



Governance Analysis



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What is a governance analysis?

When working on governance and integrating governance as a transversal theme, it is important to understand what the key governance challenges are

in the context or sector at stake, and SDC's role in contributing to reform. In order to gain understanding of the local governance context and identify the best entry points, a governance analysis is conducted.

Key dimensions of a governance analysis

The governance systems and related challenges in general or in a specific sector can be analysed along three different dimensions that are closely connected:

1. The **governance structures**, by assessing the sector laws, policies, financing arrangements or the status of sector decentralisation;

2. The **governance processes**, by asking about the quality of decision making and performance in the sector, in view of good governance principles; and

3. The **key actors or stakeholders** that shape the sector, their interests and ideas, motivation and behaviour, and their visible and hidden power.

See: 2-pager on [What is Governance for SDC?](#)

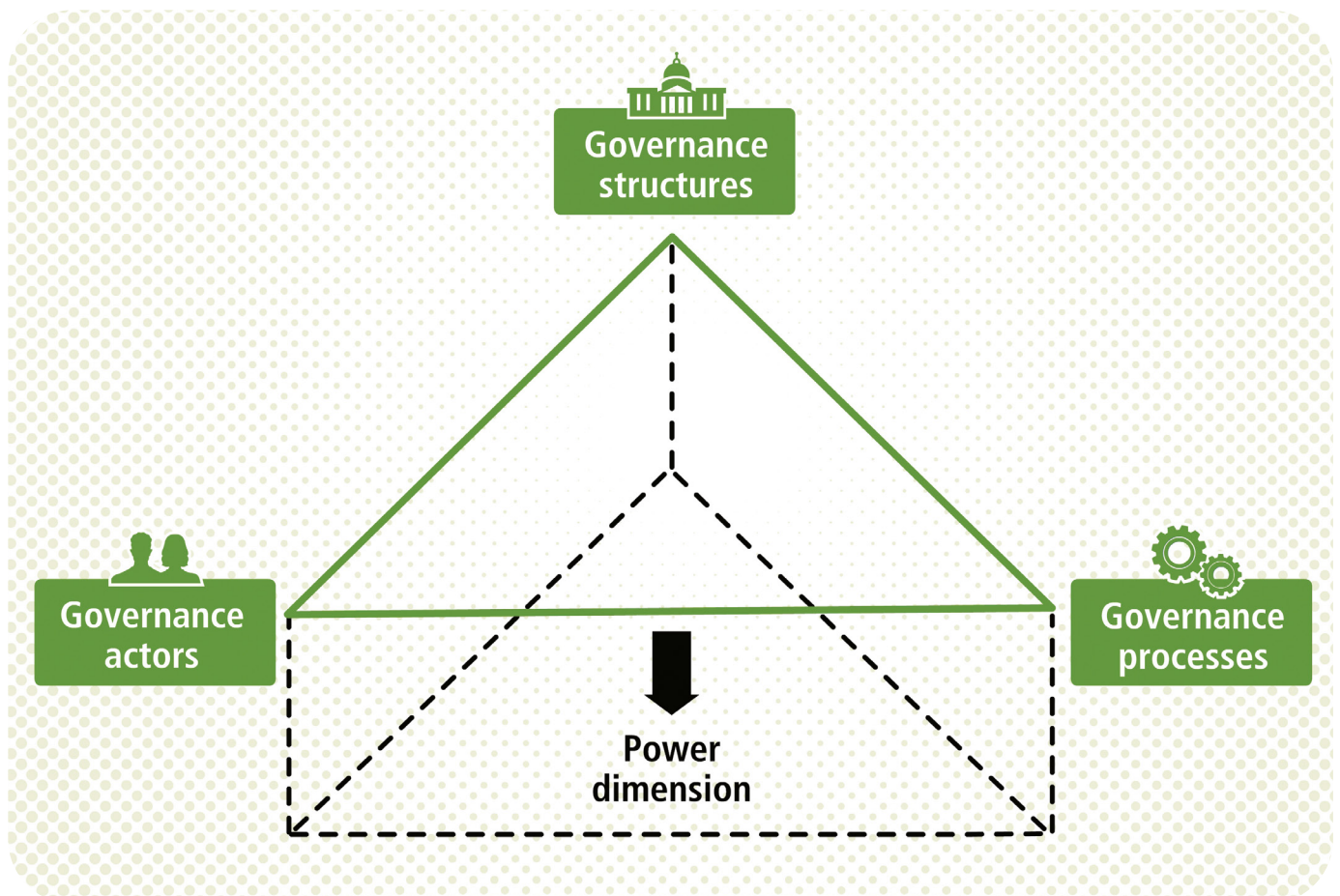


Figure 1: Key dimensions of governance analysis

Governance dimensions and key questions (examples)	Possible areas of change/entry points
<p>Structures, institutions and regulatory framework conditions</p> <ul style="list-style-type: none"> • How are laws and sector policies regulating the sector? Do they respond to people's needs? How are they financed? • What is the status of sector decentralisation? • What are the most relevant institutions and actors in the sector, and what are their responsibilities? How is control and accountability organised? • What are mechanisms for the representation of women, or disadvantaged groups? 	<p><i>Examples</i></p> <ul style="list-style-type: none"> • Policy dialogue for enabling/reforming sector legislation, policies and strategies • Sector decentralisation with devolved, clearly defined responsibilities at multiple government levels, with corresponding decision-making authority, and human and financial resources • Functioning system of vertical and horizontal collaboration and concertation
<p>Governance processes: performance and interaction</p> <ul style="list-style-type: none"> • How do institutions, actors perform with respect to the good governance principles? What are the "rules of the game"? • How effective is the public sector management and service delivery? Is it serving public interests? (effectiveness, efficiency) • What are spaces for participation in policy and decision making, who are those excluded from benefiting in a given sector and why? (participation, inclusion, non-discrimination) 	<p><i>Examples</i></p> <ul style="list-style-type: none"> • Effective and responsive provision of public goods and services • Inclusive governance processes addressing inequality and accountability: inclusive policies, targeted measures and budget allocation • Spaces for citizen participation in the decision making and accountability of the public sector
