



Political and Social Analysis for Development Policy and Practice

An Overview of Five Approaches

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Introduction

Political economy (PE) analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time (Collinson, 2003; DFID, 2009; Duncan and Williams, 2010).

PE analysis elucidates how power and resources are distributed and contested in different contexts, and provides insights into underlying interests, incentives, rules and institutions. Such analysis can support more effective and politically feasible development strategies, ensure more realistic expectations of what can be achieved, and help outline the risks involved. It can contribute to better results by identifying the main opportunities and barriers for policy reform and how donors can use their programming and influence to promote positive change.

The use of PE analysis in development is a relatively recent phenomenon, beginning in the early 2000s. Prior to this, theory and practice largely ignored political and social context. Policies and programmes were planned and implemented in a technical manner, based on the presumption that expertise and aid was sufficient to generate growth. The failure of development interventions to produce expected results led to a growing awareness among donors that politics, 'political will' and local context matter to development.

In order to gain a better understanding of these issues, donors have developed various tools for political and social analysis. The local context is considered the basis for analysis, policy and programming, rather than relying on an international blueprint. Sida's Power Analysis and DFID's Drivers of Change (DOC) are flexible, broad, macro-level approaches that look at actors, relationships, structures and institutions at formal and informal levels. They seek to determine how power is distributed and exercised and what factors are likely to 'drive' or impede poverty reduction. Both approaches situate donors as political actors themselves. The Dutch Strategic Governance and Corruption Analysis (SGACA) builds on the experience and knowledge of Sida's and DFID's approaches. It aims to provide a more structured and systematic framework and to better promote the operationalisation of analysis.

Alongside these developments, the World Bank designed a comprehensive approach for Poverty and Social Impact Analysis (PSIA). It aims to help governments and the World Bank anticipate and address the possible consequences of policy interventions on the well-being of various stakeholder groups, given social and political contexts. It incorporates varying levels of analysis – macro (country context), meso (policy implementation) and micro (policy impact). At the macro level, it draws on tools such as power analysis and drivers of change. The World Bank has built on its PSIA work in order to provide further guidance on how to address issues of political economy in policy reform. Most recently, it has introduced a Problem-Driven Governance and Political Economy (PGPE) framework to strengthen the operational relevance of PE analysis.

While political economy approaches adopt different analytical lenses and methods, there are commonalities in their strands of thinking and general features. Duncan and Williams (2010) outline these, referencing in particular Sida's power analysis, DFID's drivers of change, the Dutch SGACA and the World Bank's PGPE framework:

1. Emphasising the centrality of politics.
2. Downplaying the normative and instead trying to understand country realities and to ground development strategies in these.
3. Identifying underlying factors that shape the political process (local history, society and geography).
4. Focusing on institutions to determine the incentive frameworks that induce patterns of behaviour.
5. Recognising that development agencies are political actors.

This paper provides a detailed overview of five key tools and frameworks for political and social analysis, discussed above: 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.

The following table summarises and compares some key aspects of the five approaches:

	Analytical focus
Power Analysis	- Macro level - Links between human rights, democracy and poverty reduction; formal versus informal institutions and agents; the importance of process
DOC	- Macro level - Structural and institutional factors that support or impede poverty reduction
SCAGA	- Macro level; local and sector level - Informal and formal aspects of governance; state-society relations
PSIA	- Macro, meso and micro levels; focus on specific reforms - Distributional impact of policy interventions; particular focus on poor and vulnerable; structures of society and power relations
PGPE	- Macro level; local and sector level; specific policies or projects - Challenges and opportunities of reforms; why reforms have succeeded or failed (operationalisation of political economy analysis)
	Research methods and framework
Power Analysis	- Qualitative; primary and secondary research - Broad and flexible framework - not comparative
DOC	- Qualitative; primary and secondary research - Broad and flexible framework - not comparative
SCAGA	- Qualitative; secondary research - Systematic framework – allows for country comparisons
PSIA	- Qualitative and quantitative, focus on secondary with some primary research - Multi-disciplinary methods, types of data, tools and perspectives
PGPE	- Reliance on available sources

(table continued overleaf)

	Key outputs and processes
Power Analysis	- Country studies, with the possibility of ongoing shorter reports and workshops
DOC	- Country studies
SCAGA	- Short report and two-day consultation workshop; - Set procedure to integrate analysis into Multi Annual Strategic Plans
PSIA	- Reports and stakeholder engagement
PGPE	- Framework is mainstreamed into World Bank work; no stand-alone study

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Power Analysis

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Overview

Power analysis, developed by the Swedish International Development Agency (Sida) is a flexible, process-oriented, narrative tool used to understand and analyse power relations at the macro (national and sub-national) level. It is adaptable to particular partner country contexts.

- The approach centres on the link between human rights, democracy and poverty reduction. The premise is that issues of power asymmetries, access to resources and influence over politics must be addressed for poverty reduction.
- The analytical focus is on the distribution of formal and informal power, looking at actors, relations, hierarchies, institutions and structures. It seeks to understand where real power in a country lies, how institutions and structural factors shape the incentives and opportunities of actors, and how donor activities are affected by and influence this landscape.
- The aim is to improve the effectiveness of donor strategies and programming and to facilitate policy dialogue.

How to use the tool

The concept of power

Sida does not provide a clear definition of ‘power’. It considers it from a variety of angles, based on a number of core characteristics of power. Each power analysis study works with its own understanding of the concept. Aspects of interest include:

- the legitimacy of power (e.g. elections or beliefs and cultural practices);
- the foundations of the political power base (e.g. strong leadership or strong institutions);
- the generation and transfer of power (e.g. informal agreements or formal elections);
- the abuse of powers (e.g. semi-authoritarian behaviour and rules);
- the formal power structures (e.g. formal rights of poor people);
- the informal practice (e.g. underlying incentives and customs);
- the ability of the poor and their advocates to articulate their interests (e.g. access to information, knowledge and organisational capacity); and
- the institutional channels and arenas for voicing these interests (e.g. elections, hearings and the media).

Purpose of the tool

The primary purpose should be clearly set out in the terms of reference of the analysis, whether it is to deepen knowledge, facilitate dialogue, foster influence or feed into policy development and planning. Operational recommendations should be requested. The range of issues should be limited, however, to what is manageable given consultants' time constraints.

Research methods, processes and outputs

Power analysis relies on qualitative data based primarily on secondary literature reviews, interviews with key informants, and workshops with key stakeholders at various levels of society. Other methods of data collection include panels of independent experts, surveys of well informed people, public opinion polls, and focus group discussions. Studies are initiated by country offices and carried out by country experts. Ideally, local experts and researchers should be engaged, depending on the sensitivity of the issue. This requires creating space for local political debate and developing local capacities for analysis. Time frames for studies tend to range from 10-15 weeks, and Sida TORs have generally applied a 50 page limit for reports.

