



APPLYING POLITICAL STAKEHOLDER ANALYSIS – HOW CAN IT WORK?

Cover photos: Heine Pedersen and Mikkel Østergaard.

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List of abbreviations

LENCDC	Learning Network on Capacity Development
LRI	Land Reform Institute
MFSN	Ministry for Family and National Solidarity
ROACH	Danida’s Results-Oriented Approach to Capacity Change
TA	Technical Assistance

WORKING WITH THE POLITICAL DIMENSIONS OF CAPACITY DEVELOPMENT AND GOVERNANCE: APPLYING POLITICAL STAKEHOLDER ANALYSIS

- How can it work?

1. Introduction

Denmark has in recent years sought to strengthen its attention to governance and “political economy” issues in relation to Danish sector programme support. This is based on the recognition that development is a political as much as a technical process: reforms, change and capacity development all generates winners and losers, and prevailing power and incentive structures determine what can be achieved and what cannot. One of the key elements of the Danish public sector strategy “Effective and Accountable Public Sector Management – Strategic Priorities” from June 2007 is therefore to strengthen political-economy and incentive analysis in the preparation of new programmes^[1].

By now, the debate has moved beyond the need to explain that “politics” matter in development. Despite the momentum around political-economy, translating analysis into operational recommendations remains a challenge. It is therefore critical that development partners understand the “politics of reform” in a manner that goes substantially beyond the overused and vague indicator of “political will”. The priority is now to find appropriate tools and approaches to build the issue into policies and programmes.

To this end, Denmark commissioned a test of a set of specific tools for stakeholder analysis. The test used three operational entry points in Ethiopia, Bolivia and Benin to gather practical experience with approaches to stakeholder analysis (see Annex 1 for more details).^[2]

This report includes three discrete outputs structuring the flow of the report:

- A brief review of existing approaches to and formats for political stakeholder analysis at the sector level

¹ The broad term “political economy” refers to the interests, power issues, institutional and political factors that shape the context for development and change at country and sector level.

² The three entry points included 1) A workshop on capacity development for the transport sector in Ethiopia (October 2008). This workshop was a multi-partner event organized by the European Commission; 2) Capacity Development Support to the Land Reform Institute in Bolivia (November 2008 and April 2009), in the context of Danish sector support to indigenous peoples; and 3) A workshop in Benin (April 2009) to test draft tools and guide the joint formulation of a joint capacity building programme for the Ministry for Family and National Solidarity (MFSN) (2009)

- A framework for stakeholder analysis at the sector level, building on already existing approaches, revised according to the field experiences. This section (p. 10f.) can be read independently as a guideline.
- An analysis of what worked well and what worked less well in the field test of existing approaches (Annex 1)

The report does not provide a framework for political-economy analysis in itself. Rather it addresses how the findings of a political-economy analysis can feed into a stakeholder assessment. As such, this report could be read in conjunction with the World Bank’s framework for political-economy “Problem-driven Governance and Political Economy Analysis – Good Practice Framework”.^{3]}

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Photo:Jørgen Schytte.

^{3]}The World Bank, 2009: Problem-Driven Governance and Political Economy Analysis

2. Political economy and stakeholder analysis at sector level – a brief review of approaches and formats

2.1. Assessing the politics of development

Why do reforms fail? Why has it proven consistently difficult for donors to help many countries develop organizational capacity to manage their affairs successfully?

Over the last decade, it has become widely recognized that poverty reduction and aid fail to be effective when power, politics and elitist interests are pushing in other directions. Conversely, sustainable growth and poverty reduction happen when the institutional, political and social context is favourable for such development.

Adapting aid to be effective to the specific context has thus become a common concern. Thus, donors have been engaged in factoring power and politics into their analytical work. SIDA's Power Analysis and DFID's Drivers of Change approaches were pioneering this trend. Such analyses typically focus on *context factors* influencing reform trajectories (formal and informal institutions, dominating power structures, characteristics of the polity and economy, linkages – or lack thereof – between state and society, etc.) and *stakeholders*, encompassing the organizations and persons who are affected by and acting in relation to reform or capacity development efforts.

This has led to positive insights, but it has in general been difficult to translate the results of political economy and stakeholder analysis to specific operational level decisions¹. Political analysis is apparently better at informing users about what is *not* feasible than about what *is* feasible, and better at highlighting risks and vulnerabilities than at addressing them.

As a result, several agencies have been looking at ways to make political economy analysis more “actionable”. An important trend in these efforts have been to move towards *sector-level analysis*², and adopting – at this level – a close look at interests and power as they articulate along *the value chain producing key services and regulations*³. As a broader framework, the World Bank has launched a problem-driven approach intended to help make governance and political economy analysis focused and operationally relevant. It comprises working through three layers: first, identifying the problem or opportunity to be addressed, second, mapping out the institutional and governance arrangements and capacities and, third, drilling down to the political economy drivers. This basic approach can be applied to analysis at country, sector or project levels.

An additional trend has been to move away from a narrow focus on agency-internal or agency-driven assessments and analyses, towards shared assessments between partners or assessments driven by country authorities⁴. This is in line with commitments to owner- and partnership as embodied in the Paris and Accra agendas, as well as with the emerging international consensus that reform and capacity development must be driven by domestic stakeholders, who therefore also need to understand and manage their own political contexts. While this is often done based on tacit knowledge, it may – as will be demonstrated below - help if it is based on a more explicit stakeholder analysis conducted by those in charge of or wishing to promote reform.

¹ Dahl-Østergaard et. al., 2005, OECD, 2006, SIDA, 2006, Williams et.al., 2007, Boesen et.al., 2008, OECD, 2009

² EuropeAid, 2009a

³ Campos and Pradhan, 2007

⁴ <http://www.capacity4dev.eu/article/first-ever-joint-governance-assessment-rwanda>, OECD, 2009

In addition to *context* and *stakeholder* analysis, there is thus increasing attention to *process* aspects, recognizing that context and stakeholder analysis can be a part of the wider reform or capacity development process. A recent paper introduced a diagnostic framework for sector policy reform distinguishing between *reform context*, *reform arena* – effectively denoting stakeholders – and *reform process*⁵.

Finally, it is worth mentioning that much of the interest in political economy issues has emerged from the particular difficulties of donors when it comes to productive engagement in *states in fragile situations*. These situations – which spans a multi-dimensional continuum of very diverse conditions – exemplifies in an often tragically obvious manner how power and politics shape agendas which may result in civil wars and regional conflicts. In other, less fragile situations these factors still shape outcomes of reform and capacity development processes⁶.

2.2. Tools and formats – their limitations and strengths

The framework of this report build on the insights briefly referred to above. They are to a large degree reflected in the “Toolkit for Capacity Development”⁷ of the European Commission which has been developed over a couple of years. Earlier versions of this toolkit were used as test material in the present research and elaborate on tools developed by others⁸.

The Toolkit departs from the conceptual framework outlined in Danida’s Results-Oriented Approach to Capacity Change (ROACH)⁹, which was later adopted by the EC¹⁰. The first version of the toolkit was further developed for the Asian Development Bank and then brought to a final draft version for EuropeAid in March 2009. The final version includes some of the experiences gathered during this assignment (notably from Ethiopia and, partially, from Bolivia, see Annex 1). The Governance Actor Mapping tool, the Political Economy and Stakeholder Analysis tool and the Change Management tool are reproduced in the annexes of this report.

Before reporting on the validation of the tools, it is useful to recall the limitations of toolkits and standardized formats. This is particularly the case when the tools are applied to complex social issues and highly dynamic and conflict-ridden political processes. Three limitations are particularly relevant:

- *Tools simplify*. This is their strength – but sometimes users expect simplifying overviews and scoring exercises to lead – nearly by themselves - to simple action frameworks. Complex situations may require complex responses, and simplifying tools may tempt to lead to simplistic responses.
- *Tools standardize*. Checklist-type tools are based on the assumption that a generic set of questions or factors are relevant across different situations. That assumption may well be

⁵ The World Bank, 2008

⁶ OECD, 2008

⁷ EuropeAid, 2009b

⁸ Grindle, 2004, Hydén, 2004, Nunberg 2004

⁹ Boesen & Therkildsen, 2005

¹⁰ EuropeAid, 2005

questioned when it comes to social, political and institutional matters, where concepts and perspectives are (also) social constructs.

- *Tools only describe.* They may help identify useful information and ensure that a number of relevant aspects are investigated and described. They cannot identify complex relationships – including multi-directional causal relationships – and therefore cannot substitute proper analysis drawing on theory as well as experience.

These limitations of tools often lead to disappointment among agency staff who expects that tools should get them quicker and easier to better response strategies. This is expecting too much – the strength of tools is that they will quickly, and quite easily, make it clear that it will take more effort over longer time to get to better strategies. Given the dynamics and incentives in aid agencies this is frequently not the answer that agencies are looking for – but using tools that only scratch the surface cannot do more than reveal that more serious diagnostic work has to be performed.

3. General approach to and format for stakeholder analysis

The below section builds on the Toolkit for Capacity Development of the European Commission and the annexes include the relevant tools from that kit.¹¹ The approach to and format for stakeholder analysis presented below – in a “take out and use format” – therefore builds on these tools.

3.1. Guide to Political Economy and Stakeholder Analysis at Sector Level

How to use this guide?

This guide helps to perform a simple analysis at sector level of political economy or power factors, stakeholder interests and change capacity. Explanations of these terms are offered below.

The guide offers brief advice on:

- Why look at political economy, stakeholders and change capacity?
- Who should look at these factors?
- When is it important to look at these factors?
- What to look at?
- What to do with the analysis?

The guide includes suggestions for visualization of findings and checklists for more thorough assessments.

Explanations of terms

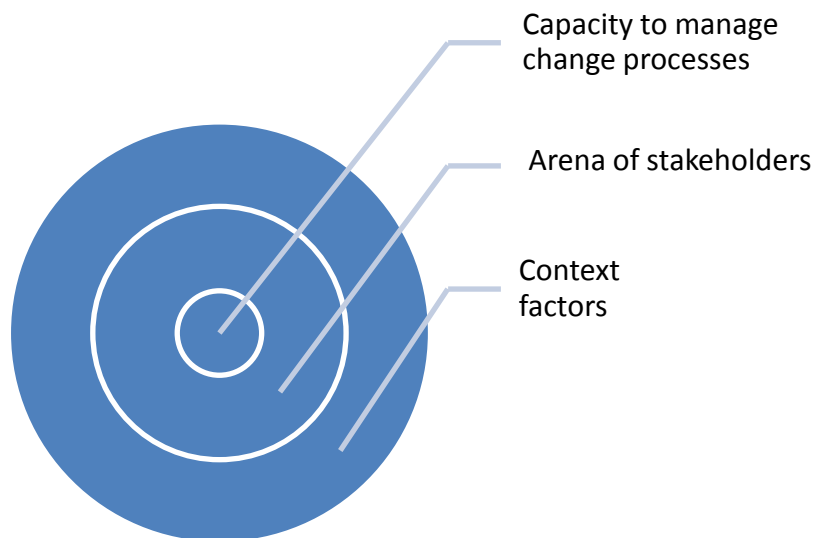
Sector development – for example in the health sector – takes place in a *context* which includes interests, power issues, institutional and political factors. These kinds of context factors are in this guide referred to by the broad term “political economy”.

