

# Using Political Economy Analysis to Inform Applied Research Programmes – The Case of EEG

## EEG Energy Insight

Since at least the mid-2000s, multilateral and bilateral donors alike have acknowledged the importance of, and have applied, political economy analysis (PEA) in their lending programmes and projects. Indeed, PEA is particularly useful for development projects since it helps practitioners understand what drives political behaviour, how this shapes particular policies and programmes, who the main ‘winners’ and ‘losers’ are, and what the implications are for development strategies and programmes. This paper seeks to illustrate how PEA can be a crucial instrument for applied research programmes, allowing such programmes to be designed and conducted in a way that is more likely to be conducive to successful reform processes. Using the case of the Energy and Economic Growth (EEG) programme, the document presents concrete ways of mainstreaming PEA in different levels of applied research programmes.

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## Introduction

Reviewing the core development studies and associated literature, and looking at several decades of international development and aid programmes, it is clear that economic development does not happen in a vacuum, but is strictly linked to the political economy context. Political economy, both as a broad field of research, an analytical approach, and an object of study, has no universal definition. Nevertheless, political economy is widely seen to be of increasing importance in development research and praxis. Building on a set of conceptual elements drawn from economics and political science, which are frequently used in theoretical and working formulations, political economy is defined in this paper as an 'interdisciplinary approach to understanding and describing the structural relationships that exist between *power*, *institutions*, *ideas*, and *interests*, as well as the dynamic relationships that bring about certain events or processes that alter or maintain the political economy structure or status quo' (Godinho and Eberhard, 2018).

Since at least the mid-2000s, multilateral and bilateral donors alike have acknowledged the importance of, and have increasingly applied, PEA in their lending programmes and projects. Using a widely cited definition by Collinson (2003), PEA 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.' As summarised in the UK Department for International Development's (DFID's) 2009 'Political Economy Analysis – How-To Note' paper, PEA seeks to understand:

- **the *interests* and incentives facing different groups in society** (and particularly political elites), and how these generate particular policy outcomes that may encourage or hinder development;
- **the role that formal *institutions* (e.g. rule of law, elections) and informal social, political, and cultural norms** play in shaping human interaction and political and economic competition; and
- **the impact of values and *ideas*, including political ideologies, religion, and cultural beliefs**, on political behaviour and public policy.

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A PEA-oriented design and implementation can benefit applied research programmes too by helping to:

- **identify barriers to, and opportunities for, change**, thus increasing the likelihood of research uptake;
- **increase the impact of stakeholder engagement** by allowing the identification of possible change agents and the tailoring of research strategies to the specific political economy context;
- develop locally-informed, relevant, and cogent capacity building and communication strategies, that in turn support the advancement of relevant, actionable research, and the uptake thereof; and
- **propose political economy-aware solutions**, rather than the use of textbook solutions. This generally leads to greater applicability of the research findings and recommendations.

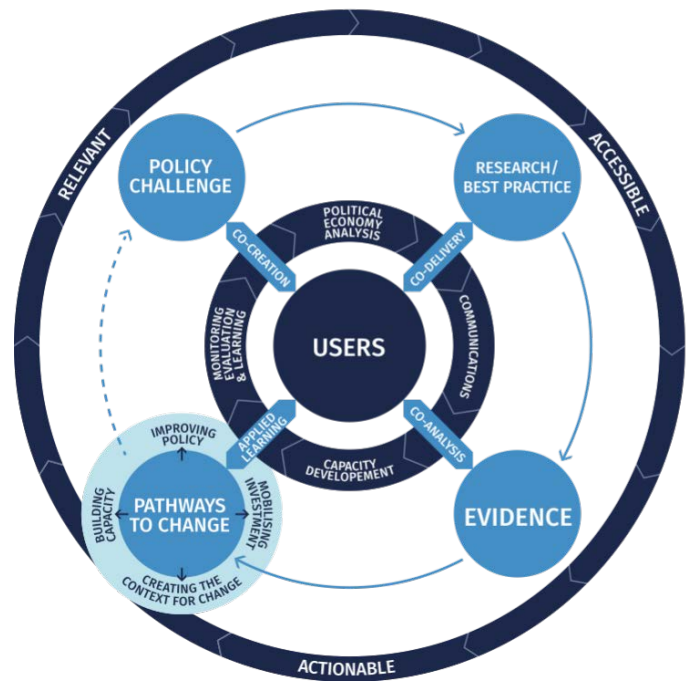
## Applying PEA to PRActiCle

EEG is an applied research programme funded by DFID. EEG’s goal is to build a body of evidence around how sector reforms, innovative technologies, and practicable actions can be used to help maximise the economic impacts of larger-scale energy projects to bring the benefits of modern energy services to poorer people.

