
ACT – CIVIL SOCIETY ORGANISATION (CSO) ORGANISATIONAL DEVELOPMENT (OD) INFORMATION SHEET

POLITICAL ECONOMY ANALYSIS (PEA)

The **purpose** of this OD Information Sheet is for the ACT Programme to introduce CSOs (especially Networks and Coalitions and other Policy Actors) to the basics of Political Economy Analysis (PEA) and how to apply PEA frameworks for improved contextual understanding of policy issues. The document also provides guidance on how PEA can be used to inform the design and implementation of policy and advocacy programmes for sustainable development outcomes.

This PEA Information Sheet will provide readers with an overview of material required to prepare CSOs and policy actors to gather, interpret and analyse data for designing and implementing development programme intervention, particularly in relation to policy advocacy.

The OD Information Sheet will cover three broad areas or sections:

- 1) Introduction to PEA: This provides a description of PEA, what it is used for and the levels at which it can be applied
- 2) PEA frameworks: This introduces the PEA framework, the stages in PEA, and important considerations to complete an effective PEA
- 3) PEA and Public Policy: This explores opportunities for participation in public policy, approaches to problem analysis, identifying pathways of change and stakeholder analysis

All elements of the capacity development support provided by ACT mainstream Gender and Social Inclusion (G&SI) to strengthen the sustainability of the work of CSOs, whilst fully supporting the adoption of a rights-based approach.

What is PEA

PEA looks at the power relations between individuals, groups, and sections of society and how these relations shape change. It considers history and social norms, formal and informal rules as well as possible evolution of complex systems of human interaction.

PEA helps with the understanding of what drives political behaviour and how this shapes policies and programmes.

Why is it important?

Over time it became evident that investments in development programmes and reforms were not delivering planned results. Interventions did not work as well as they could have, and it was becoming clear that this was not always due to an absence of technical expertise or even an inadequacy of funds. In many cases change was not happening because there was not enough understanding of what the people in power, those who control things and have influence, want (or do not want) and of how power is distributed in the political system and in the economy. PEA offers the tools to elicit information and to build an understanding of issues that may not be immediately apparent, so that a more realistic path can be charted toward change.

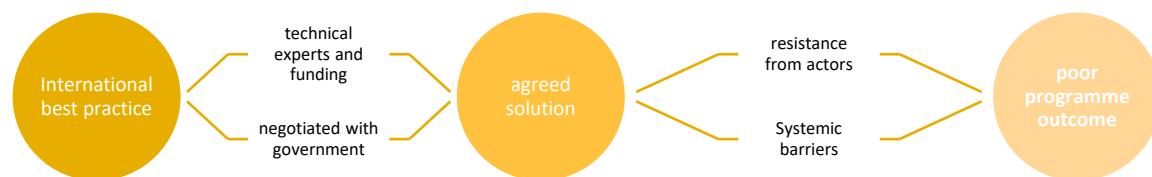
When is it used?

PEA is a process of strategic reflection, especially when designing programmes or trying to influence government policies and plans. An effective PEA helps to answer questions about how change happens and what is needed and can be done to bring about change.

PEA can be undertaken at four different levels, namely; Global/Regional PEA, Country Level/Macro PEA, Sector/Policy (or Thematic) PEA, and Micro, Project, or Local Level PEA.

Political Economy Concepts: Traditional -vs- PEA Approach to Development Programmes

