



Norad

## Political economy analysis with a legitimacy twist:

What is it and  
why does it matter?



This guidance note presents a way of analysing governance and statebuilding. It is based on an approach to political economy analysis that Norad has tried out and found helpful.

The approach implies adding an analysis of the legitimacy of the state to the standard political economy analysis. It is based on an understanding of the legitimacy of the state developed in work on fragile states in OECD/DAC.

The guidance note explains the basics of political economy analysis as used in international development, and the concept of the legitimacy of the state. The ambition is to provide practical information and advice that will make it easier for embassy and headquarter staff to detect situations when such analysis could be beneficial. The idea is that they then should contact Norad to assist with a tailor-made study..

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# 1. Introduction

Supporting governance  
is difficult in a weak state

Donors' governance support does not always meet the interests of the population, despite good intentions. As pointed out in Norwegian policy on development co-operation and expressed in the Report no. 13 to the Storting (2008-2009),<sup>1</sup> support for democratic governance will not produce results until people experience concrete improvements. In our opinion, the challenge is often weak states, immature democracies and political elites who pursue policies that preserve their own power and undermine the possibility of a better life for the majority. In such situations, financial and technical support to improve governance becomes ineffective, in some cases even harmful for the population.

Donors have in recent years become more concerned that governance is about systemic change, the culture of politics, and changes in the rules of the political game – formal or informal. Donors have moved from concern only with the government and the bureaucracy to consider the combined activities in all political arenas,<sup>2</sup> in Western states understood as the government, the bureaucracy or public administration, the judiciary, the national assembly/parliament, the civil society, and the institutions of interaction between the state and economic actors.

Political economy  
analysis  
is a good tool

Political economy analysis can be of help. Through political economy analysis donors learn to understand power relations. They better understand who makes the important decisions in state and society, and who has limited or no influence in decision-making. They learn how to minimize risks through taking into account the partner country's political and economic realities. Thus, political economy analyses can contribute to better results by identifying where the main opportunities and barriers for policy reform exist and how donors can use their programming and influencing tools to support positive change.

The legitimacy  
of the state  
adds analytical value

However, understanding the nature of politics and political games is not sufficient. Donors need to put more emphasis on the relations between the state and the population.<sup>3</sup> An analysis of the legitimacy of the state is a good

1. Report no. 13 to the Storting (2008-2009), Climate, Conflict and Capital, Norwegian development policy adapting to change, (section 2.1 A well-functioning state)
2. This is also the message in Report no 13 to the Storting (2008-2009). See f.ex. section 2.1 A well-functioning state
3. The relationships between the state and the population are central aspects in both governance and state-building. This is reflected in Norwegian development policy, for example, Report no 13 to the Storting (2008-2009), sections 2.1 A well-functioning state and 2.2 Strong Civil Society

way to explain this relationship. Legitimacy illustrates the kind of trust and support that the state has in the population, and policies that the state can embark on to improve its relationship with the population. The state can improve its legitimacy through providing the population with a secure life, collective goods and respect for their values and beliefs. Looking at state-society relations through a “legitimacy lens” means a deeper and more relevant analysis of the preconditions for development.

..... The relations between the state and citizens is central

Norad will in this guidance note introduce a political economy analysis with special emphasis on the legitimacy of the state. Our understanding of the legitimacy of the state is developed in work on fragile states in OECD/DAC.<sup>4</sup> Our approach adds value to the standard political economy analysis by sharpening the understanding of informal as well as formal relations and the implications for change. Further, it offers a good way of understanding statebuilding, in particular in so-called fragile states, including states that find themselves in a situation of unexpected fragility. It provides a more informed foundation for donors’ governance strategies and strategies for institutional and capacity development in the state, the society, and the productive sectors, as well as the relations between these spheres.

In a Norwegian context, it helps us place in a larger context of state and society our support to partner countries’ management of oil resources, fight against climate change and production of clean energy. It enables us to better assess the impact of our support of peace- and statebuilding on the government and the population, what is possible and what is impossible, and what we should not do in countries in conflict or emerging from conflict. It helps us better understand how to promote human rights and gender equality, and it offers more realism for better results in our development co-operation.

..... Political economy analysis emphasising state legitimacy in Norwegian development co-operation

In donor support of governance, the added emphasis on legitimacy may improve donors’ understanding of the interaction between the state and civil society organisations. This could in turn become a theme in the political dialogue with the government on how to increase the government’s legitimacy in the population. In addition it could improve the assessment of public sector reforms, democratic governance, etc. by analysing programs in the setting of the entire political system of formal and informal institutions.

