather than yet another layer of bureaucracy. Given the numerous policy changes and administrative reorganizations related to Jordan's economic zones over the past decade, this PEA is focusing heavily on understanding the historical interests part of the equation.

In Jordan's public financial management sector, the PEA process allowed us to propose development interventions that not only address immediate technical needs for better budget forecasting and modeling, and more rationalized tax systems, but also allow these programs to weather frequent changes in government and operate within the political realities in the region, without generating unintended consequences. Additionally, these programs have identified hundreds of millions of dollars worth of potential future revenue for the Government of Jordan, representing a significant return on USAID investments in this sector.

Also in Jordan, after the early 2011 protests and subsequent government change, DAI undertook a "quick-and-dirty" PEA update to identify ways in which the new government could better respond to the demands of protestors, specifically in the areas of employment and income generation. Our team first evaluated the evolving landscape of political actors, identified areas in which interests might or might not have changed, and then assessed how regional events would affect policy outcomes in Jordan. Based on this update, we were able to recommend short-term actions for the government and readjust our ongoing programming to better fit the changed actors and interests.

Jordan has very scarce water resources, which is an increasingly serious constraint on economic activity, especially in two of the fastest-growing sectors: tourism and construction. DAI is implementing a USAID-funded water demand management program that brings together the public sector, private sector, and local communities. A main challenge for implementation was to identify the nexus where the interests of all these actors converged and then ensure that this assessment is constantly re-evaluated as players and interests evolve over time. One of the key PEA questions in this process of re-evaluation is: "What interventions will enable all actors to believe that their interests are protected and promoted?" Thinking beyond the traditional partners and typical interventions enables—indeed compels—the program to expand the number of beneficiaries. Modalities such as building PPPs with nontraditional partners and developing strategic relationships between government and civil society are now being successfully implemented and adapted as needed under the program.

Additionally, USAID and DAI recognized early in the program that in poorer rural communities, traditional water demand management programs simply would not work, because such communities face significant water supply issues beyond the economic means of the government to solve. It was also clear that the lack of a reliable water supply seriously hindered economic growth in these areas and reduced productivity. Accordingly, DAI partnered with Mercy Corps and implemented community-level PEAs to identify the best communities in which to implement revolving water funds. Community-based organizations (CBOs), traditional leaders, and other local resources were evaluated based on a sampling of questions from all three PEA categories—actors, interests, and environments—and seven CBOs were awarded pilot grants. The original model had the CBOs awarding small loans to individual households to address water supply and demand problems, but soon entire communities were coming together to look at ways in which they could resolve not only household-level water problems, but also community-level water issues. This success was in no small part due to the fact that the community-level PEAs allowed the team to select communities where the conditions were ripe for citizens to get involved and excited about resolving their own water problems. It also resulted in USAID getting a bigger "bang for its buck" by significantly improving the development outcomes of the Agency's investment.

The examples cited above are only a sampling of the many ways in which PEA can be utilized in international development—across programs, regions, and disciplines. The return on the investment of time and other resources from this kind of analysis is high, and in DAI's experience, the initial investment is recaptured many times over during program implementation. PEA should have a bright future.

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RESULTS-BASED FINANCING: A GOVERNANCE TOOL THAT WORKS FOR SERVICE DELIVERY

by Ann Hudock

"Reviews that focus on process and procedure miss the real issue: what did the money achieve? What change resulted from it? How were lives made better?" (Andrew Mitchell, Secretary of State, U.K Department for International Development, Speech to Oxfam and Policy Exchange at the Royal Society, London, June 3, 2010).

"'Cash on delivery' is a hollow achievement if we don't know whether what was delivered is what was needed or wanted." (Lawrence Haddad, Director of the Institute of Development Studies, University of Sussex, blog post to Development Horizons, March 6, 2011).

Results-based financing (RBF) is an approach to development assistance that—if done well—enhances governance as well as service delivery. The late Philip Musgrove defined RBF for health services as a "cash payment or non-monetary transfer made to a national or sub-national government, manager, provider, payer, or consumer of health services after predefined results have been attained and verified." This definition applied to service delivery more generally serves as a basis for understanding RBF.

