



DFID Department for
International
Development



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

5th – 6th November 2009

Workshop Report

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Executive summary¹

Background

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,

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tensions remain between technocratic and political economy approaches to governance issues.

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"

Introduction

1. 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. However, in many developing countries, blockages to sector reform persist and levels of access and quality of services and public goods remain low.
2. There is increasing recognition that **blockages for effective sector reform 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, for example, on how services are delivered or on planning, procurement and policy. This means that specific analytical framework and tools are increasingly seen as necessary to understand the context for sector reforms.
3. More broadly, governance and politics are now seen as crucial for development processes and for achieving sustainable development results. In recent years, the international community - and donors in particular - have focused their attention on political economy analysis and governance assessments, largely at the macro level or national context, including DFID's Drivers of Change or the Strategic Governance and Corruption Analysis (SGACA) framework developed by the Netherlands' Ministry of Foreign Affairs. At the same time, the importance of operational applicability has been recognised, and as a result, **several donors have developed specific sector tools and approaches** to unpack dynamics at the sector level and the implications for programming (as set out in the next section).
4. This report summarises the key findings of a workshop held in London in November 2009, which explored four donors' experiences to date in developing and applying sectoral political economy and governance analysis (DFID, EC, UNDP and the World Bank). The workshop revealed that, within the parameters of donor mandates, there are **high levels of support** for this agenda within the participating donor agencies.
5. While political economy and governance analysis share a number of key features, there are also some important differences between these two that need to be borne in mind:
 - Firstly, the terms 'political economy analysis' and 'governance analysis' are often used interchangeably, but in some cases they relate to two different sets of approaches, with different conceptual underpinnings and origins. Political economy analysis is focused on understanding the links between politics and the economy, with an emphasis on power relations, incentives, formal and informal processes. Governance assessments have traditionally focused on formal governance structures and processes, and less on the interactions between actors or institutions. In recent years, newer generations of governance analysis frameworks have emerged which adopt a more realistic and non-normative approach, and as such are more in line with political economy frameworks and approaches.
 - Similarly, traditional governance assessments have tended to adopt a more structured methodology and to make more use of quantitative data and analysis, often with a view to comparing country performance. Again, more recent types of governance analyses have tended to integrate more

quantitative and qualitative methods. Political economy studies are usually qualitative and the approach taken is often highly contextualised.

6. In the context of these broad debates on political economy and governance analysis for development, this workshop sought to drill down to a focus on analysis at the sector level, to share donor experiences and to explore opportunities for future coordination and collaboration as this agenda moves forward. This report proceeds as follows: the next section summarises the four donors' experiences and frameworks to date and draws on case studies presented at the workshop. The third section sets out the key themes emerging from the workshop, and the last section sets out a brief summary of the ways forward.

Overview of donor approaches and experience to date

7. In recent years, DFID, the EC, UNDP and the World Bank have refined their approaches to political economy and governance analysis. For some, this has meant the production of frameworks whereas for others, this has involved the collection of a range of approaches. A brief summary of donor approaches and experiences to date is set out below.

UK Department for International Development (DFID)

8. DFID has invested considerably in political economy analysis over recent years, primarily through its Drivers of Change studies but also in evolutions in its approach to Country Governance Analysis. This has strengthened experience within DFID on how political economy analysis can be used to improve understanding and programming, and the commitment to thinking more politically was explicitly recognised in the recent [DFID White Paper](#)².
9. DFID has not developed a specific methodology to guide its approach to political economy analysis and governance assessments. A recent '[Political Economy Analysis – How To Note](#)' draws on existing frameworks and tools while allowing for some degree of flexibility regarding the use and selection of those tools. However these share a number of key features, including a focus on the interests and incentives of actors, examining formal and informal institutions, and exploring the roles played by values and ideas. Conventionally, DFID's political economy analysis has focused on macro-level country analysis but increasingly DFID is applying these political economy approaches to the sector level, as seen in recent work in water, roads and growth, and to problem-focused analysis. Box 1 summarises the approach taken in a recent [study of roads in Uganda](#).

