

## Tool 5: Political Economy and Stakeholder Analysis

### What Is the Purpose of the Tool?

The tools aim at enhancing the realism and pertinence of sector level CD ambitions and interventions. The tools do so through a quick scanning of:

- Significant cross-sector context factors, mostly linked to wider political economy factors, that are likely to enable and/or constrain the capacity and performance of sector organizations; and
- the likely support for and resistance to CD and change from significant stakeholders.

The tools serve to devise means to strengthen support for and overcome resistance to change and CD, and to design CD that is realistic given the political economy context and the positions of stakeholders.

### When and By Whom Should the Tool Be Used?

The tool is relevant in all stages of sector development processes, but particularly crucial if and when major CD initiatives are considered.

- Local actors may often know the institutional and political playing field. The tool can help make this explicit (e.g., among a group of reform-minded actors), and stimulate strategic-level thinking about CD and reform opportunities and dead ends.
- Development partners can use the tool to inform country strategy programming processes, as background for a realistic dialogue with local actors about the playing field, and to inform decision making about strategic reform and CD opportunities and dead ends.
- The tool may also be used in the dialogue between local stakeholders and development partners.

### How to Use the Tool

The tool consists of two matrixes and a graphic chart:

- **Tool 5.1. Institutional and political economy context scanning** is a matrix allowing the identification of institutional and political economy factors shaping sector performance; and
- **Tool 5.2. Actor Assessment Matrix and Stakeholder Analysis.** The matrix invites the user to consider possible stakeholders, their interests, and resources. The matrix serves for detailed analysis.

- **Tool 5.3 Circle of Influence Graphic.** This tool provides a visual overview. It builds on the details from the Actor Assessment Matrix.

Information for the tools can be drawn from own knowledge, key informants, and special studies. The tools are designed for use in facilitated workshop settings, but can also serve for individual preparation. The tools can either be used to summarize results of a proper analysis or serve as a pointer to the need for more thorough analysis.

## Background and Details

The tools focus on how the capacity of key sector organizations to perform key functions is influenced positively or negatively by broader institutional and political economy factors, which reach beyond the sector, and by the interests and power of stakeholders. It thus focuses both on factors (tool 5.1), and individual actors and stakeholders (tools 5.2 and 5.3). The tools help to answer the questions: Which context factors explain why the current capacity is what it is, which context factors are enabling or constraining CD and change - and who has an interest in the status quo and in changing capacity, respectively?

The tools enable a simple mapping of the key factors and actors (or stakeholders) that will influence the success of any CD or change process. Without a conducive environment and the active support and involvement of key players the CD or reform process will not succeed. If powerful actors will work against the CD, actively or passively, then it will not work.

The picture of support for and resistance to CD or change is not static. The map created using this tool is likely to change over time, and it can be influenced. If the map is created in a participatory process, participants are likely to have varied perceptions of the interests of stakeholders.

The tool allows a dialogue about the readiness for CD among people with interests and voice or power related to the CD. The readiness is obviously influenced by the objectives and the scope of the CD.

Therefore, the tool cannot be used in abstract—it must refer at least to a broad indication of the direction of change. Repeated analysis is likely to be required to assess, in a more precise manner, when and where the balance would tilt in favor of CD and change.

Some CD elements may evoke more resistance than others, and may therefore have to be postponed until momentum is built up through less controversial steps.

While an initial picture can be built in a workshop setting based on perceptions and anecdotal evidence, qualitative data collection methods must be applied to get to a more accurate estimate. For comprehensive CD and reform efforts, qualitative data must be collected and analyzed by people with intimate knowledge of the actors.

The tools are designed to map the situation as it is, not as it should be.

**Tool 5a. Institutional and political economy context scanning.** The matrix is framed as a checklist inviting to assess typical institutional and political economy factors across sectors that may influence the prospects for successful capacity development and/or reform in any sector. However, it is important to “think beyond the box” - there may be other factors to consider which are not included in the checklist. The checklist allows a scoring - the higher the average, the less conducive may the context for sector reform and CD be.

**Tool 5b. Actor Assessment Matrix.** Tool 5.2 consists of a matrix with five columns and as many rows as necessary to cover all significant stakeholders.

