Political Economy Analysis
Country Strategy Tool

Description: The tool is a synthesis of existing approaches to Political Economy Analysis (PEA). Its aim is to build on existing knowledge of political and economic context at the country level, and to produce a structured analysis of how these factors interact with WaterAid's objectives.

Facilitation guidance:

When would you use it: For strategic reflection, when designing country strategies or influencing plans. It helps to answer the question of how change happens at the national level. The tool can be used to conduct an internal workshop, or to structure terms of reference if country-level PEA is being outsourced. It can be used as a stand-alone tool, but will also help to inform sector strategy and tactical political economy analysis.

What you will need: Handouts (page 3); flip chart paper; markers pens; PEA Cube print out (page 7 – multiple copies if performing this exercise in small groups).

Timing: Ideally, a half-day workshop. At a minimum, two hours will be required – if attempting to complete in two hours, consider answering the 'core questions' in advance and use the workshop time for detailed analysis (using the discussion points). Make sure you leave at least 15 minutes for Section 6 ("What next?").

General guidance: Encourage people to think analytically about how change happens. The core questions in each section outline the topics and concepts that need to be discussed; the 'discussion points' will prompt people to think about analytical concepts such as incentives, interests, and ideas. However, the discussion points are not intended to be definitive, rather suggestions to guide your analysis. Through Sections 1-4, encourage people to try and draw links between the sections (i.e. how do country characteristics link to power relations, etc). Before beginning the workshop, decide how the analysis will be documented (detailed report, briefing note, etc), and who will be responsible for this.

Knowledge gaps: It is likely that there will be some questions which the group will struggle to answer. Minimise this risk by planning in advance to ensure you have a good range of knowledge and experience in the workshop (including external guests, if appropriate). Throughout the workshop, encourage people to be honest about what they don't know. Challenge people on facts and assumptions, and keep a clear list of where more information is required. Encourage people to think about how they can find this information (e.g. is there someone we can speak to, or a publication we can read?).

1. What are the main characteristics of the country?
Analyse the deep-rooted factors which underpin the country's political economy.
- The purpose of this section is to analyse and understand how the long-term features of a country (i.e. history, geography, social and economic structures, etc) influence the incentives, interests, and ideas of the modern political economy.
- These features are likely to be fixed in the short to medium term, and will underpin many of the power relations and rules discussed in sections 2 and 3.

- Taking each question in turn, first describe the main features, and secondly (using the discussion points as a guide) analyse how these features influence current political, economic, and social life.
- Using the flip chart paper, set out the description and analysis in a table and stick to a wall so it can be used to prompt discussion in subsequent sections.

2. Where does power lie?
Analyse power relations in the political, social, and economic spheres.
- The purpose of this section is to understand the nature of power relationships.
- Following a similar structure to section 1, take each question in turn and describe the key relationships and key sources of power. Then, using the discussion points, analyse how these features influence the incentives and interests of important groups, and whether they act as barriers to change or drivers of change.
- Using the flip chart paper set out the description and analysis in a table, and stick to a wall so it can be used to prompt discussion in subsequent sections.

3. What rules govern people's behaviour?
Analyse the formal and informal rules which shape people's interests and actions.
- The purpose of this section is to understand the 'rules' which govern how people interact with each other; this includes formal, official rules (e.g. laws, legislation, elections, etc), and informal rules (ways of working, cultural/social norms, etc).
- Following the same structure as previous sections, you should follow the core questions to identify the key rules, then use the discussion points to analyse how these rules influence people's incentives, interests, and ideas.
- Using the flip chart paper, set out the description and analysis in a table and stick to a wall so it can be used to prompt discussion in subsequent sections
- Encourage people to reflect on the linkages between rules and power, and between rules and country characteristics.