Traditional Approach



PEA Approach

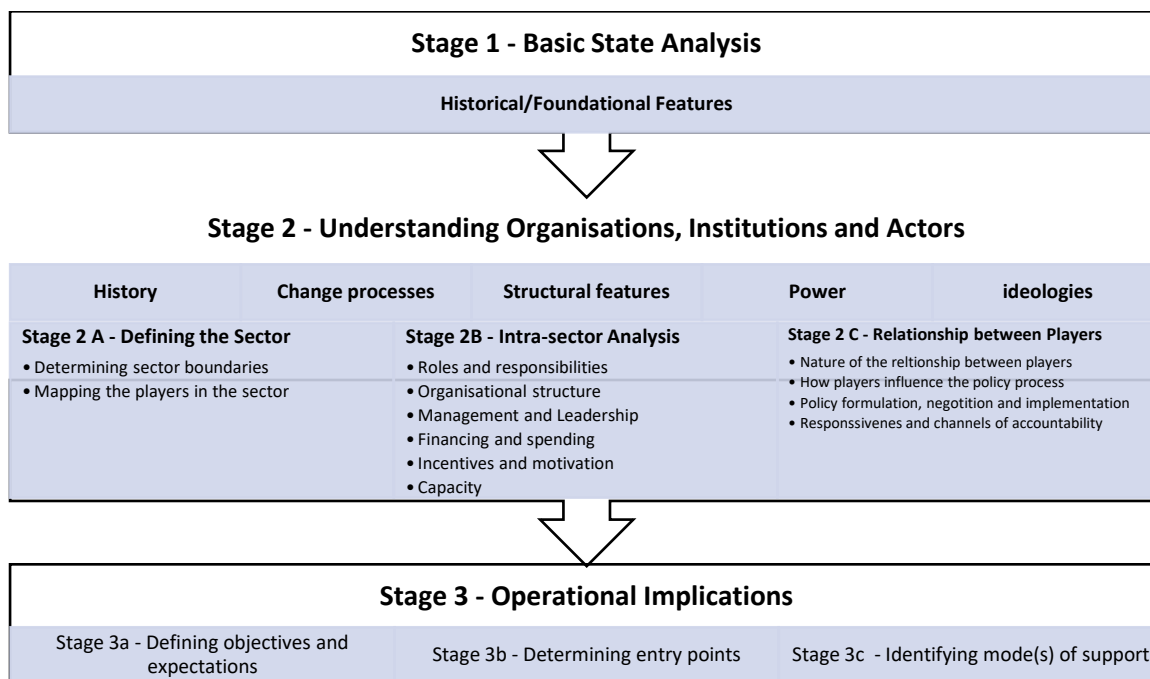


PEA Frameworks

What are the stages involved in carrying out PEA?

Most PEA is carried out using frameworks that incorporate three stages. These stages are non-linear and link closely to each other. It is usually necessary to review, re-assess and reinterpret information. Since a significant component of PEA is understanding actors and how they influence processes, identified issues therefore continuously change. The premise of PEA frameworks is that effective and accountable states and institutions are achieved through a process of interaction between the states and organised groups in society. This interaction can for example explore what lies behind current governance problems such as poor public service delivery, high levels of corruption, etc.

The stages of the PEA analysis are summarized in the diagram below.



What are the components of PEA framework?

PEA is a study for which it is important to define a Purpose and Scope. This ensures clarity about why the research is being done, its scope and what the findings will be used for. The rest of the framework comprises three components that come out of the findings from the Stages 1 and 2, detailed above:

1. Foundational/Structural/Historical Factors (see also Summary Framework below): These are deeply embedded issues that are slow or impossible to change. These factors are often rooted in history and they affect state formation and legitimacy. They define the nature of the economic and political systems. Foundational factors shape the country/state and its political systems and include the history of State/Local Government formation, territorial integrity, revenue base, socio-economic structures, geostrategic position, and other geographic aspects of the country/state.

2. Rules of the Game/Institutions: These are formal and informal norms and values that influence behaviour and the capacity of actors in their roles, as well as relationships between them. Institutions can support or hinder change and development. Analysing rules of the game allows exploration of aspects of the political system that affect governance, especially for poor people. The formal factors comprise legislation and administrative arrangements while the informal values consider the extent of political competition, the extent to which state, civil society and private sector institutions work according to known rules, the distribution of power between political executive and other groups and the relationship between state and society. The analysis also explores trends that have the potential to change the rules of the game. “Rules of the game” are always a mixture of formal and informal practices, which have historical perspectives because things that happened in the past continue to influence both formal and informal practices.

