

DRAFT

# Using Political Economy Analysis to improve EU Development Effectiveness

A DEVCO Background Note

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## Executive Summary

### Purpose of the paper

European Commission staff, are well aware that national and international politics play a crucial role in shaping development outcomes. Political economy analysis can help give a clearer understanding of the political and economic processes at work in a given country or sector context, and how they can influence decision-making including those related to institutional capacity and policy choices. The concept paper explains what is meant by political economy analysis, why it matters fundamentally for understanding development challenges and outcomes, and the implications for donors. It also offers practical guidance on how to undertake political economy analysis at country and sector level, and suggests how to draw on the analysis to inform every aspect of EU development activity, including programming, design of specific interventions, implementation, risk management and policy dialogue.

### Overview of the sections

**Section 1** explains the *key concepts underpinning political economy analysis*. This theoretical perspective shows how political economy can help understand local processes. .

**Section 2** explains *why political economy analysis is needed* and *how to draw on analysis in making operational choices* at country and sector level how it can help inform risk assessment and policy dialogue.

**Section 3** explains *the range of political economy analysis tools available*, and introduces two approaches that can be used to undertake analysis at country and sector level. Detailed guidance is given in the annexes.

**Section 4** covers *practical aspects of undertaking political economy analysis* including timing, resource requirements, sources and research methods and advice on managing the process.

## Section 1: What is political economy analysis?

### 1.1 A definition

Political economy analysis investigates how political and economic processes interact in a given society, and support or impede the ability to solve development problems that require collective action<sup>1</sup>. It takes particular account of the interests and incentives driving the behaviour of different groups and individuals, the distribution of power and wealth between them, and how these relationships are created, sustained and transformed over time. These relationships are crucial in explaining how politics works, how wealth is created, and how developmental change happens.

### 1.2 Reviewing key political economy concepts

The term “political economy” covers a broad set of intellectual traditions. The approach taken in this paper is geared to the situation of many developing and middle income countries where informal relations and institutions play a major role<sup>2</sup>. It draws on insights from research that highlight the centrality of institutions to economic growth and development, and the role of politics in driving institutional change. Despite the lack of evidence of how institutions emerge there is, however, an emerging consensus that effective, accountable formal institutions capable of supporting a broad range of public goods evolve through complex, interaction between state and society, public and private actors, and formal and informal processes. The political economy approach presented below is based on the following key concepts.

#### 1.2.1 Organising collective action

Development depends on solving collective action problems, which requires different interest groups to find ways of cooperating to produce positive outcomes, and deliver broad public services.

#### 1.2.2 State-society bargaining.

Experience points to the role played by bargaining among different social groups, and with the state<sup>3</sup>. Bargaining can involve violent conflict, or peaceful contestation and negotiation over access to power, resources, and ideas. Bargaining can take place at different levels of society, and through formal or informal processes. It can produce positive outcomes if the parties concerned can identify common interests and negotiate arrangements to pursue them. Over time this can lead to peaceful ways of managing competing interests, and result in the creation of stable, legitimate institutions. Conversely, a major part of the explanation

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<sup>1</sup> Collective action means the pursuit of a common goal by more than one person

<sup>2</sup> By contrast, approaches based on “principal-agent” frameworks may be more appropriate in contexts where there are clearer, formal relationships and institutions of accountability – for example between policymakers, service providers and citizen consumers.

<sup>3</sup> Or, in very fragile states, between social groups and holders of political and military power.

for fragile states and persistent conflict in many poor countries is the absence of incentives for constructive state-society bargaining<sup>4</sup>.

An example of constructive bargaining is the negotiation of a basic "political settlement"<sup>5</sup> or underlying compact whereby powerful actors agree to accept a legitimate coercive role for the state in exchange for common security. Another is state-society bargaining over taxation, which historically has been central to creating more effective states that are also accountable and responsive to citizens. Yet another is bargaining between political and economic elites which is central to economic growth and political development.

