Towards Better Governance

Governance Context Analysis & Programme Design

Guidance Note[[1]](#footnote-1)

 June 2012

# Section 1: Introduction

This Guidance Note aims to provide direction to CARE Country Offices (COs) on how to analyse the governance elements of a given context when a) developing a Long Range Strategic Plan (LRSP) or other country level strategic/planning processes and b) designing a programme. The Note also points to the basic steps for incorporating governance into the programme design phase. It is one of the documents accompanying the Governance Programming Framework (GPF). The “GPF Resource Pack” also includes a Guidance Note on how to monitor and evaluate the governance component of a programme[[2]](#footnote-2). This way the GPF Resource Pack aims to support CARE staff throughout the different stages of the programming cycle.[[3]](#footnote-3)

**Box 1 - Which level of analysis to choose?**

If a **CO is designing a country strategy** and wants to analyse the main national governance issues, then the appropriate level of analysis would be the **political economy country level analysis**. This will offer an opportunity to complement existing understanding with a more in-depth analysis of the root causes of poverty and social injustice related to unfair power relations and bad governance. ***See*** [***Section 3, Page 8***](#_Section_3:_Country)***.***

If the **CO** wants to analyse the main governance issues at sector/theme level for a **programme strategy or a thematic strategy**, perhaps with a focus on a particular impact population, then the appropriate level of analysis would be a **political economy sector/ theme analysis**. This will allow you to understand the structures, institutions and stakeholders that can hinder or promote pro poor reforms. ***See Section 4 Page 16.***

The way in which this Guidance Note may be used will depend on what phase an office is at in terms of its own programmatic planning and design.

## 1.1 Why include a focus on governance analysis in country level or programme level analysis and design?

Increasingly CARE Country Offices are identifying poor governance as one of the underlying causes of poverty and social injustice and therefore as an issue they would like to address in their programming. The more we accept that governance is a core element of development, the more we need to put governance at the centre of our strategies, programmes and analyses.

A sound governance analysis at country and, or, at programme planning level will increase the opportunities to design strategies and programmes that effectively address the barriers and leverage the opportunities to promoting good governance and deliver sustainable change. We hope that the guidance in this Note will help you to do this.

## 1.2 How to use this guidance note

This process needs to be adapted to the specific needs of the Country Office in relation to its own process of integrating governance in programming. COs might want to use more or fewer exercises, and adjust the steps proposed and tailor the research questions to their specific contexts. Below is an outline of the sections in this Guidance Note:

[Section 2 provides an introduction to **the Analytical Framework**](#_Section_2:_Analytical) proposed and some **key concepts**, including **political economy (PE) analysis.**

[Section 3 **focuses on country level analysis**](#_Section_3:_Country_1): COs that are interested in doing in-depth analysis of the root causes of poverty and social injustice related to power relations and governance, are invited to integrate the PE analysis into the situational analysis.

[Section 4 **focuses on sector or theme level analysis**](#_Section_4:_Sector): COs that are interested in doing in depth analysis of the formal and informal institutions underpinning a sector or thematic area, and the power relations between the stakeholders operating in it, are invited to integrate PE analysis into the technical analysis.

Each of the two analytical sections, 3 and 4, can be read independently and are structured in the same way:

* ***What is it?*** This unit offers a brief explanation of the nature of the particular level of context analysis (country or sector/issue based).
* ***When to do it?*** This unit offers an explanation of why it is important to integrate a governance lens in the context analysis and when Country Offices might consider this.
* ***What to look at?*** This unit focuses on the actual analysis, walking the reader through the different steps of the process. At each step, the reader will find a set of research questions to use in the analysis.
* ***How to collect the information?*** This unit offers an overview of the methodology, briefly explaining how to collect the information.
* ***What are the implications of the analysis?*** This unit attempts to link the context analysis to the programme design. It suggests a process and questions to guide COs reflection on the operational implications of the analysis, providing some initial recommendations.

[Section 5 **focuses on programme design**](#_Section_5:_Programme)**,** suggesting some basic steps for integrating the results of the PE analysis in strategy and programme design.

[Annex 1 **provides additional information about** political economy analysis](#_Annex_1:_Political) and its relevance to governance context analysis.

***A note on the process****: There is always a risk that we spend too much time on analysis and generate too much information. In this guide, we try to point the reader to a practical application of the information collected through the exercises in the ‘What are the implications of the analysis’ sections. Throughout each exercise we also remind you to keep asking yourself “How is this relevant to CARE’s programming and role?”*

# Section 2: Analytical Framework and Key Concepts

The framework of analysis suggested here is based on already existing Political Economy Frameworks[[4]](#footnote-4). Areas of analysis and questions are adapted to CARE’s typical portfolio and way of working.

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## 2.1 Areas of Analysis

While the two levels of analysis are independent and can be applied separately, depending on specific CO needs for analysis, they are interlinked and apply a similar process. This consists of **three common basic areas of analysis**:

1. **Analysis of structures**
2. **Analysis of the institutions and governance arrangements (“rules of the game”)**
3. **Analysis of the main agents/stakeholders**
4. **Analysis of structures** explores the deeper features that shape characteristics of a political system – either at the national level or within a given sector or theme.
5. **Analysis of the institutions and governance arrangements (“rules of the game”) e**ntails gaining a sense of the overall governance set-up by undertaking a mapping of the formal and informal institutions. Formal institutions include constitutional rules, laws, regulations and policies; informal institutions include political, social and cultural norms. Where formal rules are poorly designed, regulations for the application of law are not developed, or laws are not fully enforced. Informal rules normally regulate how things actually happen. In many developing countries there is a tension between formal and informal rules, very often making politics unpredictable and prone to conflict (*see Box 2 below*).
6. **Analysis of the main agents/stakeholders co**nsists in undertaking an analysis of the key stakeholders relevant for CARE’s type of work and programming. PE analysis encourages going beyond the usual stakeholder analysis and considers a wider range of actors that go from global to local level, from formal ministries to less organised and informal organisations, from acceptable and desirable institutions to less acceptable but still legitimate and influential ones, from the known and familiar to the unknown.

 **Box 2 - Formal and Informal Institutions**

“Informal institutions - family and kinship structures, traditions, and social norms - not only matter for development, but they are often decisive factors in shaping policy outcomes in environments of weak states and poor governance structures.” (OECD, 2007)

Formal institutions are codified – e.g. as laws and regulations – and usually have formal sanctioning mechanisms to make them effective. Informal institutions are norms and social practices rooted in history and culture; but they can also emerge as the result of the weakness, erosion or collapse of formal institutions. The enforcement mechanisms for informal institutions range from an adherence to internalized norms and expectations of reciprocity, to social shunning and ostracism, to threats and the use of violence.

Informal institutions exist in any society, as not all rules can or should be codified. However, the relationship between formal and informal institutions is very important, because their interaction often shapes outcomes such as policy decisions and their implementation. There are four relationships:

1. *Complementary* – i.e. informal institutions support the effectiveness of formal institutions
2. *Accommodating* – there is an acceptance of formal institutions, but informal institutions circumvent these to some degree.
3. *Substituting* – informal institutions fill a void that is left by missing or incomplete formal institutions. Informal credit markets and informal ways of contract enforcement are examples.
4. *Competing or subverting* – informal institutions diverge from, contradict, or contravene formal institutions. Budget adjustments based on phone calls from the president or other powerful politicians that contravene formal budgeting rules are one of many examples.

