

Political Economy Analysis for Transboundary Water Resources Management in Africa

Practical Guidance

Public Disclosure Authorized

Disclosure Authorized

Public Disclosure Authorized

Public Disclosure Authorized



About the Water Global Practice

Launched in 2014, the World Bank Group's Water Global Practice brings together financing, knowledge, and implementation in one platform. By combining the Bank's global knowledge with country investments, this model generates more firepower for transformational solutions to help countries grow sustainably.

Please visit us at www.worldbank.org/water or follow us on Twitter at [@WorldBankWater](https://twitter.com/WorldBankWater).

About CIWA

The Cooperation in International Waters in Africa (CIWA) was established in 2011 and represents a partnership between the World Bank, its African partners, the European Commission, and the governments of Denmark, Norway, Sweden, the Netherlands, and the United Kingdom. CIWA supports riparian governments in Sub-Saharan Africa to unlock the potential for sustainable and inclusive growth, climate resilience, and poverty reduction by addressing constraints to cooperative management and development of international waters.

www.worldbank.org/africa/ciwa

Political Economy Analysis for Transboundary Water Resources Management in Africa

Practical Guidance

© 2017 International Bank for Reconstruction and Development / The World Bank
1818 H Street NW, Washington, DC 20433
Telephone: 202-473-1000; Internet: www.worldbank.org

This work is a product of the staff of The World Bank with external contributions. The findings, interpretations, and conclusions expressed in this work do not necessarily reflect the views of The World Bank, its Board of Executive Directors, or the governments they represent.

The World Bank does not guarantee the accuracy of the data included in this work. The boundaries, colors, denominations, and other information shown on any map in this work do not imply any judgment on the part of The World Bank concerning the legal status of any territory or the endorsement or acceptance of such boundaries.

Rights and Permissions

The material in this work is subject to copyright. Because The World Bank encourages dissemination of its knowledge, this work may be reproduced, in whole or in part, for noncommercial purposes as long as full attribution to this work is given.

Please cite the work as follows: World Bank 2017. “Political Economy Analysis for Transboundary Water Resources Management in Africa: Practical Guidance.” World Bank, Washington, DC.

Any queries on rights and licenses, including subsidiary rights, should be addressed to World Bank Publications, The World Bank Group, 1818 H Street NW, Washington, DC 20433, USA; fax: 202-522-2625; e-mail: pubrights@worldbank.org.

Cover photo: © Ronald Woan.

Cover design: Jean Franz, Franz & Company, Inc.

Contents

<i>Acknowledgments</i>	v
<i>Abbreviations</i>	vi
Chapter 1 Introduction	1
Chapter 2 Steps for Carrying Out Political Economy Analysis	5
2.1. Problem Definition (Step 1)	5
2.2. Context (Step 2)	5
2.3. Institutional Arrangements and Underlying Drivers (Steps 3 and 4)	6
2.4. What Can Be Done? (Step 5)	10
Notes	11
Chapter 3 Key Variables and Concepts	13
3.1. Structural and Regional Historical Factors	13
3.2. Institutions: The “Rules of the Game” that Shape Behavior	15
3.3. Rents	19
3.4. Political and Economic Drivers for Regional Integration	22
3.5. The Cross-Cutting Nature of Capture Dynamics	23
Notes	23
Appendix A Designing Analysis	25
Defining the Development Challenge: What Is the Research Question?	25
Additional Practical Considerations for Designing a Targeted Analysis	27
Appendix B Analytic Team	29
Appendix C Evidencing the Analysis	35
Appendix D Thinking About Recommendations	37
Appendix E A Sample Typology for Understanding the Logic of Political Order	39
Appendix F River Basin Organizations	41
References	45

Boxes

1.1. What Is Political Economy?	2
2.1. Technical Knowledge Is a Critical Element of Political Economy Analysis	8
2.2. Countries Perceive Risks When Negotiating or Implementing a Transboundary Waters Agreement	9
2.3. Seven Categories of Risk Reduction for Framing Recommendations	10
3.1. Linking Structural Issues to Decision Making in the Okavango	14
3.2. The Historical Legacy of Political and Economic Cooperation in West Africa	16
3.3. De Jure Mandate and De Facto Implementation for Data and Information Sharing— The Niger Basin Observatory	17
A.1. “Strategic” vs. “Project-Specific” Assessments	27
A.2. Defining the Output: Choosing from a “Menu” of Political Economy Products	28
B.1. Sample TOR for Political Economy Analysis of Transboundary Water Resources Management	30
F.1. River Basin Organisation Incentive Analysis	42

