



Oxford Policy Management

The evolving art of political economy analysis

Unlocking its practical potential through a more interactive approach



Development
Futures

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Overview

- Development practice entails operating in increasingly complex and uncertain contexts to build and sustain relationships between stakeholders who often have sharp differences in commitment, capacity and outlook. Increasingly, political economy analysis (PEA) is being used by development agencies to respond to this challenge.
- However, the potential of PEA to inform more radical reform has yet to be realised in full. Doing so entails converting detailed analysis into concrete action at the same time as being more open about the political economy of how development agencies and practitioners themselves operate.
- This paper sets out a framework to address this challenge. This means shifting from an ‘intervention’ to an ‘interaction’ model of action that builds on the micro-politics of Machiavelli as much as the macro-politics of Marx. It entails using PEA in ways that are more problem specific, reflexive and agile.

The rise of PEA

One of the reasons why international development programmes often fail to achieve their objectives is that development tends to be treated as a wholly rational and technocratic process. This fails to understand the diverse motivations and knowledge constraints affecting stakeholders’ plans and actions. Worse still is the assumption that interventions can mostly rely on universal, dependable ‘best practice’ formulae for success.

In fact, the reverse is true: development practice is a complex business which requires working with others who often have radically different, and frequently unclear, understandings of context and priorities and how to pursue them. The path to success is rarely a linear one that can be reliably mapped out and controlled from the outset. Stakeholders’ objectives, motivations and power to influence outcomes vary significantly and change over time, often with knock-on effects on other players. This suggests that development practice is often best depicted as a ‘wicked problem’ to be addressed through collaboration rather than a ‘tame problem’, amenable to negotiation and conventional plans, or a ‘critical problem’ that can be solved through short-term coercion (Grint, 2005).¹ Although this complexity is widely recognised, the strident and urgent rhetoric of development practice often suggests otherwise, as do calls for ever more stringent and transparent standards of public management and accountability.² Practitioners are expected to find robust technical solutions to development problems, while at the same time facing daily reminders that their work is unavoidably political.

One way that development agencies have responded to this tension has been to invest in their technical capacity to analyse the political economy challenges they face. As defined by the OECD, 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.’ As a way of thinking and a tool for practitioners, PEA explores the links between a structural context for an intervention, the key stakeholders affected, and the influence of institutions on stakeholders’ opportunities and incentives for action.

1 See also: ‘How do aid agencies deal with wicked problems?’, by Ben Ramalingam, 5 April 2011. [AID ON THE EDGE OF CHAOS: Exploring complexity and evolutionary sciences in foreign aid.](#)

2 See, for example, Natsios’s (2010) “The clash of the counter-bureaucracy and development.” Center for Global Development Essay. Washington D.C.

All the major donors have developed frameworks for integrating such understanding into their decision making. For example, the Department for International Development (DFID) has been investing in Drivers of Change analysis for more than a decade in order to understand how deep structures in society affect the formal and informal institutions governing the scope for pro-poor change. Second-generation frameworks, including those developed by the World Bank, move beyond the primary focus on the state. They link the diagnosis of the political drivers and obstacles relating to a specific policy problem to the sequencing of reforms, coalition building, communication strategies, and monitoring and evaluation processes.³

The struggle to turn analysis in to action

Existing literature on the effectiveness of PEA is based mostly on the direct experience of practitioners who have been involved in developing and using these different guidelines. It reaffirms the potential of PEA to inject greater realism into practice through more open discussion of power, political culture, ethnic divisions, corruption, capacity and incentives, sources of opposition and indifference, and so on. This has resulted in moves away from normative views on 'good governance' or best practice models towards more context-specific 'best fit' goals. However, many of the early PEA studies were criticised for struggling to turn analysis into action. They had a tendency to be too wide-ranging in scope, to use overly abstract language, and to merely identify the risks and constraints to action without pinpointing the corresponding opportunities.

