

Executive Summary

DFID and other aid donors have been gradually moving 'upstream' in their approach to aid and poverty reduction. Whereas in the 1960s the predominant form of aid was projects, this has progressively changed to programmes, policies, institutions and most recently to a focus on politics. 'Good governance' received increasing attention from the early 1990s but the approach was quite normative, interventionist and closely connected to conditionality or selectivity. Recent work to increase the effectiveness of aid breaks with this interventionist thinking, advocating a historical, political view of specific country contexts as the analytical basis for aid strategies.

Donors have traditionally shied away from engaging with the political realm; the predominant view of politics has been as a factor that serves to hinder success. Evaluations of aid intervention failure, for example, have often concluded by blaming a 'lack of political will', with no systematic analysis made of the causes of this. Aid has typically been viewed as a technocratic intervention in 'sovereign' states where donors have no right to meddle in the political. Although sovereignty concerns are still valid, recent thinking is that this should not prevent donors from better understanding what is happening in specific country contexts.

There is therefore growing awareness that all donor interventions are political and that they inevitably interact and influence the political context of the country. Moreover, development is an inherently political undertaking. This increasing attention on the political realm has been fuelled by the introduction of Poverty Reduction Strategy Papers (PRSPs) and accompanying Poverty Reduction Strategy (PRS) processes. These aim to increase country ownership and leadership of strategies for poverty reduction; in essence, advocating a transfer of power from donor countries to recipient countries and from the elite to the poor, in country. These changes are far from technocratic – if donors are serious about working to support poverty reduction, they must increase their understanding of the political contexts of the countries within which they are active and the impact of their actions. The Drivers of Change approach is an important and innovative attempt to address this challenge.

What is Drivers of Change?

The Drivers of Change (DoC) approach takes as its starting point that donors know 'what' is necessary to realise the Millennium Development Goals (MDGs) and widespread poverty reduction, but they do not know 'how' to bring about the changes necessary to make this happen. It therefore advocates close examination and analysis of country contexts with a specific focus on *how change is occurring* within the country, in other words, 'what is driving change'. With a wide and deep understanding of the local context and the trends of change that are already occurring, the next step in the DoC approach is analysis of how the changes that are already occurring will impact the poor. Based on this knowledge, it is hypothesised, donors will be better able to choose interventions that will shift trends to bring about more pro-poor outcomes.

DFID experience with Drivers of Change so far

The DoC approach was only developed over the past few years but DFID country offices rapidly commissioned studies to inform their Country Assistance Plan (CAP) drafting processes. The pressures of engaging with PRSPs and the challenges of working in difficult environments fuelled their enthusiasm for the DoC political economy analysis approach. As a result more than twenty offices have now carried

out DoC work. Although the impact of this work on poverty reduction cannot yet be ascertained, positive impacts of engagement with a political economy approach are visible (Box 7 provides a summary).

Key positive impacts in the area of *insights for programming* are: assumptions behind programming are being challenged; DFID is moving to collaborate with non-typical partners such as elite groups and the diaspora community; there is growing realisation of the need for long-term timescales; and DFID is increasingly reconsidering the value of simply doing 'what it can do'.

Key positive impacts *internally for DFID* are: team building between national and international staff and between specialist staff from different sectors; a growing shared understanding of the country context and implications for DFID; improved institutional memory by capturing shared understanding; and better ability to work closer together with other government departments such as the Foreign and Commonwealth Office (FCO).

The challenges involved in this approach remain considerable, however (Box 8 provides a summary).

Key challenges related to the *limits of DoC studies so far* are: operational implications are difficult to draw out and staff and consultants remain relatively unskilled and inexperienced in this area; most studies have looked at the broad context more than dynamic medium-term factors and the impact of external actors; DoC is not yet well embedded in CAP processes; and country participation in DoC work has been low.

Key management challenges are: large-scale staff training is needed to 'mainstream' the approach throughout DFID (although this is planned it will be a significant challenge); high staff expectations due to high levels of engagement with the work need to be managed to avoid disillusionment with the approach; strong headquarters leadership on the approach is necessary if DFID are to address the need to reform internal incentive structures that may arise.

Key programming challenges are: DoC highlights conflicting agendas within DFID such as the drive to increase aid versus DoC analyses that counsel a need for caution; and current commitments to programmes may be difficult to change even if DoC reveals them to be having a minimal or negative impact on poverty reduction.

Overall DoC is a very positive but highly challenging innovation. It holds the potential for DFID and other donors to develop political awareness in-country and on the impacts of their actions. This should lead to increased caution and realism in 'drives for development'. DFID are keen to share their DoC work, where possible, and are already working with other donors in a recently formed DAC DoC Working Group within the DAC Governance Network (Govnet). As drawing out the operational implications of a political economy approach and analysis is not easy, DFID is keen to engage with other donors, partner organisations, governments and also other UK government departments on this work. British researchers and practitioners look forward to Japanese insights or comments on this paper and to working in cooperation with Japan (and other donors) on these difficult issues.