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Applying a political economy approach in Tunisia

By Bruce Byiers, Martin Ronceray and Jean Bossuyt

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This paper captures the experience of providing ‘political economy support’ to the EU delegation in Tunis – at the stages of context analysis and programme design – and looks at the lessons that can be drawn for partners seeking to take a more politically informed approach to their work.

Donors increasingly recognise the need to understand better the interests and incentives of key actors and institutions in a specific context, but they struggle to adapt their operations to take account of these political economy realities.

The paper highlights that bureaucratic incentives and political decisions can limit the space for adaptive and flexible approaches. There are, however, innovative ways to identify and fund projects where there is domestic traction for effective change and the ambition to push change and be creative within the donor agency.

A political economy approach can assist in creating a common platform for discussion and understanding of context and problems among staff, and help change mindsets about engaging with development issues in a more politically-informed way. Overall, the process can contribute to a more politically feasible and adaptive programming over the long term. Much depends on the individuals involved, their interests and willingness:

- to think creatively within the bureaucratic context and existing instruments;
- to build coalitions within the organisation and outside with drivers of change; and
- to accompany support to projects as they unfold.

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Acronyms

(DG) DEVCO	European Commission's Directorate-General for Internal Cooperation and Development
5As	Five Major Steps to Intervention
AEO	Authorized Economic Operator
COVID	Coronavirus disease
DG NEAR	Directorate-General for Neighbourhood and Enlargement Negotiations
ECDPM	European Centre for Development Policy Management
EEAS	European External Action Service
EU	European Union
EUD	European Union Delegation
NIPs	National Indicative Programmes
PE	Political economy
PEA	Political economy analysis
PPCM	Programme and Project Cycle Management
UGTT	Tunisian General Labour Union (Union générale tunisienne du travail)
UK	United Kingdom
USAID	United States' Agency for International Development
UTICA	Tunisian Union of Industry, Commerce and Handicrafts (Union tunisienne de l'Industrie, du Commerce et de l'Artisanat)

Executive Summary

While donors increasingly recognise the need to better understand the interests and incentives of key actors and institutions in a specific context, adapting their interventions to take account of these political economy realities remains a challenge. This paper summarises the experience of providing ‘Political Economy support’ to the EU delegation in Tunis - both at the stages of context analysis and in designing programmes, with implications for the full life cycle of the interventions. The paper highlights that while bureaucratic incentives and political decisions can limit the space for adaptive and flexible approaches, there is nonetheless scope to innovate in the ways in which openings are identified and funded according to where domestic traction for effective change exists. A PEA process can help in creating a common platform for discussion and understanding of context and problems among staff. It can help change mindsets and engage with development issues in a more politically-informed way. Overall, such a process can help steer development assistance over the long term, towards more politically feasible and more adaptive programming. As experience shows, much depends on the individuals involved, their interest and willingness to think creatively within their bureaucratic context and with the range of existing instruments, to build coalitions within the organisation and outside with drivers of change, and to accompany support projects as they unfold.

1. Introduction: from political economy analysis to approach

Political economy analysis (PEA) is ever more widely considered a key tool for understanding context and improving external support programmes. This is partly a result of the decline of the ‘good governance’ agenda in recent years, perceived to be overly normative, and the rise of the idea of ‘good enough governance’ (e.g. Grindle, 2004). PEA helps understand the reasons for resistance to change, as well as “what those with power want (or don’t want), and where positive change is emerging and why” (Nash et al. 2020).

While donors increasingly recognise the need to better understand the interests and incentives of key actors and institutions in contexts where they work, adapting support to take account of these political economy realities remains a challenge. The link from one to the other is shaped by “prevailing organisational cultures, incentives and structures in most development agencies, as well as political pressure from government ministries” (Laws and Marquette, 2018). That is, even where there is recognition of its importance, the political and institutional incentive systems in place in donor agencies can undermine its impact. There is often a risk that PEA is “bolted on to service delivery programmes to demonstrate contextual understanding, rather than thinking about how change occurs and embedding this in programme design and implementation” (Nash et al. 2020).

Thinking and working (more) politically

Carrying out a political economy analysis is a key part of ‘thinking and working politically’ in external development support. It refers to the idea that aid is most effective and does least harm when development practitioners have a sophisticated understanding of the political economy context in which they operate, but also embrace the reality of working in complex systems - where large numbers of actors interact with one another in diverse and unpredictable ways, often further complicated by unpredictable events. External partners often seek to predict how change or reform dynamics will unfold and build on such ambitions, leading to over-designed and time-bound result frameworks. Working in a complex development space means explicitly recognising “the high degree of initial ignorance and uncertainty” of external actors around how reforms will play out, with the implication that policy or project design and implementation “may often mean in fact a *long voyage of discovery* in the most varied domains, from technology to politics” (Hirschman, 1967). In other words, development or change trajectories don’t follow a pre-set course that can be mapped in advance, with important ramifications for setting ambitions, planning and managing interventions that adapt to the domestic political economies.

‘Thinking and working politically’ then entails new ways of approaching development challenges or change dynamics based on more realistic and politically astute theories of change. This requires new ways of working with partners, identifying problems, risk taking and adapting organisational incentives to the change dynamics on the ground¹. Putting this into practice entails carrying out political economy analysis, but also necessitates a shift in thinking towards a political economy *approach* which not only seeks to lay out the context in which reforms are sought, but to constantly update this and adapt interventions and approaches as reform processes unfold.

¹ This has led to a community of practice of practitioners, seeking to bring more political thinking and programming into donor engagement: <https://twpcommunity.org/>

Drawing lessons from experience

These issues are examined here for the case of European Union (EU) support to Tunisia, at a time when this was scaled up to support the emerging post-revolution democracy. The note summarises the experience of providing 'Political Economy support' to the EU delegation (EUD) in Tunis - both at the stages of refining context analysis and in designing programmes, with ramifications for the full life cycle of the planned interventions. The purpose is to draw lessons from our own experience of supporting a large donor agency on the ground that sought to apply innovative approaches in terms of 'thinking and working politically'.

It aims to contribute to reflections on what that means in practice, focusing in particular on the link between political economy analysis and programming. It also seeks to offer insights for other EUDs or development actors interested in adopting a more politically informed approach, while contributing to the still slim evidence base on what works in promoting political economy analysis and approaches in development work (Laws and Marquette, 2018). Overall, the paper looks at the space available - the *authorising environment* - for donor agencies to innovate within the multi-layered institutional, bureaucratic, cultural and political dynamics that shape relations between headquarters in Brussels and the field in ways that take account of a complex local context.

The paper starts with a short overview of how the Tunisia project came about and evolved, followed by a discussion of the lessons from the process of bridging analysis and action. The note closes with final takeaways on how to address the challenges of working and thinking more politically in donor organisations.

Overall, the paper highlights that while bureaucratic incentives and political decisions remain important constraints to applying fully adaptive and flexible approaches, there is scope to innovate in the ways in which the EU identifies and allocates funding towards areas where domestic traction for effective change exists, driven by a variety of public and private actors. Further, the process of carrying out PEA can serve to create a common platform for discussion and understanding of context and problems among staff, and for changing mindsets to engage with development issues in a more politically-informed way. Increasing use of PEAs as part of programming - in particular for understanding key actors and incentives, and discussing these more openly within programming processes, whether internally or externally - hold hope for more politically feasible and adaptive programming over the long term. As discussed below, much depends on the individuals involved, their interest and willingness to think creatively about working within the context and with existing instruments, to build coalitions within the organisation and with externa; drivers of change, and to accompany support projects as they unfold.

2. Extracting the political economy juice

Revolution, rising budget, rising frustrations

Tunisia has undergone momentous political changes since its 2011 revolution. But beyond the undeniable gains in political freedoms, post-revolution economic reforms have met resistance from a range of different interest groups. Unemployment remains high and the macroeconomic situation unsustainable. This leads many to worry that continuing reform blockages and resulting instability may compromise the gains of the revolution. Even if the benefits of revolution are rarely immediate (e.g. Carothers, 2018), in 2018 there was a mounting concern that the window of opportunity to turn a political revolution into a broader socioeconomic transformation was closing.

