



Applied Knowledge Services
Governance · Social Development · Humanitarian · Conflict

Political Economy Analysis

Topic Guide

About this Topic Guide

GSDRC Topic Guides aim to provide a clear, concise and objective report on findings from rigorous research on critical areas of development policy. Rather than provide policy guidance or recommendations, their purpose is to inform policymakers and practitioners of the key debates and evidence on the topic of focus, to support informed decision-making.

This topic guide provides pointers to some of the key literature on political economy analysis and evidence of its impact on aid effectiveness in different contexts. It includes examples of analyses at country, sector and programme level.

Author and contributors

This GSDRC Topic Guide was written by Claire Mcloughlin (GSDRC) in 2009 and updated in late 2014. The GSDRC appreciates the expert contributions of Gareth Williams (The Policy Practice) and Stefan Kossoff (DFID). The production of this guide was supported by the UK Government.

About GSDRC

GSDRC is a partnership of research institutes, think-tanks and consultancy organisations with expertise in governance, social development, humanitarian and conflict issues. We provide applied knowledge services on demand and online. Our specialist research team supports a range of international development agencies, synthesising the latest evidence and expert thinking to inform policy and practice.

GSDRC

International Development Department, College of Social Sciences

University of Birmingham, B15 2TT, UK

www.gsdrc.org

Suggested citation

Mcloughlin, C. (2014). Political Economy Analysis: Topic Guide (2nd Ed.) Birmingham, UK: GSDRC, University of Birmingham.

© DFID Crown Copyright 2014

This Topic Guide is licensed under the Open Government Licence:

www.nationalarchives.gov.uk/doc/open-government-licence

The views expressed in this report are those of the author, and do not necessarily reflect the opinions of GSDRC, its partner agencies or DFID.

UNIVERSITY OF
BIRMINGHAM

Supported by:



Contents

| | |
|---|-----------|
| Executive summary | 1 |
| 1. Operational relevance and impact of PEA | 2 |
| 1.1 The rationale for PEA | 2 |
| 1.2 Making PEA operationally relevant | 3 |
| 1.3 Impact of PEA | 4 |
| 1.4 Case studies of politically informed programming | 7 |
| 2. Tools for political economy analysis | 9 |
| 2.1 General guidance and critique | 9 |
| 2.2 Country-level tools | 10 |
| 2.3 Sector-level tools | 12 |
| 2.4 Problem-driven tools | 14 |
| 2.5 PEA in fragile and conflict-affected states | 14 |
| 2.6 Communications for politically informed programming | 16 |
| 3. Examples of PEA studies | 17 |
| 3.1 Drivers of change country studies | 17 |
| 3.2 Sectoral PEA studies | 18 |
| Further resources | 22 |

Executive summary

Political economy analysis (PEA) aims to situate development interventions within an understanding of the prevailing political and economic processes in society – specifically, the incentives, relationships, distribution, and contestation of power between different groups and individuals. Such an analysis can support more politically feasible and therefore more effective development strategies by setting realistic expectations of what can be achieved, over what timescale, and the risks involved.

Several agencies now incorporate political economy analysis or training into their programming. PEA complements [conventional governance assessments](#) by providing a deeper level of understanding about power, state capability, accountability and responsiveness. It has also proven useful in understanding processes of statebuilding and state collapse in fragile or conflict-affected states.

Political economy analysis has enjoyed a recent resurgence in development thinking. However, its ultimate impact will depend on the extent to which it changes development practice. It is widely acknowledged that creating the right institutional incentives for donor agency staff to think and work politically is challenging. Nevertheless, the emergence of a new generation of operationally relevant tools at the sector and programme level offers good possibilities for making PEA actionable. While there is a recognised need for more evidence, isolated case studies are starting to emerge that can demonstrate a link between politically informed programming and better development outcomes.

1. Operational relevance and impact of PEA

1.1 The rationale for PEA

Political economy analysis aims to situate development interventions within an understanding of the prevailing political and economic processes in society – specifically, the incentives, relationships, distribution and contestation of power between different groups and individuals – all of which greatly impact on development outcomes. Such an analysis can support more politically feasible and therefore more effective donor strategies, as well as more realistic expectations of what can be achieved, over what timescales, and the risks involved.

Development agencies now widely acknowledge that pro-poor development is intrinsically linked to good politics and inclusive institutions, and that understanding the political constraints to or opportunities for change is an essential starting point for more effective aid (Adam & Dercon, 2009; Rocha Menocal, 2014). Political economy analysis can focus attention on informal institutions and cultural and social practices that often explain why formal institutions do not work as intended. Such analysis generally cautions against relying on technical fixes, and assuming that formal institutions can be made to work through the transfer of ‘international best practice’ (Williams et al., 2007).

While PEA often highlights a need for greater realism about the sphere of donor influence, it can also suggest the most effective role for outsiders. Specifically, it can help identify where positive change is likely to occur, who stands to benefit from reform, and which aid approaches are likely to have the greatest pro-poor impact, given prevailing interests.

Adam, C., & Dercon, C. (2009). *The political economy of development: an assessment. Oxford Review of Economic Policy*, 25(2), 173-189.

<http://dx.doi.org/10.1093/oxrep/grp020>

How do political choices, institutional structures and forms of governance influence the economic choices made by governments and citizens? How are the methods of modern economics being used to deepen understanding of the ways in which political constraints shape economic development? This article summarises recent developments in the study of the political economy of development, introducing papers that illustrate key themes and methodological innovations. Translating research on the political economy of development into policy remains challenging. It is important to link the innovation of modern microeconomic research with broader aggregate analysis.

Rocha Menocal, A. (2014). *Getting real about politics: From thinking politically to working differently*. London: Overseas Development Institute.

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8887.pdf>

One of the most important lessons to emerge in international development thinking and practice over the past two decades is that institutions matter for development, and that behind institutions lie politics. The challenge of development lies not so much in what needs to be done (schools or vaccinations) or identifying the right ‘technical fix’, but more fundamentally in *how* it is done (processes that facilitate or obstruct change). Getting to the ‘how’ requires a solid understanding of the institutional dynamics at work, both formal and informal, and the kinds of incentives they generate.

Williams, G., Duncan, A., & Landel-Mills, P. (2007). *Making the new political economy perspective more operationally relevant for development agencies (Policy Practice brief 2)*. London: The Policy Practice.

<http://thepolicypractice.com/publications/policy-practice-brief-2-making-the-new-political-economy-perspective-more-operationally-relevant-for-development-agencies/>

How can donors more effectively put into practice the principles of the New Political Economy Perspective (NPEP)? This policy brief argues that if aid is to be effective, there is no alternative to a careful and long-term approach to development, based on in-depth understanding of the political context. Donors therefore need to address the system of incentives and restraints that affects key change agents.

1.2 Making PEA operationally relevant

Historically, a major critique of PEA has been that it highlights binding constraints to aid effectiveness without necessarily offering any solutions for practitioners. To be relevant and actionable, political analysis needs to identify tangible entry points, and ideally be integrated into programming from the design stage. In this way, some argue PEA is best conceived not as an off-the-shelf consultancy input or one-off exercise, but as an internal, transformative process to encourage donor officials to ‘think and work politically’ in a more durable sense.