3. Current Context and Actors: This is also referred to as “here and now” situation. Important events including shocks like pandemics, disasters, or even elections, which

can influence incentives and institutions and shape how things are done but they also compete with foundational factors and entrenched institutions (rules of the game). Stakeholders, especially leaders, elite coalitions and those who can influence the nature and speed of change are also important. While broader context of a country is shaped by foundational factors and rules of the game, current situations and potential developments influence the objectives and behaviour of key stakeholders.

Important stakeholders are those with the institutional capacity to act and those that share power with the political executive. They could be organisations, groups, individuals or other relevant entities.

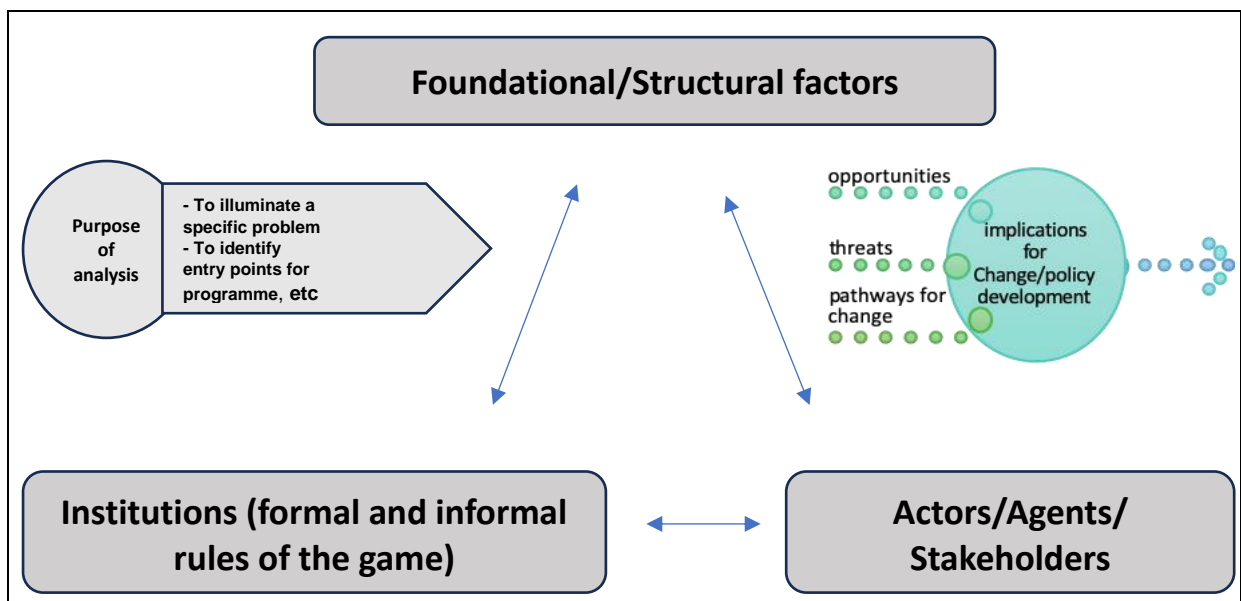
What are the implications for policy development and change?

In considering these different components of PEA, it is important to also consider the implications they would have on policy development and change. An understanding of the factors and actors and the political economy dynamics helps to highlight how change happens in specific contexts. This process will offer up various scenarios for how change might happen, depending on objectives. It may also help to clarify objectives but significantly it helps to draw out the implications for policy and decision making.

Pathways for change when developed, represent an understanding of how political economy dynamics can shape opportunities for change. Mapping opportunities and threats present options and ideas of what to do to achieve set objectives. The various options can then be evaluated to determine their implication for change or policy development.

