

OpenSpace Report on

Political Economy of Reform in the Informal Economy

2) Person suggesting Topic & Group Participants

Liz Winton (DFID) and Neil McCulloch (IDS)

Theo
Mikkel
Mikael
Jorge
Shaida
Tom
Jim
Owais Parray
Christina
J. Duran
Tihua
Munji Nazzah
Owani
Oscar
Aminur

3) Summary of Discussion

Detailed notes were produced by Liz Winton (available on request). Key points were:

- There appear to be few templates for doing political economy analysis. However, there are some good examples of research e.g. IDS Public Action for Private Investment project; GDI's work on the political economy of industrial policy. Also DFID's Drivers of Change work tries to provide guidance in this area. The World Bank also have similar approaches. However, often these are high level governance analysis and unconnected to (and not even known of by) people dealing with enterprise reform in the same organisations.
- One usual approach is to map the key actors on a pro-anti reform dimension; and then the strength or weakness of these actors on another dimension. One can then think about ways of moving people from the weak and/or anti to the strong and pro. In addition it is important to dig down to understand the reasons why the different actor are where they are on this map (i.e. are pro or anti; are strong or weak). What are the processes which make them take the position that they have? Only by understanding these processes and the incentives and constraints felt by the key actors is it possible to engage in a way likely to achieve success.
- There was also discussion about rent seeking. We agreed that rent seeking isn't bad in itself, but what matters is whether rents are productive or counter productive. Two key factors which determine this are:
 - Leadership – having drivers or champions is key
 - Check and balances – have mechanisms which automatically counteract forces which will lead to unproductive rent-seeking.

4) Conclusions

We agree steps to take forward:

1. Liz and I will circulate the detailed minutes to all participants of our session
2. IDS, GDI and DFID will circulate links to available information on how to analyse and think about the political economy; others are welcome to do the same
3. We strongly support the idea of the DCED BEWG producing Donor Guidance on Political Economy
4. We may wish all to explore ways in which we can learn from other actors with whom we rarely interact but who are very plugged into local political economy issues e.g. Foreign Office staff who examine the political dimension all the time. Our organisations may even want to consider designing training on political economy analysis for those involved in BER.