Confronting complexity entails acknowledging the need to collaborate in order to build a fuller understanding of the problem.

The second-generation PEA approaches are aimed at being more focused and positive. Although systematic evidence of their effectiveness is in short supply, the evidence there is appears to show that PEA can be more effective when used with a clear and narrow purpose, such as for testing the specific theory of change for a development intervention.⁴ Two Oxford Policy Management (OPM) studies illustrate this potential. One study, commissioned by the World Bank and the Water and Sanitation Programme, highlighted that the interplay of political, social and economic factors has a major role in influencing pro-poor investment in sanitation. Specifically, the analysis showed that lender and donor attention to the institutional arrangements for sanitation investment, including how evidence is used, has been crucial in strengthening accountability in the delivery of sanitation services.⁵ Another PEA study into the policing sector in Nepal prompted a redesign of DFID's strategy by outlining how a new federal system could mobilise wider sources of political support.

A hard sell – highlighting the unpredictable and messy nature of development

Nevertheless, challenges remain and moving to a more narrowly focused form of PEA may increase its immediate use but could also limit its potential as a means to aid reform. Drawing attention through PEA to the complex and political nature of development as a 'wicked problem' achieves little if it is not accompanied by a willingness on the part of the commissioning development agency to contemplate more radical changes in the way it operates in response to the analysis. Confronting complexity entails acknowledging the need to collaborate in order to build a fuller understanding of the problem. It also entails flexibility of response both to unforeseen events and to improved analysis.

To illustrate this point, consider the pros and cons of a joint PEA. Collaboration between donors and recipients, for example, can draw on deeper contextual understanding, broaden ownership of findings, and strengthen capacity to respond. On the other hand, it also introduces new risks of bias, self-censorship, and suppression of findings. PEA poses a similar risk for bilateral agencies with respect to collaboration with their political principals and accountability to taxpayers. Highlighting the unpredictable and messy nature of development is a harder sell, going as it does against performance incentives that favour rapid disbursement of money and achievement of measurable results. It also undermines the value placed on practitioners' technical rather than political expertise.⁶ To paraphrase Merilee Grindle (2011), practitioners of 'development rise fast if they produce parsimonious truths rather than complicated options.'

3 See Williams and Copestake (2011) for a fuller and more systematic review of DFID, World Bank and other existing PEA guidelines.

4 See Stephen Jones's review of four PEA studies undertaken in Nepal.

5 See 'The Political Economy of Sanitation: How can we increase investment and improve service for the poor?' WSP Technical Paper, February 2011.

6 Alex Duncan also highlights that PEA may "take agencies into difficult and sensitive areas that have traditionally been the realm of diplomats", in 'Putting politics into Practice? Political Economy analysis and practice of development', London, October 2011.

In relation to flexibility, detailed descriptions of the numerous groups and structures in society expose practitioners to a level of institutional complexity (and uncertainty) that can be hard to incorporate into standardised programme strategies or project frameworks. This is particularly so if the PEA is undertaken when key features of a programme – such as its goals, terms of reference and timeframe – have already been agreed. If too much is ruled off limits by becoming more detailed, prescriptive and practical, PEA risks becoming a superficial adjunct to business as usual, a formulaic and technocratic ritual that reinforces a mechanistic approach to aid intervention.