Opportunities	Threats
Are there opportunities to address foundational factors?	Are there threats arising from Foundational factors?
Are there opportunities to influence Rules of the game?	What are the threats arising from rules of the game?
What opportunities are presented by and for actors in key positions?	What other threats are there?

The PEA Framework can be summarized with the diagram below:



PEA AND PUBLIC POLICY

What is policy?

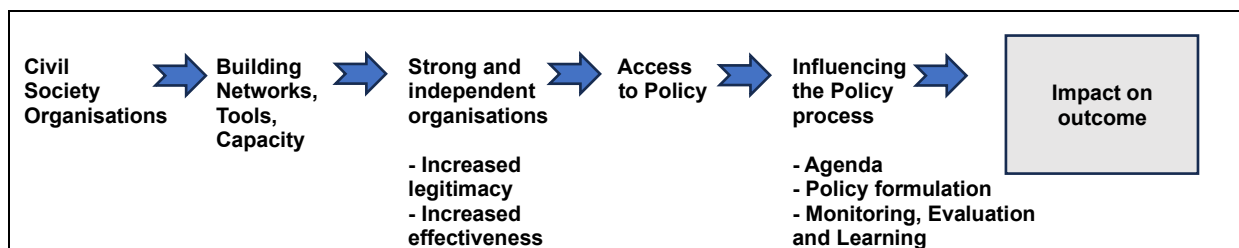
Policy has been described as a purposive course of action followed by an actor or set of actors. Such action would include activities carried out which may or may not be documented or guided by legislation.

Can policies be Influenced?

Policies can be influenced. Policy influence refers to how actors external to the policy process can interact with the process and affect policy positions, approaches and behaviours. The policy process is also often informal, involving a range of stakeholders and institutions. Some are involved at every stage while others play a role only at certain points. To influence policy, CSOs are advised to:

1. Identify political constraints and opportunities and develop a political strategy for engagement.
2. Inspire support for an issue or action; raise new ideas or question old ones; create new ways of framing an issue or policy narrative.
3. Inform the views of others; share expertise and experience; put forward new approaches

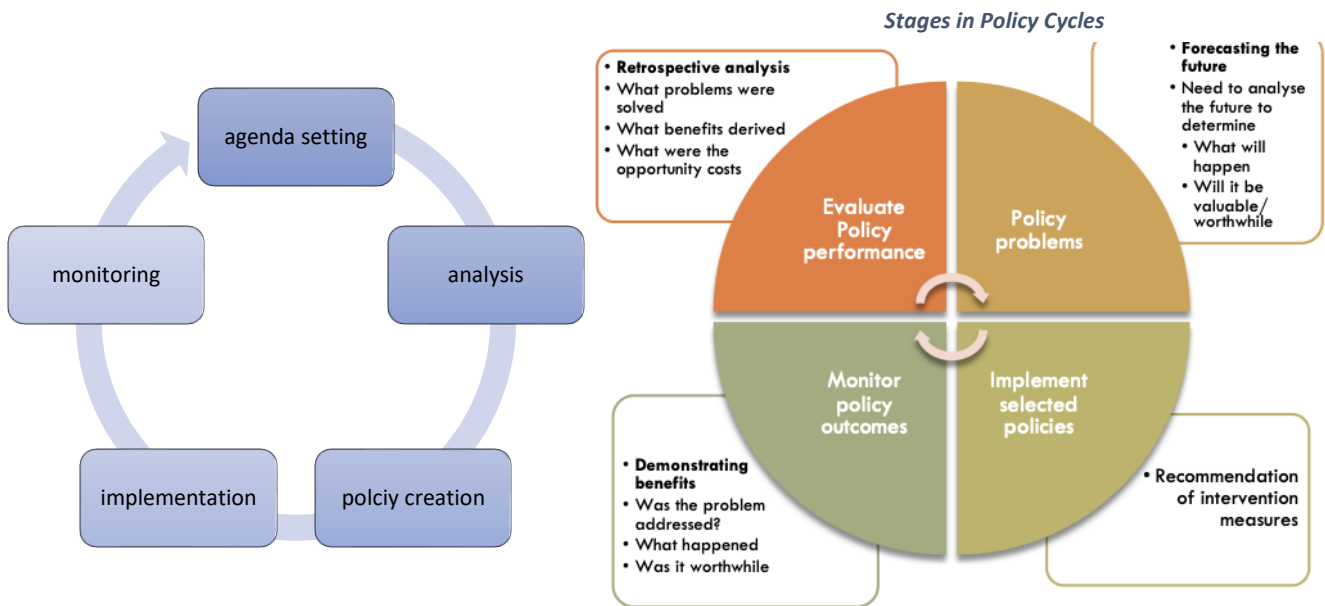
Civil Society Organisations and Policy Influence