² DFID (2009) Eliminating World Poverty: Building our Common Future

Box 1: [The Political Economy of Roads Reform in Uganda](#)

DFID recently commissioned political economy analysis of roads reform in Uganda, which sought to respond to an explicit operational 'problem' by analysing potential scenarios for proposed reforms in this sector. This involved a 'layered approach' involving the identification of systemic constraints (linked to the institutional context); analysis of the pattern of stakeholder interests; and assessment of the potential room for manoeuvre created by dynamic change processes. This approach was used to generate and analysis three possible scenarios for roads reform in Uganda. It identified the most likely scenario to involve neither a transformation of the political environment nor transformed incentives for relevant actors, but it also identified some areas of 'room for manoeuvre' within the dynamics of the reform process and it identified a number of concrete areas for donor action.

European Commission

10. The European Commission has been increasingly focused on sectors, recognising the need to address governance in sectors in order to achieve better, and more sustainable, results. This ongoing work builds on the European Consensus on Development 2005, and the 2006 Communication on governance which emphasise the importance of governance for development results.
11. In 2008 the European Commission produced sector-specific guidelines, '[Analysing and Addressing Governance in Sector Operations](#)', which adapts tools to the sector level. This approach combines technical and political approaches in its analysis of context, actors, governance and accountability relations at the sector level. There is a strong emphasis on moving progressively from poor governance to democratic governance, but also recognition that this requires a realistic and incremental approach starting from where the sector is rather than where it should be and that there is no 'one size fits all' solution. Governance analysis is used to identify the governance 'reform readiness' in a sector, with a focus on both demand and supply actors. Box 2 sets out an example of the EC's work in the education sector.

Box 2: [Governance Challenges for Education in Fragile States](#)

In January 2009, a study was commissioned by EC/EuropeAid to analyse some of the specific governance dynamics in the delivery of education in fragile situations, and the implications for the support to this sector. This looked at 8 case studies, the Democratic Republic of Congo, Somalia, Southern Sudan, Haiti, Lebanon, Liberia, Aceh Indonesia, and Cambodia, involving field missions and distance consultation. It used the EC's analytical framework for governance in sector operations to map the context, actors, and governance and accountability relations.

United Nations Development Programme (UNDP)

12. As part of the UN system, the UNDP has a long-standing mandate focused on capacity building in developing countries as well as maintaining a strong operational presence. In this respect, its commitment to governance assessments is based on support for national ownership and for building the capacity of national partners to undertake governance assessments which can enhance democratic governance.

13. The UNDP has therefore developed approaches to [Democratic Governance Assessments](#) which emphasise pro-poor governance, empowerment of the most vulnerable and the use of rights-based approaches. The key features of this approach entail a strong emphasis on national ownership and nationally-led processes to assess governance, which involve both state and non-state actors. Alongside this, there is a strong focus on marginalised actors (such as the poor) and on rights holders. UNDP envisages its role as mainly one of promoting and supporting assessment processes that develop the capacities of local stakeholders to understand, participate in and use governance assessments that can inform reform processes in each country. UNDP therefore seeks to support national partners to develop approaches which are adapted to the national context but which also confirm to international standards and which allow a range of stakeholders to participate in monitoring governance. While these processes for governance assessments are often national in focus, UNDP has developed sector specific assessments primarily in the water sector. Box 3 sets out an example of this approach.

Box 3: [UNDP Human Rights Based Approaches to Water Governance](#)

UNDP has developed a human rights based approach to water governance in Kenya. This seeks to strengthen water governance reform implementation and access to water services, by working with water consumers and local water providers. This approach includes a strong commitment to government ownership and an emphasis on raising awareness on water reform and consumer rights.

