The central purpose of interviews is to provide the information that desk research and literature reviews cannot reveal. This information will ultimately provide the content that is schematically summarized in Table 1, as well as the history and prospect for reforms.

As the research needed to implement this note moves from remote desk studies to interviews, it is crucial to be aware of the political sensitivities surrounding think tanks, institutions, and organizations, including international development organizations. Forward-looking research on the political economy of reform implicates national policy decisions in areas that are intrinsically politically sensitive. Thus, confidentiality and reasonable care with the information gleaned—especially from high-level interviews—will be important. Further, it is important to keep in mind that most interview partners will engage in the interview with a certain agenda or bias.

Annex A offers much more detail on the development of an interview strategy and a checklist for questions. This section focuses on three broad aims for the interviews.

**Filling in Fundamentals: Detail on Purpose, Cost, Benefits, and Instruments of Major Energy Subsidies**

Building on the first draft of the information prepared based on desk research, critical gaps in this information must be filled in. In particular, interviews within country should check whether the current inventory of major subsidies is complete and whether information obtained from external desk research is accurate. Often, it is difficult to understand from a literature review alone what the real political purpose and impact—past or present—of a subsidy is or how the mechanisms for subsidy actually work in detail. Subsidies that involve transfer pricing or contingent liabilities may also be hard to detect from the outside.

A particularly important aspect of interviews is to assess counterfactuals. For example, if a subsidy is delivered via a blunt mechanism—such as an across-the-board price control—were alternative mechanisms unavailable? Were there political or other reasons for picking this mechanism? Such information about the choice of subsidy instrument, in turn, affects the political benefits and costs of a subsidy and may narrow the range of viable reform options.

**Information Concerning Political Interest Groups**

To the extent possible, initial desk research will reveal the major interest groups that are relevant. However, it is unlikely that such prior research will offer much insight into why these groups favor or oppose subsidies or into how the groups are organized and what coalitions and conflicts they engage in to advance their policy goals. Obtaining such information usually requires talking with a wide range of stakeholders and observers. Observers of the political scene—even if they are not specifically focused on energy policy and fiscal matters—can be especially valuable in this regard.
It is particularly important to focus on the “glue” that holds the interest groups together. Are they organized because they are small and concentrated—such that each member knows the benefit of being organized, and large members will incur most of the cost of organization? Or does something else hold them together? Do they have a clear position with regard to the subsidy reform? How are the different interest groups connected to other groups and to the government?

OVERALL POLITICAL ECONOMY ASSESSMENT

The introduction to this note identified three different goals for this political economy analysis, each with its own unit of analysis. Meeting all three of those goals—an assessment of the political economy of the current subsidy regime, an assessment of historical reforms, and an evaluation of plausible future reform strategies—requires seasoned political judgment. Obtaining that judgment—informing by the particulars of the current subsidy regime and past efforts at reform—is difficult, yet is the most vital outcome from the interviews.

Particular attention is needed in conducting open-ended interviews using questions that assess plausible future reform strategies. This requires thinking through who can share information on what, and what potential interests and biases and interviewee has. The task of those performing political economy analysis is to cross-check those judgments against areas where more detailed analysis is possible. Further, as these interviews are being undertaken, it is important to remember that most interviewees will answer from their own, often limited perspective, and they might introduce their own biases, interests, and prejudice to the picture. Since there will be no “neutral” observer in most cases, it is crucial to triangulate among a variety of viewpoints in this phase of the analysis.

FORWARD-LOOKING SCENARIO ASSESSMENT AND ITERATIVE LEARNING

The biggest challenge and most powerful use of strategic political economy analysis comes with the need to take what has been learned from the past and develop reasonable scenarios for predicting the future success of reforms. The political organizations and actors involved are complex living systems that cannot as easily be predicted as machines or static, well-bounded technical entities. Thus, any predictions derived from political economy analysis will be only indicative, and will lead to developing reasonable and likely pathways for future reform efforts, identifying supporting and hindering factors, and pointing out existing and potential change leaders, coalitions, and windows of opportunity for change.

Because of the complexity of the system and the long-term perspective that energy subsidy reform often requires, it is crucial to be prepared for iterative learning cycles, where the initial political economy analysis (together with the information from other ESRAF good practice notes) provides a starting point for planning and implementing reform activities. As implementation starts, the reform team observes the reactions of the political economy system to these initial reform activities and uses these reactions as further sources of information about what is feasible, which drivers will be crucial, and what the strengths and weaknesses of the opponents of the reform are. This then informs future reform efforts. Since a political reform process is embedded in unpredictable and
dynamic political economy environments, it cannot be fully planned out from start to end. Rather, the plan should ensure clarity of direction, a focus on the problems and aspirations that drive the reform, and the space to react adaptively to changed opportunities and obstacles.

