

# Analysing the governance and political economy of water and sanitation service delivery

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Daniel Harris, Michelle Kooy and Lindsey Jones

**Working Paper 334**

Results of ODI research presented  
in preliminary form for discussion  
and critical comment

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economy of water and sanitation  
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**Daniel Harris, Michelle Kooy  
and Lindsey Jones**

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Overseas Development Institute  
111 Westminster Bridge Road  
London SE1 7JD  
[www.odi.org.uk](http://www.odi.org.uk)

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\* Disclaimer: The views presented in this paper are those of the author(s) and do not necessarily represent the views of ODI.

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## Acronyms and abbreviations

<b>CAR</b>	Capability, Accountability, Responsiveness
<b>DoC</b>	Drivers of Change
<b>EC</b>	European Community
<b>DFID</b>	UK Department for International Development
<b>IAD</b>	Institutional Analysis and Development Framework
<b>IDB</b>	Inter-American Development Bank
<b>IEG</b>	Independent Evaluation Group (World Bank)
<b>MDG</b>	Millennium Development Goal
<b>MNC</b>	Multinational corporation
<b>ODI</b>	Overseas Development Institute
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PE</b>	Political Economy
<b>PEA</b>	Political Economy Analysis
<b>PSIA</b>	Poverty and Social Impact analysis
<b>SGACA</b>	Strategic Governance and Corruption Analysis
<b>SIDA</b>	Swedish International Development Cooperation Agency
<b>TIPS</b>	Tools for Institutional, Political and Social Analysis
<b>UNDP</b>	United Nations Development Program
<b>USAID</b>	United States Agency for International Development
<b>WB</b>	World Bank
<b>WATSAN</b>	Water Supply and Sanitation
<b>WHO</b>	World Health Organization
<b>WSP</b>	Water and Sanitation Program (World Bank)

## Executive summary

Failure to achieve desired human development outcomes in the water supply and sanitation sector over the last decade has prompted a re-assessment of sector strategies and a focus on issues of governance and political economy. The international community increasingly recognises that the governance and institutional arrangements of a sector and the incentives generated by such arrangements – in short, the political economy of water and sanitation – have a critical impact on how services are delivered.

Statements such as that made by the Global Water Partnership, *‘the world water crisis is mainly a crisis of governance’* (GWP 2000), reflect a recognition that while issues of technical and financial support for service delivery are unquestionably important, the global crisis in access to water supply and sanitation services is predominantly rooted in aspects of poverty, power and inequality; and not in physical availability (UNDP 2010). Strategies to address disappointing performance in the sector must therefore seek to understand and where possible to address these underlying political factors.

How can the development community best analyse the governance and political economy of water supply and sanitation service delivery in developing countries? How can the analysis of governance and political economy of the sector inform policy, programming and influencing work? This Working Paper addresses the above questions, as part of a larger research project on Analysing the governance and political economy of water supply and sanitation service delivery funded by DFID.

In this paper, we focus substantially on one approach that has increasingly been the subject of donor interest: political economy analysis (PEA). PEA 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; OECD in DFID 2009). It takes the context as it exists as its starting point and then focuses on identifying feasible solutions. We distinguish this type of analysis from governance analysis or assessment, which we define here as those forms of analysis that attempt to measure performance against certain pre-established criteria or characteristics of the state.

To some extent, this type of analysis (or at least components thereof) is already practiced by some donor staff working in the WATSAN sector, though this is usually implicit rather than as a discrete input. However, we suggest a number of ways in which engaging explicitly in PEA can benefit donor agencies:

- It can help to identify gaps in knowledge and mitigate unjustified assumptions and individual biases held by country office staff (even those who are well informed).
- It can help organise knowledge (tacit and other) into consistent causal stories. In doing so, it can help validate assumptions, explain outcomes and identify potential entry points for interventions to facilitate changes of and/or within the political system.
- It can facilitate knowledge sharing. This is relevant within project teams, among units within a country office and, to some extent, across country contexts as well. At the same time, of course, findings are often context specific and cross-country learning will be constrained by this.
- It can also accelerate the process by which new staff develop tacit country knowledge (Fritz et al. 2009), helping to reduce the costs associated with staff rotation and turnover.

In recognition of these potential contributions to operational effectiveness, donors have invested in the development of a number of frameworks for PEA. These frameworks tend to share a common core, requiring analysis of similar components, including structural factors, institutions, actors and incentives. However, while the range of available frameworks has provided donors with choices regarding the most appropriate approach, practitioners seeking to engage in PEA are now faced with inconsistent terminologies and competing frameworks, which no doubt strains efforts to make PEA comprehensible to sector specialists.

To guide practitioners in the selection of analytical tools, this Working Paper presents the results of a desk based comparative analysis of different governance and PEA frameworks, assessing their applicability for the WATSAN sector, and analysing the effectiveness of the various approaches in

producing operational impact and guiding sector programme strategies. Consultations were also held with donors and sector specialists involved in the pilot case studies and development or use of the various frameworks to complement the literature review and to ensure that this research project does not duplicate existing knowledge and addresses knowledge gaps.

We suggest that while individual frameworks differ substantially in terminology and emphasis, one can observe something of an evolution from the academic origins of political economy and even from the earliest forms of applied donor PEA. There has been a trajectory away from broad country-level analysis and towards increasingly specific sector and issue level studies. In parallel, the development of frameworks for the analysis of political economy has been faced with the challenge of demonstrating a greater degree of operational relevance that extends beyond telling donor agencies what they cannot do. This is undoubtedly the key operational challenge for political economy work.

There may not always be an answer which allows a particular policy to be enacted or a particular outcome to be achieved in the short run. However, at this point it seems clear that there are two conditions that can potentially contribute to the likelihood of practical uptake. First, the frameworks on which such exercises are based will draw on a good range of applicable analytical concepts with explanatory power to help identify potential solutions to development problems. Second, there is a strong case for ensuring that analysis, at whatever level and using whatever analytical concepts, is problem-driven.

Our assessment of the applicability of the various PEA frameworks for the WATSAN sector suggests five key points to take into account when developing a sector level PEA framework. First, the **sector's diversity** (both the sub-sectors of water supply, sanitation and geographical locations of sub-sector service delivery contexts urban, rural, peri-urban) does not mean that different elements of the WATSAN sector require the application of separate frameworks, but the different historical, institutional and political contexts do need to inform the tailoring of questions and areas of focus across the sub-sectors. Second, a **multi-sector and multi-scalar analysis** can help to identify actions and decision making influenced by external processes and actors operating at various scales. Attention to the forces and political pressures associated with international players /actors – such as donors or multinational corporations (MNCs) – in shaping policy debates and outcomes at both local and national level may be more relevant for WATSAN than for other sector. Third, a **combined sector governance and political economy analysis for the sector is not recommended**: a joint analysis requires considerable time and research, and leads to overly normative and prescriptive mindset preventing consideration of a full scope of non-obvious opportunities for intervention. Fourth, a PEA framework for WATSAN requires **flexibility in its application** to the sector. No framework can address every aspect of the sector's diversity and there is little merit in having a single 'one-size fits all' applied framework. Frameworks will have to be flexible to respond to the different objectives and purpose of those who apply them, as well as to the diversity of the sector itself. Fifth, a PEA WATSAN framework needs to **focus on both process and outcomes**: the majority of PEA and governance studies have failed to drive forward change in the water and sanitation sector.

Drawing from the experience of others in applying the existing PEA frameworks we suggest a specific approach to PEA that can inform DFID's work in the WATSAN sector. The approach will be subsequently tested in two case studies and may need to be refined further in light of that experience. Specifically, we suggest five key features for an approach to PEA that recognises the paramount importance of maximising operational relevance as an emerging guiding principle for future application of PEA within the donor community:

1. **PEA should be embedded not only in specific country contexts, but also in the work of the donor country office in question.** The former requires researchers to engage with local realities, while the latter requires engagement with country office staff (including sector specialists) throughout the research project. This helps to maximise the chances that the analysis will draw on the significant tacit knowledge held by staff, work on specific issues that are relevant to country strategies, and produce findings that will be taken up by practitioners.
2. **PEA requires an approach that can be applied across a number of different contexts and can maintain a degree of flexibility, recognising the incredible diversity of the WATSAN sector.** Thus, an approach that outlines the *types of variables* that should be considered in the analysis and makes clear a generalised theoretical point of departure (e.g. identifying relevant

collective action problems), will be more helpful than one that predetermines the scope of inquiry (for example, by identifying a set of relevant stakeholders).

3. **PEA should not be confused or conflated with governance assessments.** The latter are valuable in their own right; however, they serve a different purpose from PEA. Combining the two exercises may lead to an overly normative and prescriptive mindset that must be avoided if PEA is to consider the full scope of non-obvious opportunities for intervention.
4. **PEA should draw on core political economy factors and concepts that might shed light on WATSAN sector issues.** At the very least, these should include the set of three analytical factors or variables common across the range of frameworks surveyed: structural factors; institutions; actors and their incentives. However, the best analysis will draw where possible on a range of applicable analytical concepts with explanatory power to help identify potential solutions to development problems.
5. **PEA frameworks should be simple enough to maintain a reasonable level of ease of use for staff with a range of expertise, but clearly not so simplistic as to become useless.** Despite the appeal of a rigorous, comprehensive framework that guides a researcher through all possibly relevant issues for analysis, such an approach may result in a breadth of analysis that proves overwhelming for practitioners and lacks the focus necessary for operational relevance. Getting this balance right is likely to be particularly important where a political economy approach is to be broadly adopted by agency staff (including sector specialists) rather than led by external consultants with considerable political economy experience, though it should be noted that this should not mean abandoning the core intellectual content of the analysis.

We also recognise that the actual application of an analytical framework forms a critical part of the process, with the framework providing structure to and scope for the research as well as a source of key analytical concepts. Yet at the same time, variation in the degree to which PEA produces operationally relevant findings also reflects elements that are vital before and after the analytical/diagnostic element of the approach. We suggest that the political economy approach be made up of five closely related stages. These are classified as: **clarity of purpose; problem identification; analysis; uptake of findings; and evaluation.** Each one forms an integral part of the overall process and will look to inform and complement the following stage. Processes of engagement at each stage will ultimately feed into a better translation of the research findings into effective change and reform. Notably, while external consultants must clearly understand and work within the (time) demands on in-country staff, the participation of country-office staff at each stage is crucial. This is important for ownership, buy-in and take-up, and is true even where specific parts of the research process are carried out using external consultants rather than donor agency staff.



# 1. Introduction

## 1.1. Rationale

Donor attention to the water and sanitation (WATSAN) sector has gained momentum in the last decade. But despite increased financial investment in the sector, results have fallen short of the levels of coverage and service delivery that were widely anticipated for many developing countries (Molden et al, 2007). More resources may be needed. The United Nation's Human Development report (2006) states that investment will have to increase by 2 billion USD to meet the Millennium Development Goal (MDG) targets for improving safe drinking water and sanitation for sub-Saharan Africa alone (See Box 1). However, there are also doubts about the effectiveness of the spending that has taken place. Among other things, domestic and foreign aid resources for sanitation and drinking water have generally not succeeded in targeting those most in need of sector delivery and reform; the *poorest and un-served populations* (WHO 2006; WHO 2009).

**Box 1: Targets relating to water and sanitation under the United Nations Millennium Developments (Goal 7)**

- 7b -Halving the proportion of people without access to safe drinking water in 1990 (signed in Stockholm in 2000) by 2015
- 7c - Halving the proportion of people without access to hygienic sanitation in 1990 (signed in Johannesburg in 2002) by 2015

The collective failure to achieve development outcomes for the sector has thrown into question the effectiveness of traditional modes of WATSAN service delivery, including their emphasis on hardware, while also prompting a re-assessment of sector management and an enhanced interest in issues of governance and political economy.

Recognition of the role of governance in achieving developmental outcomes in the WATSAN sector has inevitably reached those responsible for the delivery of investment within the sector through Official Development Assistance (ODA). Donors now recognise that a greater emphasis on governance and awareness of the political constraints and opportunities within the WATSAN sector is crucial to the effective delivery of policy reform within the water sector, as well as ensuring social, environmental and economically equitable and sustainable outcomes (Franks & Cleaver 2007).

There is a particular need to focus on the political economy of the sanitation sub-sector. The lack of global progress in achieving the MDG for sanitation vs. water supply has raised concern over the insufficient attention and resources paid by governments, at multiple scales, to sanitation services (WHO 2010). Evidence at the country level suggests that expenditures in sanitation are markedly low in comparison to investment in water supply and other infrastructural services (WSP 2011). Recent research conducted by the World Bank suggests that the limited government spending on sanitation is driven largely by lack of political motivation, stemming from a lack of political pressure for sanitation investments in poor and marginalised settlements, and to a lesser extent by technical or economic considerations in the context of competing demands for resources (World Bank 2008).

## 1.2. Background to the research

The approach of the UK Department for International Development (DFID) to improving performance in the WATSAN sector was set out in their October 2008 policy paper ('Water: An increasingly precious resource. Sanitation: A matter of dignity'). This document identified governance as one of three priority areas for DFID's work in the sector. The policy included commitments by DFID to develop a sector governance framework which could be used to improve capability, accountability and responsiveness

in the sector, and to analyse this and support improvements in five countries (foreseen as Bangladesh, Ethiopia, Mozambique, Sierra Leone, and Tanzania). The 2008 DFID White Paper also stated DFID's intention to 'expand our use of political analysis to inform the choices we make' (DFID 2009: 71).

Within the donor community more widely, there is significant interest in applying political economy and governance analysis at sector level. The international community increasingly recognises that the governance of a sector and the way in which politics and institutions interact have a critical impact on how services are delivered. Consequently, a number of bilateral donor agencies and MDBs have invested in developing tools to understand more thoroughly how this relationship works at a sector level<sup>1</sup>. DFID hosted a multi-donor workshop in November 2009 on experience with political economy methodologies, as applied at the sector level.

There is also increasing interest from WATSAN sector donors and implementing partners in the use of political economy analysis (PEA). A variety of case studies from the World Bank, Water and Sanitation Program, the United States Agency for International Development (USAID), United Nations Development Program (UNDP), and others confirms the interest in the use of political economy analysis in the sector. There is now a need to synthesise early findings from these studies, and compare the efficacy of the various frameworks or methodologies applied.

The interest of the DFID in the utility of recent governance/political economy assessments in the WATSAN sector has led to the commissioning of a research project, 'Analysing the governance and political economy of water and sanitation service delivery'. The overall goal of the research is to enable more effective support to WATSAN service delivery, in order to make faster progress towards reaching the MDG targets. The key policy issue to be addressed through the project is how best to analyse the governance and political economy of WATSAN service delivery in developing countries, in order to inform policy, programming and influencing work.

This Working Paper is prepared as the first deliverable in the DFID-funded project. It presents a desk-based comparative analysis of different governance and PEA frameworks to assess their applicability to the WATSAN sector, and an analysis of the effectiveness of the various approaches in producing operational impact and guiding sector programme strategies.

### **1.3. What is political economy analysis?**

With the increasing interest in political economy analysis (PEA) among a wide range of development professionals, it is important to clarify at the outset what we mean by PEA and how this sits within the wider body of knowledge on the interaction of political and economic processes in a society.

#### ***1.3.1. The historical roots of political economy analysis***

Following the widely accepted definition provided by Collinson, and adopted by the OECD and DFID, we define PEA as follows:

*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 (Collinson, 2003; DFID, 2009; Duncan and Williams, 2010; OECD in DFID 2009).*

While the explicit interest of the donor community in PEA is, in many ways, a more recent phenomenon, this definition reflects a long intellectual tradition spanning a range of academic disciplines. For example, prior to the 20<sup>th</sup> century turn towards narrower interpretations favoured by marginalist neoclassical approaches, such analysis was at the core of the field of economics, with the work of Karl Marx, Adam Smith and other early thinkers reflecting this blend of the political and the economic, and

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<sup>1</sup> The World Bank has developed a Problem-driven Governance and Political Economy Framework (GPE), while the EC has produced Analysing Governance in Sector Operation.

the quantitative and the qualitative.<sup>2</sup> For the purposes of this paper, however, the focus of inquiry is on the more recent tailoring of PEA specifically to meet the challenges of international development, and more specifically, on *applied* PEA tools for the donor community. This reflects a specific set of needs resulting from evolutions in donor thinking that recognises the political nature of developmental processes and the need to engage as knowledgeably as possible with local contexts.

### ***1.3.2. Links to existing practices at sector level***

The types of analysis generally referred to as ‘political economy analysis’ (or at least components thereof) are sometimes already practiced by sector staff, though this is usually implicit rather than as a discrete input. The first task for practitioners of PEA, whether they are external consultants, governance specialists or sector specialists, is to realise this fact. In doing so, practitioners can draw on the tacit knowledge of engaged sector staff and local staff, which is a critical step towards achieving operational relevance and uptake of findings as well as improving the quality of the analysis.

Despite the presence and use of this implicit or tacit knowledge, engaging explicitly in PEA through the use of a theoretical framework such as those described in the section below offers a number of potential benefits:

- It can help to identify gaps in knowledge and mitigate unjustified assumptions and individual biases held by country office staff (even those who are well informed).
- PEA can provide an analytical approach that helps organise knowledge (tacit and other) into consistent causal stories. In doing so, it can help validate assumptions, explain outcomes and identify potential entry points for interventions to facilitate changes of and/or within the political system.
- By making explicit and systematising knowledge, PEA can help to facilitate knowledge sharing. This is relevant within project teams, among units within a country office and, to some extent, across country contexts as well. At the same time, of course, findings are often context-specific and cross-country learning will be constrained by this.
- Recognising that some PE variables can be subject to rapid change, experience in implementing PE frameworks suggests they can also accelerate the process by which new staff develop tacit country knowledge (Fritz et al. 2009), helping to reduce the costs associated with staff rotation and turnover.

### ***1.3.3. The relationship between PEA and governance assessments***

There is, even among practitioners of PEA, some disagreement, or at the very least considerable confusion, as to the relationship between governance analysis, or governance assessment, and PEA. This confusion arises in part due to the use of similar terminologies and the fact that the subject matter is to a large extent the same. However, it is worth distinguishing between these two types of analysis. The distinction does not imply that either governance analysis or PEA is always the better approach, as this will depend on the questions asked by the actor commissioning or carrying out the analysis. Indeed, the main point of the distinction is that these are instruments that serve different purposes.

Here we define governance analysis or assessment as those forms of analysis that attempt to measure performance against certain pre-established criteria or characteristics of the state. In other words, governance analysis often takes the form of a gap analysis that starts with an idea of what institutions *should* look like (generally idealised versions of the institutions of developed Western countries) and compares actual performance to this to identify what is lacking. As a result, this type of approach has been characterised as focused on the prescription of an often narrow set of strategies targeted at variables seen to be in short supply (such as participation, transparency, or accountability). While improvements in such variables may be desirable in their own right, strategies designed to achieve them have tended to focus on templates or blueprints which have not always engaged with realities of

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<sup>2</sup> This is not to suggest that political economy analysis as used by donors today is strongly Marxist in nature, but rather to point out the fact that this type of analysis has deep historical roots.

different contexts and have often failed to generate the change in developmental outcomes intended by donors.