The process leading to the report is considered as important as the report itself. This process approach involves dialogue between Sida headquarters and country offices; and dialogue between Sida and partner countries through focus groups and workshops. *The practice on disseminating report findings has varied.* The most common practice is to make studies available to select contacts without systematic distribution. There are, however, opportunities for constructive dialogue and joint learning, among donors and between donors and partner countries through more active dissemination.

Single reports are often valid for only a short period of time, since politics and political institutions are often in flux in partner countries. As such, a series of ongoing workshops and/or smaller thematic reports over a longer period of time may be more suitable. This would allow for analysis of a single country over time. It is difficult to engage in cross-country comparisons, however, since most of the analysis is based on contextual, qualitative data.

Elements of Sida's power analysis

The approach incorporates a series of different analyses or sub-analyses:

- *Basic country analysis:* to understand the social, political, economic and institutional factors affecting issues of poverty reduction.
- *Medium-term dynamics of change analysis:* to understand the incentives and capacities of pro-poor agents of change involved in the policy-making process.

- *Role of external forces*: to understand the influence of donor strategies, actions and aid modalities on the power structures and dynamics in the partner countries.
- *Link between change and poverty reduction*: to discover how changes will affect poverty, on what time-scale and the implications of these changes.
- *Operational implications*: to provide practical guidance on how a better understanding of underlying interests and power relationships can be translated into donor strategies, actions and aid modalities.
- *Recommendations for Sida's internal organisation*: to identify incentives for staff to acquire and retain deeper knowledge of country context.

The approach provides a set of core principles and questions rather than a fixed framework for analysis. These core issues link poverty, understood as powerlessness, to democratic governance, including human rights, along three important dimensions:

- *Articulation and voice*: this set of questions addresses whether (poor) people have a voice and the channels through which they can express their views and interests.
- *Responsiveness*: this set of questions addresses the variation in agents' responsiveness to the needs of the poor and the mechanisms through which agents listen to and respond to voiced interests.
- *Accountability*: this set of questions addresses the variation in holding agents to account and the mechanisms through which agents are held accountable for decisions and actions.
- Under each of these three areas, analysis also includes how to make the channels and mechanisms more effective.

Examples of specific core questions that have been addressed in recent studies include:

- How is formal and informal power distributed in society (according to gender)?
- What kind of formal and informal power is being exercised, how is it exercised and how is this understood or perceived, and by whom?
- Who sets the policy agenda?
- How do power relations/connections affect the positions people occupy?
- How do power relations shape policy outcomes?
- What types of hidden dimensions of power exist, especially but not only, relating to gender?
- How do belief systems and cultural practices legitimize and reinforce material power structures?
- Is the state apparatus characterized by too much/too little constructive power (power to) or controlling power (power over)?
- Which are the major conflicts of interests related to power/powerlessness, politics of poverty and democratization processes?
- Which groups tend to be un-prioritized?

CARE's approach to power analysis

CARE Bangladesh has outlined specific steps to conduct power analysis:

- *Determine the 'unit of analysis'*: this requires a consideration of the (historical) evolution of the state. In countries where decentralisation is a core component of democratization processes, for example, the lowest administrative unit (locally elected government) may be the most useful starting point to study power dynamics and explore the relationship between formal and informal forms of power.
- *Choose a location*: the locality to be studied should be representative of local society. This could be determined through a mapping of the programme area with local staff.
- *Assess existing knowledge and devise a research plan*: once a research site has been agreed upon, the research team (which should include field staff working who have been working in that locality)

is brought together in a workshop designed to assess the level of understanding of influential actors and relationships with marginalised groups. The degree of existing knowledge will determine what still needs to be done.

- *Engage in participatory research methods*: this involves semi-structured interviews with different members from local society. Methods that allow for open-ended questions can generate knowledge from the perspective of different actors and allow divergent views to emerge.
- *Map centres of power with formal leaders*: this involves locating concrete expressions of power, such as the physical location of resources (e.g. schools, infrastructure) and formal and informal powerful actors. It can be created in a short period of time by working with locally elected leaders.
- *Create a history of locally elected government and explore voting practices*: this allows for an understanding of political power over time and an idea of which families/clans have been able to capture local government.
- *Construct a 'power net'*: this involves creating a card for each formal and informal powerful actor that has been identified that indicates ownership of key resources and how these were accumulated. It can help to understand the dynamics of local level government and its interaction with informal institutions.
- *Devise indirect ways to engage in research*: it may not be possible to discuss elites and their characteristics directly. Strategies to collect information that minimize risk include asking about 'critical incidents' in villages; discussing with powerful people the key problems that the locality faces; and engaging local residents in informal discussions.
- *Hold frequent (daily) debriefing sessions and share information*: this allows for each team member to be aware of the knowledge gained by all other team members. Information should also be recorded and stored such that all team members can access it at any time.
- *Synthesize and present findings*: following the data collection and daily processing of information, the research team should spend at least two working days organizing their materials into analytical categories helpful for project staff. Findings can be presented in a series of workshops catered to different audiences, depending on the sensitivity of the information.

Skills and resources

In order to conduct a power analysis, it is necessary to have *in-depth country knowledge* and access to existing research and literature on political-economic, political science, sociological and other analysis (including 'grey' literature). It is also necessary to have the *commitment of senior management* and *internal incentives* for staff to carry out such exercises.

Consultants may be either international or local, so long as they have in-depth country knowledge – often a mixture is ideal. It is also important to be able to conduct analysis on gender dimensions as gender power is a crucial aspect to consider in power analysis.

The *participation of local researchers* is essential in conducting political economy research. Local researchers with knowledge about the interests, relationships and motives of key actors and how they have changed over time; and knowledge of behind-the-scenes political negotiations and compromises are especially valuable. It is important to provide long-term parallel support to *local knowledge production* – e.g. through think tanks, free and independent academic research and media. This is also beneficial as locally generated knowledge and opinion building has a greater likelihood of facilitating progressive transformation of societies.

Value added

The analysis of actors, relations, hierarchies, institutions, structures and processes – at formal and informal levels – can provide a nuanced understanding of where ‘real power’ in a society lies, how power is distributed and exercised, and how these factors are affected by development cooperation. Such insights were missing in Sida’s traditional democracy and human rights assessments that tended to focus on formal structures (e.g. the constitution, the political system as set up according to the constitution).

More specifically, an analytical focus on ‘power’ promotes:

- Deeper knowledge and understanding of political contexts and conditions;
- Awareness of the threats and opportunities in the political arena that could affect the outcome of donor activities;
- Better understanding of the factors that affect ‘the lack of political will’ and why some policies are implemented by not others;
- Awareness that Sweden (like other donors) are part of the power game;
- More strategic and realistic time frames and development indicators for judging process;
- Greater attention to risk analysis and risk management;
- Greater willingness to engage with elites and awareness of scope for negotiation around pro-poor interests and outcomes;
- In country dialogue through the participation of local researchers, seminars and workshops;
- Intra and inter-donor dialogue about differing perspectives and an emphasis on harmonisation;
- Collaboration between economists, anthropologists and political scientists.