Taking these insights into account when designing and implementing interventions can lead to more iterative, adaptive project planning and implementation with a consistent eye on the process, the stakeholders, and the incentives involved.

ANNEX A: TYPICAL INTERVIEW AND BACKGROUND RESEARCH QUESTIONS

Questions surrounding political economy are usually quite sensitive and complex. Thus, while government reports and data sets provide important starting points, additional information is essential. It is imperative to develop an interview strategy that is based on the information needed and the political and organizational sensitivities in obtaining it.

Below is a list of major categories of information that will be required. The list is organized in layers—beginning with information that should be obtainable from desk research and prior studies, and then leading to a basic history of reform efforts, further political economy interpretations for why those reforms have succeeded and failed, and finally to a future-looking assessment of the political economy opportunities and constraints to different reform scenarios. It is important to be aware of selection bias in focusing on known reforms—and remaining attentive to “non-reforms” (reform attempts that did not happen), since they often reveal just as much about relevant political economy dynamics. The depth of analysis of past reforms and non-reforms depends on the time and resources available to the team. While it is optimal to develop a full storyline of reform episodes and a deep understanding of all influencing factors, often time and resources will not allow such in-depth work. In these cases, it is recommended to develop a general timeline of reforms (attempted and successful), a few ones, at least one and possibly identify a few efforts for more in-depth analysis.

The questions below can be transformed readily into a set of country-specific questions and an interview strategy. The next step is to identify a range of interviewees who offer diversity across three main dimensions: (a) people who are experts on energy topics versus generalists who are knowledgeable about the political economy of the country; (b) government officials with line responsibilities within ministries (and thus knowledgeable about the details of policies and industries) as well as high-level officials who can speak more broadly about the big picture; and (c) officials within the major branches of government as well as outside observers (such as journalists, civil society non-governmental organizations (CSOs), think tanks, and private sector). On the basis of on this subject, a typical list of sources of good interview subjects includes the following:

- Established experts on energy subsidies in the country. Those with publications on energy subsidies in that country would be
one choice, such as research and policy institutions, academics, and international organizations working on energy subsidies (such as the International Energy Agency and International Institute for Sustainable Development), or in-country experts focused on energy issues. They could be an excellent source of basic information, and may also have some insights into political economy dynamics.

- Ministry officials and legislative support officials at relevant government agencies—. In addition to the ministry or agency responsible for designing and implementing the energy subsidy reform, it is helpful to involve other agencies that are related to the sectors, including ministries of finance, industry, and transportation, since they would most likely be impacted by and influence the reform process. Subsidies for district heating are often handled at the level of municipal governments.

- Leading experts on energy markets in the country, including consultancies that advise investors and policy makers

- Energy staff at major interest groups

- Private sector actors in energy, both international and local, and their representations and associations

- Other stakeholders, such as sellers of diesel generation sets or fuel truckers benefiting from compensation for transportation costs of liquid fuels, e.g. through a freight equalization scheme

- Reporters who cover energy and public finance

- Think tanks in the country that a focus on energy, public finance, and reform efforts more broadly

- Seasoned observers and participants in the political process who can speak more generally about political economy and how it affects policy and reform

After developing a list of interview subjects, those in the country who are familiar with political sensitivities can help to identify the questions that different subjects can be asked and where answers will likely head. Government officials—especially lower-level civil servants—often cannot speak about policy, and thus the questions need to be framed in the domain where the interviewee is both knowledgeable and willing to speak. It can be helpful to align the seniority of the interview team with the level of seniority for the subject. Often the most useful answers from senior officials and observers arise in the context of broader discussions about political economy and broader interpretations of why some reforms have succeeded or failed. For these officials, it would be important to pay close attention to the category (see Broad Questions about Political Economy, below).

