Australasian Aid Conference 2018

Risk, politics and development

Learning from the UK's democracy aid

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Development is a risky business

Bureaucratic culture of (strong) risk aversion gradually giving way to "informed risk taking"

Strategies for dealing with risk

1. New aid modalities: e.g. payment for results, challenge funds.
   - Move risk, but don't always reduce it.
2. Political smart aid: better analysis (political economy analysis) and more adaptive approaches (thinking and working politically).
   - Hard to put into practice.
   - Take-up sometimes limited to "true believers".
3. Day-to-day risk management.
   - Essential, but has limits.
4. Program design.
   - Limited evidence based about how political risks can (or should) shape program design, and about how program design shapes those risks.

What type of risks?

All types of risk have political dimensions

Contextual risk

The range of potential adverse outcomes that could arise in a certain context. Risk that is external to the program, at both 'macro' and 'micro' levels.

Programmatic risk

Risk relating to program failure, including: (i) the potential for interventions to not achieve their objectives; and, (ii) the potential for interventions to cause harm.

Institutional risk

Risk that is 'internal' from the perspective of donors and implementing partners, including adverse effects for their staff and stakeholders.

Democracy aid is particularly vulnerable to political risks, so it provides a valuable example.

Democracy aid

Our evidence base

Two trade- offs in program design

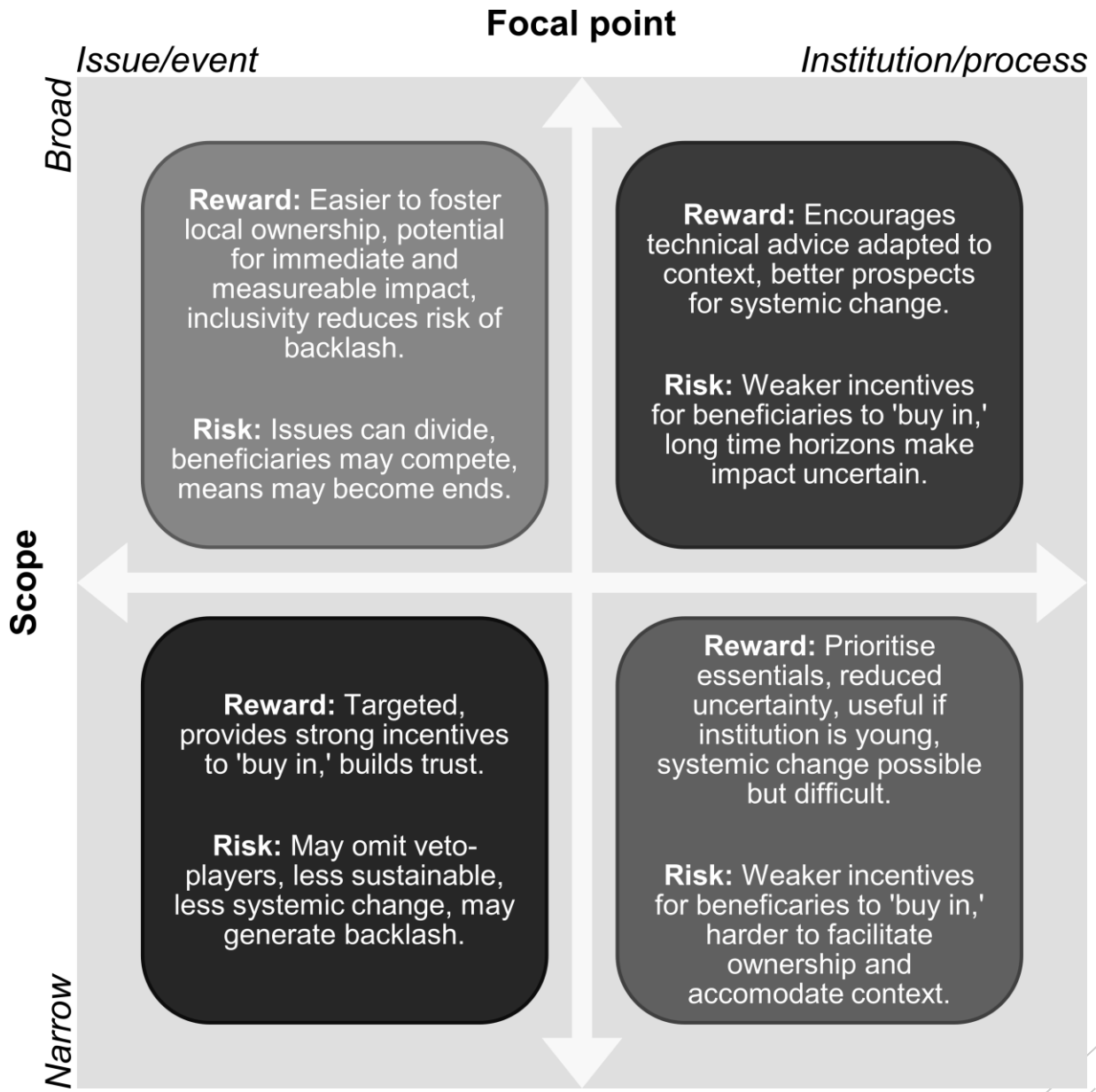
1. FOCAL POINT: ISSUE OR INSTITUTION?