*Sources and further reading:* OECD (2007), chapter 2; Helmke and Levitsky (2004), Rodrik (2008b), Ostrom (2005), Fukuyama (2007).

## 2.2 Political Economy Analysis

We are suggesting an approach to governance analysis that is based on Political Economy (PE) analysis. Complementing more traditional situational analysis, PE analysis allows us to gain a better understanding of the structures, formal and informal institutions, and stakeholders that characterise a particular country or sectoral/thematic area. PE analysis aims to go beyond the formal structures and explore the underlying interests, incentives and institutions that enable or frustrate change. Focusing on informal institutions, cultural and societal practices, PE analysis intends to explain why formal institutions do not operate in the way intended. “Such analysis generally cautions against relying on technical fixes and assuming that formal institutions can be made to work through the transfer of international best practices”[[5]](#footnote-5). By disregarding this governance dimension of the analysis, we run the risk of setting up poorly designed and ineffective programmes and interventions.

Political economy analysis should not only be key to enhancing our understanding of the context, but should also have operational implications and inform the ways we work. Below is a table on how PE analysis can change the way we work:

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| **Box 3 - How Political Economy Analysis can inform country level work** |
| **Tasks** | **Conventional Analysis** | **PE Analysis** |
| Formulating Country Plans | Priorities are determined on the basis of technical factors on the impact of alternative investment choices on poverty | Priorities reflect a deeper understanding of what interventions are likely to work, given prevailing interests and incentives. Country plans also consider which interventions might help to shift incentives in a pro-development direction. |
| Design ofProjects orProgrammes | Political risks affecting project success are relegated to the ‘assumptions’ column in the log frame, and revisited only if the intervention fails. | Interests and incentives, especially those created informally, are explicitly addressed in programming. Interventions may seek to transform incentive structures, or work around them, but never ignore them. |
| State Buildingand PeaceBuilding | State building seen as a largely technical task of (re)creating the capacity to perform conventional state functions by restoring formal organisations. Peace settlements and security assistance set countries on the road to avoiding recurrence of conflict and rebuilding their states. | Support to state-building takes account of the underlying ‘political settlement’. Tasks are carefully prioritised and sequenced, taking trade offs into account. Peace building strategies based on understanding the root causes of conflict and promoting an inclusive political settlement, which goes beyond support to an initial peace agreement. |
| ServiceDelivery | Poor service delivery outcomes are attributed to a range of technical, financial, capacity and organisational weaknesses within the sector concerned. | Analysis identifies how and why different sectors are prioritised, and who the “winners” and “losers” might be. Action is informed by an understanding of these constraints, where the most appropriate entry points might be, and the medium-term strategies to help overcome obstacles. |

*\*For more details on PE analysis,* [*see Annex 1*](#_Annex_1:_Political_1)*.*

## 2.3 Link to the Governance Programming Framework

The GPF[[6]](#footnote-6) is not a rigid framework. In order to be effective, the GPF needs to draw on thorough context analysis and be adapted to specific country-situations. Building on the results of the PE analysis, the GPF can be used to incorporate governance into the design of a programme. If governance is incorporated as a cross cutting issue, then you may need to be selective about which of the GPF domains and dimensions of change are relevant and incorporate these in an already existing theory of change (TOC) or use to design a new TOC.

In fact, just as country offices are unlikely to be undertaking a governance context analysis as a stand-alone process, so also will they frequently be incorporating governance elements into a broader programme, focused often on a specific impact population rather than a sectoral or thematic area. The GPF and this guidance note are intended to cater for these uses. The aim of the GPF is to hone programmatic thinking when it comes to focusing on governance. In the same way that the women’s empowerment agency-structure-relations framework helps thinking around the analysis and design of work that incorporates gender equality and women’s empowerment aims. So the GPF provides a similar framework for thinking about the governance components of any programme.

# Section 3: Country Level PE Analysis[[7]](#footnote-7)

**Box 4 – Country Level PE Analysis**

Country level PE analysis offers in-depth analysis of power relations and governance from a national-level perspective. It provides important insights on root causes of poverty and under-development as well as social injustice. This information is critical to complement general situational analysis for preparation of LRSPs and other country-level strategies. Country-level information can also influence how to frame subsequent sector/theme analyses.

**Analysis Areas\*:**

1. ***Structures***: historical legacy; territorial integrity; geostrategic position; source of revenue; social and economic structures; ideologies and values)
2. ***Institutions and governance arrangements:*** formal and informal institutions; power balance and relations; corruption; transparency and accountability; capacity; responsiveness; accountability; spaces to negotiate; political system; citizenship and rights; political space)
3. ***Analysis of the main agents/stakeholders:*** internal and external agents, through different lenses (e.g. role, mandate and responsibilities; interests pursued; power and resources for influencing; key linkages; incentives; capacities; accountability; responsiveness)

\* *Refer to* [Section 2](#_Section_2:_Analytical_1)*, p. 4 for more general explanations about the areas of analysis*

## 3.1 What is it?

At **Country level**, the analysis aims to provide a holistic picture of the overall governance situation and main political economic drivers. It will capture:

* The main geopolitical factors,
* Power distribution among economic, political, religious and military elites,
* Important social (ethnic, religious etc.) divisions,
* The influence of past and/or colonialist regimes on current institutions, and
* The political management of economic rents.

This broad picture usually relies mainly on existing literature, possibly from a diverse range of reputable official and unofficial sources (see section on methodology).

## 3.2 When do we do it?

Country level PE analyses are usually contributory to the design of a long-range strategic plan (LRSP) and are conducted by COs to complement a broader overall situational analysis. When COs embark on the design of a long-term strategy, one initial requirement will be to conduct a situational analysis. A consultant is normally contracted to do a desk review of the existing literature on the typical areas of inquiry. Results are then shared and discussed in a series of workshops. In this process, COs that are interested in in-depth analysis of the root causes of poverty and social injustice related to power relations and governance, are invited to integrate PE analysis into their situational analysis.

## 3.3 What to look at? Key areas of analysis and steps of the process

The PE country analysis includes 3 areas of inquiry[[8]](#footnote-8):

1. **Analysis of structures**

Below is a potential set of questions[[9]](#footnote-9) to guide you in the analysis of the main structural features of a given country context. Please make sure that you choose the most relevant topics and tailor the questions to your own context.

***Historical legacy:***

* How do historical factors shape current relationships between the most relevant stakeholders?
* How has the state’s history shaped the access to political and economic power of different groups?

***Territorial integrity****:*

* Does the government control the territory and exercise authority over its population? Are there disputed territories or serious challenges to public authority from armed insurgents, social movements or local power holders?

***Geostrategic position:***

* How much autonomy has the state in shaping its own policies?
* Is it particularly vulnerable to external interventions or regional instability?

***Source of revenue****:*

* What are the main sources of income (tax collection, natural resources, aid etc.)?
* To what extent is the government dependent on taxpayers?

***Social and economic structures****:*

* What is the social composition? Is there a significant middle class interested in supporting democratic practices? Is there a large landed class with an interest in retaining control of labour, if necessary with repression?
* Is there a prosperous informal economy?
* Are there major ethnic, religious or class cleavages, or other types of social division, that are politically significant?

***Ideologies and values****:*

* How do ideologies (political, religious etc.) affect the dominant narratives and ways of approaching public policy at both national and subnational level? What impact do they have on shaping perceptions of the poor?
1. **Analysis of Institutions and governance arrangements (“ rules of the game”)**

Below is an inexhaustive set of questions to guide you in the analysis of the formal and informal institutions, and rules of the games in a given country context. Make sure that you choose the most relevant topics and tailor the questions to your own context.