### 1.2.3 Explaining institutions

Arrangements that are seen to be effective in supporting collective action can become "institutionalised" over time; some are formally codified as written rules and procedures, but others are based more on informal relationships and social norms. Informal institutions are understood as "socially shared rules, usually unwritten, that are created, communicated and enforced outside officially sanctioned channels". (Helmke and Levitsky, 2004). In poor countries with weak formal institutions, collective action is often organised informally. Political economy analysis is therefore concerned with understanding the complex mix of formal and informal institutions that shape the behaviour of groups and individuals, and relationships between them.

### 1.2.4 Elite incentives matter<sup>6</sup>.

Elites, by definition, play a crucial role in these bargaining processes, and in solving (or failing to solve) collective action problems. Elites are people who have high levels of political, military, bureaucratic, financial and economic power – either formally (as businessmen, politicians or religious leaders) or informally (for example as warlords). Political economy analysis is therefore particularly concerned with how a country or sector context shapes the interests, incentives and capacity of political and economic elites. Deeply embedded social, economic and political structures, sources of revenue, and the global and regional environment are all important in influencing whether elites have incentives to nurture economic growth and/or create public goods, or to pursue more narrow interests of self-enrichment. For the ruling political elite, a principal consideration will be what they must do to win and retain power. However, more intangible factors such as ideas, values, ideology and reputation can also influence elite incentives. In fragile situations, extreme fragmentation of elite interests can undermine collective action.

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<sup>4</sup> See for example Centre for the Future State (2010), chapter 2.

<sup>5</sup> The term "political settlement" is commonly used to describe the informal power relations in a country, usually between coalitions of powerful elite factions. A political settlement is held together by the alignment of interests within the dominant coalition, and the dynamic relation between elite interests and the broader array of interests within a society. See Parks et al (2010).

<sup>6</sup> Clearly elite interests are not the only ones that matter, but they are very influential, and tend to be neglected by donors.

### 1.2.5 The role of leadership

While context and institutions are hugely important in shaping interests and incentives of different groups and individuals, leadership also plays a crucial role. Leaders mobilise people and resources in pursuit of shared and negotiated goals. Leaders can promote development by forming coalitions to pursue institutional and policy reform, or can adopt policies that destroy institutions or obstruct reform. Donors may have little or no influence on how individual leaders emerge, but need to understand the political processes involved in exercising leadership, and may be able to play a role in facilitating them.

## Section 2: Why is political economy analysis important?

### 2.1 Introduction

The European Union's partner countries range from pre-accession and middle income countries to fragile states. Therefore differentiation is applied recognising that development challenges are context specific. Therefore need a much better understanding of the context and political economy dynamics is necessary. Indeed, experience also shows that development has to be locally "owned"<sup>7</sup>, and that the policies and institutions required for development have to be negotiated through local political processes. Understanding the political economy of a country and/or sector provides insight about locally owned processes of change that can provide the basis for development. Political economy will also highlight the tensions that can arise between values and objectives of donors and the need to build on local institutions and engage with the interests of politically powerful actors

Country level political economy analysis provides vital information on the broad challenges that will need to be addressed through EU cooperation. Specifically, it can help to identify:

- ***Underlying causes of conflict and fragility.*** Political economy analysis<sup>8</sup> is particularly important in fragile situations to understand actual or latent causes of instability.
- ***Basic characteristics of the state.*** Structural factors such as geography, history, resources, social and economic structure and state formation have a pervasive influence on politics and development. They may be very hard to address, but if opportunities arise they deserve priority.
- How the ***international and regional context*** affects politics and development, including security, investment and changing business competition.

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<sup>7</sup> This is reflected in the Paris Declaration, which stresses the importance of local "ownership": however it fails to investigate whose ownership matters, or how it can be negotiated and sustained.

<sup>8</sup> As explained in section 5 below, political economy analysis can usefully be supplemented with other tools for analysing conflict or underlying political settlements.

- **Socio-economic trends** that have the potential to change political economy dynamics in the **medium term**, including improvements in education and communications, and demographic change.
- **The political feasibility of change**, including patterns of behaviour and policy-making that either support development or help explain persistent failures to address policy and institutional constraints. These factors are likely to affect performance across a range of sectors.

