

TOPIC GUIDE ON

Political Economy Analysis

Claire Mcloughlin

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About this guide

This topic guide provides pointers to some of the key literature on donor approaches to political economy analysis and its effectiveness in different contexts. It includes examples of analyses and tools applied at country, sector and programme level. It was originally prepared by Claire Mcloughlin (GSDRC) in May 2009, with assistance from Gareth Williams (The Policy Practice). The GSDRC also appreciates the contributions of Stefan Kossoff (DFID). Comments, questions or documents for consideration should be sent to claire@gsdrc.org.

About the GSDRC

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Introduction

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 effective and politically feasible donor strategies, as well as more realistic expectations of what can be achieved, over what timescales, and the risks involved.

Because pro-poor development is intrinsically linked to good politics, the essential starting point for effective development interventions must be an understanding of a country's political economy. Political economy analysis can focus attention on informal institutions, and cultural and social practices, which 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'. It can help identify where change is most likely to occur and which types of reform will have the greatest pro-poor impact given prevailing interests.

Political economy analysis complements conventional governance assessments by providing a deeper level of understanding about power, state capability, accountability and responsiveness. It has also proven very useful to understand processes of state-building and state collapse in fragile or conflict-affected states.

Political economy analysis has enjoyed a recent resurgence in development thinking. However, its ultimate influence will depend on the extent to which it results in changes in development practice. Critics charge that political economy analysis has not yet maximised its full potential in this regard, due to weak institutional incentives to take on board the findings from commissioned work. Whilst this will remain a key challenge, the emergence of a new generation of operationally relevant tools at the sector and programme level offers good possibilities for transcending the gap between analysis and action, thereby ensuring meaningful change in donor practice.

Tools for political economy analysis

Several donor agencies have developed tools for political economy analysis. These vary in terms of their methodology and focus (e.g. institutions, power, how change occurs) and can be applied at country level, sector level, or problem level. An emerging area of interest is the application of political economy analysis to the regional/international level.

Where is a good place to start?

Adam, C., Dercon, C., 2009 'The political economy of development: an assessment', Oxford Review of Economic Policy, vol. 25, no. 2, pp. 173-189

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3769>

Key sources providing an overview of the tools

DFID, 2009, 'Political Economy Analysis How to Note', A Practice Paper, Department for International Development, London

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.

See one-page summary: <http://www.gsdrc.org/docs/open/PO58.pdf>

The Policy Practice, 2012, 'Political Economy Analysis: Selected Readings', The Policy Practice Ltd., London

This paper provides an overview and annotated bibliography of key readings relating to Political Economy Analysis. The bibliography covers: (1) conceptual underpinnings, (2) political economy analysis tools, (3) noteworthy case studies, and (4) practical guidance on using political economy analysis.

<http://www.thepolicypracticelibrary.com/PEAbibliography.pdf>

Haider, H. and Rao, S., 2010, 'Political and Social Analysis for Development Policy and Practice: An Overview of Five Approaches', Issues Paper, GSDRC, Birmingham

This paper provides a detailed overview of five of these tools and frameworks for Political Economy Analysis: Power Analysis, Drivers of Change, Strategic Corruption and Governance Analysis, Poverty and Social Impact Analysis, and Problem-Driven Political Economy Analysis. Under each tool or framework, it discusses how to use the tool (research methods, processes, outputs, and elements of the approach); skills and resources required; the value added and operational impact of the approaches; key challenges; and linkages with other analytical tools.

See one-page summary: <http://www.gsdrc.org/docs/open/EIRS10.pdf>

OECD DAC, 2008, 'Survey of Donor Approaches to Governance Assessment', OECD, Paris

Many development agencies are engaged in assessing governance. What are their approaches and how can these be more effectively harmonised? This study surveys donors' use of general and thematic governance assessments. Most approaches are driven by policy dialogue, detailed planning of governance enhancement activities and strategic decisions regarding aid to specific countries. Linkage to a donor's programme, demand from the field and removal of institutional disincentives are important in determining how governance assessments are used.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3184>

Country-level tools

Most political economy analyses have been 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. The European Commission is in the process of integrating political economy analysis into its projects and programmes. The World Bank has also recently developed a Problem Driven Political Economy Analysis framework.