..... Increased understanding of governance for better dialogue and programs

In capacity development the extended political economy analysis is well suited for assessment of the influence of cultural and social norms and values. It is a fitting analysis for testing efficiency and productivity of organisations in societies where personal ties are more important than formal rules. It is an appropriate method to unveil how the effectiveness of capacity development can be substantially increased if informal institu-

..... Increased understanding of social norms and values for better capacity development

.....  
4. Bellina, Séverine, Dominique Darbon, Stein Sundstøl Eriksen and Ole Jacob Sending (2009), The Legitimacy of the State in Fragile Situations, Study undertaken by Norad and Ministry of Foreign and European Affairs in France for the OECD/DAC International Network on Conflict and Fragility. See: <http://www.norad.no/en/Tools+and+publications/Publications/Publication+page?key=134243>

tions and informal relationships are taken into account, either by taking advantage of them, by seeking to optimise their impact or providing incentives to changing them, or by supporting measures to alleviate their unwelcome effects. These are especially valuable thoughts for Norwegian involvement in capacity development for better management of natural resources, but also in other programs where capacity development is the tool of change.

The purpose of this guidance note is to explain why a political economy analysis that is emphasising the legitimacy of the state, may be the most rewarding approach, and how it can be made. The approach can be used in all countries, but especially in countries with a weak state and poor governance, and above all in states experiencing situations of fragility, whether of a political, economic or social nature.

The analysis can be tailor- :  
made to Norwegian needs :

The guidance note is primarily written for people in Norad, the Norwegian Ministry of Foreign Affairs and Norwegian embassies. It may also be of interest to people outside of Norway who are working in international development, be it embassy staff, development agency advisers, or country managers at the headquarters. This kind of analysis does not have to be overly theoretical and “all-encompassing”. On the contrary, it can be focused and adapted to the strategic needs and interests of the donor. We do not pretend to provide a method that can produce academically proven results, but rather a practical tool that can improve the current way of doing things. We want to assist with a tool that can improve knowledge, strengthen the evidence base and provide operational guidance. The hope is that this guidance note will motivate embassy staff and MFA-staff to contact Norad for assistance on making studies tailor-made to their needs.



## 2. Political Economy Analysis: What is it and why are we using it

Political economy analysis can be a powerful tool for improving the effectiveness of aid. It is important for increasing our understanding, and it can play a key role in changing the way we work.

### 2.1 What is a political economy analysis in international development

Improved development  
strategies and programs

Development involves balancing interests, distribution of power, control over resources and so forth. Donors know this. But this knowledge is most often anecdotal and intuitive. Through better analysis, like political economy analysis, we move from the intuitive and anecdotal to deeper knowledge about the type of support that is likely to contribute to sustainable change and longer-term development. The motivation is to inform aid strategies and programs.

Political economy analysis is first and foremost about power and interests. It analyses social and political processes as the outcome of struggles for control over resources and positions. A political economy analysis is typically analysing:

Focus on power, control over  
resources and positions  
in state and society

- » the interests, incentives and power of different groups in society (political and economic elites, social classes, ethnic, tribal and religious groups, indigenous peoples, etc.), and how these generate particular policy outcomes that may encourage or hinder development.
- » decision-making and the influence on decisions on development of formal institutions (e.g. in the bureaucracy, judiciary, parliament) and informal institutions (e.g. traditional leaders, traditional and sharia laws) etc.
- » the influence of social, political and cultural norms, values and ideas, including political ideologies, and religious and cultural beliefs on shaping human relations and interaction, and political and economic competition and the consequent influence on development.

This approach draws particular attention to politics, understood in terms of contestation and bargaining between groups with competing claims over rights and resources. But the approach is also concerned with the economic processes that generate wealth, and influence how political choices are made. In reality these political and economic processes are closely interrelated and part of a unified set of dynamics which influence development outcomes.

The approach reflects that considering only formal, written rules and political rhetoric (about democracy, governance, development, economic growth, etc.) is insufficient. State-society relations are also influenced by informal, unwritten rules rooted in cultural norms, customs and traditional social practice. In many countries access to political and economic resources depends on personal ties, and the distinction between public and private spheres is likely to be blurred. Political economy studies include less formalised and visible arenas because that is where political, economic and social influence and power often play out.