Often the best interview strategy unfolds in layers—the first rounds of interviews focus on lower-level experts to ensure that there is a strong base of information about the history and operation of subsidy regimes, complemented by desk research. Later rounds of interviews focus on higher-level officials and interpretations of what it all means. Sequencing interviews in this way also allows the team to be as efficient as possible when requiring the time of senior officials.
CRITICAL ITEMS NEEDED FROM OTHER ESRAF GOOD PRACTICE NOTES

Provide a checklist of critical items needed from previous notes along the following lines:

1 | The major energy subsidies and their sizes as a share of gross domestic product and as a share of total government spending over time.
2 | Whether subsidized energy is officially or de facto rationed and, if so, how.
3 | How unit subsidies are determined and how subsidies are delivered.
4 | Discrepancies between the subsidy design and subsidy implementation, including official prices versus actual prices paid. This should also include analysis of the intended beneficiaries versus those who capture the subsidies in practice, the volume allocated to the intended beneficiaries versus the volume released, and who the ultimate consumers of subsidized energy are.
5 | Spending on key social programs (health, education, and social protection) over time to consider the opportunity cost of subsidy spending by the government.
6 | The distribution of benefits from subsidies among households by income and expenditure quantiles (such as quintiles or deciles).
7 | Who pays those subsidies (for example, government, SOEs, private energy suppliers, or consumers).
8 | Where possible, information on how the benefits and costs of subsidies map onto known interest groups.
9 | Where possible, information on the goals that each subsidy was originally designed to achieve and what goals it has achieved in practice.

OVERVIEW OF THE POLITICAL AND ADMINISTRATIVE SYSTEM

Provide a basic overview of the political and administrative system along the following lines:

1 | How is the system of the government organized—for example, division of authority among executive, legislative, and judicial powers?
2 | How do key players in each arm of the government obtain and retain power? This information is important, since it defines where and how policy actors are amenable or vulnerable to influence by interest groups.
3 | How have these governance structures emerged, and are there any recent changes that are relevant?
4 | What is the role of major political parties within the system of government, and what are the major party agendas related to energy subsidies?
5 | Who has power to regulate practices and prices in the energy sector and what instruments (for example, legislation, and administrative actions, such as executive orders) do they use? Answers to these questions may vary with different parts of the energy system—for example, petroleum versus electricity.
6 | For the policy instruments used, what are the major modes by which different interest groups can have influence?
7 | What is the level of administrative capacity (over time if relevant) to design and implement different types of subsidy schemes? If government wanted to implement a scheme that would target a subsidy to particular groups—notably the poor—could it execute it effectively?

8 | What is the level of public confidence in the government and how does that affect the incentives for the government to adopt particular policies?

9 | How informed is the population at large about the costs and distributional impacts of existing energy subsidies? Are there polling data or other indicators of public information? How informed is the broader public about the opportunity cost of public subsidy?

5 | What are the major intersections between market and non-market segments of the energy business? For example, the price of fuel oil or coal could be set in global markets, but power utilities may combust these fuels to generate electricity and sell it at regulated prices. Understanding these interactions is often crucial to uncovering who pays for subsidies since those payments often arise at the “seams” between the different elements of the energy system.

6 | Who are the main large and small consumers of energy with regards to different sectors? How well are they organized and connected and how strongly could they influence the political decision making process in the country?

FACTUAL OVERVIEW OF INDUSTRIAL STRUCTURE OF THE RELEVANT ENERGY AND RELATED INDUSTRIES

Provide an overview of the structure of energy and related industries along the following lines:

1 | What are the major categories of actors (for example, collections of private firms versus SOEs) along the supply chain?

2 | Are there other actors affected by subsidies, such as sellers of diesel generation sets?

3 | What are the main historical factors that explain why the energy sector is organized this way—for example, if SOEs dominate, why were they created and why do they persist?

4 | What determines prices at different stages in the supply chain?

HISTORY OF REFORMS

Over the relevant period, develop a list of major “episodes” of reform. An episode is a cluster of related reforms that were adopted in response to broadly the same constellation of political forces. For each cluster, what were the main changes in policy, what form did they take (administrative, judicial action, legislative), and over what period did they occur? Depending on timing and resources, decide whether to perform deeper analysis on all clusters or on a purposeful sample of episodes that are deemed most instructive for the future reform, because they highlight reasons for success and failure and have played out in a similar policy domain. For in-depth analysis, answer the following questions:

1 | What was the process through which the reforms were attempted?
   a. If legislative, who proposed the legislation and who could have amended it? On formal legislative votes, how
large was the majority, and did voting patterns align with other known political divisions?

b. If executive action, on what authority did the executive take this action and is the use of that authority common? What are the opportunities, if any, for outside interest groups to shape the executive action—for example, through proposal or comment on draft rules?

c. If judicial action, what cases or actions gave rise to the judiciary exercising its authority, and is such authority seen as an intrusion or commonplace in the shaping of policy? If there is a critical case that led to the action, who brought the case and why?

2 | Are the historical episodes of reform seen as relevant to potential current or future reforms? Or is the current or future situation seen as quite different? If the latter, then just an overview of the history of reform and not detailed work on it is probably needed. However, even after radical changes (for example, regime changes from socialism to capitalism, or major democratization) often many old structures remain under the changed surface, which should be explored in the in-country interviews.

