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Politics
& Governance

Applied political economy analysis

A problem-driven framework

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Methods and Resources

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Introduction to the framework

This framework helps practitioners and researchers to use political economy analysis to understand and respond to practical problems. The framework has three dedicated, but related, phases: problem identification, problem diagnosis and consideration of plausible change processes. In this introductory note we describe the key components of the framework, the relationships between them and how to use the framework to undertake analysis. Annex 1 contains a diagram of the overall framework. Annex 2 provides a glossary of key terms.

Where is this coming from?

It is worth noting at the outset that, for those with significant experience in the political economy of development, there is a lot of familiar material here. Successive efforts over the past decade have brought the development community to a point where there is considerable consensus that gaining a better understanding of the political, economic and socio-cultural dimensions of the contexts in which organisations operate is an important step towards greater effectiveness and better outcomes. Partly as a result of this consensus, the applied political economy field has become quite a crowded arena, with different frameworks, diagrams, terminology and acronyms all popularised by different organisations (see Edelman, 2009, for selective review).

What follows is an attempt to distil some of this into a structured, concise and usable framework to provide some guidance on how to navigate this space. The framework encourages conceptual rigour while speaking to operational needs and making space for a diversity of approaches across the broad spectrum of what has come to be known as ‘political economy analysis’, at the same time as preserving an emerging common analytical core.

Content and process ideas underpinning the framework

Two things are particularly important for researchers and practitioners to consider when applying this or other frameworks in political economy analysis. First, by definition, the framework identifies the types of variables that need to be included in the analysis and proposes a basic set of relationships among them. Here, the content of the diagnostic phase (Step 2) of our framework echoes the development of political economy methods in the development sphere and reflects the common core to which we have referred above and which we have written about [elsewhere](#). The familiar components from previous efforts include:

- The key structural features (Step 2a), including both features of the context that are relatively slow to change or essentially fixed characteristics, and institutional features that may be more susceptible to change over the short to medium term; and
- Relevant individuals and organisations, their motivations (whether financial, political, personal, ideational etc.) and the types of relationships and balance of power between them (Step 2b). We also include here relevant analytical concepts that provide some insight into actors’ incentives and decision logics. This latter set of ideas is not often included explicitly in existing frameworks, and we return to this below.

The relationship between these components forms the core of the diagnostic phase, a feature that again is shared with other frameworks. The basic point, that the structural features of a context influence the incentives of various actors and their power to pursue their goals, and therefore the actions, decisions and behavioural choices of those actors, is certainly part of this. We allow for causality to run the other way as well, though, noting that certain contextual features are the product of previous sets of interactions between relevant individuals and organisations (and are potentially subject to contemporary or future actions).

The second thing to consider, for this or other frameworks, is the sequencing implied, or, in other words, the *process* dimension of the framework. One of the key lessons learned in the development of this approach is that the diagnostic and process dimensions ought not to be conflated. We provide here some basic guidance based on experience to date with applied political economy work in the development sphere.

This framework suggests adopting an approach that focuses the analysis on a particular problem arising in the context in question (Step 1). Those familiar with the field will recognise the influence here of work by Verena Fritz, Kai Kaiser and Brian Levy on problem-driven political economy analysis (Fritz et al., 2009) and a subsequent iteration led by Alice Poole and the World Bank’s Community of Practice (Poole, 2011).

Depending on the purpose of the analysis being carried out, this may not always be the best approach, but we do feel it can help significantly in narrowing the scope of the analysis in a way that helps respond to the needs expressed by development partners.

More specifically, focusing on a specific problem can help to ensure the analysis is more relevant for operational purposes, rather than simply highlighting salient features of the political context in which development interventions take place. In practice, the time devoted to the identification and formulation of the problem may be significant, but there is substantial value in the process of reflection involved: it is time well spent. Researchers and practitioners ought also to make use of available material, including relevant outcome indicators, previous programme documentation and previous political economy or other analytical work.

With reference to the diagnostic component outlined above, it is worth focusing on two process points. First, recognising the interactive nature of the diagnosis of structure and agency and placing it at the centre of the diagnosis requires an iterative approach to Step 2. Such an approach considers prospective actions and reactions over the course of a series of multiple interactions among relevant individuals and organisations in an evolving context. In other words, the approach must be a dynamic one, which recognises even ongoing changes among the variables.