World Bank

14. Within the World Bank there is now increasing recognition of the role played by governance and political economy analysis in achieving effective development, including at the sector level. This builds on the commitments of the 2007 Governance and Anti-Corruption Strategy, which sought to streamline work on governance across all of the World Bank's operations, and on experiences with tools such as Poverty and Social Impact Analysis (PSIA), which identify the intended and unintended consequences of policy interventions for different social groups, with a focus on the poor.
15. A recently published framework, '[Problem-Driven Governance and Political Economy Analysis](#)' sets out a good practice framework for World Bank operations in this area. It provides overall good practice guidelines but also allows for flexibility in the application of these guidelines, for example at sector or country level. One of the key features of this framework is a focus on specific problems to understand why particular reforms (for example in the health sector) might not have gained traction or to identify what could be done differently to move forward. This involves a layered approach which firstly identifies the specific problem (or opportunity or vulnerability), secondly maps the institutional and governance arrangements and weaknesses and thirdly, 'drills down' to the political economy drivers to identify obstacles and opportunities for change. In this way, it establishes a dialogue between technical and political analysis to find solutions, including at sector level. Box 4 provides an example of this approach in relation to bus operations in Dhaka, Bangladesh.

Box 4: [Urban Bus Operations in Dhaka, Bangladesh](#)

Recent political economy analysis aimed to increase World Bank understanding about why unsafe, polluting buses continue to operate in Dhaka despite regulation and reform efforts. The analysis focused on systemic factors, including the 'rules of the game' and analysis of stakeholders. Key factors identified included the role played by political patronage, as well as the co-opting of industry associations and institutions of accountability.

Key themes for political economy and governance analysis at the sector level

16. This section focuses on the key themes for political economy and governance analysis which emerged during the workshop, and which present both opportunities and challenges for taking forward donors' collaboration. Underpinning these themes are some general issues which shape the overall experience and applicability of these approaches at the sectoral level.
17. 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. In practice, this means addressing how 'thinking politically' changes the way we do development. A key issue here is demonstrating the added value of political economy and governance analysis, particularly in terms of how it can improve programming and operations.
18. There is **real momentum** on political economy and governance analysis and several initiatives are underway in different sectors and at different levels. Although some differences in approaches remain, there are some clear common features, including a focus on the political context, on actors and institutions and on power structures and processes underpinning decision-making. However, there is still a spectrum of approaches and methodologies, and some important variations in the language and 'discourse' around these forms of analysis.
19. Regarding the language used, there remain some differences in the extent to which political economy and governance analysis should mark 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. The focus here is on *feasible* change rather than the ideal change often associated with a good or democratic governance agenda. While the latter 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.
20. A case in point is the potential tension between more **normative based approaches** to governance (for example those grounded in the international human rights framework) and more inductive approaches which have informed much of the most recent developments in political economy analysis. It is important to note that these tensions are all the more relevant for sectoral analysis, as sectoral policies, strategies and programming are themselves likely to be grounded in some form of normative approach. For example, current approaches to primary education are based on the notion of free universal access to primary education, often with a focus on the state as the primary duty-bearer to fulfil this obligation.
21. How can normative imperatives, which organisations and sectors cannot entirely do without, be reconciled with the need to adopt **more realistic and feasible approaches** to sectoral reforms? While this is not easy to resolve, and there will be differences among agencies, one possible way forward is to acknowledge that while long-term goals of sector reforms may be grounded in ambitious international

standards or norms, in many developing countries these are a long way off. It is therefore of paramount importance that the proposed solutions put forward are realistic, feasible and incremental. In other words, political economy and governance analysis can play an important role in determining the nature of the path to what may be normative development goals.

22. Finally, there is a need to balance acquiring sector specific political and governance analysis on the one hand, without losing sight of the broader political, social and economic context in which sector reforms are meant to take place. In balancing these different levels of sector specific and broader analysis, one should be mindful of the **risks posed by generality** and by abstract language which may not be perceived as useful by sector specialists. The remainder of this section builds on these issues and explores some of the key themes identified and discussed during the workshop.