3 | For each of the episodes of reform analyzed, develop a basic history that includes elements such as these, and for each of these elements be attentive to whether the answers and conditions are still relevant today:

• What are the main elements of the reform? Focus on how the reforms affected interest groups differently.
• Who (or what group) initiated the reform and why? Were these groups already organized and potent political forces, or did they emerge for the purpose of pushing or opposing the reform?
• What are the main interests that hold the group(s) together, and how do those interests interact with other political interests and agendas?
• How do these interest groups affect political leaders—for example, the ability to muster votes, alter campaign contributions, or threaten political survival through protest?
  • If the reform has been initiated multiple times, why did it not mobilize broader support earlier?
  • Did the reform begin with a crisis (such as a fiscal crisis) or some other kind of galvanizing or organizing event? If so, how did the event affect the constellation of interest groups?
• If the reform passed, were there major difficulties or differences between intended actions and outcomes that arose during the implementation process?
• If the reform partially passed, which parts were successful, which were held back, and why?
• Can the reforms be easily reversed or altered if the constellation of interest groups favoring or opposing were to change?
• Was there public support for the reform efforts? How do those interest groups and the broader population perceive those efforts today? How would that influence any future efforts?
• How much internal opposition to the reform is there within the government? In particular, are there officials benefiting personally from subsidies who can be
expected to oppose the reform strongly behind the scene? How powerful are these officials?

• Is there a powerful national oil company that is a ‘state within a state’? What is their position on the subsidy reform? Are there executives who are personally making financial gains from the subsidies; and are these critical financial supporters for political parties or individual politicians?

• To what degree is the mass public—such as the poor, the emerging middle class, or other broad-based interests—organized politically? If so, what was their agenda with regards to energy?

• How is the electoral system organized and what incentives and opportunities does this create for or against reforms?

4 Among leading policy makers, are there standard lessons that are thought to have been learned about why these reforms were successful or failed?

HISTORY OF NON-REFORMS

This section covers situations where subsidies have not been targeted by reform or where reform efforts have failed at early stages. Reforms that matured further but failed to be passed or implemented have been covered in the previous section.

Develop a history of non-reforms along the following lines:

• Over the relevant period, develop a major list of failed efforts at reform. Also, develop a list of major subsidies for which there have been no serious reforms. Are these major non-reforms still relevant today?

• Developing a detailed political mapping for non-events is difficult. However, for each of these “non-reforms,” explain the major interest groups that would have favored and opposed them and why the opposition was stronger or why no effective pro-reform support emerged. How are things similar or different today?

• To what degree were broad-based interest groups (for example, the poor) organized politically—if so, what was their agenda and did that influence the policy outcome? How are things similar or different today?

• To what degree were powerful specific interests (both private and public) organized against the reform?

• To what degree were reform efforts defeated on account of internal opposition within the government? Was there opposition from powerful SOEs with close ties to certain government officials?

• Among leading policy makers, are there standard lessons that are thought to have been learned about why these non-reforms have failed or not been attempted?

BROAD QUESTIONS ABOUT POLITICAL ECONOMY

Answer the following broad questions about political economy:

• Looking at the past, what have the main barriers to subsidies reform been, and when has it been possible for political leaders to avoid or overcome those barriers?

• If there are major differences in the subsidy regime—such as differences across fuels

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6 E.g. see https://wwwodiorg/sites/odiorguk/files/odi-assets/publications-opinion-files/7367pdf.
or across energy systems (for example, electricity versus petroleum products)—what explains those broad differences?

**ASSESSING FUTURE SCENARIOS, DRIVERS, AND PATHWAYS FOR REFORM**

To increase the usefulness of this analysis for future planning, it is crucial to build a bridge between reform experience, current assessment of the stakeholder landscape, and what that means for future opportunities. Discussions with a broad range of stakeholders on the ground can help the team develop a more solid forward looking analysis. The following questions can be used in discussions in individual interviews or in focus groups:

- In the eyes of the stakeholders interviewed: What would a successful reform look like?
- What would the resulting structure of the subsidy and social support system be?
- What would be the foreseen results for the government budget, the general population (specifically the poor), and the economy?
- Based on the answers to the above three questions and the recommendations from other ESRAF good practice notes, develop a small number of different scenarios related to focus, sequencing, and size of reform, which you describe to interview partners in broad strokes. For each scenario, assess the political feasibility:
  - Who would win and lose, if it was successful?
  - How would different actors relate to the reform (positive, negative, neutral)?
  - What is the capacity of different interest groups to organize support or protest?
  - What aspects of the reform are most likely to spur strong resistance?
  - Are there administrative and technical gaps in the administrative, technical capacity or resource availability among those who would support the reform and how can these gaps be reduced?