... Formal rules as well as  
... informal values and customs

The various political economy analyses can help identify drivers or obstructors of reforms. These are often referred to as drivers or agents of change. Donors typically look for opportunities for reform in the interaction between partner country agents (political leaders, civil servants, business associations, trade unions, CSOs, etc.) and external agents (foreign governments, regional organisations, international NGOs, multinational corporations, etc.), institutions (formal or informal) and structures (economic and social structures, geo-strategic position, natural resource endowment, demographic shifts, climate change, etc.). Opportunities may involve agents in the civil society or in the state, and in relation to economic growth, service delivery such as health, education, transportation and communications infrastructure, as well as interest organisations and other organisations representing certain groups in the population. Different areas or challenges may have different drivers of change. Moreover, there may be drivers of negative change, as well as drivers that serve to reproduce the status quo. The importance is to understand what kind of change (or non-change) is happening and why, by unpacking the interaction between structures, institutions and agents.

... Looking for opportunities  
... for change

## 2.2 Political economy analysis can add value to donor support

Despite its long tradition in social sciences, political economy analysis has only been taken up relatively recently by development agencies. However, it is gradually demonstrating its relevance to aid practitioners. The first country-wide studies were criticised for being too comprehensive and complex rather than solving practical problems and leading to action. Increasingly, studies have appeared focusing at sector or sub-sectors or a particular problem.

... Analysis for better  
... country strategy

**A country analysis** informs the (re-)design of a donor country strategy.

The analysis helps appreciate the risks of using (or not using) the government systems, and understand what type of measures may strengthen control institutions or may create incentives for collective actions from the side of the population.

Country-level analysis in particular should explicitly seek to capture how regional and international factors influence politics and shape the interests and incentives of political elites. This will of course vary between con-

... Including international  
... influence

texts. Some countries are more exposed to international influences due to dependence on natural resources or aid, or by virtue of their geostrategic position. Some of the key external factors that should be taken into account include:

- » the role of donors, particularly in highly-aid dependent contexts
- » licit or illicit trade in high value commodities
- » migration flows and remittances from workers overseas
- » international drivers such as global media, international human rights norms and multi-stakeholder initiatives such as Extractive Industries Transparency Initiative (EITI), and military or political involvement of foreign powers or international organisations as well as conflict with neighbouring countries or guerilla groups or militias located in border areas.

Politically feasible :  
sector reforms :

**A sector level analysis** typically seeks to identify specific barriers and opportunities within particular sectors that the donor is supporting, for example, in health, education or energy. A sector analysis can help explain why reforms in certain areas have stalled, the feasibility of proposed policy reforms, and the potential for donor support. This requires an assessment of options for working with reform champions in government, where they exist, or a broader constituency of interest groups outside government, where they do not. With sector analysis, donors are in a better position to design sectoral engagements that are both technically sound and politically feasible.

Cross-sectoral challenges :  
blocking development :

**A problem driven analysis** aims at understanding and resolving a particular problem at the project level or understanding a specific policy issue cutting across a number of sectors, for example, economic growth or public financial management reform. The problem driven analysis typically includes mapping out the institutional and governance weaknesses that underpin the problem, and identifying drivers that constrain or support progressive change. The advantage of this approach is that it can help practitioners think about feasible policy and institutional reforms to overcome particular obstacles, and in so doing promote better development results.

In general, political economy analyses encourage donors to think not only about what to support, but also about how to provide support. It may enable donors to recognize the limits of their own ability to shape other societies, and to better adjust their policies to what is politically feasible.



# 3. The legitimacy of the state: What is it and why does it matter

An analytical approach stressing the legitimacy of the state may add value to a standard political economy analysis because it looks at what citizens expect from the state, on the one hand, and how those in control of the state can improve the standing of the state in the population, on the other.

## 3.1 What is legitimacy of the state in international development and why does it matter

The legitimacy of the state is essential in statebuilding. Understanding statebuilding puts donors in a better position to contribute to an effective state.

A legitimate state is most  
often a well governed,  
effective state

### Statebuilding

Statebuilding can be divided into two components.<sup>5</sup> First, and most fundamentally, it implies that the state must establish itself as the highest political authority within its territory, with the authority to make binding decisions for society as a whole. This requires that the state maintains an effective territorial monopoly of violence. Moreover, rival centres of authority are subordinated to the state, and exercise political influence through state institutions rather than by challenging the state. In other words, statebuilding is the process through which citizens come to accept the state's supreme position, including its rule-making, often without explicitly endorsing it or consenting to it. Second,<sup>6</sup> statebuilding requires that the state has the administrative capacity to effectively enforce its rules and decisions. This requires that the state must be able to reach local communities to implement centrally conceived policies. Further, state organisations must be cohesive with a well-defined division of labour and lines of authority to develop and implement government policies in a consistent way. The organisations should be insulated against influence on their staffing, policy decisions, and resources by unauthorised interest groups. A state which is recognised as the highest political authority and has the capacity to enforce its policies is a strong state, while a state that has neither is a weak one.