Experience suggests that operationally relevant PEA draws on a mix of expertise from sector and political analysts, reaches an audience beyond narrow sectoral or governance interests, and makes recommendations that are specific/actionable (Fritz et al., 2014). In this regard, some argue problem-driven or sector specific analyses can produce more actionable findings than country-level analyses (Beuran et al., 2011). In addition, relative success has been achieved where the analysis has been participatory and inclusive, there has been support from senior management, and where it is integrated into sector programming (Beuran et al., 2011).

In practice, thinking politically implies understanding development as a locally-driven, political process. Working politically might mean engaging with a broader range of civil society actors, brokering and facilitating local political processes, and focusing on state-society relations, rather than trying to replicate pre-set endpoints (Leftwich, 2011). Working politically can also be operationalised through Problem-Driven Iterative Adaptation (PDIA), a flexible approach to aid that incorporates multiple feedback loops and can be adapted to real-time changes in the political environment (Andrews et al., 2012).

Fritz, V., Levy, B., & Ort, R. (2014). *Problem-driven political economy analysis: The World Bank’s experience*. Washington, DC: World Bank.

<https://openknowledge.worldbank.org/handle/10986/16389>

Problem-driven political economy analysis holds considerable promise to help development practitioners identify what policies and strategies are most likely to succeed in addressing difficult and persistent development challenges. This volume is the result of a systematic effort to take stock of what the World Bank has learned from efforts to mainstream this approach. Based on eight country examples of PEA analysis and its uptake, the report concludes a stronger focus on how politics and economics intersect to shape particular development issues can result in meaningful change in how donors design and implement projects.

Leftwich, A. (2011) *Thinking and working politically: What does it mean, why is it important and how do you do it?* (DLP Evidence, Research and Policy Workshop, Frankfurt, Germany, 10-11 March). Developmental Leadership Program.

<http://www.dlprog.org/publications/politics-leadership-and-coalitions-in-development-policy-implications-of-the-dlp-research-evidence.php>

Working politically in a developmental context means directing attention and support to the agents of reform and development (leaders and organisations). This allows investment in the local processes that will resolve problems – such as problems of collective action – through the work of alliances and coalitions. Hence, it will drive the formation and consolidation of the locally appropriate, feasible and legitimate institutions that are most likely to advance development outcomes.

Andrews, M., Pritchett, L., & Woolcock, M. (2012). *Escaping capability traps through Problem Driven Iterative Adaptation (PDIA)* (Working paper 299). Helsinki: UNU-WIDER.

<http://www.cgdev.org/publication/escaping-capability-traps-through-problem-driven-iterative-adaptation-pdia-working-paper>

Many reform initiatives in developing countries fail to achieve sustained improvements in performance because governments and organisations pretend to reform by changing what policies or organisations look like rather than what they actually do. The flow of development resources and legitimacy without demonstrated improvements in performance undermines the impetus for effective action to build state capability or improve performance. This facilitates ‘capability traps’ in which state capability stagnates whilst aid flows continue. To address this, Problem-Driven Iterative Adaptation (PDIA) should be deployed, based on four principles: 1) solving locally nominated and defined problems in performance; 2) encouraging experimentation; 3) using tight feedback loops that facilitate rapid experiential learning; and 4) engaging a broad sets of agents.

Beuran, M., Raballand, G., & Kapoor, K. (2011). *Political economy studies: Are they actionable? Some lessons from Zambia* (Policy Research Working Paper 5656). Washington DC: World Bank.

<https://openknowledge.worldbank.org/bitstream/handle/10986/3418/WPS5656.pdf>

This paper examines political economy diagnostics carried out in Zambia and their influence on the World Bank's support to programmes in that country. It concludes that, while PE analyses are valuable, they need to provide more practical recommendations for approaching change. Country-level PE analysis provides useful background information, but recommendations from sector studies tend to be more actionable. It might therefore be preferable to focus PE studies at the sector level.

Nunberg, B., Barma, N., Abdollahian, M., & Green, A. (2010). *At the frontier of practical political economy: Operationalizing an agent-based stakeholder model in the World Bank's East Asia and Pacific region* (Research Working Paper 5176). Washington DC: World Bank.

<http://documents.worldbank.org/curated/en/2010/01/11641285/frontier-practical-political-economy-operationalizing-agent-based-stakeholder-model-world-banks-east-asia-pacific-region>

How is it possible to ensure that programmes are politically feasible? This paper documents findings from the World Bank East Asia and Pacific Region's pilot of the Agent-Based Stakeholder Model. The study finds that this model helped construct policy debate on civil service reform in Timor-Leste; helped identify key coalition partners in Mongolia; and underscored the need to tackle smaller reforms on which broad consensus could be achieved in the Philippines. Mainstreaming the model as a regularly applied analytic instrument could significantly improve operations in supporting politically realistic reforms in client countries.

1.3 Impact of PEA

The ultimate goal of political economy analysis is to improve the quality and impact of aid. Though there is anecdotal evidence that PEA has been useful in generating greater political awareness and realism among donor staff, there remain few case studies that can rigorously trace the impact of political analysis

or politically informed programming on aid outcomes. In part, this is because the intangible results of the kinds of activities that working politically involves, for example engaging with local leaders, elites and coalitions, are difficult to capture through conventional monitoring and evaluation approaches (Roche & Kelly, 2012). Researchers are working to develop a stronger evidence base on when and how politically savvy development assistance produces better results. Some agencies are starting to experiment with a new form of ‘action research’ which involves embedding researchers who can rigorously document the application of politically informed approaches, and monitor and evaluate their effectiveness in real time (O’Keefe et al, 2014).

O’Keefe, M., Sidel, J. T., Marquette, H., Roche, C., Hudson, D., & Dasandi, N. (2014). *Using action research and learning for politically informed programming* (DLP Research Paper 29). Birmingham: Developmental Leadership Program.

<http://www.dlprog.org/publications/using-action-research-and-learning-for-politically-informed-programming.php>

Action research can help build more politically informed development programs. This involves recurring constructive engagement with practitioners and it rigorously documents, contextualises and explains the processes and outcomes of programmes as they unfold – and the resultant changes (or not). It aims to help development practitioners and their partners understand more clearly the contexts in which they are operating, the consequences of their practices and policy decisions, and how national and sub-national change is actually occurring.

Roche, C., & Kelly, L. (2012). *Monitoring and evaluation when politics matters: Notes from program experience* (DLP Background Paper 12). Birmingham: Developmental Leadership Program.

<http://www.dlprog.org/publications/monitoring-and-evaluation-when-politics-matters-notes-from-program-experience.php>

Monitoring and evaluation frameworks for ‘thinking and working politically’ need to be able to analyse both technical and political aspects of the work; to understand and assess the – less tangible – results of programme engagement in these informal processes and relationships as well as the values and outputs of more technical inputs. Factors associated with better monitoring include: having a theory of change that provides an explanation for the programme; identifying short-term results for a long-term programme; understanding the programme’s contribution to long-term change, and resourcing effective communication.

Is PEA changing donor behaviour?