DFID's Drivers of Change

DFID's Drivers of Change approach aims to identify the opportunities, incentives and blockages to pro-poor change at country level. The analysis centres around 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, Department for International Development, London

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

<http://www.gsdr.org/docs/open/DOC59.pdf>

DFID, 2005, 'Lessons Learnt - Planning and Undertaking a Drivers of Change Study', How to Note, Department for International Development, London

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

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

DFID, 2005, 'Using Drivers of Change to Improve Aid Effectiveness', Briefing Note, Department for International Development, London

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.

<http://www.gsdr.org/docs/open/DOC83.pdf>

OECD DAC, 2005, 'Lessons Learned on the Use of Power and Drivers of Change Analyses in Development Co-operation - Final Report', Review commissioned by the OECD DAC Network on Governance (GOVNET), Paris

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.

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

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', Department of Politics, University of York

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

Leftwich, A., 2007, 'Drivers of Change: Refining the Analytical Framework to Understand the Politics of the Places We Work: Final Report', Department of Politics, University of York

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

Leftwich, A., 2007, 'Drivers of Change: Refining the Analytical Framework to Understand the Politics of the Places We Work: Notes of Guidance for DFID Offices', Department of Politics, University of York

<http://www.gsdr.org/docs/open/DOC105.pdf>

Leftwich, A., 2007, 'Drivers of Change: Refining the Analytical Framework: A Framework for Political Analysis', Department of Politics, University of York

<http://www.gsdr.org/docs/open/DocX.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., and Conflict Research Unit, 2007, 'Framework for Strategic Governance And Corruption Analysis: Designing Strategic Responses Towards Good Governance', Netherlands Institute of International Relations, Clingendael, The Hague

This paper by the Clingendael Institute 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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=2989>

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', Swedish International Development Cooperation Agency, Stockholm

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3195>

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. and Eriksen S. S., 2010, 'Political Economy Analysis with a Legitimacy Twist: What is It and Why Does It Matter?', Norwegian Agency for Development Cooperation, Oslo

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4192>

World Bank

The problem-driven framework is not a specific 'tool' itself, but rather a 'platform' that tries to bring together and to summarize for 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., and Levy, B., 2009, 'Problem-Driven Governance and Political Economy Analysis: Good Practice Framework', World Bank, Washington DC

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4086>

European Commission

The European Commission (EC) has begun to examine ways to better integrate political economy analysis into its Project and Programme Cycle Management (PPCM) Guidance. The EC approach is largely based on the Strategic Governance and Corruption Assessment (SGACA) tool.

Unsworth, S. and Williams G., 2011, 'Political Economy Analysis to Improve EU Development Effectiveness: DEVCO Concept Paper'

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.

http://capacity4dev.ec.europa.eu/sites/default/files/file/10/10/2011_-_2203/peabackgroundpaperdraft.pdf

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, World Bank, Washington DC

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4087>

Moncrieffe, J. M., and Luttrell C., 2005, 'An Analytical Framework for Understanding the Political Economy of Sectors and Policy Arenas', Overseas Development Institute (ODI), London

How can donors conduct political analysis of specific sectors and policy arenas within a country so as to support pro-poor change processes more effectively? This analytical framework is designed for use by DFID country offices. It suggests guidelines for political analysis in three stages: (a) an historical/foundational country overview; (b) organisations, institutions and actors; and (c) operational implications. Deep sector/policy analysis facilitates a better understanding of entry points and helps staff to design incentives for maximum impact on development outcomes.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3181>

European Commission, 2008, 'Analysing Sector Governance', Chapter 4 in Addressing Governance in Sector Operations, EC Sector Reference Document

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3183>

World Bank, 2008, 'The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations', World Bank, Washington DC

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3192>

Danida, 2011, 'Applying Political Stakeholder Analysis: How Can it Work?', Technical Advisory Services, Ministry of Foreign Affairs of Denmark, Danida, Copenhagen

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.