5. Rick Doner, Bryan Richie and Dan Slater (2005) "Systemic Vulnerability and the Origins of the Developmental States: Northeast and Southeast Asia in Comparative Perspective", *International Organization*, Vol.59, No. 2, pp. 327–361;

Michael Mann, (1993) *Sources of Social Power*. Vol 2. Cambridge, Cambridge University Press.  
OECD, 2010, *Conflict and Fragility*,

The State's Legitimacy in Fragile Situations:  
[www.oecd.org/document/20/0,3343,en\\_2649\\_33693550\\_44782932\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/20/0,3343,en_2649_33693550_44782932_1_1_1_1,00.html)

Max Weber, *Economy and Society: An Outline of Interpretive Sociology* (Berkeley/Los Angeles/London: University of California Press, 1968).

6. Pierre Bourdieu, (1999) "Rethinking the State: The Structure and Genesis of the Bureaucratic Field", in George Steinmetz (ed.) *State/Culture: State Formation After the Cultural Turn*, Ithaca, Cornell University Press;

Donors should distinguish between the state and the government when analysing the legitimacy of the state. Those in control of government are faced with the dual task of strengthening the institutions of the state while at the same time serving the particular interests of the government and its constituency. This duality shapes the interests and the power of the government. If the interests of the government are best served by strengthening state institutions, it is quite likely that statebuilding policies will be attempted. On the contrary, if there is a real or perceived contradiction between the interests of the government and statebuilding, statebuilding policies will not be pursued.

People in power do statebuilding if it is in their interest to do so

In fact, as long as the survival of the government does not depend on strengthening the state, and may in fact be threatened by it, statebuilding is unlikely to be pursued. To stay in power, the rulers may instead rely on strategies of patronage, crime, corruption, aid, or mineral extraction. Such strategies imply, of course, a weak state. But a weak state may very well be stable over a long period of time. For example, rulers that are depending on the distribution of patronage may be able to limit the escalation of demands, while at the same time preserving a smokescreen of formal institutions in accordance with the idea of the modern state.

### People's perception of the state

In fragile states, people's perception of the state and their acceptance of laws, regulations and policies may vary widely. What may bolster state legitimacy with one group in one area may undermine it in others. If the state is not perceived as providing citizens with what is most important for them, they may give up on the state and turn to others in society for protection and assistance – actors such as local chiefs, spiritual leaders or warlords.

Different groups of people have different perceptions of the state

In some situations, what is challenged is not the existence of the state itself, but a given government, or a given set of policies or practices. In such cases, people do not seek to form new states (as in Kosovo), or join a different state (as in South Ossetia) or avoid being ruled by a state at all (tribal areas in Afghanistan). Instead, they reject the government in power because it does not meet their expectations, and demand that the existing state should be reformed in a way that would ensure that their expectations are met.

### People who can make a difference

State power is mostly in the hands of political and economic elites, in some cases one and the same elite, in other cases, separate elites. It should be recognised that although the political and economic elites are important, history has taught us that other groups in the population may wrestle power from the elites, or force the elites to share power, and build states that better respond to the needs and interests of the majority of the population. Examples include indigenous peoples, trade unions, human rights movements, women's liberations movements, racial and religious minorities, etc.<sup>7</sup>

Elites can make a difference, but so can others

7. Of course, such change of power may also worsen the situation for the majority of the population.

Political leaders  
can make a difference

Leaders make a difference, but strong constructive linkages between the state and the population cannot be reduced to the quality of one leader. What is at stake is the general quality of the wide range of interactions at work in a given society, at any level, and in daily practice. Nevertheless, a political leader enjoying strong personal legitimacy may contribute to strengthening the legitimacy of a given political order. Nelson Mandela in South Africa can be seen to have strengthened the legitimacy of the post-apartheid state in South Africa.

A state scoring low  
on human rights may  
still enjoy legitimacy  
in the eyes of citizens

### **People's beliefs vs. human rights**

When analysing the legitimacy of the state, it should be noted that there are two ways of understanding legitimacy. One is normative. It is concerned with the standards that an actor, institution or political order must conform to in order to be considered legitimate. Such standards are typically derived from moral and normative considerations, often based on considerations of basic human rights. Another way of understanding legitimacy is empirical. It is not concerned with normative standards as such, but rather whether, how and why people accept (or don't accept) a particular institution. The focus is here on peoples' beliefs and perceptions. A state that falls short of certain normative standards may still enjoy legitimacy if the people subject to its rule consider it legitimate. In development, the border between the normative and the empirical is not black-and-white. For example, donors support development agents or institutions that promote the influence of citizens in public affairs at the same time as they are promoting implementation of universal human rights. This means that any discussion of which sources of legitimacy are central to state legitimacy must be considered with some caution. The sources are only effective to the extent that the relevant constituency considers them so. This is further explained below.