In contrast, and as the focus of the remainder of this paper, PEA is characterised by a different approach, which takes the context as it exists as its starting point and then focuses on identifying feasible solutions. While the former approach is more typically associated with the pursuit of ‘good governance’, the latter tends to be associated with ‘good enough governance’ thinking (see Grindle, 2007). Reconciling these two approaches can be problematic where the desired features of state institutions which prove the basis of a governance assessment (e.g. capability, accountability and responsiveness) are assumed *a priori* to be solutions to the identified performance problems. This point is underlined by recent work that attempted to draw on both DFID’s CAR framework and PEA (without a specific framework) in the water sector, as discussed in Chapter 3.

Drawing on this understanding, the paper advances the proposition that increased operational relevance of research for interventions to improve sector outcomes requires a specific focus on the use of PEA. Chapters 2 and 3 therefore focus primarily on evaluating PEA frameworks and approaches rather than governance assessments.<sup>3</sup> A list of governance assessments is however provided in Annex 2, and Chapter 3 does attend to the similarities and differences in governance and PEA analyses for the WATSAN sector.

## 1.4. Methodology and structure

This paper was developed through desk-based literature reviews and a series of consultations with WATSAN sector and PE professionals<sup>4</sup>. The literature review focused on PEA frameworks (Chapter 2), and case studies of the application of these frameworks, as well as broader governance studies, to the WATSAN sector (Chapter 3). Consultations were held with donors and sector specialists involved in the pilot case studies and development or use of the various frameworks, as well as with those with direct experience of the governance and political economy constraints in the WATSAN sector at country level. The consultations with specialists were carried out to complement the literature review and to ensure that this research project addresses knowledge gaps without duplicating existing knowledge. A number of complementary governance and PE analyses in the WATSAN sector have recently been conducted or are currently under way including: World Bank PEA studies being collated for the World Bank’s PE Community of Practice; the African Development Bank study on Water Governance in Africa (Vols. 1 and 2); World Bank WSP studies on the Political Economy of Sanitation; World Bank work on the PE of water supply; work on water governance by the International Resources Group for USAID; and, UNDP experiences in dealing with the politics of water supply.

The structure of this paper reflects the methodology. Following this introduction, Chapter 2 examines the variety of approaches which exist or are emerging from different stakeholders for analysing the political economy of sectors; places those frameworks within a clear typology; and sets out on that basis out a summary prospectus for PEA. Chapter 3 then draws lessons from case studies of such analysis within the WATSAN sector, including recent work by DFID, to provide knowledge on how political economy can be analysed effectively in the WATSAN sector. This includes both a summary of the political economy constraints and opportunities that commonly emerge from such analyses; and a synthesis of lessons learned from the DFID PEA-CAR pilot studies in Ethiopia and Bangladesh. The latter addresses both the success or otherwise of the framework used, and the findings regarding water governance and PE. Chapter 4 then draws on the review that precedes it to provide recommendations and guidance for improved future analysis and to outline the research approach and PE framework to be applied in two subsequent country case studies.

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<sup>3</sup> In one prominent example, while sections of the 2008 EC framework conform to our definition of political economy analysis, its adherence to a variety of ‘good governance’ principles (specifically those regarding participatory democracy) irrespective of the findings generated by the analytical approach outlined sections 3, 4 and in the annex suggest its limitations from a PE perspective.

<sup>4</sup> A list of the literature reviewed, and a list of persons contacted during the consultations is provided in Annex 4.

## 2. From understanding to operational relevance

This chapter presents a review of existing frameworks for PEA. These frameworks identify types of variables to be considered in PEA and, in general, provide ways of structuring thinking about development problems. They do not provide step-by-step instructions as to how to carry out analysis.<sup>5</sup> When applied successfully, PE frameworks can help skilled practitioners and development organisations to break out of the assumptions inherent in various technical and professional disciplines by drawing on analytical concepts or forms of analysis which provide explanatory power and the capacity to suggest non-obvious options for intervention. Though much depends on the skills of the practitioner, experience suggests some frameworks do this better than others.

The chapter is structured as follows: Section 2.1 distinguishes three types of frameworks. Sections 2.2, 2.3 and 2.4 examine a selection of leading frameworks for each type, highlighting key features of interest to practitioners and noting general lessons from past application. For more detail on a given framework, please consult the figures and the resources listed in Annex 1. Section 2.5 draws together the approaches covered in the preceding sections in the form of a simplified summary prospectus for PEA.

### 2.1. Types of frameworks

The history of theory and inquiry into issues of political economy is rich, spanning a range of social scientific literatures in sociology, political science and economics. However, the focus of this paper reflects its purpose: to *inform operational practice by donor agencies*. Therefore, it largely focuses on PEA frameworks commissioned or used by donor agencies. Even with this limitation, there are a growing number of options for the practitioner as political economy approaches have gained in popularity over the course of the past decade.

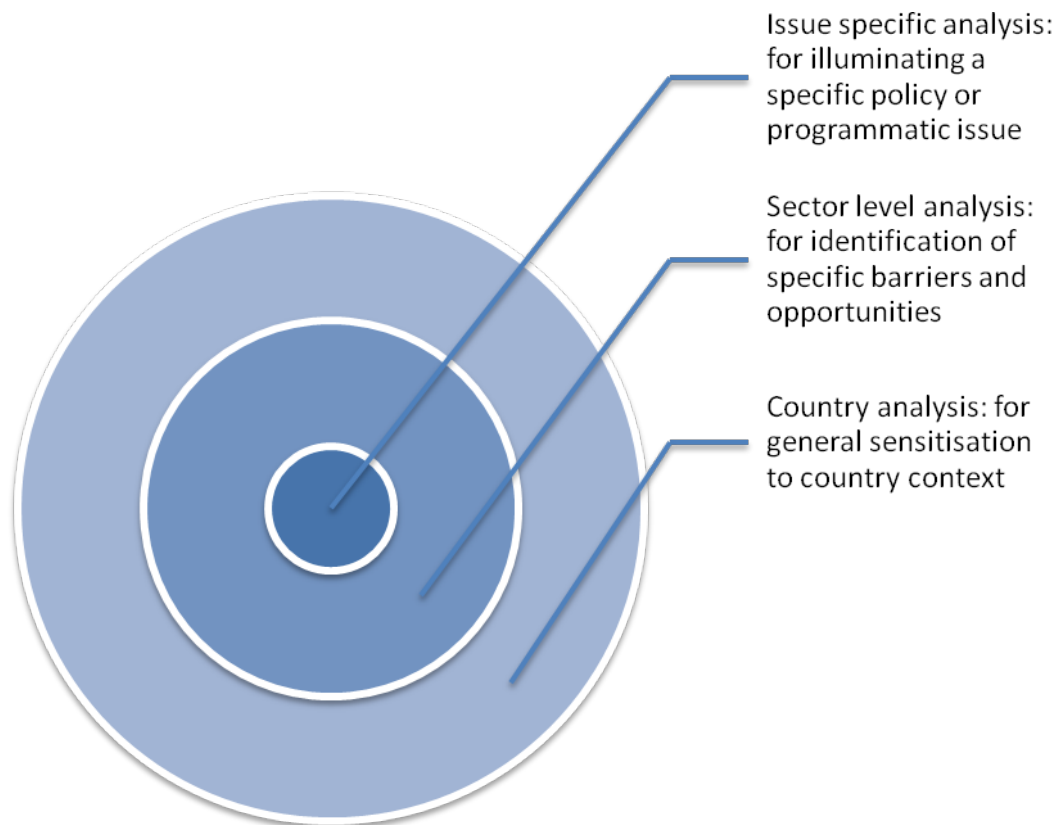
As a result of this proliferation, a number of different typologies have been proposed for classifying PEA work. The DFID How-to-Note, for example, suggests three levels of analysis: macro-level country analysis (used primarily for sensitisation to a country context); sectoral or cross-cutting analysis; and problem-driven analysis (DFID, 2009). This typology reflects how much of the thinking about PEA has evolved over time. Donors' early approaches to PEA were designed and applied at the national level (with the occasional exception, such as the Drivers of Change studies of agricultural sectors in Kenya and Zambia, and one on regional integration processes in East Africa). Over the course of the last decade, there has however been a shift from broad national level studies (like Drivers of Change, SIDA's Power Analysis and the Netherlands' SGACA work) towards sector level analysis and problem-driven analysis. Interviews suggest that this trend is likely to continue, as the amount of detail available at more focused levels of analysis are seen by many in the donor community as having greater potential to provide operationally relevant findings.

We suggest here one change to the DFID typology. Following Fritz et al. (2009), we suggest that DFID's third category (problem-driven analysis) be replaced with one that encompasses analysis at the level of specific policies or projects. In this revised typology, problem-driven analysis is not at one end of a spectrum of analytical scope, but rather a characteristic of analysis that can be applied at any level. One way to express this is to distinguish levels of analysis as shown in Figure 1, but to argue that within any given level, the approach may be driven by a specific pre-identified 'problem' to a greater or lesser extent.

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<sup>5</sup> In fact, many practitioners of political economy analysis suggest that within any given framework, there remains a substantial amount of room for the analyst to draw upon their own experience and to choose the most relevant lines of inquiry. Thus in terms of producing quality operational relevant findings, the practitioner is often as (if not more) important than the framework selected.

**Figure 1 Levels of political economy analysis: Country, sector and issue**



*Source: Adapted from DFID (2009) and Fritz et al. (2009)*

Despite the apparent trajectory towards more focused forms of analysis, it is important to note that in practice one cannot dispense with the sector/thematic and country levels of analysis entirely when working on specific policy and programmatic issues. Relevant action implications can and do arise from political and economic processes taking place at these broader levels (and even at regional or international levels, see Wild and Foresti, 2011) and will still need to be captured, suggesting the three levels of analysis cannot be treated as *alternatives* (DFID, 2009). As a result, the sector and issue-level frameworks examined all suggest drilling down from, or framing more specific analysis within, broader analysis, rather than focusing exclusively at the more focused level. This process can, and should, draw on already available resources that provide the necessary country level analysis<sup>6</sup>.

## **2.2. Country-level frameworks**

### **2.2.1. Drivers of Change**

*Overview:* The Drivers of Change (DoC) approach developed by the UK Department for International Development (DFID) in the early 2000s was one of the early pioneers in applying PEA to the development of aid strategies in a systematic way. Whereas a majority of donor work had focused on supporting theoretically and technically sound reforms, the DoC approach emphasised the ‘importance of understanding the underlying political systems and the mechanics of pro-poor change... in particular the role of institutions – both formal and informal, and underlying structural features’ (DFID, 2004). This is driven by DFID’s recognition of the inherently political nature of development processes, including donors’ own role as political actors.

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<sup>6</sup> In some contexts where institutional change is rapid and actors quickly gain or lose authority and/or relevance, for example those defined by a high level of fragility and conflict, caution should be used in drawing on older literature.

The DoC approach is thus broadly organised around these two components (institutions and structural features) and the more immediately tangible and perhaps thus more traditional targets of development agencies: agents (Figure 6, Annex 1). These three features of a country's political economy interact with one another to determine outcomes, though the framework suggests that interaction between agents and structural features is mediated through institutions. Understanding the performance of institutions is thus important in attempts to understand change processes and to efforts to contribute to pro-poor outcomes<sup>7</sup>.

Beyond this broad framework, there is often significant variation across DoC studies. In part this reflects the diversity of contexts in which the approach has been applied; however, it is also the result of ways in which DoC was managed as an approach. Analyses were commissioned at the country level rather than by central DFID mandate and thus were produced according to different terms of reference and with different expectations about their role in informing country operations. Subsequent work at DFID, including the production of the 'How-to-note' on PEA (DFID, 2009), may be a reaction to this initial variation and an attempt to provide a more consistent structure to future analysis. Other more recent work from DFID has also included a shift away from the DoC country focus towards sector and issue-level analyses, such as that commissioned on the political economy of roads reform in Uganda (Booth and Golooba-Mutebi, 2009).

#### *Key references:*

DFID (2004) *Drivers of Change*, Public Information Note. London: Department for International Development

Thornton, N. and M. Cox (2005) *Review of the Uptake of the Drivers of Change Approach*. London: Agulhas Development Consultants Ltd.

DFID (2009) *Political Economy Analysis How to Note*, A Practice Paper. London: Department for International Development

### **2.2.2. The Politics of Development**

*Overview:* The Politics of Development approach developed by Adrian Leftwich at the University of York was commissioned by DFID in an attempt to build on the accumulated experience with DoC 'by offering a more robust and focused conceptual approach for the analysis of the politics of decision-making which affects developmental outcomes. In order to do this, the framework has been designed to identify the forces and processes which shape the making and implementation of public policy and practice in diverse institutional contexts' (Leftwich, 2007a). Such a focus on the central dynamics of the political system can help 'indicate where and how both internal and external agents of change do and can act' (Leftwich, 2007b).

The comprehensive nature of the framework is, at the same time, both the greatest strength and one of the significant weaknesses of the Politics of Development framework (see Figure 7, Annex 1). The approach usefully maps out a wide range of components for analysis, including: structural context, legitimacy (including geographical legitimacy, constitutional legitimacy, political legitimacy), influences, demands and oppositions (inputs i), supports and withdrawals (inputs ii), modes of inputs, gatekeepers of inputs, a decision making power map, lobbying, decision making, policy outputs, capacity and politics of implementation, and feedback effects.

This level of detail has the advantages of highlighting the complexity of political relationships, helping to unpack the various factors that influence the otherwise vague concept of 'political will', and providing researchers with a wealth of information on the basis of which to select relevant entry points. However, analysis, even at a focused level is likely to be time-consuming. The framework provides little guidance as to which components are most likely to be relevant in any given context, and the resulting complexity of the analysis may reduce the chances for operational relevance. This potential confusion is more likely where sector specialists rather than political scientists are responsible for analysis. This may help to explain the relatively low levels of uptake of this framework in the donor community.

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<sup>7</sup> It should be noted that as defined by DoC approach, 'change' includes negative as well as positive change.

### *Key references:*

Leftwich, A. (2006) From Drivers of Change to the Politics of Development: Refining the Analytical Framework to understand the politics of the places where we work. Part 3: Final Report.

Leftwich, A. (2007) From Drivers of Change to the Politics of Development: Refining the Analytical Framework to understand the politics of the places where we work. Notes of Guidance for DFID Offices.

### **2.2.3. Power Analysis**

*Overview:* As its name implies, SIDA's Power Analysis usefully draws attention to '*formal and informal* power relations and structures... [and] how these factors affect and are affected by development cooperation. The analysis of actors, interest groups and structures will ideally show where *real power* in a society lies, how power is *distributed* and possible conflicts of interests. It may also point to *what kind* of power is being exercised and *how*, as well as how this is *understood* or perceived, *by whom* and for *what purposes* and *what consequences* this have' (SIDA, 2006:14).

With respect to content, the approach highlights six (non-sequential) key areas of understanding that should be addressed either through original research, or by drawing on existing materials:

1. *Basic country analysis* including social, political, economic and institutional factors affecting the dynamics and possibilities for pro-poor change, including both formal and informal actors, structures and institutions of power in society, underlying history, geopolitics, natural resources, state formation, and demography.
2. *Medium-term dynamics* of change including incentives and capacities of pro-poor agents for change operating within particular institutional domains (i.e. policy processes) or informal processes.
3. *Role of external forces* including donor actions, aid modalities and influencing strategies on these processes.
4. *Link between change and poverty reduction* including how expected changes will affect poverty, on what time-scale, and the implications, including the effects of HIV/AIDS which are very long term (inter generational) and both cause and worsen poverty.
5. *Operational implications* including how to translate understanding of underlying interests and power relationships into strategies and actions in the Country Assistance Plan.
6. *How we work* including organisational incentives for staff to acquire and retain a deeper knowledge of country context.

In addition to the guidance the framework provides on content to be included in analysis, it should be noted that reviews of SIDA's experience with Power Analysis recognise the process of carrying out the analysis (for example, the appropriate degree of participation) and the content that may be included and disseminated will depend on the purpose of the analysis in question as well as characteristics of the country in question (Bjuremalm, 2006). In particular, striking an appropriate balance between agencies' legitimate need for information and their aim to support transformative processes within cooperation countries is critical for donors to consider when setting the objectives for analysis (Bjuremalm, 2006).

### *Key References:*

Bjuremalm, H. (2006) Power Analysis: Experiences and Challenges'. Concept Note. Department for Democracy and Social Development. Stockholm: SIDA

### **2.2.4. Strategic Governance and Country Assessment (SGACA)**

*Overview:* The Strategic Governance and Country Assessment was developed in the mid-2000s by the Clingendael Institute for the Netherlands Ministry of Foreign Affairs in response to the recognition that aid has often failed to achieve its objectives, and that 'direct interventions of donors to strengthen



formal institutions of governance have often had limited impact, and “political will”... is often lacking. The SGACA helps to explain why this is so’ (Unsworth, 2008:6). Despite numerous efforts to reform the way in which donors act, much of development assistance continues to be based on normative western models, leading to a failure to ground programming effectively in local contexts, with donors sidestepping many of the challenges that entails (Hazenbergh, 2009).

The SGACA approach consists of four main components (see Figure 8, Annex 1) that involve, to varying degrees, the work of Ministry headquarters, the Embassy of the country in question, an independent consultant and other partners:

- Drawing on the **Track Record** (part of the Embassy’s standard monitoring work) and other available information, this component allows the SGACA approach to build on existing analysis, research and reports (Hazenbergh, 2009) and serves as a basis for the subsequent Power and Change analysis;
- A **Power and Change** analysis should be commissioned. Embassies should consider the appropriate mix of local and international consultants and should be prepared to work with whoever is contracted. Analysis should cover foundational factors, rules of the game, and the current ‘here and now’ of the context in question (Box 2).

#### **Box 2: Components of Power and Change Analysis**

**Foundational Factors** ‘shape the state and political system. These include territorial integrity, the history of state formation, the revenue base, socio-economic structures, the geostrategic position and geographical aspects of the country’ (Unsworth, 2008:11).

**Rules of the Game.** These dimension of analysis ‘focuses on key aspects of the political system that affect the quality of governance, especially for poor people. It starts with the formal framework, but goes on to consider informal factors, in particular the nature and extent of political competition; the extent to which state, civil society and private sector institutions work according to known rules (in predictable ways); the distribution of power between the political executive and other groups; and relationships between state and society. It also considers key trends that have the potential to change the rules of the game’ (Unsworth, 2008:15).

**The ‘Here and Now’** includes an understanding of the interests, incentives and capacities of key actors as well as the context to which they are responding. All of these elements have an immediate impact on state-society relations.

*Source: Unsworth (2008)*

- A **Workshop**, split into two days. Day 1 can be planned as an internal exercise or might be open to selected external stakeholders. Day 2 should be non-public and focus on elaborating/refining the current donor strategy for the Netherlands;
- **Strategic Choices** that summarise the findings and present policy choices regarding the governance and anti-corruption strategy for the coming years (Unsworth, 2008).

Developed after initial experiences with the Driver’s of Change methodology had started to emerge, the SGACA framework is clearly tailored to fit needs and structures of the Netherland’s Ministry of Foreign Affairs, building on existing methods of producing and recording knowledge of country context (e.g. Track Record), and linking in with Embassy staff. While this approach may limit the applicability of the framework as a whole for some other actors, this usefully highlights the point that some of the information used in PEA likely already exists either in tacit staff knowledge or, occasionally, existing analytical or information recording practices. Staff involvement in various phases of the analysis is also a key component.