<http://www.danidadevforum.um.dk/NR/rdonlyres/A9F2A3F3-17FF-4ADA-8AC0-008E5EA8166A/0/PoliticalStakeholderAnalysis.pdf>

Making use of political economy analysis: operational relevance to development agencies

Critics contend that aid has failed to account for the fact that development is fundamentally driven by politics (the formal and informal processes through which decisions are made concerning the use, production and distribution of resources in any given society). This has important implications for the way aid is delivered, suggesting a need for greater realism about the sphere of donor influence. Donors are, after all, themselves political actors. But whilst there is an emerging consensus that political economy analysis should be undertaken to help identify the potential for pro-poor reform, there is less clarity regarding whether and how aid modalities are capable of adjusting to political realities and the extent to which political analysis is changing donor behaviour.

Unsworth, S., 2008, 'Is Political Analysis Changing Donor Behaviour?', Paper prepared for the Development Studies Association Conference, London

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3191>

Leftwich, A., 2011, 'Thinking and Working Politically: What Does It Mean, Why Is It Important and How Do You Do It?' in Politics, Leadership and Coalitions in Development: Policy Implications of the DLP Research Evidence, Research and Policy Workshop, Frankfurt, Germany, 10-11 March, pp. 3-11

This paper suggests that 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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4191>

Beuran, M., Raballand, G., and Kapoor, K., 2011, 'Political Economy Studies: Are They Actionable? Some Lessons from Zambia', Policy Research Working Paper 5656, World Bank, Washington DC

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4249>

Nunberg, B., Barma, N., Abdollahian, M., Green, A. and Perlman, D., 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, World Bank, Washington DC

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3974>

Williams, G., Duncan, A., and Landell-Mills, P., 2007, 'Making the New Political Economy Perspective more Operationally Relevant for Development Agencies', The Policy Practice, London

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3173>

Communication and political economy

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', CommGAP, World Bank, Washington DC

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3763>

Odugbemi, S., and Jacobson, T., eds., 2008, 'Governance Reform Under Real World Conditions', CommGAP, World Bank, Washington DC

What are the key challenges for governance reform in complex, diverse sociopolitical 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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3758>

Political economy analysis 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, GSDRC, Birmingham

This report looks at 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. While not all are designed specifically for fragile state contexts, the concepts and approaches are applicable to many differing situations.

See one-page summary: <http://www.gsdrc.org/go/display&type=Helpdesk&id=414>

Di John, J., 2008, 'Conceptualising the Causes and Consequences of Failed States: A Critical Review of the Literature', Working Paper No. 25, Crisis States Research Centre, London

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3177>

Collinson, S. (ed.), 2003, 'Power, Livelihoods and Conflict: Case Studies in Political Economy Analysis for Humanitarian Action - Chapter 1: Introduction', Report 13, Overseas Development Institute, Humanitarian Policy Group, London

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 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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3202>

Cliffe, L. and Luckham, R. 2000, 'What Happens to the State in Conflict?: Political Analysis as a Tool for Planning Humanitarian Assistance,' Disasters, vol. 24 (4), pp.291-313, Overseas Development Institute

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 counter-productive 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; the legacies of these conflicts; and suggests that a strategic approach is required for peace-building.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=50>

Governance assessment

Political economy analysis is part of a broader landscape of donor work on governance assessment. Whilst conventional governance assessment is very different to political economy analysis - governance assessment tends to focus on measuring the performance, accountability, responsiveness and capacity of formal institutions, whereas political economy analysis aims to understand why deficits in these areas arise - the two can be complementary. Governance assessment can inform a political economy analysis and vice versa, and the issues they identify may overlap.

Many donors undertake governance assessments, using their own distinct methodology and approach. In spite of calls for a more harmonized approach, examples of co-ordinated assessments are rare (OECD DAC, 2009). There is also concern that governance assessments should encourage country ownership, and should draw on, and align with, nationally driven or peer-based assessments. The *Rwanda Joint Governance Assessment* is one example of how such principles can be built into governance assessment, and illustrates the opportunities and difficult challenges involved.

