

The four political economy fields of development programming

by Mark Moran and Lisa Denney

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Consultations for a community development project in Papua New Guinea.

Photo Credit: Mark Moran

The current practice of political economy analysis (PEA) is focused on the dynamics of the external context that an aid program is working in, mostly at the level of national governments, the actions of members of parliament and the expenditure of public finances.

This can extend also to subnational levels, to provincial and local governments, and special economic zones and mining enclaves. It can also reach out to the regional and global levels, to bilateral and multilateral arrangements, including international trade, supply chains and border dynamics.

This is consistent with the [PEA and Adaptive Management Good Practice Note](#) of Australia's Department of Foreign Affairs and Trade (DFAT) and its description of the different levels of analysis. The focus is the external context into which development assistance is provided, given the ample evidence that this mediates effectiveness.

There is also a [growing body of applied work](#) on how aid practitioners should be “thinking and working politically” and adapting programming to the political economy of this external context. This external context is the first field of political economy, and it is the dominant focus of most PEA undertaken in development.

But there at least three additional political economy fields that aid programming itself generates, which requires attention to internal as well as external dynamics. These multiple political economy fields collide — and development programs and what they can achieve are the resulting phenomena.

The second political economy field sits within the aid machinery of DFAT programs and facilities themselves.

Facilities often bring together multiple sub-programs under the one managing contractor or facility manager who establishes financial agreements with its implementing partners (IPs). Sometimes, the constituent programs and IPs can

predate the formation of the facility, with their own designs and separate contractual arrangements which the facility is tasked to manage.

Facility managers and individual IPs all have their own head offices or boards, and they maintain their own independent relationships with external state and non-state actors. Most also maintain their own unique relationship with DFAT, independent of the facility manager. There is an internal political economy at play in how funding is distributed within a facility and between IPs. Spurred by the success of **localisation policies**, these facilities and IPs also generate employment and stimulate investment by local providers.

At their best, facilities can bring efficiencies and collaboration towards the “sum being greater than its parts”. But there can also be competition and even conflict, with “ways of working” workshops now commonly used to mediate problems. So, this too is a political economy field that is internal to the machinery of aid administration.

Then there is a third political economy field that results from the interactions between the two above, where development assistance **interacts with its recipients or end users**. The point of interaction varies, but let’s use the example of community development, and the role of community leaders.

For communities in need of assistance, especially when alternative government funding or market opportunities are limited, local politics and leadership quickly **orientate around external funding opportunities**. Constituents sensibly measure the performance of their leaders by how much funding they bring in. Community leaders can also be acting on personal financial gain, including building political capital within patronage networks. There can be misappropriation, which development agencies can go to extraordinary lengths to avoid by handling all procurement. Still local political incentives persist, even when aid arrives in non-monetary forms of materials, training or projects.

The effect of this on community leadership can be positive, whereby external assistance strengthens capability and coordination, or it can be negative, by displacing, destabilising and even inciting conflict. This too is a very important political economy field for understanding development effectiveness, one that development assistance itself also generates.

A fourth political economy field sits at the Australian government end, as all aid financing from DFAT is itself a form of public financing.

This field largely **plays out within DFAT** and between DFAT and contracted agencies. Much is at stake here for facility managers to meet deliverables and

reporting requirements for their next milestone payment. From the DFAT side, much is also at stake due to complex crossovers into diplomacy with the national host governments.

DFAT must also navigate its own internal divisions and hierarchies, including the [Commonwealth Procurement Rules](#) and external audits mandatory for all Australian government agencies, albeit with very different demand-side dynamics than domestically.

There is also competition internally within parts of DFAT for allocation of funds. There is clearly a political economy here, one that no one feels comfortable to talk about, partly because actors have only limited visibility of what is happening, or authority to speak of it.

Some people working in development might see these three additional political economy fields as common sense, not deserving of the rigour and expense of political economy analysis. But as researcher-practitioners drawn to PEA as a lens to improve development effectiveness, we are continually struck by how people within aid (including ourselves) are reluctant to weigh their agency and power within it.

And when we do focus on it, we see the usual hallmarks of PEA at play. In keeping with the [DFAT Good Practice Note](#), there are structures (foundational factors and histories), institutions (informal and formal rules of the game), and human incentives, behaviour and networks (games within the rules).

Given the existence of these multiple PEA fields, the scope of political economy analysis should not be limited to external dynamics occurring within national and global economies. Struggles to implement are not only due to the political complexity of the operating environment, but also the political complexity of aid's implementing arrangements.

Aid involves multiple transfers of public finances, with lots of strings attached, and has its own magnificently complex and inadequately understood political economy. Our field of vision on what PEA is must be widened to take account of these different fields and the ways in which they fundamentally impact aid effectiveness.

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