Actors can be organizations (e.g., ministry of finance, employers associations), but this level of generalization is often too high. The analysis should extend to relevant individuals/positions, or small groups (e.g., “reform-minded parliamentarians from the ruling party”). In the matrix, several stakeholder groups are suggested, which might be relevant from a sector perspective—this is purely indicative and is only included to invite broad thinking about potentially important stakeholders. The sector actor and governance mapping suggested in Tool 3 should inform who to include in the analysis.

- **Interests pursued.** Why does the actor have stakes in CD and change? What interests do the actor/s pursue, what aims are they striving to achieve? Note that most actors may pursue a mixture of conflicting interests. Initially, the interests mapped may cover what is broadly at stake for the actor in the policy arena of CD and reform in the sector. When CD/reform objectives are specified, the support or opposition to change from the actor may change and have to be reassessed. The analysis of actors’ interests may be summarized on a three point scale: supportive (+1), undecided/neutral (0), or opposing (-1).
- **Resources/power for influencing.** Resources for influencing include formal authority (a primary secretary can issue orders to subordinates), formal rights (parliamentarians can vote), and formal access (to cabinet, to the head of civil service, etc.). Resources also include informal networks, alliances, and patron-client relationships (around a political party, an ethnic group, or an “old boys’ network”). Knowing who knows whom, why, and how may be essential to understand the patterns of influence.

The relative power of stakeholders for influencing can be summarized on a three point scale: high (3), medium (2), low (1). Stakeholders with no resources would effectively have no stake (0) and should thus not enter in an analysis of the current situation—but they could become important actors in future if empowered in some way.

- **Importance or salience of issue.** Stakeholders may have interests in the outcome of CD processes, and they may have considerable resources, but they may assign higher or lower importance to the issue and thus be more or less engaged in whether the CD/reform moves ahead. This column serves to indicate the salience

that a stakeholder attaches to the issue, again on a three point scale: high (3), medium (2), or low (1).

- **Summary Stakeholder score.** The summary score combines the interests, power, and salience for each stakeholder. Multiplying the scores in each of the other columns will combine into a single digit between +9 (high power, high salience in favor of CD/reform), 0 (not effectively a stakeholder) and -9 (high power and high salience against CD/reform).

The score—and summing up for all stakeholders—will give a rough idea about both the overall balance for or against CD/reform, and the controversy levels to be expected (high scores both for and against reform would indicate likely high levels of conflict/controversy). Obviously, a stakeholder analysis would be unlikely to be precise enough to be summarized in one digit showing the overall balance—but looking at that one digit when adding the scores for all stakeholders might indicate the chances of success for CD/reform.

**Tool 5c. Circle of Influence.** The Circle of Influence graphic creates a useful overview of the more detailed analysis. Stakeholders are located closer to or further from the center according to the ranking. The circle has the advantage of depicting the “undecided,” a group that may come to a position and make or break a CD process. Influencing those stakeholders may therefore be crucial.

**Advice.** Political economy and stakeholder analysis is not an objective science. Though most stakeholders have a picture of political economy factors and legitimate reasons for being for or against CD and change, analysis of these issues may be contested and considered controversial. Political economy and stakeholder analysis can also risk becoming trivial and superficial, particularly if made in a short time in a workshop setting. Key players operating at senior level in a sector often have a tacit, but very nuanced analysis and may not find it in their interest to share this analysis with others. Before performing the analysis, consider whether it is intended to be shared with others or thought of as part of the internal preparation for strategic decision making, whether in a sector organization or in a funding agency.

#### Box 5: Tip & Tricks

Leave cells blank when there is nothing important to put in. You control the matrix—don’t let it control you!

**Links.** The political economy and stakeholder analysis details the context and the positions of actors identified in tool 3. The analysis feeds into tool 6, CD change management design, where actions to manage different stakeholders will have to be specified, and tool 7, Sequencing Matrix for CD/reform intervention. Tool 7 demands that design of CD reflects the levels of support for and resistance to change.