The ideas of a liberal state  
may be alien to citizens

### **International influence**

Developing countries are faced by demands for legitimisation both domestically and internationally. Fragile states in particular are faced with heavy external demands (from other states, international NGOs, donors, etc). It follows that these states, more than others, face the dilemma that the expectations of their citizens do not correspond to those of external actors. External actors typically promote initiatives to maintain justice, law and order, respect human rights and the rules of democracy, and protect private property – in short, they promote an ideal liberal state. However, the ideas of liberal democracies, such as the separation between the private and the public, and the notions of universal rights and private property may be alien to people in many countries. This raises important political and normative questions about which standards donors are using in considering what, and what not to do. The recipient state may be faced with a situation where it is impossible to satisfy external and domestic expectations simultaneously.

Dilemma: a Western  
rules-based state vs. respect  
for traditional values

Donors should not start with an assumption that there is some natural path whereby local, "traditional" sources of legitimacy evolve in the direction of a rational-legal political order. In other words, donors should not set

out to advance a statebuilding agenda based on a Western state model. This does not mean losing sight of the long-term aspiration of moving towards more rule-based systems of governance. But it does mean that strategies and policies must be tailored specifically for each situation. “Traditional” authority (however modernised or re-invented it may be) in many countries remains strong, diverse and very influential in shaping how formal authority is perceived and works. This is particularly the case in fragile situations where states are unable to provide basic security and services, or in remote, rural areas where local, customary practices and relationships continue to shape everyday life and provide vital support for basic livelihood.

Whatever motives external actors (donors included) have, they may potentially both enhance and undermine the legitimacy of fragile states. On the one hand, external actors are clearly in a position to strongly influence the content of policies by virtue of their resources and expertise. This is particularly true in states in contexts of fragility, which have little means, if any, to contest the offers that are made to them. On the other hand, the capacity of donors to influence the actual mechanisms through which governing takes place is limited. One reason for this is that the state is engaged in daily bargaining with different domestic groups that external actors often do not know or understand. This bargaining process shapes what kinds of governing mechanisms and distribution of power that will actually be accepted.

### **A legitimate and effective state**

Legitimacy is closely linked to the capacity of the state. In fact, capacity and legitimacy are interdependent. Political and administrative capacity to serve the major part of population with essential services is likely to improve legitimacy. One would expect an effective state to be more legitimate than an ineffective one, provided that its policies are more or less in accordance with popular preferences and expectations. Citizens in a legitimate state contribute willingly and actively to the implementation of public policies, and this makes the state more cost-effective and stronger. In this way capacity and legitimacy can reinforce each other mutually, creating a “virtuous circle”. In a situation of fragility, on the other hand, a “vicious circle” may emerge, where lack of capacity, for example to provide basic services or secure people’s lives, may reduce legitimacy, which in turn reduces capacity.

... The legitimacy and the capacity of the state are mutually dependent

The overall objective of donors is often an effective state. However, creating an effective political authority is not the same as creating a legitimate political authority. Strengthening people’s participation in public affairs and improving delivery of public goods may not be enough for a state to increase its legitimacy. For example, if the state fails to engage with people’s perceptions of what is right and acceptable, and with the interests of powerful actors in both state and society, such efforts will be sidelined.

The state’s need for revenue gives rulers an incentive to tax citizens. The experience of being taxed in turn encourages citizens to mobilise,

engage politically, and check the way in which government uses its revenue and perhaps negotiates tax demands. This can lead to increased mobilisation of interest groups and increased public debate, which can improve the state's capacity to design and implement policy.

### 3.2 Sources of legitimacy: The elements to consider

We can distinguish four general sources of state legitimacy:<sup>8</sup>

1. **Input** or **process** legitimacy tied to agreed rules of procedure through which the state makes binding decisions and organises people's participation.
2. **Output** or **performance** legitimacy defined in relation to the quality of the goods and services that the state delivers and the effectiveness of delivering them.
3. **Shared beliefs** including a sense of a common political community, and shared beliefs shaped by social practices and structures, political ideologies, religion and tradition that allow people to see the state or other form of public authority as the overarching, rightful authority.
4. **International legitimacy** meaning the recognition of the sovereignty and legitimacy of the state by external actors, which in turn has an impact on its internal legitimacy.