These process characteristics, along with the explicit focus on the research findings uptake process through the workshop phase and the analysis of strategic choices together with Embassy staff, are designed to improve operational relevance of findings for country office staff. The degree to which this has been true in practice remains an open question. Whilst the approach may be critiqued as overly

top-down in design, with a strong mandate from the Ministry of Foreign Affairs requiring the application of the SGACA to inform governance strategies at the embassy level, interviews carried out for this project suggest many staff have recognised the value of such an approach. Future iterations of political economy work may seek a middle ground in which embassy-level staff have more control over the purpose and design of analysis.

*Key references:*

Unsworth, S. (2008) 'Framework for Strategic Governance And Corruption Analysis (SGACA): Designing Strategic Responses Towards Good Governance' Prepared by the Clingendael Institute for the Netherlands Ministry of Foreign Affairs. The Hague: Netherlands Ministry of Foreign Affairs/ Netherlands Institute for International Relations (Clingendael).

## **2.3. Sector/thematic-level frameworks**

### ***2.3.1. Analytical framework for understanding the political economy of sectors and policy arenas***

*Overview:* This framework, developed by researchers at ODI and commissioned by DFID attempts to provide guidance for country staff seeking a better understanding of the relevance of political economy factors in specific sectors and policy arenas. This includes an examination of potential political explanations for how and why outcomes are produced in a given sector and the relevance of these findings for donor interventions (Edelmann, 2009). This sector specific approach responded to the expressed needs of DFID country offices following initial experiences with country-level Drivers of Change analysis (Moncrieffe and Luttrell, 2005:4).

The framework itself (Figure 9, Annex 1) is divided into three main analytical components, a 'broad/foundational country study; an incisive investigation of organisations, institutions and actors; and operational implications' (Moncrieffe and Luttrell, 2005:4). This approach involves examination of all the classic components of PEA (e.g. structural features, institutions, actors and incentives).

This approach to sector level analysis is notable for explicitly linking sector characteristics and processes to the analysis of the country-level context for sector reform. However, whilst it does therefore provide a framework for the type of sector level analysis that might inform a country strategy, it does not provide a framework for analysis of specific policies within a sector. Making those links to specific issues is thus the responsibility of the country staff.

The framework includes a significant number of specific questions and points for inquiry that may increase the ease with which country staff are able to implement the framework as a part of normal country office operations. However, the framework has not been widely applied, so this has not been tested in such a way as to provide feedback and a more refined framework (Edelmann, 2009).

*Key references:*

Moncrieffe, J. and Luttrell, C. (2005) An Analytical Framework for Understanding the Political Economy of Sectors and Policy Arenas. Report to DFID Policy Division. London: Overseas Development Institute.

### ***2.3.2. Poverty and Social Impact Analysis (PSIA)***

*Overview:* Poverty and Social Impact Analysis (PSIA) was developed by the World Bank in the early 2000s in an attempt to better understand 'the distributional impact of policy reforms on the well-being of different stakeholder groups, with particular focus on the poor and vulnerable' (World Bank, 2003:vii). By identifying individual 'winners' and 'losers', or sets thereof, the approach can provide information to help improve engagement with stakeholders in the reform process. As a result of this particular focus, it may not offer the same explanatory power as frameworks that include a broader array of PE concepts and therefore may be more likely to generate obvious options for intervention. Nevertheless, it does offer important insights into the persistence of sub-optimal outcomes and shed valuable light on reform processes, and a streamlined version could also be used to help assess potential impacts of proposed 'entry points', which are the outcome of a PEA.

The World Bank has identified the innovative aspects of PSIA as ‘the application of the tools and techniques of social and economic analysis to analyze impacts of economy-wide policy reforms before those reforms are carried out (ex ante analysis), and more systematic use of that analysis to inform policy advice and policy design’ (World Bank, 2006 in IEG, 2010: xii). Whilst the User’s Guide for PSIA clearly ‘recognizes that the tools and techniques used for PSIA are likely to vary greatly across countries and reforms’ (World Bank, 2003:42) there are a number of components of analysis that should be addressed by practitioners of the approach. These components are captured in a series of seven questions for practitioners to ask about potential policy reforms:

1. Impact of what: What is being analysed?
2. Impact on what: What is the welfare measure being assessed?
3. Impact on whom: Whose welfare is being analysed?
4. Impact how: How are impacts channelled?
5. Impact how: How do institutions affect outcomes?
6. Impact when: When do impacts materialise?
7. Impact if: What are the risks of an unexpected outcome? (World Bank: 2003)

A recent evaluation of the PSIA approach by the World Bank’s Independent Evaluation Group (IEG, 2010) suggests that whilst a number of individual PSIAs have been highly effective, the utility of the approach has varied widely. The report presents a number of important findings, specifically with respect to the constraints on effectiveness. Arguably the largest challenge in implementing the PSIA approach in practice is the presence of tensions and inconsistencies between the various operational objectives to which the approach might contribute. Potentially conflicting objectives noted include informing policy processes in developing countries; contributing to country analytic capacity; and impacting on World Bank operations. Failure to state explicitly the operational objectives is a clear cause of conflict in practice. Additionally, the review describes how limited ownership by World Bank staff can undermine the PSIA process and may result in the failure to effectively integrate findings into country assistance programs (IEG, 2010:x).

#### *Key references:*

World Bank (2003) ‘A User’s Guide to Poverty and Social Impact Analysis’. Poverty Reduction Group (PRMPR) and Social Development Department (SDV). Washington DC: The International Bank for Reconstruction and Development/The World Bank

World Bank Independent Evaluation Group (IEG) (2010) ‘Analyzing the Effects of Policy Reforms on the Poor: An Evaluation of the Effectiveness of World Bank Support to Poverty and Social Impact Analyses’. Washington DC: The International Bank for Reconstruction and Development/The World Bank

### **2.3.3. The Political Economy of Policy Reform<sup>8</sup>**

*Overview:* The Political Economy of Policy Reform conceptual framework developed by the World Bank’s Social Development Department in 2008 provides a framework to analyse and manage the context, arena and process of sector policy change (Edelmann, 2009; World Bank, 2008). The framework presented in the 2008 document is essentially an elaboration of the PSIA approach described above, which was subsequently expanded through the creation of the Tools for Institutional, Political and Social analysis (TIPS). A number of case studies are also included that provide useful examples of the application of the framework to policy issues in the water and agricultural sectors.

The conceptual framework used in the approach is comprised of a Diagnostic Framework and an Action Framework (Figure 10, Annex 1). Within the diagnostic framework, three key elements are distinguished:

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<sup>8</sup> Note, the World Bank’s Water and Sanitation Programme (WSP) is currently working on the development of a framework for understanding issues of political economy in the sanitation sector that draws heavily on the Social Development Department’s 2008 framework. Because of the similarities between the two, we include only the original here, but the lessons learned from this PEA approach/framework and the PE constraints identified are discussed in more detail in Chapter 3.

- The Reform Context, which ‘refers to the deeper social (including ethnic cleavages), national political and historical institutions which affect the sector under consideration’ (World Bank, 2008:9);
- The Reform Arena, which ‘is shaped by sector stakeholders, institutions, and their economic and political interests’ (*ibid*), and
- The Reform Process, which ‘consists of dialogue and decision-making, champions or coalitions of change, and the influence that donor agencies and external actors have in the reform and operation’ (*ibid*).

Completion of analysis using this Diagnostic Framework provides the basis for an assessment of potential responses within the Action Framework. Components and characteristics highlighted in the framework include the timing, tailoring and sequencing of reforms, the use and dissemination of analysis, the balance of accountability between demand and supply sides, the use of partnership strategies and the design and implementation of public debate and communication strategies. Thus, one of the strengths of this framework is the way in which it explicitly links diagnostic analysis to subsequent actions. However, the precise way in which findings should be translated into operations is not necessarily clear from the framework itself and largely depends on the skill of country staff.

*Key references:*

World Bank (2008) ‘The Political Economy of Policy Reform: Issues and Implications for Policy Dialogue and Development Operations’. Social Development Department. Washington DC: World Bank

#### **2.3.4. Institutional Analysis and Development Framework**

*Overview:* The Institutional Analysis and Development (IAD) Framework (Figure 11, Annex 1) provides a good example of the way in which some of the recent donor interest in PEA builds on an extensive academic tradition. In 2002, the Swedish International Development Cooperation Agency (SIDA) published the findings of an evaluation of SIDA support drawing on an extensive body of work on institutional analysis led by Elinor Ostrom and case studies of five SIDA-supported projects in India and Zambia, as well as within SIDA itself (Ostrom et al. 2002a; 2002b). This experience and the analysis produced demonstrate clearly the degree of added complexity donors bring with them to ‘development’ contexts.

A number of features of the IAD approach are worth noting. First, the framework presents a clear way of understanding the often obscure relationship between various levels of analysis. Its conceptualisation of the decision making at the operational, collective choice, and constitutional levels (Box 3) as a ‘nested structure of rules within rules, within still further rules’ (Ostrom et al. 2002b:274), clearly links the sometimes isolated analysis.

Second, to a greater degree than most frameworks, the IAD framework makes a considerable effort to establish explicitly the theoretical underpinnings (e.g. economic theory, game theory, etc.) that may be useful for analysis. Similarly, the authors present a range of possible assumptions about the decision logics according to which actors respond to incentives (e.g. a perfectly rational economic approach; bounded rationality models in which actors must make decisions with incomplete knowledge and imperfect rationality; and a fallible learner model where logics change through repeated actions).<sup>9</sup> By explicitly discussing various theoretical and logical models, the IAD approach can help avoid the potential difficulties that arise when choices among those models (and their relevant limitations) are implicitly assumed.

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<sup>9</sup> At the very least, the search for non-obvious solutions seems to require an analytical approach that moves beyond simplified assumptions of rational-choice decision logics. Pure rational-choice theory assumes actors are already maximising utility resulting in the presentation of a case that is inevitably static and incapable of identifying ways forward (Hall and Taylor, 1996). In order to better overcome the conceptualisation of PEA as a ‘dismal science of constraints’, there is therefore a need to introduce a more accurate understanding of decision making, one that adopts the notion of bounded rationality and therefore accepts that actors’ knowledge is incomplete (Ostrom et al., 2002).

### Box 3: Levels of analysis in IAD

Ostrom et al. (2002a; 2002b) suggest three linked levels at which analysis might take place and which are relevant for all studies of institutional change and aid:

- **Operational situations**, which include those in which individuals interact in repetitive settings that then directly result in real world outcomes.
- **Collective choices**, which refer to those decisions that provide the context in which operational situations take place, and thus affect their outcome. Such choices include, but are not limited to the formal policy decisions made by public sector officials.
- **Constitutional rules** provide the framework within which collective choices are made, including who is able to make policy decisions and how those decisions are made.

The degree of difficulty in making changes is generally assumed to increase at deeper levels of rules. Whilst this provides a degree of stability to many of the most basic rule-making processes and outcomes, it also increases the challenge of effecting progressive change (including, and perhaps especially by outside actors)

*Source: Ostrom et al. (2002b)*

#### *Key references:*

Ostrom, E., Gibson, C., Shivakumar, S., and Andersson, K. (2002a) 'Aid, Incentives, and Sustainability: An Institutional Analysis of Development Cooperation'. SIDA Studies in Evaluation 02/01:1, Commissioned by Sida, Department for Evaluation and Internal Audit. Stockholm: SIDA

Ostrom, E., Gibson, C., Shivakumar, S., and Andersson, K. (2002b) 'Aid, Incentives, and Sustainability: An Institutional Analysis of Development Cooperation. Summary Report'. SIDA Studies in Evaluation 02/01:1, Commissioned by SIDA, Department for Evaluation and Internal Audit. Stockholm: SIDA

Gibson, C., Andersson, K., Ostrom, E., and Shivakumar S. (2005) *The Samaritan's Dilemma: The Political Economy of Development Aid*. Oxford: Oxford University Press

## 2.4. Issue-specific frameworks

### 2.4.1. *The Politics of Policies (IADB, 2006)*

*Overview:* The Politics of Policies approach developed by the Inter-American Development Bank (IDB) in 2005/6 places the policymaking process at the centre of analysis. The framework recognises the explicitly political nature of policy change and the influence of both formal and informal political arenas, the political players and the dynamic game of policy making (Edelmann, 2009).

As with other PEA frameworks, The Politics of Policies identifies historical factors, institutions and actors as key variables for analysis, however, the outcomes addressed are limited to the policies in question and their characteristics rather than a broad concern with developmental outcomes (Figure 12, Annex 1). Drawing on elements of game-theory, the framework posits a policy making process that is essentially 'a succession of bargains among political actors, interacting in formal and informal arenas' (Stein et al. 2005:11).

The recommendations derived from the framework fall into two groups that demonstrate the potential for actions to be tailored to a given political economy context (see Section 4):

- I. Fitting policies to the institutional contexts in which they are implemented (i.e. working within recognised constraints)
- II. Initiatives that alter the framework of incentives in which actors operate (an approach which links closely to Ostrom et al.'s (2002) conceptualisation a nested sets of rules governing behaviour)

However, one limitation of this approach is that it seems less appropriate for addressing the wide range of political economy problems that occur following the policy making process itself (i.e. in the implementation phase).

*Key references:*

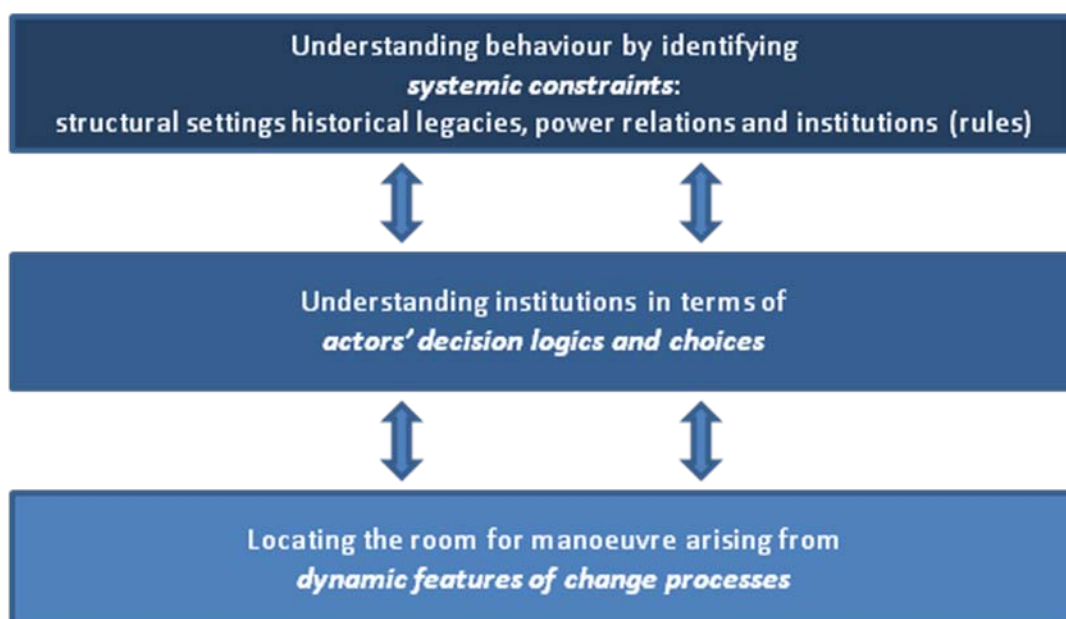
Stein, E.; Tommasi, M.; Echebarria, K.; Lora, E. and M. Payne (eds.) (2005) Politics of Policies. Economic and Social Progress in Latin America. 2006 Report. Inter-American Development Bank. Available online at: [www.iadb.org/res/ipes/2006](http://www.iadb.org/res/ipes/2006).

### 2.4.2. Layered approach

*Overview:* The layered approach to PEA was developed by David Booth and Fred Golooba-Mutebi in their analysis of the political economy of reforms in the Ugandan transport sector. The authors draw on a range of existing analytical perspectives to suggest a framework that is intended to increase the chances of producing operationally relevant findings by drilling down through various layers of analysis to a specific problem and then attempting to suggest feasible second-best solutions instead of merely cataloguing ‘what you can’t do’.

The authors identify three layers of analysis, each of which makes an important contribution to the framework as a whole (Figure 2). The first layer, Systemic Constraints, draws on the type of country level analysis seen in the Drivers of Change and SGACA approaches and much of what might be included in the context analysis of the IAD framework. This is taken as useful background, but it is insufficient to generate specific operationally relevant findings.

Figure 2 Layers of analysis in Political Economy Analysis



Source: Adapted from Booth and Golooba-Mutebi (2009)

The second layer, Actors' Decision Logics and Choices, allows for a more focused assessment of stakeholders and incentives as they exist in the context provided by the first layer. The ability to effectively move to this second layer of analysis is dependent on reducing the scope of analysis by beginning the process of drilling down to a specific sector issue or problem for examination.

Drawing on the work of Merilee Grindle, the explicit inclusion of the third layer, identifying 'room for manoeuvre', helps to focus attention on potentially feasible reforms. This emphasis is in recognition of the fact that analysis which limits itself to the first two layers tends to 'predict less change and more continuity than we actually observe during major periods of reform' (Booth and Golooba-Mutebi, 2009: vi). Decision logics themselves then may be dynamic or may respond to dynamism in the environment, including change processes taking place over time, changes in information flows and alliances, options for self-motivation or facilitation, and changes in incentives due to exogenous shocks (e.g. climate change, drought etc).

The authors argue that an approach which is 'layered' in this way is more able to respond to criticisms of PEA for failing to provide operationally relevant and pro-active options for donor agencies.

*Key reference:*

Booth, D. and Golooba-Mutebi, F. (2009) Aiding Economic Growth in Africa: The Political Economy of Roads Reform in Uganda. ODI Working Paper 307. London: ODI.

### **2.4.3. Problem-Driven Governance and Political Economy Analysis**

*Overview:* In Section 2.1, we made a distinction between the *level* to which a framework is applicable and the degree to which the approach to the PEA is *problem-driven*. We maintain this position in what follows. However, for convenience we set out the principal contribution to thinking about problem-driven approaches in this sub-section, treating it for the purposes of exposition as a particular case of an issue-specific framework.

Building on experience within the World Bank's economic and sector work, the Good Practice Framework for Problem-Driven Governance and Political Economy Analysis represents the Bank's latest (2009) effort at producing a framework for analysis capable of producing operationally relevant findings. As its name implies, the problem-driven approach central to this framework further narrows the intended purpose of the analysis in comparison with the frameworks discussed in sections 2.2 and 2.3. The framework does note that we should not interpret 'problem-driven' analysis as capable of focusing only on areas of difficulty, 'much can be learned from... an analysis of how islands of excellence emerged. In other cases, the key issue may be how to react to a 'window of opportunity' that is opening up' (Fritz et al., 2009: viii). However, in each case the analysis is intended to shed additional light on a single issue or set of issues rather than informing broad understanding of countries or sectors.

The framework is designed around three layers of analysis (see also, Figure 13, Annex 1):

1. 'Identifying the problem, opportunity or vulnerability to be addressed,
2. Mapping out the institutional and governance arrangements and weaknesses, and
3. 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' (Fritz et al., 2009: 7).

