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## 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.

#### All types of risk have political dimensions

## What type of risks?

### 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.



# WESTMINSTER FOUNDATION FOR DEMOCRACY

Democracy aid

Our evidence base

Political party support (UK party offices)

Parliamentary strengthening (Central office)

25 YEARS OF COOPERATION FOR DEMOCRACY

## 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

#### **Focal point**

#### Issue/event

Broad

Institution/process

Reward: Easier to foster local ownership, potential for immediate and measureable impact, inclusivity reduces risk of backlash.

**Risk:** Issues can divide, beneficiaries may compete, means may become ends.

Reward: Encourages technical advice adapted to context, better prospects for systemic change.

Risk: Weaker incentives for beneficiaries to 'buy in,' long time horizons make impact uncertain.

Scope

Reward: Targeted, provides strong incentives to 'buy in,' builds trust.

Risk: May omit vetoplayers, less sustainable, less systemic change, may generate backlash. Reward: Prioritise essentials, reduced uncertainty, useful if institution is young, systemic change possible but difficult.

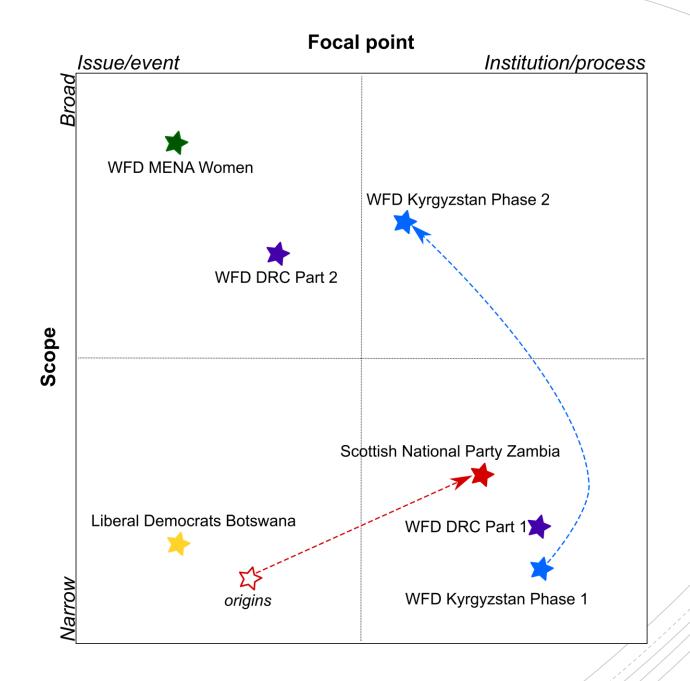
Risk: Weaker incentives for beneficaries to 'buy in,' harder to facilitate ownership and accomodate context.

Narrow

### 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.