There are many examples of how political economy analysis has led to operationally useful findings<sup>9</sup>. However, it is also important to have realistic expectations about what such analysis can and cannot offer. Political economy analysis is unlikely to suggest a completely new policy options<sup>10</sup>. EU Delegation staff will probably already be aware of many of the issues raised by the analysis. But analysis can help staff understand the significance of their existing knowledge, and to articulate and legitimise it in ways that makes it useful for decision-making. Political economy analysis can be particularly helpful in ensuring that EU Delegations draw fully on the experience and understanding of their local staff. It can also help preserve and build on the institutional memory of Delegations, and can provide good induction material for new staff.

## 2. 2 Adding value through political economy analysis Introduction

The following sections provide examples of how using political economy analysis can add value at various stages of the project and programme cycle, including country programming, operation design, policy dialogue, and risk management.

### 2.1.1 Country Programming

Country and sector level political economy analysis can help inform programming, including choice of focal sectors. For example, it can highlight sectors where there are particularly sensitive political interests at stake which may obstruct progress; or significant opportunities for rent seeking which impose corruption risks. It can help identify politically feasible strategies for progress in the short to medium term, and scope to build on common interests in reform over the longer term. They do not necessarily imply that the EU Delegation should avoid working in sectors or sub-sectors where it is difficult to make progress, but they will help in set realistic objectives.

### 2.1.2 Programme design

Political economy analysis can help inform decisions about how programmes are designed and choice of aid modalities by identifying their likely indirect impact on local incentives for bargaining and collective action. It will help identify and build on common interests between

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<sup>9</sup> See Duncan and Williams (2010)

<sup>10</sup> A workshop with EUD staff in Lusaka in June 2011, which discussed a country level political economy analysis for Zambia, noted that this did not indicate doing very different things, but it did point to the need to do a lot of things differently.

different stakeholders. It can help to identify particular entry points for EC support, test the validity of the proposed programme approach, logical framework, and address questions about choice of implementation modalities. Indeed, insights gained from political economy analysis can help deepen assessments of public financial management and macroeconomic management, and so contribute to decisions about aid modalities.

### 2.1.3 Policy dialogue

Political economy analysis can inform policy dialogue about overall development challenges and outcomes. The analysis can offer important insights into the values, interests, and perspectives of development partners. It is especially important in trying to frame a more politically compelling development narrative: i.e. one that engages with the incentives of key policymakers and politicians.

### 2.1.4 Risk Management

Any aid intervention involves interacting with a complex set of local political and institutional dynamics at country and sector level. Political economy analysis is therefore also central to risk assessment and management, because it enables the manager to unpack risks arising from "lack of political will" and lack of political or institutional capacity to sustain programme and project benefits over time. Political economy analysis at both country and sector level can deepen understanding of risks arising from corruption, and from other factors that can lead to the misuse or ineffective use of aid funds, including weak financial and macro-economic management, and the distortion of programme or project objectives by powerful actors for personal gain. It also signals the need to consider risks arising from the indirect impact of aid interventions. For example, local political economy dynamics will be changed by the arrival of an external player, especially one bringing significant financial and other resources. Different aid modalities and institutional arrangements will have variable, indirect effects on local budgeting and administrative systems which political economy analysis can help identify.

### 2.1.6 Capacity development

Political economy analysis can help with understanding the wider political and institutional context that shapes opportunities and incentives for capacity development within formal organisations, and the "political dimension" of informal relationships and practices within them. It also highlights the need to take account of existing informal institutions that may be supporting effective collective action, albeit in unorthodox ways, and cautions against unintentionally undermining them by introducing new procedures or empowering new players. Finally, political economy analysis underlines the need to consider the long-term, cumulative impact of aid and aid conditionality on local capacity and incentives for solving collective action problems – especially in fragile situations and aid dependent countries.

## Section 3 - Tools for political economy analysis

### 3.1 Existing tools

A broad range of frameworks and tools are available giving the analyst considerable choice in deciding which approach best fits the problem at hand. An increasing number of bilateral and multilateral donors have developed and applied tools for political economy analysis. While different donors have developed different tools, they have learned from each other, and there is broad compatibility between the different approaches. Their common focus is to analyse the underlying factors shaping the political economy and the resulting incentives, with a view to explaining the varying development performance of different countries and sectors, and predicting where aid can be used most effectively.

