What has CARE learned from doing political economy analysis, and how to do it better?

i. A conceptual prelude

Since the 1990s donors, multilateral lenders and research institutes have adopted two complementary streams of study which look at political economy, and particularly the importance of political and economic institutions.

On one hand, with the peaceful end of the Cold War and the failure of the Washington Consensus, the conventional wisdom emerged that poor "institutions" were the problem. Much recent scholarship has argued that "inclusive institutions" and respect for the rule of law are *preconditions* for sustainable development with equity. Three hugely influential books were published over the last few years which consolidated this conventional wisdom (North, Wallis, Webb and Weingast, 2011; Acemoglu and Robinson, 2012; Fukuyama, 2014). Acemoglu and Robinson, for example, argue that:

> "*Poor countries are poor because those that have the power make choices that create poverty. They get it wrong not by mistake or out of ignorance but on purpose. To understand this you have to go beyond economics and expert advice on the best thing to do and, instead, study how decisions actually get made, who makes them, and why these people decide to do what they do*."

In parallel by the mid-2000s, political economy analysis, which was highly influenced by these thinkers, began to emerge in donors' plans and country strategies, such as through "Drivers of Change" analysis. Over the past few years it has become standard practice for bilateral donors and multilateral agencies to profess their approval. The World Bank developed a how-to note for political economy assessments at sector and project levels (Poole, 2011), the UNDP developed a guide for institutional and context analysis (UNDP, 2012) and the ODI and World Bank both began to push "problem-driven" political economy analysis (Harris and Booth, 2013); Fritz, Levy, and Ort, (2014). Inspired by this tide, many INGOs such as CARE, Oxfam, and IRC have developed their own guidance notes. [1]

In brief, recent critiques of these donor-driven political economy frameworks suggest three things that they fail to take account of:

1) The primacy of **politics** (and "messy" political processes);
2) The importance of **ideas** in shaping decisions;
3) The centrality of **power**.

(See Hudson and Leftwich, 2014; Rodrik, 2014)

The argument goes that political economy analysis has become little more than the "economics of politics," where rational agents are simply guided by "incentives" and "vested interests" rather than a complex web of ideas, evolving motivations, multiple power relationships, and messy and unpredictable political processes. In sum, the critique appears to point out that existing frameworks tend to "over-structure" agents' room for manoeuvre. The second main critique is that political economy frameworks lack "operational utility." Generally speaking, they seem good a describing context, the sources of problems and explanations for institutional *stasis*, but rarely help to address political *dynamics* in a smarter way.

While these and other conceptual issues around the distinction between structures and institutions, the relative weight of "ideational" influences, the degree to which frameworks ought to be based on iterative problem analysis, and issues of uncertainty, complexity and contingency are important, these

[1] Political Economy Analysis (PEA): "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 in DFID 2009: 4)."

are perhaps *not* the main issues for field staff who are not governance specialists, and they are certainly not the main issues that our country office staff highlight.

So while recent developments in political economy of development theory may help consultants to carry out more robust assessments, it is less clear how greater conceptual complexity and sophisticated analytical rigour will help CARE staff, or that of other peer agencies, to do things differently on Monday morning. After all, political economy analysis should not simply be a clever data gathering exercise to produce reports that gather dust on shelves. It should, as much as possible, be a useful process that helps staff to improve programming. The following few pages explain CARE's process wrestling with the issue of how to make PEA "operationally relevant."

ii. CARE's experience piloting the guidance note

Between October 2012 and June 2013 CARE piloted the use of a political economy guidance note in 9 country offices with around a £5,000 budget: Peru, Pakistan, Sri Lanka, Nepal, Egypt, Uganda, Malawi, DRC, and Ethiopia. Between April and July 2013, we carried out a survey and interviews with key members of staff in these country offices to help adapt and adjust the guidance note, addressing the structure of the document, content, methodology and tools. In May 2014, having made revisions to guidance note, we re-piloted core components of the approach in Zambia. The following reflects the feedback we received and the changes we made.

a. Who's the audience? What's the level?

When we originally designed the guidance note it was loosely based on the following:

- DFID "Political Economy Analysis – How to Note";
- Dutch Strategic Governance and Corruption Analysis (SGACA);
- World Bank "Problem-Driven Governance and Political Economy Analysis (PGPEA);
- EC "Problem-Driven Governance and Political Economy Analysis";
- DANIDA "Applying Political Stakeholder – How can it work?";
- ODI "An analytical Framework for understanding the political economy of sectors and political Arenas".

This pick and mix approach meant that there was a bit of something for everyone, comprising sections for country level and sector level analysis. We asked country offices to choose the main level they wanted to analyse. However, various country offices found this confusing because there was quite a lot of overlap between country level and sector level analysis; staff were confused by the repetition.