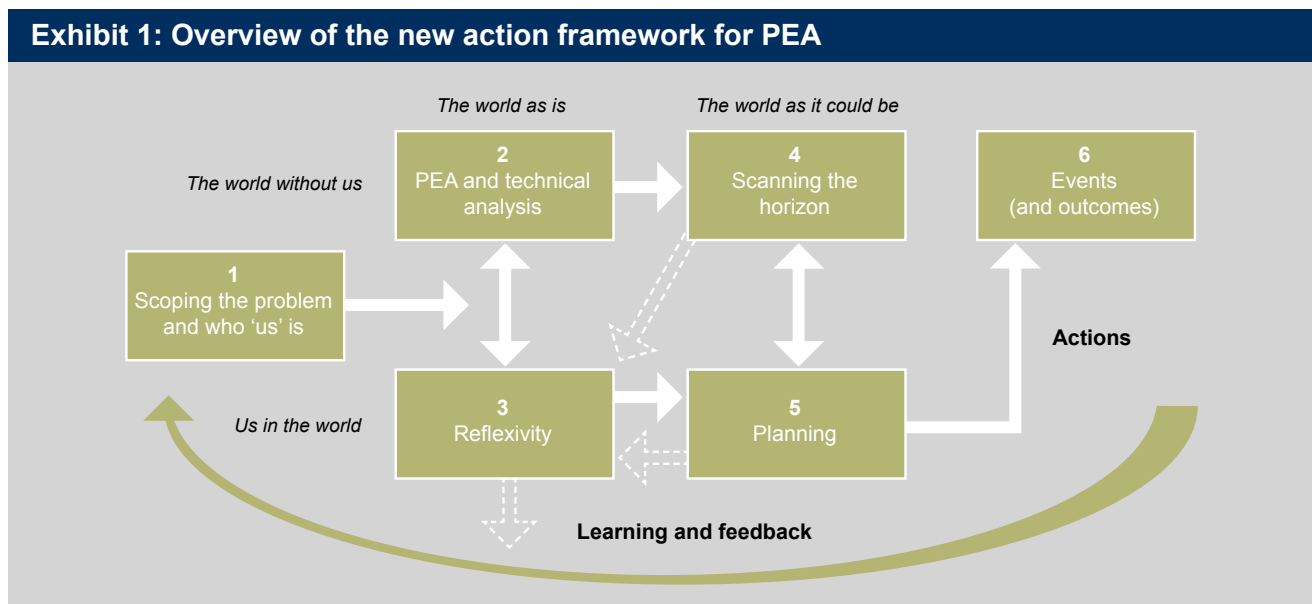
So, how can this dilemma be avoided or at least best managed? Sue Unsworth has noted that PEA ‘doesn’t necessarily mean you do a whole lot of different things. It also means you do a lot of things that you are already doing differently.’⁷ We agree with this sentiment and support an unrefined approach to PEA which maximises its challenge function and broadens political debate about development rather than closing it down.⁸ This links PEA to wider debates over how to move to more flexible, adaptable and improvised approaches to development practice, with a more granular interaction between analysis and action.⁹ Far from being unrealistic, we suggest that this actually reflects widespread but often hidden current practice.

Uncovering and developing a more dynamic, interactive framework for PEA

The diagram below locates PEA within a model of the wider dynamics of doing development. The triggers for new initiatives are often factors beyond our control and even understanding. These are shown by the ‘learning and feedback’ arrow at the bottom. Scoping (Box 1) entails both identifying a specific problem and also indicates for whom the analysis of the problem is intended. Four analytical tasks (boxes 2 to 5) can then be distinguished.¹⁰

Technical analysis and PEA of the problem (Box 2) conventionally feeds into horizon scanning (Box 4) and planning (Box 5), but here we also link it to reflecting on our own strengths and weaknesses in relation to the problem (Box 3). Below we use this framework to emphasise three ways of making more effective use of PEA:

- to be more **specific** about the scope of analysis, who it is being done for, and why;
- to be more **reflexive** by combining a PEA analysis with more explicit self-assessment;
- to be more **agile** by adapting analysis and its use to feedback and new events.



7 See ‘Political Economy Analysis Requires Donors to Think Differently and To Do Things Differently’, interview with Sue Unsworth. Political Economy In Practice, October 2011.

8 This connects with Booth’s (2011) call for a greater focus on the way development actors can play a role in the politics of development.

9 See, for example, Gulrajani’s (2010) discussion of ‘romantic’ forms of development management.

10 A huge array of more specific resources and tools are available to inform the analysis in each of these four tasks. For example, game theory builds on the insight that other key stakeholders are also engaged in the same activities.

