



FEED THE FUTURE ENABLING ENVIRONMENT FOR FOOD SECURITY PROJECT

How Thinking and Working Politically Through Applied Political Economy Analysis is Critical to Market Systems

In recent years, USAID has embraced a systems approach to deepen its understanding of how local context affects development outcomes. USAID's Local Systems Framework (2014)¹ described the agency's effort to adopt a systems thinking approach to development programming. In 2015, USAID's Democracy, Human Rights, and Governance (DRG) Center published draft guidance on applied political economy analysis (PEA) to describe how to incorporate political thinking into programs and activities. In June 2018, DRG's Cross-Sectoral Programs team released its guidance on thinking and working politically (TWP) through applied political economy analysis.² This analytical framework is built on local systems and *political economy thinking* as well as incorporates USAID's Collaborating, Learning, and Adapting (CLA) methodology to systematize *working politically*.

Concurrently, USAID's Bureau for Food Security has also adopted a systems approach to sustain investments in agriculture markets. The U.S. Global Food Security Strategy (2016) evolved from evidence from early Feed the Future programs to allow for more flexibility in USAID agriculture programming and to appreciate the importance of market system facilitation.³

This brief aims to demonstrate how the use of applied PEA is critical to the effective design and execution of inclusive market systems activities. While market systems activities always operate with a view to relationships and incentives, it can be useful for them to be more explicit about understanding political economy. The PEA methodology and TWP mindset explain how the political economy of a country or sector influences and potentially helps explain market system dynamics. They achieve this by unpacking political barriers and identifying opportunities necessary to align the incentives of key decision-makers in the political system to enable the market system to become competitive, inclusive, and resilient.

Applied PEA is the methodology used to systematically collect and analyze why things work the way they do in a country or sector or for an issue or problem. While in many cases driven by democracy and governance staff in international donor agencies, PEA is applicable across sectors. PEA's main objective is to remind development practitioners that the results of their interventions will be determined, in part, by contextual factors, and that their interventions will have political consequences in and of themselves. Engaging in a country, sector, or issue is meant to change the behaviors of actors and institutions through introducing new approaches, technologies, and/or financing. The incentives attached to any development engagement have an impact on power relations with a country's political and economic system. The

¹ USAID, *Local Systems: A Framework for Supporting Sustained Development*. April 2014.

<https://www.usaid.gov/policy/local-systems-framework>.

² USAID, *Thinking and Working Politically Through Applied Political Economy Analysis*. April 2018.

<https://usaidlearninglab.org/library/thinking-and-working-politically-twp-through-applied-political-economy-analysis-pea-guide>.

³ See Feed the Future, *Global Food Security Strategy Technical Guidance Market System and Value Chain Programming*.

August 2017. https://www.feedthefuture.gov/wp-content/uploads/2018/03/GFSS_TechnicalGuidance_MarketSystemsValueChains.pdf.

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question PEA helps answer is whether the intervention's logic and assumptions are likely to achieve the intended outcomes and impact.

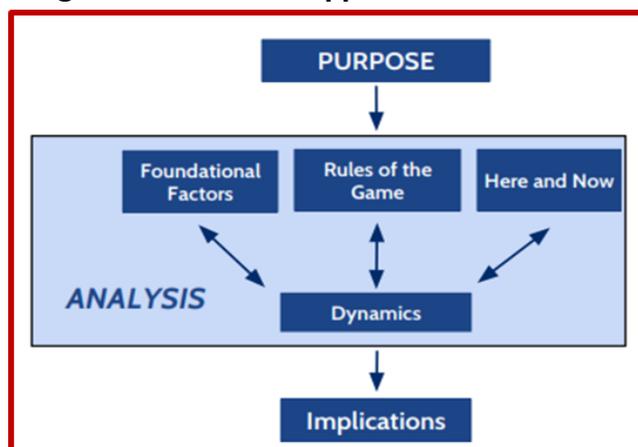
PEA delves into the political ramifications of current or anticipated alterations in the context, including both evolving issues and sudden shifts, whether related to a donor investment or not. How will the investment or behavior change influence the status quo, and what does that mean for the political and economic fortunes of those now benefiting from the current system? Applied PEA is a useful methodology for unpacking the political will that is often considered too messy or complex to understand when trying to improve market systems.

The PEA analytical framework (see Diagram A below) begins with a clear **purpose** that is translated into a core question to be investigated. This initial step establishes the parameters and level of analysis, be it at the country, sector, or problem level. The next stage is to delve into the **foundational factors**, such as history, geography, or demography, that influence the political and economic structures. The next step is understanding the **rules of the game**. This means unpacking the implicit and explicit incentives that shape the behavior of key actors and institutions. For example, in a country where the ruling elite own the plantations and influence the voting patterns of plantation workers and their families, promoting a policy that introduces competition to improve alternative livelihoods of farm workers could be perceived as a threat to the dominance of the plantation sector. This, in turn could be a nonstarter for the very decision-makers you need on board to adopt the reform. Understanding power dynamics matters when dealing directly with the government and applies in private commercial relationships as well.