Each of these three points deserves further attention here. First, the explicit inclusion of issue identification as the initial step in any analysis is critical and goes some way in differentiating this framework from others currently available. Issue identification helps to provide a clear focus for the research, increase the chances of operational relevance and to manage expectations of both researchers and other country office staff. Note, the 'problem' in question should have a clear political economy component to it, rather than being a technical issue confronted by a donor (Fritz et al., 2009).

The latter two layers are something closer to other frameworks in their emphasis on understanding the relationship between structural factors, institutions and actors (Figure 14, Annex 1). It should be noted

that activities in the second and third layers overlap, with emphasis on understanding both relevant institutional arrangements and *why* those arrangements lead to problematic development outcomes. The latter is particularly important for identifying feasible ways forward. While analysis of identified ‘problems’ benefits from a high degree of specificity in scope, this should be balanced with attention to the range of political economy factors operating at higher levels (e.g. national, regional and even global drivers).

The third layer can be broken down further into two options for identifying feasible ways forward given the findings of analysis: i) action within existing spaces for reform and ii) attempting to increase that space. These feasible options for reform are often likely to be ‘second-best’ options, rather than first-best textbook solutions; however, even ‘second-best’ options should be distinguished from the default trajectory (Fritz et al., 2009).

*Key reference:*

Fritz, V., K. Kaiser and B. Levy (2009) Problem Driven Governance and Political Economy Analysis: Good Practice Framework. Washington DC: World Bank

## 2.5. A summary prospectus for applied political economy analysis

The frameworks surveyed in the preceding section represent a wide selection of the tools and approaches available for the analysis of political economy issues. The approach to date has been that of ‘let a hundred flowers bloom; let a hundred schools of thought contend’. This proliferation has taken place, largely over the last decade and has the advantage that, despite disagreement on which conceptual framework to employ, ‘a variety of approaches may generate useful contrasts and insights and prevent analytical hegemony’ (SIDA, 2006).

Yet, practitioners must now deal with the significant problem of inconsistent terminologies and competing frameworks<sup>10</sup>. The former no doubt strains efforts to make PEA comprehensible to sector specialists when, for example, the various ‘layers’ referred to in a given framework differ widely from the ‘layers’ in another. In this context, work on establishing standards and measures of quality have been a challenge. Harmonisation of approaches remains a key concern.

Additionally, when confronted by this increasing quantity and variety of frameworks, the question arises of how practitioners might choose amongst them. The answer to this question in part is that different frameworks have been shaped for different purposes at different moments in donor planning cycles. For example, Drivers of Change analyses have been widely appreciated by DFID staff in a number of contexts, but particularly when carried out as an appropriately timed contribution to country strategy formulation (Thornton and Cox, 2005). Yet the same approach has also been criticised for an inability to provide specific operational conclusions.

As noted at the outset of this chapter, despite the apparent differences between the frameworks outlined in Sections 2.2, 2.3 and 2.4, all of these frameworks share a number of important commonalities<sup>11</sup> and what is not common between them is often complementary (Duncan and Williams, 2010). These commonalities are perhaps unsurprising given their common grounding in theories of political economy. In this section we attempt to draw out from these varied approaches a simplified summary prospectus for applied PEA, which emphasises areas of convergence and provides an indication of what elements of these frameworks are core to a political economy perspective.

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<sup>10</sup> This is, perhaps, unsurprising given organisational demands. The incentives for donors, think-tanks and other agencies involved in political economy analysis to produce, use and disseminate their own diagnostics and analytical approaches are potentially significant and may suggest barriers to harmonisation efforts.

<sup>11</sup> A recent SIDA report (2006:5) listed a number such commonalities, including ‘an account of history (i.a. state formation), understanding formal and informal institutional and structural factors affecting “lack of political will”, a concern that donors themselves may impact in a negative way on incentives for progressive change, thinking more strategically about how change – or retardation – occurs (“how” rather than “what”), and how these changes will affect poor men and women’.



### *2.5.1. Content of analysis*

Despite differences in language, the grouping of various components of analysis and the visual representations used, the selected frameworks require analysis of similar components:

- **Structural factors** are the conditions that influence the state and political system, including geographic, demographic, historical, economic, 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’ (The Policy Practice and ODI, 2009:5). 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.
- **Institutions** are the rules of the game and include both formal and informal rules that govern behaviour. Institutions tend to be more susceptible to change in the medium term than structural features. These are sometimes grouped together with the structural factors in the previous point as the ‘context’ as in the IAD framework, or occasionally with the actors (stakeholders) as in the World Bank’s Political Economy of Policy Reform framework.
- **Actors**, also called **stakeholders**, are the individuals or organisations that are most relevant to the issue in question. These include those individuals or organisations that support reform as well as those who oppose it; individuals or organisations that engage with the issue as well as those who ignore it; and individuals or organisations who benefit from potential reforms and those whom it will cost. Actors will vary in their ability to exercise agency, in large part due to the power (economic, social, and political) they hold.
- **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.

Each of the political economy approaches outlined above reflects the belief that political concerns and economic concerns are linked through the bargaining that inevitably takes place over the use of limited resources. In combination with the use of the relevant context as the starting point for analysis, it is this view that processes of bargaining and contestation and the distribution of power among the actors participating in such processes are central in determining not only what development outcomes occur, but also to why they occur and what might be done to improve those outcomes.

### *2.5.2. Efforts to improve operational relevance: Addressing the question of uptake*

In parallel to the trajectory towards increasingly specific sector and issue level studies, the development of PEA frameworks since Drivers of Change has been faced with the challenge of demonstrating a greater degree of operational relevance and, indeed, a particular form of operational relevance.

Early exercises in applied PEA and the responses to it recognised that the operational value of such analysis depends in part on an improved ability to identify set ‘constraints’. More specifically, PEA can provide donors with a greater degree of realism regarding the often limited capacity for external actors to effect change in developing countries. Analysis that focuses on systemic constraints arising from structural factors, historical legacies, power relations and institutions as well as actors’ incentives, decision logics and choices has proven useful in understanding problems of persistent sub-optimal outcomes and, to a certain extent, how to avoid operations that may conflict with identified constraints. Indeed when the Drivers of Change approach was first introduced, the UK government’s Foreign and Commonwealth Office (FCO) highlighted the value of recognising constraints, saying, ‘The DOC approach highlights what we cannot do, as much as where we should concentrate our efforts. It therefore offers the prospect of better informed development assistance and supports delivery of our

strategic priorities across the board' (FCO, 2004 in Thornton and Cox, 2005:3). In contemporary debates on development assistance that stress the need bring tax payers good 'value for money' in development assistance, such knowledge continues to be valuable.

However, given donor imperatives to address poverty and deprivation, and often to disburse significant funds in doing so, the frameworks developed by donor agencies have increasingly sought to respond to a demand from donor agencies for greater attention to the production of research findings that do more than 'tell us what we cannot do' (Foresti and Wild, 2009). While many of the earlier forms of PEA (including, for example, much of the work done with the DoC and SGACA frameworks) tend to underestimate the potential for reform and institutional change, newer frameworks are explicitly attempting to identify ways forward in the form of actionable findings capable of contributing to improved development outcomes.

This is no easy task. PEA is not a magic bullet. It is not guaranteed to identify a heretofore hidden path to development success. There may not always be an answer which allows a particular policy to be enacted or a particular outcome to be achieved in the short run. However, at this point it seems clear that there are two conditions that seem likely to contribute to the likelihood of practical uptake.

First, the frameworks on which such exercises are based will draw on a good range of applicable analytical concepts with explanatory power to help identify potential solutions to development problems. In particular, they will not restrict themselves to the more structural issues or be overly concerned with spelling out institutional constraints, but will make full use of the instruments available for making sense of actors' choices and the room for manoeuvre that may be generated in processes of change. This does not need to be limited to a narrow range of 'rational choice' perspectives. A range of analytical concepts have been drawn on in more recent PEA work to help create a more realistic picture of human behaviour than is generated by rational choice models. For example, both the World Bank's Problem Driven Framework (Fritz et al., 2009) and the IAD framework (Ostrom et al., 2002a) provide a discussion of a range of game theory concepts, and annex 1 of the EC sector governance framework (EC, 2008) includes a discussion of principal-agent dilemmas.<sup>12</sup> Taken together, the application of these concepts adds useful depth to PEA and has the potential to give such analysis the power to generate a range of ideas for intervention on the part of development partners.

Second, there is a strong case for ensuring that analysis, at whatever level and using whatever analytical concepts, is problem-driven. In other words, the analysis will be more susceptible to practical follow-up and uptake into policy and action if it is from the outset designed to address a specific problem or set of problems that have arisen in an operational context.

The next chapter proceeds to review and evaluate lessons learned from the application of PE frameworks in the WATSAN sector. It includes further discussion of the two points stressed in this prospectus for applied PEA.

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<sup>12</sup> We return to these concepts in slightly greater detail in section 4.2 in our recommendation of an approach to PEA for the WATSAN sector; however, please consult the original sources for a full explanation.

### 3. Political economy and governance analyses in the water and sanitation sector

In this chapter we review the governance and political economy analyses as have been applied to the water supply and sanitation sector. We identify the different but complementary ways in which these analyses can assist in sector reform and improved sector outcomes, and summarise the lessons learned through the application of these studies. Unlike in Chapter 2, here we do include governance studies and assessments within our review of the literature, since applied PE analyses in the WATSAN sector are still in their infancy, and are heavily grounded on the more established governance literature.

To maintain our distinction between governance studies and PEA we first clarify the differences and similarities between governance studies and PEA in the sector. We also trace the recent history of donor agency interest in how relations of power affect WATSAN sector outcomes, and document the progression from analyses focusing on how to support more effective processes of WATSAN governance and decision making, to understanding and addressing the underlying drivers of institutional, political and historical barriers to service delivery. In the last section of this chapter we summarise lessons learned from previous applications of governance assessments and PEA within the WATSAN sector in order to inform the development of a refined framework laid out in Chapter 4.

#### 3.1. From governance to political economy analyses

There are three distinct, yet overlapping, sets of literature within the WATSAN sector that we draw from to summarise barriers to sector reform and improved outcomes. These three sets also reflect the above-mentioned trajectory of analysis. The first, and most developed, body of literature consists of sector governance assessments (USAID 2009; AfDB 2010; Dayem & Odeh 2008; Hirsch, Carrard, et al. 2006; Robinson 2002). As highlighted in Chapter 1, this body of research is normative in approach, appraising performance against certain idealised criteria or characteristics for the ‘good governance’ of water supply and sanitation services.

A second, still emerging, body of literature relates to specific PEA of the sector (WSP 2011; Singh 2008; Swatuk 2008; World Bank 2008). Unlike governance assessments, these studies take the existing sector context as a starting point for research, and aim to better understand the political and economic realities and contexts within the sector. In doing so, these assessments aim to uncover underlying processes, institutions and structures that act as either drivers, or blockages, to sectoral reform. As expected, the PEAs of the sector specify the use of a particular PE framework.

A third body of literature, neither strictly governance assessments nor PEAs, consists of a type of combined analysis (O’Meally 2010; Foot & Rashid 2009; World Bank 2009). A number of these have applied dual analytical frameworks in addressing issues of both governance and political economy. Others, such as larger governance analyses of water supply and sanitation delivery, have placed political and economic processes at their core, albeit without the use of a specific PE framework. While these studies do highlight PE barriers to sector reform, many remain broad in their focus and conclusions, limiting the potential for delivering specific recommendations of immediate relevance for the design and delivery of more effective sector development programmes.

Though this chapter draws from all three bodies of literature for the review, it builds on the conclusions of previous chapters in promoting the use of PEA. The need for a specific PE approach follows from the conclusion that whilst analyses of governance of the WATSAN sector are helpful in prescribing the state of governance of WATSAN service delivery, they typically fall short of describing the underlying processes behind obstacles to sector reform.

##### 3.1.1. *Similarities*

At the core of both PEA and governance studies is the analysis of ‘power: how it’s used and on whose behalf institutions function in a particular country; how the relations between rulers and organized groups in society or citizens operate; and how sectors are governed’ (EC 2008).

This interest in the impact of relations of power on sector outcomes was first notably taken up within a definition of water (not yet sanitation) governance: at its simplest, water governance relates to *'who gets what water, when and how'* (Troop 2005). The GWP's broad definition of water governance provides a similar, if less pithy, definition for water governance: *'the range of political, social, economic and administrative systems that are in place to develop and manage water resources, and the delivery of water services, at different levels of society'* (Rogers & Hall 2003)

The argument is now made that while issues of technical and financial support for service delivery are unquestionably important, the global WATSAN crisis is predominantly rooted in aspects of poverty, power and inequality; and not in physical availability (UNDP 2010). Indeed, this approach is now reflected across the wider water sector, and the notion has been largely accentuated since the Global Water Partnership (GWP) proclaimed at the Second World Water Forum that *'the world water crisis is mainly a crisis of governance'* (GWP 2000). Accordingly, in acknowledging the shortcomings of governance within the sector, governance reform has become a central pillar of any strategic approach to resolving the problem - see Box 4.

#### **Box 4: Challenges in water and sanitation governance**

Many countries have embarked upon institutional reforms, decentralising and tasking local authorities with service provision. Other countries have turned to privatisation in an attempt to use the skills and resources of contractors. However ill-planned reforms can result in services being handed to organisations without the resources to implement them, where responsibility is devolved but not funding.

Local capacity is often weak and regulating the private sector to ensure that services reach vulnerable sectors of the community remains a challenge. When responsibilities for water and sanitation are unclear, it is difficult to track the flow of resources into the sector and measure results. Progress monitoring remains weak and makes the sector vulnerable to corruption. Ineffective regulation, pollution and inadequate or poorly designed sanitation can lead to the destruction of valuable drinking water resources.

*Source: UNDP (2010)*

### **3.1.2. Distinctions**

This relatively recent acknowledgment of the centrality of power to development outcomes and subsequent focus on sector governance was first translated by development institutions into governance assessments. These were most often an attempt to measure performance against certain pre-established criteria or characteristics. As mentioned previously, this approach to sector governance has often taken the form of a gap analysis that starts with an idea of what institutions *should* look like (generally idealised versions of the institutions of developed Western countries) and compares actual performance to this to identify what is lacking. As a result, this type of approach has typically led to the prescription of an often narrow set of strategies targeted at variables seen to be in short supply (such as participation, transparency, or accountability). While improvements in such variables may be desirable in their own right from a normative perspective, strategies designed to achieve them have tended to focus on templates or blueprints which have not always engaged with realities of different contexts and have often failed to generate the change in developmental outcomes intended by donors.

In addition, as subsequent interventions have experienced, identifying governance challenges within the WATSAN sector proves considerably difficult largely due to the broad-ranging and intangible nature of aspects of governance within the sector (Troop 2007). This is where, we argue, a PEA designed for operational relevance can assist development programmes and practitioners.

A wide range of studies have also been conducted on the effectiveness of different policy instruments for improving WATSAN governance, ranging from factsheets for effective and sustainable principles to sector governance to pan-continent large-scale assessments of governance indices. The mainstream 'instruments' in the implementation of water policy are summarised in Table 1. Plummer and Slaymaker (2007) note that though significant work has been done in relation to each of the listed instruments, *'the main cause for concern from a governance perspective is that they are generally treated in isolation*

and the linkages between them are often overlooked'. This, they argue, has resulted in a somewhat disparate set of *ad hoc* debates that have rarely been drawn together in a coherent manner (Plummer and Slaymaker 2007). Though the instruments of water governance are fairly well known, there remain a number of key obstacles to ensuring better delivery across the sector, some of which we discuss below.

**Table 1 Instruments of water governance**

<b>Technical</b>	Measures used in resource assessment and design of structures used to control, store and supply water for different purposes.
<b>Economic</b>	Measures used to encourage efficient and responsible allocation and use of water resources including pricing, charges, subsidies and penalties.
<b>Administrative</b>	Information systems, maps/models, plans, guidelines and other decision support and management tools.
<b>Legal</b>	Measures which prescribe, restrict or prohibit different water uses including abstraction/discharge permits, codes of conduct and minimum standards.
<b>Institutional</b>	Regulatory bodies, management arrangements, planning procedures, coordination and partnership mechanisms
<b>Social/Political</b>	Measures to increase awareness of water issues and mobilise users to participate in planning, management and financing of water resource development.

Source: Plummer and Slaymaker (2007)

### 3.2. The role of political economy in sector reform and delivery

While useful in working around challenges for more effective management and development of services within the WATSAN sector, governance studies often fall short in exploring the root causes of *why* such challenges exist. Recognising this shortfall, donors and project implementers have increasingly sought to understand and address the underlying institutional, political and historical contexts that influence decision-making in the WATSAN sector. Translating a thorough understanding of these PE processes in project design and action can be crucial for better addressing the sanitation (and water supply) needs of the poor (WSP, 2011). Though in its relative infancy, this is where political economy analysis within the WATSAN sector can prove an extremely helpful tool.

Broadly speaking, the political economy of WATSAN service delivery refers to the social, political, and economic processes that determine the extent and nature of investment and service provision. Interest in PEA within the WATSAN sector has grown steadily, reflected in a distinct transition from PEA's origins within academia to applications of far greater relevance to programmatic and operational sector relevance. As in any sectoral analysis, PEA of WATSAN service delivery involves identifying and addressing stakeholder interests and institutional determinants of processes and outcomes of WATSAN investment. It also involves an assessment of the risk and opportunities for improved management of political economy toward pro-poor investment (World Bank 2010). In practice, an effective PEA in the WATSAN sector should provide empirically grounded insights into, for example: why sanitation investments and service provision are not given adequate priority in lending and non-lending work; or, when sanitation investments in such efforts are undertaken, why they are not strategically targeted toward increasing access to sanitation for the poor (WSP 2011).

PEA does not substitute for conventional economic, social, or financial analysis. In this respect, '*it is simply a supporting tool for designing and implementing [water] and sanitation interventions*' (WSP 2011 pp.44). It occupies the same space as sector governance analysis, with the difference that its objectives are diagnostic rather than prescriptive (or normative) (Fritz et al. 2009). As a result, PEA can help move past more normative governance analyses, in assisting funders/practitioners/stakeholders to identify the reasons behind key political and economic constraints and barriers for sector change.

To date, few analyses have been conducted into the political economy of water service delivery and reform; fewer still have done so in the context of water supply *and* sanitation services. Studies that have been carried out tend to operate in relative isolation and reflect the comparative infancy of conceptual PE thinking and framework development within the sector - largely initiated through a series of initial studies by the World Bank (see Table 3). Important to note is that many existing governance analyses conducted for the sector have incorporated various elements of political economy, drawing on similar analytical approaches, and are therefore helpful in putting together a broader narrative of political and economic issues or relationships that present governance challenges for the sector. Where a number of the governance studies have fallen short, however, is with regards to the provision of practical and achievable recommendations for overcoming such challenges, tailored towards agencies involved with sector investment, improvement and reform. Table 3 gives a concise summary of some of these insights from the studies conducted thus far.

### 3.3. Key political economy issues for water supply and sanitation service delivery

We draw here on insights from existing studies and key informant interviews in order to present a refined understanding of PEA process, outputs and outcomes. Briefly, the section below highlights a number of common PE issues within the water supply and sanitation sector (see Box 5 for key findings from a recent PEA study in Ethiopia).