***Formal institutions:***

* To what extent are the formal rules embedded in the constitution and legal framework developed from negotiation between state and society?
* To what extent is the executive constrained by law, constitution and the judiciary? Does it provide for regular, open, inclusive competition for political power?
* Is there a legal framework for civil society, interest groups, and political parties to operate?

***Informal institutions:***

* Is political competition conducted through non-violent means and regulated by law, or is there abuse of formal procedures?
* How inclusive is the political elite?
* How far do political parties organise around programmes rather than personalities?

***Political system:***

* How is political space organized? What is the nature and extent of political debate and competition?
* Are there opposition political parties? What is the ruling party legitimacy? Are parties working together?
* How would you characterize the nature of the political system and the state (e.g. democratizing, competitive, patrimonial, clientelistic, etc.)?

***Power Balance and Relations****:*

* How is power distributed across institutions, including the military, legislature, judiciary, public enterprises, the mass media, civil and uncivil society and religious organizations? And what are the policy consequences?
* Where are key alliances or conflicts between influential institutions and actors?

***Corruption:***

* To what extent is the influence of business and other sectional interests over public policy subject to formal/official rules and procedures?
* What are the different practical norms, which are generally defined as corruption, that affect/guide public action and behaviour?

***Transparency and accountability:***

* Does government provide citizens with accessible and understandable information? Does legislation exist on the right to information?
* Do oversight mechanisms (parliament, ombudsmen, judiciary, electoral committees) exist and function?
* Are public authorities accountable to poor and marginalised people?

***Capacity*:**

* What is the level and quality of the implementation of legislation, programmes and budget?
* What is the quality of service provision by public authorities?
* Do civil servants have the skills, knowledge and necessary resources (financial and technical) to do their job?

***Responsiveness*:**

* Do poor citizens access and use quality and appropriate public services from local and national authorities? Do services change in relation to needs expressed by citizens?
* To what extent are public authorities accessible and responsive to poor people rights and demands?

***Spaces to negotiate:***

* To what extent is there freedom of movement, expression, association and assembly?
* How free are voluntary associations, activist organizations and the media to operate under the law and independently from government?
* How much engagement is there between government and citizens? Are there mechanisms/forums/spaces to ensure citizens’ voices are heard and to respond to their demands? Who participates in, and who is excluded from, such spaces?
* Do poor and marginalized groups, including women, participate meaningfully in such spaces?
1. **Analysis of Main Agents/Stakeholders:**

In analysing the actors it is essential to keep the “most important list” short and manageable and focus only on relevant actors. The list could include both internal and external agents, such as state, political parties, business sectors, civil society, donors, INGOs, corporations, regional bodies etc.

*You do not need to answer to all these questions. Please use them as guidance and adapt/select the relevant ones!*

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| **Box 5: Stakeholders’ analysis** |
|  | **Role, mandate, responsibilities** | **Interests Pursued** | **Power and resources for influencing** | **Key Linkages** | **Incentives** | **Capacities** | **Accountability** | **Responsiveness** |
| Actor 1 | What are the official and unofficial roles/mandates and responsibilities? Who are the key constituents?  | What is the short and long term agenda of the actor? Which mix of formal and informal objectives is the actor pursuing | What power and resources does the actor dispose of? Which part is formal, which part is informal? | To whom is the actor connected – who knows whom? Which connections and allegiances does the actor have?  | Which positive and negative incentives does the actor have to maintain or change his/her governance behaviour? Which reward (benefits) and sanctions (losses) would the actor get for maintaining or enhancing the sector governance? | How well is the actor organised, resourced and able to deliver adequate services, especially to poor and excluded citizens? | How open is the actor to share information? Is there any formal transparency mechanism in place to share timely and accessible information? Are resource flows and management transparent? To what extent and to whom is the actor accountable for its operation? Are there any formal accountability mechanisms to check performance, abuse of power, corruption, etc.? | How far is the actor responsive to poor citizens’ needs and rights? Is there a tradition for formal and informal consultation? To what extent are citizens involved in the decision-making processes? Is there any formal or informal mechanism for consultation or participation? How far are service users involved in the planning, provision and evaluation of service provision? |
| **Actor 2** |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

Considering how important it is for INGOs like CARE to gain an in-depth understanding of civil society structure and mobilization strategies, beyond the questions proposed in the table, you might want to explore the following additional questions on these key institutions.

***Civil society:***

* What civil society organizations/networks/ coalitions exist?
* How powerful are they (including organizations and coalitions representing the poor and women)? What are their agendas/interests and how do they link with other actors (e.g. private sector and political parties)? How interlinked/divided are they?
* What are their legitimacy and constituency? What are their modes of engagement with government (collaboration, neutrality, adversarial)?

***Mobilization strategies:***

* What are the means, if any, for marginalized groups (based on class, gender, ethnicity, etc.) to influence decisions that affect their lives?
* What strategies do the poor and marginalized use/ have used to act collectively to solve their problems and pursue their interests? What are the social and political practices of the poor (and women in particular) to access and contest political processes?

At the end of this step we should have not only a clear understanding of who are the main actors in the country, but also of how and why they operate the way they do, according to formal and informal rules of the games. This information is essential to determine who are the reform champions and the reform opponents, and who are the winners and losers out of pro poor reforms, and who is neutral? This information will provide the foundation to decide which actors we want to work with at national, departmental and local level.

## 3.4 How to collect the information? Methodology

In embarking on a PE Analysis, we need to make sure that there is internal buy-in and ownership. Context analyses driven by external pressures and/or only conducted by external consultants usually have little internal traction and minimal impact on CARE’s way of understanding and engaging the context, unless staff are directly involved. A CO needs to lead the process and senior management support is essential.

It is essential that context analysis should also build on CARE staff and partners’ understanding and experience. CARE staff should not be treated merely as key informants; they should lead (or at least be involved) in the design, planning and rollout of the analytical process. This of course does not preclude the role of an external consultant, with expert knowledge of the country and of political economy analysis.

The macro analysis should build to the extent possible on existing analyses, and rely on a wide range of reputable sources. Important sources of information to consult as a starting point include documents produced by academics, think tanks, official governmental organizations, civil society organizations, as well as public opinion surveys, media coverage, records of parliamentary debates and independent reports.

When written sources are limited, interviews with knowledgeable informants like researchers, academics, journalists, government and civil society representatives can be used to complement existing information. Discussion and workshops with CARE staff and partners are crucial to draw on local staff knowledge of the context and to start to build ownership of the analysis from the outset. For a well-structured, clearly written and relatively short (9 pages) document on secondary data analysis, see CARE “[Tips for collecting, reviewing, and analysing secondary data](http://pqdl.care.org/Practice/DME%20-%20Tips%20for%20Collecting%2C%20Reviewing%20and%20Analyzing%20Secondary%20Data.pdf)” on the Program Quality Digital Library.[[10]](#footnote-10)

## 3.5 What are the implications of the analysis? Bridge between PE context analysis and programme design

PE context analysis can produce an overwhelming amount of information, difficult to process, digest and eventually put to good use for the design of effective programmes. It can be challenging to make sense of all the collected information and answer the “so what” question. In order to translate the analytical findings into operational recommendations, it is crucial to capture implications of analysis for programming, and organise relevant information in a way that shows links to programmes.