Different societal groups have different interests in e.g. delivery of health services, and they pursue their interest with the formal and informal means of influence at their disposal. They have a stake in the sector – and they are therefore referred to as stakeholders. They may be individuals, groups or organizations. They are actors in the *arena of change*.

“Change capacity” refers to the tangible and intangible resources that a person or group possesses when it comes to making specific *change processes* happen. A strong, well-connected manager is likely to have greater change capacity in her field than a marginalized, unorganized poor peasant.

¹¹ See

http://ec.europa.eu/development/icenter/repository/backbone_strategy_toolkit_technical_cooperation_en.pdf



Why look at political economy, stakeholders and change capacity?

Political economy factors, stakeholder interests and the available capacity to change determine if and how a sector will develop its performance. Overlooking them when working with sector development – either as a civil servant, member of an advocacy or lobby group, or as an aid official delivering sector support – could lead to poor design of interventions.

This is the general reason for analyzing political economy factors, stakeholders and change capacity. It is not a one-time effort, but should be a constant perspective or mental mode that seeks and collects information about who is who, who links up with whom, who pursues which agenda and which interests – and understands how agendas and interests in general are pursued in society.

Sometimes it is convenient to conduct a more formal analysis. Experience shows that how and when to do this depends critically on the *specific purpose of the analysis*.

This could be:

- Getting change, interests and politics on the agenda, so that this becomes legitimate to consider
- Sensitize government staff involved in policy formulation to the issues
- Shaping of a specific agenda for sector development, reform or capacity development
- Design of donor support to sector development, reform or capacity development

Think through the concrete decision that the analyses will underpin, or the learning outcomes (expressed in changed behaviour) that are expected.

 *Start by clarifying the specific, operational purpose of the analysis*


Who should organize political economy and stakeholder analyses?

There are three basic options in the context of development assistance, with a couple of variants:

- Country partners organize it – with or without assistance of donors
- Donors organize it alone or jointly – involving or not involving country partners
- Country partners and donors organize it jointly

Who should perform the analysis depends *entirely* on the purpose! Rules of thumb include:

- If ownership by country partners of decisions following the analyses is important, then country partners should make the analysis, with or without donor assistance – and donors, if they assist, should play a strictly facilitating role (or offer professional facilitation support).
- Joint analysis between donors and country partners may serve well if the purpose is to create a common ground of understanding as basis for later decisions – but in practice, “joint” often ends up being donor driven if donors are pushing and paying for the analysis.
- Donor analysis may legitimately serve internal donor decision making, but should not be expected to serve to enhance the attention to political economy issues by country partners.

 *If country ownership of decisions is important, then country stakeholders should lead and organize the analysis.*


When is it important to look at political economy factors?

A good sector development process – including those where donors assist – is likely to consider and monitor political economy factors, stakeholders and change capacity as regularly as it considers sector performance in relation to deliveries and outcomes.

More in-depth analyses in concentrated periods of time can relevantly be considered:

- As part of policy revision processes, particularly if previous policies have had mixed track records
- As part of planning processes by sector authorities and sector stakeholders, e.g. if/when they consider reform needs and capacity development options.
- When donors jointly seek to define their position and support to a sector
- When a single donor is planning its support

In the light of the Paris and Accra commitments, the last occasion should be the least preferred option unless the analysis is largely performed as a desk exercise that does not incur transaction costs on partners. Analyses driven by donor programming cycles are of course unlikely to be well timed in relation to countries’ political cycles.

 *Attention to political economy, stakeholders and change is continuous. In-depth analysis, when relevant, should be driven by country calendars, and only as last resort by individual donor programming cycles.*

How can an analytical process be organized and who can assist?

The analysis can use a combination of events and approaches:

- A research oriented process, including literature reviews, interviews and other data collection techniques.
- A participatory process, managed and organized by a small task force of country stakeholders (and, if relevant, donors), with a blend of focus groups, workshops, write shops and explicit feed-back mechanisms co-facilitated by the task force.
- A big-group event using adequate facilitation techniques

Experience shows that an analysis takes time, even if the purpose is limited to bringing basic issues on the agenda for later, more in-depth work. Big-group events have advantages in enabling a wide range of stakeholders to share a vocabulary and a basic picture of e.g. stakeholders, but they are unlikely to get to significant depth and they do require careful preparation (presentations by country actors, careful selection of attendees, logistics).

Depending on the purpose and the process, it may require specialized assistance to conduct political economy and stakeholder analysis:

- *Political scientists or others with a relevant professional background and experience.* The country's or region's university departments of political science or history are often excellent sources of information, and consultants can also be identified through such channels. Local resources are in most cases indispensable to get analyses right, while regional or international expertise can add a comparative perspective to analysis.
- *Facilitators specializing in larger group techniques* and with an understanding of the subjects in question.

What to look at?

Building on existing work¹², this guide includes as annex three sets of tools for three areas:

- Political economy and context analysis
 - Five basic questions for dialogue and interview purposes
 - A visualization tool for simple mapping purposes
 - A more detailed scanning instrument for more in-depth work
- Stakeholder Analysis
 - Five basic questions for dialogue and interview purposes
 - A visualization tool for simple mapping purposes
 - A more detailed scanning instrument for more in-depth work
- Change Capacity Assessment
 - Five basic questions for dialogue and interview purposes
 - A visualization tool for simple mapping purposes
 - A more detailed scanning instrument for more in-depth work


¹² Notably, the EC's "Toolkit for Capacity Development" from March 2009 (<http://capacity4dev.jrc.ec.europa.eu/toolkit-capacity-development>)

A more thorough introduction to the approach and the tools is available in the toolkit referred to above.

What to do with the analysis?

Political economy issues can be discussed openly – but not necessarily publicly. Openness can only be expected if there is trust, and trust requires an adequate level of transparency of motives and intentions.

This guide emphasizes that analysis should be driven by a specific purpose. Therefore, ensuring that the analysis is used for this purpose – and not for a number of other purposes – is the basic rule.

 *Agree on how the analysis will be disseminated and used before it is undertaken. Handle sensitivities with respect and care.*

3.2. Political Economy and Context Factors: Guiding questions, visual aids and checklists



1. Political Economy and Context factors

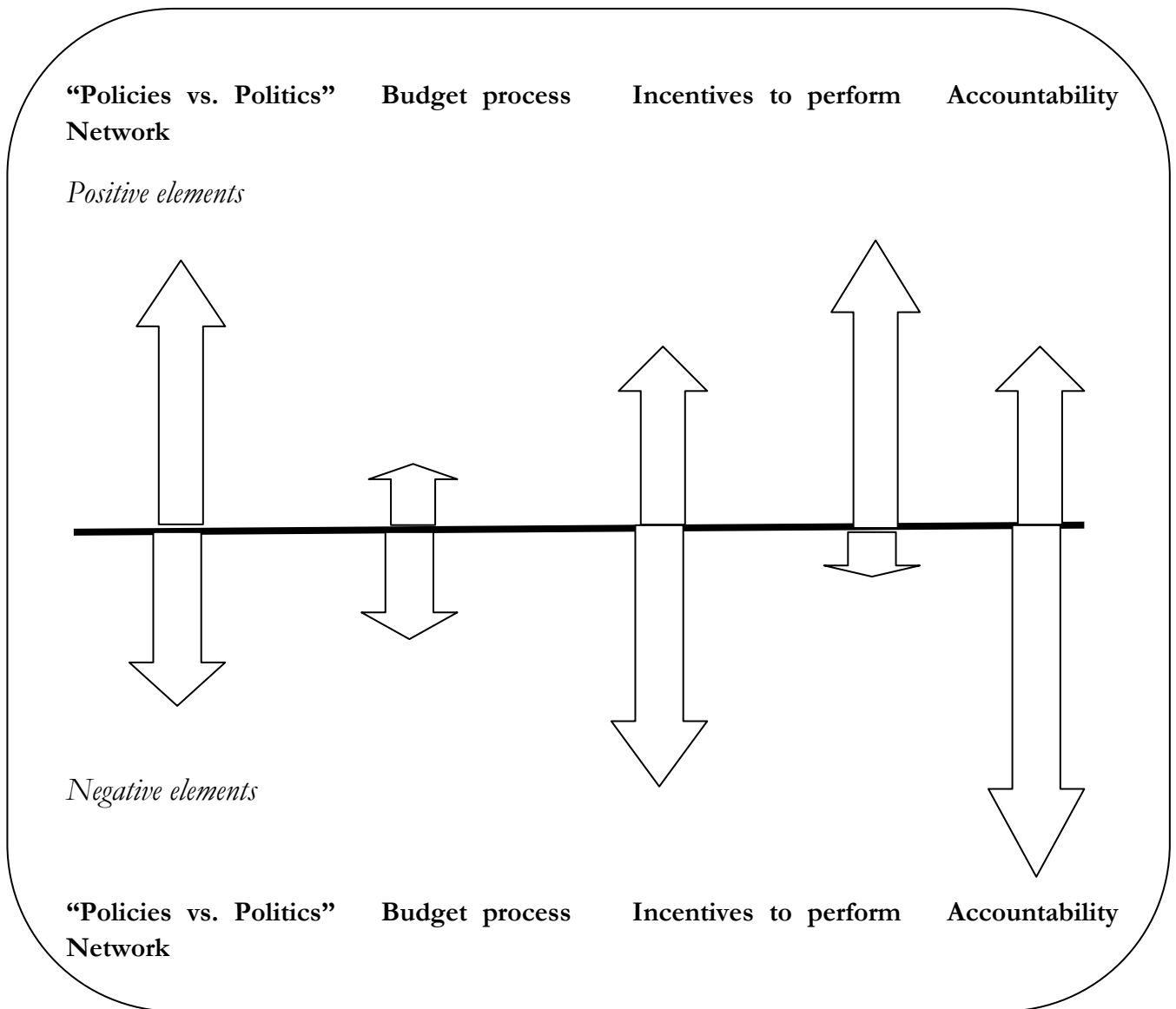
i. Five basic questions

1. To what degree are formally adopted policies shaping the political agenda in the country compared with the narrower interests of particular groups?
2. To what degree are budgeted funds made timely available to sectors and largely spent as planned?
3. Which incentives do public sector employees in general have to perform and deliver services, and which factors constrain their performance?
4. Who are holding public sector organizations at different levels to account, and are users involved?
5. To what degree is networking across organizational boundaries largely open or carried out through relatively closed informal networks?

ii. Political economy and context factors: force field

The force field illustrate the relative positive and negative impact, respectively, on sector development, reform, or capacity development, of the five areas of context factors. The figure below is an example only.