Though there is now greater awareness of what thinking and working politically might look like, significant doubts remain about the feasibility of development agencies implementing it in practice. The thinking and working politically agenda has shone a light on the internal incentives and organisational constraints within donor agencies themselves. Some contend there are significant barriers to the institutionalisation of thinking and working politically, and as a result it has not yet permeated routine bureaucratic practice (Yanguas & Hulme, 2014). The model of outsourcing PEA to consultants may have further undermined this institutionalisation (Fisher & Marquette, 2014). Overall, while thinking politically has enjoyed something of a resurgence in development thinking, in practice default technocratic solutions remain very powerful, and only a partial revolution in thinking has been achieved (Carothers & de Gramont, 2013).

Carothers, T., & de Gramont, D. (2013). *Development aid confronts politics: The almost revolution*. Washington, DC: Carnegie Endowment for International Peace.

<http://www.brookings.edu/research/books/2013/development-aid-confronts-politics>

The overdue recognition that development in all sectors is an inherently political process is driving aid providers to try to learn how to think and act politically. The international assistance community has made significant strides over the past 20 years to move away from its prior avoidance of politics and productively take politics into account. Yet this attempted transformation of assistance has still been only partially realised. Aid providers need to rethink and recommit to their political goals and more fully embrace politically smart methods.

Fisher, J., & Marquette, J. (2014). *Donors doing political economy analysis: From process to product (and back again?)* (DLP Research Paper 28). Birmingham: Developmental Leadership Program.

<http://www.dlprog.org/publications/donors-doing-political-economy-analysis-from-process-to-product-and-back-again.php>

Practitioners and academics are today convinced that 'thinking politically' is important to successful development interventions. Since the early 2000s, attempts to mainstream political thinking in most donor agencies have used a political economy analysis (PEA) approach, and yet this has been largely ineffective. PEA has become a tool or product 'sold' to donors and 'done' externally, and it is no longer fit for purpose. PEA has evolved from a transformative approach to policy-making to a discrete instrument that is applied to specific 'problems', usually by external consultants. A consistently faulty and introspective methodology has informed the undertaking and application of this form of PEA. A completely different approach is the only way donors can hope to move forward with the 'thinking politically' agenda.

Yanguas, P., & Hulme, D. (2014). *Can aid bureaucracies think politically? The administrative challenges of political economy analysis in DFID and the World Bank* (ESID Working paper no. 33). Manchester: Effective States and Inclusive Development Research Centre.

<http://www.effective-states.org/working-paper-33/>

Although politics has become central to international development assistance, the use of political economy analysis (PEA) as a means for greater aid effectiveness remains an aspiring epistemic agenda. Even though virtually all aid donors have some personnel working on the development and implementation of PEA methodologies and frameworks, whether this new cognitive model for aid is compatible with pre-existing administrative factors is still an open question. For PEA to become fully institutionalised in donor agencies, its proponents need to reconcile it with corporate and professional incentives, as well as with the political environment in which an agency operates. The future of PEA lies in organisational change, not any particular framework. This change is more likely to occur by disseminating PEA outside of the governance profession into agency management and the various sectors of development assistance.

Unsworth, S. (2008). *Is political analysis changing donor behaviour?* Paper prepared for the Development Studies Association Conference, London.

http://delog.org/cms/upload/pdf/Is_Political_Analysis_Changing_Donor_Behaviour.pdf

Research increasingly emphasises that what works in development depends on country-specific realities and opportunities. Political analysis needs to be recognised as central to the development process, so that donors make the necessary investment in understanding local political dynamics. This paper finds that while political analysis is influencing specific aspects of donor activity, its impact is fragmented and

donors' default position remains technocratic. Strong, visionary leadership is needed to enable donors to make major changes in their thinking, organisation and culture.

1.4 Case studies of politically informed programming

There remain few documented examples of the impact of PEA on donor action or development outcomes. While the need for better evidence will remain a key challenge, isolated case studies documenting positive links between thinking and working politically and more effective aid have recently started to emerge. For example, DFID's SAVI programme in Nigeria has been held up as a model of participatory political economy analysis (DFID, 2013). PEA is also linked with improved donor co-ordination during political transition in Nepal (Jones, 2011).

Very recent case study research is emphasising that politically-smart development means locally-led development (Booth & Unsworth, 2014). Success has been achieved where aid supports local actors with the credibility, tacit understanding, networks and motivation to solve development problems. Politically smart, locally-led development involves learning by doing. It requires intensive investment in brokering relationships, and long-term commitment. These processes and relationships are often not aid driven or aid centric.

While cases documenting success with thinking and working politically are emerging, the evidence base is not yet balanced by cases where thinking or working politically has had neutral or negative effects.

DFID. (2013). Thinking and acting politically: Supporting citizen engagement in governance: The experience of the State Accountability and Voice Initiative in Nigeria. London: Department for International Development (DFID).

http://savi-nigeria.org/wp-content/uploads/2014/02/Thinking-and-Acting-Politically_FINAL.pdf

The SAVI programme supports coalitions to enable collective action, by bringing together groups of local actors, and then making those groups more accountable to citizens. A critical part of SAVI's approach to achieving this is that staff and partners are supported to conduct political economy analyses, and update political intelligence, themselves. SAVI's experience suggests it is possible for aid agencies to 'work with the grain' by changing the aid modality from primarily one of capacity building, to one of hands-on facilitation and brokering relationships between citizens and the state. Political intelligence gathering processes are embedded in SAVI's theory of change. Partners are supported to operate in a politically savvy way, which means understanding the policy and institutional environments, framing arguments, and marshalling evidence in order to be influential. SAVI's approach to monitoring focuses on case studies.

Booth, D., & Chambers, V. (2014). The SAVI programme in Nigeria: Towards politically smart, locally led development. (Discussion paper). London: Overseas Development Institute.

<http://www.odi.org/publications/8876-politically-smart-nigeria>

This paper finds that SAVI illustrates the power of facilitated multi-stakeholder engagement and the disadvantages of seeing this in terms of 'supply side' and 'demand side' governance. SAVI avoids the pitfalls of a donor-driven approach by 'taking the money off the table'. Key enabling conditions were that DFID provided space for an experience-based design process and permitted tangible results to be judged retrospectively, not pre-programmed. However, achievement of potential has been limited by the set-up of the DFID suite of state-level programmes to which SAVI belongs, with separately managed sector support and 'governance' initiatives.

Booth, D., & Unsworth, S. (2014). *Politically smart, locally-led development (Discussion paper)*. London: Overseas Development Institute.

<http://www.odi.org/publications/8800-politically-smart-locally-led>

This paper presents seven cases of aid-funded interventions that show how donors have been able to facilitate developmental change ‘despite the odds’. The central message is that donor staff were successful because they adopted politically smart, locally led approaches, adapting the way they worked to support iterative problem-solving and the brokering of interests by politically astute local actors. The call for politically smart, locally led approaches highlights the changes that donors need to make to their own thinking and practices in order to act as effective facilitators of development change. They need to be politically informed and astute to assess the scope for change, and to make good choices regarding issues to work on and partners to work with. They also need to allow local actors to take the lead in finding solutions to problems that matter to them.

