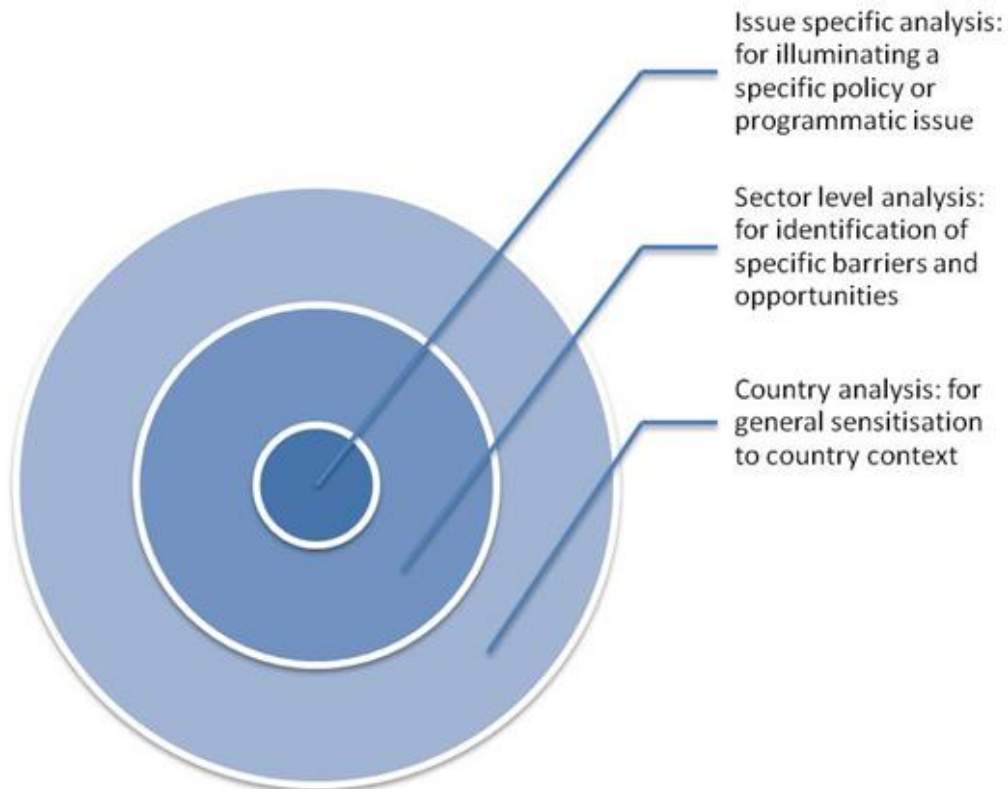


THINKING AND WORKING POLITICALLY THROUGH APPLIED POLITICAL ECONOMY ANALYSIS (PEA)

PEA Levels of Analysis

I. LEVELS OF ANALYSIS

As the Figure below illustrates, PEA can be conducted at different levels of analysis: country-wide, sector, or problem-driven.



2. WHICH LEVEL OF ANALYSIS TO FOCUS ON?

Emerging practice has generated a few lessons:

- It is useful to start with an overview of country context and international dynamics, but then
- It is important to drill down to sectors, problems and issues.
- Focusing the analysis on a sector and/or an issue can increase the odds of operationally relevant findings.
- But what level is best to focus on depends on the intended purpose of the PEA and the kinds of questions it seeks to address.
- The scope of the study should be commensurate with the time period and budget available.

The Applied PEA framework provides useful guidance and examples to help develop questions for all three levels of PEA that can help explore important determinants of change from a politically aware approach or perspective.

3. DIFFERENT LEVELS OF ANALYSIS

a) Country-wide analysis

A countrywide analysis helps to investigate the factors driving outcomes at the national level, and it can be useful in explaining issues such as why previous interventions have not achieved their objectives, who in a given context is actually making policy decisions, why some ministries function more effectively than others, and what causes unequal development across regions. This can help missions think through how to focus their financial and programmatic resources to have the greatest impact, and could be a useful input in the process of developing a country strategy.