The drawing is useful to discuss where to focus most attention to build on strengths and counteract or circumvent negative factors.

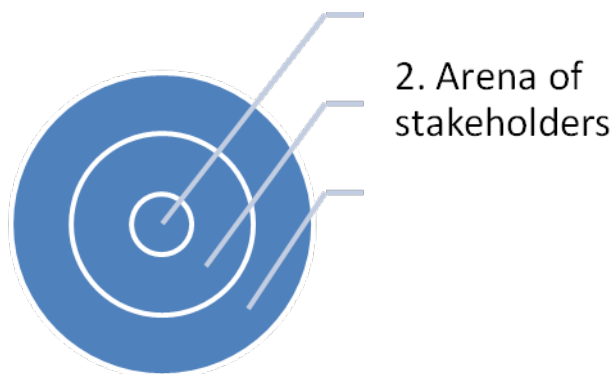


iii. Institutional and Political Context Scanning

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

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

3.3. Arena of Stakeholders: Guiding questions, visual aids and checklists

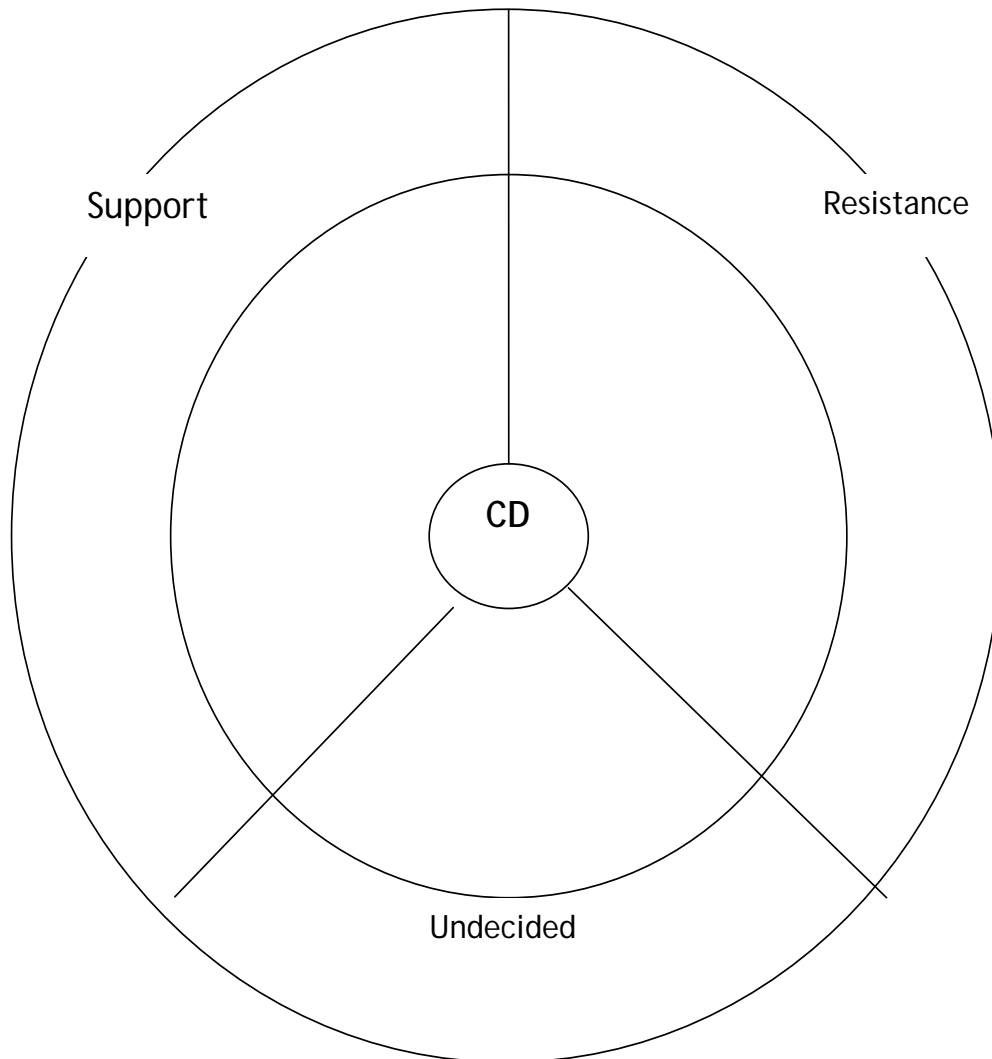


i. Five basic questions

1. Which groups are benefitting most from the current activities in the sector?
2. Who are the most important stakeholders in the sector in terms of influence and agenda-setting?
3. Who would stand to win, and who would stand to lose if desired changes or reforms are implemented?
4. Who would be active allies of reform and change, who would be indifferent and who would be likely to resist?
5. What would be the likely level of resistance, and what could be options to accommodate those who stand to lose?

ii. Circle of Influence – mapping stakeholders

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



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

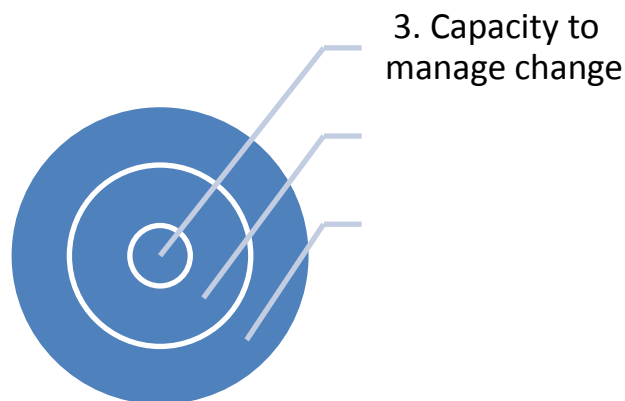
iii. Assessing stakeholders – matrix

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

CD/Reform Issue or Element under consideration: _____

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

3.4. Capacity to manage Change: Guiding questions, visual aids and checklists



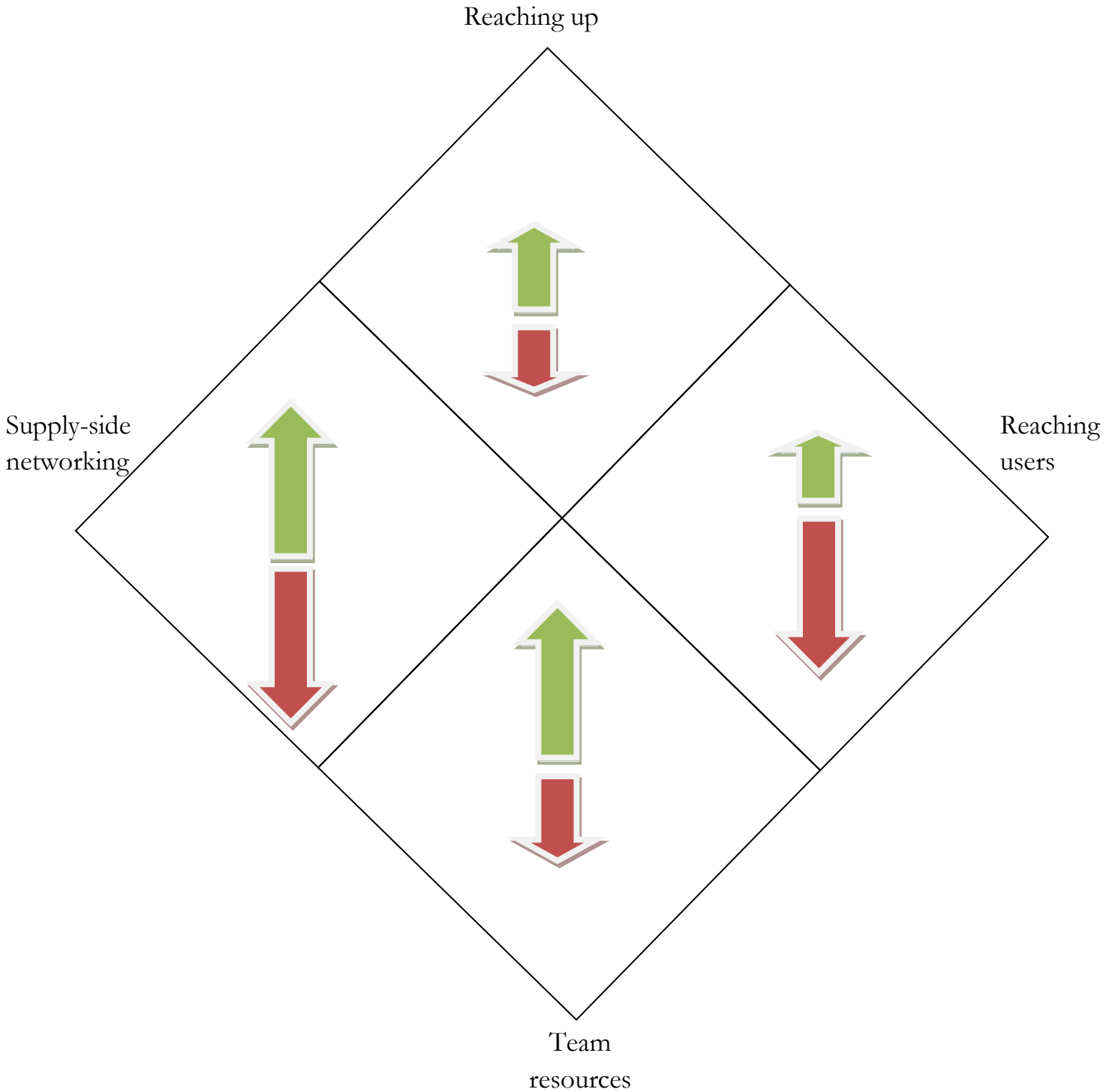
i. Five basic questions

1. Who forms the change team in charge of respectively managing change/reform and supervising the process?
2. How committed are high level superiors to the change, and will the change team be able to reach superiors and get their support when necessary?
3. Does the change team have adequate capacity in terms of leadership, clarity of goals and priorities, communication capabilities, technical competencies and logistical support?
4. Will users, clients or customers engage in the reform/change, and will the change team be able to reach out and influence users/customers as required?
5. Are important stakeholders (organizations, peers, colleagues whose contribution is important) supportive, and does the change team have access to and ability to influence and draw on networks?

ii. Capacity to change – strength and weakness chart

The chart illustrates the strength and weaknesses of the change team in four areas which are important for successful change management. The figure below is an example only.