Lesson : Analyse the different sources of legitimacy and how they add up for citizens

These sources of legitimacy are all important. Nevertheless, it is the relationship between these different sources of legitimacy that is most important for state legitimacy. Some of these sources are closely related and mutually reinforcing, while others can be contradictory. For example, a state with a poor record on service delivery will not necessarily be considered more legitimate if the quality of the services is improved. This depends on the extent to which citizens consider the state as a whole legitimate, including how it is seen to embody and represent a sense of community (beliefs) and how it operates and performs ("input" and "output").

#### Input legitimacy: Participation

Participation in governing society is a central source of state legitimacy. Note, however, that the participation needed for increasing state legitimacy must not be tied to full-scale democratic elections. Participation should be analysed in the much broader questions of the processes and mechanisms through which society is governed. In liberal states, mechanisms of accountability extend beyond elections and include transparency, procedural norms, auditing of public funds, free media coverage and public political

Citizen's influence on how the state is governed is central

8. Based on Bellina, Séverine, Dominique Darbon, Stein Sundstøl Eriksen and Ole Jacob Sending (2009), *The Legitimacy of the State in Fragile Situations*: <http://www.norad.no/en/Tools+and+publications/Publications/Publication+page?key=134243> and OECD, 2010, *Conflict and Fragility, The State's Legitimacy in Fragile Situations*, a publication prepared by Sue Unsworth for the International Network on Conflict and Fragility/INCAF: [www.oecd.org/document/20/0,3343,en\\_2649\\_33693550\\_44782932\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/20/0,3343,en_2649_33693550_44782932_1_1_1_1,00.html)

debate. Such mechanisms constitute a source of legitimacy since they provide a channel for citizens to be engaged in how the state governs.

In many fragile states, governments secure the support they need by using state resources to offer material rewards in return for political support. What is offered may vary. Clients may be offered positions in public administration, business licenses, property or, quite simply, money. And if maintenance of political legitimacy at all levels depends on the distribution of spoils and patronage, increased state effectiveness through elimination of patronage could lead to a crisis of legitimacy, by undermining the ability of holders of official positions to promote legitimacy through patronage.

### **Output legitimacy: security, welfare and enabling economic activities**

One source of legitimacy can be found in the delivery of security. Whether the provision of security will help bolster state legitimacy will depend to a large extent on people's experience with the state (whether it has been repressive, violent etc), and on the capacity of others (e.g. rebel groups) in providing security.

... Making people feel secure from war and violence is in most cases vital for the state

Security enables the supply of other sources of legitimacy. If the state cannot protect its citizens, the supply of other services, such as health and education, becomes costly and difficult, if not impossible. If basic security is not established, democratic elections or the rule of law become difficult to realise. In this sense, the delivery of security is fundamental for state legitimacy.

The supply of social services, such as health and education, is central to statehood, but it is not as intimately tied to the state as the supply of security, since the state does not have to be directly involved in the supply of social services. The supply of social services can be a central source of legitimacy for states, but it must be understood in the context of prevailing ideas in a society about the appropriate role of the state. This means that there is no direct relationship between state legitimacy and the supply of social services.

... Supply of public services may contribute to state legitimacy

If the state is able to promote economic growth it is likely to improve its (output) legitimacy. At the same time, there is no direct link between economic growth and legitimacy. If the benefits of economic growth are unevenly distributed, it may reduce state legitimacy. On the other hand, a state may be considered legitimate even in the absence of economic growth if the promotion of economic growth is not seen as the state's responsibility. Thus, the relationship between economic growth and legitimacy needs to be understood in the context of locally prevailing ideas about the proper role of the state.

... Enabling economic growth may enhance state legitimacy

### **Beliefs, identity and tradition**

One of the most challenging features of statebuilding is collective identity. The construction of a nation as a "perceived community", surrounded by a territorial border, is a central resource for state legitimacy. A strong

sense of community attached to the state may counteract other conflicting sources of legitimacy.

Common beliefs, values and traditions may add to state legitimacy

Religious beliefs, and religious institutions, play a central role defining what is considered morally right, appropriate, sinful, wrong etc. in a society, and shape people's political expectations and conceptions of authority. Religious beliefs may be incorporated into and made part of state institutions and policies, thus being used as an active resource of state legitimacy. Religious beliefs in a particular society may be at odds with the foundations of a modern liberal state, or with the demands or suggestions made by the international community for reforms in particular areas, as in the case of family law or family planning and reproductive health.