Issues of political power and power relations are prominent in all PE studies of water supply and sanitation delivery (O’Meally et al. 2009). With this in mind, PEA of the sector seeks to explore which groups derive their power over water and sanitation resources and are represented in decision making, as well as how different interest groups and change agents outside of government influence on policy decisions (see Box 6). While largely dependent on specific country and sector contexts, aspects of power in water and sanitation delivery can often be seen in relation to perceived political rewards, organisational resistance from central government, and/or implementers’ lack of capacity to manage increased budget allocations disbursements (WSP 2011). Similar interest attaches to the way political choices affect investment decisions within the sanitation sector. Political preferences tend to lead to highly visible, big infrastructural investments (with a bias towards large scale conventional infrastructure systems that do not provide for poor residents). A recent study by WSP finds that *‘in some but not all instances this [preference for large infrastructural investment] is linked to opportunities for influential individuals or groups to use these investments to generate income by privileged access or politically created monopolies (rent seeking)’ (ibid pp7).*

#### Box 5: Key findings from ODI study into issues of governance and political economy in Ethiopia

O’Meally et al. (2010) identify four entry points to the promotion of change in the Ethiopia water sector- the themes of which are relevant to the context of many developing countries.

The first revolves around **political significance**, as the authors note a distinct perception of water as relatively low on the political agenda of ruling elites and opposition parties, with little pressure to meet government promises as a result.

The second concerns **decentralisation**, with political constraints limiting its application and success, resulting in only partial decentralisation of decision-making power and resources in some cases, hindering the ability of the lower tier of government to accomplish its functions. Calls for decentralisation of WATSAN services typically support their arguments with the notion of greater accountability for service delivery to constituents. However, such political constraints in limiting its application can also result in considerable confusion; *which agency is responsible for what, and at what level of government.*

The third refers to **political patronage**, resulting in pressures for ‘upward accountability’ and loyalty to the political party as opposed to responsiveness to citizens and service users- with inevitable consequences for accountability.

Lastly, the report highlights **capacity-building**, arguing that variations in politico-institutional make-up and agro-ecological characteristics across and within Ethiopia’s regions infer considerable limits and difficulties in terms of their capacity and their ability to place demands on the centre to transfer resources to the regional and local levels.

## Box 6: Sample questions for a political economy diagnostic

### Country Context

*Historical Legacies.* What is the past history of the sector, including previous reform initiatives? How does this influence current stakeholder perception?

*Cultural and Religious Context.* To what extent do religious or cultural values shape public debate around sanitation and demand for services?

*Ideologies.* What are the dominant ideologies that shape views and debates around the sanitation sector?

*Policy Context.* What is the policy context for sanitation? Is there a (pro-poor) vision for sanitation? What is its relationship to the water sector?

### Sector Arena

*Decision Making and Budget Allocations.* How are decisions around budget allocations made within the sanitation sector?

*National–Sub-national Relationships.* What is the institutional relationship between national and sub-national governments? Are sub-national governments accountable to the national level or local electorate?

*Power Relations.* To what extent is power over investment decisions vested in the hands of specific individuals/groups? Which interest groups and population groups do politicians represent when deciding over sanitation investments? How do different interest groups outside government (for example, private sector, NGOs, consumer groups, the media) seek to influence policy?

*Corruption and Rent Seeking.* Is there significant corruption and rent seeking in the sector? Where is this most prevalent (for example, at point of delivery; procurement; allocation of jobs)? Who benefits most from this? What are the consequences (for example, preference of investment in big infrastructure projects)?

*Financing.* What is the balance between public and private investment? How is the sector financed (for example, public/private partnerships, user fees, taxes, donor/lender support)? What are the discussions around cost recovery?

*Demand for Services.* To what extent is there a demand for sanitation services from the communities? What are the factors shaping community demand for improved sanitation?

### Sector Process

*Sector Champions.* What role do champions play in raising the profile of sanitation and supporting increased sector investment?

*Civil Society.* What roles do media, non-governmental organisations (NGOs), and community-based organizations (CBOs) play in the sector?

*Development Partner Influence.* How do donors and lenders attempt to influence decision making and reform implementation in the sanitation sector?

*Source: World Bank (2007), OPM (2009) and DFID (2009) in WSP (2011)*

As in many core development sectors, the issue of corruption is a key PE concern for the delivery of water supply and sanitation services. Two of the principal areas for concern relate to corrupt relations between utilities and their customers, and those between utilities and their contractors (HCIDC 2007). These issues are often exacerbated, given that in many countries there is still a reticence to discuss corruption and anti-corruption activity at the sector level (Plummer & Cross 2006). However, though rife across all elements of the sector, relatively low levels of sector investment mean that there is limited opportunity for large scale corruption on a par with other more investment-heavy sectors such as transport or manufacturing.

A key issue highlighted by both relevant literature and key informants is the relatively **low priority of sanitation within the policy arena of developing country governments**. This is made all the more pertinent given low levels of awareness of sanitation services and which agencies are responsible for sector delivery. The reasons for this are plentiful. One cause is that sanitation is often shrouded in stigma and embarrassment, with sanitation itself a euphemism for managing defecation. Another factor is that little is understood about how to make rapid progress on delivery of sanitation services in

comparison to water supply, predominantly due to the fact that ‘sanitation is more about “softer” issues of raising demand and institutional behaviour change, rather than infrastructure provision’ (HCIDC 2007, p.12). These complexities explain, in part, why sanitation has historically ‘piggy backed’ on the political demand for water supply in order to increase attention and funds to the sector (*ibid.*). Indeed, strong political positioning and communication in support of sanitation strategies can result in effective results, as demonstrated by the case of successful sector reform to encourage households to construct simple latrines from locally-viable materials in the Southern Nations, Nationalities and People’s region (SNNPR) of Ethiopia (see Newbourn 2008 for further details).

### 3.4. Lessons learned from carrying out governance and political economy analysis within the WATSAN sector

Following the synthesis of key PEA issues in Section 3.3, below we document a number of lessons learnt from the process of applying and conducting governance and PEA studies. Common findings from existing studies, as well as insights from key informants, feed into the conceptual framework that is elaborated in Section 4.<sup>13</sup>

Table 2 List of reviewed PE studies of WATSAN sector informing the conceptual framework

Author	Area of Analysis	Sector	Applied Framework
<i>O’Meally et al. 2010 (ODI)</i>	Ethiopia	Water	CAR/PE
<i>Foot &amp; Rashid 2009 (DfID)</i>	Bangladesh	Water and Sanitation	CAR/DoC
<i>Swatuk 2008 (UoW)</i>	Southern Africa	Water	PEA
<i>Singh 2008 (WB)</i>	India (Delhi)	Urban Water	PEA
<i>WSP 2011</i>	Multiple (Brazil, India, Indonesia, and Senegal)	Sanitation	PEA
<i>AfDB 2010</i>	Africa	Water	GA
<i>USAID 2009</i>	Middle East and North Africa	Water	GA
<i>Dayem &amp; Adeh 2008 (AFED)</i>	Middle East	Water	GA
<i>AusAid 2006</i>	South East Asia	Water	GA
<i>World Bank 2007 &amp; 2009</i>	Yemen	Water and Sanitation	PEA
<i>World Bank 2009</i>	Palestine (Western Gaza)	Water	GA/PEA

<sup>13</sup> Note that not all of the studies in the table are explored in the following section. However they do inform the lessons learned and analytical findings of this analysis.



<b>World Bank 2008</b>	Multiple (Jordan, Albania, Argentina, Bolivia, Ghana, Vietnam, New Delhi)	Water and Sanitation	PEA
<b>WSP 2002</b>	Uganda	Water and Sanitation	GA
<b>UNDP GOAL-WASH 2010</b>	Global (14 country assessments)	Water, Sanitation and Hygiene	GA

\*GA- Governance Analysis; PEA- Political Economy Analysis; DoC- Driver of Change; CAR- Capability, Accountability, Responsiveness

### **3.4.1. Sub-sectors and rural vs. urban**

The context of the WATSAN sector is considerably varied. For example, in many cases the political and institutional processes that influence resource expenditure for the provision of safe drinking water will be entirely separate from those that determine allocation of sanitation spending. The sector is thus two very distinct sub-sectors, water and sanitation, requiring different sets of analyses. Equally, the two sub-sectors can be further divided into rural water supply and rural sanitation services and urban water supply and urban sanitation services. With this in mind, the development of PEA framework needs to acknowledge the sector's diversity in its application (ODI 2010; Foot and Rashid 2009). That is not to say that separate frameworks need to be applied for different elements of the WATSAN sector. Rather, that its application addresses the non-uniformity of the sector; acknowledges different historical, institutional and political contexts; and recognises that questions and areas of focus across the sub-sectors many need to be tailored accordingly.

Perhaps the most evident example of diversity in the WATSAN sector relates to differences between rural and urban contexts. Similarly, political and economic processes concerning the delivery of WATSAN in peri-urban or new developed small town localities are likely to be considerably different to either urban or rural contexts, and should be recognised in the application of any PEA. Foot and Rashid (2009) allude to this in their assessment of PE constraints for delivery of water supply and sanitation services in Bangladesh:

*A critical part of understanding the means by which the political equation is sustained requires a consideration of the differences between urban and rural politics. We consider these differences briefly here because the WATSAN sector itself is technically very different between rural and urban environments. Understanding the obstacles and opportunities for change in these places depends quite heavily on understanding the differences in these political systems (Foot and Rashid 2009 pp.26)*

The authors go on to suggest that given such large differences in politics and the techniques available for WATSAN service delivery, PE analyses should apply themselves between the two contexts. This is particularly relevant for more refined problem driven PEA studies.

### **3.4.2. Multi-sector and Multi-scalar analysis**

Actions and decision making in the WATSAN sector, just as any sector, are influenced by a host of external processes and actors operating at various scales. This emphasis on wider context of the sector can help in the location of power, and the identification of historical origins of patterns of influence, capture, and patronage. With this in mind, it is important that any political analysis of WATSAN devotes attention to the interactions and impacts of other relevant sectors. Reflecting this in their political assessment of governance and drivers of change in the Ethiopian water supply sector, O'Meally et al. (2010) note that '*future designs of [PEA] research projects should consider a multi-sector approach recognising the linkages between various sectors*' (O'Meally et al. 2010 pp40). A multi-sectoral analysis may well complement a more refined problem-driven approach, as any constraint to reform will inevitably have to acknowledge and address the influence of wider sectoral processes in the delivery of WATSAN sector services.

Similarly, there is a need to ensure that any analytical framework gives recognition not only to the local and national context, but also to the forces and political pressures associated with international

players /actors. Indeed, many of the studies conducted thus far, particularly those with a problem-driven focus, have tended to classify macro analysis of the political policy arena as ending at the national level, with little attention given to the significant role and influence of international actors – such as donors or MNCs – in shaping policy debates and outcomes at both local and national level. This may be achieved through ensuring that it is embedded within the contextual element of the analytical framework.

### ***3.4.3. Applying combined governance and PE frameworks***

Experience from applying joint governance and political economy frameworks from the Ethiopian and Bangladesh case studies highlights a number of strengths and weaknesses in trying to combine the two approaches. In applying a governance approach, in the form of the Capability, Accountability, and Responsiveness (CAR) framework, with a Political Economy approach, through a Drivers of Change (DoC) and PEA framework, the studies find the joint approach useful in allowing the systematic gathering of information on sector developments, from different perspectives, and for different levels of government (O’Meally et al. 2010; Foot & Rashid 2009).

However, both studies note clear weaknesses in a combined approach. Firstly, a considerable amount of time and research is required to conduct a joint analysis, particularly given that both the CAR and DoC frameworks cover such wide areas and issues across sectors. As such, gathering of sufficient evidence to make decisive claims proves challenging, and may prove too ambitious in its scope and objectives as a research plan (O’Meally et al. 2010).

Secondly, feedback from study researchers points to the need for future studies to ensure greater flexibility and responsiveness in the application of any such framework. No framework can address every aspect of the sector’s diversity, and there is therefore little merit in having a single ‘one-size fits all’ framework. Frameworks will ultimately have to be applied in ways that accommodate the multifarious nature of the sector, and ensure adequate flexibility to respond to the different objectives and purposes of those who apply them.

Lastly, in their critical review of the application of the CAR/PEA framework, O’Meally et al. (2010) note that ‘...it is worth being clear at the outset who the entry points are for: Donors? Government? civil society? Or all actors?’. Entry points will differ according to the mandates of the actors that are targeted, and the development of strategic entry points should be given considerable thought and discussion prior to any political analysis and the application of the analytical framework for the WATSAN sector.

### ***3.4.4. A focus on both process and outcomes***

The clearest lesson learned from both study documents and key informant interviews is the need for any future PE analysis to move beyond identifying political and institutional constraints. This will be assisted by embedding them as far as possible in actual processes of change or reform. Indeed, the sentiment that ‘*the only good PE study is one that brings about change*’ reflects an attitude that, though relatively successful in isolating and describing key PE issues, the majority of PEA and governance studies have failed to drive forward change in the water and sanitation sector.

This limitation is no doubt explained by the fact that PEA of WATSAN is in its relative infancy. It is only recently that it has been encouraged to adopt a greater focus on relevance and applicability for sector programming and operations. That being said, there is clear scope for ensuring that the insights of PEA studies are translated into practice. Put simply, in conducting PEA, the concluding elements of the project should not end at the presentation of study findings, but should act as the catalyst for a much wider process of deliberation, engagement and ultimately, change. Ways of doing so may be through greater multi-stakeholder collaboration and presentation of study findings, as well as seeking continued fora for engagement after completion of the research.

One suggestion for facilitating such a process is to incorporate and address theories of political change and/or influencing mechanisms as part of the study’s analytical approach. This can be of great use for the end user, in this case the donor community, in providing a tool for thinking through how to influence PE challenges and make the most of available opportunities for reform. Examples of this can

be seen in the application of society-centred and political-centred approaches. For example, a recent WSP study confirms the potential of individual sector champions to secure higher priority for sanitation investments (WSP 2011).

### ***3.4.5. Coordination, collaboration and cooperation***

An integral part of ensuring a process-driven approach to PEA is, where relevant, to promote greater inclusivity and awareness of *relevant* stakeholders in the research from start to finish. Key-informants are clear that in order to ensure greater take-up of research findings, partial ownership, participation, and buy-in from the end users are key to any eventual success. This is not say that end users play a heavy role in the interpretation and understanding of the analysis, as this would have obvious implications for its impartiality (see Box 7). Rather, that they are involved in the identification of potential sector problems, are conscious and made aware of scope and methodology of the political study, and are prepared to collaborate and engage throughout the duration of the analysis. These principles can go a long way in helping to ensure the successful take-up of any recommendations, and lower the likelihood for a hostile reception of potentially sensitive and critical feedback and advice.

Just as important as ensuring engagement during the actual research collection phase is the need to guarantee effective translation of results into messages for appropriate stakeholders and actors. Informants emphasise the necessity for long-term engagement between key actors in attempting to push for real sector change and reform. This means that actions do not end at the final presentation of study research, typically in the form of a report and in-country workshop, but coordination, collaboration, and cooperation are maintained through a more durable and engaged approach. This push for greater dissemination and translation of results into practical recommendations for intended stakeholders does however raise issues of sensitivity in the generation and dissemination of information generated during the research process. The politicised nature of the working arena means that and recommendations given directly to stakeholders need to be sensitive of country, sector and private contexts.

In light of the lessons learnt from previous applications of PE frameworks, and the findings from the rest of the chapter and the chapters preceding it, we present the political economy approach in the following chapter. Through this we aim to move towards a more action-orientated approach to PEA of WATSAN.

#### **Box 7: Degree of participation in project execution**

While the buy-in and of participation internal (donor) staff seems indispensable, with regard to the degree of external participation and dissemination, the experience of SIDA with Power Analysis seems relevant. A 2006 evaluation found that ‘the degree and types of participatory processes will vary considerably depending on the primary objective of the study and the country’s degree of authoritarianism/semi-authoritarianism/democracy’ (SIDA, 2006:10). This includes the participation of key actors such as governments, civil society, political parties, academia, media, and the private sector. In other words, the shape of the process as well as the content covered and included in the final output are contingent on the purpose of engaging in the analysis.

## 4. Frameworks and beyond: A political economy approach to the WATSAN sector

### 4.1. Principles for operational relevance

The previous chapters suggest that practitioners are now entering a phase in the use of applied PEA in which we have a growing body of knowledge about, and experience with, work of this type. Whilst there is certainly room for additional experiences from which to learn, there is increasingly the potential for research projects like this one to build on previous work rather than inventing a new framework/approach. In this chapter we therefore draw on the range of frameworks presented in Chapter 2 as well as the case study experiences reviewed in Chapter 3 to suggest an approach to PEA that can inform DFID's work in the WATSAN sector. This approach is to be tested in a series of subsequent case studies and may need to be refined further in light of that experience.

Specifically, our review suggests five key features for a PEA approach that recognises the paramount importance of maximising operational relevance as an emerging guiding principle for future application of PEA within the donor community:

- First, PEA should be embedded not only in specific country contexts, but also in the work of the donor country office in question. The former requires researchers to engage with local realities, while the latter requires engagement with country office staff (including sector specialists) throughout the research project. This helps to maximise the chances that the analysis will both draw on the significant tacit knowledge held by staff and work on specific issues that are relevant to country strategies.
- Second, PEA requires an approach that can be applied across a number of different contexts and can maintain a degree of flexibility, recognising the incredible diversity of the WATSAN sector. Thus, an approach that outlines the *types of variables* that should be considered in the analysis (Ostrom et al., 2002) and makes clear a generalised theoretical point of departure (e.g. identifying relevant collective action problems), will be more helpful than one that predetermines the scope of inquiry (for example, by identifying a set of relevant stakeholders).
- Third, PEA should not be confused or conflated with governance assessments. The latter are valuable in their own right; however, they serve a different purpose from PEA. Combining the two exercises may lead to an overly normative and prescriptive mindset that must be avoided if PEA is to consider the full scope of non-obvious opportunities for intervention.
- Fourth, PEA should draw on core PE factors and concepts that might shed light on WATSAN sector issues. At the very least, these should include the set of three analytical factors or variables common across the range of PE frameworks surveyed: structural factors; institutions; actors and their incentives. However, the best analysis will draw where possible on a range of applicable analytical concepts with explanatory power to help identify potential solutions to development problems.
- Fifth, PEA frameworks should be simple enough to maintain a reasonable level of ease of use for staff with a range of expertise, but clearly not so simplistic as to become useless. Despite the appeal of a rigorous, comprehensive framework that guides a researcher through all possibly relevant issues for analysis, such an approach may result in a breadth of analysis that proves overwhelming for practitioners and lacks the focus necessary for operational relevance. Getting this balance right is likely to be particularly important where a PE approach is to be broadly adopted by agency staff (including sector specialists) rather than led by external consultants with considerable PE experience, though it should be noted that this should not mean abandoning the core intellectual content of the analysis.

These features inform not only the selection of the framework for analysis, which is addressed specifically in Section 4.2.3, but also the development of the multi-stage approach to PEA described in the whole of Section 4.2.

## 4.2. A multi-stage approach

The actual application of an analytical framework forms a critical part of the process, with the framework providing structure to and scope for the research as well as a source of key analytical concepts. Yet at the same time, variation in the degree to which PEA produces operationally relevant findings also reflects elements that are vital before and after the analytical/diagnostic element of the approach. A variety of donor approaches, including the World Bank's problem-driven framework and the Dutch SGACA process have therefore recognised the importance of getting the overall process of analysis right (Fritz et al., 2009; Unsworth, 2008).