The chart is useful to discuss where it may be necessary to strengthen the change team’s capacity – or, if that is not feasible, how to lower the ambitions of reform or change.



iii. 360° Self-Assessment of Capacity to Manage Change

Northern Corner: Capacity Upward

Parameter	Strengths	Weaknesses
Commitment of superiors		
Active support from superiors		
Superiors' trust in the change team and process		
Team's access to superiors		
Team's ability to influence superiors		
Other relational factors		
Overall assessment		

Southern Corner: Own Team's Capacity

Parameter	Strengths	Weaknesses
Team leadership, motivation, and incentives		
Clarity for team about goals, tasks, process, and roles		
Adequacy (timeliness, quantity, quality) of resources for CD		
Priority of CD/change compared to other work priorities		
Technical competencies and support		
Other internal factors		
Overall assessment		

Eastern Corner: Capacity in Relation to Users, Customers, and/or Clients

Parameter	Strengths	Weaknesses
Salience of CD for customers, users, clients		
Active support from customers, users, clients		
Team's access to customers, users, clients		
Team's ability to influence customers, users, clients		
Other factors in relation to customers, users, clients		
Overall assessment		

Western Corner: Capacity in Relation to Supply-Side Networks

Parameter	Strengths	Weaknesses
Commitment of important stakeholders in network		
Active support from peers, colleagues, external partners		
Trust of networks in the change team and process		
Team's access to networks		
Team's ability to influence networks		
Other factors in relation to networks		
Overall assessment		

4. Summary Observations: Purpose-driven processes first - tools second

The three test cases were very different in their set-up (see Annex 1 for further details): Ethiopia was a concentrated multi-stakeholder workshop process focused on sector-level capacity development, Bolivia was a change consultancy assignment for one organization, and Benin was coming close to being a “tool-testing exercise” relating to a cross-cutting issue.

Across these different settings, some strikingly similar lessons were learnt about the strength and limitations of political economy and stakeholder analysis, and about formalized tools for such analysis. They are condensed in six summary observations below:

Purpose and users are everything: Whether tools are useful or not, whether a self-assessment in a workshop-setting and/or in informal dialogue is the right choice depends on the purpose of the political economy and stakeholder analysis. Often, purposes are poorly specified – e.g. the purpose of an analysis is often stated to be “to understand the drivers and constraints...etc”. This begs the question: what will this understanding specifically be used for, and who will use it?

Political economy and stakeholder analysis may serve to enable users to take the first steps in factoring in actors and political elements in a sector, and decide on next steps to deepen their engagement with actors. This purpose is most likely be served by a fairly broad, basic and simple process with simple tools.

On the other hand, broad and basic tools are unlikely to be adequate for a thorough, in-depth analysis of strategic options for support to state formation processes in a fragile situation. A group of senior level executives used to strategizing and political manoeuvring would be likely to require much more sophisticated approaches to move forward, individually or collectively.

In sum, the cases confirm that there is no one-size-fits-all approach to political economy and stakeholder analysis.

No shortcuts or one-minute approaches: Political economy and stakeholder analyses are integrated parts of a permanent mental mode where strategizing based on context and actors, flexible tactical adaption to the arena of change and constant attention to process are key ingredients.

Guidelines and toolkits can help here, particularly in raising a broader awareness of the salience of political economy issues. They will not by themselves shorten the time or diminish the energy that it takes to factor political factors and a dynamic stakeholder perspective into the processes around sector development or donor aid. Political economy and stakeholder analysis is not another bureaucratic requirement that, when completed, will make blueprint approaches to aid management work better. Tools can help make that clear – but they will as such tend to make issues more complex, rather than simpler.

Specificity makes the difference: While it is important to understand basic structural and institutional factors - e.g. to what degree organizations and politics are driven by patronage and networks and to what degree they are driven by formalized rules and broader-based policies – then the operational value of stakeholder analysis materializes when the analysis becomes specific. This

will often include looking for persons rather than organizations. Identification of broad groups is not likely to be helpful.

This is obviously easier when the reform or CD arena is smaller – one organization, or a sub-sector with relatively few actors. The difficulty of making political economy and stakeholder analyses operational at the broader level may however also reflect that operations at this broader level are simply not feasible. Though difficult to verify, it might be true that “if a stakeholder analysis cannot be made operational, then it is because there are no sensible operations that can be identified”. This would request actors to lower ambition levels (or even withdraw). Shooting the “political economy messenger” for not bringing good news is hardly helpful.

Simplicity when simplicity matters: Managing sector development – including the political processes in and around a sector – is complex, and supporting sector development (as donors seek to do) is eventually a very complex affair requiring technical, managerial and political skills. However, to take a group on the first steps towards getting a grip on the issues requires rather simple, visually attractive tools.

There is a difficult balance in this. If the purpose is detailed planning, then simple tools are unlikely to be helpful. If the purpose is to ensure buy-in to more detailed and nuanced work, then simple tools may be useful.

The three cases all demonstrated that the basic awareness of concepts and issues related to political economy and stakeholders was rather low – mid-level civil servants (including, in some cases, civil servants in aid organizations) are not trained in or frequently exposed to these concerns and discussions. Though they would have a wealth of knowledge about their own operating environment, including the formal and informal rules of the game, this knowledge is often tacit and not “falling in place” easily or automatically. This may appear counter intuitive compared to the picture of cunning civil servants able to manoeuvre in the political waters they swim in. However, in settings where the norm is compliance with instructions and respect for hierarchy and power, active problem-solving and manoeuvring is often neither requested nor desired.

Sensitivities are manageable: Political economy and stakeholder analyses are often perceived to be sensitive, sometimes so sensitive that donors (who produce them) should not share them with the partners who are put under scrutiny.

This may be true when trust is low and relationships not functioning. Political economy analyses may explain why this is so, but sharing the explanations is hardly the best way to improve relations. However, when there is a basic shared interest in moving forward in a sector – with respect for the political realities as they are, even if they are only barely “good enough” – then analysis need not be sensitive. It requires sensible management: external consultants (or aid officials) who take pride in stating their own opinions rather than helping partners to come to their own position are likely to be perceived as insensitive. Making shared internal analysis public is also in many cases deeply insensitive and unwise.

In a climate of trust, and when focus is on analyzing the parameters for concrete actions, then political economy and stakeholder issues need not be controversial or sensitive.

Qualified facilitation or mentoring is indispensable: Distributing guidelines and tools to staff in agencies and partners in domestic institutions is unlikely to produce better analyses on its own. The three

cases all demonstrated that contextualized guidance is required, including adaptation of tools to the situation. Formal training may be helpful, but experiential learning through facilitation or peer mentoring of real-life processes is likely to be required.

Tools – which tools?: Tools matter. They may be useful heuristic or pedagogical devices. The simpler and the more instructive they are, the better – for limited purposes. Beyond that, tools are not the crucial issue: Dealing with interests, power and stakeholders are key issues in politics and management – two arenas where development assistance is trying to find its ways. Practical politics and management are not performed with resort to comprehensive formal analytical tools, but build much more on a mental outlook and experience-enriched intuition.

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Annex 1: Field validation of existing tools: Ethiopia, Bolivia and Benin

This section gives a condensed account of the use of political economy and stakeholder analysis in three cases: the transport sector in Ethiopia, the land reform institute in Bolivia, and in relation to gender as a cross-cutting theme in Benin.

The Transport Sector in Ethiopia

Setting and actors

The setting was a 5-day learning event in the transport sector conducted in October 2008 with the objective that participants would agree on a joint approach and next steps to be taken to make CD more effective. A full report on the event is available at <http://capacity4dev.ec.europa.eu/c4d-lib/blog/joint-learning-event-capacity-development-transport-sector-ethiopia>. The event was a pilot organized by the EC, but explicitly launched as a multi-donor effort linked to the Learning Network on Capacity Development.¹³

The transport sector in Ethiopia is the biggest sector in the country in terms of share of public investments, and particularly the road sub-sector has attracted considerable support from development partners.

Stakeholders reported that they perceived capacity to have increased in the sector over recent years. However, progress has been uneven, with a widely shared perception that while a lot of attention had been paid to the “hard” aspects of transport (particular road construction and maintenance) the “softer” parts (transport planning and management, safety and regulatory functions) had not been sufficiently in the picture.

Capacity development in the sector had – until the event – focused on training and development of individual organizations (systems, business processes, technical aids etc., often designed and implemented by Technical Assistance (TA)). CD support in the sector was characterized as fragmented, and to some extent supply-driven by donors. As a result of the fragmentation, duplication of efforts occurred, while there were also significant gaps in the sector. A brief mapping exercise of ongoing CD efforts showed a significant concentration of CD support in the road sub-sector.

Process and tools

The learning event was preceded by a preparation phase including a brief stocktaking exercise made by the government stakeholders. The event started with a half-day workshop for around 35 domestic stakeholders and developmental partners, followed by 2,5 days of analysis and planning in a small group with 6 government officials and 2 development partners. The proposal from this group was then brought back to the sector stakeholder group.

¹³ LENCD, see www.len.cd.org

The initial workshop presented the key elements of the ROACH conceptual framework and solicited participants' views on the current capacity situation in the sector – including strengths and challenges.

In the work process over the next 2.5 days, the group carried out:

- A stakeholder relations mapping, partly using the Tool for Setting the Stage: Mapping sector and governance actors. (See Annex 2).
- A context analysis, using an earlier version of the Tool for Institutional and Political Economy Context Scanning. (See Annex 4) (less structured, only having the headline titles but no sub-questions, and no scoring table)
- Through this analysis gaps were identified as well as the need to formulate principles for joint CD programmes. It was also recognised that the transport sector is too large and complex to solely be addressed with a single CD programme.

During the course of the week, the active participation of the government staff in the small work group increased significantly. They increasingly took charge of the workshop process, in itself a significant result.