This concern led the EU to dramatically increase its annual assistance to Tunisia from €77m in 2010 to €300m in 2020. The EU thus became the largest donor to Tunisia, having provided almost €3bn over a decade. Much of the funding to the Tunisian state was intended to support and indeed incentivise reforms, but was accompanied by a sense that formally agreed and necessary reforms were often thwarted due to resistance in favour of the status quo, and power games within the newly opened political arena.

To address its growing frustration at resistance to change or non-implementation of agreed reforms, while programming for a rapidly increasing budget, the EU delegation (EUD) sought support to introduce more politically informed programming - that is, to allocate the increasing funding more strategically, in line with interests, incentives and political buy-in on the ground. Moreover, the delegation in Tunis was open to the idea of moving beyond a one-off PE analysis. Rather than produce one PE analysis, it was agreed to enable a process that involved PE diagnostics at country and thematic level, combined with discussions and dialogue. Tunisian experts were integrated in the experts' team (PE team) that facilitated a process of conversations and workshops with a wide array of Tunisian opinion leaders, researchers and thematic experts to understand the overall country context since the revolution, but also zoom into the interests and incentives around specific policy areas.

At set intervals, the PE team would feedback emerging findings that fed iteratively into the EUD's internal reflections and processes, and ultimately support programmes. This very broad outreach and engagement approach was deemed crucial in the design of sectoral programs in particular, in order to guarantee their anchoring in the realities as expressed by the broad group of concerned stakeholders, and hence their effectiveness and their sustainability (EU, 2018a).

This interactive approach was also in line with the EUD's demand to ensure a genuine "co-production of knowledge" with the EUD through training, dialogue and sharing networks with all relevant staff across different units within the delegation. The hope was to encourage engagement and buy-in to the need for PE analysis and approach from EU staff, including beyond the specific unit that initially contracted the work, and to socialise the know-how to do so over the life cycle of programmes.

The EUD's ambition and willingness to innovate to move from political economy analysis to political economy approaches make this a useful case to document.

Box 1: The EU's track record with political economy analysis

The European Union (EU) has a long track record with political economy analysis. ECDPM facilitated the first political economy workshop for EU DEVCO senior officials in 2011, demonstrating the relevance and feasibility of political economy work by introducing political economy tools in EU manuals and in the EU project and programme cycle management. PEA started being integrated into its work thereafter with pilot country studies, culminating in 2011-2013 in a number of country studies and guidance encouraging EU Delegations in particular to use PEA to get “a clearer understanding of the political and economic processes at work in a given country or sector context, and how they influence institutional capacity and policy choices. This can help make development cooperation more effective” (Capacity4Dev Team, 2012-2013).

Efforts to actively systematise the use of PEA across EU programmes were interrupted in 2013 (Bossuyt, 2013). However, this left the door open for specific Delegations and staff to still conduct and/or fund PEAs on a more *ad-hoc* basis. Since then, the use of PEA is implicitly encouraged through procedures and process documents - for instance PEA has a formal place in the standardised programming document and guidance, with frequent reference to both the need to understand the local political economy dynamics and specific PEA support as an option to reinforce programming processes (EU, 2018). Concurrently, the EU has been sponsoring PEA training for its staff.

As such, though there is no top-level endorsement or clear policy, the decision to use PEA in the programming process relies on individuals willing to explore the room to do such work, and secure funding to do so.

Scope: From “corruption and the business environment” to an open perspective

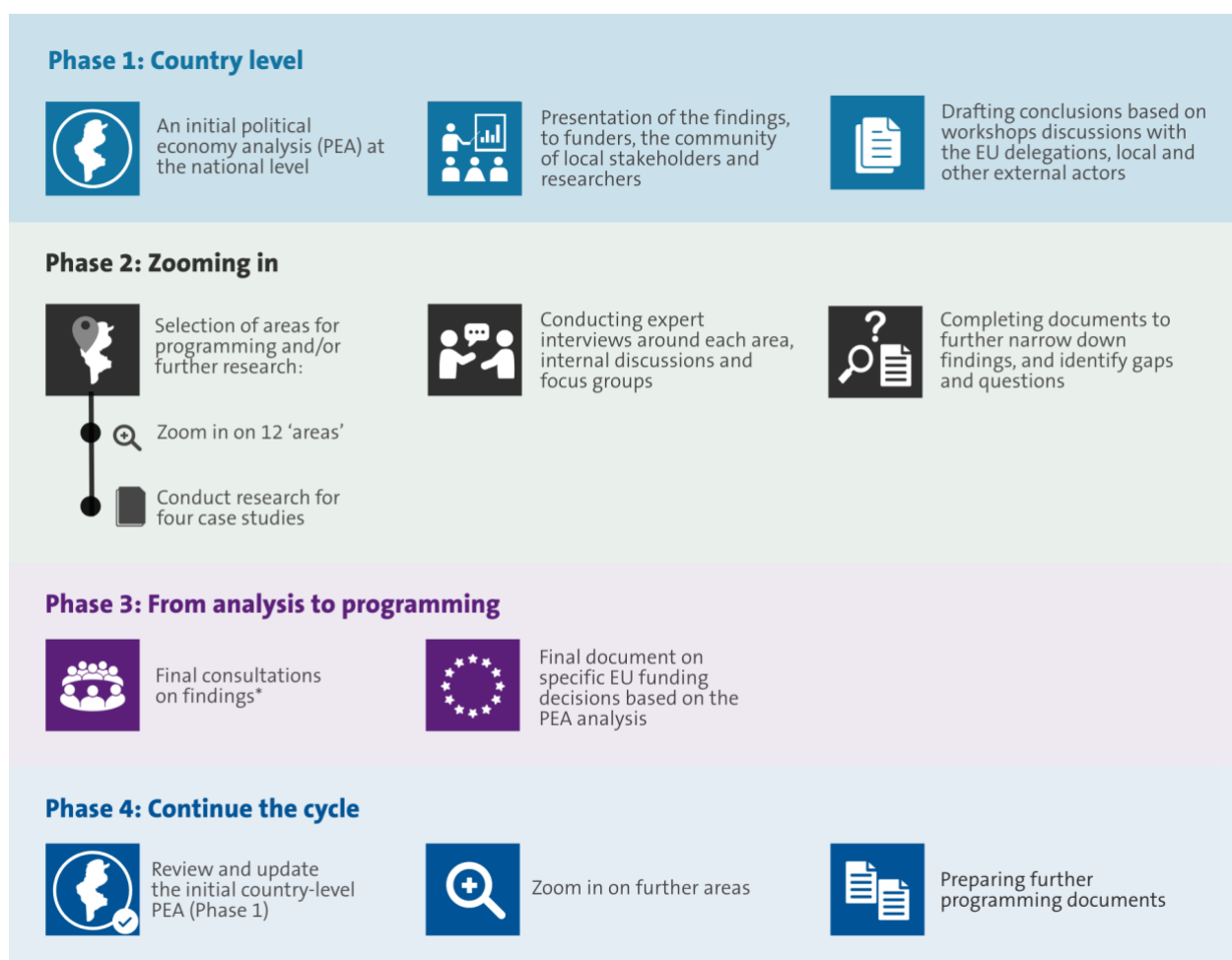
The original terms of reference provided for a country-level political economy analysis framed around the general theme of “corruption and the business environment”. The first round of PE analysis was therefore framed as an initial macro-level analysis, to help provide insights into the broad set of structures, institutions and actors that shape corruption and prevent the economic transformation in Tunisia.

Yet, an upfront framing of ‘the problem’ as being corruption seemed to unnecessarily constrain the analysis from the outset. Further, seeking information on political economy dynamics through a lens of corruption seemed likely to bias responses rather than leave space for a more open-ended understanding of what shapes and steers political and economic life, and particularly what had taken place since the revolution.