Second, without simply falling victim to confirmation bias, the diagnosis should draw on relevant analytical concepts that provide some structure to the sets of relationships observed. While stakeholder mapping exercises that plot actors' positions relative to potential reforms and their influence over reform processes can be a helpful starting point, additional analytical power is possible where researchers can identify particular constellations of relationships between actors. We have provided an indicative list in the framework as a toolbox of sorts, with the intention of encouraging the application of robust concepts from across the social science literature. This list ought to be treated as a starting point rather than as something comprehensive. Where other patterns can be recognised and drawn on in a useful way, this should be encouraged.

Finally, we come to the prospects for effecting or contributing to change (Step 3). The practical demands of practitioners require an explicit incorporation of the consideration of change processes into applied political economy work. There is a limit to how far a framework can provide specific guidance on priorities for action or on how to bring about the desired reforms, but we believe there is a practical middle ground here in the application of two principles.

- First, the set of tools available to any given actor ought not to affect the diagnosis of the underlying causes of the problem. It is generally accepted that, where medical doctors lack a cure for a particular disease, they should not simply provide a diagnosis for which they have medicine on hand. Such behaviour, while not unknown in practice, is considered professional malpractice in the medical field; so too should it be in international development. This view is reflected in the insistence in the framework that a determination of considerations of potential ameliorative actions can take place only after a diagnosis of the underlying constraints to performance.
- Second, priorities for action can best be identified where they are a part of a theory of change consistent with the underlying diagnosis. This implies that the theory of change should be plausible given the contextual features identified and the opportunities different actors have to exercise agency. Here, the effort spent applying relevant analytical concepts that provide structure to relationships among sets of actors is critical, and helps identify ways forward. In other words, it is not simply that institutions matter, or that institutions shape incentives for actors, but also that they often do so in particular, recognisable ways that may be susceptible to particular types of interventions in order to improve developmental outcomes.

This brief overview is intended to convey the basics of our approach. The point here is not to be too prescriptive in the use of a framework by giving detailed guidance on its application. For certain purposes (e.g. in-depth training exercises), more specific, detailed guidance will be necessary, but different organisations and individuals will have different needs. As a result, we hope this framework and overview can provide a constructive input into thinking about how to address development challenges.

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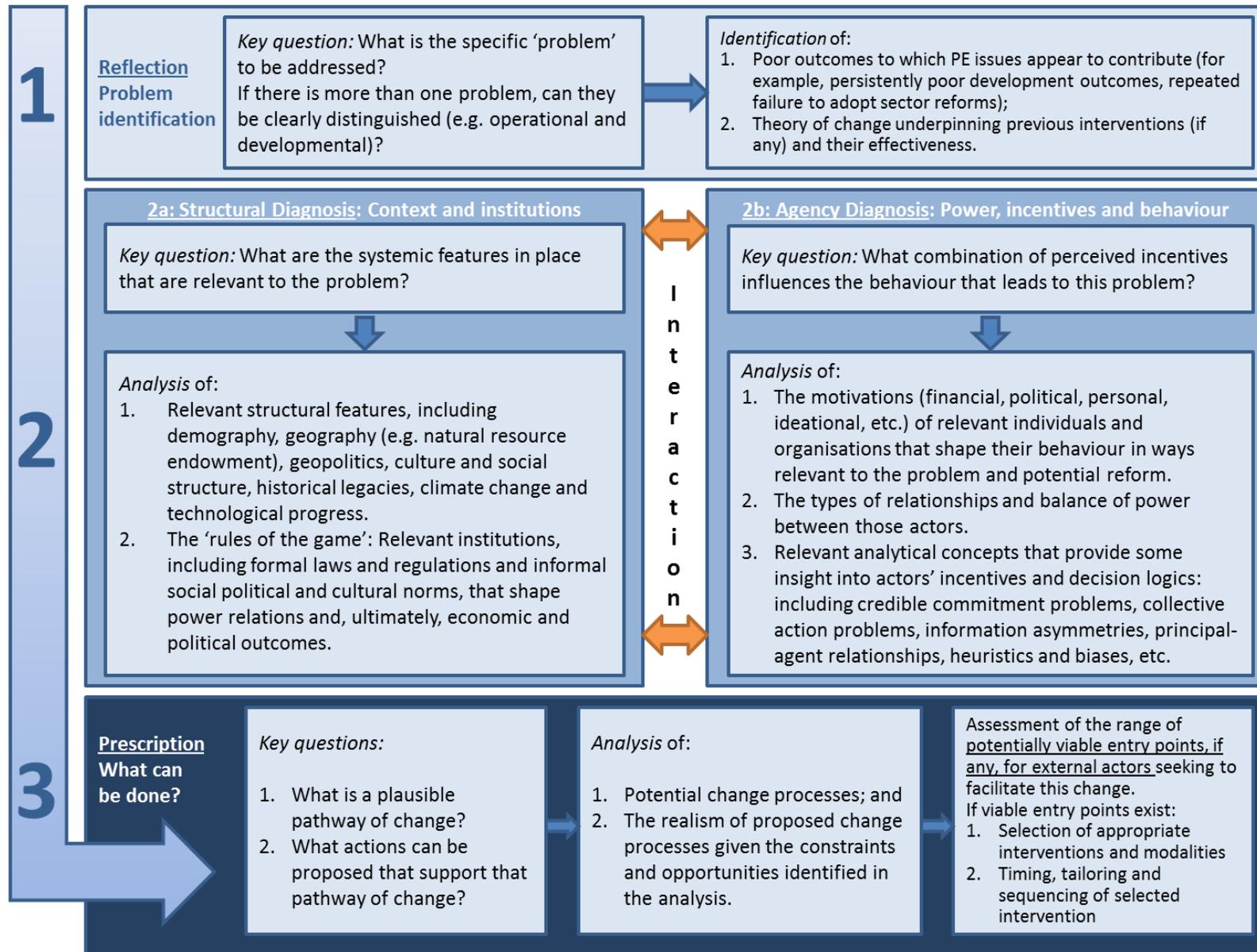
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More information