Results

The focus on stakeholders led to important findings:

- In the overall picture of sector actors, the non-state sector actors (users as well as front-line service providers and contractors) are only weakly involved in policy making and planning, and consultation mechanisms are not effective.
- There is uncertainty about the mandates and roles of different institutions in the sector
- There seems to be a major challenge in establishing effective collaboration with the Regional Road Authorities which are under the regional governments.
- Coordination and cooperation among sector actors across organizational boundaries is not fully developed. It may be linked to a rather centralized decision making process and introvert orientation in individual organizations making it difficult and unfamiliar for middle-level managers to network in the sector.

The 5-day process resulted in:

- A shared approach to capacity building in the sector, endorsed by the last day's workshop with 38 sector stakeholders, including the private sector.
- A framework for converting the joint approach into fully funded joint CD programmes at sector level as well as for individual organizations by mid-2010.

There was, both among core group members and among other stakeholders, a recognition that initial expectations to the learning event had centred on getting more specific, fundable proposals for CD support. Effectively, the 2.5 days of work with the group was a short time to bring the group to focus and share a language, assess a very complex sector and identify feasible ways forward.

Lessons learned

On purposes and tools: The objective of the Ethiopia event was to strengthen the ownership of government to a CD agenda and making donors assume an appropriate supporting role. In this setting, the tools were helpful, but of a secondary nature compared to the challenge of helping the government staff (middle level managers and special advisers) to take the first steps into a new arena where they were tasked to analyse, discuss and plan based on the analyses and discussions – and afterwards present the results to 35-40 persons. This was clearly a new role for most of the civil servants who are, in their daily work, mostly working on tasks assigned to them or where the analytical part is of a technical/engineering nature. The focus on ownership and the very basic starting point for the discussions implied that some of the tools were too complex to use.

- *Lesson: The specific objective determine if and how tools may be relevant, and whether basic or more advanced tools may be helpful – and tools may not always be relevant*

On processes and tools: There was little time available to form a group, get a common conceptual reference (e.g. moving participants away from seeing CD as training and TA, towards a more holistic view) and enter into more thorough analysis – not least considering that the entire transport sector participated. The facilitators had originally planned to use more of the tools, but quickly abandoned that idea.

- *Lesson: Processes to bring people from one position to another takes time, and hasty or mechanical application of tools are not likely to be helpful. The process dynamics determine if, when and how tools can be useful.*

On the tools: The political economy – or context analysis tool – did not work well. The version of the tool used basically invited the group to consider very abstract questions like “what in the wider context is influencing policymaking?” and “Which (external) factors influence organizational capacity?” This was far too abstract and, even strongly prompted by the facilitators; the group did not come up with “interesting” factors that could be meaningfully linked to the CD issues at hand.

On the other hand, the sector stakeholder and governance mapping tool proved very useful in making participants discover the amplitude of actors that could be relevant for sector performance and sector capacity. It was not least the visual aspects of the tool that worked well.

- *Lesson: Simple, visually appealing tools are best at helping a group take the first basic steps towards analyzing political and interest-related issues in a sector. Simple tools and quick application are only likely to serve at this more basic level, and getting further is likely to require considerable time and investment. Conceptually oriented tools did not serve well in this setting.*

In summary, the Ethiopian experience showed that tools can facilitate basic insights, and tools should for the same reason be intuitive and simple. This was a setting where the political economy and stakeholder analysis was a participative process aimed at fostering ownership to the analysis. In such a setting, it will take considerable effort to bring participants from both government and donors forward because they are not used to political economy and stakeholder perspectives.

The Land Reform Institute in Bolivia

Setting and actors

Stakeholder and political economy perspectives were applied as part of a consultancy assignment (funded by Danida) with the objective of identifying a road map of political, technical and administrative strategic actions, which would enable the Land Reform Institute (LRI) to implement its strategic plan. The LRI is a semi-autonomous agency under the Ministry of Rural Development with 900 staffs and offices in the nine departments of Bolivia. The key task of the LRI is to regulate land tenure in the entire territory and through this process ensure a more equitable and fair distribution of land.

The assignment covered two visits to Bolivia (November 2008, April 2009), each of 10-12 days duration. The consultant worked exclusively for the LRI senior management and paid only courtesy visits to the Danish embassy as agreed with the LRI.

The LRI mandate serves an explicitly political objective – redistribution of agricultural land – to be executed with technical-legal means (rural cadaster, titling and registration of legitimately owned agricultural land, which is used productively and confiscation of illegal possessions and land kept idle). The LRI has a history of low efficiency and corruption. Under the government of Evo Morales the land issue has gained top priority and political attention, and a new management team has taken over the LRI. During their two first years of tenure, productivity has soared and the dismal former reputation of the LRI as corrupt has markedly improved.

Process and tools

The consultant's visits took place in what seems to be constantly appearing crises requiring immediate management attention. The political "charge" around the land reform issue – and the LRI – was evident, and the consultant's contributions turned out to be more as a reflective observer and coach than through formal events. However, a 2-day workshop was held with the senior executive group where a stakeholder and governance analysis was conducted using the conceptual model of the Tool for Setting the Stage: Mapping sector and governance actors (See Annex 2), but without using the tool as such.

The choice not to use formal tools was mostly an ad hoc response to the delayed start of the workshop, shortage of time and absence of some key players from the session. Nevertheless, the eminent political context in which the LRI operated implied that politics – and, by implication, political economy and stakeholder analysis – took up considerable space.

This crystallized in several discussions around the current policy and strategy of the LRI, which was recognized to be too limited in scope and which effectively had been prepared to fill an urgent need related to external assistance. The LRI saw a clear need to revise this policy and move from a narrow perspective on land reform to a perspective of recurrent administration of rural land in Bolivia. To accomplish this revision the LRI wanted to draft a new policy and present it to the Ministry.

Applying a political economy and stakeholder perspective at this situation led to a fruitful analysis of previous policy formulation experiences that had resulted in draft policy documents – prepared by the LRI – which had later collected dust in the Ministry and therefore lacked formal recognition and approval by outside stakeholders. Following this, an analysis was made of the likely interests of different actors regarding a new policy – and the likely commitment that external stakeholders could be expected to invest in a policy formulation process. The analysis was not made in one clearly organized process – it emerged from numerous ad hoc discussions during the consultant’s stay in Bolivia.

Results

The analysis led to a realization that drafting a new policy by the LRI would at that moment not be likely to lead to the broad buy-in from the other stakeholders that would be needed to implement a revised policy. The LRI would not be in a position to engage others in a broader policy formulation process in an election year, and would have particular difficulties reaching beyond their own mother ministry to e.g. the Ministry of Finance who would play a key role if or when taxation instruments would be used to incentivize productive use of agricultural land. For reasons related to the overall planning and budgeting process in the country the new policy would still be drafted, but the expectations as to what it would accomplish were becoming more realistic – a realism that could later be shared with the international partners supporting the LRI.

Interestingly, the discussion of the “politics of policymaking” and strategizing based on this discussion was a new experience for those involved in drafting the new policy. Though they were perfectly aware of the “grand politics” of the land issue in Bolivia, they were not accustomed to think in “process politics” – which, to some degree, are routine considerations in e.g. the Danish central administration where civil servants are expected to and trained in applying a political judgment in terms of both policy content and policy processes.

Lessons learned

On approaches and tools: In the Bolivian case, there were limited opportunities for the use of formal tools. However, the consultant applied “political economy lenses” throughout the assignment as a key perspective aimed at helping the clients to deal more effectively with their multiple external stakeholders. This included a focus on the formal and informal interests, power and agendas of institutions, political actors and clients.

- *Lesson: Applying a political economy approach throughout an assignment is the important thing. Tools can support this, but not substitute for it.*

On the specificity of stakeholder analysis: In Bolivia, the discussion about if and how a policy process would be likely to succeed turned into a very specific stakeholder analysis discussing the positions and interests of persons (ministers, vice-ministers), institutional agendas and interests (vice-ministries, ministries, presidency) as well as the current macro-political situations (land seizures, clashes between *latifundistas* and the government, and between peasants and indigenous peoples).

- *Lesson: A very specific political economy and stakeholder analysis – referring to a stated objective of reform or, as in this case, policy-making – can lead to actionable results.*

On the process of political economy and stakeholder analysis: Formalized analysis in workshop settings may have advantages through the sharing of perspectives. It is important to avoid that the exercise becomes a “tick in the box” after which the group will go on to the next issue – and the next tool. In Bolivia, the opportunity to have individual and small group discussions over some time proved helpful.

- *Lesson: Having time and different settings for discussion, including informal talks, can strengthen the depth and relevance of analyses. “Tools on the table” are helpful in workshop settings, but not likely to be relevant under less formalized conditions.*

On the sensitivity of political economy and stakeholder analyses: In Bolivia, the basic result of the stakeholder analysis was to install a healthy dose of realism regarding the difference that could be expected from producing a(nother) policy document. With permission of the LRI, the consultant shared this realism with external partners where it was welcomed and appreciated.

- *Lesson: A practically oriented political economy and stakeholder analysis need be neither controversial nor sensitive. It can move the boundary for what can be discussed in a sensible and respectful manner.*

In summary, the Bolivian experience demonstrated that a political economy and stakeholder sensitive approach can work and influence concrete decision making in a relevant manner – but that this effect requires more than the use of formal tools or highly formalized and structured settings.

Support for Democratisation and Gender Equality in Benin

Setting and actors

This section reports on the testing of the draft Toolkit for Capacity Development in a Sector Context in the context of Denmark’s Programme for Support for Democratisation and Rule of Law 2009-2011 in Benin. It took the form of a learning event in April 2009 for the main counterparts of the programme’s component named Programme for Support for Democratisation and Gender Equality 2009-2011. The event aimed at guiding the joint donor formulation work scheduled for fall 2009 of a joint capacity building programme for the Ministry

for Family and National Solidarity (MFSN). The objective was to facilitate vision alignment among MFSN, the donors, and (select) sector ministries about political economy/capacity development (PE/CD) factors for gender mainstreaming work. This section is an abbreviated version of a full report on the tool testing experiences. Furthermore, a second report summarizing the workshop findings and the inputs for the TORs for the Danish Embassy in Benin is also separately available, but in French only.¹⁴

Approximately 45 persons from MFSN, three sector ministries, and donor institutions participated in the 2-day workshop.

