



PED Network
POLITICAL ECONOMY AND DEVELOPMENT
Three Basic Tools

Make reforms happen (or more probable) by knowing who the different stakeholders are, anticipating their behaviour and understanding how decisions are taken. In a nutshell: your project or programme is actively managing the political dimensions and not just suffering from adverse effects.

Introduction: The political economy lens

Political Economy is about the effects of political decisions on social and economic development. If poor people don't get an opportunity to improve their lives, we should ask what institutions and interests are impeding them from being better off. Who takes the decisions on economic issues? Who are the winners and losers of the economy? Why are unequal distribution and poverty persisting? These questions get down to the fundamentals of development and social justice.

World attention is currently centred on the question of how to get economies growing again. While this is unquestionably an urgent issue, an equally important concern is inequality. Thinking of possible effects of reforms on the poor and disadvantaged is key to shaping sound programmes and policy reforms that encourage growth and make it pro-poor.

A political economy perspective, as outlined above, requires an operationally useful set of tools which links context with institutions, power and actors. These elements can be seen as risks or blockages to effective policy reform and improved distributional equity.

The following three tools have been designed to sharpen the political economy lens. They are seen as **basic instruments** for integrating political economy views into SDC Cooperation Programmes. They may be used reiteratively – according to the programme cycle – in order to plan, implement, monitor and evaluate the progress of programmes and policy reforms.

Tools and guiding questions

A political economy analysis typically includes a mapping of key stakeholders, their relations and their influence over the policy process, in order to identify actors and incentives that are likely to support or oppose the reform process. Incentives arising from the international community and from aid assistance practices can figure in this analysis.

There is no tool that covers all aspects of stakeholder interests, power relations and rent seeking. Nevertheless, it makes sense to sharpen the lenses for some of these aspects. For this, a basic tool may be helpful. Taking into account the specific context of SDC's Cooperation Programmes working in a given country context or on a global issue, basic political economy aspects can be addressed by using **three tools** that represent three complementary perspectives:



The Reform arena - Who is on stage?

Stakeholder Analysis: Who is involved in political reform and which interests matter in reforms? A Stakeholder Analysis helps to identify actors relevant to the programme and to get to know their perceptions, interests and influence on policy.



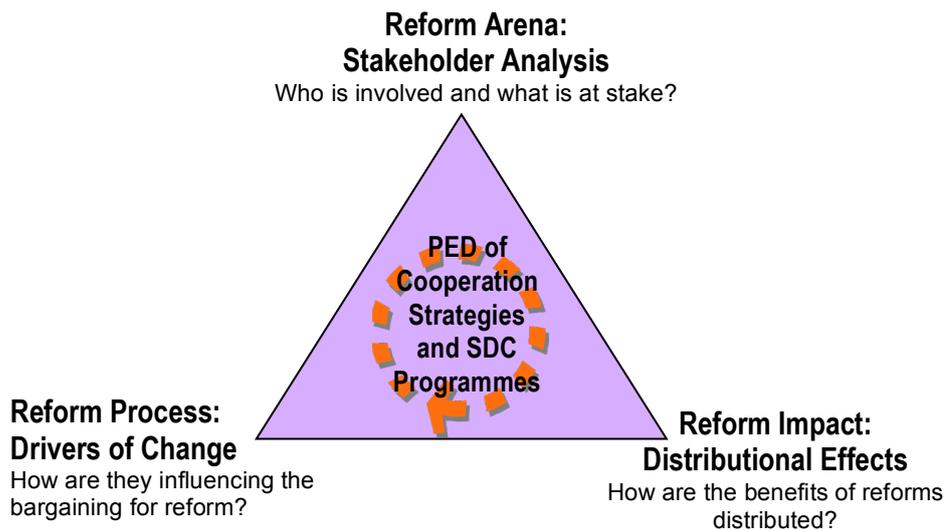
The Reform process – How are dialogue and decision-making shaped?

Drivers of change: This approach recognises that there are context-specific foundational factors that affect the capacity for reform and the opportunities for change. The tool strives to capture the interaction between the actor’s behaviour and economic, social and political factors that support or impede political reforms.



The expected Reform impact - What is at stake?

Analysis of distributional effects of reforms: The method helps to assess impacts of policies and programs at the levels of households and individuals. It is a rapid response mechanism between households and policy, which looks at the distribution of benefits and power as well as the access to resources and wealth between different groups and individuals.



What can we expect from this?

Among other purposes, the three Basic Tools increase your awareness for political economy issues and may provide you with:

- a wider perspective to understand different stakeholders and their interests
- a deeper understanding of the logics of institutions and the distributional effects of policy reforms
- evidence that can improve policy dialogue, public debate and informed participation
- strategic options for policy reform that help to anticipate the risk of interventions and suggest ways of mitigating these
- sound information for the planning process of a policy reform