The scope of the PEA in the project’s **first phase** thus expanded to cover the overall political and economic landscape and scope for reform. A **second phase** then aimed to build on the country-level study to identify sectors, or more specific policy areas within the ambit of “economic governance” where there was potential for reform, where the work would further zoom in on sectoral political economy dynamics. This analysis would then feed into preliminary discussions on programming, and include focus group discussions with local stakeholders, researchers and experts as well as with other donors, the goal being to build up a wider consensus on how to bring this politically-informed approach to bear. A **third phase** revolved around turning this analysis into specific proposals and ‘action fiches’ for the European Union’s future programme.

Figure 1 briefly summarises the three phases of the process as it was carried out. This can be thought of as a ‘filter funnel’ approach - starting wide with broad-based interviews across a cross-section of society, in the capital and outside, to gather a country-wide picture, then gradually zooming into specific reform areas with apparent political traction and positive trajectories, to gather more insight on whether this was indeed true, and the implications for future programming.

Figure 1: The process in brief



*Overall, the process included more than 250 interviews, primarily with Tunisian actors.

PEA as a set of tools

The country-level analysis was carried out around five PEA lenses, adapted by Byiers and Vanheukelom (2016) to build on numerous PEA tools applied in different fields². These lenses (see Figure 2 below) are used to help systematise existing information and that which was brought out in interviews in a way that helps understand consequences. They were also used to structure the country PEA study, starting from structural and foundational factors such as geography, history and demography, and then exploring the 'rules of the game' including existing policies and informal ways of working, mapping the actors at stake, diving deeper into relevant sectoral dynamics and examining the role of external actors, among which we counted ourselves, and our funder the EU among other external actors.

² This has been applied to regional processes by ECDPM, <https://ecdpm.org/publications/doing-regional-development-differently/> and more recently to sustainable food systems: <https://ecdpm.org/wp-content/uploads/Food-Systems-Approach-In-Practice-Guide-For-Sustainable-Transformation-ECDPM-Discussion-Paper-278-2020.pdf>

Figure 2: Five lenses for political economy analysis



Source: Authors elaboration, adapted from Byiers & Vanheukelom 2016

Overall, the process saw more than 250 interviews with a range of different thinkers and stakeholders in Tunisia, both in Tunis and in six provinces. The ‘co-production’ took place both through joint key interviews as well as workshops at the EU delegation with a wide range of delegation staff. Regular update briefings on the on-going research were also followed by general or thematic discussions with EU staff. This mix of fora to discuss emerging analysis at various stages along the process allowed open discussion between European and local staff, between staff in different units, and between those who had been in office for short periods and those with a longer record. Feedback suggested that this may in fact have been one of the most useful aspects of the PEA approach and experience - presentation and internal discussion of a diagnostic of the situation in the country and therefore the potential roles played by the delegation.

Beyond the five lenses, other conceptual frameworks were used to facilitate discussions and test out ideas about actors and interests that could feed back into the analysis or be further tested with external experts. One such framework was a stakeholder power mapping, to pinpoint allies, blockers and potential coalitions around certain reforms. This revealed some ‘blind spots’ and helped clarify the importance of considering the views of actors like the Islamist movement Ennahda or the labour trade union UGTT - societal forces to be reckoned with but often not considered by external actors due to their different values or working methods. Emphasis was also put on the importance of tacit knowledge and soft information, or information that is local, contextually bound and usually difficult to codify in reporting to headquarters (Honig, 2018).

The analytical phase also used the ‘rents space’ typology of the private sector to distinguish between rentiers and competitive producers and between companies focused on exports and on the domestic markets (Pritchett and Werker, 2012). The context of Tunisian trade, with exporting companies submitted to an altogether different tax regime than domestic companies, made this framework very relevant to assess the drivers and blockers of policy changes pertaining to taxation and regulation (see Table 1 below).

Table 1: The ‘rents space’ typology of private sector actors

	High rent	Competitive
Export oriented	Rentiers Natural resource exporters	Magicians Manufacturing and service exporters, other agricultural exporters
Domestic market	Powerbrokers Legislative monopolies or oligopolies, natural monopolies or oligopolies	Workhorses Traders, retailers, subsistence farmers, the informal sector

Source: Pritchett and Werker, 2013

The analysis and workshop discussions also used the concept of political settlement³, as a way of summarising the distribution of power underlying the politics of a country, both horizontally between different ‘elite’ factions, including political parties and other groups vying for power, and vertically, in terms of how they interact with societal groups and the bureaucracy, for example. This looked in particular at the political settlement in Tunisia both before and after the 2011 revolution. This was useful to help think about and discuss the potential political traction behind reforms, and the level of authority the government might have to ensure policies are implemented. The main

³ Di John and Putzel (2009) define a political settlement as “the balance or distribution of power between contending social groups and social classes, on which any state is based”. This allows one to conceptualise (sometimes through visuals) the overall rules of the political game in a country at a given moment, and compare them with other countries or other moments.

features and dynamics of the Tunisian political settlement and the revolution were some of the initial PEA’s main findings (see Table 2 below).

Main findings⁴

Though this paper does not attempt to present the full country analysis, this section summarises some of the key findings that emerged and that shaped later programming discussions.

The country level PEA suggested that the Tunisian political settlement has evolved since the 2011 revolution from an authoritarian system under Ben Ali into one of competitive clientelism. Such a system is characterised by a highly fragmented, competitive political arena with short-term struggles over access to resources in order to maintain the support from particular constituencies - there is no dominant elite that can exercise control over underlings or with sufficient clout to silence or coerce elite competitors. These struggles often involve cronyism and corporatism, while sapping the resources and capabilities of the state to implement inclusive public policies. Due to a lack of a dominant elite faction that controls access to the public service, subsidies, and access to certain public goods, etc, longer term policy making suffers. In Tunisia this is most visible in the difficulty of satisfying multiple demands from the large base of unionised public workers, powerful business owners with political weight, while dealing with a high and rising budget deficit.

Table 2: The Tunisian political settlement before and after the revolution

Before 2011: Authoritarian	Since 2011: Competitive clientelism
<ul style="list-style-type: none"> • Strong authoritarian executive supported by most workers and employers • Social contract providing health, education, basic living standards, security, development in exchange for submission • Disciplined bureaucratic 'pockets of efficiency', generally competent • Centralisation of decision and corruption at high level – integrity enforced by fear at lower levels 	<ul style="list-style-type: none"> • Disputed elections, fragmented parliament and frequent fragile coalition recompositions • Competition for resources (incl. for political funding) between many small structures and pressures on state to deliver rents • Weakened social contract, democratisation of corruption, low tax compliance • Reduced State income & increased expense – mounting debt • Weakened/diluted public action, blockages • 'Rentier economy'(regulatory – gatekeeper state); public salaries represent 70% of revenues

Source: authors' elaboration

Competitive clientelism in Tunisia results in a political and economic status quo characterised by a relatively closed domestic economy, widespread corruption, neglect of peripheral areas, and the proliferation of the informal sector

⁴ This section draws on the unpublished political economy analysis country report by ECDPM (2019) carried out as part of the work described here.

and smuggling. These features were also present before the revolution, but arguably better kept in check⁵. A key response from the coalition government since the revolution consists of 'buying social peace' via public sector hiring and widespread subsidies at the cost of an unsustainable deterioration of public finances. Meanwhile, the Tunisian tax system remains symptomatic of a weak social contract, with widespread fraud, but also over-generous allowances for professional services, for example. Though the revolution unarguably led to a far greater space for public expression, implying a degree of greater accountability for the political class, the opposing forces greatly reduce the space available for necessary reforms to take root, with key groups defending particular interests and rents linked to monopolies, reinforced by proximity between political and economic elites.