1. Specificity

Box 1 represents the initial task of scoping possible responses and entails simultaneously identifying specific problems to be addressed and our own identity as actors – or who ‘us’ refers to in a particular context. The ‘us’ may refer to an individual consultant or development agency or a private sector actor. To date, the literature and practice of PEA largely ignores this question, either because it is self-evident or because it is assumed that the outputs (such as a country study) will be of equal value to any stakeholder. Yet the question of who conducts PEA and why has important practical implications; an obvious example is the potential for positive bias if it is conducted by the same people who are rewarded for the continuation of a programme. At a more general level, PEA may be conducted by the agency’s own staff or it may be contracted out to consultants, including those with important local contextual knowledge. This obviously has a bearing on how far the PEA is expected to move from diagnosis to detailed policy prescription. In separating PEA from its use, those commissioning a study implicitly assume they (or other sub-contractors) will be better able than the PEA consultant to address downstream tasks separately. However, the flipside of an external consultant’s assumed lack of insider knowledge is critical detachment and possibly a better understanding of how the agency is perceived by others.

Co-production of PEA can facilitate strategic coalition building.

To date, PEA has most commonly been undertaken as a systematic set-piece study, commissioned from a team of consultants to inform donor country strategies, sector programmes or specific reforms at a particular moment in time. Although its use at sector level and below is also growing, there is further scope for PEA that simultaneously addresses the global, national and local dimensions of the same issue, such as biofuels. Nonetheless, in practice PEA is usually only one input into less formal processes of updating and reviewing local political dynamics from the perspective of a particular organisation or collective, meaning there are good grounds for thinking about any discrete PEA as part of a longer process through which the subjectivity changes. For example, ‘us’ may evolve from a single donor into a loose network of likeminded agencies sharing their analysis. Similarly, an initial scoping study may be a stepping stone towards a larger and more ambitious joint study (see Box 1 below for details on how an individual practitioner might use the framework). Co-production of PEA can itself be a stimulus to collective action and identity formation intended to facilitate strategic coalition building. This resonates with both Sue Unsworth’s idea of ‘upside down governance’ and David Booth’s emphasis on ‘going with the grain’, as well as debate over more radical or incremental strategies for building political support for pro-poor development (Hughes and Hutchison, 2008; Gulrajani, 2011).

Exhibit 2: PEA from a practitioner’s perspective

Stepping back somewhat from the mainstream of donor-commissioned PEA, the framework set out above can also be used from the perspective of an individual practitioner. For example, micro-level PEA is part of the skill-set of most successful consultants engaged in interpreting, brokering and/or negotiating collaboration between other agencies, including donors, private sector investors and potential aid recipients. In this case, the trigger (Box 6) to the cycle could be an invitation to tender for a technical cooperation contract. A key part of the PEA (Box 2) is then to understand historical relations between the parties involved, as well as congruence in their current thinking and plans for the future (Box 4). For example: how widely are views on the prospects for reform shared? How far are mental models of the world aligned? Are there structural power relations that prevent collaboration? This analysis is combined with a self-assessment of the consultant’s own strengths and weaknesses in relation to moving towards greater interaction (Box 3). For example: do my terms of reference allow the political nature of reform to be recognised? Is my existing knowledge base adequate and where can I seek new knowledge? How am I perceived by others? How do I safeguard my own future interests? This independent analysis identifies opportunities as well as threats to further joint analysis between different actors. Moreover, such joint analysis requires further interactions throughout the learning cycle, reflecting the new micro-politics of such collaboration.

