



A 'HOW TO' NOTE – DOING REGIONAL DEVELOPMENT DIFFERENTLY

A political economy analysis framework for identifying drivers and constraints to regional integration

WHAT AND WHY

A wide range of political economy analytical frameworks and tools have been developed for country and sector level analyses, for problem driven approaches, and for better understanding the effects of global dynamics on the domestic political economy. Yet regional processes of cooperation and integration have largely been overlooked.

To fill this gap, ECDPM sampled and adapted existing tools to analyse the political economy of regional cooperation and integration. The resulting analytical framework benefited from the upswell in political economy research, sector analyses and from insights from international relations.

Our main focus was the oft-cited implementation gap between the political rhetoric on regional integration in Africa, and the sobering results on

the ground, despite the wide range of institutional mechanisms created at the regional and continental level. The resulting insights aim to systematise knowledge and insights, contribute to policy debates and efforts to improve development results of regional dynamics, going beyond the 'usual suspects' for slow progress: 'lack' of *political will and capacity*.

Thinking regionally means addressing the complex interactions of *within-country* politics with those playing out *between-countries*. That implies understanding how the actors, factors and interests that shape economic and political dynamics within countries also affect regional processes, played out through formal and informal 'rules of the game', including power games. All these are often influenced by global drivers. Given the strong dependence on donors, the political economy of donor behaviour and how it impacts on regional organisations merits special attention.

ECDPM's five-lens framework is a way to systematically examine how *foundational factors, institutions, sector characteristics* and *external factors* influence and shape the roles and interests of different key actors and stakeholders in pursuing regional objectives. This *How to Note* summarises the key features of the tool and specifically suggests the questions that practitioners should ask when looking at engaging in regional processes.

A FIVE-LENS TOOL

In all regional dynamics, five broad sets of political economy actors and factors interact with one another and shape or influence the incentive environment, behaviour and ideas, as well as the distribution of resources, rents, and power. This political economy tool proposes five lenses to unpack the actors and factors in regional dynamics.

¹ For drafting this five-lens framework we consulted and combined politically economy tools developed by DfID, EC, World Bank, AfDB, ODI, OECD and others.

² This Discussion Paper contextualises, explains and illustrates the five-lens framework. It has been field-tested and applied to a political economy analysis of Africa's six largest regional organisations.

Five lenses of the political economy framework and key questions

POLITICAL ECONOMY LENSES

RELATED KEY QUESTIONS



STRUCTURAL OR FOUNDATIONAL FACTORS

- ▶ What are the hard-to-change, long-run, geographical, economic and historical factors affecting current regional dynamics?



FORMAL AND INFORMAL INSTITUTIONS OR RULES OF THE GAME

- ▶ What are the formal institutions or rules of the game (policies, mandates, laws, regulations, treaties, accountability mechanisms, etc.)?
- ▶ What are the informal norms, the ways of doing things, beliefs, customs?
- ▶ How do formal and informal institutions interact and shape the incentive environment? What is amenable to medium-term reform or change?



ACTORS, AGENCY AND INCENTIVES

- ▶ Which are the main groups and coalitions of actors that affect - and are affected by - the policies being analysed or discussed?
- ▶ How do institutions and incentives influence the main interest groups or stakeholders?



(SUB)SECTOR SPECIFIC TECHNICAL AND POLITICAL CHARACTERISTICS

- ▶ What is the nature of the policy area and how does implementation take place – is it politically salient, visible, or less tangible?
- ▶ How does the nature of the policy area affect the motives, choices, and roles of ruling elites and coalitions and their engagement with state bureaucrats?
- ▶ What are the governance and power dynamics that are particular to the sector or policy area?



EXTERNAL OR EXOGENOUS FACTORS

- ▶ What are the main relevant “global” and other external drivers that affect regional integration processes or regional organisations?
- ▶ How do these external factors influence the domestic incentive environment ?
- ▶ How do donors, for example, alter the incentive environment for regional organisations, for member states or other stakeholders? To what effect?



The first political economy lens identifies **foundational factors**. These are factors that are embedded in geographic, historical, demographic and economic characteristics in a country or region. Their influence may be hard or impossible to change. The history of state and region formation, natural endowments and sources of state income may impact on the interests that political elites have in regional processes.



A second lens looks at **institutions**, in this context understood as *rules of the game*. These can be formal, written or codified rules (in legal texts, etc.), but also informal, unwritten practices, which are associated with norms, beliefs, and customs. For *outsiders*, these informal rules are harder to discern and understand. How formal institutions interact with other formal and with informal institutions in a particular context helps understand why a particular institutional form is effective in a that context, and why the same institutional form is dysfunctional in another context.³



Thirdly, **actors, incentives and agency** need to be factored into the analytical framework. Actors are the 'stakeholders', or individuals and groups that are most relevant to the object of analysis as they support reforms, oppose or undermine it. Actors vary in their ability to exercise agency or their capacity to act and make choices, largely according to their economic, political and social power. The interactions between institutions and foundational factors create incentives

to which these actors respond. Ideas, beliefs, leadership capabilities and norms, also help explain the types of *interest*⁴ these actors pursue, and the potential for change, or the stickiness of the *status quo*.



A fourth political economy lens draws the attention to the combination of **political and technical features of particular sectors or policy areas**.⁵ Particular features in each sector influence the incentives and interests of providers, users and politicians in different ways, with often specific political and accountability implications (Foresti et al, 2013; McLoughlin and Batley, 2012). Certain visible sectors may have more political salience than less visible sectors, or sectors with more hidden benefits. More visible policies often imply more easily attributable credit or blame. The risks, for example, related to particular contagious health hazards or to cross-border spillovers of certain security risks may help explain why contagious diseases and violent conflicts receive more regional attention and cooperation than other sectors. Regional cooperation in different sector or policy areas will also have different related costs and benefits.