- **Institutions/processes** (e.g. parliamentary committees, electoral commission) appeal as the 'safe' option, involve fewer (obvious) political risks.
- **Issues/events** (e.g. gender equality laws, elections) often popular because they produce more immediate, measurable results.

2. SCOPE: WHO TO INCLUDE?

- **Broad and inclusive** programs reduce the risk of omitting veto-players and can strengthen local ownership.
- **Narrow and more targeted** programs can reduce political risks linked to uncertainty (e.g. focus on parliamentary support staff).

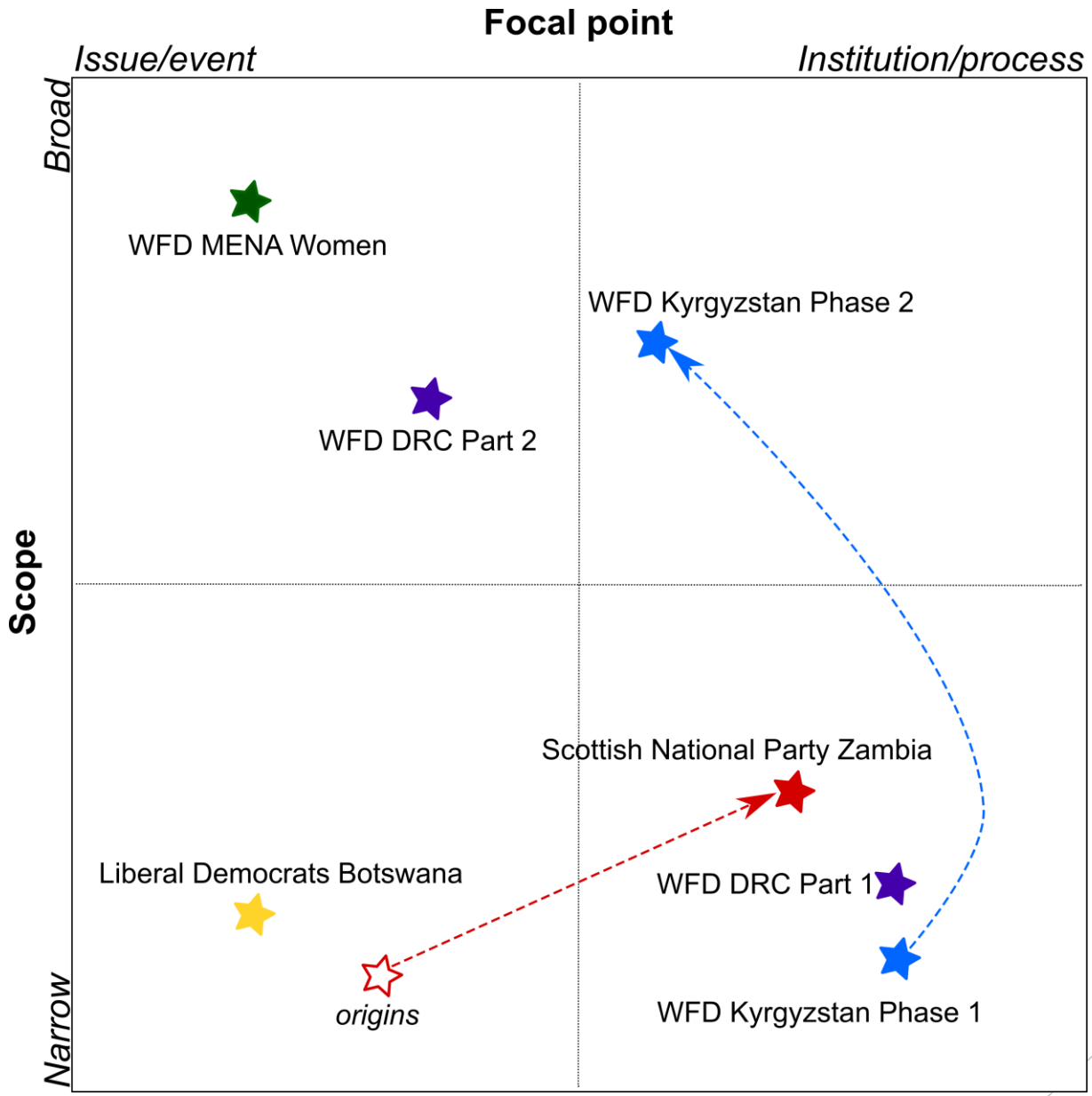
A framework for navigating trade-offs



Key lessons

- Thinking in terms of trade-offs is useful.
  - Focus is on working out which risks are worth taking.
  - Makes it clear that all options come with risks and rewards.
  - **No such thing as a 'risk free' program.**
- The different options are not mutually-exclusive.
  - A larger program might include components with a variety of risk-profiles, that balance trade-offs differently.
  - The program approach (and thus risk profile) may shift over time.

Mapping some WFD programs



Implications

- It is difficult to manage political risk well if programs are evaluated in isolation.
- A ‘portfolio’ approach may facilitate shift to informed risk-taking.
- More research at the program level can help policy-makers and practitioners to make better decisions about which risks to take.