Figures

2.1. Steps in a Problem-Driven Political Economy Assessment of Transboundary Waters	6
3.1. The Relationship between Formal and Informal Institutions	16
3.2. The Cross-Cutting Nature of Capture Dynamics	22
A.1. Continuum from High-Level Strategic to In-Depth Project-Specific Assessments	26
E.1. Framework for Analyzing Political Settlement	39

Table

2.1. Examples of a Range of Development Issues Linked to Desired Transboundary Waters Outcomes	7
--	---



Acknowledgments

This report was prepared by a team comprised by Governance and Water Resources Management Specialists, including Jacqueline Tront (Senior Water Resources Specialist), Rachel Ort (Public Sector Specialist), and the Stockholm International Water Institute. The team was led by Gustavo Saltiel (Lead Water and Sanitation Specialist) and was guided by Jonathan S. Kamkwala (Practice Manager). The team closely coordinated with the Political Economy

Community of Practice and is grateful for inputs from Saku Akmeemana (Senior Public Sector Specialist), Helene Grandvoinet (Lead Social Development Specialist), and Kathy Bain (Senior Governance Specialist). Barak Hoffman (Consultant), Christina Leb (Senior Water Resources Management Specialist), Eileen Burke (Senior Water Resources Management Specialist), Anjali Basnet (Consultant), and Kathia Havens (Consultant).



Abbreviations

BTI	Bertelsmann Transformation Index
CPIA	Country Policy and Institutional Assessment
ECOWAS	Economic Community of West African States
GDP	Gross domestic product
IFI	International financial institution
NBA	Niger Basin Authority
RBO	River basin organization
REC	Regional Economic Community
SDG	Sustainable Development Goal
TOR	Terms of reference
TTL	Task team leader
UEOMA	West African Economic and Monetary Union
UN	United Nations
UNFCCC	United Nations Framework Convention on Climate Change
WGI	World Wide Governance Indicators

Chapter 1

Introduction

Climate-resilient growth and poverty reduction in Africa depend on the sustainable management and development of its transboundary waters. Key sectors that contribute to growth such as energy, agriculture, transportation, and fisheries depend on development and management of water. The majority of water in Africa is shared by multiple countries. In fact, all of the major river and lake basins and the large aquifers traverse international borders. In some cases as many as 9, 10, or 11 countries can share a river. The transboundary nature of Africa's rivers, lakes, and aquifers add considerable political, technical, environmental, and financial complexity to their sustainable development. Unilateral, uncoordinated development by riparian countries in a transboundary basin may foreclose opportunities for optimized development from a regional perspective and may even have detrimental consequences for the hydrology and ecosystem health of the basin. As such, the additional complexity of working on transboundary waters has often resulted in stalled investments or the adoption of suboptimal development choices that have a real and significant cost. Cooperative action is necessary to optimize benefits regionally and mitigate the shared risks including those associated with climate change and variability.

Fostering cooperation and driving development in complex African river basins requires a nuanced understanding of context, especially the political and economic incentives facing local actors. As is widely acknowledged, the incentives facing local actors to pursue, appear to pursue, or limit development of water resources has an impact on the effectiveness of operational engagements. The effectiveness of national and regional organizations that manage water resources is influenced by both formal policies, regulations and mandates, as well as informal incentives, norms, and expectations. Decisions related to water resources management are shaped by a range of considerations from traditional economic factors and

physical constraints to political considerations such as the need to manage political support within a single state or to navigate complex international relationships with riparian countries. Unpacking the diverse drivers of water resources management can improve operational engagements, risk identification and mitigation strategies, and responsiveness to client demand for context-specific and context-sensitive approaches to advancing effective transboundary water resource management.

It is widely acknowledged that political and economic incentives influence the effectiveness of development programming, and responding to this, aid agencies have explored ways of adapting their engagements to context to achieve better results (see Box 1.1). Initial efforts of the international development community have focused on how to carry out strong, operationally relevant political economy analysis (Fritz, Levy, and Ort 2014; Harris and Booth 2013). Such analysis aims to understand how power is exercised, how decisions are made, and what incentives stakeholders face (Harris and Booth 2013). It explores how political and economic systems influence each other by examining structural factors, historical legacies, and formal and informal institutions that jointly shape the “rules of the game,” as well as sources of economic rents and how they are distributed (set out in Chapter 3).