<p>Governance actors: behaviour, motivation and power*</p> <ul style="list-style-type: none"> • Who are the main (state and non-state) actors, and what are their roles and responsibilities, their legitimacy and capacities? • How do they behave? What is their motivation, and what are the incentives driving them? • Are they powerful, and which kind of power do they have – formal, hidden? How do the relations between these actors shape governance dynamics? • What about the governance roles of women and men? And other societal groups? 	<p><i>Examples</i></p> <ul style="list-style-type: none"> • Decreasing power imbalances and elite capture, i.e. by supporting capacities and influence of multiple actors in their governance roles (civil society, private sector, the media, disadvantaged groups, women, etc.) • Strengthen political leadership by supporting driving forces and incentive structures within state institutions for better governance, removing disincentives • Trust building; cooperation between stakeholders

* See also *SDC How-to-Note Stakeholder Analysis*.

Governance principles as part of the analytical framework

In order to assess the governance processes, the behaviours and relations of governance actors, and the governance structures, and also find out how governance systems could be improved, the good governance principles can guide the thinking. See: 2-pager on *What is Governance for SDC?*

- **Accountability:** Are the roles and responsibilities of power holders clearly established? Are there mechanisms in place to hold power holders accountable and ask for good quality services from the public administration? Is there a possibility to address shortcomings and grievances and ask for change? If not, could such a system be introduced?

- **Transparency:** Can the interested public access information on how the governance system works and where the challenges are? Are the key numbers on important sectoral data publicly accessible and comprehensible, so that accountability can be advanced and collaboration among governmental entities is enhanced?
- **Rule of law:** Are the necessary laws or regulatory frameworks in place and accessible so that citizens know what their rights and duties are, and what they can expect from the governmental entities? Are existing and/or proposed legal grievance mechanisms accessible to all?
- **Non-discrimination:** Are all human beings treated equally? Can all citizens access and profit from the services the state provides? Who is included, and who is left out and why?
- **Participation:** What kind of measures are in place that enable people to take part in decision-making processes and benefit from services at hand?

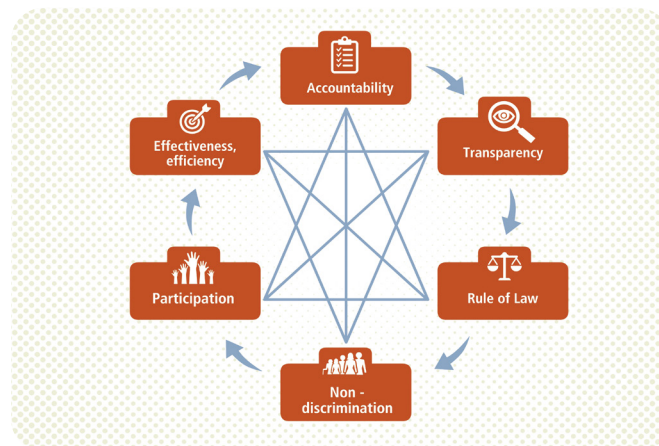


Figure 2: SDC governance principles

- **Efficiency and effectiveness:** How could the decision-making processes and services be made more efficient and effective, in order for the concerned people to be a credible partner and to ensure that citizens are willing to pay for the services that are delivered?

