

# Problem-driven Political Economy Analysis: the World Bank's experience

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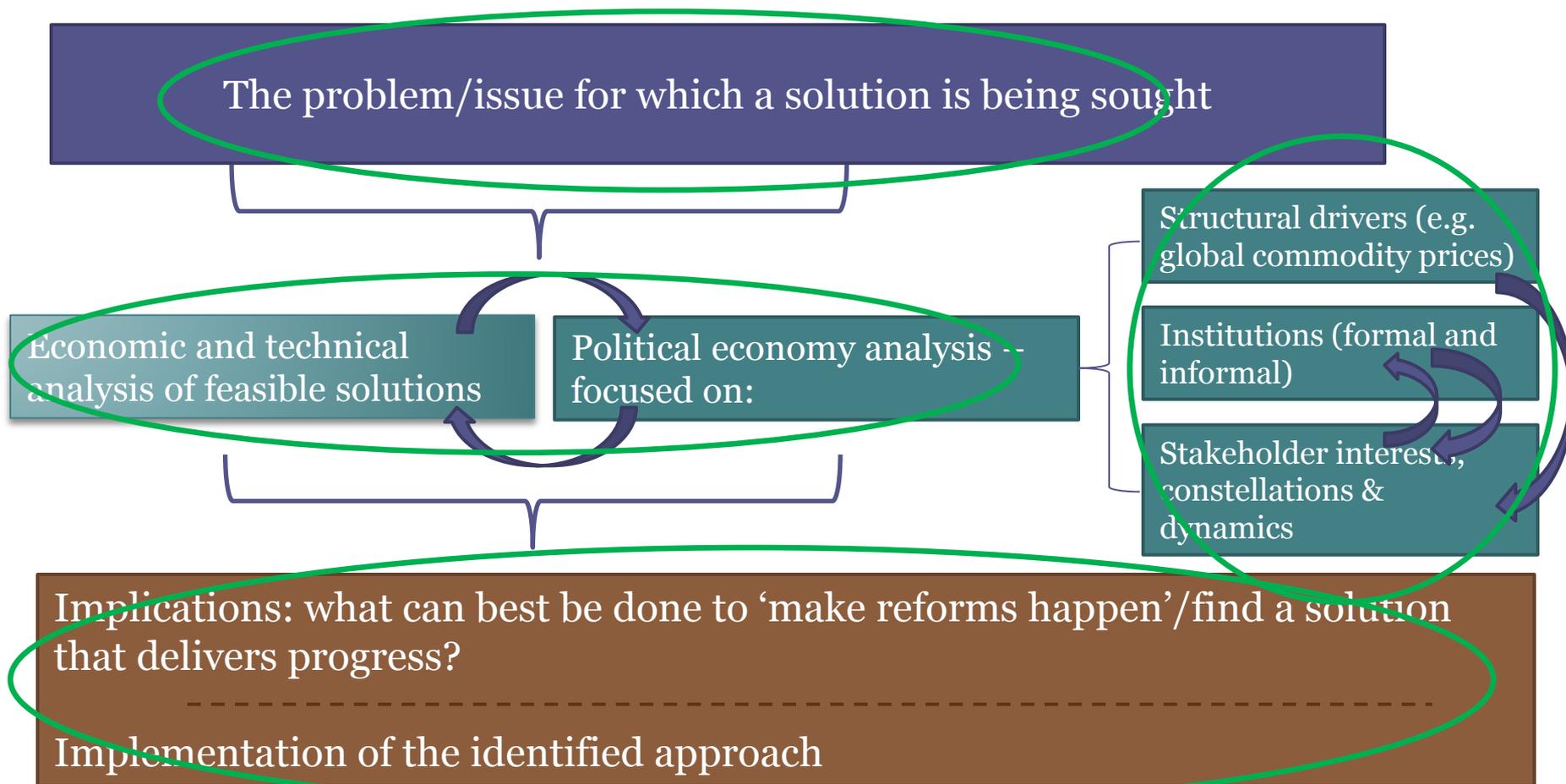
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# Problem-driven PEA - the WBG's experience