Moving from diagnostics to operational applicability

23. Despite the momentum around sectoral political economy and governance approaches and frameworks, **translating analysis into operational recommendations remains a challenge**. There are also fears that these forms of analysis can lead to programme delays or to lengthy consultation processes which undermine implementation and spending.
24. A key issue for operational applicability is the need to **adapt generic frameworks to the sector level**. The EC's framework is useful in this respect as it has an explicit sector focus, with an emphasis on using analysis to improve aid effectiveness and strengthen responsive service delivery. It is important to ensure that sector specific frameworks can address both cross cutting, general issues and sector-specific ones.
25. There are a number of **possible entry points** for political economy and governance analysis. Generally speaking, this analysis can help to build understanding for why existing approaches 'don't work', what underlies issues of 'political will', why problems persist despite adequate funding and technical support, and what kinds of alternative feasible solutions are possible. In some contexts, state fragility can be an entry point, as the EC example on education in fragile contexts suggests. This resonates in other agencies, like DFID, which prioritise development support in fragile contexts, in recognition that these are contexts where standard approaches and programmes are unlikely to be effective. These issues should also be considered at regional levels, where possible.
26. To be more operationally relevant, political economy and governance analysis needs to be understood as a **problem-solving and solution-orientated tool** which can inform programme design and improve outcomes. There needs to be greater recognition that these approaches are not 'show stoppers' – in other words, they are not just tools which set out what is not possible but can also provide new ideas of what is feasible and improve outcomes and effectiveness at the sector level.
27. This means ensuring that political economy and governance analysis makes a **contribution to the 'results' agenda** which is central in many agencies, by highlighting that understanding and managing risks (and possible failures) is as important as rewarding success. This has implications for agencies' own incentive structures, which should reward staff for addressing problems as well as for demonstrating success. Better risk management is important for both individual staff members and country offices in their day-to-day work and for managing reputational risk for donor agencies as a whole. Good risk analysis should contribute to more

informed decision-making, more realistic programme and policy design and, ultimately, improved outcomes.

Box 5: From diagnostics to operational applicability: exploring policy options

Political economy and governance analysis can inform operations in different ways, including providing options for policies and programmes, as the examples below demonstrate:

- [Bus Operations, Dhaka \(World Bank\)](#): Focused on understanding why problems have persisted in bus operations. Recommendations modified the project design, with a shift towards institutional strengthening and building consensus.
- [Roads Sector, Uganda \(DFID\)](#): Sought to address the potential for large scale roads reform in Uganda. Recommendations focused on changes to programme design, emphasising a process-led approach with increased investment in human resources.
- [Education in Fragile States \(EC\)](#): Examined the impact of fragility on service delivery in education. Allowed the EC to work through possible policy options, for example regarding sequencing, targeting and tensions between watchdog support and government strengthening.
- [Governance in the Water Sector \(World Bank\)](#): Identified the need to understand what leads to ‘downwards spirals’ and what can trigger ‘upwards spirals’ in terms of governance and effectiveness in the water sector.

28. Finally, there was demand for **greater simplicity** and clearer communication, including ‘de-mystifying’ political economy and governance analysis. There may be a need to balance this with the need for some level of complexity and comprehensiveness of frameworks. But using clear and unambiguous language, which sets out objectives and outlines approaches taken, would help to increase the audience for these forms of analysis. Moreover, in fragile contexts, **dynamic tools which can be quickly updated** are needed to keep track of relatively fluid contexts.

Sensitivities and relations with national partners

29. Political economy and governance analysis can be **very sensitive** and this has a number of implications for relations between donor governments and national partners. It is important to appreciate some of the wider political sensitivities involved when commissioning studies which can reveal challenges of corruption, patronage, and development ineffectiveness and which may be seen as challenging the existing regime or government in power. Above all else, the potentially sensitive nature of this analysis mean that it is important to be clear about the objectives before the analysis is undertaken, and to develop communications plans at an early stage for how to manage findings and disseminate information.

30. As noted in Section 2, donors have adopted a number of **different approaches regarding whether and how to engage with national actors**, such as governments, when conducting these forms of analysis. UNDP in particular has sought to emphasise its role in facilitating a national process of governance reflection and debate. At the same time, involving and engaging partner governments and other stakeholders may be challenging if the analysis focuses on power structures and the elite bargaining that often underpin relationships between these actors. This can be

further exacerbated when the implications of political economy and governance analysis may entail a reduction in development investments, for example reducing loan amounts or the scale of infrastructure investments in favour of more funding to civil society.