The third step in the analysis is to review the impact of current events — or the **here and now** — such as elections, natural disasters, and other salient factors that could influence and challenge the intervention logic's assumptions. The fourth step brings a consideration of the first three steps together in order to analyze **dynamics** to answer the question of why, given all these factors, do things work the way they do in the sector, and what does this say about the potential for change? Once those questions are answered, PEA practitioners look at the **implications** of potential interventions and make recommendations for adjusting the approach to focus the proposed course of actions. This is the conclusion of the initial baseline applied PEA process.

Working politically is then operationalized using everyday PEA techniques⁴ (which aim to continuously update and document understandings through formal and informal learning approaches) that, combined with CLA, aim to enable adaptive program management.⁵ PEA uses a variety of tools familiar to the market systems community, such as stakeholder analysis, social network analysis, and complex systems mapping to identify and track how key actors and institutions within the sector drive or inhibit reform. Working politically means fundamentally adopting a systems mindset in

Diagram A: USAID's Applied PEA Framework



Source: USAID, Thinking and Working Politically Through Applied Political Economy Analysis. April 2018. <https://www.usaid.gov/documents/1866/thinking-and-working-politically-through-applied-political-economy-analysis>.

⁴ For more information, see:

https://usaidlearninglab.org/sites/default/files/resource/files/tips_on_context_monitoring_-_formal_to_informal.pdf.

⁵ For more details on operationalizing PEA into program implementation, the Developmental Leadership Program offers useful insights available at: <http://publications.dlprog.org/EPA.pdf>.

recognizing that any engagement changes the incentives which have consequent knock-on impacts that can ripple and reverberate across the entire political economy.

Diagram B below illustrates how market systems analysis recognizes the importance of the influence of social systems on markets systems.

An example of how PEA and TWP can provide critical insight into a market system development approach is exhibited in a donor's plans to help a country modernize its agricultural sector. After the donor and the host government negotiate and sign an agreement for technical and financial assistance to modernize the sector, the implementation process normally begins with numerous technical studies of value chains, policies, and governance of the agricultural system.

Based on these studies, the findings demonstrate the financial, technical, and bureaucratic opportunities to support modernization. A key finding is that there is insufficient coordination among the myriad ministries and agencies involved in agricultural policy development and implementation. As such, the donor recommends that sector actors advocate for and develop an overarching agricultural policy to reduce these inefficiencies and reorient the sector to adopt new innovations, alter key policies, reduce the number of government actors, and provide incentives for the private sector to work with farmers to be more responsive to market demand.

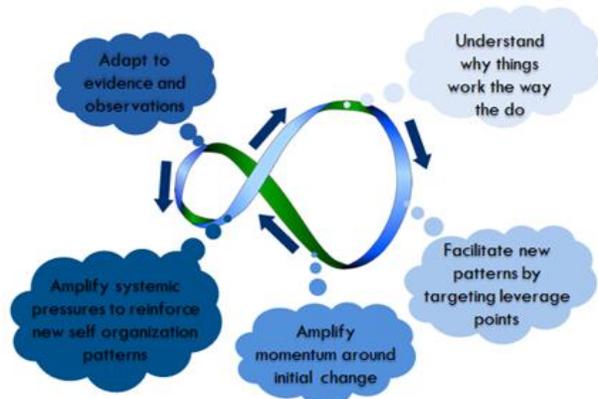
PEA and TWP methodologies are then used to test the political viability of the overarching agricultural policy by unpacking, specifically, who will win and lose in the political economy of the current system. By triangulating policy statements, political party manifestos, and government budgets with information from key informants and focus groups, PEA investigates whether there is truly sufficient political will for the reform, or the extent to which interests are aligned against such reforms, including where they may bump up against established corrupt or criminal practices. If this political will is lacking, PEA explores the potential for interests in favor of the reform to be realigned or strengthened, whether through external interventions, new incentives, or ongoing local processes, to yield the intended results.

In essence, PEA and TWP test the assumptions of a development theory of change and offer updates to increase its relevance to the unique dynamics of the political and economic system in order to improve the chances of achieving the intended outcomes and impact.

For more on TWP and PEA, see:

- USAID's *Thinking and Working Politically Through Applied Political Economy Analysis* guide at <https://www.usaid.gov/documents/1866/thinking-and-working-politically-through-applied-political-economy-analysis>.
- The Thinking and Working Politically Community of Practice website at <https://twpcommunity.org/>.

Diagram B: Social System Change



Source: USAID Market Systems Approach, "Some Basic Principles of Systems Thinking Frameworks." 2019. Unpublished PowerPoint Presentation.

The **Feed the Future Enabling Environment for Food Security** project is a global support mechanism for Feed the Future-focused and aligned Missions and Washington-based USAID offices to address policies as well as legal, institutional, and regulatory factors that function as market constraints affecting food security. For more information, contact Lourdes Martinez Romero (COR) at lmartinezromero@usaid.gov or Nate Kline (Project Director) at nkline@fintrac.com.