International guidance and lessons learned

UNDP, 2009, 'Planning a Governance Assessment: A Guide to Approaches, Costs and Benefits', UNDP Oslo Governance Centre, Norway

This guide examines the basic issues that a country or organization should consider when developing and producing a governance assessment. The paper explains the trade-offs of various approaches and methodologies in terms of quality and costs. It provides advice as to ensuring the assessment produces meaningful results that can be used by civil society and governments alike. How a country-led governance assessments can be carried out with broad stakeholder participation at a reasonable cost. At the same time, it also provides some basic background on the technical aspects of conducting a governance assessment.

http://www.undp.org/oslocentre/docs09/UNDP_GA_Guide_070408_V4.pdf

Kaufman, D., and Kray, A., 2007, 'On Measuring Governance: Framing Issues for Debate', Issues paper for 2007 Roundtable on Measuring Governance, World Bank, Washington DC

How can the measurement of governance be enhanced? This paper highlights key issues for users and providers of governance indicators. It contends that: (1) all governance indicators have weaknesses; (2) there are no easy solutions in measuring governance; and that (3) the links from governance to development outcomes are complex. Policymakers should view the different types of indicators as complementary rather than competing.

See *one-page summary*: <http://www.gsdrc.org/go/display&type=Document&id=3747>

OECD DAC, 2008, 'Survey of Donor Approaches to Governance Assessment', Organisation for Economic Cooperation and Development - Development Assistance Committee, Paris

Many development agencies are engaged in assessing governance. What are their approaches and how can these be more effectively harmonised? This study surveys donors' use of general and thematic governance assessment. Most approaches are driven by policy dialogue, detailed planning of governance enhancement activities and strategic decisions regarding aid to specific countries. Linkage to a donor's programme, demand from the field and removal of institutional disincentives are important in determining how governance assessments are used.

See *one-page summary*: <http://www.gsdrc.org/go/display&type=Document&id=3184>

OECD DAC, 2009, 'Donor Approaches to Governance Assessments: Guiding Principles for Enhanced Impact, Usage and Harmonisation', Organisation for Economic Cooperation and Development - Development Assistance Committee, Paris

This note presents the findings of an initial survey of donor governance assessments, which pointed to the risk of frequent duplication and overlap between donor tools, as well as the need to improve practice with regard to greater reliance on partner country assessment processes. The guiding principles for enhancing the impact, usage and harmonisation of governance assessments are presented in five areas: (1) Building on and strengthening nationally driven governance assessments; (2) Identifying a clear key purpose to drive the choice of assessment tools and processes; (3) Assessing and addressing governance from different entry points and perspectives; (4) Harmonising assessments at country level when the aim is to stimulate dialogue and governance reform; and (5) Making results public unless there are compelling reasons not to do so.

<http://www.oecd.org/dataoecd/27/31/42338036.pdf>

'The Oslo Principles on Democratic Governance Assessments', Oslo Governance Forum, 3-5 October 2011

The Oslo Principles is a statement designed to promote and strengthen democratic governance at the local and national levels. The Principles are also expected to serve as a reference point and guide institutions and practitioners in the area of governance monitoring, assessment and analysis.

<http://www.oslogovernanceforum.org/images/stories/PDFs/oslo-principles.pdf>

Critiques of governance indicators

Several recent articles criticise indicators used in governance assessments. Criticisms include how donor-driven governance indicators (such as those of the World Bank) have become politicised, functioning to determine aid allocations and the general public perception of a country's government. Agencies tend to define the problem through their own institutional lens, and the assessment tools they create reflect these biases. Though there are several governance indicators purporting to measure different aspects, some argue that they are, in fact, measuring the same thing.

Arndt, C., 2008, 'The Politics of Governance Ratings', *International Public Management Journal*, vol. 11, no. 3, pp 275-297

What explains the popularity and misuse of the prominent governance indicators produced by the World Bank and others? This article argues that producing and using a range of more targeted, transparent indicators would benefit all stakeholders. Among hundreds of existing governance indicators, the most popular are perception-based composite indicators, primarily of use to international organisations, donors, investors and the media. These indicators summarise vast amounts of data that exists for a large number of countries, but the drawbacks of relying heavily on them are significant.