RBF's focus on accountability for development money spent has the potential to shift the status quo in developing countries. Too often, people who are meant to be recipients of aid are unaware of the resources given to governments to support service delivery in health, education, and economic development. Leakage in the public administration system occurs through inefficiency, lack of capacity, or outright corruption—and there is little recourse for citizens to address these problems. Under the RBF model of development assistance, payments are conditional on measurable actions, so even where civil society is weak or communities lacking in capacity to oversee government service delivery, performance standards are built in. Governments are forced to perform or they forgo payment. Over time, these enhanced performance standards could raise people's expectations and counter the apathy that too often sets in when people become resigned to poor performance.

That said, these gains on the governance side of the ledger are likely to disappear if and when the systems that encourage them are no longer in place. But by adopting a political economy approach to RBF, as described in this paper, development practitioners can increase the probability that the incentives, institutions, and actors involved will be better aligned to yield accountable service delivery and good governance over the long term. This article suggests critical areas for governance reform that could contribute to the success of RBF programs and broaden and deepen their impact through the application of good governance principles. These priority areas could be viewed as governance prerequisites for viable RBF schemes.

DAI's approach to governance and RBF

There is a growing consensus that governance matters for the successful implementation of RBF, but there is little clarity on which aspects of governance matter most, or how to integrate good governance approaches into RBF programs. In any RBF program, the incentives of the funder and recipient must be aligned. If not, it is unlikely that targets will be met and payments made. The example from Cambodia highlighted in Box 1 is a good example of aligned incentives, demonstrating how payment for results induces performance in service delivery. This approach

Box 1. Expanding access to piped water among Cambodia's poor

The U.S. Agency for International Development's (USAID) Cambodia Micro, Small, and Medium Enterprise Project, implemented by DAI, used an RBF approach to expand access to piped water to 11,000 poor households over a year. To address high upfront connection costs—more than a month's wages for a poor household—DAI developed an incentive-based strategy to encourage infrastructure investment. The project's Water Investment Strategy created a system of simple rebates. Water service providers received cash rebates after households had gained access to safe running water, in compliance with standards set by Cambodia's Ministry of Industries. The incentives encouraged investment in harder-to-access areas. Rebates were fixed, and made against easily verifiable targets. Water service providers were encouraged to invest quickly, which they did using external or internal financing.

marks a clear departure from an assistance model focused on delivering resources up front and expecting that the desired results will transpire. Under such a traditional approach, incentives tend to feature less centrally in program design, because the assumption on the part of the donors is that a lack of resources is the primary constraint on development, and that providing those missing inputs will produce the desired results. Such input-based programs have the luxury of taking more technocratic or even bureaucratic approaches. RBF, on the other hand, deliberately acknowledges and addresses the incentives at work in a given development context, which means understanding the political dimensions of the development program at hand. For RBF to succeed, in short, a political economy approach is required.

DAI's proposed political economy approach to RBF builds on the analysis presented in Box 2 by adding four key areas of governance support that pave the way for successful RBF programs and good governance:

- Legal and regulatory environment reform
- Fiduciary risk assessment and mitigation (national and subnational)
- Legislative oversight
- Civil society engagement

Each area is discussed in detail below, with some practical examples.

Legal and regulatory environment reform

For RBF programs to succeed, the legal and regulatory environment must be clear and consistent, and contracts must be readily enforceable, because these laws and contractual arrangements will set the rules of engagement for principals and agents of RBF programs.

In its own work, DAI does not advocate a single, standard methodology for supporting the regula-

Box 2. Laying the foundations for successful RBF programs

The Global Partnership on Output-Based Aid has identified various factors that contribute to effective RBF, including:

- A sound regulatory environment
- Motivated and reliable service providers (public or private)
- Incentive payments linked clearly to appropriate outputs
- Tariffs that cover operations and maintenance costs
- Incentives and subsidies that effectively target the poor and underserved
- Funds available from the service providers' own resources or from banks to "pre-finance" the outputs

tory reform process, but rather tailors approaches to the specific requirements of each country. Competitiveness indices and other analytic tools measure regulatory systems, for example, and in the process stimulate competition among national and local governments, leading to better regulatory environments and identifying opportunities for improvement that do not depend on extensive legislative action.

Using these customized analytical tools, DAI identifies entry points for reform within public institutions, and works to create or support mechanisms for public-private dialogue in the policy-making process. Activities include working with national and local governments to help draft new laws, establishing new regulatory bodies or supporting existing ones, and streamlining administrative procedures.

