



DFID Department for
International
Development



**Analysing governance and political economy in
sectors – Joint donor workshop**

5th – 6th November 2009

Report Summary

Background¹

Sector reform and effective service delivery are among the key critical factors for making progress on the Millennium Development Goals (MDGs) and for achieving sustainable and equitable growth. There is increasing recognition that blockages for effective reform at the sectoral level (including for delivery, planning and procurement) can be political and that technical solutions alone may not be enough. Governance of a sector, and the way in which politics and institutions interact within that sector, will in practice have a critical impact on sector policies and services. This means that governance and political economy tools are increasingly seen as necessary to understand the context for sector reform.

A [joint donor workshop](#) was held in London from 5th to 6th November 2009, bringing together the UK Department for International Development (DFID), the European Commission (EC), the United Nations Development Programme (UNDP) and the World Bank (WB), to discuss their experiences to date in sector-level governance and political economy analysis.

The workshop's objectives were to share experiences on applying sector governance and political economy analysis approaches, to stimulate demand for existing frameworks and tools, and to gain feedback on how to improve them for sector use. A final objective was to explore opportunities and platforms for collaboration and coordination in the longer term. Donors' presented their frameworks and case studies, followed by plenary discussions of cross-cutting themes (see Annex 1 for a full agenda). Sector and governance specialists from all four of the donor agencies attended the workshop and were joined by a small number of other participants, including donors who are partners in the World Bank's Governance Partnership Facility (NORAD and the Ministry of Foreign Affairs, Netherlands), government representatives from developing countries and some external consultants with significant expertise in this field (see Annex 2 for a list of participants).

Summary of key findings

There is **real momentum** in all agencies for political economy and governance analysis and several initiatives are underway in different sectors and at different levels. There is general agreement that the debate on political economy and governance analysis has moved beyond the need to explain and justify that 'politics matter'. The priority now is to ensure that this is built into policies and programmes and taken into account in decision-making processes, including on how to allocate resources. This stems from the recognition that social, political and economic dynamics and contexts shape aid effectiveness and development outcomes. Developing appropriate tools to understand political contexts and reform processes is now an important cornerstone for development thinking and practice.

Against this background, there remain some differences in the extent to which political economy and governance analysis marks a **shift from the 'good governance agenda'** that many agencies have focused on since the 1990s. Political economy and newer generations of governance analysis, for example, place greater emphasis on realistic and incremental approaches in supporting and fostering governance, especially in countries where institutions and societal relations are weak. While a 'good governance' agenda can serve as an entry point for a broader debate on political (and realistic or 'good enough') governance, tensions remain between technocratic and political economy approaches to governance issues.

¹ This report was written by Marta Foresti and Leni Wild, Overseas Development Institute

At the same time, **translating analysis into operational recommendations remains a challenge**. Sector specific, and especially problem-driven, frameworks have the potential to improve the operational relevance of this analysis as demonstrated by the examples on [bus operations in Dhaka \(World Bank\)](#) and [roads reform in Uganda \(DFID\)](#). Some donors, such as the EC, are currently developing sector-specific frameworks for political economy and governance analysis. More generally, there was agreement that these forms of analysis need to be understood – and conducted – as problem-solving and solution-oriented tools which can inform programme design and outcomes.

There are significant **sensitivities** involved when commissioning and conducting political economy and governance analysis. This has implications for the relations between donors and national partners, especially governments. In practice, donors have adopted a number of different approaches regarding whether and how to engage with national actors when conducting this analysis. UNDP, in particular, emphasises its role in facilitating national processes of reflection on governance, in partnership with national governments. It was recognised that when the focus of the analysis is the feasibility of proposed programmes and reforms, which may involve assessing the interests and power structures in a given country, collaborating with national partners can be a challenge. Despite these differences, there was general agreement on the need to explore options for sharing experiences and findings, even where these are of a sensitive nature.

At the same time, the potential **tensions with donors' existing incentives** need to be recognised. Where donors are under pressure to spend or disburse aid, or where the findings of analysis challenge conventional approaches, there are concerns that this could limit the uptake of political economy and governance analysis. One way forward is to focus on these forms of analysis as enabling the better management of programme risks, improving programme design and the effective use of resources, which also works with the grain of donors' incentives.

There is a need to build **internal demand and demonstrate the value added** of political economy and governance analysis within sectors, to ensure greater up-take of this analysis. This can be supported partly through raising awareness and demonstrating the operational relevance of these approaches and partly through greater encouragement and practical support to use political economy and governance analysis tools.

Commissioning, conducting and using political economy and governance analysis at the sector level requires **specific skills, competencies and adequate capacities**. Training, increased opportunities for 'on the job' learning and peer support are therefore all crucial and they should build on the skills which are already in place, with a focus on formalising and recognising where this analysis already informs programming. Greater sharing of information and experiences with a range of Northern and Southern consultants can also help to fill the skills and capacity gap.

Finally, a recurrent theme was the potential for **greater sharing and transparency between donors**. There was strong recognition of the benefits of political economy and governance analysis, but there was also recognition that joint analysis may be challenging and not always desirable, in light of differing donor objectives at sector and country levels. In light of this, donors should seek to increase transparency and share as much as possible in this field (for example, sharing Terms of Reference, methodologies and frameworks, and findings of political economy and governance analysis where appropriate).

Next steps

One of the key messages emerging from the workshop is the need to expand the actual experiences of political economy and governance analysis and to improve the quality and operational relevance of these studies. A number of practical suggestions for ways forward were generated at this workshop, with the overall aim of sharing experiences, stimulating demand and improving donor coordination and collaboration in this area. Below is a summary of the key commitments agreed:

Knowledge sharing and building the evidence base

- Regular meetings/discussions of the donors' core planning group, for updates in each agency and on ways forward
- Engage a wider group of donors with a keen interest in these issues, potentially through the OECD-DAC GovNet
- Invest in deepening operational experience across agencies and share lessons, with potential follow-up workshop in 12 months
- Identify opportunities for joint work at the country level where feasible (e.g. around specific sector-wide programmes which several donors are supporting)
- Strengthen information sharing, including by using the political economy and governance analysis page of the [Governance and Social Development Resource Centre \(GSDRC\)](#) as a platform for donor work in this area

Skills and 'communities of practice'

- Invest in skills development within individual agencies and explore options for joint training exercises at the country and sector level
- Develop communities of practice within respective agencies and look for opportunities for cross-agency working
- Share information on relevant consultancy expertise and longer term support for skills-development

Expand and improve experience in sectors and agencies

- Stimulate internal incentives for undertaking political economy analysis by demonstrating value in managing risk and solving problems in programme design and implementation
- Promote greater collaboration between sector and governance specialists within agencies through more joint work on political economy and governance analysis
- Support internal mechanisms for peer support within sectors drawing on the example of the World Bank's "GAC squad"