The existing tools can be grouped into three main categories: country level analysis, sectoral analysis and problem focussed analysis.

Level of analysis	Existing tools	Main uses
Country level analysis	DFID Drivers of Change <sup>11</sup> Netherlands Strategic Governance and Corruption Assessment <sup>12</sup> SIDA Power Analysis <sup>13</sup> UNDP Political Analysis and Prospective Scenarios Project (PAPEP) <sup>14</sup> Asia Foundation Political Settlement Mapping <sup>15</sup> EU Country Political Economy Assessment (annex 1)	Provides a broad overview of the country context, its economy and political system, and opportunities and constraints for change. Helps to assess the potential for development agencies to support change. Informs the design of more realistic country programming, and risk assessment. Briefs donor staff and provides essential background for informed policy dialogue.
Sector level	EU Addressing Governance	Understand the interests and incentives

<sup>11</sup> See 'Drivers of Change, Public Information Note', DFID, 2004. <http://www.gsdr.org/docs/open/DOC59.pdf> and GSDRC Topic Guide on Drivers of Change <http://www.gsdr.org/go/topic-guides/drivers-of-change>

<sup>12</sup> See 'Framework for Strategic Governance and Corruption Analysis (SGACA): Designing strategic responses towards good governance', Unsworth, S. and Conflict Research Institute (CRU) (2008). Prepared by the Clingendael Institute for the Netherlands Ministry of Foreign Affairs.

<sup>13</sup> See 'Power analysis – experience and challenges,' concept Note, SIDA, June 2006. [http://www.sida.se/sida/jsp/sida.jsp?d=118&a=24300&language=en\\_US&searchWords=power%20analysis%202005](http://www.sida.se/sida/jsp/sida.jsp?d=118&a=24300&language=en_US&searchWords=power%20analysis%202005)

<sup>14</sup> [http://www.gobernabilidaddemocratica-pnud.org/proyectos.php?id\\_pro=6&parte=1](http://www.gobernabilidaddemocratica-pnud.org/proyectos.php?id_pro=6&parte=1)

<sup>15</sup> <http://asiafoundation.org/resources/pdfs/PoliticalSettlementsFINAL.pdf>

analysis	<p>in Sector Operations<sup>16</sup></p> <p>ODI/DFID Analytical Framework for Assessing the Political Economy of Sectors and Policy Arenas<sup>17</sup></p> <p>EC Sector Political Economy Assessment (annex 2)</p>	<p>operating at sector level, and how these affect sector performance and the potential for reform.</p> <p>Supports donor programming decisions on the priority of different sectors.</p> <p>Identify priorities within the sectors, and approaches to support the sector reform, informs decisions on implementation modalities and understand risks better.</p> <p>Essential background for policy dialogue on the sector.</p>
Problem focussed analysis	<p>World Bank Problem-driven Governance and Political Economy Analysis<sup>18</sup></p> <p>World Bank/SDD Political Economy of Policy Reform<sup>19</sup></p>	<p>Understand a specific policy or operational problem.</p> <p>Inform the design of specific projects and programmes.</p> <p>During implementation address and remedy problems as they emerge.</p>

In addition to these three levels of analysis, recent studies have also focused on the effects of regional and international factors that influence in-country political economy<sup>20</sup>.

The European Commission has also developed political economy analysis tools building on the work of other development partners. Annexes 1 and 2 to this paper provide suggested frameworks to be used by the EC for country and sector level political economy assessment. They consist of a structured list of questions for investigating how political and economic

<sup>16</sup> See EC/EuropeAid (2008) Addressing Governance in Sector Operations, Draft Reference Document, July 2008 [http://ec.europa.eu/europeaid/infopoint/publications/europeaid/149a\\_en.htm](http://ec.europa.eu/europeaid/infopoint/publications/europeaid/149a_en.htm)