31. The process for conducting political economy and governance analysis, and the resulting policy and programming options, may involve **engaging with political or non traditional actors**, such as unions and political opposition or less formal actors, such as community groups or non formalised interest groups. In some contexts this may be challenging for donor staff – or even those commissioned by donors as it can fuel the perception that political economy and governance analysis will be used to push for regime change or support political processes. In turn this can highlight the tensions between the use of these forms of analysis and donors’ own positions as political actors within a given context.
32. Where political economy and governance analysis does involve such challenges, **donors may be confronted with some hard choices**, including what to do when political economy and governance findings ‘go against the grain’ of existing priorities and incentives. For example, where studies reveal widespread corruption, patronage, or development ineffectiveness and call for a significant reduction of the planned investments, this may be highly problematic for country offices engaged in long-term programmes and it may work against donors’ expressed spending priorities.
33. The range and status of **products of political economy and governance analysis** is key here. It is not realistic for all donors to commit to unconditional transparency of their political economy and governance findings. At the same time, it is worth exploring options for sharing experiences and information of a politically sensitive nature. These include publishing and disseminating findings through partners and more neutral agents with less direct political stake (including consultancies and researchers), liaising with country offices to ensure careful management of findings and their follow up, and considering how more general, less sensitive findings can be disseminated through ad hoc, informal channels.

Demands and incentives within sectors and agencies

34. One of the key features of political economy and governance analysis is the need to understand the extent to which existing power structures, institutional and societal relations in a given context can be conducive to positive development outcomes. Often this implies taking a closer look at conditions for, and levels of, aid disbursement, as well as at the **levels of alignment between proposed or existing programming strategies and what it is realistic or feasible to achieve**. Political economy and governance analysis, for example, may conclude that large investments are not necessarily the best way forward or that donors’ traditional roles in a given country or sector should be reconsidered or adapted. In other contexts, political economy and governance analysis can help to speed up levels of aid disbursement and to reduce bottlenecks.
35. These kinds of operational implications sometimes **go against the grain of donors’ ‘corporate’ incentives or global priorities**. For example, several donors are under increasing pressure to ‘do more with less’ - to speed up spending, reduce head-count, and improve efficiency or value for money in the short term. It is important to recognise that political economy and governance analysis findings can pose a challenge vis-à-vis these sorts of incentive structures, especially at the sector level where there can be pressure to stick to technical and ‘business as usual’ approaches. One way forward is to focus on these forms of analysis as enabling the better

management of programme risks, improving programme design and effective use of resources, which can also work with the grain of donors' incentives.

36. **Building internal demand within sectors** is key for advancing sectoral political economy and governance analysis. This can partly be achieved through raising awareness and demonstrating operational added value and partly through encouraging greater take-up and use of the tools. However, perhaps more importantly, there is a need to ensure that the right incentives are in place for sector specialists to engage in political economy and governance analysis. At the World Bank, for example, this is being tackled through a range of approaches, including through encouraging political economy and governance analysis as a risk management tool that can help avoid unnecessary waste of resources. It would be important that in different agencies, the current focus on political and governance analysis helps to generate a debate on the value (and related incentives) of having a better understanding and better management of risks as well as of how to 'do no harm'. This is all the more important as donors, like DFID, plan to increase their support in fragile, complex and volatile environments, where risks are greater and the chances for quick wins smaller.
37. Finally, the experience of many agencies, like the World Bank, demonstrates that for this agenda to advance within sectors it requires a combination of **support and political buy in from the 'top' as well as stimulating demand from within programmes and sectors**. It was felt that in some cases the focus can be too much on the former and not enough on the latter, with the exception of the EC where demand from sectors is particularly strong.

Skills, competencies and capacity

38. Conducting political economy and governance analysis, and acting on its findings, involves strengthening donors' own **skills and capacity**. At the sectoral level in particular, these forms of analysis require a combination of technical competencies with social and political science knowledge. But there may be some organisational constraints in this respect. For example, it can be difficult to mainstream political economy and governance analysis where there are not sufficient linkages between sector specialists and governance specialists, and between technical and political profiles. Even where the right combination of skills are in place, capacity can remain a challenge in the face of differing or competing priorities.
39. [The case study of bus operations in Dhaka \(World Bank\)](#) provides a useful illustration of the benefits of working in a team with a range of relevant skills, including sector specific, technical and governance skills and the use of political intelligence (see Box 6).