2. Reflexivity

A problem with a large proportion of the commissioned PEA at present is that the analytical spotlight is turned firmly only on what other agencies or stakeholders are doing. This implicitly assumes that the systems, processes and internal political economy of the commissioning agency are not a major part of the problem being addressed. Similarly, internal reform is not admitted as part of the solution. Reflexive PEA could range from SWOT and incentive analysis of the commissioning agency itself (such as pressure to disburse money rapidly) to reflection on the biases and knowledge gaps of the analyst. The harder it is to separate this from the analysis of the 'world as it is' (Box 2) then the more important it is to attempt to do so. The degree of reflexivity will also vary according to the status of the commissioning agency and its internal politics. For example, some reflexive PEA can readily be incorporated into risk assessment within conventional project management systems, whereas in other cases there may be a case for turning the spotlight on the management systems themselves.

The Paris process for improving aid effectiveness (including the recent High-Level Forum in Busan) can be viewed in part as a recognition of problems within the development aid system itself, including dead-weight costs of duplication and weak alignment of goals and systems between donors, as well as between donors and recipients. However, PEA of the Paris process itself requires reflection on how far it has merely turned its own structural weaknesses on itself, including neglect of private sector actors and over-emphasis on technocratic means (rigid plans, targets, deadlines etc.), in relation to a problem which actually has more intractable political roots. More radical reflexivity within the aid industry such as recent seminars on complexity theory are beginning to recognise the deeper disjuncture between specifying development problems as wicked and aid solutions as tame.

A reflexive approach involves more iterative cycles of experimentation... and learning by doing.

More fundamentally, a reflexive approach to PEA entails recognising that our understanding of a complex development problem will always be subjective, partial and fragmented. This suggests a shift in emphasis, moving away from rigid processes of intervention based on a definitive analysis of the problem and how to solve it towards more iterative cycles of experimentation, discovery, dialogue and adaptive learning-by-doing. At the human level, self-questioning and doubts are rarely absent but they are also rarely made explicit or applauded. There may indeed often be good grounds for concealing them (and other informal practices) under a 'smokescreen' of certainty and safe technocratic programming language, as Ros Eyben (2010) suggests. Similarly, self-interest often favours keeping introspection about internal weaknesses confidential. Yet acknowledging ignorance, admitting weaknesses and being more open to new ideas can be crucial in building trust and facilitating more effective collaboration.

As highlighted above, there has – perhaps somewhat ironically – been little analysis of the *politics* of the production of PEA. It is generally convenient for PEA analysts to hold on to the status of being technical experts, playing a detached role as 'flies on the wall' and thereby rigidly separating analysis and action. But actual practice can be very different – this is particularly true when we move beyond stand-alone set-piece studies and use PEA to inform our ongoing engagement as consultants or development practitioners. The role of the 'detached' consultant changes according to how other stakeholders perceive and value their critical detachment, insider knowledge and allegiances. The relationships through which political economy understanding is generated, shared and utilised fluctuates through repeated and risky rounds of interaction between insiders and outsiders, with opportunities to lose as well as build trust, alliances, repeat business and influence.

In short, a more reflexive approach to PEA incorporates analysis of the micro-politics of development relationships as much as the macro-political economy of structures and resources: we could, therefore, characterise it as drawing on insights from Machiavelli as well as from Marx. And if knowledge is power, then each cycle of reflexive PEA involves not only collecting information about other stakeholders but also strategically revealing information about ourselves, taking risks aimed at building trust, and redefining when necessary for whom the analysis is intended as well who conducts it, with the ultimate aim being to broaden opportunities for action.¹¹

11 A useful and highly flexible tool for thinking about these issues is the Johari Window. This is a simple 2x2 matrix for mapping changes in what we know about ourselves and others and what they know about themselves and us.

3. Agility

A measure of the strength of the PEA analysis in boxes 2 and 3 of the diagram is the confidence with which we can imagine how the world could be in the future (Box 4). Interacting with this are imagined interventions of our own (Box 5), such as whether and how to support a particular project or not. Scanning the horizon and planning our own possible actions will often prompt us to rethink our own comparative strengths and weaknesses. More fundamentally, the combined analysis encapsulated in boxes 2 to 5 may lead us to redefine the whole scope of the analysis (Box 1), including for whom it is intended and whether there is a case for any planned action at all. While inaction is often construed as failure it can also be laudable: our performance depends on the ability to negotiate time for further loops of scoping, analysis, action and learning in the face of often ritualised demands to hit urgent and non-negotiable deadlines.