<sup>17</sup> See Moncrieffe, J. and Luttrell, C. (May 2005). 'An Analytical Framework for Understanding the Political Economy of Sectors and Policy Arenas', Overseas Development Institute [http://www.odi.org.uk/fecc/resources/reports/sector\\_analysis\\_framework\\_odi.pdf](http://www.odi.org.uk/fecc/resources/reports/sector_analysis_framework_odi.pdf)

<sup>18</sup> World Bank (September 2009) Problem-driven governance and political economy analysis: Good practice framework, Verena Fritz, Kai Kaiser and Brian Levy. <http://vle.worldbank.org/bnpp/en/publications/governance/problem-driven-governance-and-political-economy-analysis> - NB This framework is also applicable at country and sector level

<sup>19</sup> World Bank (2008) The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations, Report No. – 44288-GLB, Social Development Department [http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1217517341604/PE\\_Reform.pdf](http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1217517341604/PE_Reform.pdf)

<sup>20</sup> See forthcoming OECD DAC study on the International Drivers of Corruption

processes are playing out in a particular country or sector context. They should be viewed as tools that can be adapted by Delegations according to need.

The frameworks for Country and Sectoral Political Economy Assessment are not intended to be comprehensive and are not the only types of analyses that will be needed by Delegations. They can usefully be combined with other kinds of analytical tools including public finance management, macroeconomic, public policy, social networking analysis (to investigate the conditions for constructive collective action), non-state actor mapping<sup>21</sup>, institutional assessments, conflict assessments<sup>22</sup>, instability assessment<sup>23</sup>, political settlement analysis<sup>24</sup> and growth diagnostics<sup>25</sup>.

### 3.2 Country Political Economy Assessment

The framework for Country Political Economy Assessment is presented in annex 1. It is intended to inform the Country Context Assessment alongside other analyses of public financial management, macroeconomic management and key development policies. The Country Political Economy Assessment is structured around an examination of the interaction between structural factors, institutions and current “events”, all of which influence incentives and the potential for collective action. The analysis is organised around three broad headings:

- **Structural factors** including the history of state formation, sources of public revenue, social and economic structures, geostrategic position and geography that fundamentally shape the social, political and institutional landscape, and therefore influence incentives and behaviour.
- **Rules of the game** including the distribution of power, the nature of institutions, the basis for political competition, and key socio-economic trends, all of which shape the institutional incentives faced by different interest groups.
- **Here and now** which investigates what is driving day-to-day politics and decision-making.

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<sup>21</sup> European Commission (2008) Methodological guide for implementing a mapping of civil society actors in Latin American countries

[https://webgate.ec.europa.eu/fpfis/mwikis/aidco/images/2/24/GUIDE\\_CIVIL\\_SOC\\_FINAL.pdf](https://webgate.ec.europa.eu/fpfis/mwikis/aidco/images/2/24/GUIDE_CIVIL_SOC_FINAL.pdf)

<sup>22</sup> See DFID (2002) Conducting Conflict Assessments Guidance Notes -

<http://www.dfid.gov.uk/documents/publications/conflictassessmentguidance.pdf>

<sup>23</sup> Netherlands Ministry of Foreign Affairs (2005) The Stability Assessment Framework: Designing Integrated Responses for Security, Governance and Development.

[http://www.nbiz.nl/publications/2005/20050200\\_cru\\_paper\\_stability.pdf](http://www.nbiz.nl/publications/2005/20050200_cru_paper_stability.pdf)

See also - UK Cabinet Office (2005), Countries at Risk of Instability: Risk Factors of and Dynamics of Instability <http://www.qsdrc.org/go/display&type=Document&id=2950>

<sup>24</sup> Parks, T. and Cole and W. (2010), Political Settlements: Implications for International Development Policy and Practice, Asia Foundation - <http://asiafoundation.org/publications/pdf/745>

<sup>25</sup> Williams, G., Duncan, A., Landell-Mills, P. and Unsworth, S. (2009) Politics and Growth, *Development Policy Review* 27(1): 5-31 <http://www3.interscience.wiley.com/journal/121557141/abstract>

**Box 1: Using country political economy assessment in Zambia**

**Structural factors** include the colonial inheritance closely linked to copper production; and post-independence state building efforts. These contributed to peace and state resilience, but also to patterns of state patronage that undermined economic growth and diversification, and reduced capacity for collective action. Other foundational factors include geography and Zambia's geostrategic position as a frontline state.