4. Which ways of thinking shape public policy and debate?
Analyse the ideas and beliefs which influence the country's political economy.
- The purpose of this section is to understand the way that ideas and beliefs condition decisions and the ways in which people behave.
- As with previous sections, follow the core questions to identify the key ideas and beliefs, and use the discussion points to analyse how these interact with people's incentives and interests.
- Using the flip chart paper, set out the description and analysis in a table and stick to a wall so it can be used to prompt discussion in subsequent sections
- Encourage people to reflect on the linkages between ideas and rules; ideas and power; and between ideas and country characteristics.

5. What does this mean for WaterAid?
Plot the country's political economy within the PEA Cube and discuss implications for strategy.
- This section is a thought experiment, designed to help bring together the analysis of the previous sections in a more integrated way.
- The aim is to plot the country's political economy within a PEA Cube; the size and shape of the country's PEA Cube should then give some insights into how WaterAid can use this analysis to improve strategies at the country level.
- Start by discussing each dimension of the cube individually. Starting with 'Stability', discuss how the analysis of country characteristics, power, rules, and ideas relates to the concept of stability. Then make a judgement on the extent of stability, and
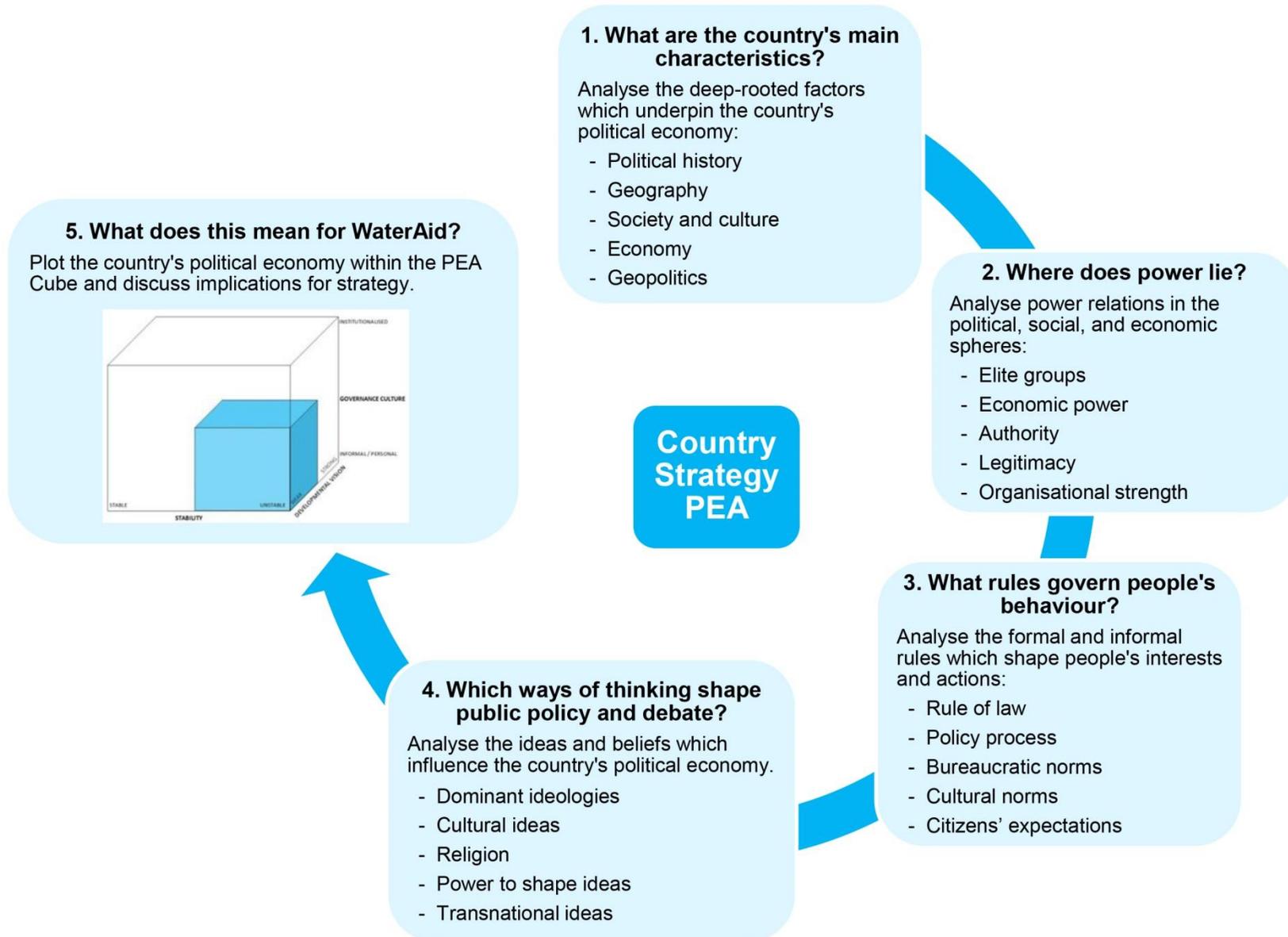
plot this on the cube. Repeat these steps for 'Developmental vision' and 'Governance culture'. You should then be able to draw the country's PEA Cube.