- *See also:* The Policy Practice. (2014). *Politically smart, locally led development: Main findings from a workshop on 18th February 2014 at the October Gallery, London*. London: The Policy Practice <http://thepolicypractice.com/politically-smart-locally-led-development/>

Booth, D. (2014). *Aiding institutional reform in developing countries: lessons from the Philippines on what works, what doesn't and why (Working politically in practice case study 1)*. London: Overseas Development Institute.

<http://www.odi.org/publications/8455-philippines-aid-political-analysis>

This paper examines two completed reforms, one concerning the formalisation of residential land rights, the other taxation and public health. It concludes successful change is discovered in a problem-solving, iterative and learning-oriented way. However, there is still little understanding of the processes and people that are capable of sustaining this type of approach under typical conditions. If external support is needed, it must be provided in the right way – well-grounded in an understanding of the way political and bureaucratic incentives work in a country – which is not easily achieved.

Jones, S. (2010). *Policymaking during political transition in Nepal (Working Paper 2010 - 03)*. Oxford: Oxford Policy Management.

<http://www.opml.co.uk/sites/default/files/wp2010-03.pdf>

What lessons can be learned from political economy analyses of Nepal to inform a) donor strategies in that country and b) future political economy analysis in any context? This paper examines political economy studies, commissioned by DFID, on Nepal's agricultural, energy, health and police sectors. It finds that, while the short-term scope for donor influence on policy and institutional reform is likely to be limited, donors can act as a counterweight to rent-seeking and short-term political pressures. In addition, political economy analysis is most useful when it can inform specific decisions and existing processes, especially joint donor analysis and action.

2. Tools for political economy analysis

2.1 General guidance

There are an increasing number of political economy tools available to development agencies, some of which are tailored to specific operational purposes. Though there is some variation in emphasis, many of these tools centre their analysis on actors, institutions and incentives operating at the macro, meso and micro level.

The new institutional economics thinking that underlies PEA approaches is not without its critics. Some argue PEA frameworks focus too narrowly on an economic interpretation of politics that casts agents as rational, utility-maximising individuals, neglecting the role of prevailing ideas or ideologies, and issues of power, agency and coalitions (Hudson and Leftwich, 2014). A recent GSDRC review found that PEA frameworks fail to systematically incorporate the impact of gender on power relations (Browne, 2014).

DFID. (2009). *Political economy analysis how to note (Practice Paper)*. London: Department for International Development (DFID).

<http://www.gsdr.org/docs/open/PO58.pdf>

DFID's how to note aims to bring together the diverse literature and tools on political economy analysis within a short and accessible document. It covers the following questions: What is political economy analysis? How and why does political economy analysis add value to development agencies' work? What political economy tools are available? How does political economy analysis relate to other tools? How should political economy analysis be prepared, undertaken and applied? It includes case studies on how political economy analysis has been used by DFID offices.

Corduneanu-Huci, C., Hamilton, A., & Ferrer, I. M. (2012). *Understanding policy change: How to apply political economy concepts in practice*. Washington, DC: World Bank.

<http://documents.worldbank.org/curated/en/2012/11/16988210/understanding-policy-change-apply-political-economy-concepts-practice>

How can we operationalise and evaluate these risks and opportunities in order to decide what reforms and projects are feasible given the circumstances? This book provides the reader with the full panoply of political economy tools and concepts necessary to understand, analyze, and integrate how political and social factors may influence the success or failure of their policy goals. Starting with the empirical puzzle of why corruption, rent seeking, and a lack of good governance emerge and persist in a host of countries and sectors the book reviews how collective action problems and the role of institutions, as well as a host of ancillary political economy concepts can affect the feasibility of different projects.

Hudson, D. & Leftwich, A. (2014). *From political economy to political analysis (DLP Research Paper 25)*. Birmingham: Developmental Leadership Program.

<http://www.dlprog.org/publications/from-political-economy-to-political-analysis.php>

This paper argues that existing political economy approaches lack the analytical tools needed to grasp the inner politics of development. Political economy has come to be seen narrowly as the economics of politics – the way incentives shape behaviour. Much recent political economy work therefore misses what is distinctively political about politics – power, interests, agency, ideas, the subtleties of building and sustaining coalitions, and the role of contingency. This paper aims to give policy makers and practitioners

more precise conceptual tools to help them interpret the inner, ‘micro’, politics of the contexts in which they work. It argues in particular for more focus on recognising and working with the different forms of power, on understanding how and where interests develop, and on the role of ideas.

Browne, E. (2014). *Gender in political economy analysis (Helpdesk Research Report 1071)*. Birmingham: GSDRC. <http://www.gsdr.org/go/display&type=Helpdesk&id=1071>

An initial review of the literature indicates that gender is not systematically included in PEA. This was also conveyed by a number of experts consulted for this report, who stated that few if any PEAs to their knowledge had included a gender analysis, with the issue usually treated only in passing. The report nevertheless highlights examples of gender-oriented analytical questions used in common PEA tools.

2.2 Country-level tools

Early forms of political economy analyses were primarily conducted at country level, to support the design of country strategies and programmes. Some of the more widely cited country-level approaches are DFID’s Drivers of Change, the Dutch Foreign Ministry’s Strategic Governance and Corruption Assessment, and Sida’s Power Analysis.

DFID’s Drivers of Change

DFID’s Drivers of Change approach was pioneering in its aim to identify the opportunities, incentives and blockages to pro-poor change at country level. The analysis centred on agents (individuals and organisations pursuing particular interests), structural features (history of state formation, economic and social structures), and institutions (rules governing the behaviour of agents). Numerous *Drivers of Change country studies* have been undertaken to inform country-level planning and to identify and mitigate risk. Nevertheless DFID evaluations have shown that the influence of Drivers of Change studies on country programming has been rather variable; some studies have proven more insightful than others in understanding the incentives facing key actors and identifying practical levers for change.

The following briefing notes provide key information about the Drivers of Change approach and its application.

DFID. (2004). *Drivers of Change public information note*. London: Department for International Development (DFID). <http://www.gsdr.org/docs/open/DOC59.pdf>

This note outlines the Drivers of Change approach and reflects on the benefits of Drivers of Change studies conducted in 20 country offices.

DFID. (2005). *Lessons learnt – Planning and undertaking a Drivers of Change study (How to Note)*. London: Department for International Development (DFID).

<http://www.gsdr.org/docs/open/DOC84.pdf>

This note provides guidance on undertaking and using the findings of a Drivers of Change study.

DFID. (2005). *Using Drivers of Change to improve aid effectiveness (Briefing Note)*. London: Department for International Development (DFID). <http://www.gsdr.org/docs/open/DOC83.pdf>

This note reflects on the progress of the Drivers of Change approach, synthesising the main findings of the studies and how they have been used, and highlighting gaps and unresolved issues.

OECD DAC. (2005). *Lessons learned on the use of power and Drivers of Change analyses in development co-operation: Final report*. Paris: OECD DAC.