Various methodological approaches and priorities

Governance systems can be analysed from different perspectives, with different purposes and thematic priorities, in varying depths. A variety of methodological approaches have been designed and used to gain an understanding of the institutional and political dynamics of development and find ways to support governance reforms (“thinking and working politically”; see: 2-pager on *Thinking and Working Politically*). For example:

- **Political Economy Analysis (PEA)** methodologies focus on the economic and political interests and

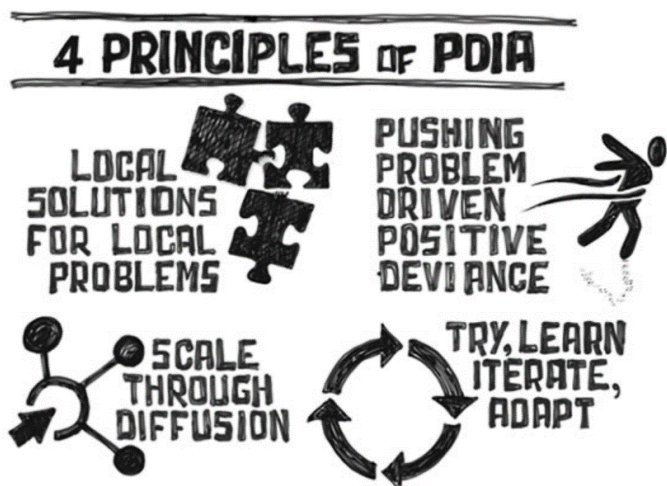


Figure 3: Four principles of PDIA

incentives that are fuelling – or blocking – change from different perspectives. Some methodologies take a strongly economic and financial perspective that may motivate governance actors: their economic interests and expectations are put at the centre. Other approaches focus more on social values, historical legacies, political ideas and ideologies behind decision making, taking into account that development actors may be motivated by factors that are not only economic. Yet others aim at identifying common interests and incentives and building political coalitions of reformers for bringing about more structural governance reforms – instead of focusing on the interests of powerful leading elites that might, in principle, not be interested in changing the status quo (see: 2-pager on *Political Economy Analysis*).

- **Power Analysis** approaches address the multidimensional power relations that shape social change, and which hinder or promote the empowerment of citizens. Different concepts and tools exist for demystifying and sharpening the analysis of power – visible, invisible and hidden – in governance systems, and for identifying ways to empower citizens.
- **Problem Driven Iterative Adaptation (PDIA)** does not focus on general analysis but starts with a locally identified and defined governance problem,

aspiring to find “best guesses” for reform and experimental solutions, planning for tight feedback loops that can facilitate rapid learning among a broad set of governance actors, and lead to constant adaptation of programmes and projects.

- **Political Settlements Analysis** refers to explicit or implicit agreements among the powerful elite about the formal and informal rules that govern political and economic arenas that ensure stability, by making certain that powerful stakeholders have a share in the benefits (rents) so that they do not challenge existing systems of authority. Political Settlements Analysis enables the identification of reform strategies that are either acceptable to powerful elites in the existing settlement, or lead to new stable settlements that are more inclusive. Such analysis can be also carried out for sectors or sub-national locations.

Donors have developed and applied tools for governance analysis and operational approaches that take up the various elements, with different emphases (for example, DFID – Drivers of Change, Doing Development Differently, Political Settlements; The Netherlands – Strategic Governance and Corruption Assessments; SIDA – Power Analysis; the World Bank – Problem-Driven Governance and Political Economy Analysis). While these tools are labelled differently and have different priorities, there is broad compatibility between the approaches: All of them aspire to understand the underlying factors

shaping motivations and incentives for reform, with a view to explain the varying development performance of different countries and sectors, and predicting where aid can be used most effectively.

Experience shows that whatever methodology is used, governance dynamics remain complex, may change rapidly, and are not easy to understand and predict. In addition, donors often have difficulties to find adequate responses to new analytical insights and adapt their programmes (see: 2-pager on *Adaptive Management*). More generally, analysing and monitoring governance contexts and results is a constant endeavour for donors, and looking at the context from different perspectives helps.

SDC’s MERV approach¹ as well as the other strategic planning and reporting processes provide opportunities to follow the governance dynamics that are relevant for development (see: 2-pager on *Monitoring and Reporting on Governance*). SDC’s Thinking and Working Politically (TWP) approach can bring additional insights, linking the analysis and reflection to the operational consequences and adaptation (see: 2-pager on *Thinking and Working Politically*). If there is a need for more in-depth analysis the PEA methodology, in particular, can bring more clarity about incentives, interests and ideas that are facilitating or blocking development and governance in general as well as in specific sectors (see: 2-pager on *Political Economy Analysis*).

¹ See the *SDC Guidelines for Monitoring System for Development-Related Changes (MERV)*.