- The concept of thinking about political economy challenges in a *problem-driven* way built on the experience of others + internal
  - Focus the analysis on specific issues – more likely to arrive at conclusions and recommendations that WBG teams can take action on
  - Fits well with the Bank's broad engagement across a range of different sectors
- Window of opportunity to invest in analytic work
  - GAC strategy (2007)
  - Governance Partnership Fund (GPF) (2008)
- PDPEA approach published in 2009
  - intended as a broad tent and guideposts rather than a straightjacket

# The Problem-driven framework in a nutshell



Note: this framework can be used for country and sector/issue specific analysis; certain issues (e.g. PE dynamics between countries) involve additional layers

## The Problem-driven PEA framework, cont'd

- Emphasis that PEA has to include a focus on potential *positive drivers*
    - Development agencies tend to be overly *optimistic*
    - Political scientists tend to be overly *pessimistic* about opportunities for change
- ⇒ So: 'If government x seeks a loan for y, what and how can we achieve most considering technical and non-technical factors?'

# Evolution of PEA 2009-2014

- About 250 political economy analyses done across the Bank during this period
  - About 30 with country level focus only + 15 country & sector or theme combined; the remainder sector or project focused
  - Range of sectors: agriculture, CDD, decentralization, PFM, water & sanitation, financial sector, NRM, infrastructure, environment/forestry...
  - But still little 'depth' in most sectors – i.e. mostly one-off exercises except for some (NRM, decentralization, urban water)
  - Regionally, Africa accounts for the bulk of the work: 100/250
  - Funding has been mixed between Trust Funds, and 'Bank Budget' – i.e. the Bank's own regular resources (data challenges)
- Harvesting lessons:
  - Staff surveys about views on PEA – mainly capturing PREM staff
  - Impact stories on how PEA has been used to inform strategies and operations
  - 2014 volume *Problem Driven PEA – The World Bank's Experience*
- Looking ahead:
  - Full scale overhaul of the WB ongoing
    - ➔ Governance Global Practice from July 1
  - Will need to re-anchor PEA in the new structure

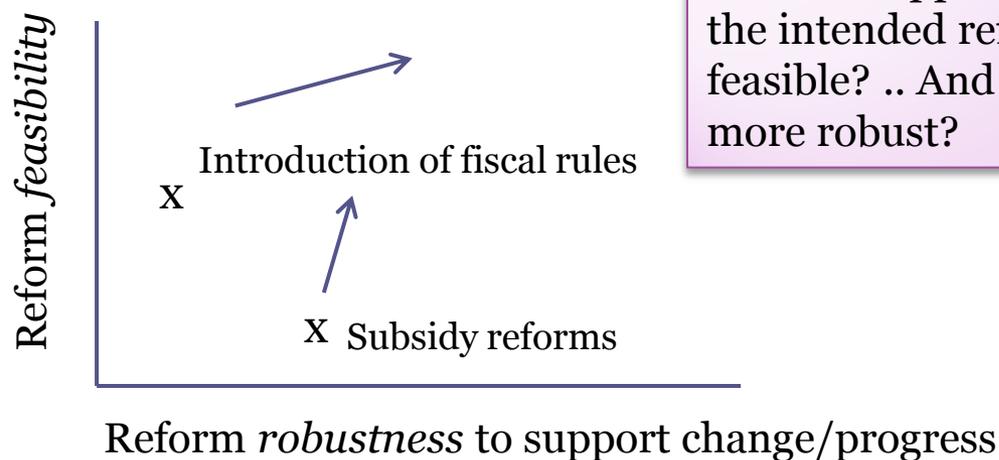
# A perspective on ‘taking context seriously’