In the same vein, the guidance note was written with two audiences in mind: consultants and CARE staff. Our experience from PEA consultants was that they need a lot of guidance. Just as Hudson and Leftwich (2014) argue, much PEA reflects more the quality of the consultant than the quality of the framework. There was considerable variation in the quality of reports between different countries. £5,000 is not a large budget, so expensive international consultants were out of reach. Some local consultants offered excellent insights, wrote good reports and were vital to facilitating the analysis workshops; others spent little time writing their reports and largely copied and pasted information from other reports with little analysis, and were not on hand for the workshop.

Indeed, a further common shortcoming was the recommendations for action. This is partly attributable to the clarity of research questions and depth of analysis in the workshops. On one hand, a major reason that problem-driven analysis is not ideal is because, quite reasonably, not all Country Offices (COs) had a clear idea of what the single problem was, as there were often various connected problems, and were looking to use the analysis to help redefine which are more important than others. To some degree, this reflects recent learning from the World Bank (see Fritz, Levy, and Ort, 2014). On the other hand, many eligible consultants do not have experience in working in an NGO, so it is perhaps difficult to judge what is achievable without knowing what resources are at CARE's disposal. This all means that what was in our guidance note was pitched at too high a level for many of our staff. Indeed, what many staff were most keen for was not country or sector level analytical frameworks, but something that allowed them to analysis political economy dynamics at *local* level.

b. Knowledge gaps?

In terms of content, many country offices felt that the guidance note needed to be simplified. In particular, some of the conceptual framing required a good understanding of governance and accountability, and this was perhaps a challenge for some sector-specific experts. We were keen to get information on actors' role, mandate, responsibilities, interests pursued, power and resources for influencing, key linkages, incentives, capacities, accountability, and responsiveness. However, these are complex concepts and there is much overlap between them, so much time was spent in workshops clarifying terminology.

Structures and formal institutions are often used interchangeably consultants and so it is often hard for staff to keep up. We also found that the analysis tends focus too much on formal institutions. The analysis of the legal and policy framework is comfortable territory; this was a quick win for consultants. Staff also felt comfortable with and typically had good knowledge of legal norms, and formal roles and responsibilities. However, both consultants and staff often struggled to articulate or offer concrete examples of informal institutions, and struggled with the concept of "incentives" (something *external* that motivates a desired behaviour – this can be financial, moral, coercive, or natural). In part, this reflects the fact that it is easier to give specific examples of something on paper (Law x or y), but it is difficult to give examples of various informal practices (e.g. kickbacks or bribery) because these are often invisible to the naked eye. This also presents a methodological challenge because, it is easy for consultants to review a policy document, and far more onerous to chart a highly personalised policy-making process through a series of semi-structured interviews with key informants.

CARE has settled on the following distinction between formal and informal institutions:

Formal Institutions	**Informal Institutions**
Generally **written rules;** these include constitutions, laws, decrees, regulations and policies. Power and control over resources resides in those with a *de jure* mandate. There are usually official mechanisms, channels and spaces for their creation and implementation, state agencies for their enforcement (e.g. police and courts) and explicit sanctions to make them effective (e.g. fines).	Generally **unwritten rules**; these include customary law, patrimonialism, clientelism and rent seeking. Power and control over resources resides in those with a *de facto* mandate, which is achieved through bureaucratic, kinship, religious, political ties or hierarchies, by political settlement between different groups, or even usurped through superior force. Informal institutions both precede and exist in parallel with formal institutions, and they sometimes emerge to replace them when these rules are incomplete, are not widely accepted, adequately implemented or enforced, or when those that have the mandate to enforce them (e.g. state agencies) have low legitimacy or capacity. Informal institutions are sometimes enforced through social shunning, ostracism, quasi-legal redress mechanisms or sometimes even threats and the use of violence.

Indeed, concepts were rarely broken down by consultants, who often merely labelled "corruption" as though this were a homogenous thing. In the Uganda report, which focused on the governance of the forestry sector, corruption was helpfully broken down as: undue influence from the political elite, administrative corruption, procurement for kick-backs and misappropriation of funds and revenue. It also highlighted *where* corruption was most prevalent: issuance of logging permits, valuation of timber, collection of revenue from timber sales and conversion / de-gazetting of forest reserves and provision of illegal land titles. How to change such behaviour, however, was a far greater challenge, particularly as this rests upon a clearer understanding of how INGOs influence private sector actors.

Some staff also struggled with stakeholder analysis. It was common to hear "the Ministry of X" listed as if it were a monolithic actor, rather than a confederation of different actors, often with competing interests and differing levels of power and resources. We realised that it is necessary to push CO staff quite hard to disaggregate actors within ministries. Given this, most COs only managed a simplistic stakeholder mapping exercise. Equally, partly due to timing constraints, many COs did not analyse the relationships between actors in much depth; what came out was mostly a description of mandates and perceived interests. We realised that we therefore needed a much simpler stakeholder analysis matrix which aggregated roles & responsibilities, interests & incentives, capacities & resources, accountabilities & influence in order to avoid conceptual confusion and reduce the number of questions to 10. Doing so meant we could get through the stakeholder analysis quicker and get into greater depth. Indeed, training in power analysis can form a foundation for PEA, so this might prove a key recommendation for future assessments.

c. The empowerment/efficacy *trade-off*

Given the dual audience, we needed to strike a balance between analytical rigour and operational flexibility. Indeed, it was felt that the process itself was as important as the final product. While an expensive external consultant could provide a manicured report, this would do little to build capacity within the organization and of our local partners to carry out more politically smart analysis in the future. If one doesn't build the capacity of foot soldiers you get the same capacity-deficit trap of implementation in which the person who designs the intervention doesn't actually implement it.