What are the stages of policy cycle?

The process of formulating policy involves stages that are not always sequential but include:

- Setting the agenda
- Making a decision for action
- Implementing the action
- Monitoring the action (including its effect on stakeholders)



Policy Analysis

Public policies are often analysed at:

- Macro level – analysing Country context and reform context. The tools adopted are designed to provide information of historical context, political/ideological climate, political and institutional structure and culture, economic and social makeup
- Meso level – involving a stakeholder analysis and an institutional analysis. Analysis at this level aids understanding of rules and incentives for policy formulation and implementation. It is generally accepted that rules can be transmitted through price-based incentives, organisational cultures, and social norms. At this level also there is some assessment of impact and equity of access
- Micro level – because it is often programme of project led, microlevel analysis often involve impact evaluation using data collection methods and will also evaluate equity of access.

Other factors for policy review include social risk assessment and scenario setting, all of which can be applied at various stages of the policy cycle and levels.

What are the factors for Policy Review?

Often Public Policy Analysis tries to demonstrate viability of policy decisions by weighing various factors that might affect implementation and illustrate key stakeholder support and opposition, thus providing an overview of pressures for and against the policy. It also seeks to work out how to improve probability of success by mitigating threats and risks and enhancing opportunities. Other factors for policy review include social risk assessment and scenario settings and can be applied at various stages of analysis.

What is the need for Policy Analysis?

Analysis of public policy is useful for understanding the perspectives of all actors affected by government decisions with respect to the issues covered by the policy. It helps to obtain and

balance evidence from a wide range of sources and when non-government actors are enabled to contribute it delivers benefits, including:

- Allowing government to tap wider sources of information, perspectives and potential solutions, to improve the quality of decisions reached
- Alerting policy makers to any concerns and issues that may not be picked up through existing evidence
- Helping to monitor the performance of current policies and whether there is need for change
- Fostering working partnerships between stakeholder groups and Government in addressing issues and seeking solutions
- Ensuring genuine public involvement that symbolises the Government's commitment to listening to the public and stakeholder groups when developing policy
- Helping to build public trust in government and the legitimacy of decisions reached.

Policies can be analysed at all the stages of its development and Policy Actors, especially organised civil society, can also be involved and contribute evidence at any point during this cycle.

PEA Approaches and Policy Analysis

- PEA helps to explore alternatives and to present options that can be used to arrive at the same or similar result
- PEA can support collaboration between civil society actors and promote partnerships to facilitate progressive change and joint solutions to political obstacles to development
- PEA approaches improve understanding of (i) Political, economic and social structures and (ii) Institutions, processes and actors that determine dynamics of sector reforms
- PEA Approaches help to build foundation for bringing about change through strategic implementation of solutions

Sector and Policy PEA

The framework for Sector PEA is similar to the framework for country level PEA but focuses on a narrower set of interests, institutions and actors. It helps to explain why policies and reforms in specific areas or around specific themes fail to result in development or change. Determining the purpose and profile of the sector is usually the starting point to clearly defining the scope and purpose of the sector PEA. The next step would be to describe the sector's recent performance, the legal framework, key actors, and organisations within the sector.