- The Policy Practice Political Economy Library: <http://bit.ly/wPGHc8>
- The capacity4dev Working Group on Political Economy Analysis: <http://capacity4dev.ec.europa.eu/political-economy>
- The Governance and Social Development Resource Centre Political Economy Analysis Topic Guide: <http://www.gsdr.org/go/topic-guides/political-economy-analysis>
- The World Bank Political Economy Analysis Portal: <http://go.worldbank.org/M80379YR10>

Annex 1: Problem-driven framework for applied political economy analysis



Annex 2: Glossary

Actors, also called **stakeholders** or **interest groups**, are the individuals or organisations that are most relevant to the issue in question. They include those individuals or organisations that support reform as well as those that oppose it; individuals or organisations that engage with the issue as well as those that ignore it; and individuals or organisations that benefit from potential reforms and those it will adversely affect. Actors will vary in their ability to exercise agency, in large part because of the particular balance of power relations at play (economic, social and political).

Collective action challenges occur in situations in which individuals are prevented from working together to produce something of value which would be difficult to produce alone because of the distribution of costs and benefits. 'These occur when a lack of motivation, and/or missing or asymmetric information, generates incentives that prevent individuals from satisfactorily resolving a [...] situation in which two or more individuals associate to produce something of value together, when it would be difficult to produce it alone' (Ostrom et al., 2002).

Credible commitments are agreements that both parties expect will be adhered to, and where there are sanctions if the person making the promise does not fulfil it. This should be contrasted with non-credible commitments, which are empty promises (Williamson, 1996).

Heuristics are 'simple procedures that we use to help find generally adequate, though imperfect, answers to difficult questions' (Kahneman, 2011: 98).

Incentives are 'the rewards and punishments that are perceived by individuals to be related to their actions and those of others' (Ostrom et al., 2002). These can be both material and non-material in nature. Precisely what types of incentives exist for each actor or set of actors and how actors respond to incentives will be shaped by all of the factors above and the resultant decision logic used. They may also be affected by the way specific events unfold within processes of change, some aspects of which may be subject to deliberate actions on the part of well-informed and well-placed brokers of reform.

Information asymmetries exist where one actor has more information about the relevant situation or interaction than another actor and can potentially use that information to gain some sort of advantage. Actors 'may be missing information about some of the actions they could take, about the linkages of actions to outcomes, and about material or intrinsic payoffs' (Ostrom et al., 2002: xvii).

Institutions are 'the rules of the game in society or, more formally, are the humanly devised constraints that shape human interaction' (North, 1990: 3). Institutions include both formal and informal rules that govern behaviour and tend to be more susceptible to change in the medium term than structural features.

Principal-agent relationships are primarily concerned with the challenges encountered in cases in which one actor (the principal) relies on and therefore must motivate another actor (the agent) to act on their behalf or in their interest (Ostrom et al., 2002).

Structural features are the conditions that influence the state and political system, including geographic, demographic, historical, economic and social characteristics of the community in question. Generally, these are not readily influenced, either because of the timescale needed, or because they are determined outside of the country. However, structural factors provide the foundational elements of the context in which analysis must be grounded, and often include systemic constraints on what is possible in a given context.

Theories of change are explanations of 'the causal links that tie program inputs to expected program outputs, or a plausible and sensible model of how a program is supposed to work' (Weiss, 1998: 55).

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