A fifth lens focuses on **external factors** that affect the domestic political economy and the regional dynamics and organisations. Global trade, investment patterns, external responses to security risks and threats, climate change, even the preferences and attitude of consumers in (rich) markets can influence the incentive environment in which domestic and regional actors operate

(OECD, 2011). Unlike foundational factors, these external factors can abruptly change. Sometimes, these external factors can be *game changing events* that may coincide with internal developments to create exceptional continental winds of change, as was the case for example with the establishment of the African Union. Of particular interest to the six regional studies are international relations, and particularly the volumes and ways in which donors support the regional organisations.

DOING REGIONAL DEVELOPMENT DIFFERENTLY

The approach and implications of the five-lens analyses are broadly speaking in line with the emerging call to *Do Development Differently or to Think and Work Politically*.⁶ The need for strong political analysis and detailed understanding of the local and regional contexts should inform flexibility and adaptability in program design. Implementation of regional reforms and support programmes need to avoid the best practice templates and prioritize a *modus of working with the grain*. This need for flexibility and adaptability requires policy-makers to "plan for sailboats, not trains" (Kleinfeld, 2015).

This is a tall order for regional organisations, member states, other regional stakeholders, but also for donors as regional organisations in Africa are particularly aid dependent. Supporting regional organisations as though they operated solely according to formal mandates is likely to lead to frustration.

3 *Traffic rules* offer a good illustration of how formal and informal institutions influence one another: formal traffic rules in a context where there is a culture of compliance with rules and regulations have a different result on road safety than the same rules in a context in which the informal rules of the game are essentially about breaking these traffic rules. In the latter context, one needs a range of other formal institutions to ensure compliance of behaviour of road users in order to obtain road safety, with extra costs involved to finance a thicker institutional environment.

4 'Interests' are understood in a somewhat broader sense, including also values, norms and ideas that often shape the way actors perceive their interests – and how these are best served

5 'Sectors' are broadly understood here. There may be some terminological confusion as the term *sector* sometimes is inappropriate for referring to typical *policy areas* or *cross-cutting themes* such as food security, peace and security, infrastructure development, climate change, gender, etc. These *policy areas* or *themes* cover and combine a number of traditional *sectors* (foreign affairs, defence, agriculture, water affairs, public works, etc.) – yet they cannot be called a *sector* in the narrow sense of the word.

6 Since 2013, there have been a number of new initiatives involving many of the leading thinkers, influential policymakers, donors and practitioners. This has resulted in a Harvard-led 'doing development differently' consensus. In a different context, a group of senior officials from major donors, along with a few leading thinkers and researchers, have been working together to promote thinking and working politically (TWP) in development, with a particular focus on what donors can do to allow this to happen. See also: *The case for thinking and working politically: The implications of 'doing development differently'*

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.



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?



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?



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?



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?



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?

A Challenging ABC

At a broader level, three key implications emerge for policy-makers:



AMBITIONS: Emerging findings of political economy analyses point to the need to revise ambitions in terms of what is politically feasible, particularly given the importance of structural factors and path dependency. Understanding where political traction actually lies should inform the level of ambition as it helps to distinguish between what are aspirations, and what represents a genuine commitment to implement policies and solve problems.

Key question: What is the appropriate level of ambition, given all of the above?



BROKERAGE by consequence, a key approach to harness the interests of different stakeholders in achieving these more realistic ambitions. Effective regional cooperation then requires policy-makers to aim at brokering different forms and levels of engagement among different actors within and between different agencies and countries. Brokerage may help overcome information asymmetries, and facilitate collective action and public-private-CSO engagement in coalescing around regional problem-solving.

Key question: Who are the key necessary stakeholders to engage at the regional and national levels, and what is needed to ensure their mutual buy-in, according to the interests already identified?



CHAMPIONS are likely to be highly influential in reform success. This suggests the need to understand the interests, power and incentives of different state and non-state stakeholders, as well as the potential to form coalitions around particular regional agendas or problem solving, and strengthen regional institutions over time.

Key question: Among stakeholders, who are the champions who might be able to help create reform coalitions?

Useful publications:

Byiers, B., Vanheukelom, J., and C.K.M. Kingombe. 2015.

A five lenses framework for analysing the political economy in regional integration.

ECDPM Discussion Paper 178. Maastricht: ECDPM

Fritz, V., B. Levy, and R. Ort. (editors). 2014.

Problem-Driven Political Economy Analysis.

The Washington DC: The World Bank.

Foresti, M., O'Neil, T. and Wild, L. 2013.

Making sense of the politics of delivery. Our findings so far.

London: Overseas Development Institute

Kleinfeld, R. 2015.

Improving Development Aid Design And Evaluation. Plans for Sailboats, Not Trains.

Washington DC: Carnegie Endowment for International Peace

Levy, B. 2014. Working with the grain.

Integrating governance and growth in development strategies.

Oxford: Oxford University Press

Mcloughlin, C and Batley, R. 2012.

The politics of what works in service delivery. An evidence-based review.

Birmingham: ESID Working Paper

OECD. 2011.

International Drivers of Corruption: A Tool for Analysis.

Paris: OECD.

Vanheukelom, J., Byiers, B., Bilal, S. and Woolfrey, S. 2016.

Political Economy of Regional Integration in Africa. What drives and constrains regional organisations? Synthesis Report.

Maastricht: ECDPM