Operational impact

Donors have struggled with how to translate high level analysis and recommendations into operational strategies and programmes. Studies vary in their operational significance. Potential operational considerations should be made clear at the outset in the terms of reference and communicated to research teams, without gearing the analysis to purely practical outcomes.

A key contribution of power analysis is that it can inform the way in which donors engage with different groups of stakeholders in partner countries. More specifically, the operational impact of Sida’s analysis range from planning, programming, risk and opportunities, dialogue to harmonisation:

- *Planning*: studies have contributed to improving the quality of engagement through a deeper understanding of (informal and formal) politics, economic, social and cultural dynamics – including potential incentives for pro-poor democratic change and allies.

- *Programming*: studies have indicated that efforts to promote change cannot focus solely on state apparatus but must also consider civil society.
- *Risk and opportunities*: studies have highlighted risks associated with decentralisation reforms, for example, such as the entrenchment of political inequalities. Power analysis can also identify agents of change among local actors and donor agency staff.
- *Dialogue*: power analysis can serve as a ‘reality check’ by highlighting local realities in policy dialogue among donors and with local partners. The promotion of public discussion and debate has also received attention; however this may be easier in some countries than in others.
- *Harmonisation*: this was facilitated from a common understanding of political economy challenges. There is generally, however, significant variation in donor approaches and understandings.

Challenges

Key challenges of power analysis include:

- *The contested nature of the concept of ‘power’*: The abstract nature of the concept makes it difficult to develop a common methodology. Studies commissioned on the same country at the same time from different people (with different ideological inclinations) could result in very different products. Such flexibility, however, can be seen as an advantage. Pluralism can foster broader knowledge and debate. Differing studies can be problematic, however, if donors with substantial resources and capacity to carry out such analysis drive the agenda, rather than local producers of knowledge and opinion builders.
- *Difficulties in measuring power*: Power is not a commodity and there is no commonly agreed scale. Varying perspectives is not necessarily problematic unless donors monopolise the solutions.
- *How to address tensions between corporate objectives geared toward the demonstration of short term impact and the implications of power analysis, which suggest that longer time scales are need*: Local political processes and actors and informal institutions are difficult for external actors to understand or influence. These processes and relationships are complex and longer timescales are necessary for fundamental pro-poor change to take place.
- *Limited time-frame for studies*: Ambitious expectations are a challenge for power analysis itself. It is difficult to squeeze extremely complex issues into a 50 page report that must be concluded usually within ten weeks. A solution is to engage in longer term dialogue through workshops with various segments of society.
- *Effectiveness of findings*: Controversial findings and recommendations may be watered down either because they are simply not possible to operationalise (e.g. due to geopolitics or lack of funding) or because they go against the aid agency manager’s perception of the situation.
- *Conflict sensitivity and dissemination*: Disclosure of results and dissemination of findings is still an area of concern. Publication of findings and recommendations may be sensitive and could create conflict and put those who worked on the report at risk. However, in order for local actors to be able to use the material in a meaningful and sustainable way, public access to results is essential.

- *Awareness of the impact of analysis:* Donors also need to be aware more generally that their actions, including the commissioning of power analyses, can shape formal and informal power dynamics.

Linkages

Sida's power analysis is similar to DFID's drivers of change approach in that both look at actors, institutions and structures that influence poverty and development policies at the macro level.

Power analysis can complement and be complemented by other approaches, in particular conflict analysis and human rights approaches. Conflict analysis focuses on the way power is distributed, transferred and exercised under a dysfunctional system of societal institutions, characterized by violent conflict. Thus, both power analysis and conflict analysis are interested in embedded varying interests within a country and how they are expressed and handled by society. Power analysis can also contribute to a deeper understanding of why poor men and women are discriminated against, why authorities are unresponsive, and what donors can do to address these issues. Such insights would be useful to human rights based approaches to development.

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Drivers of Change

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Overview

DFID’s Drivers of Change (DOC) 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. DFID evaluations have shown that the influence of Drivers of Change Studies on country programming has been rather variable.

How to use the tool

The concept of drivers of change

A ‘Driver of Change’ (DOC) is a structural or institutional factor likely to ‘drive’ change in the medium term. DOCs reflect the underlying interests and incentives that affect the environment for reform. Thus the DOC approach is a way of understanding the political economy of poverty reduction in developing countries.

Purpose of the tool

The purpose of the DOC tool is to enhance DFID and other donors’ capacity to understand how change occurs - and the relationship between change and poverty reduction - and to provide guidance and support to use that understanding in improving the effectiveness of donor programmes.

Research methods, processes and outputs

DOC studies are considered most useful well in advance of planning and programming and when most of the team are new. The scope of the study should be tailored to financial and time constraints.

Research methods: Since the introduction of the DOC approach several country offices have undertaken DOC studies, often through independent consultants. The resources used have varied across studies. Studies can be based on: interviews (in-person and telephone), literature reviews (academic and 'grey' literature), workshops and consultations.

Outputs: The document(s) produced should include a tightly written executive summary; a section challenging conventional wisdom and assumptions; and details of who has been interviewed (when appropriate).

Dissemination: The audience(s) for the study and a dissemination strategy should be clearly defined. Tailored versions of the findings should be produced for the different audiences. Translations should also be produced in order to reach a broader range of people and to stimulate wider debate. The release of findings could be timed in relation to political events in order to gain more traction.

Elements of DOC

DFID's guidance note (2004) stresses that the DOC approach should not be a single overarching conceptual framework. Country offices are instead encouraged to ask themselves a structured set of questions covering the following issues:

1. Basic country analysis: covering the social, political, economic and institutional factors affecting the dynamics and possibilities for change.
2. Medium-term dynamics of change: covering policy processes, in particular the incentives and capacities of agents operating within institutions.
3. Role of external forces: including the intentional and unintentional actions of donors.
4. Link between change and poverty reduction: covering how change is expected to affect poverty on what time-scale.
5. Operational implications: covering how to translate our understanding into strategies and actions.
6. How DFID works: covering DFID's organizational incentives, including those promoting or impeding the retention of country knowledge.

Skills and resources

The follow people within and external to DFID are considered important to successfully conducting DOC analysis (DFID, 2005a):

- Who to involve in DFID: It is *important that the Head of Office engages positively at all stages*; programme staff play a key leadership role; a cross-section of country team members are involved at key points in the process; as many staff members as possible have an opportunity to contribute; headquarters staff provide a challenge function. In order to ensure that teams have better country knowledge, staff could be given longer-term postings in country.

- Choosing the study team: an effective team requires an experienced *team leader, familiar with the type of study* and able to challenge assumptions; *team members with good country knowledge* who draw on local knowledge; team members from a *cross-section of disciplines*; provisions in the budget for hiring local staff to handle logistics; consideration of the potential risk to locally recruited team members (especially with work in fragile states).
- Who to involve from outside DFID: it is important to involve other UK government departments at the outset; other like-minded donors; a reference panel of individuals able to provide validation of the findings as well as point out how to handle potential political sensitivities.