Process

The work was initially planned as a validation exercise of a series of background studies already programmed, applying selected tools from the toolkit. However, in the absence of completed background studies, the approach changed to include cursory self-assessments applying three different tools to guide the vision alignment, namely:

- institutional self-assessment of MFSN with the objective of identifying capacity building needs applying the Tool for Quick Summary Capacity Scanning Matrix (Tool 1a in the Capacity Development toolkit of the EC);
- mapping of sector stakeholders by designated sector gender focal points with the objective of identifying MFSN's role vis-à-vis the other stakeholders applying the Tool for Actor Assessment Matrix (See Annex 5); and
- self-identification of donors' past/current/planned roles in MFSN capacity building activities with the objective of identifying future donor roles applying the Tool for Roles in Capacity Development and Capacity Development Support Processes. (Tool 3a in the CD toolkit of the EC).

The work included pre-workshop guidance but also post-workshop validation in the absence of background studies. Simplified guidance notes were distributed prior to the conduct of the mission to the three targeted self-assessment groups in the form of presentation guidelines. Once in-country, preparatory meetings with the various producers of the self-assessments were conducted to further explain the guidelines as well as to unpack some of the aspects new to the stakeholders such as the notion of organizational culture and change management. It should be noted in this regard that the tools were heavily simplified in order to strengthen the understanding of the approach.

The workshop itself was a 2-day event structured around the three tool application exercises followed by sessions of group work to validate the presentations and summarize conclusions/recommendations. At the end of the mission the workshop findings were presented at a formal debriefing session at MFSN premises.'

¹⁴ Rapport de mission. Mission de Test d'Outils d'Évaluation Institutionnelle Sectorielle en Vue de la Formulation des Termes de Référence pour l'Évaluation Institutionnelle du MFSN. Mai 2009.

Results

The exercise in Benin resulted in inputs to the ToR for the formulation of future donor support. However, differently from the Ethiopia and Bolivia cases, the Benin case included a specific evaluation focusing on the tools and the process through which they were used.

The evaluation of the tool application process falls in three parts: Assessment of the preparatory efforts; assessment of the workshop including evaluation of the utility of the tools as well as general workshop process elements; and assessment of the validation efforts.

Preparatory efforts: Generally speaking the participants were overall satisfied with the quality of the preparatory efforts. The preparatory meetings, however, were considered most useful as they allowed for a further unpacking of the guidelines. Indeed, it is doubtful that the participants could have applied the guidelines without the preparatory meetings.

The workshop: The workshop was assessed concerning three different parameters: assessment of the workshop vis-à-vis the participants' expectations; an assessment of the usefulness of the tools; and an assessment of the workshop in the form of identified strengths/weaknesses.

- The participants expectations to the workshop were mostly clustered around identifying MFSN's capacity needs, but also included clarifying MFSN's role vis-à-vis other stakeholders, enhance collaboration with donors, strengthen gender mainstreaming at sector level and learn new tools.
- Overall the participants assessed the workshop favourably; this especially for the MFSN participants who found that the workshop contributed to a better understanding of MFSN's role and mandate. Respondents giving a less favourable assessment mainly attributed this to the fact that the tool application was not considered explicit enough.
- The application of the three tools was assessed in terms of their contribution to enhanced understanding of; (i) MFSN's capacity needs; (ii) MFSN's role and mandate and (iii) donors' role in capacity building efforts. Generally, the participants found that the tools had contributed positively. However, the MFSN found the workshop learning higher than e.g. the donors who found the MFSN self-evaluation too general and un-focused: "the identification of capacity needs was not linked with results". Nonetheless, all the participants identified elements of new learning as a direct outcome of the tool application.

Participants were requested to list three strengths and three weaknesses of the process and tools. Strengths included the workshop content, the diversity and interventions of workshop participants and the workshop process as such. Weaknesses included the inadequate prioritization of MFSN's capacity needs; the composition of participants (which other found to be a strength) and some aspects of logistics and time management.

Lessons learned

On expectations regarding tool testing: The two-in-one objectives of the mission – tool testing and vision alignment - proved difficult to meet, mainly because the Embassy and MFSN had attached

more emphasis to the tool learning than was originally intended. The test of tools became explicit instead of implicit, with the unfortunate consequence that the tools at times took precedence over the content. De-emphasizing the tools in favour of the study objective (what will the tool application teach us?) might have contributed to a better understanding of mission purpose.

- *Lesson: Mission expectations should be aligned up-front and should be driven by study objectives beyond the tools, which should always be considered as secondary.*

On the user-friendliness of the tools: The guidelines had limited value without accompanying meetings to further explain the tools and unpack new concepts such as organizational culture. However, in spite of the lengthy preparatory meetings, and simplification of all the tools, certain concepts such as ‘attitude to change’ were not fully internalized; nor were tools fully understood as e.g. in the case of the tool for identification of donor roles in capacity development. Retrospectively, the workshop focus should probably have been narrowed-down considerable (with perhaps fewer participants) to allow for more extensive facilitation.

- *Lesson: Self-assessments using the guidelines require continuous facilitation and unpacking of new concepts, and tools need to be simplified to be useful for initial and basic assessments.*

Tool and cross-cutting issues: The application of the toolkit for a cross-cutting and sensitive issue such as gender mainstreaming proved to be a special challenge and this especially in regard to the mapping of the political economic factors with (unlimited) stakeholders.

- *Lesson: Tools may require special adaptation to be useful for cross-cutting issues.*

Annex 2: Tool for Setting the Stage: Mapping sector and governance actors¹⁵

What Is the Purpose of the Tool?

This tool aims to clarify CD priorities at sector or subsector levels. It does so by helping users to identify the **core public, private and civil society organizations** with a **significant** role in **demanding, governing, overseeing, delivering and accounting** for a set of outputs considered essential in relation to current and future policy outcomes in a sector.

When and By Whom Should the Tool Be Used?

The tool is relevant at the early stages of sector assessment and dialogue about who to involve in possible CD processes and support to CD. In addition, the tool can serve at any time to prompt a dialogue on the broad governance and accountability issues in a sector, the results of which would feed into design of activities to enhance governance as part of enhancing sector capacity.

- Local actors can use the tool to clarify strategic options regarding which organizations to target for priority CD action, and how to strengthen the governance and accountability relations in a sector.
- Development partners can use the tool to inform country strategy programming processes, as background for dialogue with local actors, and to inform decision making about specific support to a sector.
- The tool may also be used in the dialogue between local stakeholders and development partners.

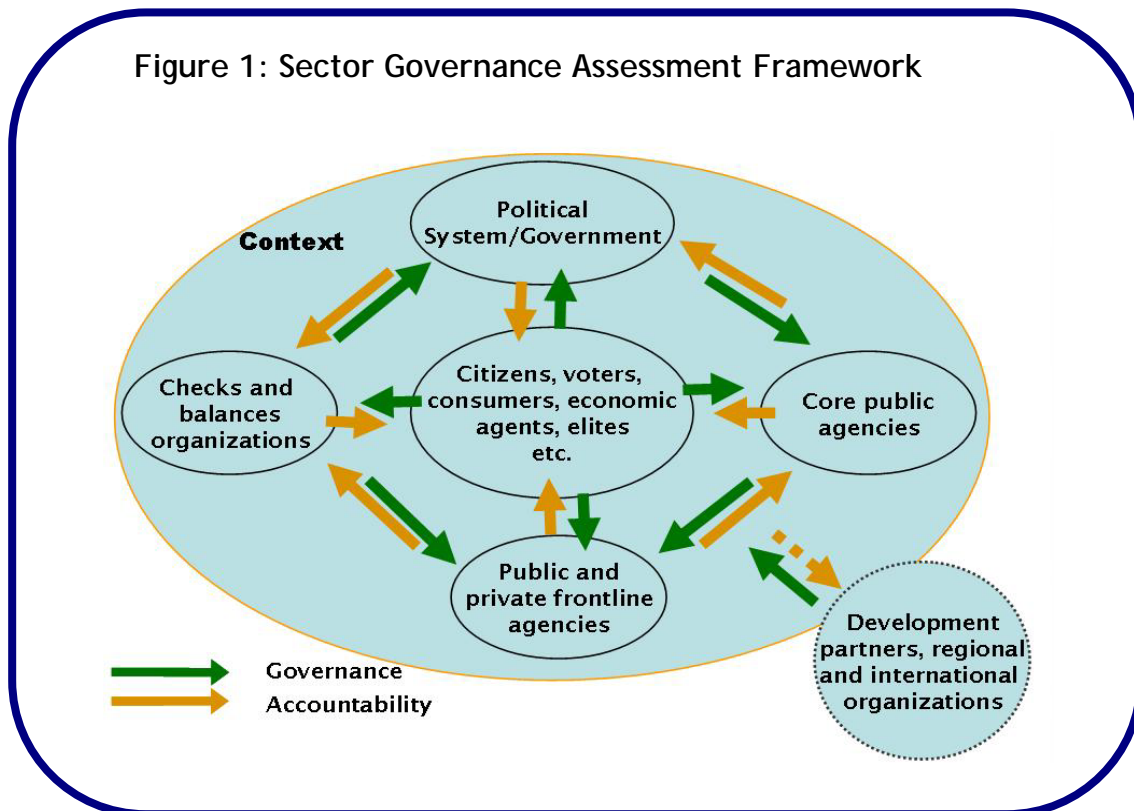
How to Use the Tool

The tool consists of two parts: A graphic chart, and a matrix. The **graphic chart** enables a simplified graphic presentation of key actors in the sector. Follow the steps below:

1. Identify the core organizations which have or should have a *significant role* in the sector for the achievement of broad sector outcomes.
2. Consider organizations and actors playing the following roles:
 - a. **civil society organizations and interest groups** representing “voice” and demand for services, or to whom accountability should be important;
 - b. **frontline agencies and units** actually delivering services, both public and private suppliers; including as relevant local authorities
 - c. **central level agencies** with roles in policy making and governance of subsidiary levels;
 - d. **checks and balances organizations** that keep the “operating system” to task; and
 - e. **the political system**, including parliament, local councils, political parties and cabinet as relevant.

¹⁵ The tool builds on EuropeAid’s reference document no. 4 “Analysing and Assessing Governance in Sector Operations” (2008).

3. Locate the organizations graphically. The graphic can be drawn on wall-paper or on flipcharts, or on a computer, using Figure 1 below.



Source: EuropeAid, 2008. Reference Document no. 4: Analysing and Addressing Governance in Sectors.

4. Assess the emerging picture:
 - Have all significant actors been included? Are there “voids” which might affect sector outcomes (e.g. private sector not participating, or poor people not having a voice)?
 - How are the relations between the actors? Are governance mechanisms effective, and are accountability relations functioning?
 - Are basic communication channels available ensuring consultations, data flow, supervision, instructions, reporting and monitoring?
5. Which CD needs would emerge from the picture:
 - to make the “sector system” stronger by getting the right actors on board and the relations between them to flow?
 - to strengthen the capacity of individual actors to play their role?
 - among the needs, which should have short term priority, and which should be considered later?