**Rules of the game** are informal and highly personalised. There is some organised counter power from the ruling party, Roman Catholic Church and trade unions, and some institutional capacity within the bureaucracy. However political parties are not programmatic or institutionalised, and increasingly fierce political competition is fuelling corruption. Key socio-economic trends include a youth “bulge”, a better educated urban middle-class including entrepreneurs with more autonomy from government; increasing Chinese and South African investment; and improved communications.

**Here and now:** the dominant event in June 2011 was the forthcoming election.

The analyst needs to identify the impact of these different factors on current development challenges, including how they influence political and economic incentives for reform, and prevailing public attitudes. The Country Political Economy Assessment then makes the link to operational questions by analysing the opportunities and constraints for change, assessing the level of influence of development agencies. The analysis should be relevant for country programming, policy dialogue, risk management and operational design.

### **3.3 Sector Political Economy Analysis**

The Sector Political Economy Assessment is intended to provide a broad overview of the sector to support programming choices. Its conclusions should also be relevant to the design of a Sector Policy Support Programme (SPSP) complementing the sector policy analysis. The Sector Political Economic Analysis is also important for risk assessment and management as well as identifying issues and entry points for policy dialogue.

The sector political economy analysis can be more focussed on specific issues to support particular aspects of the design of a Sector Policy Support Programme.

## **Section 4: How to do political economy analysis**

### **4.1 Overview**

The analysis can be tailored to fit a variety of different purposes and circumstances. The guidance offered below should therefore be applied flexibly. However, it is important to be clear at the outset about objectives, available resources and audience, and to plan accordingly.

## **4.2 Country, sector or problem driven analysis?**

The level of analysis will depend on the objectives. It can often be useful to start with an overview of country context. This will usually point to the need to drill down to the level of specific sectors and issues in order to explore detailed operational questions.

## **4.3 Purpose and partners**

Objectives might include enhancing the understanding of EU staff; informing decisions about particular programmes; increasing coherence between development, trade and diplomatic objectives; improving coordination with other donors; or using political economy analysis to inform dialogue with government and development partners.

Most political economy analysis has been undertaken with the objective of increasing the donor agencies' staff's understanding of country dynamics. Both DFID and the Netherlands have found that carrying out analysis jointly between development and diplomatic staff has increased shared understanding and improved working relationships. Most political economy analysis has been undertaken without formal involvement of national governments, although informal consultations with key informants in government will often be productive. It should be expected that many of the questions raised by political economy analysis will be politically sensitive. While it is legitimate and necessary for donors to consider these questions, care will need to be exercised in how the analysis is presented to government. In particular, undertaking analysis jointly with a partner country government, especially if linked to the availability of aid money, significantly changes the dynamics involved and the implications should be considered carefully. Conducting analysis jointly with other donors can be a valuable way of increasing mutual understanding and cooperation, especially with Member States, but can involve transaction costs. An alternative may be more informal arrangements for discussing and sharing outputs with other donors and external partners.

As increasing numbers of donors are undertaking political economy analysis it will be important to avoid duplication of effort. There will often be existing political economy studies or other written material that EU Delegation staff can draw on, as well as valuable advice about process and contacts. They should therefore take care to consult other donors at the outset to benefit from their experience, and in particular to contact Member States to seek their support and discuss their possible involvement. It will almost always be important to involve them at least in a final workshop to validate findings and discuss implications.

## **4.4 Process**

The EU Delegation will decide whether to carry out a political economy analysis and manage the process. This includes key decisions about scope, objectives and partners. However, it can be useful to involve staff from headquarters, to provide insights from similar exercises elsewhere, to act as a form of peer review and to ensure better country knowledge at Headquarter level so as to provide more informed support. The Head of Delegation or Head of Operations should lead the process and staff representing a range of disciplines, including from the Political and Trade sections. It can be helpful to set up a small internal steering group to manage the process.