EEG has developed an innovative research uptake strategy that is centred on the concept of the policy research into action cycle (PRActiCle). The PRActiCle conceptual framework is presented in Figure 1. Its implementation is based on a number of key interrelating principles, including a strong understanding and application of political economy. Consequently, EEG has made, and will continue to make, extensive use of PEA, both in terms of informing the research design and capacity development and dissemination activities that follow from the research findings.

One of the first research products commissioned by the EEG programme was therefore a state-of-knowledge paper, analysing the political economy of power sector reforms in its target regions (see Box 1). This offered an evidence-based and topical foundation for the development and integration of effective PEA in EEG’s PRActiCle strategy.

Figure 1: EEG’s research uptake strategy – PRActiCle



### Box 1: EEG state-of-knowledge paper – PEA of power sector reforms in sub-Saharan Africa, south Asia, and Latin America

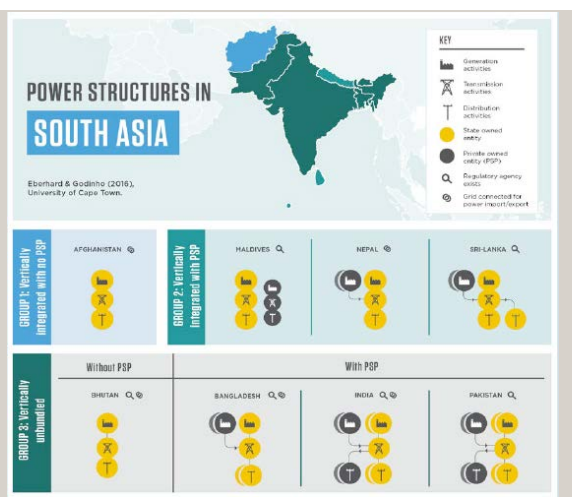
EEG commissioned a state-of-knowledge paper to provide an overview of power sector reforms in sub-Saharan Africa, south Asia, and Latin America over the past 25 years (Eberhard and Godinho 2017). The state-of-knowledge paper reflects on the status of ‘market-oriented’ reforms in the three focus regions, asking: What is the current status of power sector reform in these regions? What reforms have been successfully implemented? Have they achieved the expected outcomes? Why or why not? What might we learn from the second wave of reforms in Latin America?

The paper then reviews the growing body of research emerging from the evident failure of a ‘textbook’ or ‘standard model’ approach to reforms in most of the developing world, and seeks to identify key contextual political economy elements that demonstrably underpin the successful or unsuccessful implementation, and outcomes, of reforms. Though this literature is found to have considerably expanded the scope of understanding around power sector reform and development, the

Group	Country	Reform Status
Group 1: Vertically oriented, market-oriented	Senegal	M
	Burkina Faso	M
	Burundi	M
	CAR	M
	Cote d'Ivoire	M
	Ghana	M
	Madagascar	M
	Malawi	M
	Senegal	M
	Tanzania	M
Group 2: Partially market-oriented	Kenya	M
	Kenya	M
	Kenya	M
	Kenya	M
	Kenya	M
	Kenya	M
	Kenya	M
	Kenya	M
	Kenya	M
	Kenya	M
Group 3: Vertically oriented, non-market-oriented	Ethiopia	M
	Ethiopia	M
	Ethiopia	M
	Ethiopia	M
	Ethiopia	M
	Ethiopia	M
	Ethiopia	M
	Ethiopia	M
	Ethiopia	M
	Ethiopia	M

paper suggests that political economy research in the area is lacking in methodological coherence and theoretical substance.

The authors thus go on to highlight some practical recommendations for improving the PEA approach adopted in power sector reform and development research. The recommendations culminate in the development of a five-component approach for an integrated PEA approach, which has informed EEG’s multi-stage, multi-level, and multi-tool approach.