- In this section, encourage people to 'join the dots' from sections 1-4, with each dimension of the cube being a synthesis of the previous analysis. For example, 'Developmental vision' is most obviously concerned with ways of thinking; however, country characteristics, power relations, and rules also have an influence on how strong a country's developmental vision is in practice.
- The PEA Cube exercise could be conducted as one large group, or in smaller groups. If conducted in smaller groups, the aim would be to compare the different cubes, and discuss what influenced different judgements on each dimension.
- If PEA is outsourced, this exercise could be conducted with the consultant after the study, to encourage staff to think more analytically about country context.
- Examples of 'ideal type' political economy configurations have been provided. These are intended to stimulate discussion about what the implications of a country's political economy configuration may be for WaterAid's country strategy. These examples should be used to guide your discussion, rather than prescriptions of what should be done in every context.

6. What next?
In this final section, encourage people to reflect on the exercise and agree next steps. Ask the following questions:

- What have people found useful? Have any obvious lessons been learned?
- Have any of our original assumptions or ideas about how change happens been challenged? If so, will this have any implications for the way we work or the way we frame issues and advocate for change?
- What are the most important knowledge gaps? How can we find the information needed? Who will be responsible for this, and by when?
- Which other tools may be helpful to plot a more detailed path forward? For example, sector strengthening tools, human rights based approach tools, inequalities checklists? Who will be responsible for organising this?
- Based on lessons learned from the analysis, are there any small steps that can be made in the short term to improve our strategic approach? Who will be responsible for this, and by when?
- Are there any long-term implications for strategy? Who will be responsible for taking forward the lessons learned from the analysis?
- How will the analysis be documented, and who will be responsible for this?

WaterAid

1. What are the country's main characteristics?

Analyse the deep-rooted factors which underpin the country's political economy:
- Political history
- Geography
- Society and culture
- Economy
- Geopolitics

5. What does this mean for WaterAid?

Plot the country's political economy within the PEA Cube and discuss implications for strategy.

Country Strategy PEA

2. Where does power lie?

Analyse power relations in the political, social, and economic spheres:
- Elite groups
- Economic power
- Authority
- Legitimacy
- Organisational strength

3. What rules govern people's behaviour?

Analyse the formal and informal rules which shape people's interests and actions:
- Rule of law
- Policy process
- Bureaucratic norms
- Cultural norms
- Citizens' expectations

4. Which ways of thinking shape public policy and debate?

Analyse the ideas and beliefs which influence the country's political economy.
- Dominant ideologies
- Cultural ideas
- Religion
- Power to shape ideas
- Transnational ideas

Core questions and discussion points

1. What are the country's main characteristics?

Analyse the deep-rooted factors which underpin the country's political economy.

a) What are the most important events in the country's **political history**, and how do they shape contemporary politics?
b) How does the country's **geography** influence its politics and economics? Is it land-locked; does it have disputed borders; are certain areas inaccessible?
c) How does the country's **society and culture** impact political and economic life?
d) What is the structure of the **economy**? Which sectors are most significant; what is the role of the state; is there a thriving informal economy?
e) Where does **government revenue** come from?
f) How does **geopolitics** influence national politics and economics? What roles do external actors play (e.g. transnational government, donors, multinational companies, regional hegemons etc)?