The Provincial Competitiveness Index (PCI), developed under a USAID project implemented by DAI, is used to assess local economic governance in each of Vietnam's provinces. Such a tool could be adapted to RBF approaches to foster public-private partnerships for service delivery, influence performance, and measure it over time. In Vietnam, publishing the PCI's annual results in the media and holding a formal launch of the survey's findings each year serves to heighten people's awareness of the progress made in economic governance, and to spotlight those provinces and regulatory areas requiring the most reform. These public data provide a platform for advocacy and dialogue among the government, businesses, and citizens.

In the context of RBF, DAI approaches policy reform as part of the overall environment in which service delivery takes place. Gaps in service provision may require changing the policies that govern delivery rather than just overhauling the actual programs. Where governments or donors find performance bottlenecks, they may decide to review the policy guiding that delivery. Equally, service providers may find that their experience implementing service programs points to particular areas for policy reform, and they can then use this firsthand knowledge in their advocacy efforts. Rather than advocating that more people be served, they can advocate for better quality of services provided and suggest areas where policies need to be modified to make that happen. RBF, however, should not be used to buy reforms or policies but to support existing reforms. Going forward, it will be useful to document work done in support of reform and see whether an RBF arrangement could have been introduced to achieve additional results and at a faster pace.

Fiduciary risk assessment and mitigation

Increasingly, as RBF channels resources through host-country government systems, fiduciary risks come into play. Host-country systems for channeling RBF resources must operate with integrity and must demonstrate capacity to process payments or oversee the government budgets expended through RBF. RBF programs are more likely to succeed if they can address these institutional challenges, but to do so requires a better understanding of the incentives for change and the relationships between individuals working within the institutions involved.

DAI has developed a public financial management risk assessment framework to help understand and mitigate these risks. In 2010, DAI worked with the USAID Chief Financial Officer, Chief Operating Officer, and technical staff to develop and pilot-test this framework as part of efforts to expand and accelerate the use of host-country mechanisms in delivering aid assistance. This tool is readily applied to RBF arrangements, particularly at the national and subnational levels, where RBF approaches use domestic funds and where the contract is between a government and some subnational entity (governmental or nongovernmental).

Not only does the tool provide a clear picture of the risks associated with the fiscal systems in place—it opens a conversation and opportunity to design targeted capacity-building programs in ways that advance goals related to the successful implementation of RBF. And because governments can see gaps in their fiscal systems in an objective way—supported by evidence—they may be more likely to tackle capacity issues or weak links identified in their systems, particularly if doing so contributes to performance that produces payment under RBF programs.

Far too often, budget reforms disappoint because they are designed to solve a technical problem, when in fact the problem lies in the institutional framework—the formal and informal rules that dictate how organizations and people interact in the budget system. If budget reforms are designed without taking these rules into account, they are likely to fail. Budget organizations can be restructured, merged, and created from the ground up; sophisticated instruments can be implemented and automated. However, no change in behavior will result unless the basic rules, procedures, and incentives change as well.

Since 2009, the USAID-funded Fiscal Reform Project II, implemented by DAI, has been working with the Jordanian Government and its General Budget Department on results-oriented budgeting, but the government's preoccupation with deficit reduction has compromised its stated commitment to spending for results. In 2010, several line ministries submitted high-quality budgets, yet had their spending requests slashed. The cuts appeared arbitrary, affecting all government agencies in an indiscriminate manner aimed almost entirely at capital spending; critical investments were postponed, while the massive public sector wage bill and other recurrent expenditures were left virtually untouched. Although every ministry had strategic plans and key performance targets, agencies were not asked to estimate the cost, in terms of reduced services and benefits, that would result from these budget cuts. There was no consultation on how spending reductions would affect the construction of roads, the delivery of healthcare, or farmers' access to veterinary services. The concern was how much the government was spending, not what it was spending on, or whether it was spending on the "right" things.

The continuing lesson seems to be that budget reform, like the budget itself, is cyclical: improving the execution stage of the budget cycle often requires adjustments to the budget preparation process, which in turn necessitates enhancements to budget execution, and so on. The budget process is either improving or deteriorating, making budget reform an iterative and ongoing exercise. RBF schemes are more likely to operate well when there is clarity, transparency, and accountability in the budget process. In many cases, fiscal reform efforts will be required to achieve these goals.