This section proposes a series of guiding questions to start exploring what to do (areas of work), at what level (national to local) and with whom (actors we want to partner with). A more detailed discussion on Programmatic Design is featured in [Section 5 (page 26)](#_Section_5:_Programme_1).

1. ***What are the most important underlying challenges regarding governance?*** Look at the analysis (structures, institutions and rules of the games, and actors) and pick up the main governance related macro issues in the country. Challenges could include factors like rent-seeking related to natural resources exploitation, regional or internal conflicts, ethnic cleavages, violent political competition, weak institutionalization and highly personalised rules of the games, dominant military, minimal state-citizens engagement etc.
2. ***How do these underlying challenges influence specific aspects of the country’s development performance and ability to guarantee social justice for all?*** This question looks at analysing how the macro governance challenges relate to country development performances. Specific aspects that should be looked at include poverty reduction, MDG achievements, levels of corruption, some specific sectors of interest, human rights violations, rule of law, economic growth rates and trends, etc.
3. ***What local incentives and pressures for reform/positive change already exist?*** This question focuses on the entry points and the opportunities to support pro poor reform and transformative change. This exercise should go beyond the analysis of individual reform champions (analysis of actors) and look at more medium and long term factors. These may be related to institutions and rules of the games (e.g. growing middle class pressure for action on corruption, business demanding for a better regulatory environment to face increasing international and regional competition, urbanisation, increasing demand for education, social mobilization around right of access to information etc.)
4. ***What are the operational opportunities/strengthens and threats/weaknesses for CARE to work in the country? What should be the priorities for working in the country? What objectives are feasible in the short, medium and long term?***  Based on the previous analysis, this question aims to explore the nature of entry points and the priority areas /sectors /themes for CARE to work in the country.
5. ***Who do we need to work with? And how?*** Once the priorities and objectives have been determined, we need to choose with whom to work. In order to answer to this question, we should take into consideration:
* Which actors are most strategic and which ones are most accessible? Is there a trade-off between being more strategic and being more accessible?
* Who are the key individuals? How influential are they? To what extent do their perceptions, ideologies reflect/correspond with CARE objectives? Who do they (claim to) represent?
* Are there unconventional or previously unidentified groups and partners? How legitimate are these groups? Are they politically and culturally acceptable? Is it feasible to work with these groups? Are they accessible?

At the end of this section, you should have a first idea of which areas CARE could work at, at what level and with whom. This level of analysis can inform the more targeted sector and theme level analysis.

# Section 4: Sector and Theme level Analysis[[11]](#footnote-11)

**Box 6 – Sector/Theme Level PE Analysis**

Sector/Theme level PE analysis complements the technical analysis done by COs as a basis to design a programme strategy or a thematic strategy. This can be a critical component to inform the design of a program theory of change or strategy development for a crosscutting theme .

**Analysis Areas\*:**

1. ***Structures***: historical legacy; allocation and management of funding; corruption and rent-seeking; ideologies, values and perceptions; sector/thematic area reform)
2. ***Institutions and governance arrangements***
	1. Analysis of the formal and informal institutions regulating the sector or thematic area (e.g. legal and regulatory framework; informal rules and de facto behaviour; implementation issue and service delivery; decentralization of the sector/thematic area)
	2. Analysis of the governance spaces in the sector: assessing spaces for interaction between actors.
3. ***Analysis of the main agents/stakeholders***:
	1. Mapping players in the sector/theme (e.g. non-state actors; check and balance organizations; political system/government; frontline service providers; donors and regional and international organizations etc.)
	2. Analysis of the players (e.g. role, mandate and responsibilities; interests pursued; power and resources for influencing; key linkages; incentives; capacities; accountability; responsiveness)
	3. Assessing the capacity of influence of the different players
	4. Assessing the governance and accountability relations between players to unearth the nature of the relationships and determine how to effectively engage them (e.g. governance by hierarchy, patrimonial governance, market governance, network governance)

*Refer to* [Section 2](#_Section_2:_Analytical_2)*, p. 4 for more general explanations about the areas of analysis*

## 4.1 What is it?

At **Sectoral and Thematic** level, PE Analysis focuses on a specific sector (health, education etc.) or theme (economic empowerment, climate change etc.) and aims at examining the formal and informal institutions and actors that regulate it, helping to explain why reforms fail to be implemented, and what factors affect performance within the sector or thematic area. By only undertaking a technical analysis and failing to incorporate an in-depth PE analysis, COs run the risk of designing programmes that are neither strategic nor effective (insufficiently “politically smart”). They may not address the governance, power relations or institutional related root causes behind the theme or sector’s poor performance and nor may they leverage opportunities for sector/theme reform. To this end, in line with the programme approach, each programme should be based on a thorough context analysis, including PE Analysis (one of the 8 programme characteristics for the Programme Approach is a sound situational analysis to inform design).

## 4.2 When do we do it?

Sector and theme level PE Analysis are usually contributory to the design of a programme or thematic strategy and are conducted by COs as a complement to a broader situational analysis. When COs embark on the design of a sector/theme strategy, one initial requirement will be to conduct a technical analysis. A consultant is normally contracted to do a desk-based review of the existing literature and results are then shared and discussed in a programme design workshop.

## 4.3 What to look at? Key areas of analysis and steps of the process

The PE sectoral/thematic analysis includes 3 areas of inquiry[[12]](#footnote-12):

1. **Analysis of the structures**

Below is a potential set of questions to guide you in the analysis of the main structural features of a given sector or theme. Please make sure that you choose and tailor the most relevant questions to your own context.

***Historical legacies****:*

* What reforms have been attempted and/or undertaken in the past in relation to the sectoral/thematic area? What were the results – and how does this experience appear to shape current expectations of stakeholders?

***Ideologies, values and perceptions****:*

* What are the dominant ideologies and values that shape views around the sectoral/thematic area? To what extent may they serve to constrain the sectoral/thematic area?

1. **Analysis of the institutions and governance arrangements (“rules of the games”)**

The second area of analysis consists in gaining a sense of the overall governance set-up of the sector, by undertaking a mapping of the institutions and governance arrangements relevant to the sectoral/thematic area.

***Step 1: Analysis of the formal and informal institutions***

This step focuses on examining the relevant formal and informal rules (de facto behaviours) that regulate the policies and management of the sector/theme. Below is a list of possible questions that you might want to explore[[13]](#footnote-13). These should be adapted to your context.

Allocation and management of funding:

* + What levels of funds (% of GDP) are allocated to the sectoral/thematic area? How is the sectoral/thematic area financed (i.e. public/private partnership, user fees, taxes, donor support)?
	+ What are the capacities to manage the funds? To what degree are the budget funds made available in timely ways and spent as planned?

Legal and regulatory framework regarding the level of institutionalization and the formal norms that exist in the sectoral/thematic area:

* How are decisions made within the sectoral/thematic area?
* Are formal governance mechanisms relatively stronger or weaker than informal mechanisms?
* To what degree are the formally adopted policies shaping the political agenda as compared with the narrower interests of particular groups?

Informal rules and de facto behaviour:

* How and where are decisions de facto taken?
* What are the informal rules of the game? Are informal governance mechanisms largely complementing or competing with formal governance mechanisms?

Implementation issue and service delivery:

* Where are the key bottlenecks in the system? Is failure to implement due to lack of capacity or other political economy issues?
* Are particular social, regional, ethnic, religious groups excluded? Are subsidies provided, and which groups benefit most of these?