The analysis highlighted the preeminent role of the state in almost all aspects of economic life - a vestige of past attempts to balance cold-war politics. This had resulted in a bloated state, including state owned enterprises, with heavily unionised workers, where the main labour union, the UGTT, operates as a major political player. The Ben Ali era (1989-2011) had at the same time fostered a narrow business class with a limited number of large groups controlling many of the key domestic sectors in the economy. An 'offshore' regime, excluded from most tax and social requirements, is the home of the export industry. As such, the domestic economy is also dominated by the union of enterprise owners, UTICA, whose interest is to maintain existing businesses, rather than invest to create employment *per sé*. Both UGTT and UTICA wield significant political power, not least given the fragmentation and in-fighting taking place at a political level, but also having been externally legitimised through their 2015 joint winning of the Nobel Peace Prize for their role in the revolution⁶.

Analysis and discussion of the political settlement therefore suggested that the 'competitive clientelism' identified was not a good basis for pushing big-bang reforms, but rather signalled a need to promote small-scale, iterative change, working with champions within the system. That is more difficult than offering support in exchange for a set of clear reforms with a government that is politically committed and bureaucratically capable to see it through. Looming elections and political games at the time of EU programming were taking all the political attention, again reinforcing the need to lower reform ambitions of the EUD and focus on small and incremental changes. Further, though there were and are clear societal demands for change, the labour union UGTT and its business counterpart UTICA remain strong political players in favour of the economic status quo, thus posing a challenge to the government but also to the EU as an external actor seeking to promote economic reforms.

Despite the arguable weaknesses of the World Bank's '*Doing Business*' ranking, discussions with government officials suggested it had high-level political attention, offering the potential to explore wider reforms within this framing. Such an opportunity for reform momentum seemed to be building in the form of the "Startup Act" (Sold, 2018), a recent law passed to facilitate access to foreign exchange and ease the bureaucratic requirements for online start-up firms. This was seen as a politically 'neutral' bottom-up success story of passing legislation to encourage and facilitate the conditions for start-up companies, with low enough bearing on established interests to avoid stirring up resistance⁷.

Another range of findings relate to the increased political plurality in the country. Consequently, the range of relevant interlocutors for international actors has diversified, which brings its own complexity compared to the pre-revolution situation of essentially one interlocutor - the regime.

⁵ For instance, before the revolution an unwritten rule of the game was the tolerance for informal trade (e.g. of fuel smuggled from Libya and Algeria) in the Southern half of Tunisia, whereas this tolerance now de facto extends almost all over the country (ECDPM, 2019).

⁶ See the Nobel Peace prize press release here: <https://www.nobelprize.org/prizes/peace/2015/press-release/>

⁷ The Startup Act, passed in April 2018, allows any resident company with the "startup" label to bypass restrictions to converting dinars in foreign currencies - a significant hindrance for Tunisian firms competing internationally (Sold, 2018).

Finally, given the principle revolutionary gain of freedom of expression, a potentially important avenue for support from the EU was seen as helping support the emergence of an enabling space for non-state actor dialogue among themselves, with government, and with external players, and supporting them in delivering on agreed public goods. Hence a clear conclusion from the studies was also the need for societal demands, coming from researchers, opinion leaders, media, watchdog organisations, to match the ‘supply’ of any reforms. The level of public dialogue around government policies, and in particular economic governance, is generally ill-informed, limited and fragmented. This suggested the need to examine how the EU might apply its instruments to support this demand side.

From PE analysis to approach

The challenge of translating such analysis into specific action is well-known to practitioners and can often be the reason that PEAs end up as a one-off, standalone study. Here, the country-level PEA report was accompanied by a note dubbed the ‘landing strip’, which aimed to help the transition from analysis to more operational decisions.

Based on the political economy dynamics laid out in the country-level study, the ‘landing strip’ document sought to lay out what the EU’s engagement strategy could, and potentially should, be dedicated to in terms of reform openings. It identified potential entry points with ‘political traction’, identified as either benefiting from initiatives underway, or reflecting existing demands or pressures for reform. It also reframed issues to seek a balanced narrative integrating not only European views and views from the Tunisian centre of power (the economically dominant coastline and the Tunis region), but also from frequently marginalised regions.

This allowed us to propose twelve reform areas to investigate further in terms of the more specific political economy dynamics around them, and to engage with the EUD in a dialogue about its assumed contributions to such change dynamics and envisaged outputs/outcome:


1. Support to the Court of Auditors & Parliament
2. Professionalisation and renovation of the media
3. Towards effective and productive pluralism - social inclusion
4. Transparency of the administration
5. Reform of the administration and collection of VAT (and taxation beyond)
6. Operationalisation of the Startup Act
7. Financial inclusion
8. Exchange Code
9. Public-private partnerships
10. Opening the domestic market and facilitating investment
11. Port productivity
12. Social system: social security and compensation fund

We created an ‘action fiche’ for each of the twelve areas. These then helped frame further structured discussions with teams at the EUD around these policy areas before we applied the following “5As” to help think through plausible paths of change in these areas and the appropriate level of ambition in its support strategy for the EU to adopt (see Figure 3).

Figure 3: A heuristic tool for framing PE-adapted engagement


Five A's for achieving a 'good fit'

This leads us to view the policy implications in terms of five A's: Alter, Adapt, Avoid, Await or Abandon.

ALTER



Trying to **alter** the influence of structural and foundational factors and inter-state regional relations is challenging in the short to medium term. At a minimum it requires that long-term influences and structural factors be acknowledged in policy design.

► **Key question:** Given the context laid out using the five lenses, what are the chances of being able to alter the interests of key stakeholder groups and actors?

ADAPT



A deeper understanding of the particular drivers of progress in specific sectors (often taking the form of willing coalitions) and of the incentives and constraints within and between states may inform policy reforms or support strategies to **adapt** to current drivers and constraints. This broadly relates to the call to "work with the grain" (Levy, 2014).

► **Key question:** To what degree can objectives be met, or can 'the problem' be addressed building on existing incentives and informal practices?

AVOID



In some cases, such an understanding may help policy-makers to somehow **avoid** political blockages to reform, or to explicitly design approaches to avoid blocking individuals or practices that undermine reforms.

► **Key question:** What are the prospects, but also the potential costs and benefits of working through alternative and/or parallel processes and institutional forms?

AWAIT


There will also be circumstances in which it is advisable to **await** more propitious political-economic circumstances.

► **Key question:** Are there some potentially important political or other *game changers* on the horizon that might offer better opportunities for reform?

ABANDON


Finally, in the worst of scenarios, the political economy analysis may suggest that existing interventions or projects in preparation stand little to no chance of success, implying that they perhaps should be **abandon**.

► **Key question:** Assuming none of the other 4 A's apply, is abandoning the intervention or reform politically feasible or desirable, and might any negative effects otherwise be offset?

The twelve 'action fiches' also identified information gaps to be filled, the nature of political traction, potential blockages, and the sources of external influence. This process helps to 'filter' findings from the PEA while retaining operational implications. These openings were then the focus of more detailed discussion and, for some, more in-depth sectoral studies, again zooming into what was shaping the current context, and therefore the potential for (externally supported) reform.

Box 2: The elements of the ‘Action fiches’ emerging from the country PEA

The key elements of each of the twelve fiches were:

- General lessons from the AEO countries relevant to the theme and guiding principles
- Application of 4 criteria to test the feasibility of reforms
 - Political traction
 - Positive dynamics
 - Potential blockages
 - External influence
- Selection among the 5 decision-making options ("5As") on the context of the theme in terms of structural factors, formal and informal institutional realities, and power relations
- Process implications
 - information gaps to fill
 - targeted case studies required or
 - consultations needed, etc.
 - on-going barriers or developments to follow
- Potential levers, modalities and indicators (in the case of budget support modalities)

Based on this analysis of the problems at a more specific level, the programming exercise could then explicitly link the government's stated objective to reform the business climate with interventions to support societal demand for a gradual change in the rules of economic governance. This resulted in the adoption of two strategic axes:

- Measures designed to unlock Tunisia's growth potential by reducing regulatory and administrative constraints on investment and entrepreneurship, improved access to financing, improved port productivity, access to foreign currency or more efficient tax administration;
- the strengthening of key institutions (the Court of Auditors and the parliament) and other actors (civil society, media, professional organisations) to ensure better control of spending and public policies and the promotion of an "economic culture" and pluralistic dialogues on the "why and how" of the reforms - through the strengthening of the media, knowledge production centres and other methods of socialisation/extension⁸.