Box 6: The value of a mixed skills team

Political economy and governance analysis was conducted to understand blockages to reform for urban bus operations in Dhaka, Bangladesh. This analysis was carried out by external national consultants but commissioned and overseen by a World Bank team which included a sector specialist and a governance specialist, allowing for a range of technical and political inputs. The use of national consultants was seen as key in supplying strong local knowledge and understanding of the context in Dhaka.

40. Despite the existing challenges, many sector specialists recognise the **value of being more politically informed** and the need to take this into account in policy and programme work. For some, there was a sense that they already did much of this analysis in their day-to-day working and that this was the product of experience and immersion in a country rather than something which could be inferred through the use of frameworks and tools. Experience varies between agencies, and it was acknowledged that short-term donor postings and the presence of staff who may have less experience and local knowledge can be a limitation. Furthermore, existing and context-specific knowledge can remain implicit and as such it is difficult to share: political economy and governance analysis can help make implicit knowledge more explicit, translating it into institutional memory which can be shared with other colleagues and help deal with staff turnover and with capacity constraints.
41. **Training** can be used to build up a range of skills and to provide specific guidance on methodologies and tools for analysis. Recruitment strategies are important too: when recruiting for sector specialists and for governance specialists, it may be helpful to specify a balance of technical and political economy analysis skills to ensure that new staff more easily able to adapt to this agenda.
42. **Learning by doing** is also important for skills and capacity development. There was widespread discussion about the range of ways that donors can provide ‘on the job’ support to their staff when engaging in political economy and governance analysis. This might involve peer-to-peer linkages or the use of ‘squads’ or support teams who can promote and support the use of political economy and governance analysis. The World Bank’s GAC Squad was recognised as being an interesting model to draw on (see Box 7). Building up communities of practice within agencies and establishing greater links within and between donors for those interested in and working on these forms of analysis would also provide ongoing support to staff.

Box 7: The World Bank ‘GAC squad’

The World Bank’s Governance and Anti-Corruption (GAC) squad includes sector and governance specialists, and is funded by the Governance Partnership Facility. It provides direct support to World Bank projects in order to mainstream GAC thinking in sectors, by issuing calls for proposals for support. The squad also provide ‘soft touch’ support, for example for project design and review, and contribute to greater knowledge management within the World Bank.

43. Much of the political economy and governance analysis which is conducted is externally commissioned to **consultants**. There were calls for greater sharing of information and experiences with a range of consultants. More broadly, there was recognition that there is currently a relatively small pool of established Northern and Southern consultants who can carry out these forms of analysis, suggesting that widening the pool of consultants and skills to draw on will be necessary in the future.
44. Finally, there is a need for greater guidance on **how to effectively carry out political economy and governance analysis**. This was linked to calls for the development of guidance on quality in political economy and governance analysis, and the recognition that, to date, experiences in this area have been ad hoc and patchy in their quality, which can undermine perceptions of the usefulness of these approaches.

Collaboration between donors

45. There is currently a **proliferation of tools and frameworks** for political economy and governance analysis at the macro and country level, a smaller number at sector level, and a wide variety of applications of these approaches in country examples. To date, donors have tended to conduct their own analysis, which at times has meant a lack of sharing of findings with other donors and with national stakeholders. It was agreed that better sharing of findings and greater transparency is desirable. This is also important in light of the commitments to greater donor coordination and harmonisation, as well as national ownership, enshrined in the Paris Declaration and the Accra Agenda for Action.
46. It was also recognised that the **harmonisation of donor approaches and the use of joint analysis may be challenging**, and not always desirable. In reality, different donors use differing frameworks and approaches, largely dependent on their mandates, and these are often linked to different objectives. As sectoral political economy and governance analysis is still evolving, it will be important not to impose straitjackets in the form of common frameworks or procedures, which risk limiting the space and opportunities to experiment with these new approaches. Some donors may see political economy and governance analysis as primarily ‘for themselves’, aimed at building internal consensus on the way forward and improving ‘political intelligence’ on the likely impacts of programmes. For others, these forms of analysis might be designed to build nationally-owned processes and as such will seek to carry them out in partnership with national actors.
47. Despite these limitations, there may be opportunities for donors to **improve transparency and to commit to share as much of possible** in their work in this field. This was recognised as being particularly important where Sector Wide Approaches (SWAs) are in place, which themselves aim to improve donor coordination and collaboration. In these instances, the outcomes and results of political economy and governance analysis, even where it has been commissioned by a single donor, are likely to impact on the climate for sector dialogue for all donors, increasing the rationale to ensure some form of coordination. This might involve sharing of a findings report, a presentation or an informal briefing on the relevant findings.
48. Sharing information and findings from analysis conducted can also help to **avoid duplication at sector and country level**. Furthermore, there might be opportunities for sharing experiences from different methodologies. In some instances, donors might be asked to comment or input into Terms of Reference for commissioned political economy and governance analysis studies.