- Analyzing countries and policy reform efforts indicates that *neither ‘one size fits all’ nor ‘every country is unique’*
- Including recurrent patterns across sectors/issue areas
  - Fiscal management
    - Imposing fiscal constraints is hard to make stick (MNG, MOC in the volume, Caribbean islands, Nigeria, EU ...)
  - Decentralization devolves some power, but national-level politics remain influential
    - Effects are shaped by the structure of ethnic and other divisions
    - Local infrastructure allocation is controlled to ensure electoral gain, and frequently also access to rents (through kick-backs)
  - In the power sector, ‘low price’ (per kWh) starting points tend to be very ‘sticky’ due to the combination of stakeholder interests they generate (the poor, the middle class, industry) – collective action challenge
    - Whether in a low or in a middle income country (Zambia, DR)
    - Opportunities: promoting collective ownership of the problem OR getting the most profitable consumers to pay more first
  - Increasing commercial agriculture – difficulty of agreeing on property rights, and to build trust, even if in principle there is a win-win opportunity
    - Opportunity: use out-grower arrangements that can work with fluidity and provide quick win-wins to demonstrate benefits
    - Strengthens rationale for WBG engagement to foster a socially-responsible approach in the sector

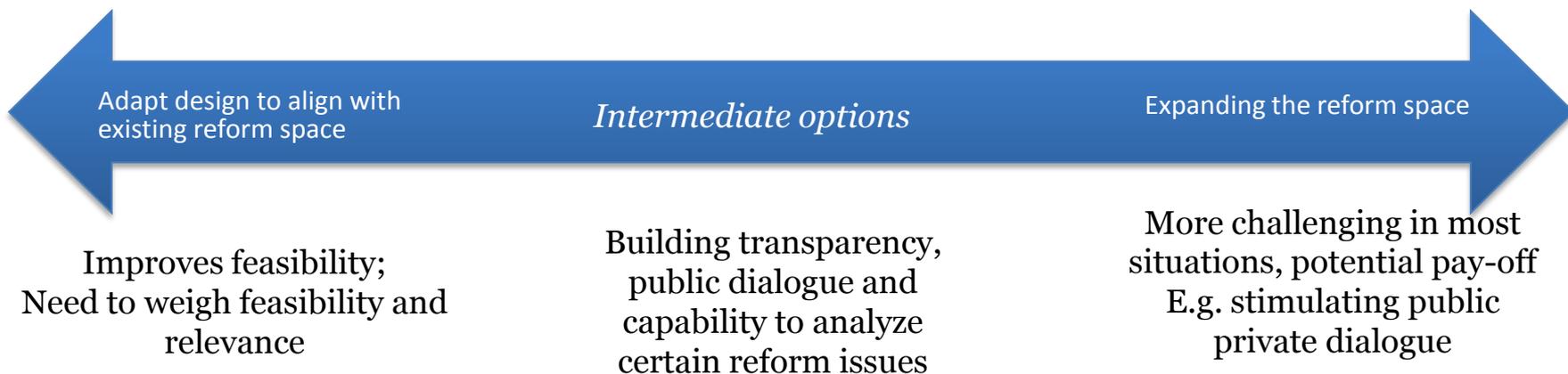
# Common themes - opportunities

- Opportunity often rests in the fact that politicians would like to achieve something
  - Showing roads built, power blackouts reduced, MDGs achieved, etc.
  - Show off to citizens, to potential challengers, to other presidents
  - ... but often struggle with how to achieve these goals
- A related set of opportunities is that citizens are increasingly better informed and expect more
  - People see through 'ribbon cutting' behavior
  - Expect at least basic levels of service delivery
- ... even if this is far from a panacea
  - Still, it also happens that citizens vote for politicians who are known to be corrupt & vote buying
  - Citizens have parochial interests in what benefits them directly
  - Particularly challenging to build sufficient information/understanding and trust in the benefits of shifts in macro-policies and sector policies that have immediate strong negative impacts (subsidy removal, power tariffs)

# PE implications - feasibility and robustness



Thinking from a PE perspective:  
are there opportunities to make  
the intended reforms more  
feasible? .. And to make them  
more robust?