In an extension to the original process, this work has been followed by further more sectorally focused PEA studies, which will follow similar iterative processes to inform programming and the longer programme life-cycle.

⁸ Along the way, the need for the EU to collaborate with other development partners including its member states resulted in a ‘repackaging’ to streamline common headings. This resulted in the following six priorities: Support for tax reforms and improved quality control of public spending; Transparency, digitalisation of the administration and development of the digital economy; Opening the domestic market and facilitating investment; Financial inclusion; PPPs and public enterprise reforms; Demand and inclusive societal dialogue for economic reforms.

3. From ambition to reality

Though following a clear process, creating and building this political economy approach into the programming process is not without challenges for a donor organisation.

The ‘authorising environment’ for thinking and working politically

Donor agencies in the field do not operate in a vacuum: beyond the context of the partner country, they face a wide set of political and bureaucratic constraints and incentives in their home country. This “authorising environment” of the donor includes political pressures and incentives in the capital. These constraints and incentives shape the space and boundaries within which development agencies can engage with their partners and cooperate with other donors. Among the constraints faced, Unsworth (2015) noted in particular that donors “*have strong incentives to demonstrate progress (...) and to tell an optimistic story to their own taxpayers*”. The type of preferences at political headquarters – for particular development fads, sectors, developing partners, etc. – or their risk averseness, spending targets etc. all influence the margins of manoeuvre of field agencies. There can also be a disconnect between headquarters and the countries of operation: “*it is difficult for agencies and their political leaders to acknowledge the depth and intractability of the challenges involved in addressing issues such as corruption and human rights*”. These problems “*are compounded when officials are under pressure to spend large amounts of new money within short timescales*” (Unsworth, 2015).

As Natsios (2010) discusses for USAID, the type and sheer volume of reporting requirements imposed by headquarters can play strongly against proper programme design and adaptive ways of programme cycle management, negatively affecting development effectiveness. Frequent staff rotation, moreover, plays against the build-up of expertise and institutional memory necessary to do so (Unsworth, 2015).

The ‘room for manoeuvre’ for an actor such as an EU delegation thus depends on wider organisational culture and political and bureaucratic decisions taken in headquarters. Andrews, Pritchett and Woolcock (2016) describe the key elements required for a donor agency to be “authorised” to conduct politically savvy approaches as follows: not just a one-off go-ahead and funding decision, but long-term support to act under conditions of uncertainty, trust, flexibility, and ‘grit’ i.e. “perseverance and passion for long term goals”. Honig (2018) calls it the authorisation for field agents to “navigate by judgement”. Together these then comprise the ‘authorising environment’ for a donor to think and act politically.

Defining ‘the problem’ - the ownership challenge

The EUD in Tunisia initially identified and framed the problem to be tackled as “corruption and the business environment”. From a donor perspective, this seems an obvious and relevant choice. Yet it raised questions around ownership: who defined the problem? Was it the main issue that the Tunisian government was grappling with, or rather the EU in Tunisia? And would using this framing skew the analysis in a specific direction rather than leaving things more open to findings from interviews? Other process related questions included: Would this framing allow for a more refined conversation around the political backing and capabilities of accountability institutions? Is the policy area not too broad? And, importantly, what is the potential for coalition building among political elite groups and societal groups to rally behind finding solutions.

Further, though corruption is widely-perceived to be a problem in Tunisia, it is also a broad concept, with different types of corruption having different types of development impact and therefore requiring different approaches to address them (see for instance Khan et al. 2019). Indeed, Ang (2020) suggests that while certain types of corruption

are extremely harmful for development prospects or for social service delivery, other types may even be growth-enhancing. The latter is the case, for example, if corruption intends to by-pass overly-burdensome regulations or to ensure that rules are designed to benefit promising business actors.

A particular concern about framing the study in terms of corruption was the defensiveness that this might engender from interviewees, and the risk of jumping to conclusions for programming based on a feeble knowledge foundation and normative anti-corruption blueprints. While corruption can take very different forms, with different development impacts, focusing on this would lead to a narrow focus on issues of transparency and the anti-corruption bodies set up, rather than a broader analysis of the main drivers and resistances to economic reforms. These questions and nuances suggested that corruption might not, therefore, be the best initial entry point into understanding the political economy of reform openings in Tunisia.

Although ‘the business environment’ is a similarly broad concept, it nonetheless appeared to hold more promise as a relatively ‘neutral’ topic that interlocutors were willing to discuss, with a clear link to the issues of investment and employment creation which were a focus in political discourse and the media. It also became something that interlocutors were quick to point to in looking at the need for reforms in post-revolution Tunisia. Further, government-stated aspirations to improve the country’s ranking in the World Bank’s Doing Business survey suggested that there would be willingness and openness to discussing how to achieve that de jure change in a way that could improve the business conditions for firms in a de facto way.

But though the business environment is relevant, in attempting to narrow down the focus, based on interviews with Tunisian stakeholders and deskwork, the real societal problem that emerged was unemployment, ostensibly the trigger of the 2011 revolution and an area where little was felt to have changed since. To paraphrase a statement that came up frequently: ‘we have political freedom but no jobs’. The real question facing external partners was therefore how to ‘unlock’ investment in job-creating sectors, and thus promote private investment and employment, given such factors as:

- the powerful role of business associations and employee unions, protecting existing jobs, particularly in the public sector;
- the anti-competitive role of large and well-connected firms operating in quasi monopoly and reportedly blocking newcomers;
- the dire state of public finances preventing significant new government intervention through subsidies or tax exemptions.

As such, the ‘problem’ that emerged as being more salient to a range of Tunisian stakeholders – with the potential for coalition building around problem solving – was how to promote economic reforms to promote investment, and thus employment, but particularly in terms of market structure and regulations that presently undermine employment creating investment, while providing rents to incumbent firms. Having therefore agreed to be more adaptive in our framing, as the work progressed, the framing increasingly settled on issues of ‘economic governance’ - a term that was broadly understood across Tunisian stakeholders as i) being a relevant concept and ii) a useful framing to address the thorny political issues of state-business relations that really seem to be at the crux of the blockages and frustrations that the EUD was experiencing in its programmes.

This then emerged as a more useful focus for the analysis than corruption and the business environment, even if these themes remained part of the picture.

Balancing programming ambition with the authorising environment

While identifying a conceptual standpoint that also aligned with domestic political interests led to more open scope of analysis, as work progressed it transpired that the initial “corruption and business environment” framing had been selected to facilitate EU programming. As well as having a logical connection, combining corruption and the business environment was a way to coherently combine the programming and activities of two units within the delegation, dedicated respectively to governance and economic growth.

At a bureaucratic level this was important as, based on European commitments to ensure efficiency and effectiveness in aid delivery, EUDs are required to limit the number of ‘priority areas’ around which programming can be carried out, thus requiring a combined approach (see for instance EU, 2018). As such, beyond providing contextual analysis for future programming, as it transpired, the request for political economy analysis was also (less visibly) a way of providing a coherent logic to combine the planned work of two separate units in the delegation.

In addition to those internal dynamics, the PEA support was also a way to ensure that EU programming could take account of a range of other more donor-focused factors. That is, it was able to look at the relations between the EU headquarters and its delegation on the ground; between EU Member States and the EU in terms of their priorities, and most importantly, how EU interests related to those of Tunisian actors. Together, all these combinations of relations shape the opportunities or constraints for supporting or promoting reform, given the incentives and interests at play. As such, the final country-level analysis touched on issues such as the stalled trade discussions with the EU, diplomatic tensions around migration and movement of people, and the limits of external influence (including through budget support) given the relatively low share of external finance in the Tunisian budget. Together, this analysis could help the EU to better gauge what traction it actually holds to support and promote reforms, and to adjust ambitions accordingly.