Next steps

49. One of the key messages emerging from the workshop is the need to **expand the actual experiences of political 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.

Knowledge sharing and building the evidence base

50. There is a **clear commitment to the greater sharing of experience** and greater transparency in this field. There are a number of ways forward in this respect. The core planning group (DFID, EC, UNDP and World Bank) should aim to **hold regular meetings/discussions** to update each other on progress and ways forward. At the same time, it will be important to **engage a wider group of donors** with a keen interest on these forms of analysis. The OECD-DAC's GovNet could provide a useful network for this wider engagement.
51. It was agreed that all four donors would continue to invest in deepening their operational experiences of political economy and governance analysis, and to continue to share their findings in this area. **A potential follow up workshop in 12 months** time could be used to share a greater number of case study examples and deepen engagement. All four donors will continue to **identify opportunities for collaboration and joint work at the country level**, where feasible, including in the context of specific sector-wide programmes which several donors support. Finally, in light of calls for greater transparency, there was a commitment to strengthen information sharing and dissemination, including through **the use of the [Governance and Social Development Resource Centre \(GSDRC\)](#)** as a platform for donor work.

Ways forward:

- 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'

52. There was recognition that **donors need to invest in improving their own skills**, both to strengthen their ability to commission external work and to ensure greater 'in-house' analysis. Where possible, donors can also explore **joint training exercises**, including at country and sector level, to enable the greater sharing and exchange of ideas and expertise. DFID is currently running a training programme, at headquarters and in the field, and the involvement of other donors could be explored. Furthermore, as part of a commitment to building a cadre of skills, donors can work to develop **communities of practice** within their respective agencies, which should include governance, sector and regional or country specialists. Linked to this, those within these communities could look for opportunities for cross-agency working.
53. Finally, donors are likely to continue to contract out work in this area. Donors should seek to **share information on relevant consultancy expertise**. At the same time, a

key challenge remains the relatively small pool of Northern and Southern based consultants which can be drawn upon for this work. In the long run, **providing support for skills-development**, possibly including investing in schemes or academic courses to encourage greater teaching of political economy and governance analysis, would help build the skills base for the future.

Ways forward:

- 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

54. Looking ahead, it will be important to **build on those sectors where there is relatively well-established analysis**, such as water, roads and transport, education and power and to develop work in other sectors such as natural resources and food security, where this analysis could gain traction.
55. Expanding experience in sectors and agencies highlights the need to stimulate demand and internal incentives at sector level. In part, this means **improving ‘the product’** by demonstrating that political economy and governance analysis can help manage risks and solve problems in programme design and implementation. Linked to this, there are strong messages regarding the need to ‘demystify’ or simplify the language used to describe these forms of analysis. Facilitating **opportunities for greater collaboration between sector and governance specialists** will be an important step in stimulating demand and expanding experience in sectors. Linked to this, it might be helpful to develop **internal mechanisms for peer support** within sectors, to enable the sharing of experiences of lessons. The World Bank’s ‘GAC squad’ provides a useful example of mechanisms for this.

Ways forward:

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

56. This report sets out a number of practical steps which can be taken over the next year to strengthen political economy and governance analysis at the sector level. These steps demonstrate the importance of this agenda and the need to maintain the current momentum to take it forward. By working together where possible, donors can build on the positive developments to date in the field of political economy and governance analysis and help confront some of the challenges which still lie ahead.