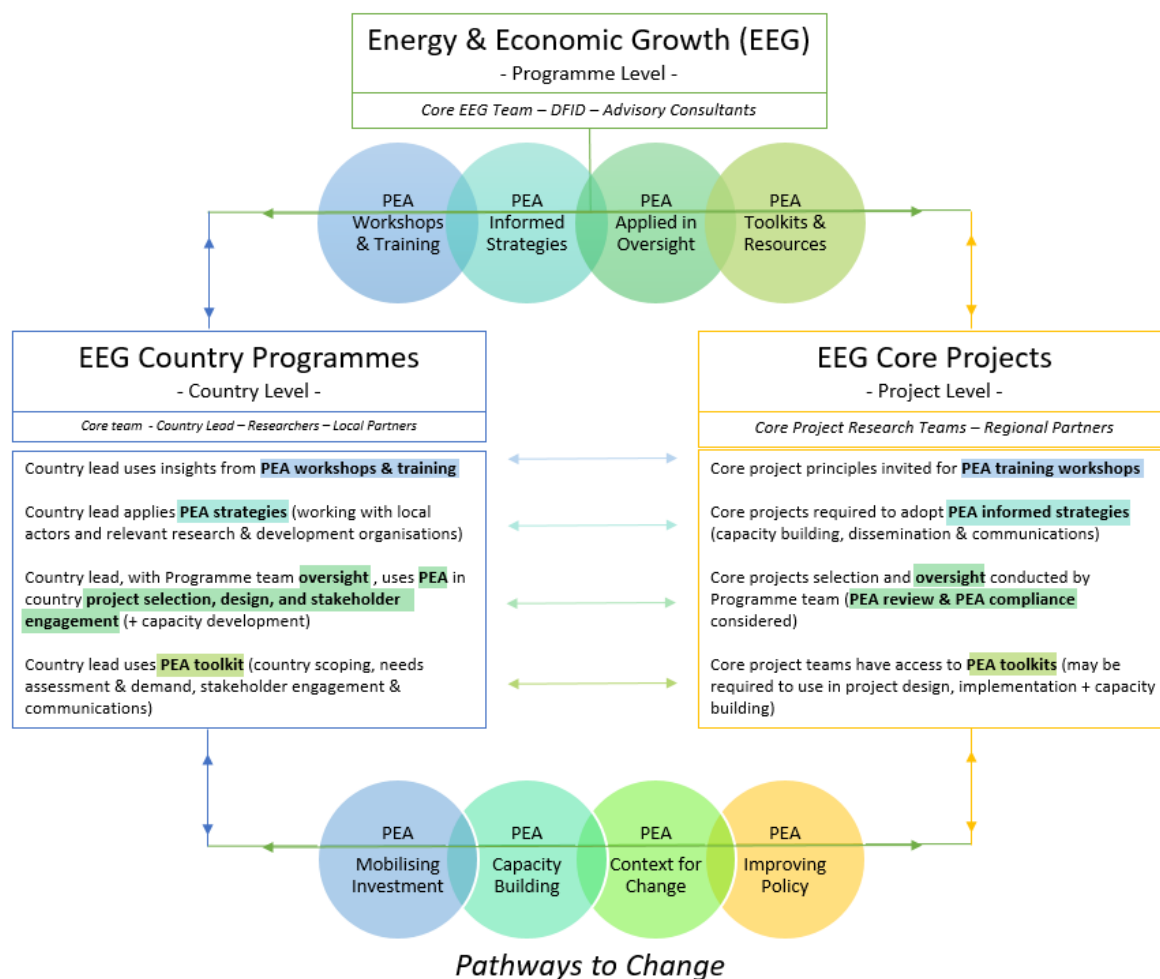
To understand how PEA has since been used – and to a wide extent is embedded – in the EEG PRACTiCle strategy, it is useful to explain that the EEG programme is structured around three operational levels:

- **EEG programme level**, which comprises overarching activities across the entire programme design and implementation;
- **EEG country programmes**, which are geographically concentrated and driven by the demands of local energy stakeholders (currently, EEG has launched country programmes in Sierra Leone, Myanmar, and Ethiopia); and
- **EEG core projects**, which aim to advance best practice and/or address pressing policy questions in specific priority areas.

Based on this structure, PEA has been mainstreamed through a multi-level and multi-stage approach, and through the creation and application of tailored tools. Multi-level PEA for EEG involves the creation of targeted PEA strategies for the different levels of the programme as a whole, as

well as the application of PEA thinking and tools at different levels within specific projects (e.g. country-level, sector-level, problem-level). In addition to being multi-level, PEA is undertaken at different stages of the programme, from planning and the identification of policy challenges, to best practice review and primary research, and through to research uptake and the identification of pathways to change. Instead of using one PEA tool, a set of existing approaches are being curated and others developed to serve a designated purpose at a specific level and stage of the programme. In Figure 2 below, the PEA PRACTiCle strategy is presented. In line with PRACTiCle, a circular PEA approach supports activities such as policy engagement, capacity development, and communications, as well as traditional research methods, to deliver research that is relevant (responds to user demand), accessible (can be easily engaged with), and actionable (provides practical insights for public and private sector stakeholders). PEA is being propagated in EEG through workshops and training, strategy development, oversight functions, and the development of toolkits and resources.