<http://www.gsdr.org/docs/open/DOC82.pdf>

This review compares and contrasts different donor approaches to conducting Power and Drivers of Change (DoC) analysis, and looks at what is being done with the findings, in order to learn lessons for future work. It draws mainly on studies conducted in four countries – Bangladesh, Bolivia, Kenya, and Tanzania – as a basis for deriving findings and recommendations for this type of work. There appears to be little consistent policy across and within donors on how to scope the studies, or how to link Power and DoC analysis to work on conflict, gender, social exclusion or human rights.

DFID's Politics of Development Framework

The Politics of Development framework emerged partly as a response to the limitations identified in the Drivers of Change approach. It aims to go further in analysing the actors, connections and processes making up a political system.

Leftwich, A. (2007). *Drivers of Change: Refining the analytical framework: Conceptual and theoretical issues.*

<http://www.gsdr.org/docs/open/DOC103.pdf>

Leftwich, A. (2007). *From Drivers of Change to the Politics of Development: Refining the analytical framework to understand the politics of the places where we work: Final report.*

<http://www.gsdr.org/docs/open/DOC104.pdf>

Dutch Foreign Ministry's Strategic Governance and Corruption Assessment (SGACA)

The SGACA includes an assessment of: (i) Foundational Factors, which refer to the contextual factors that fundamentally shape the state and political system, including such topics as territorial integrity, geography, social structures and geostrategic position; (ii) the Rules of the Game, which are the formal and informal institutions shaping the quality of governance, especially for poor people, including topics related to political competition, the distribution of power and state-society relationships; (iii) the Here and Now, referring to the current context for governance and the role of the main actors and stakeholders in driving recent political dynamics; and (iv) Implications for Change, covering operational recommendations.

Unsworth, S., & Conflict Research Unit. (2007). *Framework for Strategic Governance and Corruption Analysis: Designing strategic responses towards good governance.* The Hague: Clingendael Institute.

http://www.clingendael.nl/sites/default/files/20071000_cru_occ_unsworth.pdf

This paper describes the Strategic Governance and Corruption Analysis (SGACA), which has been used by the Dutch Ministry of Foreign Affairs to inform country programming across all of the countries where it provides development assistance. SGACA captures the informal, societal and sometimes intangible underlying reasons for the governance situation, which can often differ from the formal configuration of the state. SGACA can improve the design of donor interventions through a better understanding of what happens behind the façade of the state and what really drives political behaviour.

Sida's Power Analysis

Sida's Power Analysis aims to identify where real power in a society lies, how it is distributed and possible conflicts of interests. Sida emphasises that political economy analyses should primarily rely on local expertise.

Sida. (2006). *Power Analysis - Experiences and challenges* (Concept note). Stockholm: Swedish International Development Cooperation Agency (Sida).

http://www.powercube.net/wp-content/uploads/2009/11/power_analysis_experiences_and_challenges.pdf

This document argues that an understanding of power relations is critical to understand the factors impeding poverty reduction, as well as the incentives and disincentives for pro-poor development. It reflects on Sida's experience of using concepts of power to analyse development problems, the value added and practical impact of this approach, lessons learned and the way forward. It includes a useful annex presenting a checklist of issues and questions that should be included in power analysis.

Norad

Norad's approach to political economy analysis includes an analysis of the legitimacy of the state. It provides a way of analysing governance and statebuilding, particularly in situations of fragility.

Moen, E., & Eriksen, S. S. (2010) *Political economy analysis with a legitimacy twist: What is it and why does it matter?* Oslo: Norwegian Agency for Development Cooperation.

http://www.norad.no/en/_attachment/208355/binary/157014?download=true

How can a 'legitimacy lens' enhance political economy analysis? This guidance introduces political economy analysis as a powerful tool for increasing understanding, and improving the effectiveness, of aid. It argues that consideration of state legitimacy can add value to such analysis by enhancing understanding of what citizens expect from the state, and of how those in control of the state can improve its standing among citizens.

European Commission

Though it has suspended its use of political economy analysis, the European Commission (EC) had previously trialled an approach largely based on the Strategic Governance and Corruption Assessment (SGACA) tool.

Unsworth, S., & Williams, G. (2011). *Using political economy analysis to improve EU development effectiveness* (DEVCO Concept Paper). Brussels: European Commission.

http://www.delog.org/cms/upload/pdf-pea/Using_political%20Economy_Analysis.pdf

This paper provides practical guidance on how to undertake political economy analysis at country and sector level. It suggests how to draw on political economy analysis to inform EU development activity, including programming, identification and formulation of specific interventions, risk management and policy dialogue.

2.3 Sector-level tools

Sector level analysis identifies the interests, incentives, power structures and relations that shape policy and practice at the level of sectors. Proponents argue that this approach lends itself more easily to identifying practical entry points for action.

Poole, A. (2011). *Political economy assessments at sector and project levels* (How-To Note). Washington, DC: World Bank.

<http://www.gsdr.org/docs/open/PE1.pdf>

This note draws on lessons learned to provide an introduction to political economy (PE) assessment for World Bank sector- and project-based operational teams. The last decade of experience has demonstrated that PE assessments can improve project design, lessen risk, explain why reform champions may fail to deliver, and can promote more thoughtful engagement with client governments.

European Commission. (2008). Analysing sector governance. In *Analysing and addressing governance in sector operations* (ch. 4). Brussels: European Commission.

https://ec.europa.eu/europeaid/sites/devco/files/methodology-tools-and-methods-series-governance-in-sector-operations-200811_en_2.pdf

How can political and institutional constraints be addressed so as to improve the effectiveness of aid at sector level? This publication offers a framework for analysing sector governance. The framework focuses on the context of sector governance, actors' interests, power and incentives, and governance and accountability relationships. Where opportunities for short-term governance enhancement at sector level are limited, sector specialists can look for alternative entry points. These might include supporting the private sector and civil society.

World Bank. (2008). *The political economy of policy reform: Issues and implications for policy dialogue and development operations* (Report No. 44288-GLB). Washington, DC: World Bank.

http://siteresources.worldbank.org/EXTSOCIALDEV/Resources/The_Political_Economy_of_Policy_Reform_Issues_and_Implications_for_Policy_Dialogue_and_Development_Operations.pdf

How can donors improve the effectiveness of policy reform processes? This study addresses the political economy of sector reform in agricultural marketing, and water supply and sanitation. It uses a social analysis perspective to analyse stakeholder interests, incentives, institutions, risks and opportunities. Development agencies should undertake timely political economy analysis and establish a sustainable process for building broad coalitions. They should also promote transformative institutional change that includes empowering forms of bottom-up accountability.

Danida. (2011). *Applying political stakeholder analysis: How can it work?* Copenhagen: Ministry of Foreign Affairs of Denmark.

<http://amg.um.dk/en/technical-guidelines/capacity-development/~media/7F44DE2DEF5240FF847457484991DE7F.ashx>

This report provides a brief review of existing approaches to and format for political stakeholder analysis at the sector level. It addresses how the findings of a political economy analysis can feed into a stakeholder assessment at the sector level and provides a framework for such analysis. It also evaluates what has worked well and less well in the field test of existing approaches.

Mcloughlin, C., with Batley, R. (2012). *The effects of sector characteristics on accountability relationships in service delivery* (Working paper 350). London: Overseas Development Institute.