In some cases, only CARE staff participated in the analysis workshop, but in other cases we invited partners and external actors. In Sri Lanka, for example, the input from local partners significantly enriched the analysis. However, it is also possible to go too far. In Peru, we aimed to take advantage of a window of opportunity, to use the workshop as a staging post for collective action for the upcoming ministerial proposal for healthcare reform. Experience from these two cases, and also in Ethiopia, Zambia, and Egypt, demonstrated that one can have a much richer discussion the more perspectives you have. However, it is worth bearing in mind that more participants do not always mean more voices will be heard.

In reviewing the methodology, we placed emphasis on the following:

- **Specifying the purpose of the analysis:** Clarifying why you are carrying out a political economy analysis of a particular issue, rather than a situational analysis, for example. What is it that this type of analysis will add to what you already have?

- **Ensuring clarity regarding the audience:** Your audience for the analysis also needs to be made clear from the start. This applies both in terms of defining your target population (end beneficiaries), but also, vitally, who do you aim to target or influence with your new found understanding.

- **Picking a clear research question:** Fundamentally, whatever question you ask has to be clear, concrete and *answerable*. While it may not be possible to carry out a problem-driven analysis as a one-time event, having a clear question from the beginning helps to make the picture progressively clearer, and makes the planning of an intervention more deliverable.

- **Choosing the "right" consultant:** The choice of a quality consultant is vital. On one hand, it is helpful to choose someone who understands or shares your general goals and approach, and on the other hand, it is necessary to choose someone who has core competencies to carry out PEA. Keen to make the process participatory, a well-researched report is insufficient, as it will simply gather dust on a shelf. So, the consultant needs to be engaged in workshops, and governance specialists need to play a prominent role and do a lot of accompaniment.

- **Mixed methods:** Some reports depended almost entirely on secondary data collection and the knowledge of the consultant. However, in some contexts it may be important to complement this with interviews and focus groups, particularly to elicit more qualitative data related to perceptions of *de facto* institutions. In Ethiopia, Sri Lanka and in Nepal we did travel to intervention areas to conduct interviews, and this enriched the analysis.

d. Making *use* of the analysis

Some country offices were more strategic than others. PEA works best when you take advantage of a particular political conjuncture or favourable moment within the country office. Many country offices used the analysis to support the design of thematic programmes. Others used the analysis to support advocacy efforts. In any case, PEA is a tall order for any one consultant and it is thus crucial that country office staff is able to maintain momentum and utilize the analysis. Perhaps the biggest challenge is the "so what?" step or "what to do on Monday morning?" The analysis tends to produce a wealth of (very often gloomy) information. Making sense of the findings and generate a politically smart Theory of Change (ToC) is quite challenging and requires considerable time and effort from the senior management team in country.

In Zambia, we analysed governance spaces in the health sector at different levels, from community up to national level. This helped identify which stakeholders and which committees to target, and which level of engagement may be most effective. This helped define a more specific ToC, including a better understanding of the relationship between monitoring and evidence-building outputs to more systemic changes at outcome level related to citizen participation, voice, and the functionality of planning spaces in the sector.

e. Making the analysis *iterative*

The Peru case also showed that it is worth carrying out the analysis in more than one step. Updating and deepening the analysis with a smaller group a few months later (March and May, 2013) revealed various issues. As is common, CARE and its partners (the civil society health forum – Foro Salud) had overstated their strengths and opportunities and understated their risks and weaknesses. As Foro Salud was the only civil society health representative in the national health committee, they felt they were the *only* relevant civil society actor. Equally, they have previously had direct communication with the health minister. Therefore, they felt that they were in a good position to *influence* the health sector reform without changing their position or way of working much.

On revision, they realised that they have overstated their apparent representativeness. A ministerial aide had previously said that they wanted to talk to the real people ("*la gente gente*") rather than a forum that represents "the people." Thus, they realised that to have more influence they would need to engage patients' networks and human rights networks to support them, to raise their media profile (with regional radio such as Radio Pachamama) and indeed to engage other actors that they hadn't previously listed such as social security providers, private health clinics, pharmaceutical companies and the medical college. This shows the difficulty of going beyond the usual suspects. We are probably not working with all the people we need to achieve the change we seek, but it is hard to get some CO staff to think outside of the networks they already have. A better stakeholder analysis tends to imply a shift in our stakeholders, and this often means the need to get more comfortable with being uncomfortable.