Thus, country-level analysis:

- Enables broad overview of political and economic system in a country and constraints/opportunities for change over time.
- Is useful for informing country strategies and programming decisions.
- But it is unlikely to be sufficiently focused to guide specific program design choices.

Examples:

- [USAID Kosovo Mission: Country Level Analysis](#)
- [DFID 'Drivers of Change' \(DoC\) Approach](#)
- [The Netherlands 'Strategic Governance and Corruption Analysis' \(SGACA\) Tool](#)

b) Sectoral analysis

PEA can also be done at a sector level (including, for example, water, health, education, environment, climate change, justice, elections etc.), to consider the key actors, incentives, relationships and resources at play within a given sector. A sector-level PEA would help to explain how policy decisions are made, why systems (even ones that seem to be suboptimal or ineffective from a technical perspective) are kept in place, and who the key sector actors are. Such analysis can then be used to narrow down options on what may be most feasible in terms of reform or change in a given sector and who the change agents are likely to be, so as to assist in focusing resources on where they can have the most impact. This can be helpful in developing a sector strategy, a development objective (DO) or Project Appraisal Document (PAD), while the analysis can also feed into the strategy level.

Thus, sector-level analysis:

- Can generate understanding of the particular interests and incentives operating in the sector.
- Can help tease out operational findings more directly.
- Analyses that focus only on sectoral issues may miss broader aspects of the PE at country level that influence the workings of the sector.

Examples:

- USAID Nepal Mission: Sector-level study of disaster risk management: “How does the disaster risk management system function in Nepal and why?”
- USAID Guatemala Mission: Sector level study of governance in service delivery: “How does the governance system work and why?”
- [Analytical Framework for Understanding the Political Economy of Sectors and Policy Arenas \(DFID/ODI\)](#)
- [Poverty and Social Impact Analysis \(WB\) approach](#)
- [Institutional Analysis and Development Framework \(Ostrom et al., SIDA\)](#)

- World Bank How to Note on PE Assessments at Sector and Project Levels

c) Problem-driven or issue-specific analysis

Lastly, PEA can be used to address specific issues or problems, analyzing the forces that create a particular developmental or governance challenge at any level. This level of analysis can look at questions like what factors constrain economic growth, what pathways to reform might tackle a development blockage most effectively, and who benefits from the status quo and why. Issue-level PEAs can also be used when an intervention is experiencing implementation difficulties, to help adjust programming. This can help to define activities or interventions within PAD or activity design.

If a “problem” can be clearly defined, then PEA at this level may lend itself more easily to operational relevance.

A “problem” should be:

- A specific difficulty or challenge that undermines development effectiveness.
- Broader than a practical snag.
- Sub-sectoral, sector-wide, cross-cutting, national or international in scope.

So defining the problem or issue is crucial: If the problem is too narrowly defined there is a risk that broader influences arising from relevant national, regional and international political and economic processes may not be captured.

Problems or issues might include concerns such as:

- Where there are hidden interests at work.
- “Capacity limitations” that reflect incentives.
- Informal rules that undermine formal ones.

Examples:

- USAID/Senegal: Problem/issue level study on teacher strikes: “Why are teacher strikes so frequent in Senegal?”
- USAID/Bangladesh: Problem/issue level study on labor: “In the ready made garment sector, what are the main factors inhibiting an enabling environment that allows workers to organize in pursuit of improved conditions?”
- USAID/Madagascar: Problem/issue level study on fisheries: What are the incentives and disincentives and external drivers surrounding community managed marine resources?
- USAID/Ukraine: Problem/issue level study on Tuberculosis policy: What are the political and economic incentives that support preservation of the current tuberculosis (TB) health services program in Ukraine?
- [USAID/Serbia: Problem/issue level study on private sector competitiveness: What are the key factors constraining Serbia’s private sector, and its ability to grow and compete?](#)
- [USAID/DRC: Problem/issue level study on agricultural value chains: What the balance of power among public and private sector actors within the dried bean, soybean, and coffee value chains?](#)
- [USAID/Health Financing Group problem/issue level analysis: What factors explain the different experiences of El Salvador and Guatemala with health reform?](#)
- Problem-Driven Governance and Political Economy Analysis Good Practice Framework (World Bank)