Value added

The studies have yielded rich and textured detail of the broad economic, social and political characteristics of each country (Leftwich, 2007a). The studies' findings tend to confirm the importance of politics in development and the need to encourage the emergence of political institutions, processes and practices through which development programmes and policies can be devised, implemented and sustained.

Operational impact

The following benefits have been identified (DFID, 2005b; Warrener, 2004):

Insights for programming

- Informing the planning process and programming
- Revealing and challenging assumptions behind programming
- Increasing awareness of the need for language to be neutral and less abstract
- Promoting a wider perspective on change through collaboration with non-poor groups
- Contributing to deeper thinking on what 'pro-poor change' is
- Reconsidering the value of DFID simply doing 'what it can do'
- Analysing and mitigating of risk
- Realising the need for longer timescales
- Improving the quality of engagement

Positive changes internally for DFID

- Facilitating development of political economy perspective
- Enabling specialist staff from different sectors such as engineering to speak the 'same language' as other staff and developing an understanding of the incentives that may have caused their programmes to fail
- Building consensus in country office on how change is viewed in the country
- Enhancing institutional memory by capturing knowledge of country staff
- Increasing team-building and goal sharing between national and international staff
- Enabling closer working together with other government departments, particularly the Foreign and Commonwealth Office.
- Strengthening harmonisation with other donors
- Influencing partner country government.

Challenges

Several studies have highlighted limitations of the DOC approach, their application and provided further recommendations (DFID, 2005b; Warrener 2004, OECD 2005). These are:

Limitations of DOC studies

- More descriptive than prescriptive; more work is needed on how to draw out operational implications
- Few suggestions about the potential and practical 'levers of change'
- Few suggestions to better understand how behavioural change could be brought about
- Focus on large-scale trends rather than more dynamic medium-term factors
- Not well embedded in Country Assistance Plan (CAP) planning processes and programming
- Participatory processes limited
- Sharing of results/ dissemination limited
- Role of external agents neglected
- Used to promote internal donor learning rather than dialogue with external stakeholders

Management challenges

- Staff training required to draw out concrete programme recommendations from DOC studies
- Staff need to consider these issues every day in every aspect of their work for DOC to be mainstreamed
- Further guidance tools on DoC needed and its connection with CAP planning process and other CAP planning tools
- Unrealistic expectations from high participation and engagement by staff need to be managed
- Strong 'corporate buy-in' from headquarters necessary to build on current momentum
- DFID internal incentives (informal and formal) need to be changed to reflect the DoC approach and to alter behaviour in favour of using DOC findings
- Limited number of skilled consultants available able to do this work at present
- Management and staff need to recognise that donors are not apolitical, but play a role in shaping local context

Programming challenges

- Managing conflicting agendas within DFID such as the drive to increase aid and short-term demands for results versus DoC studies that err on the side of caution
- Managing tensions between longer term political processes and incremental change with short-term spending and accountability imperatives
- Setting more realistic time frames and areas of engagement, recognising that as an external actor, DFID's influence may be limited
- Managing potential clashes with current engagement and commitment to existing programmes
- Moving from high level analysis to operational strategies and programmes
- Working with non-traditional partners and through non-traditional channels, including the private sector and the media
- Moving beyond refining how DOC findings are generated to ensuring the knowledge produced is used regularly and systematically by country offices

There are also a number of unresolved issues:

- Should DFID undertake studies jointly with other donors? Advantages include harmonisation principles and limits to the potential for donor duplication and attendant demands on partner country resources. Disadvantages include differing purposes for undertaking the studies particularly where other donors may be unwilling or unable to share the findings.
- Should DFID undertake studies jointly with governments? Advantages include alignment principles and potential for increased ownership of the issues by partners. Disadvantages include possible bias and suppression of findings.
- Should DFID publish the full main study report? Although it is clear that sharing the knowledge generated has multiple benefits, country offices are concerned that publishing the full study report immediately may have negative consequences. This suggests that they should find other ways of sharing the findings and consider allowing the study team to publish the report independently. It also suggests that no one product can suit all needs.

DFID's Politics of Development Framework

Leftwich (2007a, 2007b, 2007c) designed the Politics of Development framework partly as a response to the limitations identified in the Drivers of Change approach. These limitations were:

- Although all studies addressed the political issues in very direct and revealing ways, *few studies grappled with the meanings, forms and dynamics of politics based on a coherent framework of analysis.*
- The *absence of consistent objectives*, as expressed in the various terms of reference, produced rich descriptive variety without contributing consistently to comparative generalizations or deepening theoretical understanding.
- The initial specification of the meaning of the central concepts (change, drivers, agents, structural features and institutions) was perhaps inadequate for the complexity of the tasks involved
- *The recommendations in the studies tended to focus more on specific agents or agencies as possible sources of change* (media, civil society organizations, parts of the bureaucracy, private sector, etc), *rather than structural features and possible political dynamics of change.* Insufficient attention was paid to tracing the origins of such agents and agencies and explaining how and where they would or could act to alter institutional arrangements.
- *The absence of a consistent methodology and common conceptual structure created problems when it came to deriving comparative generalizations for theory and further analysis.* As a result, those who were tasked with reviewing the whole stable of studies have had obvious difficulties in drawing wider conclusions of a theoretical, comparative or analytical kind.

The Politics of Development framework aims to go further in analysing the actors, connections and processes making up a political system. The approach conceptualises the political system as the set of linked formal and informal political processes by which decisions are made concerning the use, production and distribution of resources in any society or part of one. This framework aims to identify the dynamic elements which drive politics, whether developmentally successfully or not.

Linkages

There are important commonalities between DOC and Power analysis approaches. They are often centred on the relationship between political factors, economic conditions, and institutions, but employ different analytical lens. Both approaches direct researchers to look at actors, institutions and structures that influence poverty and development policies at the macro level. Sida's approach tends to gravitate towards a focus on the links between human rights, democracy and poverty reduction. DFID's DOC focuses on structural and institutional factors that support or impede poverty reduction.

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Strategic Governance and Corruption Analysis

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Overview

The Strategic Governance and Corruption Analysis (SGACA), developed by the Clingendael Institute for the Netherlands Ministry of Foreign Affairs, adopts a political economy lens in assessing governance processes.

- The approach focuses on formal and informal aspects of governance in a particular context, in particular the underlying factors that shape the formal and informal relations between the state and organised groups in society.
- Its structured framework for country-specific analysis allows for comparisons between countries.
- The aim is to improve the effectiveness of donor strategies and programming and to facilitate policy dialogue.

How to use the tool

Purpose of the tool

SGACA provides a framework to help analyse the governance and corruption climate of a country. It highlights the impact of local context and the importance of political and social processes in improving

governance. It enables Embassies and partners to discuss such information and implications for donor strategies and engagement during a consultation workshop.