An additional layer of constraints to the delegation’s room for manoeuvre stemmed from its relationship with other development partners. A case in point is the collective capacity to coordinate support between donors, all the more in the case of budget support. Leverage may be higher if they pool funds and where it is a priority of the EU to exert some leadership or at least foster coordination among member states (Koch et al. 2016; EU, 2018). However, reality is often one of fragmented approaches due to the inertia and difference of interests, agendas, calendars and policy languages, where a PE approach by one does not necessarily lead to buy-in from others.

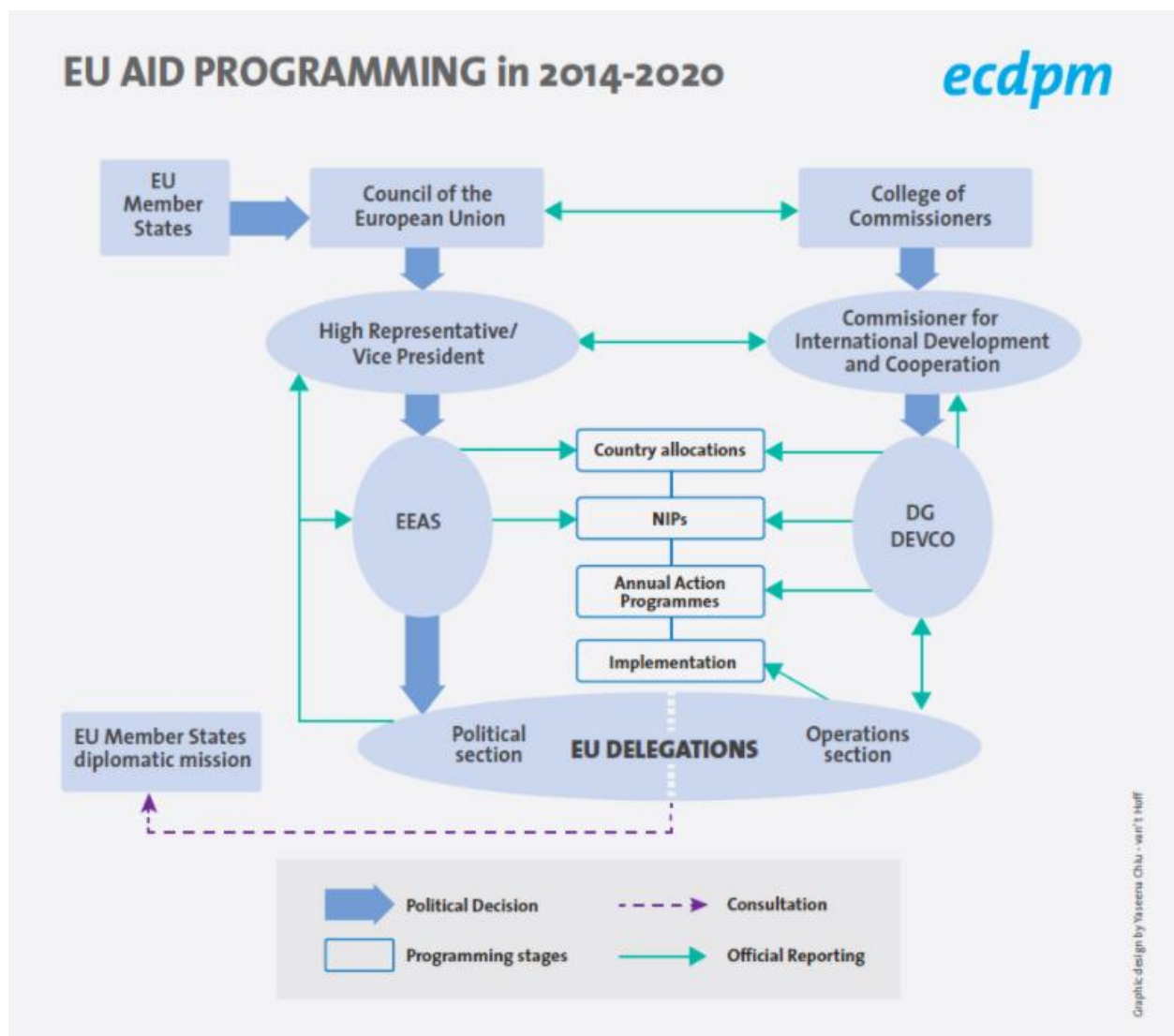
Space for thinking and working politically - the top down challenge

The bureaucratic culture and rules of the game of a donor are part of the authorising environment. The rules, for example, for programming (as part of the broader Programme and Project Cycle Management guidelines, PPCM) invite EU staff to prepare context analysis, stakeholder mappings - with elements of political economy analysis - as well as to identify risks and assumptions (EU, 2018).

Although a PE approach - with its emphasis on discretion from field agents, incremental changes as prioritised by domestic stakeholders, time-consuming iterations through dialogue and analysis, and adapting the course of programme implementation to changing circumstances - are beyond these basic requirements, in the current project there was a clear will within the EU Delegation to improve working methods and ground the EU’s spending in Tunisia in a better understanding of the context (EU, 2018a). This created an opening to push some boundaries on the way to thinking politically and to alter bureaucratic behaviour in ways that move towards a PE approach. The Tunis delegation used this opening, but faced some challenges in doing so that restricted its discretion or *room for manoeuvre* and that affected the degree of uptake of the PE work.

Figure 4 below summarises the main steps and actors involved in the overall process of programming EU aid for 2014-2020⁹. This highlights the sheer number of actors involved and the complex accountability chains involved - and thus the limits to how far delegation staff can be flexible and adaptive when they try to do so. For instance, both political and operations sections of a delegation need to be on-board with the programming, but they depend on structures that report respectively to EU member states (in the intergovernmental Council of the European Union) and to the supranational Commission. For delegations the situation is further complicated by interactions with other international partners in the country, and of course the domestic political and economic context.

Figure 4: Accountability and decision channels for EU aid programming



Source: ECDPM

⁹ Tunisia being located in the region neighbouring the EU, the responsibilities of DG DEVCO in the figure were in fact assumed by DG NEAR.

As the above discussion already indicated, the process of discussing scope and focus with the EUD revealed a tension in PEA processes: on one hand there was a somewhat optimistic discourse suggesting ‘clean sheet’ thinking, where a solid political economy analysis would lead to identifying areas for external support with political traction and feasibility, and thereafter a discussion of what instruments to use and how. In reality, administrative constraints and political decisions mixed with ‘path dependencies’ meant that some decisions had been, or were being, taken as the PE process unfolded, thus creating a disconnect with the real world of complexity and contingency but also independent of the highly contingent, post-revolutionary context. That is not to say that the PEA did not still help steer decision-making in terms of overall approach and some of the details of implementation.

Examples of such pressures from EU headquarters include the need to ensure that the increased budget was spent, that it was predominantly spent through the aid modality of budget support (so as the EU could continue to have a ‘place at the table’ of large budget support donors, EU 2018), and that it was spent in a way that aligned with the concern for visibility of the EU (a standard requirement in EU spending). Other examples include the need to avoid multiple small projects which, even if making logical sense, would signify over-demanding financial management needs.

Budget support amounts to funds transferred directly to the government’s budget, conditional on numerous ‘indicators’ (*de facto* conditionalities) previously agreed with government policy makers (DEVCO, 2017). It relies on the idea that some reforms and policies are desirable but there may be insufficient incentives for Tunisian policy makers to see them through, and that the financial incentive of receiving disbursements (or ‘tranches’) of budget support can make the difference and ensure that progress is made in a timely manner. This assumes a form of leverage through funding and policy dialogue with partners: in its simplest form, the idea can be to ‘buy reforms’ at the same time as supporting the country’s finances and its own priorities (Koch et al. 2016). Evaluations, many carried out by the EU, have highlighted the mixed results, especially questioning this assumption. Budget support often leads to a developing partner “signalling” a preparedness for – often wholesale – reforms but failing in the hard tasks of implementation. It works best when a government is already committed to reforms and when the bureaucracy has basic capabilities for translating policy in practice.