We propose that the PE approach be made up of five closely related stages (see Figure 3). These are classified as: clarity of purpose; problem identification; analysis; uptake of findings; and evaluation. Each one forms an integral part of the overall process and will look to inform and complement the following stage. Processes of engagement at each stage will ultimately feed into a better translation of the research findings into effective change and reform. Notably, while external consultants must clearly understand and work within the (time) demands on in-country staff, the participation of country-office staff at each stage is crucial. This is important for ownership, buy-in and take-up, and is true even where specific parts of the research process are carried out using external consultants rather than donor agency staff.

Further details of the five stages are described below:

**Figure 3 Steps in an applied political economy approach**



### 4.2.1. Achieving clarity of purpose

The first step in this process is to clarify with country office staff, other commissioning actors, research staff and other relevant stakeholders (see Box 8) the purpose of the analysis. The purpose will vary according to the needs of the office at a given point in time. For example, in a context in which a WATSAN programme is relatively new and/or the sector advisor is new to the country, a more contextual analysis will likely be a useful first step. Such analysis can then be followed up with more specific sub-sector problem driven analysis. Where the programme of engagement is relatively mature, sector advisors have significant in-country experience and/or contextual analysis has already been carried out, it may be more useful to proceed directly to the next stage of the project approach: problem identification.

#### **Box 8: Public engagement in PEA**

The extent to which PEA should involve significant public engagement remains a matter of some debate among practitioners. In practice, we suggest that the degree to which the methods used are widely participatory and the precise way in which dissemination and uptake activities should be planned and carried out depends on purpose of the analysis. For example, where the purpose of the research is to inform donors own strategies and the design and execution of development programming, it may not be advisable to disseminate widely. Much of the most sophisticated PEA done by donor agencies is done internally, preserving the candour of the analysis without risking irreparable damage to relationships or reprisals. In other cases, as where research is undertaken as part of a participatory process, and impact is expected to arise as much from the process of undertaking the analysis as from subsequent changes in development programming, sharing results widely may be advisable. In the latter case, it is important for practitioners to remember that given the highly political content of many PEA studies, there may be very real risks to those who remain in the country long after consultants and donor staff might leave, including local researchers, contributors and even subjects of research (Foresti and Wild, 2009).

In either case, maximising operational relevance depends on achieving clarity of purpose, specifying the operational objective of the analysis and designing an appropriately tailored strategy (WB-IEG, 2010). Different stakeholders may have different objectives for the analysis, and where there are multiple or unclear objectives, there is significant potential that such variation may impact negatively on the value of the analysis (Box 9). Considerable thinking should therefore be done by practitioners and the country office (or other commissioning agent) even during these early stages such that the primary purpose of the research may even be set out in the terms of reference.

**Box 9: Possible operations objectives in the World Bank’s PSIA work**

A recent (2010) evaluation of the World Bank’s PSIA work by the Bank’s Independent Evaluation Group highlighted the presence of at least three potential operational objectives in carrying out analysis of this type that are useful in highlighting the range of audiences:

1. Effect on country policies (including policy debates)
2. Contribution to the development of country capacity for policy analysis
3. Effect on Bank operations (including strategy and analytical work)

Critically, these objectives can be, and often are in tension with one another. The evaluation noted that a failure to make clear from the outset which of the objectives was most relevant for any given analysis was one of the key barriers to effective analysis, regardless of the form of implementation at later stages.

It should also be noted that experience suggests the need for a degree of caution with respect to expectations as to what PEA can contribute. Whilst analysis can shed light on potential ways forward, it is not guaranteed to solve what may be intractable political problems. In practice, this also means considering limitations imposed by the amount of assets (financing and human resources) available and ensuring adequate communication of what the expected outcomes are to associated stakeholders. Experience implementing SIDA’s power analysis suggests that ‘first generation terms of references tended to be very ambitious; the consultants had a great deal to cover in relation to their time input. This should be compared with the Norwegian and Swedish public power analysis which involved a lot of researchers who could devote several years to produce one white paper and several reports’ (SIDA, 2006). Clearly, multi-year time lines are not practical for donor PEA in most cases; however, the point to be stressed here is the need to find a middle ground in which feasible objectives and expectations to guide any PEA may be set.

#### **4.2.2. Problem identification**

The next step is the identification of a ‘problem’ to be addressed and to ascertain that the problem has a political economy dimension rather than presenting only a technical challenge (Fritz et al. 2009). There is little established guidance for practitioners as to how to go about the process of identifying the problem identification; however, to date problems identified by the World Bank as a part of their experience with Problem-Driven Governance and Political Economy Analysis have tended to arise from the ongoing work of country offices.

In practice this means that problem identification should be done in collaboration with country office staff, drawing on past experience and tacit knowledge. Where possible this may require a review of past donor experience in the sector in-country or previous analytical work. Indeed, while the availability of an existing body of PE literature on which to draw varies significantly across sectors and countries, there is nevertheless likely to be good material on which to draw. For example, problem identification may include a review of past projects and performance to date on current projects, through analysis of project documents and in consultation with relevant staff, to identify common elements over time can be a helpful starting point. Such attempts help to highlight where donors have been struggling to address persistent disappointing outcomes and may suggest the presence of a PE problem for which analysis may be helpful. Other areas of attention might include where reforms have been only partially implemented, or where they have been implemented, but with negative or unexpected results (Fritz et al., 2009).

### 4.2.3. Analysis: a analytical framework and guidelines for application

Once the ‘problem’ to be analysed has been identified, researchers can begin to consider the application of an appropriate analytical framework. We suggest that the core analytical/diagnostic component of the approach be based upon the problem-driven framework developed by Fritz et al. (2009), a simplified version of which can be seen in Figure 4 (for the original, see Figure 13, Annex 1). As noted in section 2, this framework is one of several used by development and research organisations for PEA. However, we feel this particular framework provides a useful conceptual and analytical point of departure for a number of reasons.

First, the framework provides a good degree of clarity regarding key terms and concepts. The three core concepts of any PE analysis, namely structural features, institutions and actors are clearly established and explained (Section 2.5).

Additionally, the annex of the framework provides a useful overview of a number of issues and analytical concepts that add depth to the core conceptual framework. These include resource and rent distribution, political stability and legitimacy; patronage networks, clientelism and neo-patrimonialism; and institutional and political game theoretical concepts (Box 10). This material provides a useful guide for those already familiar with, or those willing to become familiar with, the core content of PEA.

Second, the framework is applicable to the policy and programmatic level of analysis, while remaining general enough to remain flexible across country contexts and applicable to the range of issues that might be encountered in the diverse sub-sectoral distinctions that arise in the WATSAN sector. It is as easily applied to rural questions as to urban ones and to issues of water supply as to those of sanitation.

#### Box 10: Selected game theoretical analytical concepts

**Path dependency** – Path dependency refers to the idea that current outcomes and the range of options available are influenced (or, in stronger claims, determined) by earlier events.

**Principal-agent problems** – Principal-agent relationships are primarily concerned with the challenges encountered in cases in which one actor (the principal) relies upon and therefore must motivate another actor (the agent) to act on their behalf or in their interest. (EC, 2008; Fritz et al., 2009).

**Collective action challenges** – ‘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 produced something of value together, when it would be difficult to produce it alone’ (Ostrom et al. 2002).

**Veto players and gatekeepers** – Veto players, who are generally empowered either formally or informally by the legislative process, can block policy processes entirely while gate keepers are ‘those who channel and select among multiple options’ (Fritz et al., 2009:52).

**Selectorate theory** – Selectorates refer to the subset of the total population in a polity with a voice in selecting leaders. Within a selectorate, the ‘winning coalition’ is the subset sufficient to choose and sustain a leader in office. The size of these groups may have important impacts on the provision of public goods and private benefits, with a larger winning coalition generally associated with an incentive to provide public goods (Fritz et al., 2009:52).

*Source: EC (2008); Fritz et al. (2009); Ostrom et al. (2002)*

Third, the framework explicitly adopts a problem-driven approach, which fits well with the research project’s stated goal of maximising operational relevance. While useful insights have been generated by the more contextual analyses undertaken to date, generating specific operational implications from such an approach has proved challenging given the relative size, complexity and heterogeneity of the WATSAN sector. Orienting the analysis around a specific operational problem (while leaving room to draw on more contextual analysis) seems likely to increase the potential for engagement with the challenges confronting country office staff and the likelihood of providing operationally relevant findings.

Fourth, the framework is open with regard to the types of interventions one may or may not be able to make or choose to make as findings begin to emerge and thus avoids the pitfalls associated with more normative, prescriptive governance assessment exercises. To achieve this the authors propose a spectrum of potential types of action reaching from attempts to work within existing reform space to those that seek to expand the reform space. In the next section we explore this proposal in greater detail and assess the prospects for guidance on moving from analytical findings to the generation of practical recommendations.

**Figure 4 Problem-driven governance and political economy analysis**

	What vulnerabilities/challenges?	Evidence of poor outcomes to which GPE weaknesses appear to contribute	e.g.: repeated failures to adopt sector reform and poor sector outcomes.
Problem -driven Governance and political economy analysis	Institutional and governance arrangements and capacities	What are the associated institutional set-up and governance arrangements?	Mapping of relevant institutions and stakeholders
	Political economy drivers	Why are things this way? Why are the policies or institutional arrangements not being improved?	Analysis of actors, incentives, rents/rent distribution, historical legacies

Source: Adapted from Fritz et al. (2009:7)

#### 4.2.4. From findings to practice: bringing about effective change

Integral to the approach advocated here is the need to turn research findings into effective and meaningful progressive change. A failure to achieve this, or at the very least to establish the link between analysis and change, is at the heart of many of the frustrations expressed about previous PE analyses. Many studies thus far have tended to be academic rather than practical in their application, focusing on barriers to reform while failing to identify clear and practical steps that might contribute to improved policy and/or practice in the WATSAN sector. This sentiment is strongly reflected in feedback from the DFID experience with CAR/PEA applications in Ethiopia and Bangladesh.

However, moving effectively from research findings to practical policy implications requires a careful balancing act on the part of researchers and development practitioners. On the one hand, the design and application of frameworks, particularly where those frameworks are intended to be used by non-specialists, asks that we codify and formalise the problem finding and problem solving aspects of the analytical process. Yet to do so prior to the emergence of the research findings has the potential to leave us retreating to familiar ground. In some cases, this is manifest in a return to the elements of ‘good governance’ or ‘best practice’ within a sector. Practitioners and users of PEA may therefore wish to aim for a middle ground between the sorts of ‘best practice’ that have proven ineffective in generating developmental outcomes across contexts and the familiar, but unhelpful refrain that every context is different (Levy, 2010).

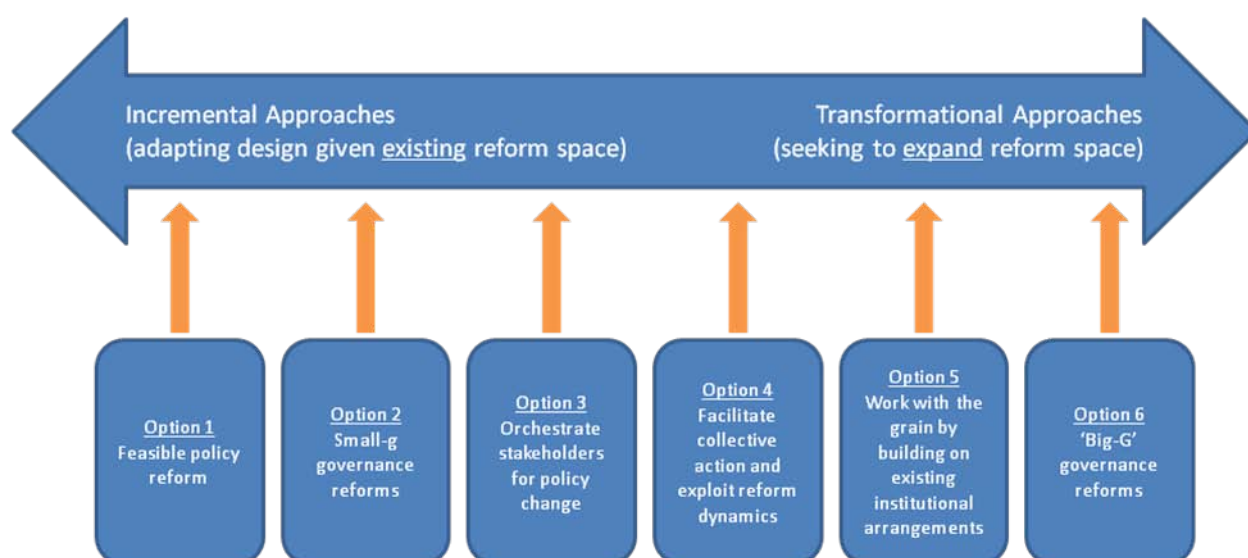
To ground the analysis and diagnostics in a consideration of feasible options for reform, a broader concept can usefully link the analysis of structural factors, institutions, actors and incentives. This has been suggested in various forms by Booth and Golooba-Mutebi (2009), who describe what they call ‘*room for manoeuvre*’, by Fritz et al. (2009) in the framework we propose to be adopted here, and in subsequent work by Brian Levy and David Booth. Drawing on this accumulated work, Figure 5 presents



a conceptualisation in which the reform space can be seen as a spectrum of options for translating PEA into action.

At the far left-hand side lie the most incremental approaches, including pursuing policy reforms that are feasible given existing reform space (Option 1) or lower level reforms (this might include support to so-called ‘pockets of effectiveness’ (Leonard, 2010) or improving top down pressures on mid-level government officials) (Option 2). Option 3 describes the practice of building momentum among coalitions for change among like-minded actors who may stand to benefit from reform. The approach laid out by Booth and Golooba-Mutebi in their 2009 paper here takes the form of Option 4, which goes one step beyond a static stakeholder analysis, and recognises the dynamic features of change processes that can help shift incentives and (in line with a more bounded conceptualisation of rationality) change behaviour. As we approach the far right-hand side of the spectrum we begin to consider more ambitious and arguably more challenging reforms. Even here, a more incrementalist approach is possible (Option 5), though the tendency in the past among donors has often been to pursue significant reforms to national level institutions (Option 6) with mixed success.

**Figure 5 Approaches to reform space and potential donor intervention**



Source: Adapted from Booth (2011); Levy (2011); Fritz et al. (2009)

Together, these options provide not a blueprint (if context is A, then do intervention B), but rather a toolbox with a range of options to be considered in light of the findings and diagnostics generated by PEA. Choices among these options, as well as the details of possible interventions of each type are difficult, if not impossible to specify *a priori* and should be based on the findings of the analysis, including the insights provided by the application of the various analytical concepts noted in section 2.5 and in Box 10 of the preceding sub-section.

Additionally, we suggest that such decisions are likely to benefit from additional consultation with country office staff as tacit knowledge and knowledge of country programming will be as useful here as they were in the diagnostic stage. Those approaches to PEA that have explicitly included some form of engagement with country offices to determine and develop appropriate potential strategies for uptake of research findings have often found this stage useful. For example, workshop-type process included in the SGACA approach has helped to draw out practical implications for operations. Where such a deliberative process is possible, with staff with sectoral expertise able to engage and contribute, this may result in a greater likelihood of producing operationally relevant findings than merely relying on one-off submission of a set of recommendations from external consultants.

#### **4.2.5. Evaluation**

There is a recognised demand within the PE community and throughout the donor community, that more evidence is needed on the utility of adopting a political economy informed approach. Donors’

evaluation practices vary widely in terms of the structure of evaluation mechanisms and the roles those mechanisms are expected to play (Foresti et al., 2007a). However, we suggest there are at least 3 levels of impact that deserve attention during evaluation of applied PEA:

1. The degree to which adopting a PE approach results in a change of thinking within agencies
2. Whether and how the design and implementation of donor interventions changes as a result of the findings
3. The degree to which undertaking applied PEA has contributed to greater development impact (relative to MDGs or other established goals)

The first two of these are more easily evidenced, particularly within a relatively short time frame following the analysis. The last, however, is clearly the most difficult due to the challenges of attribution and of the absence of a counterfactual, but it is also the ultimate justification of what we're doing and will require serious consideration going forward. Theory based evaluation methods offer an option that elicit the implicit programme logic of development interventions, 'with a view to better defining the assumptions, choices and theories held by those responsible for design and implementation' (Foresti et al. 2007b:9).

In practice, there is likely room for improvement in all three of these types of evaluation with respect to PEA. There are some notable efforts to assess experience and learn lessons, including, for example, high-level reviews of the SGACA (Hazenbergh, 2009) and DoC approaches (Thornton and Cox, 2005) and DFID's attempt to review CAR/PEA exercises in Bangladesh and Ethiopia through the commissioning of this study. In general, however, terms of reference for PEA studies generally do not include an evaluation component and contracts rarely leave scope for the duration required to assess the impact and uptake of research findings. This is particularly problematic for research projects (like this one), which have as one of their goals to learn lessons from the application of a PE framework in two country case studies as conclusions are almost inevitably then based on a limited part of the experience.

With this in mind, the project will make every effort within the time and resource constraints to communicate with country office staff in order to document real-time assessments of the utility of the analysis and potential lessons learned in the process of carrying out the case studies. However, while doing so we suggest there is nevertheless likely to be significant value in devoting additional attention (and resources) to the case studies at some point in the future to revisit the three levels of evaluation noted above.

## 5. Conclusion

When applied successfully, political economy frameworks can help skilled practitioners and development organisations to break out of the assumptions inherent to various technical and professional disciplines by drawing on analytical concepts or forms of analysis which give PEA explanatory power and the capacity to suggest non-obvious options for intervention. PEA is not a magic bullet. It is not guaranteed to identify a heretofore hidden path to development success. There may not always be an answer which allows a particular policy to be enacted or a particular outcome achieved in the short run. Yet in the best cases, PEA and the frameworks on which such exercises are based will draw where possible on a range of applicable analytical concepts with explanatory power to help identify potential solutions to development problems.

Though much depends on the skills of the practitioner, experience suggests some frameworks do this better than others. The approach to date has been that of ‘Let a hundred flowers bloom; let a hundred schools of thought contend’. However, practitioners must now deal with the significant problem of competing terminologies and competing frameworks. When confronted by this increasing quantity and variety of frameworks, the question arises of how practitioners might choose amongst them.

The questions we set out at the beginning of the paper to answer were as follows:

1. How can the development community best analyse the governance and political economy of water supply and sanitation service delivery in developing countries?
2. How can the analysis of governance and political economy of the sector inform international development policy and programming, and influence development work?

To answer these questions we conducted a desk based comparative analysis of different governance and PEA frameworks and assessed their applicability for the WATSAN sector. We have also analysed the effectiveness of the various approaches in producing operational impact and guiding sector programme strategies. Consultations with donors and sector specialists involved in the pilot case studies and development or use of the various frameworks were critical to these analyses.

Presented below is a summary of our key findings on the use of governance and PEA for the WATSAN sector, but also more generally. These key findings are drawn from the previous four chapters in which they are presented in more detail.