Research methods, processes and outputs

The core component of SCAGA is the Power and Change Analysis (PCA), which focuses on non-formal practices and relationships and links between formal and informal institutions. PCA can be done as a 'quick scan' or entail more in-depth research depending on the time and data available. This analysis is usually conducted by an international consultant with one or two local consultants, who compile findings into a short report.

PCA is based on qualitative, secondary materials from donors and other sources. It relies in large part on the findings of the Embassy's standard monitoring work (Track Record) and the Multi Annual Strategic Plans (MASPs). In turn, the findings of the SGACA feed into the MASPs. PCA also uses information from academic research, NGO reports, local reports and expertise.

PCA is complemented by a two-day workshop to consolidate findings, discuss operational implications and design an appropriate donor strategy. The first day of the workshop is aimed at validating the results of the PCA. It is open to embassy and headquarters staff and key selected stakeholders (e.g. donors and government representatives). The second day is an internal workshop with embassy staff that focuses on designing appropriate donor strategy for the Netherlands.

Elements of the Power and Change Analysis

PCA covers three dimensions:

- *Foundational factors*: this involves mapping factors that fundamentally shape the state and political system, such as territorial integrity, the history of state formation, the revenue base, socio-economic structures, the geostrategic position and geographical aspects of the country.
- *Rules of the game*: this involves understanding the key formal and informal aspects of the political system that affect the quality of governance and identifying key trends. This dimension is considered crucial to PCA and should be covered in adequate detail. The analysis of formal aspects should include identifying areas where deficiencies in the formal framework are problematic and identifying changes that have the potential to contribute to better governance. The analysis of informal aspects should cover issues of:
 - political competition (how politicians gain and maintain power),
 - institutionalization (the extent to which government, civil society and private sector organisations follow known rules and procedures),
 - distribution of power (who is sharing power and how) and
 - state-society relations (the ability of the state to negotiate and mediate different interests of organised citizen groups).

PCA should draw on other existing analytical tools and materials that cover key governance, anti-corruption and human rights concerns.

- *Context and key actors/stakeholders*: this involves matters that have an imminent impact on state-society relations, focusing on current context and main actors/stakeholders. The emphasis should be on analysis, not detailed description. Analysis includes identifying actors with institutional capacity to act and those that share power with the executive), their capacities and interests, and

the pressures to which they are responding. Attention is given to the current situation and potential developments in the near future. Existing tools, such as stakeholder analysis, are useful.

Skills and resources

In order to conduct a power and change analysis, it is necessary to have *in-depth country knowledge* and *access to existing research and literature* concerning issues of governance, corruption and human rights, including governance assessments, PRSPs, academic research, local reports, donor and NGO studies. Although analyses were originally designed to be based on ‘*quick scans*’ of existing materials, more time was later allocated to local consultants in order to allow for *more solid, in-depth analysis* (depending on the data available). The preference for quick scan or greater analysis should be specified in TORs.

The *participation of local consultants* alongside an international consultant is essential in order to secure the local context. Analysis is conducted and reports are written according to strict research guidelines, based on the components of power and change analysis, discussed above.

Value added

Although the Netherlands Ministry of Foreign Affairs (MFA) and Dutch embassies had engaged in political reporting in the past, the SGACA has provided a framework to systematically look at the impact of politics and local context on development. It promotes better understanding of the complexities and realities of partner countries and more in-depth political analysis by explaining structural factors that determine the rules of the political game. Prior to the introduction of the SGACA, the MFA largely ignored the issue of informal systems, such as clientelism, in assessed partner countries.

The SGACA does not uncover new information as it is based on existing analysis, research and reports, but it collates and views this existing work through a different lens and allows for greater understanding of governance and corruption. Its structured approach for country-specific analysis allows for comparisons between countries across the three PCA dimensions. The SGACA format has also been successfully applied at the local and sector level.

Operational impact

Power and change analysis serves as a strategic planning tool that directs attention to deep structures and informal institutions that shape the incentives and behavior of actors. It does not result in a fixed menu of options and specific prescriptions for interventions like in some governance assessments. By improving understanding of local context, however, the *PCA can contribute to refining existing choices or making new ones; and highlighting risks, opportunities, entry-points, threats and challenges for interventions and dialogue*. It provides a reference point for *determining the political feasibility of actions and the likely impact on governance*. The workshop that forms a key part of the SGACA process validates the findings of the PCA and provides a forum to discuss and develop operational implications and strategies and shared action plans; and to identify next steps for the SGACA process.

The SGACA has highlighted opportunities and entry points that could improve the effectiveness of development aid. These include:

- *Demonstrating that progress is difficult to achieve and that ambitions must be adjusted.* Priorities, feasibility, time-frames and modalities should all be reassessed. Options include choosing fewer sectors and priorities and/or applying greater political pressure for change.
- *Identifying shared interests* among embassies, the government, local partners and other actors, which if written into a common agenda can facilitate change.
- *Giving insight into the nature of state-society relations and provide entry-points for support.* CSOs that lobby the state or are linked to the government may be highlighted for support, for example, rather than solely watchdog organisations.
- *Stressing the need to work with the informal rules and actors* (e.g. local 'chiefs', civilians, NGOs and churches), rather than focusing on influencing formal institutions such as anti-corruption committees and capacity building.
- *Stressing the need for stronger political dialogue.* Development aid is not a technical process but concerns incentives, interests and raw power. Political dialogue with partner countries must be stronger and more structural.

Translating analysis into action has been a key challenge, however, as is the case with other political and social analysis tools. The SGACA was introduced with the aim of *integrating the analysis with standard policy-making procedures* at the ministry through Multi Annual Strategic Plans (MASPs). Dutch embassies were to develop or adjust their MASPs or write follow-ups based on the insights of the SGACA process; and implement the results of their SGACAs. While this has occurred in some cases (e.g. in Uganda, SGACA processes changed the tactics in the development relationship between donor and partner country), half of the SGACAs were incomplete by the time the MASPs for 2009-2012 were finalized.

Nonetheless, the tool has provided much value in terms of improving understanding of embassy staff of the importance of political economy analysis and on understanding the interest and power struggles in partner countries. There has been a growing interest within the Ministry for political economy analysis and there are plans to develop institutionalised links between policy officers and academics.

While donor harmonisation has been emphasised and donors at the field level have been involved in discussions surrounding the SGACA process, there are limited instances of joint donor analysis. Nonetheless, SGACAs are shared with other donor agencies at headquarters and field offices.

Challenges

The quality of SGACAs has been highly variable. In cases of poor quality, this has been attributed to weak consultants, the lack of interest among embassy staff and/or poor management at headquarters.

While the SGACA can focus attention on internal political dynamics that obstruct better governance, there may be little that the MFA can do affect it. Switching to project aid for example in cases of high corruption may give the embassy more control over implementation, but does not guarantee lower losses through corruption.

The role of social culture needs to be taken into better account in the SGACA process. A country's style of governance is rooted in its social culture. While the SGACA may highlight the prevalence of clientelist systems in partner countries, it often fails to provide a proper understanding of the social function of such a system and the underlying mechanisms. It also underplays the importance of social capital in democratic political systems.