See one-page summary: <http://www.gsdr.org/go/display&type=Document&id=3207>

Stone, C. E., 2011, 'Problems of Power in the Design of Indicators of Safety and Justice in the Global South', *Program in Criminal Justice Policy and Management*, Harvard Kennedy School, Cambridge, MA

This paper argues for a bottom-up approach to the design of global safety and justice indicators: starting with local ambitions and local authority could help address the weak sources of legitimacy for the standards implicit in global indicators. The paper outlines how indicators can be designed collaboratively at local level, and how locally-owned indicators can be aggregated up to a global level. It also suggests how such 'active' indicators built at the domestic level could become a coherent, global set of common indicators.

http://www.hks.harvard.edu/var/ezp_site/storage/fckeditor/file/pdfs/centers-programs/programs/criminal-justice/Indicators-ProblemsOfPower.pdf

Slotin, J., Wyeth, V. and Romita, P., 2010, 'Power, Politics, and Change: How International Actors Assess Local Context', *International Peace Institute*, New York

Do assessments actually affect decision making, planning and programming? This report presents observations from an informal analysis of conflict, governance, and fragility/stability assessment tools developed by bilateral and multilateral actors. Use of assessments is affected by clarity of purpose, timing, incentives, staff competencies and linking assessment into a broader strategy. It is important to be realistic about what assessments can accomplish, link assessments to a planning cycle and build a culture of analysis.

See one-page summary: <http://www.gsdr.org/go/display&type=Document&id=3959>

Langbein, L. and Knack, S., 'The Worldwide Governance Indicators: Six, One, or None?', *Journal of Development Studies*, vol. 46, no. 2, pp350-370

What is the validity and reliability of aggregate indexes of the quality of governance such as the Worldwide Governance Indicators (WGIs)? This study uses factor, confirmatory factor and path analysis to test both measurement and causal models of the six WGIs. Rather than distinguishing among aspects of the quality of governance, this paper finds that they appear to be measuring the same broad concept. The WGI authors should publicly release the sub-indicators to allow further investigation.

See one-page summary: <http://www.gsdr.org/go/display&type=Document&id=3973>

Donor approaches to governance assessment

DFID Country Governance Assessment

DFID, 2008, 'Country Governance Analysis', *How To Note, Politics and the State Team*, Department for International Development, London

<http://www.apcss.org/core/Library/Bibliography/how-to-note-country-gov-analysis.pdf>

UNDP Democratic Governance Assessments

UNDP, 2009, 'Supporting Country-led Democratic Governance Assessments: Practice Note', Oslo Governance Centre, United Nations Development Programme, Oslo

http://gaportal.org/sites/default/files/Practice%20Note_Eng.pdf

UNDP's Governance Assessment Portal includes information and publications on both UNDP's and other donors' approaches to governance assessment: <http://www.gaportal.org>

World Bank: Institutional and Governance Review

World Bank, 2001, 'Institutional and Governance Reviews', Tools and Practices 15, World Bank, Washington DC
<http://siteresources.worldbank.org/INTEMPowerment/Resources/486312-1098123240580/tool15.pdf>

World Bank's web page on Institutional and Governance Reviews: <http://go.worldbank.org/5ABSNPQ820>

Participation and national ownership

Donors are increasingly concerned that governance assessments should encourage country ownership, and should draw on, and align with, nationally driven or peer-based assessments.

Meyer, S., 2009, 'Governance Assessments and Domestic Accountability: Feeding Domestic Debate and Changing Aid Practices', Fundación para las Relaciones Internacionales y el Diálogo Exterior (FRIDE), Madrid

How is it possible to manage the competing tensions that arise in aid accountability? Based on governance assessments, this paper analyses current developments in mutual accountability relations between donors and aid recipients and how these relate to the domestic accountability of governments to their citizens. Donors are challenged by inaccurate perceptions of themselves and their operations, and often have little experience in engaging with the local public sphere. Donors should make better use of available indicators, adhere to existing initiatives, devise public relations strategy at a local level, and support local research capacities.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3954>

UNDP, 2007, 'Opportunities for Inclusive Participation and National Ownership', Seminar, Bergen, Norway, 23–25 September 2007

This report presents the results of a UNDP/ Chr. Michelsen Institute (CMI) seminar focused on governance assessments in the context of the Paris Declaration and its principles of national ownership, national capacity development, alignment and harmonization. The conference aimed to provide an international forum to bring in the voice of developing country partners as well as to expand the focus of governance assessments beyond donor driven approaches to nationally driven governance assessments, and assessments based on a peer review mechanism.

