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”
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?

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

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

Political party support (UK party offices)

Parliamentary strengthening (Central office)

WESTMINSTER FOUNDATION FOR DEMOCRACY

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).
<table>
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<tr>
<th>Scope</th>
<th>Focal point</th>
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<tr>
<td>Narrow</td>
<td>Reward: Easier to foster local ownership, potential for immediate and</td>
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<td>measurable impact, inclusivity reduces risk of backlash.</td>
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<td>Risk: Issues can divide, beneficiaries may compete, means may become ends.</td>
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<td>Broad</td>
<td>Reward: Encourages technical advice adapted to context, better prospects</td>
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<td>for systemic change.</td>
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<td>Risk: Weaker incentives for beneficiaries to 'buy in,' long time horizons</td>
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<td>make impact uncertain.</td>
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<td>Reward: Targeted, provides strong incentives to 'buy in,' builds trust.</td>
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<td>Risk: May omit veto-players, less sustainable, less systemic change, may</td>
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<td>generate backlash.</td>
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<td>Reward: Prioritise essentials, reduced uncertainty, useful if institution</td>
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<td>is young, systemic change possible but difficult.</td>
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<td>Risk: Weaker incentives for beneficiaries to 'buy in,' harder to facilitate</td>
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<td>ownership and accomodate context.</td>
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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.