Grounding budget support in a solid PE analysis is therefore important as it helps to identify the nature of political drive behind reforms and helps assess the quality of state capabilities for implementation of reforms. Indeed the EU’s Budget support programming guidelines (European Union, 2017) make ample reference to the usefulness of PE analysis and to the fact that, if well done, such analysis can help with informing the level of ambition for reforms, the type of policy dialogue to engage in, and the mix of flanking measures to strengthen resolve and capabilities for implementation. There is a balance to be found between conditioning disbursement of funds on a reform that is already underway or imminent, and one which seems likely to fail due to internal resistance. The (rare) ideal middle ground is a reform which might pass with the right incentives in place. While PE analysis could be considered as a bare minimum before engaging in a method to channel funds which relies on conditionalities and exerting leverage to promote policy options, the reality is that it can only provide a partial answer (e.g. Vanheukelom, 2012).

The PE analysis at country level suggested that the EU, despite high volumes of funds relative to other donors, it may still not have sufficient leverage to trigger meaningful change through indicator conditionality only, even with an increasing budget, given the relatively small share this represented of overall government resources - and notwithstanding the real direct impact of the funds in themselves. However, though a wide literature addresses the limits of the budget support paradigm (e.g. Koch et al. 2017; Orth et al. 2017) and the PEA suggested limited leverage, the EU mission had to rely on budget support to ensure ongoing policy/political dialogue with the government as well as for disbursing its increased funds. In the process, the EU mission sought to co-produce a set of indicators as rooted in political economy realities as possible.

Other constraints to PEA uptake - the bureaucratic challenge

The PE analysis as well as the underlying programming logic both stressed the need to combine the economic growth and governance interventions in one coherent package, requiring effective collaborative arrangements between the respective units in the EU Delegation. The resulting support programme did lead to interventions that are complementary, but it remains a challenge to ensure coherent implementation across the two sections involved as the content focus, working methods and incentives tend to differ. An example is the preference to use budget support for work related to economic growth, where PEA can influence decisions on indicators to use, vis-à-vis the use of multiple projects to influence the governance dimensions which can be designed in a more adaptive, targeted manner according to the actors, interests and incentives uncovered by the PE analysis.

The space for thinking and working politically is also constrained by formal rules, for instance regarding budgeting procedures. As is well known by practitioners across the international community, these rules tend to be intricate, full of justifiable safeguards to ensure accountability to tax-payers at home, but therefore lacking flexibility and adaptability to local context. This is of course not unique to the EU, but again highlights a challenge to designing programmes that fully build in the flexible adaptation necessary to continually adapt to the political economy reality. A striking example is the need for projects to have a high minimum threshold in order to be financed with manageable administrative burdens - thus necessitating creative means to finance small projects and organisations - a constant concern for any external agency, but one that becomes more acute in the context of increased funding to the partner country.

To address this, the EU Delegation embraced the challenge of seeking creative solutions for the proposed project support, targeting a wide range of societal actors on the “demand side” and who needed only small amounts of funding. It commissioned mappings to identify the change drivers, including at the local level, and understand their specific needs so as to be able to provide customized support. This required additional effort from key staff to explore the modalities available and find the implementing agencies that can manage these smaller contracts on behalf of the EUD, amongst others through cascading mechanisms.

More widely, it is recognised that taking a political economy approach takes time which needs to be budgeted to avoid a phenomenon of ‘PE-washing’ - when too little analysis is applied to too broad topics. Cultivating networks of local experts and relying on their insights rather than reinventing the wheel was one key way to avoid stretching this PE project too thin. But it is important to keep in mind that taking a political economy in general requires a willingness and ability to question some assumptions, and doing extra research where the donor had not anticipated - or may not perceive - the need, without asking for an extension. Our lesson is that PE projects need ‘buffers’ - specific budget lines that cover the ‘expectable unexpected’: needs that could hardly be predicted at the time of planning.

Ambitions - defining PEA success

The EU is an important donor and partner to the Tunisian government, but even then, its level of leverage on reforms is limited, and arguably declining in the face of growing influences from other external players, including the Gulf States. That finding from the PE analysis therefore already signals the need for remaining realistic about what an external actor can do to affect change and to be aware that any kind of wholesale change in reform readiness is likely to be over-ambitious¹⁰.

¹⁰ A potentially interesting example which the EU considered a success, not studied here, is the EU’s blacklist of countries of ‘tax havens’ and those considered to be at high risk of money-laundering and terrorism financing to which Tunisia was added for a period in 2018, [leading to a near immediate reaction from the Tunisian government](#)

Indeed, some of the PE findings most helpful for the EU's programming included suggestions of *what not to do*. This was also consistent with the implication of the analysis to focus on a small number of areas in order to develop strong analysis and networks and gain leverage with like-minded stakeholders, as opposed to spreading efforts too thinly, also consistent with the EU's own practice of limiting itself to a few 'sectors of concentration' (EU, 2018). One example of this is the area of port reforms, frequently raised as an important area to tackle in Tunisia, with concerns of inefficiency, corruption and the negative impact on trade and investment of delays in shipment and added costs. However, given that other development partners (not least of which the World Bank) were already working on anti-corruption efforts, conducted under the umbrella of 'port productivity' and modernisation, the PEA suggested that the EU did not yield a strong added value in this area. Indeed, adding elements of port reform to the EU's list of priorities to support with funding might have risked being counter-productive by incentivising 'signalling' rather than genuine reforms already promoted by other donors.

In this respect, carrying out PE analysis as part of a programming exercise is useful to question the assumptions that underpin support. As discussed above, funding decisions are taken for reasons that go beyond the scope of those designing a programme or intervention, and flexibility is somewhat limited by administrative rules, even when a process was designed to embed PE analysis in programming. But the more politically informed basis already helps internal champions to look for more flexible ways of adapting support. In this case, it provided a useful framing and plausible pathways to change through support of civil society organisations and the other accountability mechanisms that provide demand for the reforms. This recognition of the importance of fostering and building on demand from non-state constituencies to overcome reform resistance, seeking to create spaces for engagement between state and non-state actors, and identifying issues to work on where reform is more feasible, chimes with experiences elsewhere such as Nigeria (Williams and Owen, 2020).

Even where potential reform openings are identified, effective change takes time and depends on multiple actors and factors to take effect - the complexity issue raised above. Changing coalitions, not least due to election processes, also upset the balance of interests and political priorities. A key benefit of the PE approach is therefore simply the opportunity to provide a platform to reach a common understanding of these changing dynamics, to unpack complexity and start talking about risks, and to socialise the choice of strategy and implications for programming and implementation.

The experience in Tunisia also highlighted the benefits of the opportunities created for staff to gather in one place (pre-COVID) to argue around the findings of the PEA study. This discussion, mixing inputs from staff from different units, with different levels of international, regional and national experience, from Tunisia itself and from Europe, and with different levels of interest and understanding of political economy issues, was arguably the key benefit of this work. Merely by having this shared understanding, the discussions of how to identify openings changed from a discourse of 'we know what they need to do, if they'd just do it' to 'who is interested in this reform taking place?'. As Williams and Owen (2020) find for UK work in Nigeria, "*The real value of [political economy analysis] is not in 'picking winners'... but in embedding ways of working that allow the right questions - and their answers - to be generated reflexively through the lifespan of a programme*".