Corruption and Rent seeking:

* Is there significant petty and/or grand corruption and rent seeking in the sectoral/thematic area? Where is it most prevalent (e.g. at point of delivery, procurement, allocation of jobs)? Who benefits most from this?
* Why does corruption persist and what are the main impacts? How effectively are anti-corruption laws enforced in the sector?

Decentralization of the sectoral/thematic area:

* How are responsibilities distributed between the national and sub-national levels and is this distribution clear? Does it generate significant distortions?
* Where and how are decisions around the allocations of funds made at central and decentralised levels? Are the funds allocated and transferred in a transparent way?

Sectoral/thematic area reform:

* What is public opinion on sectoral/thematic area performance and/or proposed sectoral/thematic area reforms (including issues of trust/expectations that a reform would bring improvements)?
* What stakeholders are (officially and unofficially) involved in discussions over sectoral/thematic area reforms and what are their interests? What stake does the government/top executive/key political factions have in the reform, if any?
* What veto points exist in the decision-making and the implementation process?
* How would proposed reforms affect the existing set of interests and incentives?

***Analysis of the governance spaces in the sector***

The next step focuses on the assessment of the spaces for interactions between actors[[14]](#footnote-14). The objectives are to assess how inclusive the sectoral/thematic area is, in order to ascertain how much of a culture of formal and informal consultations there is and to map out the existing spaces. A non-exhaustive set of questions to guide the analysis is set out below:

* Is there a culture of openness and engagement with civil society in the sectoral/thematic area? Is civil society sporadically consulted in ad hoc processes or is civil society formally invited to take part in decision-making processes in an institutionalized manner?
* Are there mechanisms/fora/spaces to ensure citizens‘ voices are heard and their demands addressed? What is the “size” of these spaces? What type of spaces are these (formal, informal, etc.)?
* Are formal spaces for participation actually accessible to all citizens? Who participates in them, and who is excluded from such spaces? What types of decisions are taken in these spaces? Are decisions then implemented and enforced?
* Are there mechanisms for social monitoring/auditing in place in the sector?
* Is there freedom of expression and space for civil society to claim and fight for their rights and battles outside the institutionalized processes? Is a more challenging and confrontational culture accepted by sectoral authorities?

It is crucial to **be selective** and really focus on essential information to generate a **concise overview of the sectoral or thematic area**.

1. **Analysis of the main agents/stakeholders**

***List of players***

The third area of inquiry consists of undertaking an analysis of the key stakeholders in the sectoral/thematic area. Box 7, below, indicates the types of stakeholders that may influence a sectoral/thematic area and that should be taken into consideration.

Box 7: Sectoral/Thematic Area Stakeholders Mapping



***Analysis of the players***

After brainstorming a list of key actors, **it is important to prioritize a manageable and relevant shortlist of stakeholders** that really matter for the particular analysis. Each actor on the list then needs to be analysed according to a set of categories or lenses. This in-depth analysis is essential to understand how each actor can shape the sectoral/thematic area governance, promoting or hindering pro poor reforms and influencing decisions around policies, programmes and budgets, etc. Below can be found some categories/lenses that can inform this inquiry[[15]](#footnote-15):

|  |
| --- |
| **Box 8: Stakeholders’ analysis** |
|  | Role, mandate, responsibilities | **Interests Pursued** | **Power and resources for influencing** | **Key Linkages** | **Incentives** | **Capacities** | **Accountability** | **Responsiveness** |
| Actor 1 | What are the official and unofficial roles/mandates and responsibilities? What is the balance between central/local authorities in provision of services? | What is the short and long term agenda of the actor? Which mix of formal and informal objectives is the actor pursuing? What is the mix between pro poor objectives and objectives linked to power struggles and individual positioning?  | What power and resources does the actor utilize? Which part is formal, which part is informal? Is the formal power undermined by the counteracting informal power of other actors? What is the balance of power across the organisation? Are there pockets of resistance and support? What are values of key individuals (prominent and less visible) and their effect on support or resistance to policy?To what degree is power vested in certain individuals or quarters? How do different interest groups outside the government (e.g. private sector, NGOs, media, religious groups etc.) seek to influence policy?  | To whom is the actor connected – who knows whom? Which connections and allegiances does the actor have? (i.e. State Institutions, Customary or Traditional authorities, Political Parties, Leaders & Socio-political organisations, Donors, INGOs & Foreign interests, academia, research institutes & think-tanks, the media, the private sector, Movements and collective actions -NGOs and CBOs, etc.)? | How are the sector civil servants’ pay and overall employment conditions? Is a performance culture generally present? Which positive and negative incentives does the actor have to maintain or change his/her governance behaviour? What reward (benefits) and sanctions (losses) would the actor get for maintaining or enhancing the sector governance? What constraints would the actor face for pursuing or resisting change (i.e. Career progression opportunities; Level and distribution of remuneration, etc.)?Who are the main groups that benefit or are excluded from the incentive system? | How well is the actor organised, resourced and able to deliver adequate services, especially to poor and excluded citizens? Do front line service providers have the means and relevant autonomy to deliver?  | How open is the actor to share information? Is there any formal transparency mechanism in place to share timely and accessible information? Are resources flows and management transparent? To what extent and to whom is the actor accountable for its operation? Are there any formal accountability mechanisms to check performances, abuse of power, corruption, etc.? Does civil society engage in the monitoring of this actor? | How far is the actor responsive to poor and marginalised citizens’ needs and rights? Is there a broad tradition for formal and informal consultation? To what extent are citizens involved in the decision-making processes (decisions about policies, programmes and funds allocation)? Is there any formal or informal mechanism for consultation or participation? How far are service users involved in the planning, provision and evaluation of service provision?  |
| Actor 2 |  |  |  |  |  |  |  |  |
| Actor 3 |  |  |  |  |  |  |  |  |
| Etc. |  |  |  |  |  |  |  |  |

At the end of this step we should have not only a clear understanding of who are the main actors in the sectoral/thematic area, but also of how and why they operate the way they do, according to formal and informal rules of the game.

***Analysis of the nature of the relationships between actors***

The last step consists in analysing the governance and accountability relationships between the selected stakeholders. The objective is to unearth the nature of the relationships and gain a better understanding of how we can most effectively engage and influence these relations. To this end, we will use the principal-agent framework.[[16]](#footnote-16) This framework covers forms of governance representation, and clusters the relationships according to the nature of the governance and accountability relations between the actors. These relationships comprise of four groups:

1. Governance by hierarchy: the relationship is **formal**; the superior (principal) has a formal authority to issue orders and command a level of obedience. The subordinate (agent) is obliged to follow instructions and is highly dependent upon decisions taken by the principal. This is the dominant mechanism in well-functioning private and public organizations.
2. Patrimonial governance: the relationship is **informal**; the principal (patron) provides resources, protections and other benefits in exchange for the client loyalty and support. The client is highly dependent on the patron for resources (patronage) and the patron is highly dependent on the client for support and loyalty.
3. Market governance: the relationship is formal and actors are independent of each other. Governance is exercised by the forces of supply and demand: if the provider does not provide a combination of quality and prices that is competitive, than s/he will run the risk of losing clients and consequently taking losses.
4. Network governance: the relationship is informal and is based on principles of trust, equality and reciprocity. Actors are not dependent on each other, but there is a level of interdependence. This mechanism is typical of modern and more complex societies where actors need to coordinate but none has the formal authority to impose an order.