<http://www.odi.org/publications/6766-effects-sector-characteristics-accountability-relationships-service-delivery>

Why do different services encounter particular political constraints and opportunities in their delivery? This working paper identifies a set of characteristics that can be used to differentiate between services, and between functions within them, and asks how these defining or 'fixed' characteristics may influence key relationships of accountability and control. It outlines a number of ways in which the nature of the good being produced, the type of market failure encountered, the tasks involved in delivery, and how the service is demanded and consumed can influence the balance of power between politicians, users and provider organisations.

See also:

- **Batley, R., & Harris, D. (2014). *Analysing the politics of public services: a service characteristics approach*. London: Overseas Development Institute. <http://www.odi.org/publications/8350-analysing-politics-public-services-service-characteristics-approach>**

2.4 Problem-driven tools

The problem-driven framework is not a specific ‘tool’ itself, but rather a ‘platform’ that tries to bring together and to summarise for World Bank teams some practices, thinking, and lessons learned, and to point to some existing tools, such as varieties of stakeholder analysis. The PGPE approach is similar to Sida’s power analysis and DFID’s drivers of change approach in that both direct researchers to look at actors (or stakeholders), institutions and structures that influence poverty and development policies at the macro level. However the PGPE analysis can also be applied to the sector and thematic level, or the project- and policy-specific level, or a combination of levels.

Fritz, V., Kaiser, K., & Levy, B. (2009). *Problem-driven governance and political economy analysis: Good practice framework*. Washington DC: World Bank.

<http://siteresources.worldbank.org/EXTGOVANTICORR/Resources/3035863-1286395629347/PGPE-GoodPracticeFramework12-2009.pdf>

This framework seeks to contribute to smarter, more realistic and gradual reforms in developing countries. It emphasises a problem-driven approach: i) define what the issue is that teams are grappling with; ii) examine the governance and institutional arrangements; and iii) examine the underlying political economy drivers. While directed primarily at the World Bank’s own teams, the framework can be useful outside the organisation. Problem-driven governance and political economy analysis can provide advice on shaping strategies and operations in ways that range from adjusting them to the existing space for change, to developing proactive strategies for expanding the space for change.

Harris, D. (2013). *Applied political economy analysis: A problem-driven framework*. London: Overseas Development Institute (ODI).

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8334.pdf>

This framework helps practitioners and researchers to use political economy analysis to understand and respond to practical problems. The framework has three dedicated, but related, phases: problem identification, problem diagnosis and consideration of plausible change processes. This introductory note describes the key components of the framework, the relationships between them, and how to use the framework to undertake analysis.

2.5 PEA in fragile and conflict-affected states

Political economy analysis in fragile and conflict-affected states often focuses on an understanding of the political and the economic drivers of conflict, and the relative power, exclusion and vulnerability of different groups over time. It can highlight competing rules of the game in (and between) formal and informal institutions which are often prevalent in fragile and conflict affected settings. It can identify shifting coalitions that contribute to or prevent state collapse, the nature and sources of state capacity, authority and legitimacy, and how and why rent seeking and patrimonial political systems can either contribute to, or undermine, state stability.

GSDRC. (2008). *Political economy methodologies for fragile states* (Helpdesk Research Report). Birmingham: GSDRC.

<http://www.gsdrc.org/go/display&type=Helpdesk&id=414>

This report identifies various political economy approaches and methodologies, including new political economy; institutional economics; drivers of change/politics of development; sustainable livelihoods; and early warning models and conflict analysis.

Di John, J. (2008). *Conceptualising the causes and consequences of failed states: A critical review of the literature* (Working Paper No. 25). London: Crisis States Research Centre.

<http://www.lse.ac.uk/internationalDevelopment/research/crisisStates/Publications/wpPhase2/wp25.aspx>

This paper suggests several lenses might be used to develop a sophisticated political economy of conflict in fragile states. These include: (1) institutional multiplicity: a situation in which different sets of rules of the game coexist in the same territory, putting citizens and economic agents in complex, often unsolvable, situations, but offering them the possibility of switching strategically from one institutional universe to another; (2) state capacity and capability: the abilities and skills of personnel and the organisational culture within the subsystems of the state; (3) 'influencing' or rent-seeking: legal and institutional influencing activities, informal patron-client networks, or corruption; (4) coalitional analysis: according attention to the shifting constellations of power that underpin formal and informal institutional arrangements; and (5) divisibility and boundary activation: the creation and activation of boundaries contribute to the escalation of political conflict and violence.

Collinson, S. (2003). Introduction. In S. Collinson (Ed.) *Power, livelihoods and conflict: Case studies in political economy analysis for humanitarian action* (chapter 1). London: Overseas Development Institute.

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/289.pdf>

What can political economy analysis contribute to humanitarian aid interventions? How can agencies undertake such analysis in difficult environments? This chapter introduces the findings of a study (2001-2002) of four cases: Afghanistan, the eastern Democratic Republic of the Congo (DRC), Sierra Leone and the Casamance in Senegal. Political economy analysis is best conducted alongside existing humanitarian operational activities via integration into existing analytical tools.

Cliffe, L., & Luckham, R. (2000). What happens to the state in conflict? Political analysis as a tool for planning humanitarian assistance. *Disasters*, 24(4), 291-313.

<http://onlinelibrary.wiley.com/doi/10.1111/1467-7717.00150/abstract>

Peacemaking and humanitarian assistance in complex political emergencies (CPEs) based on a lack of understanding of their political dimensions often result in unintended and even counterproductive outcomes. What is required is analysis grounded in humanitarian principles but based on political realities. This article uses information derived from the COPE programme to illustrate how policy and practice benefit from an awareness of political context. It does so by considering how the problematisation of the state generates violent conflict, how this reshapes or destroys society, and the legacies of these conflicts. It suggests that a strategic approach is required for peacebuilding.

Mezzera, M., & Aftab, S. (2009). *Pakistan state-society analysis*. Brussels: Initiative for Peacebuilding.

http://www.clingendael.nl/sites/default/files/20090300_cru_pakistan_mezzera.pdf

What is the impact of deep structures, formal and informal institutions, and current events on the nature of the state in Pakistan and its relations with society? This report analyses the causes of weak state-society relations in Pakistan and explores the complex power dynamics that underpin them. Despite the

bleak picture that emerges, a better understanding of the context can help the international community to engage with Pakistan on a constructive and long-term basis, with the overall objective of supporting genuine democratisation and building substantive citizenship.

2.6 Communications for politically informed programming

Advocates of communication argue that communication tools and techniques can be used to turn political economy analysis into action: that is, they can address political barriers in the form of lack of political will among key government leaders, vested interests, lack of citizen demand for accountability, or hostile public opinion. The World Bank's Communication for Governance and Accountability Programme (CommGAP), for example, suggests that strategies should include building political will before embarking on public engagement, taking public opinion seriously, adopting a clear and unifying message, and seeking to frame public debate strategically.

Communication for Governance and Accountability Program. (2009). *Political economy analysis to action: Political communication approaches and techniques*. Washington, DC: World Bank

<http://www.gsdr.org/docs/open/DOC106.pdf>

Why are political communication approaches pivotal to efforts to reform governance systems? This study suggests that reform managers must be able to persuade society. Furthermore, although reform includes technical challenges, the challenges of adaptation require political communication.