Tradition is an important source of state legitimacy, but also the one that is most difficult for external actors to understand, much less act upon. Traditions are expressed in the form of material and non-material rituals and symbols. They remind people of their identity, their sense of belonging and loyalty, their role and place in a particular community. Traditions are not static, as actors continue to adjust their behaviour and practice to new situations. Fragile states are often states where strong traditional legitimacy exists but here people's allegiance, trust and identity are not only directed at the state but also granted non-state institutions and practice.

### **International legitimacy**

Being recognised by foreign governments or non-governmental actors may be a source of legitimacy but also undermine it

As explained above, being recognised by other states is a source of legitimacy. Foreign states and non-state actors can contribute to a state's legitimacy through financial, political and military support. However, long-lasting presence by international actors in a state may undermine state legitimacy because it makes states accountable to external actors rather than to the domestic population. Consequently, international recognition and aid dependence can potentially disrupt the relations between the people in power and the population.

All sources of legitimacy presented above can be important. However, none of these sources of legitimacy can by themselves be effective in legitimising the exercise of the political power of the state in the whole population. In all states, diverse sources of legitimacy coexist. In the end, what establishes the state as the ultimate political authority is the ability to bring together different sources of legitimacy and make them mutually supportive of the state.

Donors should support the state's ability to draw upon different local sources of legitimacy

Donors should acknowledge the fact that many developing countries are still involved in basic processes of statebuilding. For example, in a country finding itself in a fragile situation or emerging from a violent conflict or other upheavals, donors need to be aware how their interventions affect local power relations and sources of legitimacy, often in unintended ways. They should tailor their support in a way that helps strengthen the ability of the state in question to draw upon and integrate different sources of legitimacy.<sup>9</sup>



## 4. How to make a political economy analysis with a legitimacy twist

We will in the following present the country study of Kenya of 2009 as an example of what Norad can offer.<sup>10</sup> Norad was asked by the Embassy to undertake a study to provide the Embassy with the foundation for revision of its governance strategy.

The study must meet  
the needs of the Embassy

### **Embassy ownership is important**

There was a strong feeling of Embassy ownership throughout. Responsible staff was actively involved. The involvement of the ambassador was important to make sure that the recommendations would be politically feasible vis-a-vis Kenyan authorities. (It was agreed early on that the report would be made public.) The terms of reference for the study were developed in close co-operation between Norad and the Embassy to ensure agreement from the outset on the needs of the Embassy and the Embassy's perception of the objectives and scope of the study.

The inception report, outlining the analytical approach, the content of the report and the process of collecting information, was reviewed in a telephone conference with the Embassy. In the draft of the final report the Embassy was challenged, based on the findings, by recommendations to undertake quite a radical change of their portfolio; A telephone conference was arranged to make sure that the Embassy understood and accepted the reasoning behind the recommendations.

A group of advisers  
with appropriate expertise  
and knowledge of the  
country is necessary.  
Local consultant is essential

### **A group of competent advisers**

There was a mixture of advisers from Norad and hired externally, including in Kenya. Norad established a task-team of Norad advisers with expertise in governance, decentralisation and local government, financial management reform, civil society, gender and media. Some of these were already working with the Embassy as advisers in their respective areas of expertise. Their involvement varied depending on other commitments. A Norwegian consultant with expertise in governance and political economy analysis and with some knowledge of governance in Kenya was engaged to take the lead in writing the report and work closely with the task-team leader of Norad. The task-team leader had knowledge of the political economy of Kenya and had recently been involved in the work on the legitimacy of the state in fragile states in OECD/DAC.

10. Political Economy Analysis of Kenya, Norad Report 19/2009 Discussion.

Two Norwegians who had long experience with Kenya, particularly in governance and human rights, were engaged for advice and quality assurance. Their Kenya-expertise and complementary knowledge to the task team and the lead consultant turned out to be very valuable. A Kenyan consultant with expertise in governance was hired. He was especially useful in interpreting the interviews and in grounding the analysis in local realities. The consultant contributed with his own written analysis of a couple of issues of particular interest that were not adequately covered in available documentation.

### **Desk research and interviews**

The team started with a desk analysis based on data and information available in Norad, the Ministry of Foreign Affairs and the Embassy, and academic research, other donor assessments, official documents, public opinion surveys, Internet and media reporting. Fieldwork was undertaken to test and complement the findings of the desk analysis. Informants represented public administration, civil society including human rights NGOs and activists, women's rights NGOs and a professional association (teachers), academia and the donor community.

