Conclusion: The Road to Nowhere?

Introduction

Our central purpose in this book has been initially to ask why political economy has emerged as a tool for policy analysis and planning within the major aid agencies and banks. These had for decades been resolutely opposed to consideration of the political and social contexts of development reform, clinging to the assumption that various policy and institutional fixes would be enough in themselves to steer development in the ‘right’ direction. Also, it has been our aim to explain the different ways in which political economy has been understood and applied by policy-makers. Thus, we have made a close analysis of rational choice political economy, institutional political economy and the more pluralist versions of political economy that do take into account factors of power and social relationships. We examine how these approaches have shaped different agendas for policy and strategy in more practical terms.

Most importantly, we develop a specific approach to political economy that stresses the essential structural relationships that entangle and define the relative power of reformers and conservatives alike. Through this lens, we argue that the mainstream political economy approaches possess fundamental flaws both in their understanding of the dynamics of development and in the lessons they offer for policy and practice. In this chapter, we review what we consider to be the key political economy constraints on the aid industry’s attempts to work more politically. These make progress difficult, but it is also the case that there remain political opportunities.
Political economy of donor agencies

We make the initial proposition that any political economy of development needs to be introspective to the extent that it should dissect the ideas and interests that shape the aid industry within donor countries. At one level, this means sorting out the ideological disputes between the more fundamentalist of market approaches and others that take institutions and/or political interests and power more seriously. At another level, it means assessing the conflicts that arise between development agencies and their domestic constituencies, and those other elements within donor country governments that give primacy to commercial or geo-strategic priorities: those located in the foreign affairs or trade ministries, or within the corporate and business communities.

Development assistance policies are a part of the foreign-policy equation of governments. Foreign policy is generally understood as an instrument to further the strategic and commercial interests of countries, and development assistance can only escape from the foreign-policy parameters to a limited extent, as much research on the impact of ‘donor interests’, ‘recipient needs’ and ‘normative ideas’ on aid allocation has shown (see Clist, 2011). It is small wonder that decisions on development assistance are often guided at least as much, or more, by perceived geo-strategic and economic interests of donors as it is by their desire to ‘do good’ in the global South (Lancaster, 2007; VanderVeen, 2011). Moreover, the relatively low position of aid agencies in the pecking order of policy-making reduces their leverage in budget negotiations vis-à-vis other government departments which have a much easier job in justifying their activities in terms of the contribution to the national interest.

This is a landscape that does much to explain the limits and constraints that apply to any donor agency. But these are not the only factors. As we have explained in Chapter 3, the options for donor agencies are also shaped by various administrative and reporting processes and, in particular, the degree to which the new public management has come to define the agencies and banks is critical. Where new public management is predominant, agencies will tend to be terminals for outsourcing the design and implementation of programmes. Agency functions will be concentrated on the tender process, the selection of sub-contractors and the assessment and reporting of outcomes.¹