Odugbemi, S., & Jacobson, T. (Eds.). (2008). *Governance reform under real world conditions*.

Washington DC: World Bank.

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEVCOMMENG/EXTGOVACC/0,,contentMDK:21707692~pagePK:64168445~piPK:64168309~theSitePK:3252001,00.html>

What are the key challenges for governance reform in complex, diverse socio-political and economic conditions? How can these challenges best be addressed? This volume argues that successful, sustained reform requires the alignment of citizens, stakeholders, and voice. Reformers must overcome adaptive challenges such as public opinion, self-interested forces and inertia, and this requires skilled communication. Communication links the constitutive elements of the public sphere – engaged citizenries, vibrant civil societies, plural and independent media systems, and open government institutions – to facilitate the national dialogue which shapes informed public opinion.

3 Examples of PEA studies

3.1 Drivers of Change country studies

Table 1. Drivers of Change country studies

| Country | Studies |
|-------------------|---|
| Angola | <ul style="list-style-type: none"> Drivers of Change: an Overview http://www.gsdr.org/docs/open/DOC87.pdf Angola: Drivers of Change Position Paper 1: Economic Change and Reform http://www.gsdr.org/docs/open/DOC89.pdf Angola: Drivers of Change Position Paper 2: Politics http://www.gsdr.org/docs/open/DOC88.pdf Angola: Drivers of Change Position Paper 3: Civil Society http://www.gsdr.org/docs/open/DOC90.pdf |
| Bangladesh | <ul style="list-style-type: none"> Drivers of Change Study http://www.gsdr.org/docs/open/DOC7.pdf Summary Version: Drivers of Change Study http://www.gsdr.org/docs/open/DOC8.pdf |
| Bolivia | <ul style="list-style-type: none"> Bolivia's Political Party System and the Incentives for Pro-Poor Reform http://www.accessdemocracy.org/library/1852_bo_propoor_100104_full.pdf |
| Cambodia | <ul style="list-style-type: none"> Cambodia Drivers of Change Study, Second Draft http://www.gsdr.org/docs/open/DOC11.pdf Inception Report: Part II, Cambodia and Vietnam http://www.gsdr.org/docs/open/DOC12.pdf |
| Georgia | <ul style="list-style-type: none"> Drivers of Change Study http://www.gsdr.org/docs/open/DOC15.pdf |
| Ghana | <ul style="list-style-type: none"> What are the drivers of change in Ghana? http://www.odi.org.uk/resources/docs/1961.pdf The politics of Ghana's budgetary system http://www.odi.org.uk/resources/docs/1963.pdf The middle classes and their role in national development http://www.odi.org.uk/resources/docs/1965.pdf The role of traditional institutions in political change and development http://www.odi.org.uk/resources/docs/1967.pdf The role of faith-based associations in political change and development http://www.odi.org.uk/resources/docs/1969.pdf |
| Kenya | <ul style="list-style-type: none"> Summary Report: Drivers of Change http://www.gsdr.org/docs/open/DOC24.pdf |
| Kyrgyzstan | <ul style="list-style-type: none"> Analysis of Incentives and Capacity for Poverty Reduction in Kyrgyzstan http://www.gsdr.org/docs/open/DOC50.pdf |
| Malawi | <ul style="list-style-type: none"> Drivers of Change and Development in Malawi http://www.odi.org.uk/resources/download/1318.pdf Report on Politics of the Budget Process http://www.gsdr.org/docs/open/DOC51.pdf |
| Mozambique | <ul style="list-style-type: none"> Political Economy of the Budget in Mozambique |

| | |
|-----------------|---|
| | http://www.gsdrc.org/docs/open/DOC102.doc |
| Nigeria | <ul style="list-style-type: none"> ▪ Preliminary Overview http://www.gsdrc.org/docs/open/DOC27.pdf |
| Pakistan | <ul style="list-style-type: none"> ▪ Synthesis and Policy Implications http://www.gsdrc.org/docs/open/DOC35.pdf |
| Peru | <ul style="list-style-type: none"> ▪ Alliances Against Poverty: DFID's Experience in Peru 2000-2005 http://www.gsdrc.org/docs/open/ds53.pdf ▪ Peru's Political Party System and the Promotion of Pro-Poor Reform http://www.accessdemocracy.org/library/1853_pe_propoor_030105_full.pdf |
| Tanzania | <ul style="list-style-type: none"> ▪ Tanzania Accountability Study Inception Report http://www.gsdrc.org/docs/open/DOC95.pdf ▪ Understanding Patterns of Accountability in Tanzania - Budget Process http://www.gsdrc.org/docs/open/DOC96.pdf ▪ Understanding Patterns of Accountability in Tanzania - Ethnographic Study http://www.gsdrc.org/docs/open/DOC97.pdf ▪ Understanding Patterns of Accountability in Tanzania - Synthesis Report http://www.gsdrc.org/docs/open/DOC98.pdf |
| Uganda | <ul style="list-style-type: none"> ▪ Uganda's Political Economy: a Synthesis of Major Thought http://www.gsdrc.org/docs/open/DOC44.pdf |
| Vanuatu | <ul style="list-style-type: none"> ▪ Unfinished State: Drivers of Change in Vanuatu http://www.USAID.gov.au/publications/pdf/vanuatu_change.pdf |
| Zambia | <ul style="list-style-type: none"> ▪ Drivers of Change Overview: Long Version http://www.gsdrc.org/docs/open/DOC47.pdf ▪ Drivers of change Overview: Short Version http://www.gsdrc.org/docs/open/DOC48.pdf |

Other country-level PEA studies

Sundet, G., & Moen, E. (2009). *Political economy analysis of Kenya* (Discussion Report No. 19). Oslo: NORAD.

<http://www.norad.no/en/tools-and-publications/publications/publication?key=134242>

How can donors contribute to governance reform in Kenya? What role can they play in strengthening state-society relations in particular? This report makes recommendations for Norway's strategic approach to governance in Kenya based on a political economy analysis of the country. More focus on state-society relations is needed, particularly at local government level. Systematic learning, analysis and social dialogue should also be emphasised.

3.2 Sectoral PEA studies

Service delivery

Wild, L., & Cammack, D. (2013). *The supply and distribution of essential medicines in Malawi: summary findings*. London: Overseas Development Institute.

<http://www.odi.org/publications/7185-supply-distribution-medicine-political-economy-analysis-malawi>

This paper summarises the findings of a brief political economy analysis of the procurement, supply and distribution of essential medicines in Malawi. It uses a sectoral political economy framework that provides a more structured form of analysis, working through various stages, including identifying the

nature of the problem to be addressed; diagnosing systemic features and key dynamics and incentives; and pinpointing policy options and feasible theories of change.

McCloughlin, C., & Harris, D. (2013). *The politics of progress on water and sanitation in Colombo*.

London: Overseas Development Institute.