Figure 2: EEG PRActiCle – PEA pathways to change



At the programme level, PEA is being utilised in the:

- sensitisation of the core programme team to thinking and working politically while designing programme elements and activities;
- mapping of key energy research and development programmes and organisations;
- network building and optimisation strategies;
- selection and review of core projects and country-level projects;
- dissemination and capacity building strategies; and
- research uptake and policy engagement processes.

**An attentive use of PEA is crucial for applied research programmes to achieve their objectives.** In EEG specifically, the country-level and core-level projects need to be framed clearly within political economy challenges and should explore potential pathways to overcoming barriers. PEA-aware oversight and design thinking is critical to EEG’s

success at the programme level, as this feeds into the country and core project levels.

At the EEG country level, PEA is being carried out in:

- country-level PEA;
- sector-level PEA, primarily targeting the power sector, but also involving other relevant sectors linked to energy markets’ value chains;
- stakeholder mapping;
- policy process historical analysis;
- agenda setting / identification of challenges;
- problem-level PEA – exploration of with- and against-the-grain approaches;
- capacity building and dissemination strategies; and
- PEA problem-solving (projects/country level).

**The country-level stream is likely to be the area of EEG in which PEA is most intensive.** It is a necessary component of the ‘scoping visits’ where the EEG team need a country-level and sector-level (political economy) induction, to identify and map relevant

stakeholders, conduct research needs assessments, and analyse the political economy of power sector development and reform in countries. The country-level stream also allows for a PEA strategy that maps onto the EEG policy cycle, from the identification of policy challenges, to research on best practice, to in-country research, and through to the identification of transformative pathways.

**At the EEG core project level**, PEA is being undertaken in:

- the selection of projects;
- stakeholder and organisational mapping at project level;
- the targeting of dissemination and research uptake activities; and
- the targeting of capacity development strategies.

When it comes to the core projects, EEG does not have the same scope to shape project teams, approaches, and outcomes as it does at the country

level. The key opportunity is for the EEG core team to carefully design requests for proposals so as to encourage core project teams to include PEA in the project design and to select projects that demonstrate political economy feasibility, and then to include PEA review mechanisms at the programme level to ensure that the core projects are conducted in a PEA-aware manner.

This approach helps EEG in producing relevant, accessible, actionable, and political economy-aware research that can support the development of improved and feasible policy options, provide the foundation for locally based context for change strategies, feed into tactical capacity building programmes, and inform investment decisions – and thus mobilise resources for energy development. PEA is thus embedded in the programme's multiple levels and stages to maximise the potential impact of its applied research. In this way, PEA feeds through PRActiCle's transformational pathways to catalyse and support real and lasting change.

## References and further reading

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## About the authors

### **Catrina Godinho**

Catrina Godinho is a PhD candidate in the Management Programme in Infrastructure Reform and Regulation at the Graduate School of Business at the University of Cape Town. Her research focuses on the political economy of power sector reform and development, with special attention on the sub-Saharan African experience. She has worked in energy research since 2013, focusing on issues relating to sustainable development, energy security, energy transitions, climate change mitigation, governance, policy implementation, and sector reform.

### **Yasmina Yusuf**

Yasmina coordinates the Research Uptake workstream of the EEG programme, where she leads efforts around policy engagement, communications, PEA, and capacity development to help ensure the programme achieves its policy objectives in the countries it is operating in.

Yasmina joined OPM's Office of the Chief Economist in 2015, where she largely managed the Economic Development and Institutions programme, a £15 million research programme that is aiming to 'produce a body of evidence and insights into what practicable actions produce institutional changes that improve economic outcomes and increase growth'. Prior to this, she has taken on research, coordination, and analysis roles in think tanks, NGOs, and governments across Africa, Asia, and Latin America.

### **Luca Petrarulo**

Luca Petrarulo is a consultant with 10 years of experience in international development projects and research. His technical expertise is multi-disciplinary and focuses on addressing the nexus among climate, environmental, social, and political changes. This technical focus is backed by a multi-sectoral academic background (a BA in Political Science and International Relations (University of Bologna), an MA in Conflict Resolution (Lancaster University), and an MSc in Environmental Change and Management (University of Oxford)), which has been applied in numerous international contexts, particularly in south Asia. Luca has led and supported several assignments requiring the use of context assessment, institutional analysis, PEA, or similar tools to strategically inform low-carbon and sustainable solutions for a variety of government agencies, donors, and private sector organisations.

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