### **Analytical approach emphasising state legitimacy**

We started out with a straightforward political economy analysis of governance. When discussing the inception report with the Embassy we realised that the analysis could benefit from adding a more thorough analysis of the legitimacy of the state. This was prompted by the recent turmoil after the elections in December 2007 when the Kenyan authorities and the Kenyan political elite suffered a significant downturn in legitimacy from an already low level. The Embassy was at the time of the study already involved in the international work to assist Kenya out of the dangerous situation.

The Embassy has since informed us that they found the study valuable for the revision of their governance strategy and we also got feedback from Kenya that other donors found the report useful.

..... Start with a desk study.  
..... Test and complement findings  
..... with interviews in the field

### Issues to be considered when making political economy analysis

- » What is the purpose of the exercise (better strategy, policy, programming)?
- » Is the timing right to feed into a strategy, etc. and is the length of the process proportionate?
- » Who is the owner of the exercise? Who is responsible for developing the strategy etc.? Is there sufficient buy-in to the importance of the analysis in the process?
- » What mix of skills and expertise are required to undertake the study? Will it be conducted in-house, or are specialist consultant skills required? Are complementary skills to be provided by resource persons? Is partner country expertise available?
- » To what extent can existing data material be used?
- » Are relevant partners (donors and country) involved?
- » How will the work be disseminated? Will it be available to the public?
- » What is the follow-up once the study is complete?

*Based on experience in Norad and DFID*



## 5. An example of a political economy analysis emphasising state legitimacy

This is the same study presented above. We have chosen to copy a presentation written by the Governance and Social Development Research Centre on their web-site.<sup>11</sup> We would like to point out that the emphasis on the legitimacy of the state of Kenya in the analysis bolstered conclusions and recommendations to the Norwegian Embassy, including the importance of government reforms, improved relations between the government and citizens, especially at the community level since that is where most state-society interaction takes place, and improved relations between antagonistic ethnic groups.

Document Library

### **Political Economy Analysis of Kenya**

**Authors:** Geir Sundet and Eli Moen

**Date:** 2009

How can donors contribute to governance reform in Kenya? What role can they play in strengthening state-society relations in particular? This report, published by the Norwegian Agency for Development cooperation (Norad), 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. For example, donors could support CSOs that represent the interests of local groups. Systematic learning, analysis and social dialogue should also be emphasised.

The report is informed by an analytical approach developed by OECD/DAC that proposes that the focus in fragile states should be on state legitimacy and state-society relations. Three dimensions of state legitimacy are identified: how the state functions, what the state does, and people's beliefs.

State-society relations in Kenya have been under strain since independence due to a widening gap between ruling elites and the population at large. They deteriorated further during the Moi era when state predation intensified, accountability structures were deliberately weakened and violence was increasingly used for political means. These problems have been compounded by impunity for political leaders involved in corruption and violence.



11. see [www.gsdr.org/go/display&type=Document&id=3765](http://www.gsdr.org/go/display&type=Document&id=3765)

- » Support to the government, in the present Kenyan context, is not likely to improve state legitimacy. There is a risk that assistance will further entrench current elites rather than improving state-society relations.
- » Change is most likely to be brought about as a result of demand from below. To support this demand, people's participation in public affairs at local level should be encouraged.
- » However, finding ways to support such participation is, in the absence of decentralisation reform, a key challenge for development partners in Kenya.

In the short term, Norway should continue to support the reconciliation process, including support to internally displaced people (IDPs) and work to address gender-based violence. Support should continue for the Annan process. Norway should join the multi-development partner support of the preparations for the next elections. For the longer-term, the following recommendations are made for support to government and non-state actors:

- » Support to the government of Kenya should be scaled down until there is evidence of a stronger commitment to reform. Norway should position itself to support decentralisation reform if it appears on the agenda.
- » Support to civil society organisations should as far as possible be channelled through the multi-donor supported Civil Society Democratic Governance Facility and the Gender and Governance Programme.
- » The exception to this rule is support to the larger strategic organisations such as Transparency International Kenya and Kenya Human Rights Commission.
- » Support to political parties through the National Democratic Institute (NDI) should continue. Norway should encourage a particular focus on the democratic process at the local level.
- » Limited support to media is recommended if it links with and reinforces other supported activities. Support to representative organisations including trade unions and farmers associations should be explored.
- » Norway should support efforts by partners in Kenya to engage in a continuous process of political economy analysis to inform their own and others' planning and programming

Source: Sundet, G. and Moen, E., 2009, 'Political Economy Analysis of Kenya', Discussion Report 19, Norad, Oslo  
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