<http://www.odi.org/publications/7181-politics-progress-water-sanitation-colombo-sri-lanka>

This study explores the politics of urban water supply and sanitation delivery in the city of Colombo, Sri Lanka, where improvements in coverage have been achieved within a national context characterised by almost three decades of civil war. It compares the politics of two closely related but technically and organisationally distinct services, and examines whether and why these sectors attract different political dynamics. The broad conclusion is that pervasive features of the political economy environment can interact with sector-specific characteristics to produce particular political dynamics around the delivery of different services. Both water supply and sanitation have been able to function effectively because these political dynamics have remained relatively stable over the medium term, in spite of the wider context of civil war.

Eaton, K., Kaiser, K., & Smoke, P. (2010). *The political economy of decentralization reforms: Implications for aid effectiveness*.

Washington DC: World Bank.

<http://siteresources.worldbank.org/EXTDSRE/Resources/DecentralizationReforms.pdf>

The analytical framework presented in this report offers a systematic approach to conceptualising and examining the motives that drive politicians to transfer resources and functions to lower levels of government and lead bureaucrats to support or oppose reform throughout the implementation process. The framework aims to provide input into developing more suitable and attainable service delivery and poverty reduction objectives that take into account political and institutional obstacles and opportunities.

Booth, D. (2009). *Aiding economic growth in Africa: The political economy of roads reform in Uganda (Working Paper 307)*. London: Overseas Development Institute.

<http://www.odi.org/publications/3829-political-economy-roads-uganda-growth>

This report undertakes a political economy study of the changes in the roads sector as a contribution to thinking about the most suitable form and content of donor support to an ongoing reform process. The report finds a strong case for adopting a process, not blueprint, approach to programming. The relevant opportunities cannot be mapped out in detail in advance, and there will be considerable scope for learning from experience about what kinds of facilitation work best. Similarly, the investment in staff with the relevant networking and facilitation skills should be viewed as the most powerful component of any package of support, not the funding, the hardware or the conventional technical assistance.

World Bank. (2008). *The political economy of policy reform: Issues and implications for policy dialogue and development operations (Report No. 44288-GLB)*. Washington DC: World Bank.

http://siteresources.worldbank.org/EXTSOCIALDEV/Resources/The_Political_Economy_of_Policy_Reform_Issues_and_Implications_for_Policy_Dialogue_and_Development_Operations.pdf

How can donors improve the effectiveness of policy reform processes? This study addresses the political economy of sector reform in agricultural marketing, and water supply and sanitation. It uses a social analysis perspective to analyse stakeholder interests, incentives, institutions, risks and opportunities. Development agencies should undertake timely political economy analysis and establish a sustainable process for building broad coalitions. They should also promote transformative institutional change that includes empowering forms of bottom-up accountability.

Harris, D., Wales, J., Jones, H., Rana, T., & Chitrakar, R. L. (2013). *Human resources for health in Nepal - the politics of access in remote areas*. London: Overseas Development Institute.

<http://www.odi.org/publications/7375-human-resources-health-nepal-politics-access-remote-areas>

This country evidence note explores the political economy dynamics associated with attempts to ensure access to qualified human resources for health (HRH) in remote rural areas of Nepal where low ratios of skilled health personnel per head of population persist. Like other political economy studies, this paper seeks to understand the interaction of structure and agency, making connections between the way individuals and organisations behave, the decisions they make, the actions they take, and the relevant features of the context in which all of these actions take place.

Disaster risk management

Wilkinson, E. (2012). *Transforming disaster risk management: A political economy approach* (ODI Background Note). London: Overseas Development Institute (ODI).

<http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7555.pdf>

This paper examines recent work by disaster researchers on the complex role of institutional arrangements in shaping policy decisions. It identifies incentive structures, information gaps and intra-governmental relations as key factors affecting the decisions of national and local authorities. It recommends more interdisciplinary research on political processes and policy change to develop a clearer theoretical focus for Disaster Risk Management, so as to help promote the necessary institutional transformation.

Growth

Keefer, P. (2007). Political economy. In: *Ghana: Meeting the challenge of accelerated and shared growth: Country economic memorandum* (Vol. 3, section 4). Washington, DC: World Bank.

<http://www->

wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/12/21/000310607_20071221114454/Rendered/PDF/Pages0from040915403volumes0ER01GH13.pdf

What hinders growth-supporting policy reform in Ghana, and how can these obstacles be addressed? In recent years, Ghana has experienced relative macroeconomic stability and growth. However, accelerating and sustaining growth requires significant policy change across a range of areas. This extract from the World Bank's Country Economic Memorandum of Ghana examines the political incentives of policymakers to pursue such change. Clientelism undermines progress in pro-growth reforms. Reform should focus on: education; improving the collection of, and access to, government information; and ensuring that policy does not favour particular ethnic groups.

Utomi, P., Duncan, A., & Williams, G. (2007). *Nigeria - The political economy of reform - Strengthening incentives for economic growth*. London: The Policy Practice.

<http://thepolicypractice.com/publications/nigeria-the-political-economy-of-reform-strengthening-incentives-for-economic-growth-updated/>

How does reform take place within the constraints of political and economic processes? What has driven recent policy and institutional reforms in Nigeria, and how can Nigeria's reform process be sustained and extended? This paper argues that the failure to achieve sustainable economic growth and poverty reduction in Nigeria is linked to institutional and incentive problems. Efforts are needed to strengthen incentives for economic growth and public accountability. All stakeholders must recognise the realities of, and risks to, sustainable reform, as well as the long time-scale required.

Extractives

Mcloughlin, C. (2013). *PEA in the mining/extractives sector* (GSDRC Helpdesk Research Report 1029). Birmingham: GSDRC.

<http://www.gsdrc.org/docs/open/HDQ1029.pdf>

This report documents a variety of case study examples that highlight the range of practical purposes for which PEA has been commissioned in the mining sector, how it has been undertaken in practice (i.e. methodologies), and its subsequent implications for programming. The limited available literature suggests that the particular relevance of PEA to mining is that it can help development agencies to understand: the obstacles to allocating resource rents for developmental purposes; relationships between actors, including between different levels of the state; and elites' incentives to generate rents, and the complex range of factors that affect their capacity to do so.

Further resources

- **The Policy Practice** holds an extensive range of resources on political economy analysis on their website, including a library of online PEA tools.
- The **European Commission Capacity4Dev Political Economy in Practice** group was set up to discuss and support the introduction of a 'political economy' approach in EC Development Cooperation, but it also includes regularly updated resources related to political economy analysis in general.
- The **Achieving Sustainable Governance Transitions** project at the Overseas Development Institute (ODI) is researching how a range of political and governance factors/conditions affect development outcomes or, in other words, the incentives, behaviour and institutional features which can enhance or inhibit the achievement of outcomes in transition contexts.
- The **politically smart, locally-led development** project at the Overseas Development Institute aims to publish case studies of where better outcomes have been achieved by adopting a 'politically smart, locally led' approach.
- The **Effective States and Inclusive Development Research Centre (ESID)** is investigating the political drivers of inclusive development, particularly how state capacity and elite commitment can emerge and be sustained, as well as how to support these processes.
- The **Developmental Leadership Program (DLP)** has an active research theme around politically informed programming.