## Tool 5a: Institutional and Political Economy Context Scanning

| Sector Capacity Area  | 1 =<br>fully<br>agree | 2 =<br>agree | 3 =<br>disa-<br>gree | 4 =<br>stron-<br>gly<br>disa-<br>gree | Implications for CD<br>or reform at sector<br>level |
|---|-----------------------|--------------|----------------------|---------------------------------------|---|
| <b>A. Wider context influencing policy making</b>   |                       |              |                      |                                       |   |
| A1 Sector policies are normally endorsed by cabinet                                       |                       |              |                      |                                       |   |
| A2 Sector policies are normally endorsed by parliament                                    |                       |              |                      |                                       |   |
| A3 Sector policies are endorsed by ministry of finance                                    |                       |              |                      |                                       |   |
| A4 Political parties are driven by policy positions                                       |                       |              |                      |                                       |   |
| A5 Formal policies are guiding actions of ministers                                       |                       |              |                      |                                       |   |
| A6 Formal policies are guiding civil servants   |                       |              |                      |                                       |   |
| A7 Policy failures have political consequences  |                       |              |                      |                                       |   |
| A8 Compliance with policies and laws is high  |                       |              |                      |                                       |   |
|   |                       |              |                      |                                       |   |
| <b>B. Sector resources, budget allocation mechanisms, and public financial management</b> |                       |              |                      |                                       |   |
| B1 The budget process is policy driven  |                       |              |                      |                                       |   |
| B2 The budget is largely executed as planned  |                       |              |                      |                                       |   |
| B3 The budget envelope to sectors balances salaries and recurrent costs                   |                       |              |                      |                                       |   |
| B4 The budget envelope matches final sector plans   |                       |              |                      |                                       |   |
| B5 Funds are made timely available to sectors   |                       |              |                      |                                       |   |
| B6 Transfers and allocations are transparent  |                       |              |                      |                                       |   |
|   |                       |              |                      |                                       |   |
| <b>C: Factors influencing organizational capacity</b>                                     |                       |              |                      |                                       |   |
| C1 Material incentives to performance in the public sector are reasonable                 |                       |              |                      |                                       |   |
| C2 Non-material incentives are reasonable   |                       |              |                      |                                       |   |
| C3 Staff strength and competencies matches policy ambitions                               |                       |              |                      |                                       |   |
| C4 Public sector employment is not linked to patronage                                    |                       |              |                      |                                       |   |
| C5 Effective civil service reform is addressing performance constraints                   |                       |              |                      |                                       |   |

|   |  |  |  |  |  |
|---|--|--|--|--|--|
| C6 A performance culture is generally present   |  |  |  |  |  |
| C7 Front line service providers have means and relevant autonomy to deliver                 |  |  |  |  |  |
| C8 Leadership practices stimulate staff to perform and take initiatives                     |  |  |  |  |  |
|   |  |  |  |  |  |
| <b>D: Wider framework for accountability and monitoring</b>                                 |  |  |  |  |  |
| D1 Adits are effective, and observations lead to actions or sanctions                       |  |  |  |  |  |
| D2 Parliamentary oversight is effective   |  |  |  |  |  |
| D3 Monitoring is of reasonable quality and used for adjustments                             |  |  |  |  |  |
| D4 Monitoring data are publicly available   |  |  |  |  |  |
| D5 Civil society is engaged in monitoring   |  |  |  |  |  |
| D6 User groups have voice   |  |  |  |  |  |
| D7 Public institutions are sensitive to complaints  |  |  |  |  |  |
|   |  |  |  |  |  |
| <b>E: Networking and relations to critical stakeholders, including development partners</b> |  |  |  |  |  |
| E1 There is a broad tradition for formal and informal consultations                         |  |  |  |  |  |
| E2 Public sector cooperate easily with each other   |  |  |  |  |  |
| E3 Development partners are playing second fiddle only                                      |  |  |  |  |  |
| E4 Staff can network across organisation boundaries when relevant                           |  |  |  |  |  |
|   |  |  |  |  |  |
| <b>F. Other</b>   |  |  |  |  |  |

## Tool 5b: Actor Assessment Matrix

Note: The actor categories are provided for example only. One or more concrete actors should be specified in the relevant categories.