In the case of the EU in Tunisia, the process is still on-going, but feedback from the process discussed here suggests that the conversations that it provoked, have already begun to alter the terms of discussion around programming. This has led to further demand for additional PEA studies (e.g. on the justice sector) to continue to build such discussion and thinking into the wider internal dialogue. As such, the impact of PEA may not always be very visible. As Dasandi et al. point out (2019), assessing the impact of such projects explicitly designed with principles of 'thinking and working politically' in mind can rarely cover the outcomes of projects, and it focuses instead on process-level

results (such as who is involved and consulted). This is valid for the present note: as a slow and largely bottom-up change to bureaucratic culture operated, no single success story can be easily pinpointed. Further, often PEA will help see what “*not to do*” rather than providing prescriptive recommendations, which generates less of a ‘good news story’. Even if high ambitions are useful to initiate momentum, a good PE analysis will generally lead to revising down ambitions, and can even give some a sense of ‘paralysis’ when the political economy context is laid bare.

4. Concluding remarks - the 'so what'?

To help address difficulties encountered in supporting and accompanying substantive reforms, the EU delegation in Tunisia sought support to carry out political economy analysis that would feed into their programming process. This reflected an ambition to think and work politically at a difficult moment when the delegation was tasked with upscaling funding in a complex local environment. Innovatively, this support combined the 'co-production' of political economy analyses - relying on broad consultation of Tunisian stakeholders - with training and discussion workshops, both inside the delegation and outside, and with other development partners. This offered the promise of better navigating the highly complex context of policy reform in post-revolution Tunisia, and designing bespoke support programmes. This paper summarises some of the lessons from that experience, some of which are primarily relevant for donor staff seeking or considering relying on PEA, and others for practitioners providing PEA support.

It may be too early to say conclusively how far the EU delegation has progressed in moving from PE analysis to PE approach, but the experience documented here presents a positive picture of what can be done when there is commitment to effectively apply political economy thinking in a large donor agency, even given the limitations of the political and institutional environment. This experience also confirms one of the principal assumptions of carrying out PE analysis - that by better understanding context, and the institutional structures that shape actions, it can also lead to more realistic ambitions and helpful discussions about how to spot openings and support change agents.

It is by now well-recognised that donor staff are often under pressure to disburse substantial funds within a strict time frame, but constrained in their ability to fully and creatively exploit their knowledge of 'how things work' in the country where they operate. Constraints stem in particular from the safeguards and intricate procedures that regulate development assistance. Though the discourse and 'culture' of thinking and working politically is gaining ground among many development practitioners, this is arguably less the case at the country level where operations take place, where it often comes down to the awareness and interest of individual practitioners. Some donor organisations are striving to build in more flexible, adaptive approaches that take political economy analysis to the next stage - that of political economy approaches to development, where the analysis is fully built into programming cycles to allow more iterative and adaptive implementation of programmes - but there is also a risk of employing the language of political economy approaches without the practice. While a political economy analysis is a basis to identify context-specific change dynamics, it requires additional creativity to effectively use the conclusions of such a study where available support instruments and modalities are ill-adapted to allow flexible adaptation as programmes are implemented, lessons are learned and contexts change.

Implications for donor agencies

1. PE analysis is a basis for identifying what is realistic and what isn't. While explicit acknowledgement of the power and interests shaping reform outcomes can be 'relieving' for some, others can find it 'paralysing' as it underlines the complexity of the context in which generic support instruments have to operate. This reality check is likely to recommend modesty in ambitions that can be hard to sell to within an agency, but can also help solve expectations-delivery gaps. It may also help to foster better informed decision-making on when to use budget support and when not, considering the domestic traction behind particular reforms.
2. A PE approach is more demanding, as it requires continuity beyond one-off studies, hence requiring champions and internal buy-in within an agency, and coalitions of support among colleagues and country counterparts. But it also holds more promise for progress in areas based on genuine domestic traction rather than on donor priorities - hence placing at the centre again the long-standing priority to ensure that recipient country actors are in the driver's seat for their development.

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3. Depending on the space available in a given context, it is preferable to involve domestic actors and stakeholders to the maximum possible. This can be done by framing the whole exercise as a way for the donor to better understand reform dynamics and provide more relevant forms of support as well as by ensuring an extensive consultation of public and private actors. Ideally, the resulting PE analysis is equally shared with local constituencies. The credibility of the process is vastly enhanced if the donor is able to openly discuss its own political economy realities and constraints (instead of focusing only on the partner country dynamics). This creates a level playing field for balanced dialogue and joint identification of priorities.
 4. A PE approach can also act as a change management tool, helping to link different sector units through combined analysis and programming, scaling up support through multiple instruments and aid modalities targeting both the 'supply-side' of reforms (through budget support) and the 'demand-side' (through complementary measures / project in support of domestic constituencies).
 5. Openly discussing the room for manoeuvre considering internal constraints is useful and can help to find creative solutions to provide tailored financial support within the existing procedures. This includes a dialogue with other parts of the donor agency system, particularly headquarters. Political and managerial actors at that level also need to be convinced about the added value of adopting a PE approach - some aspects of which may entail the risk of antagonising the partner country if poorly communicated, and negatively influencing the level of budget support provided.
 6. Some of the benefits of a PE approach relate to identifying what not to do, but also where timing may not be right for specific interventions. The 5 As presented in this study aim to help see how to go from an ex-post understanding, to thinking about how much leverage, creativity or patience a donor has to alter incentives, adapt, avoid, await or abandon.

Implications for practitioners

1. The actual purpose or expected outcomes of the PE approach must be clarified early in the process - in terms of establishing the limits of analysis, but also in terms of defining problems, finding the best framing, and setting out a path on how to remain open while ensuring sufficient focus to be practically useful.
2. Ongoing buy-in from core staff with managerial responsibility is key to effectively adopting a PE approach in cooperation processes. While the buy-in can start with committed individuals, it needs to be embedded in the overall organisation and geared at ensuring continuity, even despite staff rotations.
3. It is useful to recognise that small gains can be made in initially unexpected places, for instance in terms of choosing which actors to get around the table, which themes or support modalities to invest in, and in simply getting some conversations going. All such small gains can combine to bring about slow changes in mentalities and language that begin to build in a more politically aware approach to programming support.
4. Though one can build on the wide array of tools like PE lenses, there also has to be an element of experimentation and navigation by judgement, especially in socialising the PE analysis and translating into programming recommendations. Ad hoc tools, such as the fiches and 'filter' process used here, can help clarify how much need there is for more fine-grained analysis and information at each step of the way, and to prioritise efforts.
5. Carrying out political economy support itself must build in flexibility, given the need to question assumptions, sometimes requiring unanticipated extra research. One lesson is that PE projects need 'buffers' - specific budget lines to 'prepare for the unexpected'.

Finally, thinking and working politically progresses through 'champions'. Williams and Owen (2020) find that success only emerges if and when programme managers are "willing to embrace risk, flexibility and experimentation at the level of both intentions and targets". The experience summarised in this paper suggests that even within relatively inflexible bureaucratic frameworks, programme managers who want to think and work politically can find ways to

do so. This requires them to secure more than a one-time go-ahead from their hierarchy, however. It requires building up momentum and adding value to their whole structure, for instance by brokering between units. It requires a degree of persistence, or 'grit'. This reliance on champions is both a blessing and a curse for political economy approaches: staff rotation ensures the 'contamination' of an increasing number of structures, but it can also undermine the achievements if they are not upheld by new champions.

Political economy analysis tools and approaches remain a work in progress. Indeed, the propagation of political economy thinking is a slow and gradual process, even within a relatively small and cohesive organisation or office, but all the more for the large European external action. On that basis, the relatively humble benefits found here are also a good starting point for more substantive changes to how development support is programmed and implemented in partner countries.

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HEAD OFFICE
SIÈGE

Onze Lieve Vrouweplein 21
6211 HE Maastricht
The Netherlands *Pays Bas*
Tel +31 (0)43 350 29 00
Fax +31 (0)43 350 29 02

BRUSSELS OFFICE
BUREAU DE BRUXELLES

Rue Archimède 5
1000 Brussels *Bruxelles*
Belgium *Belgique*
Tel +32 (0)2 237 43 10
Fax +32 (0)2 237 43 19

info@ecdpm.org
www.ecdpm.org
KvK 41077447