<http://content.undp.org/go/cms-service/download/publication/?version=live&id=2781280>

Williams, G. et al., 2009, 'Carrying out a Joint Governance Assessment: Lessons from Rwanda', The Policy Practice, London

Can a joint approach to governance assessment help to improve aid effectiveness? What can be learned from the first Joint Governance Assessment (JGA) undertaken in Rwanda during 2008? A JGA aims to bring government and development partners together to review governance performance based on commonly agreed indicators. This brief recommends that such an assessment can prove to be helpful to advancing dialogue, but is likely to be a long-term and difficult process that is only suited to particular circumstances where the process can address joint concerns of government and donors.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3194>

Hyden, G. et al., 2008, 'Governance Assessments for Local Stakeholders: What the World Governance Assessment Offers', Overseas Development Institute, London

How can governance assessments enhance governance as an analytical tool and a civic activation mechanism? The World Governance Assessment (WGA) is based on principles of national ownership and local consultation, and the need to strengthen monitoring institutions and diagnostic tools. This paper publishes findings from the WGA second round, arguing that it is uniquely placed to serve both donor and local interests. The WGA builds capacity of local researchers, provides a sense of ownership, captures local context, and allows for cross-country comparison.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3003>

Maksym, I. and Shah, A., 2009, 'Measuring and Monitoring Governance by Listening to the People', Draft, World Bank, Washington DC

How can governance measurement be improved? Governance indicators influence development work and foreign direct investment, but this paper argues that current indicators are inadequate because they fail to conceptualise governance or to capture citizen opinion. It offers instead a citizen-centric framework for measuring governance quality based on four dimensions: responsiveness, fairness, responsibility and accountability. Governance is "an exercise of authority and control to preserve and protect public interest and enhance the quality of life enjoyed by citizens".

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3206>

Examples of political economy analysis

Wilkinson, E., 2012, 'Transforming Disaster Risk Management: A Political Economy Approach', ODI Background Note Series, Overseas Development Institute, London

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4248>

Eaton, K., Kaiser, K., and Smoke, P., 2010, 'The Political Economy of Decentralization Reforms: Implications for Aid Effectiveness', World Bank, Washington DC

The analytical framework presented in this report offers a systematic approach to conceptualizing 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.

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

Utomi, P, Duncan, A and Williams, G., 2007, 'Nigeria - The Political Economy of Reform - Strengthening Incentives for Economic Growth', The Policy Practice, London

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 in Nigeria. All stakeholders must recognise the realities and risks to sustainable reform, as well as the long time-scale required.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3680>

World Bank, 2008, 'The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations', World Bank, Washington DC

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=3192>

Jones, S., 2010, 'Policymaking During Political Transition in Nepal', Working Paper 3, Oxford Policy Management, Oxford

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.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4195>

Fjeldstad, O.-H., 2009, 'The Pursuit of Integrity in Customs: Experiences from Sub-Saharan Africa', Chr. Michelsen Institute, Norway

Why have many anti-corruption reforms in customs in sub-Saharan Africa apparently not succeeded? This paper argues that the reforms have been too focused on formal institutions, and have paid too little attention to political economy issues and the role of informal institutions. Customs officers are often torn between compliance with abstract bureaucratic norms and the concrete expectations of their networks of social belonging. Accordingly, policy initiatives should focus more on reducing the possibility or attraction of favouritism versus acting in the public interest. This calls for anti-corruption efforts based on thorough political economy analysis.

See one-page summary: <http://www.gsdrc.org/go/display&type=Document&id=4181>

Hodges, T. and Tibana, R., 2004, 'The Political Economy of the Budget Process in Mozambique', Oxford Policy Management, Oxford

This paper examines the nature of the budget process in a highly aid-dependent developing country with weak institutions. It examines how the almost complete absence of domestic demand for improvements in the budget is due to deeply

rooted structural features in the Mozambican context.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=1619>

Keefer, P., 2007, 'Political Economy', Section 4 in: Ghana: Meeting the Challenge of Accelerated and Shared Growth, Country Economic Memorandum Ghana, Volume III: Background Papers, World Bank, Washington DC

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.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3678>

Hickey, S., 2006, 'The Politics of What Works in Reducing Chronic Poverty', CPRC Working Paper 91, University of Manchester