At the end of this step we should have a better idea of the type of governance and accountability relationships that bind the most relevant actors in the sectoral/thematic area. This information is crucial to inform our strategy on how to engage with the different actors.

## 4.4 How to collect the information? Methodology

The methodology will include a both primary and secondary data analysis.

1. **A research oriented process, building on review of existing literature**

The process will start with a desk based review of already available resources. The research and analysis is typically conducted by a consultant, with the support of a leading team in the CO. It is important that the CO gets involved in the selection of the sources of information and in the research questions to be addressed by the literature review. The research questions will be based and adapted on the questions proposed in this guidance note, in the first and second area of analysis (structures and formal/informal institutions).

1. **A participatory process, organised and managed by a Country Office based task force, and supported by a consultant and/or a CI member.**

The following steps will involve a more participatory approach and will include the organization of a workshop, where the first findings of the literature review will be presented, validated and discussed. The aim of the presentation is to provide some basic information and provoke debates. This should not substitute a genuine discussion among participants. Setting up a participatory process and tapping into CARE staff and partners’ experience is fundamental to create ownership and build CO capacities around governance and PE Analysis. All the following steps (stakeholders mapping, assessment of governance and accountability relations, space mapping) will be done in a participatory way during the workshop.

The workshop will include CO staff and partners. Additional primary information will be added during the workshop and possible gaps will be complemented by further data collection exercises, such as focus groups and interviews with key informants.

The workshop will most probably highlight information gaps that you will need to consider filling. The information collected and discussion during the workshop will inform the final report. The final report should be a relatively short, accessible document that can easily be used to inform programme design.

## 4.5 What are the implications of the analysis? Bridge between PE context analysis and programme design

Based on sector/theme level PE analysis, it is helpful to reflect back on how information can shape programming. These can explore what to do (areas of work), at what level (national to local) and with whom (actors we want to partner with). A more detailed discussion on Programmatic Design is featured in [Section 5](#_Section_5:_Programme_2) (page 27).

1. **What are the most important underlying challenges regarding governance?** Look at the analysis (structures, institutions and rules of the game, and actors) and pick up the main governance related issues in relation to the theme/sector.
2. **How do these underlying challenges influence impact and target groups?**
3. **What local incentives and pressures for reform/positive change already exist?** This question focuses on the entry points and the opportunities to support pro poor reform and transformative change. This exercise should go beyond the analysis of individual reform champions (analysis of actors) and look at more medium and long term factors. These may be related to institutions and rules of the games (e.g. growing middle class pressure for action on corruption, business demands for a better regulatory environment to face increasing international and regional competition, urbanisation, increasing demand for education, social mobilization around access to information, etc.)

# Section 5: Programme Design

Making sense of all the information collected during a PE analysis and answering the “so what” question is a complex process.

There is no one single scenario on how to link PE analysis to programme design. Processes for integrating governance into programme design will vary depending on whether a CO treats governance as a cross cutting theme or as its own programme, and what stage the CO is at designing a TOC. The great majority of COs will most probably be interested in incorporating governance into existing sectoral or thematic programmes and will have a TOC already in place.

There is neither one single scenario nor one simple process to integrate governance into an existing thematic or sectoral TOC. Depending on the specific characteristics of the programme, governance could feature as one domain of change and/or a pathway within a TOC. As discussed in CARE’s programme design guidance:

 *“Designing a programme is more an art than a science. It is a non-linear process where following a set of principles and good intuition, both crafted and honed from experience, is more helpful than a prescribed set of steps[[17]](#footnote-17)”. The next steps are guidelines, to be adapted to the specific necessity and characteristic of the programme to be designed.”*

## 5.1 Current situation and trends of the context against the GPF domains and dimensions of change

The GPF proposes a TOC, which indicates the domains of change required to achieve equitable and sustainable development:

*If citizens are empowered, if power holders are effective, accountable and responsive, if spaces for negotiation are expanded, effective and inclusive, then sustainable and equitable development can be achieved. Change needs to take place and be sustained in all the three domains to achieve this impact.*

The GPF domains of change provide a starting point to integrate governance into the design of the programme TOC. This is not to suggest that the programme TOC should be modelled on the GPF and that the GPF domains of change should be automatically used. The GPF’s domains and their dimensions of change should be used as guidance, but a CO may form domains of change and pathways in different ways.

This **first step** consists in plotting the relevant information from the previous thematic/sectoral PE analysis onto the GPF domains and their dimensions of change. The aim of this exercise is to understand what the current situation, trends (opportunities and threats) are in the context, as they relate to each GPF domain/dimension. This is the first step in facilitating the identification of potential pathways and breakthroughs around which to concentrate programming.

The **second step** consists in mapping the current programming experience (capacities and weaknesses) of CARE and its partners in each domain and dimension of the GPF.

The result of these two steps is a SWOT Analysis[[18]](#footnote-18). The aim is to support you to answer questions like:

* What are the operational opportunities/strengths and threats/weaknesses for CARE to work with this theme/sector?
* What should be the priorities for engaging this theme/sector?
* What objectives are feasible in the short, medium and long term?

**T**hese questions aims to explore the nature of the entry points and the priorities areas for CARE to work in the theme/sector. ***See Box 9 below.***

At the end of this exercise, you should have a clearer idea of potential pathways and breakthroughs around which to develop a programme TOC or to incorporate into an existing programme TOC. As you develop these, it will be useful to start to think about intervention areas around which to shape your programmatic engagement. The following sections will provide additional guidance for doing this. .