Sectors are shaped by dynamics. Exploring forces that drive or block change helps to identify opportunities and incentives, as well as constraints and disincentives. Difficulties of public policy become a problem for PEA when they move beyond technical challenges or issues of management.

Key aspects of Sector PEA

These include:

- Exploration of macro level structural and historical features as well as interactions between country level institutions and actors
- Exploration of key characteristics, including structural and historical features, sector performance, including an assessment of important actors and stakeholders, and sector challenges, especially the most pressing problems of the sector
- Exploration of sector policies, their implication and impact. It is also important to assess potential effect on policy change, how this will affect the balance of power and reorganise access to resources among stakeholders in the sector

- Exploration of the decision-making process in the sector, how policies are implemented, the incentives and the disincentives as well as the opportunities and constraints
- Exploration of the major stakeholders, their interests and relationships and the formal and informal interaction between them. Actors will manifest political, economic and social interests to varying degrees. They will have varying levels of power and have different engagement strategies
- Exploration and identification of entry points and pathways for sector reforms

How PEA dynamics shape opportunities for change

A comprehensive analysis of political dynamics at work raises questions about what can be done to address problems or challenges that have been identified. There are always many options. Selecting the most appropriate option, given specific context, will require mapping out these options and assessing their political feasibility. The possible options for achieving desired outcomes are the Pathways of Change. Mapping Pathways of Change is a process of finding the most suitable solution to a given public policy problem. It is important to note that there are no certainties, only processes that present plausible opportunities for change guided by the PEA carried out.

The starting point is always to define the desired outcome followed by outlining the different possibilities for bringing about the desired outcome, based on the PEA factors that make change possible without external intervention. It involves:

1. Focusing on the outliers, the features that do not fit a pattern and thinking about what makes them different
2. Setting a measurable goal and an ambitious deadline for achieving it. Urgency always triggers innovation
3. Refusing to cooperate with the status quo – the '*this is how it is done*' trap. Sometimes the best solutions are the most obvious ones, but they are often ignored. We often believe that there is more to a problem than can be seen or because we have a prepared solution that is made to fit
4. Put together a broad-based team and pull members together into coherence by sharing information, data, resources and credit. Encourage them to question rules, take responsibility for holding each other to account
5. Experiment in short cycles (three months or less) and learn whether what is being done, the solution applied, is working in real time

Pathways of Change

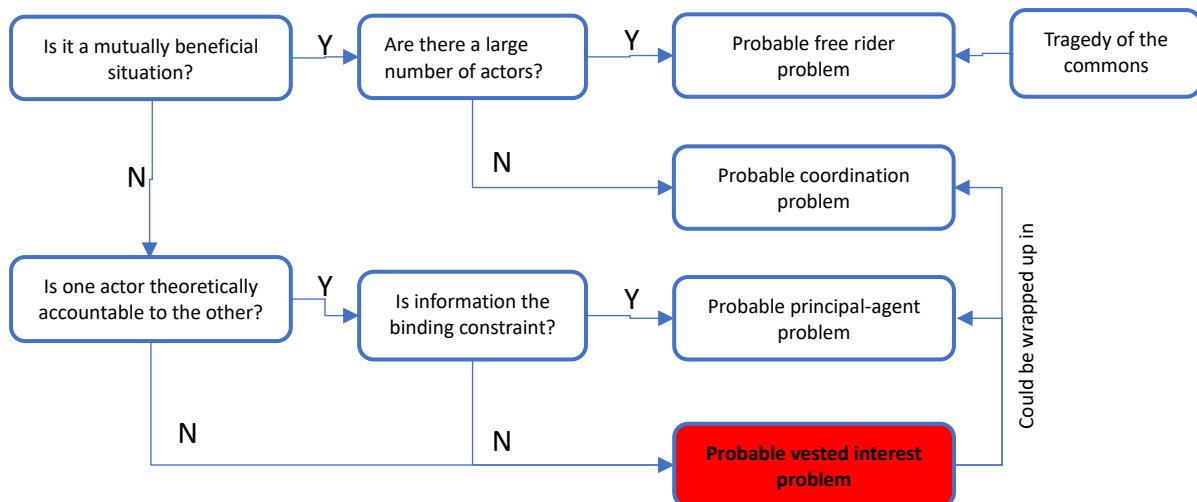
A Pathway of Change is a broad sequence of events that is easily imaginable given what is known about the existing distribution of power and incentives, or relatively small changes thereto.