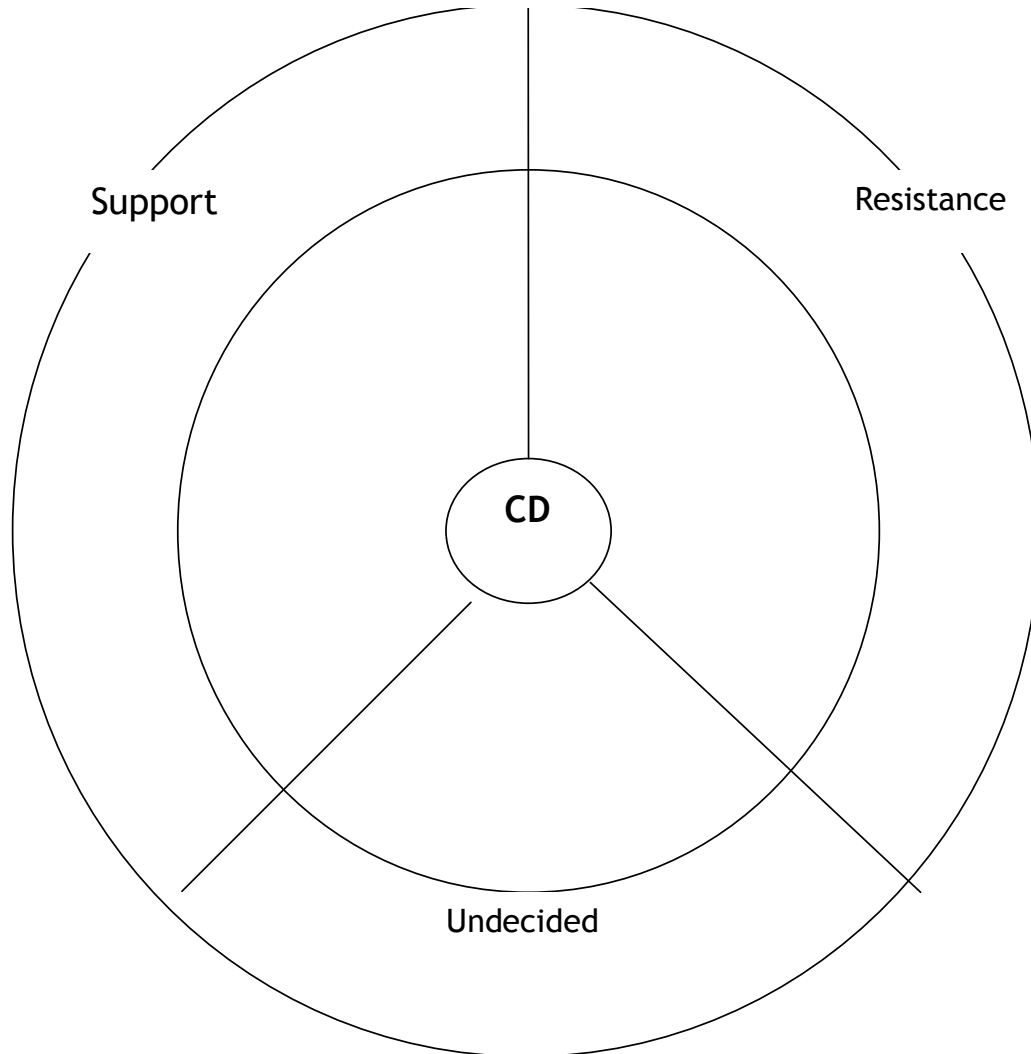
A. CD/Reform Issue or Element

| Actors by Category                                   | Interests Pursued | Resources/ Power for Influencing | Importance/ Salience of Issue | Score |
|--|-------------------|----------------------------------|-------------------------------|-------|
| Legislative body and political parties               |                   |                                  |                               |       |
| The cabinet and top echelons                         |                   |                                  |                               |       |
| Finance, planning, cross-cutting entities            |                   |                                  |                               |       |
| Executive civil servants in the sector               |                   |                                  |                               |       |
| Frontline agencies                                   |                   |                                  |                               |       |
| Checks and balances bodies, judiciary                |                   |                                  |                               |       |
| Labor unions, professional/ industrial associations  |                   |                                  |                               |       |
| Popular, social, ethnic, religious movements         |                   |                                  |                               |       |
| Academics, media, nongovernment organizations (NGOs) |                   |                                  |                               |       |
| Informal economic elites/groups                      |                   |                                  |                               |       |
| Local power holders                                  |                   |                                  |                               |       |
| Funding agencies                                     |                   |                                  |                               |       |
| Regional and international actors                    |                   |                                  |                               |       |
| Others   |                   |                                  |                               |       |

Sources: M. Grindle. 2004. Tools for the Political Analysis of Reform Initiatives. PowerPoint presentation; G. Hyden. 2006, Beyond Governance: Bringing Power into Policy Analysis. *Forum for Development Studies* 2(33). and B. Nunberg. 2004. Operationalizing Political Analysis: The Expected Utility Stakeholder Model and Governance Reforms. PremNotes No. 95. Washington DC: World Bank.

### Tool 5c: Circle of Influence

The closer the stakeholder is to the center, the more influential/important it is.



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