This scenario forecasting allows those actors who are most familiar with the local situation to structure their strategic thinking and share their advice with regard to the present opportunities and risk of the political economy situation.

As the analysis develops toward strategic advice for those designing and implementing reform efforts, it is crucial to identify the change agents that will initiate and move the reform forward. Since different change agents will play different roles, tablet A1 can be a helpful tool for assessing which roles are filled or remain vacant and where the work of mobilizing change agents has to focus. Andrews (2013) distinguished between substantive contributions, relating to those providing ideas to make change happen, procedural contributions, referring to those navigating organizational rules and systems and maintenance contributions, which are the relational roles vital to mobilizing others to participate in the change process and to spread and scale it beyond the initial change agents. These distributed agents can include both front line and high-level staff of the diverse government agencies involved in the reform and may even involve private sector and non-governmental actors, as part of the diverse coalitions that are needed for implementing reforms successfully and overcoming political economy obstacles.
TABLE A1: Roles of Reform Actors

<table>
<thead>
<tr>
<th>Function set</th>
<th>Roles</th>
<th>Who you think will play the role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substantive contributions</td>
<td>• Construct, communicate problems&lt;br&gt;• Come up with ideas for reform&lt;br&gt;• Provide implementation view</td>
<td></td>
</tr>
<tr>
<td>Procedural contributions</td>
<td>• Provide formal authority&lt;br&gt;• Motivate and inspire reform&lt;br&gt;• Empower other agents&lt;br&gt;• Provide financial support</td>
<td></td>
</tr>
<tr>
<td>Maintenance contributions</td>
<td>• Convene small groups&lt;br&gt;• Connect distributed agents</td>
<td></td>
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However, as stated above, a good political economy analysis in the planning process of a reform does not remove the need for continually monitoring political economy developments throughout the implementation of the reform. The political economy context will evolve over time, both because of macro-political developments (independent of the reform) and because of the ways that the reform interacts with the existing energy sector political system, increasing or reducing the space for further changes.

ANNEX B: INDICATIVE LOGISTICS

The extent, scope, and depth of the political economy analysis will be influenced by the time, resources, and personnel available to undertake it. Under constraining circumstances, it is crucial to focus the work on those aspects that are most important to the team. This may lead to trade-offs between focusing on experiences from the past versus the present and forward-looking analysis. Also, as noted above, it may make sense to focus on a select number of past reform episodes (instead of analyzing all in depth) and specific scenarios of future options. Finally, as the initial political economy analysis is a starting point that needs to be updated as the intervention unfolds, in some cases it may be recommended to start with a “good enough” analysis, which allows for solid planning and retain some of the funding for political economy analysis to allow for updates and targeted analysis of political economy bottlenecks at a later stage.

The team undertaking this analysis ideally combines a political economy analyst, a sector specialist, and an expert with deep knowledge of and connections to the actors in the country. Some of this expertise may overlap with the areas of expertise of the teams working on various aspects of reforms covered in other ESRAF good practice notes. The work starts with a review of existing materials and data, followed up by field work, which consists of interviews and possibly focus group discussions.

Finally, the team will need adequate time to analyze and write up the results. In a tight schedule, this could be undertaken in a sequence of two weeks for desk research,
two weeks in the field, and two weeks for analysis and writing. A field guide by the U.S. Agency for International Development (USAID 2016) has a more detailed view on logistics of political economy analysis.

REFERENCES


Energy Subsidy Reform Assessment Framework

LIST OF GOOD PRACTICE NOTES

NOTE 1  Identifying and Quantifying Energy Subsidies
NOTE 2  Assessing the Fiscal Cost of Subsidies and Fiscal Impact of Reform
NOTE 3  Analyzing the Incidence of Consumer Price Subsidies and the Impact of Reform on Households — Quantitative Analysis
NOTE 4  Incidence of Price Subsidies on Households, and Distributional Impact of Reform — Qualitative Methods
NOTE 5  Assessing the readiness of Social Safety Nets to Mitigate the Impact of Reform
NOTE 6  Identifying the Impacts of Higher Energy Prices on Firms and Industrial Competitiveness
NOTE 7  Modeling Macroeconomic Impacts and Global externalities
NOTE 8  Local Environmental Externalities due to Energy Price Subsidies: A Focus on Air Pollution and Health
NOTE 10  Designing Communications Campaigns for Energy Subsidy Reform