What forms of politics are most likely to reduce chronic poverty in developing countries? This paper uses comparative case-study analysis to argue that a shift is needed in donor policy. Greater attention should be paid to political instead of civil society, to the link between political discourse and poverty analysis rather than simply to poverty data, and to the importance of political contracts in sustaining pro-poor policies.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3675>

Mezger, M. and Aftab, S., 2009, 'Pakistan State-Society Analysis', Democratisation and Transitional Justice Cluster, Initiative for Peacebuilding and the Netherlands Institute of International Relations, Clingendael, The Netherlands

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.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3681>

Sundet, G., and Moen, E., 2009, 'Political Economy Analysis of Kenya', Discussion Report No. 19, NORAD, Oslo

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.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3765>

Kelsall, T., 2009, 'Game-theoretic Models, Social Mechanisms, and Public Goods: A Methodological Discussion', Africa Power and Politics Programme Discussion Paper No. 7, Overseas Development Institute, London

How can empirical research be used to build policy-relevant theory about governance and development? This paper reflects on the Africa Power and Politics Research Programme, arguing that contextually modified concepts from game theory can help explain development outcomes. There is little in the literature or initial fieldwork results to suggest that mix of governance modes itself is a key driver of better and worse public goods provision. The drivers seem instead to include: (1) game-like mechanisms; and (2) structural-institutional factors. Pre-fieldwork theoretical reflection should be combined with intense periods of empirical observation, analytical modelling and cross-case comparative theory building.

See one-page summary: <http://www.gsdc.org/go/display&type=Document&id=3770>

Further resources

Case studies for Oxfam's 2008 book 'From Poverty to Power' can be found at: <http://www.oxfam.org/en/fp2p/case-studies>

Drivers of change country studies

Angola

- Drivers of Change: an Overview
<http://www.gsdc.org/docs/open/DOC87.pdf>
- Angola: Drivers of Change Position Paper 1: Economic Change and Reform
<http://www.gsdc.org/docs/open/DOC89.pdf>
- Angola: Drivers of Change Position Paper 2: Politics
<http://www.gsdc.org/docs/open/DOC88.pdf>

- Angola: Drivers of Change Position Paper 3: Civil Society
<http://www.gsdr.org/docs/open/DOC90.pdf>

Bangladesh

- 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

- Bolivia's Political Party System and the Incentives for Pro-Poor Reform
http://www.accessdemocracy.org/library/1852_bo_propoor_100104_full.pdf

Cambodia

- 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

- Drivers of Change Study
<http://www.gsdr.org/docs/open/DOC15.pdf>

Ghana

- 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

- Summary Report: Drivers of Change
<http://www.gsdr.org/docs/open/DOC24.pdf>

Kyrgyzstan

- Analysis of Incentives and Capacity for Poverty Reduction in Kyrgyzstan
<http://www.gsdr.org/docs/open/DOC50.pdf>

Malawi

- 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

- Political Economy of the Budget in Mozambique
<http://www.gsdrc.org/docs/open/DOC102.doc>

Nigeria

- Preliminary Overview
<http://www.gsdrc.org/docs/open/DOC27.pdf>

Pakistan

- Synthesis and Policy Implications
<http://www.gsdrc.org/docs/open/DOC35.pdf>

Peru

- 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

- 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

- Uganda's Political Economy: a Synthesis of Major Thought
<http://www.gsdrc.org/docs/open/DOC44.pdf>

Vanuatu

- Unfinished State: Drivers of Change in Vanuatu
http://www.ausaid.gov.au/publications/pdf/vanuatu_change.pdf

Zambia

- 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 online resources

- The **Policy Practice** holds an extensive range of resources on political economy analysis on their website, including a recently launched online library on tools and applications of political economy analysis:
<http://www.thepolicypractice.com/>
- The **OECD DAC Network on Governance (GOVNET)** has a web page on political economy analysis
<http://www.oecd.org/dac/governance/politiceconomy>
- The **World Bank** has a web page on the political economy of reform
<http://go.worldbank.org/MT5JIN7GK0>
- The **Africa Power and Politics Research Programme** is looking at identifying ways of exercising power, doing politics and building states that might work better for development and poverty reduction in sub-Saharan Africa than the arrangements now in place.
<http://www.institutions-africa.org/>
- 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.
<http://capacity4dev.ec.europa.eu/political-economy/>