|  |
| --- |
| **Box 9: Mapping Analysis against the GPF** |
| **Domain and dimensions of the GPF** | **Current situation and trends (Opportunities and Threats) in the context** | **Current experience (capacities and weaknesses) of CARE[[19]](#footnote-19) and its partners to work in the relevant GPF domain and dimensions** |
|  | ***Examples on how to fill in the table*** (for the purpose of this simulation the examples are kept very short; however in reality further and more detailed information need to be provided in order to generate a comprehensive and sophisticated picture): | *Examples on how to fill in the table (for the purpose of this simulation the examples are kept very short; however in reality further and more detailed information need to be provided in order to generate a comprehensive and sophisticated picture):* |
| **Domain 1-** Marginalised citizens are empowered***Dimensions of Change***1. Citizens are aware of their rights and duties, and exercise agency
2. Citizens participate in and organise collective actions
3. Citizens hold public authorities and other power-holders to account
4. Citizens influence public policy effectively
5. CSOs are representative of and accountable to marginalised citizens
 | 1. *Citizens are not aware of their health rights; they are not familiar with health schemes for poor people and do not know they are entitle to free access to some services (check up during pregnancy etc.).*
2. *Citizens are not organised at national level, there is no movement/platform representing different voices. At departmental level, there are two platforms that lobby on access to maternal health. At local level the scenario is more encouraging and there are several examples of activism, however rural poor women struggle to participate.*
3. *At local level social accountability tools are starting to be applied and there are several examples of civil society-led initiatives analysing the local education budget and community scorecards of primary education institutions.*
4. *CSOs aimed at influencing policies on climate change have sound advocacy strategies, clear messages and robust understanding of the decision- making mechanisms and actors. At national level they are organised in a coalition. However, they still lack capacity to establish alliances, engage key decision makers, and meaningfully contribute to the design of emerging CC policies.*
5. *The leaders of the national platform on food security are annually elected democratically and grass roots organizations from all provinces are represented. However decisions are not communicated in a timely and appropriate manner and financial information is not shared.*
 |  |
| **Domain 2** - Public authorities and other power-holders are effective and accountable to marginalised citizens***Dimensions of Change***1. Public authorities and power-holders have the capacity to uphold rights and deliver public goods
2. Public authorities and power-holders are responsive to impact groups, designing and implementing pro-poor and inclusive policies, programmes and budgets
3. Public authorities and power-holders are transparent, providing accessible and relevant information
4. Public authorities and power-holders are accountable to impact groups
5. The rule of law is effective and justice is administered equitably and impartially
 | 1. *The Ministry of Health is poorly funded (3% of GDP) and has very weak capacities, especially at rural level where the coverage and quality of services is very limited. The recruitment of civil servants is not meritocratic but based on political and tribal affiliation. Corruption is widespread and there are not incentives and a culture of performance for accountability.*
2. *Marginalised girls face severe barriers in access to quality education. Girls’ enrolment and retention rates are the lowest in the region and even basic structures are not in place. Parents and teachers’ committees are mandatory by law but are very rarely in place, so parents and students have limited possibilities to influence programmes and fund allocation.*
3. *The Right to information Act has been recently approved, however mechanisms for its implementation are not in place. Budget and expenditure reports are not published in a format that is accessible to marginalised people. Performance standards are not available.*
4. *The extractive industry is obliged to set up accountability mechanisms to collect suggestions on how to improve their operations and complaints from people living in the area affected by its operations. However, few mining companies have started discussion around how these mechanisms could work. The great majority still disregard this obligation.*
5. *The judiciary is vulnerable to political influence and very few cases of corruption involving ruling political party elites are taken to trial. Poor citizens’ access to justice is limited by inability to afford costs and lack of clarity on procedures and institutions in charge with regulating the justice system.*
 |  |
| **Domain 3 -** Spaces for negotiation between power-holders and marginalised citizens are expanded, inclusive and effective***Dimensions of Change***1. Institutionalised spaces are expanded, inclusive and effective
2. Informal spaces are claimed and created
3. Inclusive political settlements are achieved at multiple levels
4. Alliances and coalitions for progressive social change are formed
 | 1. *Institutional spaces for deciding how to allocate decentralised budget in education are in place, however participation of civil society organizations is very limited, mainly for lack of technical skills and information. Meetings are called by the Ministry of Education local representative but decision-making processes are unclear.*
2. *There is little culture of confronting authorities and the establishment, and freedom of association and speech are severely controlled. Interaction outside institutionalised spaces has been reduced.*
3. *Traditional authorities play a crucial role in negotiating and managing local conflicts between rival tribal groups.*
4. *Women’s groups advocate for increased access to family planning methods and established strong links with a few female members of parliament in the opposition party. They are working together to design and propose a law on sexual and reproductive health.*
 |  |

## 5.2 What should the priorities for working in the sector/theme be?

Building on the analysis of current situation and trends and on the SWOT, decide what would be the priorities for working in this sector or thematic area. In undertaking this exercise, you should also consider the areas of work covered by other NGOs/agencies and explore whether there is any obvious (or not obvious) niche for CARE.

Consider the different types of roles that CARE can assume in engaging in governance work. These may include:

* **Capacity-building,** including technical supportto CSOs and public authorities/power-holders from the local up to the national level;
* **Developing models and scaling them up:**  piloting new models, assessing their impact, and using this evidence base to lobby for their uptake by public authorities;
* **Undertaking applied and participatory research**: supporting and/or funding research, promoting the dissemination of innovative and good practices;
* **Influencing policy:** promoting evidence based advocacy (directly or indirectly, through partners and/or joining policy influencing initiatives and coalitions);
* **Facilitating interactions** between citizens and public authorities/power holders, and supporting the creation of mechanisms for dialogue; and/or
* **Brokering relations between multiple stakeholders,** bringing different actors together, and making sure that the “right people” and decision-makers are seated at the table.

## 5.3 Who could we work with? At what level?

Once the priorities and objectives have been determined, we need to choose who to work with. The set of questions below[[20]](#footnote-20) can help you choose the best institutions to engage. You may want to revisit and adjust any responses to section 4.5 (page 24) in light of the above exercises.

* What institutions are there? Which of these are most strategic? Which are most accessible? Is there a trade-off between being more strategic and being more accessible? (Think about organizations, spaces, policy processes, funding processes, other decision-making processes, programmes etc.). ***In order to answer these questions, the “Capacity to Influence” exercise in*** [***Annex 2***](#_Annex_2:_Capacity) ***might be useful.***
* Who are the key individuals and/or key organisations related to the sector or theme? How influential are they? To what extent do their perceptions and ideologies correspond with CARE’s objectives? Does the option of working with sector leaders exist? Are there smaller but more receptive players? With whom do you have a history of working?
* Are there unconventional or previously unidentified groups and partners? How legitimate are these groups? Are they politically and culturally acceptable? Is it feasible to work with these groups? Are they accessible?
* What are the key constraints faced by different categories of the poor in this sector? How does an understanding of the constraints, incentives and capabilities help us to define which institutions, organisations and actors would be most effective in tackling particular problems?

## 5.4 Risk assessment

Challenging and working to shift existing unfair power relation can put CARE, staff, partners and others with whom we work in danger. An analysis on possible risks should be undertaken to clearly identify:

* What types and levels of risk might we face in undertaking governance work?
* Who are the potential targets? CARE staff, partners, beneficiaries?
* What are no-go areas of activity that need to be put in place in order to mitigate risks?

A set of principles should be established at the onset of this analysis (e.g. security of CARE staff, partners and people we work with should always be a priority; avoid exacerbating existing conflicts; and take a conflict sensitivity approach to governance work, etc.).

## 5.5 Funding prospects

Finally, in order to come up with a programme that can count on potential available funding, it is crucial to take into consideration donor governance priorities.

* What donor funds are out there? In country or at international level?
* If no funding for governance work is immediately apparent, consider how packaging governance work through the links of the work to be engaged with a sector or theme may make it more attractive to a particular programme. (e.g. Citizen participation in monitoring of a health programme may actually appeal to a donor interested in health, if the programme also has a health component.)

Finally, one common question is how much analysis is enough to move forward with program design and rollout. At the end of this process, it is important to acknowledge that there may still be remaining questions or learning areas unanswered, and that is fine. But we should still continue to ‘peel the onion’ as we embark on these programmes and continually revisit analysis. Also, it is worth noting that these designs are meant to evolve as our knowledge and experiences deepen, and with shifting realities in our context. To be able to monitor shifts, manageable system for continued reflective learning/practice is required.

# Annex 1: Political Economy Analysis

Since governance has become a cornerstone of the development agenda a couple of decades ago, donor-initiated governance assessments have become increasingly popular. Prior to this, donors lacked consideration for political realities on the ground and applied a technocratic approach that was not attuned to the country conditions[[21]](#footnote-21). NGO’s programmes and policy influencing strategies were also often accused of being ineffective and insufficiently “politically smart”, failing to take into account that politics, “political will” and local context matter to development.

Over the last decade, an increasing number of tools and methods for governance context analysis have been developed by donors, research centres and non-governmental organizations (NGOs). DFID’s Drivers of Change methodology has been one attempt to introduce Political Economy Analysis into governance analysis. While governance analysis usually looks at stakeholders and institutions, they often fall short of exploring political economy factors that prevent reforms from taking place. After DFID, other donors have developed tools for political and social analysis that incorporate a political economy approach: SIDA’s “Power Analysis”, The Dutch Strategic Governance and Corruption Analysis (SGACA), the World Bank’s “Problem-Driven Governance and Political Economy Analysis (PGPEA), EC’s “Problem-Driven Governance and Political Economy Analysis”, DANIDA’s “Applying Political Stakeholder – How can it work?”, among others.