Mapping governance and Accountability Relations: The matrix tool enables an assessment of the governance and accountability relations between actors in the sector:

1. **The “mix” of governance mechanisms.** The mix determines the functioning of a sector. Ascertain the relative strength and importance of informal and formal governance mechanism.
2. **Information about and clarity of sector governance.** Are the “rules of the game” in the sector fairly clear, comprehensive, and available, and do the actors know them?
3. **Responsiveness of governance.** Are actors and agencies subject to fairly predictable central guidance in line with formal policies, or is decision-making more arbitrary, discretionary, and ad hoc?
4. **Accountability set-up and responsiveness.** What are the mechanisms that keep people entrusted with power from abusing that power, and to what extent is oversight effective? Does the presentation of accounts have any consequences for those held accountable?
5. **Capacity for governance and accountability.** Are resources and capacity available in the quantity, quality, and timeliness necessary to enable agents to follow governance directives and to meet accountability obligations? Are resource flows and management transparent?

Background and Details

The tool permits identification of the organizational boundaries of the sector or subsector where CD is being or should be considered (Box 1). Different categories of organizations are considered: frontline agencies, central level agencies, checks-and-balances bodies, the political system, and civil society organizations representing voice and demand for services.

The tool builds on the assumption that sectors have to be understood in a holistic and comprehensive manner, because relations inside the sector and to external factors are crucial for sector dynamics. As a result, policies may often have to incorporate a broad view (and specific subsector policies must reflect this). However, when it comes to making policies operational in programmes (and in this case in CD initiatives), it is most often necessary to package actions in a manageable way in subprogrammes that may often benefit from a clear institutional anchoring.

Box 1: Organizations to Consider—Transport Sector Example

Civil society organizations and interest groups: transport associations, road users (if organized), environmental groups, unions of drivers, suppliers of goods and services to the sector, exporters and importers of goods.

Front line agencies and units actually delivering services: public and private road maintenance or supervision units, police units, toll station operators, road funds, local authorities responsible for tertiary roads.

Central level agencies: transport ministry, public works ministry, central police authority, environmental authority.

Checks and balances organizations: auditor general, ombudsmen, complaint and redress system, the judiciary.

The political system: transport and environmental committees in parliament, finance committee, infrastructure committee. Political parties, cabinet infrastructure committee.

The tool allows one to look at sector governance which broadly encompasses the “rules of the game” in the sector: who decides priorities, how are resources distributed, how is authority exercised, who, formally or informally, are accountable to whom? Governance and accountability are thus two sides of one coin: those governing (often called principals) must be able to call those governed (often called agents) to account. In liberal democracies, the elections are meant to be the ultimate mechanism where voters hold governments accountable; in one party systems, the party members are assumed to hold the party leadership accountable. In an organization, a governing board will demand that the executive managers are accountable to them. In informal patronage networks, the clients are accountable to the patrons, but patrons may also be partly accountable to the clients.

Advice. By focusing on *significant* actors only, the tool attempts to simplify what is likely to be a complex web of actors and relations. Going through this simplification process at the beginning of a dialogue process or analytical phase is obviously risky—and this emphasizes that the tools cannot be used sequentially. Users have to go back and forth until the combined picture is satisfactory and clear.

Links. This tool is closely linked to the Tool for Political Economy and Stakeholder Analysis. (See Annex 3)

Annex 2 (cont): Tool for Assessing Sector Governance Relationships—Issues

Parameters	Issues/Questions	Assessment (give details of the key actors referred to)
Mix of governance mechanisms	<p>To whom is loyalty primarily owed by key agents (boss, patron, funding agency, goal of the organization, external agents (e.g., professional association, trade union, or political party)?</p> <p>Is it fairly clear who exercises formal governance?</p> <p>Are formal governance mechanisms stronger or weaker than informal mechanisms?</p> <p>Are informal governance mechanisms largely complementing or are they competing with formal governance?</p>	
Information on governance	<p>Are adequate governance instructions provided for the sector?</p> <p>Is there a timely and ongoing inflow of governance directives?</p> <p>Are governance directives publicly available and relevantly shared in the organization?</p>	
Responsiveness of governance	<p>Is the actor/agency subject to predictable central guidance or to arbitrary/discretionary orders and control?</p> <p>Are the governance directives in line with overall formal policies?</p>	
Capacity for governance	<p>Are resources and capacity available in reasonable quantity, quality, and timeliness to enable agents to largely follow governance directives?</p> <p>Are resource flows and management transparent?</p>	

Accountability setup	<p>Is the accountability system (responsibilities, frequency, format, and processes for presenting accounts) congruent with the governance mechanisms?</p> <p>Do governors effectuate and enforce sanctions, rewards, or other measures based on the presentations of accounts?</p>	
Information on accountability	<p>Is information pertaining to the accountability function publicly available and pertinently distributed to relevant stakeholders in and outside the public sector?</p> <p>Is accountability-related information available in a timely manner?</p>	
Accountability responsiveness	<p>Is accountability responding to the key governance directives, allowing assessment of the fulfilment of the directives?</p> <p>Is accountability relevantly covering inputs, processes, and results?</p>	
Capacity for accountability	<p>Are resources and capacity adequate to fulfil accountability obligations?</p> <p>Are the resources and capacity dedicated to accountability appropriate as a proportion of overall resource availability?</p>	

Annex 3: Tool for Political Economy and Stakeholder Analysis

What Is the Purpose of the Tool?

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

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

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

When and By Whom Should the Tool Be Used?

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

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

How to Use the Tool

The tool consists of two matrixes and a graphic chart:

- Tool for **Institutional and political economy context scanning** is a matrix allowing the identification of institutional and political economy factors shaping sector performance; and
- Tool for **Actor Assessment Matrix and Stakeholder Analysis**. The matrix invites the user to consider possible stakeholders, their interests, and resources. The matrix serves for detailed analysis.
- Tool for **Circle of Influence Graphic**. This tool provides a visual overview. It builds on the details from the Actor Assessment Matrix.

Information for the tools can be drawn from own knowledge, key informants, and special studies. The tools are designed for use in facilitated workshop settings, but can also serve for

individual preparation. The tools can either be used to summarize results of a proper analysis or serve as an indicator of the need for more thorough analysis.

Background and Details

The tools focus on how the capacity of key sector organizations to perform key functions is influenced positively or negatively by broader institutional and political economy factors, which reach beyond the sector, and by the interests and power of stakeholders. It thus focuses both on factors (Tool for Institutional and Political Economy Context Scanning), and individual actors and stakeholders (Tools for Actor Assessment Matrix and Circle of Influence). The tools help to answer the questions: Which context factors explain why the current capacity is what it is, which context factors are enabling or constraining CD and change – and who has an interest in the status quo and in changing capacity, respectively?

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

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

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

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

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

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

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

Tool for Institutional and Political Economy Context Scanning: The matrix is framed as a checklist inviting to assess typical institutional and political economy factors across sectors that may influence the prospects for successful capacity development and/or reform in any sector. However, it is important to “think beyond the box” – there may be other factors to consider

which are not included in the checklist. The checklist allows a scoring – the higher the average, the less conducive may the context for sector reform and CD be.

Tool for Actor Assessment Matrix (Annex 5): The Actor Assessment Matrix consists of a matrix with five columns and as many rows as necessary to cover all significant stakeholders.

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

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

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

- **Importance or salience of issue.** Stakeholders may have interests in the outcome of CD processes, and they may have considerable resources, but they may assign higher or lower importance to the issue and thus be more or less engaged in whether the CD/reform moves ahead. This column serves to indicate the salience that a stakeholder attaches to the issue, again on a three point scale: high (3), medium (2), or low (1).
- **Summary Stakeholder score.** The summary score combines the interests, power, and salience for each stakeholder. Multiplying the scores in each of the other columns will combine into a single digit between +9 (high power, high salience in favour of CD/reform), 0 (not effectively a stakeholder) and -9 (high power and high salience against CD/reform).

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

Tool for Circle of Influence (Annex 6): The Circle of Influence graphic creates a useful overview of the more detailed analysis. Stakeholders are located closer to or further from the center according to the ranking. The circle has the advantage of depicting the “undecided,” a group that may come to a position and make or break a CD process. Influencing those stakeholders may therefore be crucial.

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

Box 2: Tip & Tricks

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

Links. The political economy and stakeholder analysis details the context and the positions of actors identified in the Tool for Partners Roles in CD Processes (tool 3 in the CD toolkit of the EC.) The analysis feeds into the “Tool for Assessing Change Management” (See Annex 6), where actions to manage different stakeholders will have to be specified, and the Tool for Sequencing and Scoping of CD and Reform (tool 7 in the CD toolkit). The Sequencing and Scoping tool demands that design of CD reflects the levels of support for and resistance to change.

Annex 4: Tool for Institutional and Political Economy Context Scanning

Sector Capacity Area	1 = fully agree	2 = agree	3 = disa gree	4 = strongly disagree	Implications for CD or reform at sector level
A. Wider context influencing policy making					
A1 Sector policies are normally endorsed by cabinet					
A2 Sector policies are normally endorsed by parliament					
A3 Sector policies are endorsed by ministry of finance					
A4 Political parties are driven by policy positions					
A5 Formal policies are guiding actions of ministers					
A6 Formal policies are guiding civil servants					
A7 Policy failures have political consequences					
A8 Compliance with policies and laws is high					
B. Sector resources, budget allocation mechanisms, and public financial management					
B1 The budget process is policy driven					
B2 The budget is largely executed as planned					
B3 The budget envelope to sectors balances salaries and recurrent costs					
B4 The budget envelope matches final sector plans					
B5 Funds are made timely available to sectors					
B6 Transfers and allocations are transparent					
C: Factors influencing organizational capacity					
C1 Material incentives to performance in the public sector are reasonable					
C2 Non-material incentives are reasonable					
C3 Staff strength and competencies matches policy ambitions					

C4 Public sector employment is not linked to patronage					
C5 Effective civil service reform is addressing performance constraints					
C6 A performance culture is generally present					
C7 Front line service providers have means and relevant autonomy to deliver					
C8 Leadership practices stimulate staff to perform and take initiatives					
D: Wider framework for accountability and monitoring					
D1 Audits are effective, and observations lead to actions or sanctions					
D2 Parliamentary oversight is effective					
D3 Monitoring is of reasonable quality and used for adjustments					
D4 Monitoring data are publicly available					
D5 Civil society is engaged in monitoring					
D6 User groups have voice					
D7 Public institutions are sensitive to complaints					
E: Networking and relations to critical stakeholders, including development partners					
E1 There is a broad tradition for formal and informal consultations					
E2 Public sector cooperate easily with each other					
E3 Development partners are playing second fiddle only					
E4 Staff can network across organization boundaries when relevant					
F. Other					