Legislative oversight

The legislatures or parliaments responsible for overseeing government need to be aware of RBF programs, monitoring whether they are working and holding public hearings to confirm their results. Strengthening a parliament's capacity to analyze government spending and prioritize resource allocation could contribute to RBF approaches in terms of both identifying where RBF is needed and evaluating its impact.

DAI's insights into how parliaments could be engaged in RBF approaches are derived from a worldwide portfolio of legislative strengthening programs supporting core legislative functions—including representation, lawmaking, oversight, and the administration and management of legislatures—using innovative tools to build the capacity of members and staff at legislative bodies. For example, our Budget Analysis Tool has been used in Bangladesh, Pakistan, and Palestine to inform members on budget deliberations. Our Constituency Mapping Tool uses geographic information systems to map key development indicators at the constituency level, allowing members to see the relative development of their constituency versus the rest of the country in areas such as access to clean water and literacy rates to spur debate about budget allocation and government policy.

DAI's work with legislatures focuses in many cases on budget analysis, determining where citizens' needs are being met and where lawmakers can be held accountable for resources delivered. DAI worked with the Bangladesh Parliament, for example, to establish the Budget Analysis and Monitoring Unit (BAMU). Established with the support of USAID's Promoting Governance, Accountability, Transparency, and Integrity (PROGATI) project, the Unit provides in-house expertise to help parliamentarians analyze and monitor the preparation and implementation of the national budget. Parliamentary oversight is an important step toward improving management of public funds and ensuring greater transparency.

BAMU officials have received training from PROGATI on topics such as gender budgeting and understanding Ministry of Finance reports, recently prepared a Budget Compendium and Mid-term Budget Review for members, and are already responding to questions from members on budget issues. Through these services, the BAMU will encourage and enable members to participate actively and knowledgeably in parliamentary deliberations on the budget, and to strengthen the oversight function of parliament.

In its final year, PROGATI is engaging with the Ministry of Health, which offers opportunities to review the allocation and distribution of health resources and to consider where performance-based contracts might change the logic of interaction between national and subnational levels, and where a results focus can replace a traditional inputs focus. Shifting the focus of budget accountability to results achieved would be a significant accomplishment that BAMU is well placed to realize.

Civil society engagement

Transformational development approaches engage their intended beneficiaries and, as a result, have lasting impact in areas that matter most to people's quality of life. For RBF to achieve this kind of impact, it must encompass qualitative as well as quantitative measures of success, take into account citizens' perceptions of the service delivery involved, and address citizens' concerns as a condition for payment.

Increasingly good data support the development practitioner's field experience to the effect that citizen participation tends to promote greater access to state resources and services. The U.K. Department for International Development's funding of a 10-year research project led by John Gaventa at the Institute of Development Studies highlights where positive and negative outcomes have been achieved (Gaventa and Barrett 2010). Engaging citizens in the development of RBF approaches and in the evaluation of their impact will empower citizens and, in so doing, enhance government transparency and accountability.

DAI's civic engagement programs work with both government and non-state actors. For example, in Azerbaijan, where DAI runs a project designed to increase legislative transparency and build the capacity of members and staff, we focus on improving constituency representation. The project rolled out a feedback database to 105 constituency offices nationwide, enabling constituency staff to track issues, resolve them more quickly, and analyze trends in a way that informs policy making. In addition, DAI works with the legislature to increase citizen engagement in committee hearings and lawmaking, and with business associations to train them on the legislative process and how to nurture relationships with the parliament. The result: more private sector engagement in the lawmaking process. These approaches could be adopted to include the managers, providers, payers, and consumers of social services, so that they can debate with the legislature the value of RBF and seek legal reform or greater legislative oversight where needed.

In Thailand and Kenya, DAI works to catalyze change in the political culture by building relationships and coalitions among independent oversight agencies, civil society organizations, and grassroots media. Small grants and in-kind grant mechanisms provide maximum flexibility in meeting program targets related to promoting government accountability, civic education, and youth empowerment. These civil society programs, and the tools developed for ensuring that resources delivered to them are used effectively and accountably, could be adopted in RBF programs to help citizens monitor the delivery of social services, particularly in terms of equity and access for the poorest.