**Engaging explicitly in political economy analysis through the use of a theoretical framework offers a number of potential benefits, including:**

- Helping to identify gaps in knowledge and mitigate assumptions and individual biases held by country office staff (even those who are well informed);
- Providing an analytical approach that helps assemble knowledge (tacit and other) in a causal relationship;
- Helping to explain outcomes and identify potential entry points for interventions to facilitate changes of and/or within the political system;
- Helping to facilitate knowledge sharing by making explicit and systematising knowledge;
- Accelerating the process by which new staff develop tacit country knowledge and helping to reduce the costs associated with staff rotation and turnover.

**Increased operational relevance of research for interventions to improve sector outcomes requires specific focus on political economy vs. governance analysis:** Although there is, even among practitioners of PEA, some disagreement, or at the very least considerable confusion, as to the relationship between governance analysis and PEA we have noted the important different theoretical and analytical points of departures. Governance assessments as those forms of analysis that attempt to measure performance against certain pre-established criteria or characteristics of the state; often takes the form of a gap analysis that starts with an idea of what institutions should look like and

compares actual performance to this to identify what is lacking. In contrast, PEA is characterised by a different approach, which takes the context as it exists as its starting point and then focuses on identifying feasible solutions.

**Sector level analysis and problem-driven analysis within political economy has the greatest potential to provide operationally relevant findings and the trend towards increased use of this level of analysis is likely to continue:** A typology for classifying PEA work suggests three levels of analysis: macro-level country analysis (used primarily for sensitisation to a country context); sectoral or cross-cutting analysis; and specific policies of projects; problem-driven analysis is not at one end of a spectrum of analytical scope, but rather a characteristic of analysis that can be applied at any level. Over the course of the last decade, there has been a shift from broad national level studies (like Drivers of Change, SIDA's Power Analysis and the Netherlands' SGACA work) towards sector level analysis and problem-driven analysis. This trend is likely to continue, as the amount of detail available at more focused levels of analysis are seen by many in the donor community as having greater potential to provide operationally relevant findings.

**All of the PEA frameworks share a number of important commonalities:** despite varied approaches we identify a coherent narrative for applied PEA, which emphasises areas of convergence and provides an indication of what elements of these frameworks are core to a political economy perspective. Despite differences in language, the grouping of various components of analysis and the visual representations used, the selected frameworks require analysis of similar components: (i) structural factors, (ii) institutions, (iii) actors/stakeholders, and (iv) incentives. Each of the political economy approaches outlined in Chapter 2 reflects the belief that political concerns and economic concerns are linked through the bargaining that inevitably takes place over the use of limited resources. In combination with the use of the relevant context as the starting point for analysis, it is this view that processes of bargaining and contestation and the distribution of power among the actors participating in such processes are central in determining not only what development outcomes occur, but also to why they occur and what might be done to improve those outcomes.

**There is an increasing focus on demonstrating operational relevance and uptake of the analysis in sector operations.** In parallel to the trajectory towards increasingly specific sector and issue level studies, the development of PEA frameworks since Drivers of Change has been faced with the challenge of demonstrating a greater degree of operational relevance and, indeed, a particular form of operational relevance. Given donor imperatives to address poverty and deprivation, and often to disburse significant funds in doing so, the frameworks developed by donor agencies have increasingly sought to respond to a demand from donor agencies for greater attention to the production of research findings that do more than 'tell us what we cannot do' (Foresti and Wild, 2009). Many of the earlier forms of PEA tend to underestimate the potential for reform and institutional change, and newer frameworks are explicitly attempting to identify ways forward in the form of actionable findings capable of contributing to improved development outcomes.

**To inform policy, programming and influence development agency work in the WATSAN sector a specific PEA approach is useful and goes further than existing analytical tools used in broad governance analyses.** While many existing governance analyses conducted for the sector have incorporated various elements of political economy, drawing on similar analytical approaches, and are therefore helpful in putting together a broader narrative of political and economic issues or relationships that present governance challenges for the sector; where a number of the governance studies have fallen short is with regards to the provision of practical and achievable recommendations for overcoming such challenges, tailored towards agencies involved with sector investment, improvement and reform. Sector governance assessments are useful in working around challenges for more effective management and development of services within the WATSAN sector, governance studies often fall short in exploring the root causes of *why* such challenges exist. Recognising this shortfall, donors and project implementers within the WATSAN sector have increasingly sought to understand and address the underlying institutional, political and historical contexts that influence decision-making in the WATSAN sector. Though in its relative infancy, this is where PEA within the WATSAN sector can prove an extremely helpful tool. PEA can help move past more normative governance analyses, in assisting funders/practitioners/stakeholders to identify the reasons behind key political and economic constraints and barriers for sector change.

**There are WATSAN sector specificities that need to be taken into account when developing a sector level PEA framework for analysis.** These include the following:

- *Sub-sector approach:* The sector is thus two very distinct sub-sectors, water and sanitation, requiring different sets of analyses. Equally, the two sub-sectors can be further divided into rural water supply and rural sanitation services and urban water supply and urban sanitation services. With this in mind, the development of PEA framework needs to acknowledge the sector's diversity in its application. That is not to say that separate frameworks need to be applied for different elements of the WATSAN sector. Rather, that its application addresses the non-uniformity of the sector; acknowledges different historical, institutional and political contexts; and recognises that questions and areas of focus across the sub-sectors many need to be tailored accordingly.
- *Multi-sector and Multi-scalar analysis:* Actions and decision making in the WATSAN sector, just as any sector, are influenced by a host of external processes and actors operating at various scales. This emphasis on wider context of the sector can help in the location of power, and the identification of historical origins of patterns of influence, capture, and patronage. With this in mind, it is important that any political analysis of WATSAN devotes attention to the interactions and impacts of other relevant sectors. A multi-sectoral analysis may well complement a more refined problem-driven approach, as any constraint to reform will inevitably have to acknowledge and address the influence of wider sectoral processes in the delivery of WATSAN sector services. There is also a need to ensure that any analytical framework gives recognition not only to the local and national context, but also to the forces and political pressures associated with international players /actors. Many of the studies conducted thus far, particularly those with a problem-driven focus, have tended to classify macro analysis of the political policy arena as ending at the national level, with little attention given to the significant role and influence of international actors – such as donors or MNCs – in shaping policy debates and outcomes at both local and national level. This may be achieved through ensuring that it is embedded within the contextual element of the analytical framework.
- *Combined sector governance and political economy analysis is not recommended:* A considerable amount of time and research is required to conduct a joint analysis, particularly given that both the CAR and DoC frameworks cover such wide areas and issues across sectors. Gathering of sufficient evidence to make decisive claims proves challenging, and may prove too ambitious in its scope and objectives as a research plan (O'Meally et al. 2010). Additionally, combining the two exercises may lead to an overly normative and prescriptive mindset that must be avoided if PEA is to consider the full scope of non-obvious opportunities for intervention.
- *Flexibility in application of the framework:* the need for future studies to ensure greater flexibility and responsiveness in the application of any such framework. No framework can address every aspect of the sector's diversity, and there is therefore little merit in having a single '*one-size fits all*' applied framework. Frameworks will ultimately have to be applied in ways that accommodate the multifarious nature of the sector, and ensure adequate flexibility to respond to the different objectives and purpose of those who apply them.
- *Needs a focus on both process and outcomes:* the need for any future PEA to move beyond identifying political and institutional constraints, embedding them as part of a wider process of effectuating *real* change and reform. Indeed, the sentiment that '*the only good political economy study is one that brings about change*' reflects an attitude that, though relatively successful in isolating and describing key political economy issues, the majority of PEA and governance studies have failed to drive forward change in the water and sanitation sector.

In conclusion, drawing from the experience of other researchers and practitioners in applying the existing PEA frameworks we have suggested a specific approach to PEA that can inform DFID's work in the WATSAN sector. We suggest five key features for a PEA approach that recognises the paramount importance of maximising operational relevance as an emerging guiding principle for future application of PEA within the donor community:

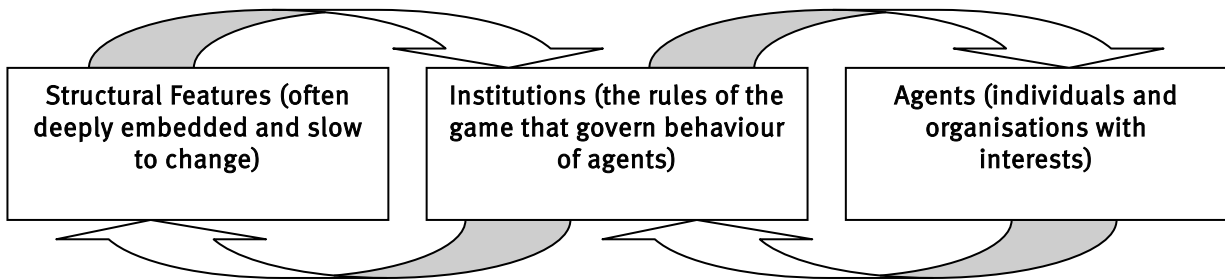
1. PEA should be embedded not only in specific country contexts, but also in the work of the donor country office in question;
2. PEA requires an approach that can be applied across a number of different contexts and can maintain a degree of flexibility, recognising the incredible diversity of the WATSAN sector.
3. PEA should not be confused or conflated with governance assessments.
4. PEA should draw on core political economy factors and concepts that might shed light on WATSAN sector issues.
5. PEA frameworks should be simple enough to maintain a reasonable level of ease of use for staff with a range of expertise, but clearly not so simplistic as to become useless.

We also recognise that the actual application of an analytical framework forms a critical part of the process, with the framework providing structure to and scope for the research as well as a source of key analytical concepts. We suggest that the political economy approach be made up of five closely related stages. These are classified as: clarity of purpose; problem identification; analysis; uptake of findings; and evaluation. Each one forms an integral part of the overall process and will look to inform and complement the following stage.

The approach to PEA of water supply and sanitation sector services we have outlined in this paper will be tested in a series of subsequent case studies (Vietnam and Sierra Leone). Each country case study will produce a separate working paper documenting the PEA process, as well as the analytical and impact results. We note that the approach laid out here may need to be refined further in light of the country case study application experience. A final Project Briefing Paper will summarise the lessons learned through the process of this approach to PEA with DFID country offices and present a refined framework based on these experiences.

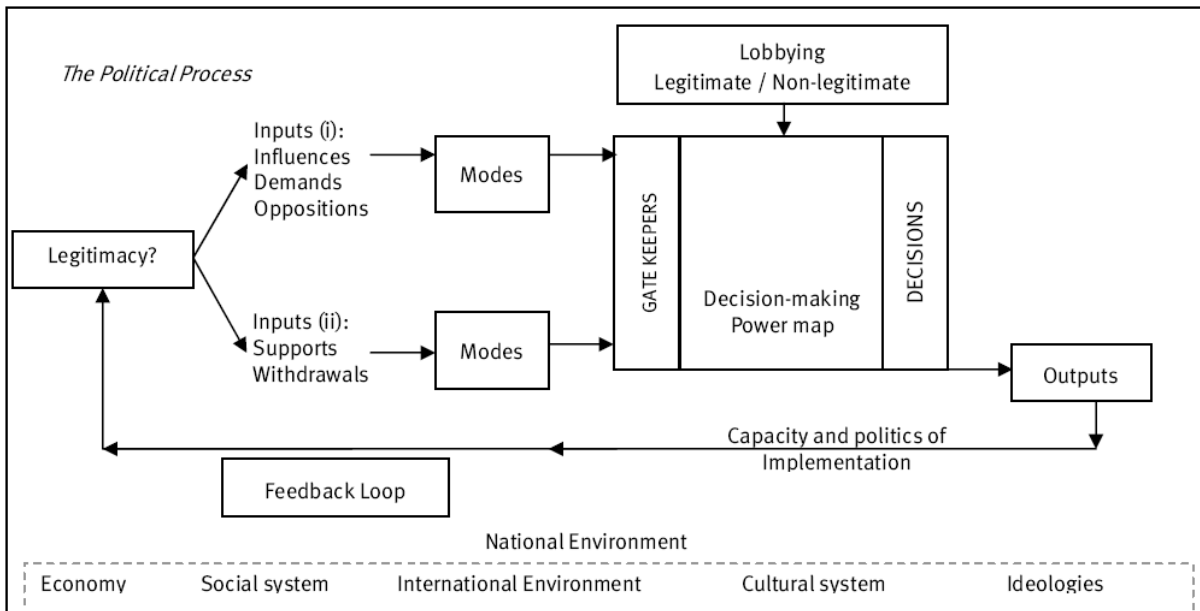
## 6. Annex 1: Additional Tables and Figures

Figure 6: Component elements of Drivers of Change analysis



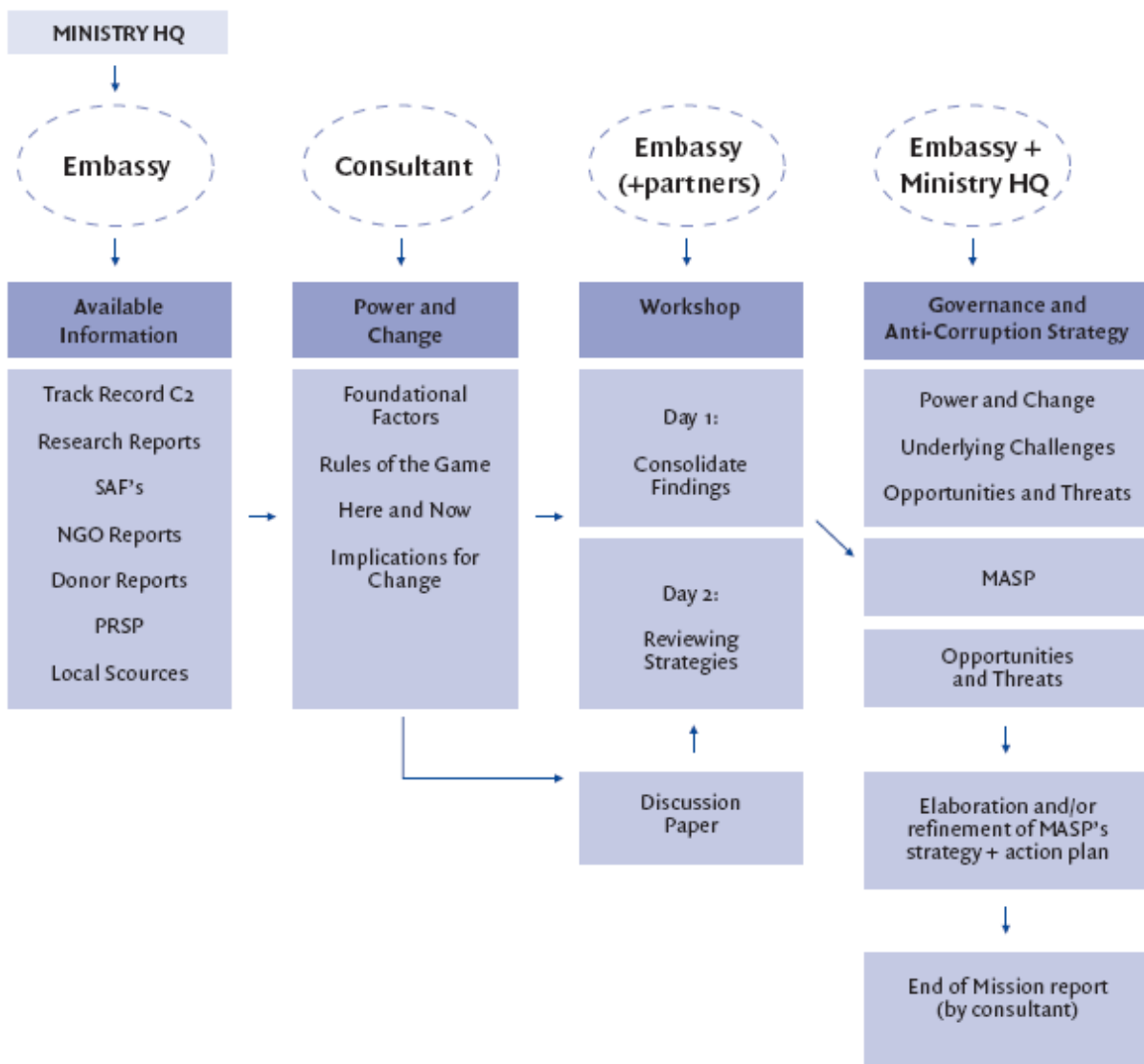
Source: Adapted from DFID (2004) and Edelman (2009)

Figure 7: The Politics of Development Framework



Source: Leftwich (2007) in Edelman (2009:62)

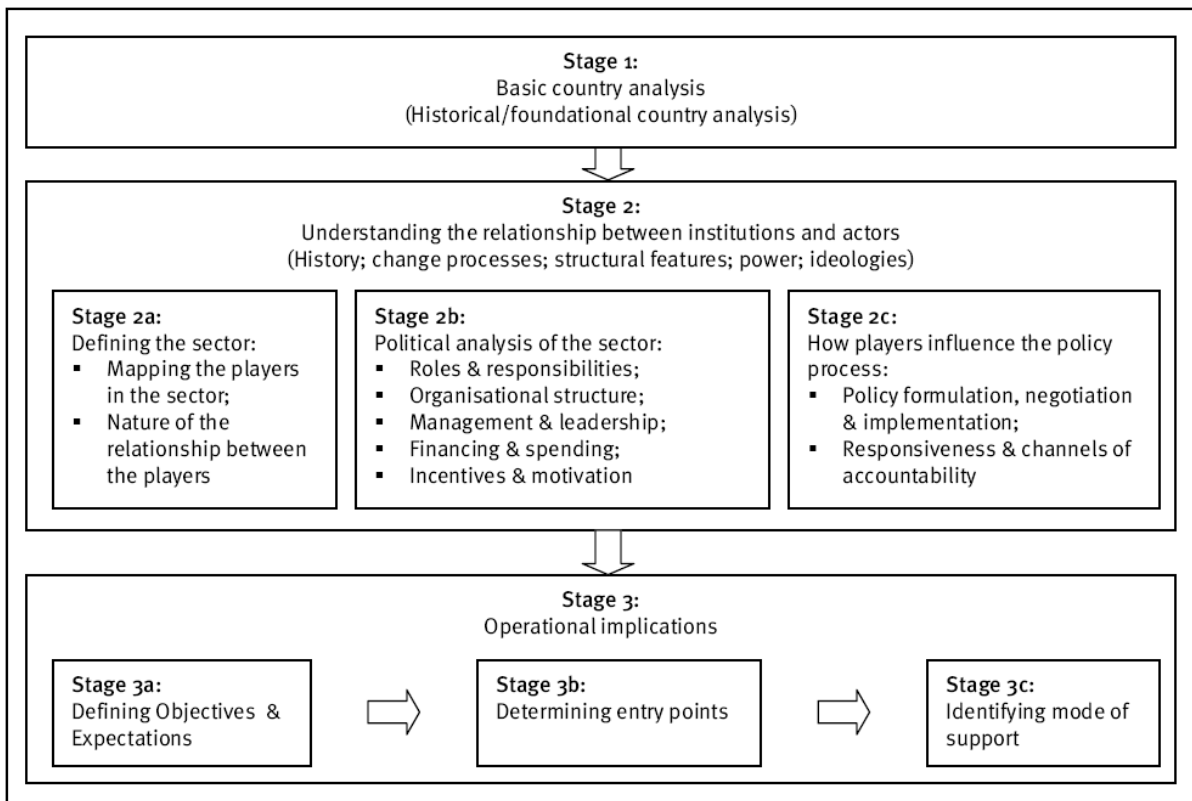
Figure 8: The SGACA Process



Source: Hazenberg (2009:407); Unsworth (2008:7)