# Key lessons: What does it take for PEA to affect development engagement and results?

- It must meet the benchmark of quality
- It must be known by those who are expected to change approaches (e.g. sector colleagues)
- The resulting recommendations must be sufficiently practical and granular to act upon
  - Tailored to the engagement
- Management endorsement and encouragement & resources from both the country and the sector side
  - CMU: we want to engage this way with the client
  - Sector/practice: we want to try (and monitor) whether this 2-nd best/unorthodox approach works in this type of situation
- Why might management care?
  - The *jiu-jitsu* benefit:
    - ‘Channeling’ political energy towards development compatible action (and away from actions that damage shared prosperity)
    - Helping to leverage limited resources to maximize development impact of WBG lending

Thank you!

# Strategies for evidencing PEA

- Wariness about PEA in part due to sense that the analysis is not robust
- PEA seeks to address issues that can be challenging to evidence:
  - Who owns what? Who is getting what rents and how? What's the % of kick-backs?
- Primary intention is not to 'name names' but rather to explore systems of conditions and incentives
- Fairly robust evidencing is possible – and can use a variety of strategies
  - Including price data, fiscal data, surveys, process tracing of more distant and more recent events (such as sector reform efforts), close analysis of legal and regulatory provisions, targeted interviews
  - Mapping of electoral results and matching with data on distribution of services
  - Analytic narrative based on triangulated evidence
  - Comparative insights from similar countries/constellations
- Important to match expectations, resources and methods
  - Analytic rigor has a cost
  - 'Quick and dirty' – limited rigor
  - Mix and match
- The volume provides a set of examples – and more 'out there'
  - WBG, DFID/ODI, emerging: IMF
- As for other areas:
  - knowledge is *cumulative* – looking at multiple sectors and issues in a country contributes to refining an understanding of how things work
  - Political economy dynamics evolve over time

Case	Focus	Evidencing strategies used
MNG	NRM boom	Used fiscal and commodity price information, tracing of historical legacies, and of policy processes, electoral system and rules
MOC	Subsidy reform	Citizens survey focused on knowledge about the subsidy system and likely reactions to price changes
DR	Power sector	Process tracing of past reform efforts, tracing of household 'opting out' strategies, electoral dynamics, analysis of stakeholders
ZAM	Power and telecoms	Analytic narrative and process tracing of decision-making and incentives related to sectoral reforms, analysis of pricing and related incentives
GHA	Commercial agriculture	Analysis of current investment and development opportunities, in-depth historical perspective, analysis of local versus national interests
SL	Service provision at SNL	Historical legacies, electoral related to ethnic patterns, analysis of resulting incentives for sub-national service delivery
PNG	Local infrastructure	Detailed analysis of institutional provisions, incl recent DP supported changes; survey of 1100 households, questionnaires focused on factors driving infrastructure project allocations
PH	Local roads and health	Summary of unexplained variations in service delivery levels and fiscal allocations, survey of 1200 households in one province, analysis of electoral characteristics and services received by localities

# PEA volume -- common themes across the cases

- A key common theme across these different cases and settings is the importance of incentives related to *managing political support*
- Politicians seek to shape public policies and spending in a way that they believe will help them maintain, access, or consolidate power, and make trade-offs accordingly
  - Targeting of resources to build networks of support (SL, PH, MNG)
  - 'Arms race' of social policies and other spending over-consuming fiscal space (MNG)
  - Shore up political support through continuing cheap energy (Zambia, DR) – even if long-term costs are high
  - Struggling to address fluid property rights in rural areas in Ghana despite potential win-win
  - Cautious about addressing subsidies in MOC, despite a spiraling fiscal cost (and unable to address related issues of insider privileges)
- ... within the constraints and the opportunities at hand, including:
  - Accessing and distributing available rents – from natural resources, land, privileged regulatory treatment, access to bank loans, public sector contracts and jobs ...
  - Electoral systems and geographic distribution of voters, citizen/public expectations, nature of the party system and political competition, constitutional and other provisions governing the policy making process, veto points, appointment and removal powers, etc.
  - Fiscal trends: lots of space (Mongolia) versus being squeezed (Morocco)