Annex 5: Tool for Actor Assessment Matrix

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

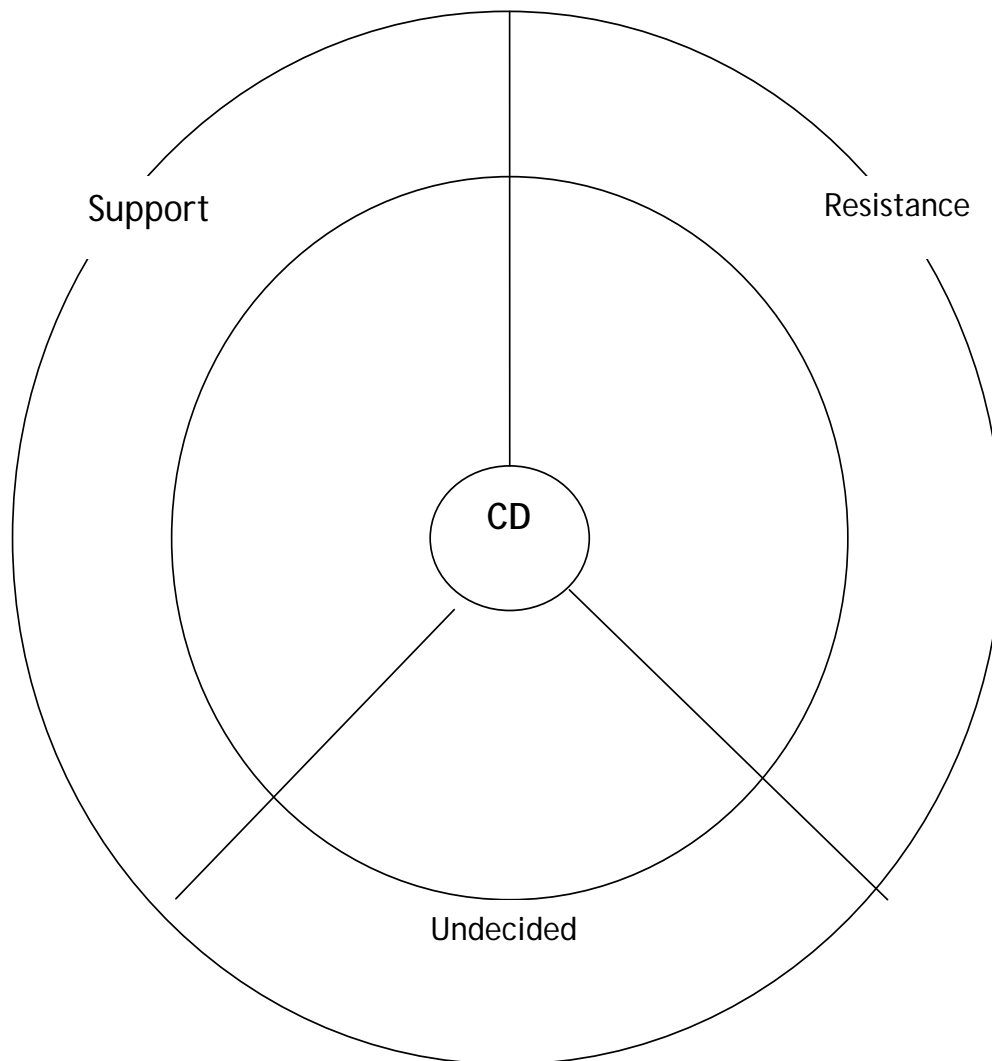
A. CD/Reform Issue or Element:

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

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

Circle of Influence

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



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

Annex 6: Tool for Assessing Change Management

What Is the Purpose of the Tool?

The tool assesses change management capacity and serves (1) to adjust ambitions for CD and change processes to the available capacity to manage change, and (2) to change and/or prompt actions to increase the capacity to manage change, and (3) to define functions and distribute responsibilities for important change management elements.

When and By Whom Should the Tool Be Used?

The tool is most relevant at the earlier stages of CD strategizing, design and planning. The tool is primarily intended for use by stakeholders who intend and have the option to play a significant role in CD or change processes.

External partners and process facilitators may use the tool to assist those in charge of the change management to assess their capacity and specify their roles and functions.

How to Use the Tool

The Tool for 360⁰ Self-Assessment of Change Capacity allows a qualitative assessment of the strengths and weaknesses of the available capacity to manage change of a team or an individual, looking at internal resources and external contacts upwards, to customers/clients and to other organizations needed for change to happen.

The assessment allows considering the possible convenience of altering objectives, scope, or speed of the CD process, or for seeking ways to increase the change capacity strengths and diminish weaknesses.

The Tool for CP Change Management Design is a matrix for planning three key change management functions:

- Managing and communicating with stakeholders.
- Getting content right.
- Ensuring overall change management.

As necessary, the matrix can be transformed to a time-bound action plan and bar chart.

Background and Details

The tools adopt the “open systems approach” advocated in this guide—the capacity of a change team is defined by 1) its internal strengths and weaknesses, 2) by stakeholders in the context and 3) the ability of the team to relate to stakeholders—which depends on the team’s skills and the positions of the stakeholders.

The tool for “360 degree assessment” to examine the capacity of a team (or an individual) to manage is covering four dimensions,

- “northern corner”: the position of formal or informal superiors, authorities, as well as the access to and ability to influence them;
- “southern corner”: team capacity, assessing leadership, resources, competing priorities, and clarity of change tasks and roles;
- “eastern corner”: positions of users, clients, or customers in relation to the CD/change, and the access to and ability to influence them; and
- “western corner”: position of important stakeholders in the broader “supply side” network of colleagues, peers, other organizations, and external partners, and the access to and ability to influence them.

The Tool for 360⁰ Self-Assessment of Change Capacity allows a mapping of current strengths and weaknesses of the relations of the change team to key stakeholders, and of the internal strengths and weaknesses of the team to improve these relations in favour of CD and change. The tool helps the team to establish a realistic picture of whether it will be able to handle the change process successfully.

The Tool for CP Change Management Design builds on the notion that change management entails three key functions, which have to be performed through all stages of a change process:

- **Managing and communicating with stakeholders.** Through all CD/reform stages, this is maybe the most important task to develop capacity and plan for. A poor technical design, insufficient funding, or poor management of the process will undermine support. But even an excellent design, funding, and management of the technical aspects of implementation will not create support or diminish resistance.
- **Getting content right.** While stakeholder relations and management is the “marketing functions” of change, then change management also has to focus on the quality of the products required to enable credible and meaningful marketing. A change team needs to have the capacity to make quality products – but producing them is different from selling them!
- **Ensuring overall change management.** Change needs adequate capacity to manage of processes, staff, and stakeholders. How will the CD process be implemented, and who will lead it? Does it require short-term organizational changes? Will it be best served by an independent CD/reform unit or a task force drawing only partly on members’ time? To whom will it report? How will it coordinate with other actors?

The Tool for CP Change Management Design invites users to discuss and plan how the key process issues relevant for successful CD and reform will be managed. Each cell in the matrix allows for answering two questions: What has to be done? Who can/should do this?

The tool includes three rows for the key change management tasks listed above – stakeholder management, content management and overall change management. **The columns** of the matrix detail dimensions in CD, reform, and implementation processes. The dimensions are not sequential or clearly delineated. Rather, they should be expected to be dynamically interdependent

as the CD/reform process unfolds and requires renewed agenda-setting, change of design-parameters, etc.

- **Agenda setting.** CD needs to be included on a domestic political agenda. This includes political aspects (e.g., nurturing dissatisfaction by key actors with the existing state of affairs) as well as technical aspects (e.g., providing evidence about poor performance or convincingly demonstrating that progress is possible).
- **Formulation/design of CD/reform.** This includes technical aspects (scoping and sequencing, see the Tool for Sequencing and Scoping of CD and Reform” (tool 7 in the CD toolkit). It is also a communication exercise and a political exercise to ensure that the CD/reform, once approved, can be implemented.
- **Approval.** This includes the public commitment to the CD/reform at the appropriate level. The more comprehensive the reform, and the more it affects well-established interests and norms, the stronger and higher level should the commitment be.
- **Implementation.** This stage includes technical aspects and maintaining the momentum necessary to achieve and consolidate CD results, to overcome resistance as it emerges, and to herald wins and harness supporters.
- **Completing a phase, cooling down, and/or pausing.** Successful CD and change processes are likely to have intensive periods and times when activities are minor. Full stop periods may be required if resistance or fatigue is temporarily overwhelming. Such periods must be managed, rather than “just happen”—when a reform dies by itself, it is very difficult to start up again.

Advice. Many CD efforts supported by external partners suffer from over-specification of technical inputs to “get content right” and under-specification of the change management tasks and functions. It is often overlooked that more comprehensive change demands considerable leadership resources (including time and capacity) and requisite support from higher levels. The tools can help to widen the focus of CD planning beyond the technical aspects.

Links. The tools build on information about significant actors gathered through the Tool for Partners Roles in CD Processes and Tool for Setting the Stage: Mapping sector and governance actors. The combined results of the assessment of resistance to and support for change, change capacity, and change management design is feeding into the Tool for Sequencing and Scoping of CD and Reform (tool 7) and the Tool for Logical Design of CD Processes and Support to CD (tool 8 in the CD toolkit), which must detail the change management set-up.

Annex 7: Tool for CD Change Management Design

Note: Specify tasks and people responsible for handling them.

Task Groups Dimensions of CD Processes	Managing and Communicating with Stakeholders. Mobilizing and maintaining support, managing opposition, ensuring relevant formal/informal participation, consultation	Getting Content Right. Feeding evidence, data, and appropriate knowledge into the process	Ensuring Overall Change Management Functions. Leadership, decision making, coordination.
Agenda setting Get and/or keep on relevant agendas in an adequate and timely manner (political agenda, agenda of minister[s], civil servants, lobby groups, media, etc.)			
Formulation/design of CD/reform elements Scoping/sequencing, planning of details to an appropriate level, costing, negotiation of possible external support, risk analysis			
Approval Ensuring formal and informal support or acceptance from power/authority holders, ensuring appropriate publicity about approval			
Implementation Including team building, appropriate visibility, monitoring and feedback, adaptation to changed conditions			
Phasing out/pausing Preparing for cooling down if required, or closing the process in a manner that enables a future restart			

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