Discussion points:

- **Political history:** how have the present day interests and incentives of political parties been shaped by key historic events or processes? Are ideas shaped by past events (e.g. do ideas from wars of national liberation still influence public debate)?
- **Geography:** are political and economic interests linked to the physical geography? Do climatic or demographic factors shape political or economic decisions?
- **Society and culture:** are prevailing ideologies shaped by socio-cultural beliefs? How are such beliefs revealed (e.g. different status for men and women; inequality between social groups; tension between official legal structures and cultural norms)?
- **Economy:** how do features of the economy influence the incentives of politicians (e.g. does natural resource wealth increase corruption)?
- **Government revenue:** does a low domestic tax base reduce accountability to citizens? What is the scale of donor support? What is the nature of accountability to donors?
- **Geopolitics:** do relationships with international actors influence the incentives of national actors (politicians, business, etc)?

2. Where does power lie?

Analyse power relations in the political, social, and economic spheres.

a) How is power distributed between different **elite groups**? How stable is the balance of power?
b) Which groups hold **economic power**, or have control over important resources?
c) Who has the **authority** to speak on behalf of different social groups (e.g. elected officials; traditional leaders or chiefs; religious leaders)?
d) How do powerful elites gain **legitimacy** for the power they wield?
e) Which groups have the **organisational strength** to make political trouble or bring about change (e.g. political parties; social movements; military; trade unions)?

Discussion points:

- **Elite groups:** what are the main interests of different elite groups (i.e. leaders of ethnic groups, political parties, religious groups, business/land owners)? Is there a compromise which meets all these interests, or do certain groups threaten conflict?
- **Economic power:** do economically powerful groups influence politicians? (e.g. through party funding or the threat of relocating business overseas?)
- **Authority:** what is the source of this legitimacy? Are the interests of these leaders consistent with the interests of the groups they represent?
- **Legitimacy**: this may be in elected politicians or traditional leaders. Is power legitimised through democratic processes, through patronage/clientelism, or by traditional values of hierarchy?
- **Organisational strength:** are there conflicts between the interests of these organisations? How have organisations used their power to bring about change?

3. What rules govern people's behaviour?

Analyse the formal and informal rules which shape people's interests and actions.

a) To what extent are political elites restrained by the **rule of law**?
b) What is the official **policy process**, and how is legislation developed?
c) What **bureaucratic norms** or practices influence how decisions are made?
d) How do **cultural norms** affect political processes (e.g. are there 'traditional' methods for resolving disputes which run in parallel to the formal legal system)?
e) What are **citizens' expectations** of elected officials (e.g. individual patronage; group-specific benefits; or pursuing national development for the benefit of all)?

Discussion points:

- **Rule of law**: are people's incentives shaped by the rule of law, or is there the assumption that the law can be bypassed if required?
- **Policy process**: how transparent is the process, and who is involved? What incentives does the process create for those involved in the process?
- **Bureaucratic norms**: consider whether government bureaucracy is based on clear, predictable, and transparent rules/practices, or if ways of working are more informal. What incentives does this create?
- **Cultural norms**: these are informal rules which dictate how people interact with each other on a daily basis. How do such norms influence ways of working and ways of thinking?
- **Citizens' expectations**: how do the expectations of citizens shape the incentives of politicians?

4. Which ways of thinking shape public policy and debate?

Analyse the ideas and beliefs which influence the country's political economy.

a) What are the **dominant ideologies** and values which shape the political system?
b) What **cultural ideas** have an influence on politics and economics (e.g. ideas about hierarchical rule or traditional gender roles)?
c) To what degree does **religion** shape the constitution, laws, or other policies?
d) Who has **power to shape ideas**? How is public debate informed?
e) To what extent do **transnational ideas** influence the government or civil society?