While each tool adopts a unique approach, putting emphasis on a specific angle of the analysis, there are commonalities in their underpinning thinking and features[[22]](#footnote-22):

* Emphasis on the centrality of politics;
* Focus on understanding country realities and grounding strategies in this understanding rather than normative frameworks;
* Identification of underlying factors that shape the political process (local history, society and geography);
* An institutions lens to determine the incentive framework that induces patterns of behaviour; and
* Recognition that development agencies are political actors.

PE analysis is equally concerned with the politics and economics behind how decisions are made, and precisely the interactions between them. “It focuses on power and resources, how they are distributed and contested in different country and sector contexts, and the resulting implications for development outcomes”[[23]](#footnote-23).

According to the OECD-DAC definition:

*Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.*

It aims to go beyond the formal structures and focuses on underlying interests, incentives and institutions that enable or frustrate change. More specifically it is concerned with:

* The interests and incentives of different groups;
* The role that formal and informal institutions play in shaping decisions and relations; and
* The impact of values and ideas (including political ideologies, religion and cultural beliefs) on political behaviours and policies[[24]](#footnote-24).

# Annex 2: Capacity to Influence

This step of the stakeholder mapping consists of assessing the capacity of the different players to influence key decision-making processes in the sector (regarding funds allocations, policies, regulations and programmes). The set of questions below will help you to assess which actors are the winners and losers, or unaffected, from a pro poor sectoral/thematic area reform.

1. Who are the most important stakeholders in the sector in terms of influence and agenda setting?
2. Who would stand to win and who would stand to lose if the desired changes or reforms are implemented?
3. Who would be active allies of reform and changes, who would be indifferent and who would be likely to resist?
4. What would be the likely level of resistance, and what could be the options to accommodate those who stand to lose?[[25]](#footnote-25)

The answers to these questions will help you fill in the following “circle of Influence” picture. This exercise will provide you with a clear visual diagram of the reform champions versus the reform opponents.



Source: M Grindle 2004. Tools for Political Analysis of Reform Initiatives

At the end of this exercise we will have a clear idea of the critical stakeholders we need to engage with to promote sectoral/thematic area reform and pro poor change.

1. This Guidance Note has been written by Gaia Gozzo (CARE International UK) with contributions from Michael Drinkwater and Diana Wu (consultants, Way-Fair), Nicole Walshe, Maria Cavatore and Muhamed Bizimana (CARE International UK). [↑](#footnote-ref-1)
2. ‘Towards Better Governance: Monitoring and Evaluation of Governance Programmes’ , October 2011 [↑](#footnote-ref-2)
3. Available at: <http://governance.care2share.wikispaces.net>. [↑](#footnote-ref-3)
4. This Guidance Note draw on existing PE analysis tools: DFID “Political Economy Analysis – How to Note”, The Dutch Strategic Governance and Corruption Analysis (SGACA), the World Bank’s “Problem-Driven Governance and Political Economy Analysis (PGPEA), EC’s “Problem-Driven Governance and Political Economy Analysis”, DANIDA’s “Applying Political Stakeholder – How can it work?”, ODI “An analytical Framework for understanding the political economy of sectors and political Arenas” [↑](#footnote-ref-4)
5. Mcloughlin, C., and Haider, H., “Topic Guide on Political Economy Analysis”, GSDRC –2011 [↑](#footnote-ref-5)
6. For more information on the GPF, please visit: <http://governance.care2share.wikispaces.net/GPF> [↑](#footnote-ref-6)
7. For country level analysis this guidance note draw on DFID “Political Economy Analysis – How to Note”, The Dutch Strategic Governance and Corruption Analysis (SGACA), the World Bank’s “Problem-Driven Governance and Political Economy Analysis (PGPEA), EC’s “Problem-Driven Governance and Political Economy Analysis”, DANIDA’s “Applying Political Stakeholder – How can it work?” [↑](#footnote-ref-7)
8. DFID Drivers of Change analysis [↑](#footnote-ref-8)
9. Adapted from: Mick Moore’s Framework for Analysing types of Political Systems, Mocrieffe Joe and Cecilia Lutrell “An Analytical Framework for understanding the political economy of sectors and policy arenas” – ODI 2005; Sue Unsworth and the Netherlands Institute of International Relations “Framework for Strategic Governance and Corruption analysis” - 2007 [↑](#footnote-ref-9)
10. [**http://pqdl.care.org/Practice/DME%20-%20Tips%20for%20Collecting,%20Reviewing%20and%20Analyzing%20Secondary%20Data.pdf**](http://pqdl.care.org/Practice/DME%20-%20Tips%20for%20Collecting%2C%20Reviewing%20and%20Analyzing%20Secondary%20Data.pdf) [↑](#footnote-ref-10)
11. For sectoral level analysis, this guide build on the EC “Analysing and Addressing Governance in Sector operations” and ODI “An analytical Framework for understanding the political economy of sectors and political Arenas” and the WB “Problem Driven governance and political economy analysis”. [↑](#footnote-ref-11)
12. Adapted from Joy Moncrieffe and Cecilia Luttrell, “An analytical framework for understanding the political economy of sectors and policy arenas”, ODI, 2005 and from European Centre for Development Policy management (ECDPM) , “Analysing and Addressing Governance in Sector Operations, EuropeAid, 2008 [↑](#footnote-ref-12)
13. Adapted from sources in note 9 [↑](#footnote-ref-13)
14. Refer to the GPF document for a definition of space and for a classification of different types of spaces. [↑](#footnote-ref-14)
15. Adapted from EC, “Analysis and Addressing Governance in Sector Operations”, 2008 and ODI “An analytical framework for understanding the political economy of Sectors and Policy Arenas” [↑](#footnote-ref-15)
16. According to **the principal-agent theory**, governance can be seen as a relationship between two individuals: one that governs (the principal) and one who is governed (the agent). The agent acts on behalf of the principal and this relation is governed by different governance mechanisms, depending on how the principal enforces his/her will and objective on the agent. These directives can be formal or informal, explicit or implicit etc. The principal needs to determine whether the agent is pursuing his/her objectives, so s/he needs to be able to hold him to account in some manner, and give sanctions (or deprivation of benefits) if the agent does not deliver according to the principal’s objectives. [↑](#footnote-ref-16)
17. CARE, P-Shift, Brief #5: Designing Programs” [↑](#footnote-ref-17)
18. SWOT stands for “Strengths, Weaknesses, Opportunity and Threats”. [↑](#footnote-ref-18)
19. Refer to existing portfolio of projects and programmes, as they may illustrate areas of work actually linked to different dimensions of change, even if the work is not currently described in these terms. [↑](#footnote-ref-19)
20. Adapted from Joy Moncrieffe and Cecilia Lutrell - ODI [↑](#footnote-ref-20)
21. WB, Problem-Driven Governance and Political Economy Analysis - 2009 [↑](#footnote-ref-21)
22. Duncan, A. and Williams, G., “Making Development Assistance More Effective by Using Political Economy Analysis: What Has Been Done and What Have We learned?”, The policy Practice, Brighton - 2010 [↑](#footnote-ref-22)
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