Policy-making is less like a putting green than a game of crazy golf played on a bouncy castle.

An important influence on the framework for interactive PEA presented in this paper has been the work of Graham Room (2011) on ‘agile policy making for complex terrains and turbulent times.’ He describes the world of policy-making as less like a putting green than a game of crazy golf played on a bouncy castle. Events do not stop or slow down in order that development actions can be implemented as planned and nor can planned actions be managed in isolation from many others taking place at the same time. Hence, the action-learning cycle presented in this paper is intended to support movement towards a more fluid approach to development practice. Nonetheless, this is not to diminish the potential importance of the major set-piece PEA study at critical moments in country planning or programme design. Rather, our intention is to emphasise that PEA can also be influential in messier and more granular ways.

Approaching problems with more agility also entails being more honest about the knowledge base on which decisions are made, the inevitability of making mistakes, the importance of learning from them, and the challenge of trying to hit constantly moving targets. This is not incompatible with target setting and measurement of results, but does have a bearing on how they are set and how shortfalls are interpreted. As Wild and Foresti (2011) highlight, PEA can ‘help build plausible theories of change, featuring intermediate change processes and milestones which are the key to effective programme design.’

Further acknowledging the limited mental models with which we confront complexity and uncertainty also helps us to identify and address perceptual differences or disconnects with other stakeholders. By explicitly highlighting that all the actors in development cooperation are operating on partial information we can begin to operate more effectively. PEA can then be viewed as part of a sequential game of independent and joint analysis and action between potential collaborators as a means to better understanding. The bigger the project and the more diverse the range of stakeholders, the more complex is the task of ensuring that there is sufficient mutual understanding, not only of key goals but also of the rules and norms of how to pursue them. For example, Williamson’s work on aid in Ethiopia highlights the lack of collaboration between different actors to create a shared understanding of the contextual rules regarding the goals of evaluation and participation.¹² This created a disconnect not just between donors and government but between different donors and even among staff employed by the same donor. Any PEA that excluded these aspects of project design would have revealed little about their failure. Identifying ‘progressive change elements’ thereby entails exploring convergent perceptions as well as interests, or opportunities to engineer such convergence through closer consultation and collaboration.

¹² See, Williamson, V. (2011) So Near and Yet So Far: Values and Mental Models Along the Aid Chain in Ethiopia, *Journal of International Development*, Vol. 26;6.

Conclusion

If PEA is regarded solely as a technocratic means to better understanding of the commitment and capacity of others, without opening up opportunities for internal learning and adjustment, then its role in enhancing reforms will be small. This briefing has suggested scope for combining the complex and still developing art and science of PEA with more explicit analysis of the relationships and processes within which it takes place. To this end, we have located PEA within an action-learning framework that highlights the importance of task specification, reflexivity, and agility. We are not rejecting the role of planned intervention outright, but rather arguing for locating it within a broader and more honest PEA – acknowledging more openly that development practice is a process of interaction and discovery. While informed by a growing literature on the practice of PEA and extensive discussions with colleagues, the framework is as yet tentative and in need of further empirical testing.¹³ This is in progress, with particular reference to financial sector policies as part of an ongoing action-research project being jointly carried out by OPM and the University of Bath. The financial sector is of particular interest, as rapid innovation in the sector creates a turbulent landscape involving many new public and private actors in development practice. However, we are hopeful that the framework will also prove useful in other sectors and consequently we welcome collaboration with others who share this hope.

Additional reading

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¹³ And at a more theoretical level we believe this is a project that can build on the growing literature on the relevance of complexity theory to development practice.

About the authors

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¹⁴ See 'Political economy analysis and the art of development practice', by Richard Williams and James Copestake.