Discussion points:

- **Dominant ideologies**: whose interests do dominant ideologies serve? How widely accepted are these ideas? To what extent are ideas contested?
- **Cultural ideas**: how influential are cultural ideas? Do they promote or inhibit social change? Do they promote or inhibit equality (e.g. regarding gender)?
- **Religion**: is there conflict between religious groups? Are religious ideas used to further the interests of specific groups?
- **Power to shape ideas**: how is the national debate conducted? Who controls mass media, and whose interests do the media serve? What is the role of social media and the internet in creating new ways of thinking?
- **Transnational ideas**: to what extent is thinking in the country influenced by global discourses (e.g. human rights, sustainable development, economic liberalisation etc)?
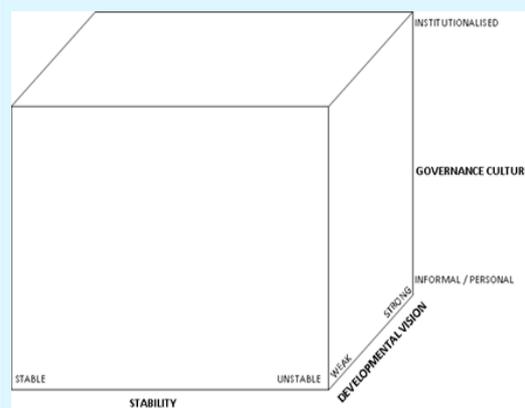
5. What does this mean for WaterAid?

The PEA Cube

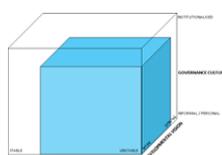Plot the country's political economy within the PEA Cube and discuss strategic implications.

Synthesise Sections 1-4 to plot your PEA Cube along the following dimensions:

(1) **Stability:** how stable is the country, politically and economically?
(2) **Governance culture:** is governance based on formal institutionalised procedures or informal relationships?
(3) **Developmental vision:** to what extent are powerful groups united by a common developmental vision? Or is cooperation based on self- or group-based interests?
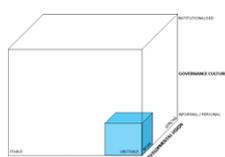
While the possible configurations are limitless, below are some easily recognisable political economy types, and the possible implications they could have for WaterAid's work:
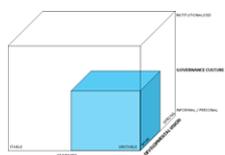
 Stable, institutionalised, strong vision: most elite groups support the existing balance of power and are coordinated around a common developmental vision. The economy is relatively stable and public governance is meritocratic and institutionalised. The ruling coalition takes a long-term policy perspective and has strong potential for development.

WaterAid could work strategically by: supplying government with technical expertise in areas which they are lacking, or by identifying policy 'blind spots' and advocating for improvements. Engaging with formal political processes and procedures would be the most effective strategy.

 Unstable, personal, weak vision: the political economy is characterised by instability and short-term interests. Elite groups are motivated by access to economic rents rather than a common vision, and the governance culture favours patronage and clientelism.

WaterAid could work strategically by: promoting citizens' empowerment and accountability and supporting 'islands of effectiveness' (seeking to change the mind-set of political elites through a demonstration of good practice). The strategy would focus on small, incremental change. Large-scale reform initiatives may be less likely to succeed.

 Hybrid: The most common configurations lie somewhere between these extremes, often not forming equal cubes (e.g. a country may be very stable with a personal governance culture). Long-term thinking may be possible in some policy areas, with short-term incentives prevailing in others.

WaterAid could work strategically by: developing a 'mixed approach', tailored specifically to the country's political economy. For instance, providing technical support in policy areas where governance is strong, and supporting citizen empowerment and accountability in policy areas which have weak governance or short-term incentives.

Compare these with your own country's PEA Cube:
a) Are the suggested strategic approaches valid?
b) If not, which other approaches would be more appropriate (e.g. sector strengthening or a human rights based approach)? And why?
c) Based on the analysis, what are the benefits and risks of different strategic approaches?

PEA Cube print-out