Adopt a political economy approach to RBF

Improving governance is crucial to delivering services and maximizing the impact of RBF assistance agreements. Most important, adopting a political economy approach to RBF strengthens the potential impact of service delivery reform by enhancing the quality of governance at the same time. DAI's approach treats four key governance elements—legal and regulatory reform, fiduciary risk assessment and mitigation, legislative oversight, and citizen engagement—as pre-requisites for viable RBF; and where structures and institutions in these four areas are found lacking, we believe the payoff for capacity development will be high.

But while RBF can deliver impressive results and strengthen accountability in the short term, it will be important to track these results and trends over time to ensure that incentives for keeping up and respecting reforms are sustained, rather than backsliding into poor performance once payments are made. Tools like the PCI, which offer data-driven ways of monitoring and reporting, should be adapted and replicated to support RBF, particularly in so far as they reflect citizen perceptions, so that RBF schemes assess end-user experience and align payments with levels of satisfaction. If governance measures like these can be incorporated systematically into RBF, the outlook for this exciting new mode of development assistance is promising indeed.

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Ann Hudock is DAI's DFID market lead and a senior manager with broad technical, institutional, and geographic international development experience, specializing in civil society development, media sector support, and gender issues. Dr. Hudock recently served as deputy country representative for The Asia Foundation in Vietnam. Previously, she served as the senior advisor for democracy and governance at World Learning, overseeing a global portfolio of projects on good governance and economic development. She has served as special assistant to the Under Secretary of State for Global Affairs at the U.S. Department of State. She has also worked at the U.S. Agency for International Development (USAID) in the Global Bureau's Center for Democracy and Governance as a technical specialist on civil society development.

Meral Karan-Delhaye recently joined USAID, where she works in the Bureau for Democracy, Conflict and Humanitarian Assistance. Prior to joining USAID, she was a development specialist at DAI for six years, supporting legislative strengthening and economic policy programs in Azerbaijan, Bosnia and Herzegovina, Kosovo, West Bank/Gaza, and Nigeria. Karan-Delhaye previously worked with the Kenan Institute for Private Enterprise and the Synergos Institute.

Tine Knott joined DAI in January 2011 after a 17-year development career that included 15 years of service at USAID, where she managed multimillion-dollar project portfolios in Jordan and Mozambique, among other responsibilities. As senior development advisor at USAID/Jordan from 2008 to 2010, Knott developed cross-sectoral and politically sensitive programming in human rights, governance, and poverty and was responsible for public outreach and management of relationships with host-government counterparts, other U.S. Government agencies, civil society, and media.

Matthew Kroenig is an assistant professor of government at Georgetown University. He is the author of *Exporting the Bomb: Technology Transfer and the Spread of Nuclear Weapon*s (Cornell University Press, 2010), coauthor of *The Handbook of National Legislatures: A Global Survey* (Cambridge University Press, 2009), and coeditor of *Causes and Consequences of Nuclear Proliferation: A Quantitative-Analysis Approach* (Routledge, 2010). He has held fellowships from the Council on Foreign Relations, the National Science Foundation, the Belfer Center for Science and International Affairs at Harvard University, the Center for International Security and Cooperation at Stanford University, and the Institute on Global Conflict and Cooperation at the University of California.

Del McCluskey, an environment and natural resources specialist, spent more than 20 years designing and directing environment, clean energy, agriculture, and economic development programs for USAID. He held long-term overseas assignments in the Dominican Republic, Honduras, and the Philippines, and led USAID's re-engagement in Vietnam, Thailand, Laos, Burma, and Pakistan. McCluskey also has led the development of innovative regional programs in economic recovery and clean energy development in Southeast Asia and South Asia. He has headed DAI's Environment and Energy Sector since March 2010.

Alina Rocha Menocal is a research fellow at ODI in the Politics and Governance Program. She has expertise in the challenges of democratization, linkages between state and society, and statebuilding. At ODI, Rocha Menocal has been involved in a series of assignments that seek to bridge the gap between research and policy in thinking about governance issues from a political economy perspective.

Leni Wild, a research fellow at ODI, has a particular interest in governance, accountability, and democracy promotion, as well as aid and development effectiveness. She was previously a research assistant, then research fellow, in the international team at the Institute for Public Policy Research, where she worked on a range of development issues, and she was research officer at Education Action, a nongovernmental organization working in post-conflict countries.

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