## **Box 2 - Process for piloting country and sector level analysis in Zambia**

EU delegation draws up terms of reference, tailoring the frameworks and questions to their particular requirements, and recruits consultants.

Consultants make an initial scoping visit (about a week) to establish mutual understanding of objectives and expectations, gather locally sourced documents and carry out initial interviews.

A desk-based literature review of existing material.

An in country mission of 1-2 weeks to undertake the analysis, supplementing and validating written material with key informant interviews. Consultants prepare a report (based on the frameworks presented in section 3 above) highlighting how the political economy context helps explain development outcomes and challenges, and suggesting implications for programming.

A one-day workshop, including EUD staff and representatives from member states/other donors to discuss and validate the findings.

Revised report prepared to reflect workshop discussion.

## **4.5 Timing and timelines**

Although political economy analysis may be particularly relevant to inform programming decisions and programme design, it can be useful at any point in the project and programme management cycle. It should be seen as an on-going process centred on the country cycle (elections, economic events), and not a one-off event: political economy analysis is most useful where it is integrated into the work of the Delegation, and is continually updated. The duration of the analysis will depend on objectives and resources available. Political economy analysis can be used to brainstorm a problem at a one-day workshop, or involve detailed studies over a year or more. How much time is needed will also depend on whether analysis is to be conducted jointly with others, as well as on the amount of relevant material already available.

## **4.6 Resources and expertise**

Resource requirements can vary considerably, depending on whether the study involves drawing on existing material or conducting original research. Typically, political economy studies have involved employing one or more external consultants, including an expert in using political economy analysis in a development context, and someone with excellent local knowledge and contacts. One of the two experts should also have excellent moderation skills.

### **Box 3 - Zambia Case Study**

For the Zambia country level analysis, 30 days were allocated for the international expert, and 20 for a local consultant. Resource requirements for sector level studies will depend on the depth of analysis required, and will usually require more extensive interviews with local stakeholders. In Zambia it was possible to conduct a light touch review of the agriculture sector with 18 days of an international consultant's time because there was an extensive existing literature and well informed experts were easily available for interview.

#### **4.7 Sources of information**

For country level analysis there will often be **a good range of existing material** to draw on, including academic research, other donor assessments and political economy studies, World Bank and IMF country reports, official policy statements and documents (including laws, regulations and organisational strategies), political speeches, public opinion surveys and media reporting, reports of human rights commissions, civil society organisations and local think tanks. The World Bank Governance and Doing Business indices, The Transparency International Corruption Perception Index, the Bertelsmann Transformation Index, and reports from Civicus and Afrobarometer can all be worth consulting. More recommendations on suitable sources are provided in annexes 1 and 2.

However, in many cases **more in-depth, qualitative research** will be needed drawing on the knowledge and experience of key informants including politicians, civil servants, business people, the media, NGOs and donor staff. This includes face-to-face interviews with key informants, focus group meetings, and stakeholder workshops. The aim should be to include a representative sample of interviewees from different regions and backgrounds. It can be especially difficult to gain access to information at the level of a sector or subsector about the institutional, financial and regulatory framework; different aspects of performance; and informal practices and relationships. Understanding detailed patterns of rent creation and distribution, and how patron-client networks actually operate can be especially challenging. **Structured interviews with key informants** will be essential. Triangulation of evidence is critical in order to corroborate the claims of different respondents, and to assess the accuracy of "soft" information from interviewees against "harder" sources (for example, data on budget allocations, remuneration of staff and so forth).

#### **4.8 Dissemination**

It is important to take a view at the outset about the audience for any written product, and how it will be disseminated. In practice, even if political economy analysis is undertaken for internal consumption, it should be assumed that any report will become public. Country level analysis is likely to be based largely on published sources and may be less sensitive than sector or subsector level studies that drill down more deeply into informal networks and relationships. Decisions about whether actively to disseminate findings need to take account of the sensitivity of the issues in a given country context. The default position is to make findings publicly available unless there are good reasons not to do so; and in any event to inform country partners that the analysis is being undertaken, and why. In most cases it will

be appropriate to share at least a written synthesis product with a wider range of government and non-government stakeholders, or to present findings at a workshop.

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