Linkages

The SGACA has been developed to complement existing governance assessments. It is also designed to draw from and to contribute to other tools and processes in the Netherlands, such as the Track Record and the Multi Annual Strategic Plan.

The Power and Change Analysis (PCA), which is at the core of the SGACA process, builds on experience, knowledge and lessons from Sida's power analysis and DFID's drivers of change. Similar to drivers of change, PCA addresses foundational factors, rules of the game, current context and key actors and stakeholders. The SGACA methodology aims to provide a systematic country comparative approach, whereas the broad and flexible approach of power analysis and drivers of change does not offer a systematic methodology or toolkit. It also seeks to better promote the operationalisation of analysis.

When conducting PCA, it is necessary to use other analytical tools (e.g. stakeholder analysis, institutional analysis, conflict assessments, growth diagnostics) to explore the prioritisation and feasibility of specific interventions in different sectors.

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Poverty and Social Impact Analysis

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Overview

Poverty and Social Impact Analysis (PSIA), introduced by the World Bank, is designed to gauge the distributional impact (intended and unintended consequences) of policy interventions on the well-being of various stakeholder groups, with particular attention on the poor and vulnerable. While the imperative for PSIA was originally a concern on the impact on the poor, the approach was later refined to include the non-poor. It is considered of greater utility to look at groups that benefit from reforms and those adversely affected by them; and at both positive and negative impacts. The innovative aspect of PSIA is the application of tools and techniques of social, political and economic analysis to analyse the impact of economy-wide policy reforms. PSIA can contribute to better understanding of the political economy of reform.

How to use the tool

Components

The World Bank has identified two key aspects of PSIA:

1. An analysis to determine the distributional impacts
2. A process that engages appropriate stakeholders in policy making

Timing

PSIA can be carried out before, during or after a reform. It can be undertaken *ex ante* to inform the choice, design and sequencing of policies; during implementation to test assumptions, monitor whether

interventions are working and make any necessary adjustments; or *ex post* to assess distributional impact and whether intervention were successful. Ideally, PSIA would be conducted as early as possible prior to policy formulation.

Prioritisation and country ownership

Ideally, PSIA should be carried out for all key reforms identified as having likely significant distributional impacts. However, since limited time and resources makes this unfeasible, it is necessary to prioritise reforms that should undergo PSIA. Priority should be given to reforms and public actions effectively under consideration in the partner country such that PSIA processes can be integrated into existing structures and results can be relayed back into ongoing, broader policy dialogue. Specific criteria for selecting priority reforms are:

- The expected size and direction of the poverty and social impacts;
- The prominence of the issue in the government's policy agenda'
- The level of national debate surrounding the reform; and
- The timing and urgency of the underlying policy or reform.

Research methods, processes and outputs

Once priority reforms have been identified, *an assessment should be made to determine whether there is sufficient existing analysis regarding the distributional impacts of the chosen reform*. This includes analysis conducted by the World Bank, partner country or development partners. If this prior work is sufficient and current, it should be summarized. If it is inadequate, PSIA work is likely necessary.

Varying levels of analysis are incorporated into PSIA. At the macro level, the overall country and reform context is assessed (appropriate tools include power analysis, drivers of change). This includes historical and cultural background, ideological climate, the settings of political institutions, distribution of domestic political power, and the economic and social make-up of the country. The meso level looks at the policy implementation process – the processes, rules and incentives influencing implementation. This involves analysis of the interests and influence of social actors (stakeholder analysis) and the social rules governing the implementation of policy (institutional analysis). Micro level analysis identifies winners and losers of reforms and the dynamics of poverty at the community and household level; and estimates the impact for different social and political groups.

PSIA integrates qualitative and quantitative research. It is important to *take advantage of existing data and systems*. The key skill is the ability to synthesise information, build on it and to address missing areas of information through discrete studies. The extent of available in country data can be increased through greater stakeholder engagement.

Multidisciplinary approaches (social, political, institutional and economic methods, types of data and disciplinary perspectives) are important to PSIA. The design of the methodology and the selection of tools will depend on the nature of the reform issue being addressed, the availability and quality of data, the time available for analysis and the level of in-country capacity. Preliminary findings from one method are often tested and refined through complementary tools in order to produce rigorous analysis.

Disaggregating the population is important in order to understand the impact of a reform across different socio-economic groups. Gender analysis is a key component of this process.

Assessing and *balancing positive and negative effects and short term and long term effects* allows for a general sense of the net effects of a reform – and give an indication of different sources of support and opposition at different stages. Longer term effects will be more challenging to quantify.

The process of engaging in PSIA and policy development is considered as important as the written outputs. *Involving key stakeholders in broad consultation and dialogue is an important part of PSIA design and implementation processes.* Key stakeholders include government ministries, civil society organisations, Parliamentarians, the media and national think tanks. The World Bank has sought to incorporate this broad range of stakeholders, whereas other donors such as DFID have placed greater emphasis on government involvement. Consultation mechanisms range from multi-stakeholder steering committees that guide the entire process to soliciting ad hoc, rapid inputs to the analysis from a group of local experts.

Disclosure and dissemination of analytical methods and findings is important to facilitate transparency and public support; and to influence policy design. Providing information on the scope of work early in the analytical process and facilitating public discussion is important to gain the public's interest in, concern and support for a particular reform. This can also strengthen a government's political will to implement the reform. Timely dissemination of PSIA results to key stakeholders and the public can foster policy debate and influence policy design. It is good practice for PSIA teams to share provisional findings and provide updates throughout the process; and to agree on a timetable for outputs and a mechanism for communicating results.

Elements of PSIA

The World Bank has developed a list of 10 key principles ('elements') for PSIA best practice, rather than a set methodological framework (see World Bank's User Guide to PSIA, 2003 in Higgins, 2008). They are:

1. *Asking the right questions:* These questions should be determined by the steering committee and can be refined throughout the process.
2. *Identifying the stakeholders:* Identify all relevant stakeholders at an early stage (e.g. through stakeholder mapping, key informant interviews, literature review) and understand how policy choices affect stakeholders in different ways.
3. *Understanding the transmission channels:* Understand transmission channels through which proposed policies will impact on the stakeholders (e.g. on employment, prices, access to goods and services, transfers and taxes). Distinguish direct and indirect impacts; and short and long-term impacts.
4. *Assessing institutions:* Analyse institutions that mediate the transmission of impacts of proposed policies on stakeholders (e.g. markets, legal systems, formal rules and informal behaviour of implementing agencies).
5. *Gathering data and information:* Define relevant data and data collection instruments, take stock of the existing data and analyses, and build national capacity for data collection and analysis.
6. *Analysing the impact:* Analyse poverty and distributional impacts of a policy on social and economic situation of various stakeholders. Integrate economic (e.g. public expenditure tracking surveys, quantitative service delivery surveys and household models) and social analysis (e.g. participatory poverty assessments and beneficiary assessments). The methodology used depends on the requirements of the specific questions to be answered.
7. *Contemplating enhancement or compensation measures:* Consider how the reform could be designed to be more pro-poor; and how to compensate potential 'losers', who have the capacity to threaten the sustainability of the reform.

