

# Problem-driven political economy analysis for development effectiveness

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# What is political economy analysis?

**Political economy 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.

(OECD/DAC)

**Cross-cutting and complementary** to technical analysis, and analysis aimed at identifying priorities

**PE analysis can promote development effectiveness** by helping to develop approaches that take contextual factors (systematically) into account

# Three layers of **problem-driven** GPE analysis

**Vulnerabilities & concerns**

Problem driven

**Institutional/ governance arrangements & capacities**

**Political economy**

Evidence of poor outcomes to which GPE issues appear to contribute

E.g. repeated failure to develop solutions to lack of results in sectors. Infrastructure is constraint to growth but is not being improved

What are the institutional arrangements & are they capable, effective & efficient?

Mapping of institutions: laws, regulations; responsible public bodies; formal and de facto rules of the game; analysis of integrity/corruption challenges

Why are things this way? Why are policies or inst. arrangements not being improved?

Analysis of stakeholders, incentives, rents/rent-distribution, historical legacies & earlier reform experiences; social trends & forces and how they shape stakeholder actions



# GPE can be **applied to** country, sector, or specific operations

## Macro: country level

- Analysis of overall country context. Also as a background note for meso and micro level work

## Meso: thematic and sector level

- Thematic problem-driven GPE analysis, e.g. on natural resource management, linking governance and growth
- Sector-focused problem-driven GPE to inform CAS pillars, sector strategies & Development Policy Loans, complementing technical sector analysis

## Micro: specific operations or policies

- Such analysis is focused on generating direct advice to a single operation or for the dialogue on a specific policy issue (e.g. Prior Action)

# A variety of approaches & tools ...

## General approaches/perspectives:

- Analyzing historical legacies and their impact on current configurations
- Analysis of rents, rent distribution & dynamics

## Particular perspectives, structuring & slicing:

- Analysis of policy processes and electoral incentives – and their impact on policy volatility, adaptability/on public investment planning, public-orientedness of policies & resource allocation
- Value-chain approach for structuring sector focused analysis

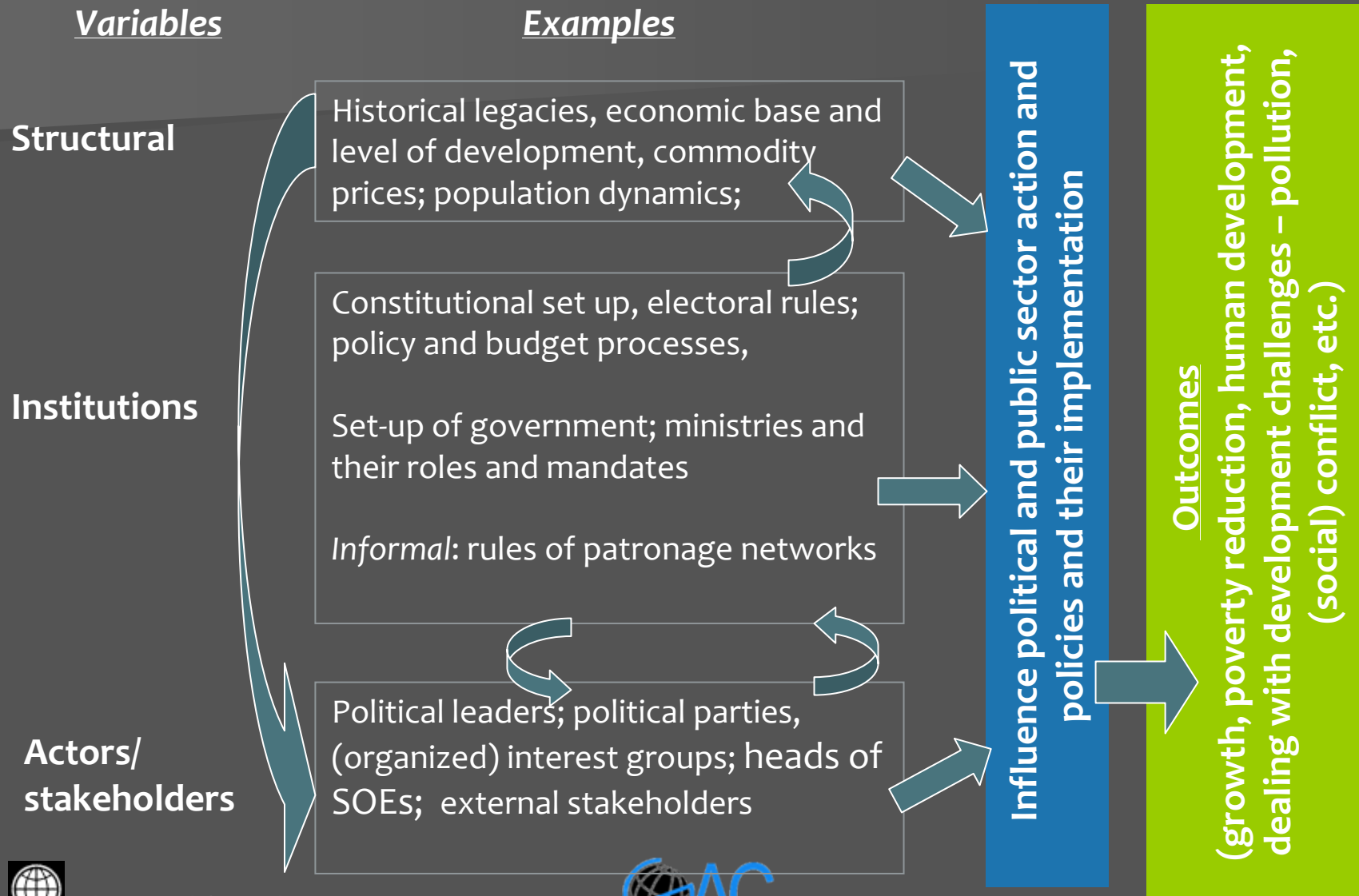
## General tools:

- Analysis of structural factors and their impact
- Institutional mapping at different levels – from constitutional systems to detailed processes at sub-sector level; capturing formal and informal institutions
- Stakeholder mapping & analysis (-- using different degrees of formalization)

## Specific tools:

- Surveys of public opinion or of well-informed people
- Quantitative analysis – e.g. using data from surveys, policy outputs, etc.

# A basic structure for GPE analysis: 3 sets of variables, interactions & effects on policies & outcomes



# Defining a clear **purpose and focus** for the analysis is vital

- Country level analysis is important for all teams to understand the broad context in which the Bank operates
  - And to do so systematically and with analytic rigor; while drawing on what teams know already
- Analysis focused on a particular sector/sub-sector/project is important if teams are looking for advice that is directly relevant to operations
- => the two can be combined in one analytic process, or can be commissioned at various points in time
- The skills and processes needed for country level and for operation-focused analysis are somewhat different
- For any level, ensuring a good feedback loop to the country and/or sector teams and good follow-up is essential



# Matching approaches & tools with purposes and resources

- Choosing among approaches and tools based on:
    - Purpose of the analysis/nature of the problem
      - What the analysis is meant to inform (e.g. CAS, DPL, current crisis, etc.)
    - The level/detail of evidencing required/desired/feasible given country circumstances
    - Available resources: budgets, available skills, timeframe
- => One piece of PE analysis *cannot* serve a wide range of different purposes (e.g. providing a picture of broad country trends *and* informing specific operations)

# Operational value:

## Defining how to proceed to make reforms happen

Selecting operations  
given existing  
reform space

Seeking to expand  
reform space  
pro-actively

**Zambia** telecoms:  
focus on local  
winners

**India** power:  
reform sequencing

**Ethiopia** PBS to mitigate  
reputational risk: support  
subnational service  
delivery with participation

**Mongolia** Mining:  
TA with local think  
tank for public  
debate

**Paraguay &  
Bangladesh** roads:  
external  
monitoring by  
stakeholders

**Philippines** public  
procurement reform  
– pro-active coalition  
building to combat  
entrenched  
corruption networks



# Evidencing political economy analysis

- Political economy analysis needs to be well evidenced to be credible ...
- .. without falling into the trap of duplicating technical analysis
- Structuring/summarizing/focusing existing analysis
- Identifying data and sources – often ‘outside the box’ – surveys, electoral results, records of voting and debates in parliament, pricing, records of ownership, etc.
- Interviews – with systematic approach
- Triangulation!

# Resources

- PRMPS <http://connect.worldbank.org/units/prem/PD-GPEA/pdgpe/default.aspx>
  - Good Practice Framework for Problem-Driven Governance and Political Economy Analysis
  - Repository for existing examples of political economy analysis (evolving)
  - Thematic applications
    - Growth diagnostics
    - Resource rich countries comprehensive engagement (EITI++)
    - *Core Governance (esp. Public Sector Management) in Fragile Settings*
- SDV
  - TIPS handbook (Tools for Institutional, Political, and Social Analysis of Policy Reform)
  - The Politics of Policy Reform – Issues and Implications for Policy Dialogue and Development Operations
- CommGAP – [www.worldbank.org/commgap](http://www.worldbank.org/commgap)
  - Communications strategies for PE analysis follow-up



# Operationalizing GPE

## ■ Demonstrating Value Added

- Upside & Downside
  - Constructive, Risk Mitigation
- Sector/Country Team Dialogue
- Dissemination
  - Grey Covers...
- Community of Practice

## ■ Resourcing

- BB, Governance Partnership Facility, PSIA...
- Skills base (staff, consultants, quality control)