It is also important to balance this by considering the implausible Pathways of Change by considering the nature of relationships between critical stakeholders. For instance:

- Are there any key stakeholders' political settlements and strong vested interests around the issues for which reform is sought? Are there actors who will work to block proposed reforms?
- Are there powerful actors with an interest in bringing about reform and may be able to tip the balance of power in favour of change? How can barriers to collective action be reduced?

Analysing Problems of Development

The typical problems of development include: (i) One party/person has more information than others; (ii) Coordination Problems; (iii) Free riders (this problem can exist when it is impossible to exclude a person or group from the benefits provided and this reduces motivation for contribution by everyone); (iv) Vested interests /collective action problems.



In summary:

Carrying out a PEA often involves examining the interplay of political and economic factors that shape policies, institutions and the development outcomes in that region. Suggested approach:

- 1) Define the scope and objectives:
 - Clearly outline the goals and objectives of the analysis
 - Define the scope by specifying the geographical area, timeframe and the specific political and economic issues you want to explore
- 2) Contextualise the region/country:
 - Understand the historical, social and cultural context of the area.
 - Analyse the history and its impact, as well as regional dynamics on the political and economic landscape
- 3) Identify key actors:
 - Identify and analyse key political and economic actors, including government officials, CSOs, traditional and religious leaders, and international actors.
- 4) Political analysis:
 - Examine the political system, including structure of government and local government, political parties, electoral processes and power dynamics.
 - Assess the role of institutions, governance structures and the rule of law.
 - Assess the political and traditional ideologies and how they influence policy
- 5) Economic Analysis:

- Assess the structure of the economy, including sectors such as agriculture, industry, technology and services
 - Analyse economic policies
 - Evaluate the impact of globalisation, regional and state economic integration
- 6) Social Analysis:
- Consider the social dimensions of political economy, including issues related to poverty, inequality, gender, disability, healthcare, climate change and social justice.
 - Analyse the role of CSOs, INGOs, CBOs, INGOs¹, Associations, charitable groups, etc.
- 7) Institutional Analysis:
- Examine the strength and effectiveness of institutions, including the legal system, regulatory bodies over CSOs and public administration
- 8) Power Analysis:
- Identify sources and distribution of wealth within the region
 - Analyse how power relations influence decision-making at policy levels and the economic outcomes
- 9) External factors:
- Assess the impact of external actors
 - Analyse the role of aid and trends
- 10) Scenario analysis:
- Consider different future scenarios and their potential implications for political and economic development on civil society (and on those the CSO wishes to support)
 - Explore how changes in the international and national context might affect the region/state
- 11) Stakeholder engagement:
- Engage with key stakeholders to gather diverse perspectives and validate your findings.
 - Seek input from local communities, traditional authorities, CSOs, and other relevant actors
- 12) Policy Recommendations:
- Based on your analysis, provide evidence-based policy recommendations that address key challenges and opportunities identified – in alignment with your CSO's organisational strategy.

Conducting a PEA is an iterative process – it is important to remain flexible and open to adapting your approach, based on new insights and emerging developments. Additionally, ethical considerations, cultural sensitivity and the inclusion of women, girls, people with disabilities and other traditionally marginalised groups should be integral parts of the analysis.

¹ CBOs – Community Based Organisations; INGOs – International Non-Government Organisations

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Find out more

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