8. *Assessing risks*: Conduct risk analysis to anticipate and avoid major unintended impacts that could prevent the policy reform from delivering the intended poverty and social impacts.
9. *Monitoring and evaluating impacts*: Build on existing in-country monitoring and evaluation (M&E) systems to ensure sustainable monitoring and social accountability to domestic stakeholders. Monitoring and evaluation can help to validate the *ex ante* policy analysis and can help to reformulate or fine-tune the policy.
10. *Fostering policy debate and feeding back into policy choice*: Encourage policy debate among stakeholders whose support is essential to the success of the proposed reform (e.g. technocrats, researchers, parliamentarians, civil society, private sector and donors), build ownership and develop consensus among key stakeholders and ensure that M&E findings are fed back into the redesign and adjustment of the reform.

Skills and resources

PSIA uses a range of skills common to regular impact analysis; it focuses on the comparative well-being of various groups, especially those most at risk from policy impacts.

Access to a wide range of existing qualitative and quantitative data and systems is essential. The key skill is the ability to synthesise information, build on it and to address missing areas of information through discrete studies.

PSIA can be costly and time-consuming. As such, country teams will need to prioritize reforms that warrant investigation through PSIA. The teams also need to identify the required resources for implementing the work. A variety of financial resources is available to support PSIA: bank budget, national trust funds, capacity building and research trust funds, partner government budgets and donor funds.

Value added

PSIA adds value by incorporating social analysis in addition to economic analysis. Economic analysis focuses on the costs and benefits of policy interventions on households and individuals and aims to predict behavioural changes. Social analysis complements this perspective by looking at the structure of societies and how their characteristics affect reform design and implementation. This includes attention to the nature of power relations and the social reality of actors and institutions affected or involved in the policy reform process. Social analysis thus acknowledges the influence of institutional mechanisms and political economy issues over the reform process. This allows for a better assessment of potential risks and for more informed policy making.

Operational impact

PSIA can help to increase the effectiveness of policy reforms by:

- Promoting the use of a wider range of empirical evidence in policy making;
- Contributing to greater attention to distributional equity in the policy process, rather than a focus solely on aggregate economic efficiency grounds;
- Combining analysis with process to understand and manage the political economy of reform;
- Identifying alternative policy reforms, trade-offs and winners and losers of proposed reforms;
- Contributing to the design of mitigating measures and strategies to manage unavoidable adverse impacts and risks;
- Supporting inclusive policy making, opening the space for informed dialogue among policy makers and other stakeholders;
- Enhancing transparency and accountability in the reform process;
- Building country ownership of policies by informing public debate on the trade-offs between policy choices.

In order to have an effective operational impact, *the need for PSIA should emerge from the Poverty Reduction Strategy process*, or similar national development strategies in other countries that are typically based on participatory processes. Instead of establishing another participatory process for PSIA, consultations on PSIA priorities should be integrated more systematically within existing country discussions.

PSIA is most effective when applied to specific and well-defined reforms, as opposed to broad strategies or broad reform packages, for which distributional outcomes cannot be meaningfully assessed. In addition, *PSIA is most effective when it looks at a range of policy options*, rather than focusing on how to improve a single policy.

If a reform is found by PSIA to have significant negative social impacts, particularly on poor and vulnerable groups, the reform *should either be adjusted, dropped or mitigating measures should be introduced*. In other cases, there may be the possibility of improving the impact of a reform by adjusting the policy.

The key elements of PSIA should be monitored through existing national monitoring systems. Where PSIA uncovers the need to monitor elements that are not traditionally the focus of national systems, the contribution of other actors, such as local civil society organisations, may be required to supplement the national system.

Challenges

Poverty and social impact analysis is generally challenging due to the complex nature of reforms and their consequences. The analysis of distributional impacts depends on many factors, including the design of the reform, the political economy of reform and the capacity and willingness of the agencies responsible for implementing reforms.

More specifically, PSIA faces various challenges that include:

- *Methodological challenges*: More work is needed to develop quantitative models, adapted to country specific circumstances and to develop instruments that can capture non-income aspects of poverty and well-being.

- *Paucity and quality of data:* There is limited national data in many countries, which affects the quality of PSIA. It is important, however, not to set up parallel systems for PSIA. Instead, national information systems should be strengthened.
- *Conducting multidisciplinary research:* While multi-disciplinary analysis is beneficial, it can be difficult to integrate economic and social disciplines and to work in a multi-disciplinary way.
- *Weak country capacity:* In many countries, the capacity to undertake PSIA (e.g. capacity to analyse household survey data or to engage in qualitative analyses) is weak. The PSIA process thus far has had a negligible effect on strengthening national capacity for policy analysis and evaluation. Strengthening capacity needs to be made an explicit objective, backed by an appropriate strategy to achieve it.
- *Embedding PSIA in domestic political processes:* PSIA has thus far not been sufficiently embedded into national policy cycles. This is important in order to incorporate results from PSIA into the policy process.
- *Effect on country policies:* It is difficult to trace links between PSIA and country decisions, particularly where PSIA is only one of many possible influences. In addition, PSIA effects can be diffuse and lagged – and may affect ideas and debates that shape future policy choices. While there is some evidence that PSIA has impacted on policy development, there are other cases where the time frame allocated was insufficient to follow up the research findings in order to influence the policy process directly.
- *Inadequate institutional buy-in:* Uptake of PSIA is largely dependent on individual inclinations rather than reflecting established practice across the World Bank. Operational staff surveyed seemed to lack a common understanding of the objectives and processes of the PSIA approach.

Linkages

PSIA relies on a range of institutional, political and social tools. As noted, it engages in analysis at three levels of policy reform. At the macro-level (country and reform context), tools such as power analysis and drivers of change are relevant. At the meso level (policy implementation), tools such as stakeholder analysis and institutional analysis are relevant. At the micro-level (impact of policy reform), tools such as household and individual surveys are useful.

PSIA should be integrated into Poverty Reduction Strategy processes, Country Assistance Strategies, and within the standard cycle of Economic and Sector Work in order to promote the incorporation of findings and the effectiveness of policy reform; and to promote national ownership.

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Problem-Driven Governance and Political Economy Analysis

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Overview

Integrating governance and political economy analysis more systematically into World Bank operational work is important to enhance development effectiveness, to better address risks, and to respond to client demands for approaches that are tailored to specific situations. The Problem-Driven Governance and Political Economy (PGPE) framework synthesises the lessons and experiences of diagnostic work on corruption, governance and political economy analyses. The framework seeks to contribute to the development of tools and practices that support smarter, more realistic and gradual reforms in developing countries. It emphasizes 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 good practice framework can be useful outside the organisation.