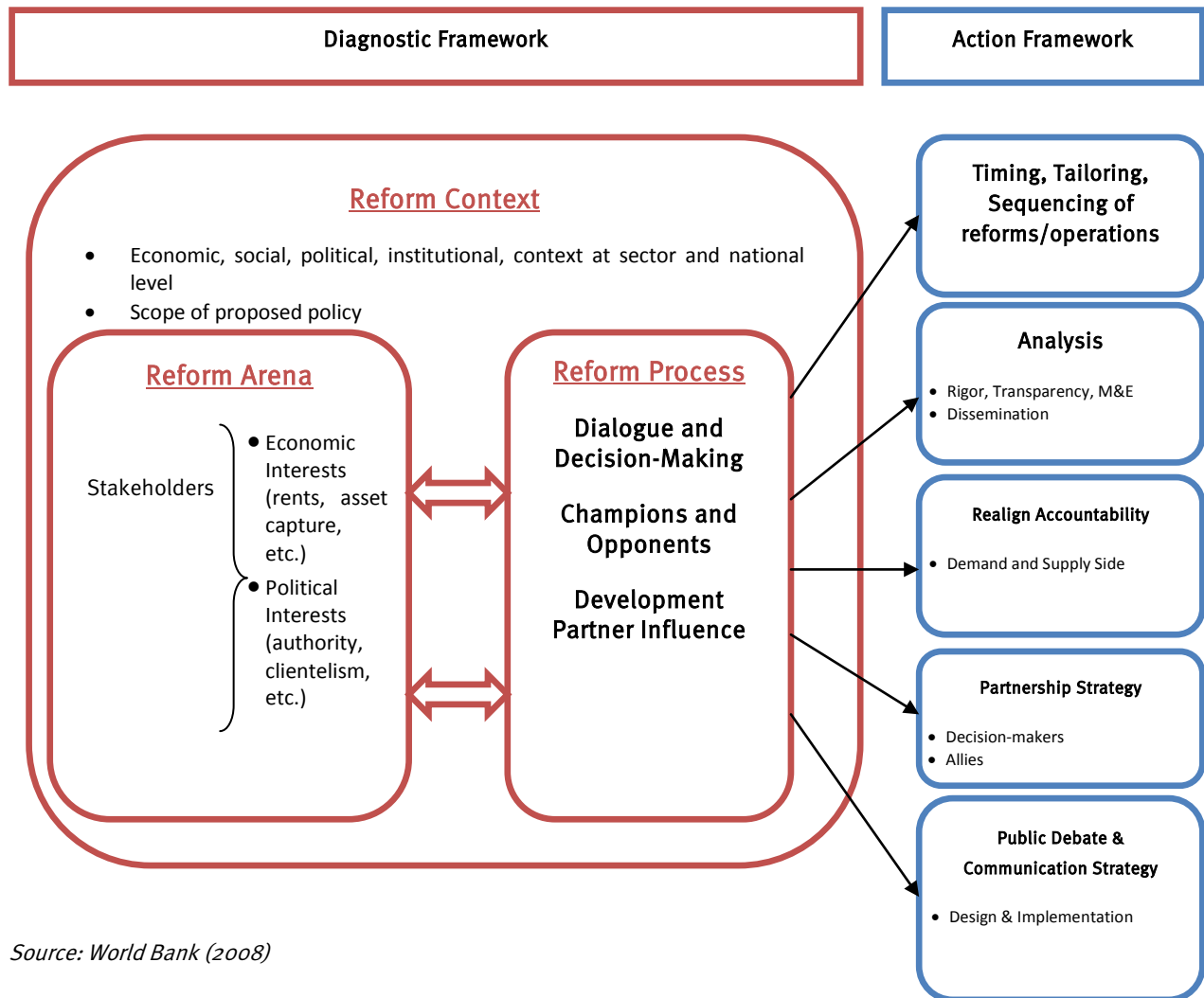


**Figure 9: Framework for understanding the political economy of sectors**



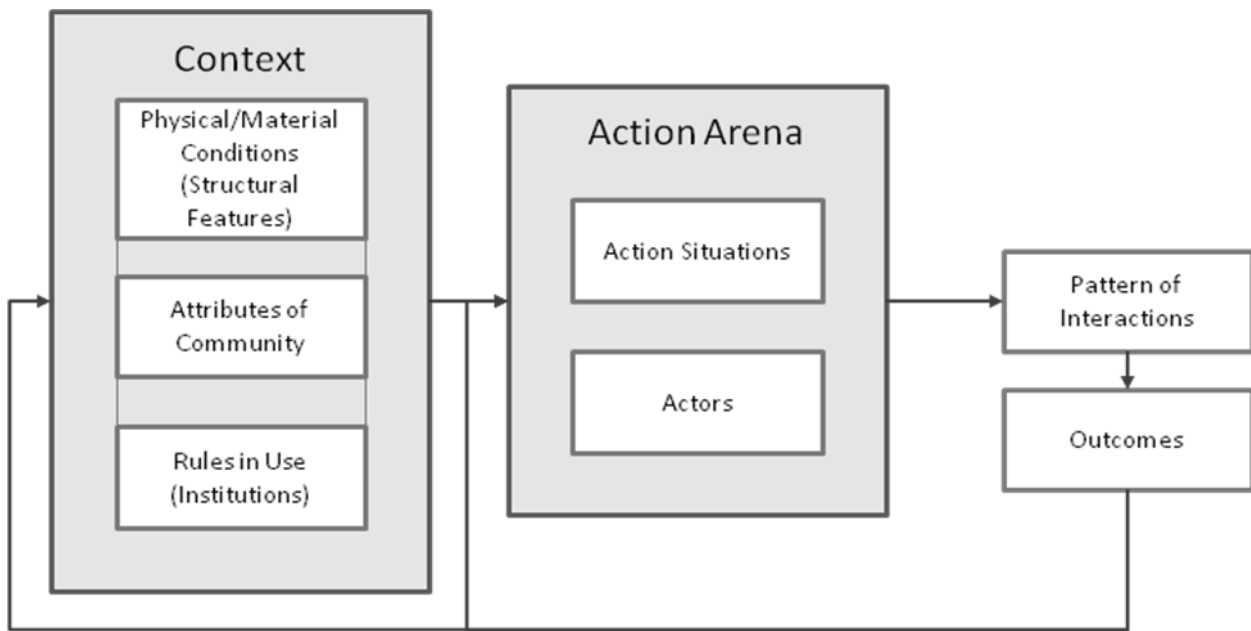
Source: Moncrieffe and Luttrell (2003) in Edelman (2009:18)

Figure 10: A Conceptual Framework of the Political Economy of Reform



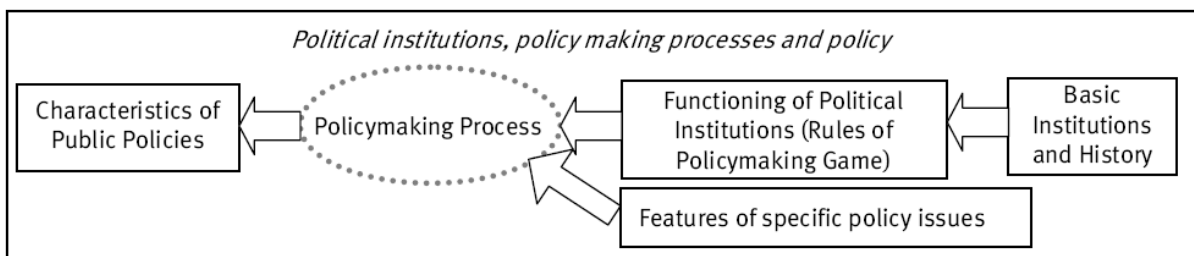
Source: World Bank (2008)

**Figure 11: Institutional Analysis and Development Framework (Ostrom et al. 2002)**





Source: Adapted from Ostrom, Gardner and Walker (1994) in Ostrom et al. (2002b)

**Figure 12: The politics of policies approach**



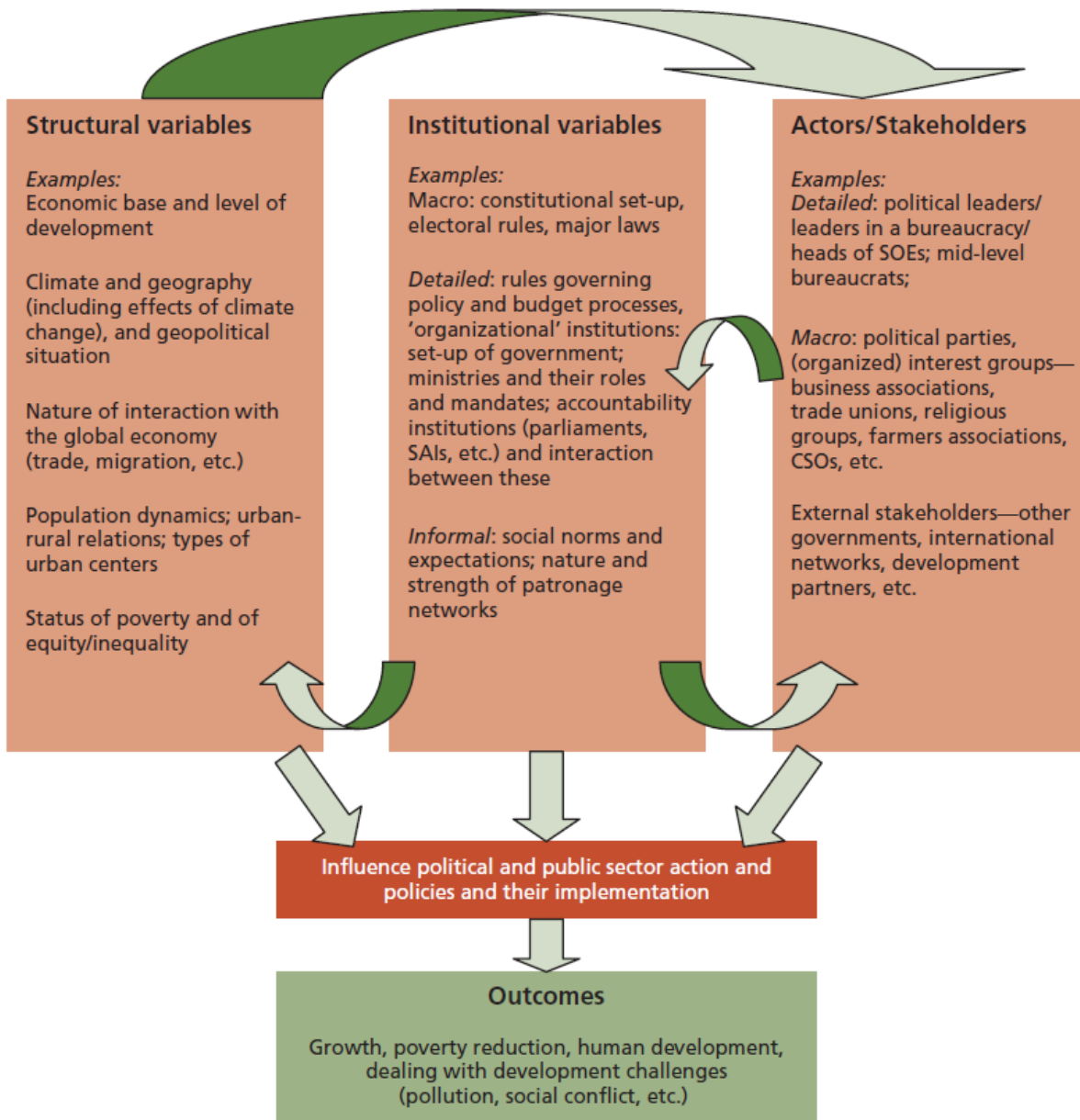
Source, Spiller and Tomassi (2003) in Edelman (2009:58)

Figure 13: The three layers of problem-driven governance and political economy analysis

 <b>Problem-driven</b>	<b>What vulnerabilities/challenges?</b>	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
	<b>Institutional &amp; governance arrangements &amp; capacities</b>	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?
 <b>GPE analysis</b>	<b>Political economy drivers</b>	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. (2009:7)

Figure 14: Structural factors, institutions and actors as drivers of development outcomes



Source: Fritz et al. (2009:42)

## 7. Annex 2: Governance assessments

- CAR Framework (DFID): Moore, M. and Teskey, G. (2006) 'The CAR Framework: Capability, Accountability, Responsiveness. What Do These Terms Mean, Individually and Collectively? A Discussion Note for DFID Governance and Conflict Advisers. Brighton: IDS. Available online at: <http://www2.ids.ac.uk/gdr/cfs/pdfs/CARframeworkDRCweb.pdf>
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Table 3 Summary of frameworks for Political Economy Analysis

Level	Tool and Usage	Strengths and limitations
Macro-level country analysis	<p><b><i>Drivers of Change (DoC, DFID)</i></b> Widely used in DFID country offices, though with significant variation</p>	<p>Enables a broad view of how political and economic systems exist in a country and constraints/opportunities for change over time.</p> <p>Good for informing country strategies, programming decisions and ways of working at the general level.</p> <p>Unlikely to be sufficiently focused to guide specific programme design choices.</p> <p>Can provide important background information for more focused levels of analysis</p>
	<p><b><i>The Politics of Development (Leftwich/DFID)</i></b> No known usage to date</p>	
	<p><b><i>Strategic Governance and Corruption Analysis (SGACA, Netherlands)</i></b> As of January 2011, applied in a total of 29 countries, including 15 countries in Africa, 5 in Asia, 5 in Europe/Caucasus/Middle East, and 4 in Latin America</p>	
	<p><b><i>Power Analysis (SIDA)</i></b> Applied in several SIDA countries including Kenya, Tanzania, Mozambique, Ethiopia, Bangladesh and Burkina Faso</p>	
Meso-level sectoral or cross-cutting issue analysis	<p><b><i>Analytical Framework for Understanding the Political Economy of Sectors and Policy Arenas (DFID/OD)</i></b> Piloted in a number of DFID country programmes</p>	<p>Likely to generate understanding of the particular interests and incentives operating at the sector level.</p> <p>Likely to provide more directly operational findings.</p> <p>Analyses that focus only on sectoral issues may miss broader aspects of the political economy at country level that influence the workings of the sector.</p>
	<p><b><i>Poverty and Social Impact Analysis (PSIA) (World Bank)</i></b> Explicit PSIA studies carried out by the Bank include at least 156 pieces of analytical work using one or more elements of the approach in 75 countries across several sectors (to 2007)</p>	
	<p><b><i>Institutional Analysis and Development Framework (Ostrom et al., SIDA)</i></b> Applied to a range of SIDA sector programming in India (Orissa) and Zambia</p>	
	<p><b><i>Political Economy of Policy Reform (World Bank SDD/OPM)</i></b> Approach developed from case studies of a number of policy reform issues in agriculture and</p>	

	water/sanitation field	
Micro-level problem-driven analysis	<p><i>The Politics of Policies Policymaking Process Framework (IDB)</i></p> <p>Applied to selected policy areas in several Latin American countries</p>	<p>Most likely to achieve direct operational relevance, so long as the ‘problem’ in question has been clearly defined.</p> <p>If the problem is too narrowly defined there is a risk that broader influences arising from relevant national, regional and international political and economic processes may not be captured.</p>
	<p><i>Problem-Driven Governance and Political Economy Analysis (World Bank)</i></p> <p>Diagnostic approach derived from sectoral and thematic work in several countries including Zambia, Cambodia, Sudan, Mali and Lebanon.</p>	
	<p><i>Layered approach (Booth and Golooba-Mutebi, ODI)</i></p> <p>Piloted in Uganda (transport sector)</p>	



## 8. Annex 3: Sample questions for political economy analysis of sanitation investments: Diagnostic Framework

### *Country context*

Historical legacies: What is the past history of the sector, including previous reform initiatives? How does this influence current stakeholder perception?

Cultural and religious context: To what extent do religious or cultural values shape public debate around sanitation and demand for services?

Ideologies: What are the dominant ideologies that shape views and debates around the sanitation sector?

Policy context: What is the policy context for sanitation? Is there a (pro-poor) vision for sanitation? What is its relationship to the water sector?

### *Sector arena—institutions and stakeholders*

Decision making and budget allocations: How are decisions around budget allocations made within the sanitation sector?

National—sub-national relationships: What is the institutional relationship between national and sub-national governments? Are sub-national governments accountable to the national level or local electorate?

Power relations: To what extent is power over investment decisions vested in the hands of specific individuals/groups? Which interest groups and population groups do politicians represent when deciding over sanitation investments? How do different interest groups outside government (for example, private sector, NGOs, consumer groups, the media) seek to influence policy?

Corruption and rent seeking: Is there significant corruption and rent seeking in the sector? Where is this most prevalent (for example, at point of delivery; procurement; allocation of jobs)? Who benefits most from this? What are the consequences (for example, preference of investment in big infrastructure projects)?

Financing: What is the balance between public and private investment? How is the sector financed (for example, public/private partnerships, user fees, taxes, donor/lender support)? What are the discussions around cost recovery?

Demand for services: To what extent is there a demand for sanitation services from the communities? What are the factors shaping community demand for improved sanitation?

### *Sector process*

Sector champions: What role do champions play in raising the profile of sanitation and supporting increased sector investment?

Civil society: What roles do media, NGOs, and community-based organizations (CBOs) play in the sector?

Development partner influence: How do donors and lenders attempt to influence decision making and reform implementation in the sanitation sector?

*Source: WSP (2011)*

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## Interviews

Brian Levy, Adviser, Public Sector Governance, World Bank

Verena Fritz, Governance Specialist, PREM Public Sector Governance, World Bank

Alice Poole, ET Consultant, Public Sector Group (PRMPS), Poverty Reduction and Economic Management, World Bank

Sue Unsworth, Independent Consultant

Alex Duncan, Director, The Policy Practice Ltd.

David Booth, Research Fellow, Politics and Governance Programme, Overseas Development Institute and Director of the Africa Power and Politics Programme (APPP)

Stephen Jones, Principal Consultant, Oxford Policy Management

Larry Swatuk, Director, Programme for Environment and International Development, University of Waterloo, Canada

Catherine Revels, Regional Head, Water & Sanitation Program, World Bank

Jae So, Manager, Water and Sanitation Programme (WSP)


Sabine Beddies, Senior Social Scientist, Urban and Social Development, Middle East and North Africa Region, World Bank

Seema Manghee, Senior Water and Sanitation Specialist, World Bank

Muna Albanna, Multi-sectoral Consultant, United Nations Development Programme (UNDP)

Simon O'Meally, Governance Advisor - Great Lakes and Southern Africa, Care International UK

Mark Svendsen, Team Leader, International Resources Group



Overseas Development Institute  
111 Westminster Bridge Road  
London SE1 7JD  
UK

Tel: +44 (0)20 7922 0300  
Fax: +44 (0)20 7922 0399  
Email: [publications@odi.org.uk](mailto:publications@odi.org.uk)  
Website: [www.odi.org.uk](http://www.odi.org.uk)

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