How to use the tool

The concept of PGPE analysis

Governance and political economy factors play a powerful role not only in a country’s overall development path, but also for shaping policies in various sectors and the way they are being implemented. An analytic approach to governance and political economy is considered essential to

making progress in addressing governance to unlock development. PGPE analysis aims to better operationalise political economy analysis by focusing on particular challenges or opportunities such as why certain reforms have succeeded or failed.

Purpose

The PGPE analysis is a good practice framework rather than a tool. The objective of this framework is to systematize approaches to governance and political economy analysis and to provide readily available orientation for World Bank task team leaders and teams. The overall aim is to enhance development effectiveness, by making what the World Bank does and how it does it more realistic and attuned to context.

Research methods, processes and outputs

The PGPE analysis work seems to be integrated into the project team's work rather than to be undertaken as a stand-alone study. World Bank teams thus use available sources, *written sources*, *interviews with individuals and focus groups* if appropriate, to undertake a PGPE analysis.

There are five steps or issues to consider in the overall process:

1. Planning and timing of PGPE work
2. Defining and finding the necessary skills
3. Implementing the diagnostics
4. Sharing and disseminating outputs
5. Bridging analysis and follow-up/action

The analysis can examine: (i) the macro or country- level; (ii) the sector and thematic level; (iii) the project- and policy-specific level; or (iv) a combination of different levels.

Elements of PGPE analysis

The key concepts during the PGPE work to be examined are:

1. Three driver clusters: structures, institutions, stakeholders (actors)
2. Historical legacies
3. A mapping of formal and informal institutions
4. Stakeholder analysis
5. Resources, rent distribution, political stability

Concept (5) entails understanding the political economy of rents, how it is linked to the distribution of power in society, and how this interaction in turn affects growth, poverty reduction, and reform processes.

The approach works through three layers (see Figure I): (i) identifying the problem, opportunity or vulnerability to be addressed; (ii) mapping out the institutional and governance arrangements and weaknesses; and (iii) drilling down to the political economy drivers, both to identify obstacles to progressive change and to understand where a 'drive' for positive change could emerge from. When looking at political economy drivers, it is important to look at stakeholders, structural factors and historical legacies.

Figure 1: Three layers of problem-driven GPE analysis

Problem-driven ↓ GPE analysis	What vulnerabilities/challenges?	Evidence of poor outcomes to which GPE weaknesses appear to contribute	E.g.: repeated failure to adopt sector reforms. Poor sector outcomes. Infrastructure identified as constraint to growth but not effectively addressed. Continuous food insecurity. Corruption continues to undermine the business climate even after anti-corruption law
	Institutional & governance arrangements & capacities	What are the associated institutional set-up and governance arrangements?	Mapping of relevant branches of government, ministries, agencies, and SOEs and their interaction. Existing laws and regulations. Policy processes (formal rules and de facto). What mechanisms intended to ensure integrity and accountability and to limit corruption exist?
	Political economy drivers	Why are things this way? Why are policies or institutions arrangements not being improved?	Analysis of stakeholders, incentives, rents/rent distribution, historical legacies, and prior experiences with reforms, social trends and forces (e.g., ethnic tensions), and how they shape current stakeholder positions and actions

Source: Fritz et al., 2009

Skills and resources

Matrix 1 summarizes key skills by level of analysis (the concrete skill requirements of each specific case may vary).

World Bank teams have used a variety of teams and skill composition for Political Economy analysis work. The author suggests that generally, on the team there should be at least one person with in-depth political science/political economy training; and a local consultant.

The World Bank also runs seminars for potential Political Economy consultants to ensure that they are more aware of the operational practices and needs of World Bank teams.

Matrix 1: Levels of analysis and key skills needed

Level of analysis	Key skills
Country-level analysis	<p>Country and/or regional knowledge and the ability to summarize key issues coherently and compellingly</p> <p>A good grasp of key concepts—such as stakeholders, institutions, rents—and experience in applying them in focused analysis to developing-country dynamics</p>
Thematic and sector-level analysis	<p>A good grasp of key concepts—such as stakeholders, institutions, rents—and experience in applying them to concrete development challenges, such as sector reforms</p> <p>Problem-solving, practical orientation; including an understanding of Bank operations and an appreciation of development effectiveness concerns</p> <p>Experience in analyzing public sector issues, institutions, and processes (e.g., public investment, public sector employment issues) with cross-sectoral relevance</p> <p>Knowledge about typical governance problems related to the theme or (sub-)sector to be analyzed and how they are linked to political economy drivers</p> <p>(Team lead) An ability to structure a task in terms of the analytic/investigative process and to produce a well-structured output</p>
Project-focused analysis	<p>Problem solving, practical orientation, including familiarity with Bank operations</p> <p>Ability to apply key GPE concepts to project-level issues and challenges</p> <p><i>Depending on the nature of the project and issue:</i> familiarity with focus groups/participatory approaches</p>

Source: Fritz et al., 2009

Value added

PGPE analysis can:

- Be practical and useful for enhancing strategies and operations.
- Produce greater awareness of risks and of options for managing risk.
- Contribute to enhancing the policy dialogue.
- Help develop innovative approaches to operations.

Linking GPE analysis well to other (ongoing) analytic and advisory activities and to World Bank operations is likely to increase its ultimate usefulness.

Operational impact

As the framework is just over a year old there has been no discernable work which evaluates the framework.

There are a range of potential operational implications, such as advising what policy options/reforms are feasible given the political economy context; and highlighting potential political economy challenges (e.g. risks of capture of benefits of a particular policy intervention/policy change) (Fritz comments).

Challenges

Fritz et al (2009) highlights a series of challenges when undertaking PGPE analysis:

- *Detailed evidencing can be challenging.* Pertinent data or information is not routinely collected by sources such as a country's national statistical office or ministry of finance, nor by World Bank teams/country offices. In addition, there may be issues with the accessibility of relevant data. Evidencing can be particularly challenging for sector-focused and thematic analysis.
- *There is a trade-off between the depth of evidencing and resources allocated.* An in-depth, richly evidenced PGPE analysis will require more time and resources than a quick piece that is more conceptual, drawing on a few key interviews only.
- *Credible GPE analysis needs to pull together a compelling 'analytic narrative'* consistent with experience and systematically gathered data and information. At the same time it must avoid the pitfall of essentially providing technical analysis combined with some broad statements about governance and political economy.
- *Teams must be open to and actively engage* in this diagnostic work. They must articulate needs and have a clear focus. They must pursue the synergies between technical and GPE-type diagnostic work, as well as engaging in frank discussions of tacit knowledge, past experience, and upcoming challenges.
- *Country management's commitment and engagement* is important for reaping potential strategic benefits to country programs and sector operations.
- *Getting the right skill set* is essential to good problem-driven GPE analysis. The required skill set varies with the level and focus of analysis. Once the required skill set has been defined, finding the right team is the next challenge. Especially for upstream substantial analytic work, it is best to have a small team, bringing together a set of skills.

Linkages

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 (Fritz comments). It builds on prior World Bank political analysis work and builds on PSIA methodology.

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.

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