Political economy analysis can provide World Bank task teams with an opportunity to systematically understand the dynamics that shape the regions, countries, and organizations with which they work. Rather than take a normative view focused on how systems *should* work, political economy is interested in how systems function in practice and why. Analytic work can reveal capacities and systems that support pockets of effectiveness or have produced successful reforms in the past. It can also help reveal the underlying logic behind seemingly irrational policy

BOX 1.1. What Is Political Economy?

Political economy is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain, and transform these relationships over time.

– OECD Development Assistance Committee

Political economy is the study of both politics and economics, and specifically the interactions between them. It focuses on power and resources, how they are distributed and contested in different country and sector contexts, and the resulting implications for development outcomes. Political economy analysis involves more than a review of institutional and governance arrangements: it also considers the underlying interests, incentives, rent/rent distributions, historical legacies, prior experiences with reforms, social trends, and how all these factors effect or impede change.

– World Bank

decisions or apparently dysfunctional institutional arrangements. This in turn provides the basis for thinking about how to work with, around, or gradually reshape existing systems to achieve developmental policy goals.

The purpose of this note is to introduce the reader to political economy analysis in the transboundary water context. The note is specifically designed for the World Bank Group operational preparation and supervision, but may also be used by external development actors as they seek to understand and shape their own engagements in international waters. It aims to assist water resource management task teams to commission or carry out strong, operationally relevant political economy analysis that contributes to new ways of thinking and working, and ultimately to achieving better results. Because transboundary water projects cover a wide range of sectors, there is no one size fits all analytic template that can be applied in all cases. Nor is this note intended as a predictive framework. Rather, it explores some of the key issues teams may want to consider when carrying out an assessment, provides practical advice for setting the scope of analysis, and sets out strategies for using such assessments

to shape operational engagements. This note draws on the numerous frameworks that have been developed and the many lessons learned about how to design and implement politically sensitive programming (Byiers, Vanheukelom, and Kingombe 2015; Fritz, Kaiser, and Levy 2009; Harris and Booth 2013; Subramanian, Brown, and Wolf 2012; World Bank 2011). It captures lessons learned from recent assessments carried out in African water basins, including the Niger Basin, Nile Equatorial Lakes, Eastern Nile, Zambezi, and Lake Chad.

Though the focus of this note is on political economy *analysis*, a key lesson from donor partner efforts to “take politics seriously” is that such assessments are more likely to improve development effectiveness when they are used as strategic input to wider processes for decision making and learning. Though valuable, analysis cannot resolve difficult operational challenges on its own. Rather, a key lesson is the need for aid agencies to pair strong analytic work with the resources and incentives for frontline staff to innovate and respond to key findings (Andrews, Pritchett, and Woolcock 2012; World Bank 2015). Though moving from new ways of thinking to new ways of working is

still the frontier of development practice, lessons and good practice are emerging. These include focusing on solving locally owned problems; blending design and implementation through rapid cycles of planning, action, reflection, and revision informed by a deep understanding of the political-institutional landscape; and managing risk by pursuing activities with promise while dropping others (Andrews, Pritchett, and Woolcock 2012; Andrews et al. 2015; World Bank 2015). This deep understanding of the political-institutional landscape can emerge from a number of sources from formal analysis to embedding governance expertise on operational teams.

The rest of this report is divided into two parts. Chapter 2 provides a brief overview of the steps involved in carrying out a political economy assessment in the context of transboundary waters. These steps are further elaborated in Appendixes A-D, which include a discussion on how to set the scope of a study, put together the right analytic team, evidence a report, and use key findings to think through reform options, including links to material that further elaborate on these practicalities. Chapter 3 explores some of the key concepts and variables that political economy analysis should consider in the transboundary water context.

Chapter 2

Steps for Carrying Out Political Economy Analysis

This chapter provides a brief overview of the steps to carrying out political economy analysis in the context of transboundary waters. Chapter 2 reviews the significance of “problem-driven” political economy analysis and examines the steps of the analytic process. This chapter also provides examples of development issues linked to transboundary waters outcomes; illustrates the relationship between economic, technical, and political economy analysis; and reiterates the role of perceived risks in de facto cooperation actions.

At the World Bank, there has been an emphasis on “problem-driven” political economy analysis which focuses on a specific, operationally relevant, development issue and offers recommendations about ways forward (Fritz, Kaiser, and Levy 2009; Fritz, Levy, and Ort 2014). Maintaining a focus on the problem faced by a specific operation, project, or program anchors the analysis within the relevant context and focuses data collection, synthesis, and recommendations. The problem-driven approach is especially relevant to transboundary waters. In any river basin, water resources management involves multiple sectors and countries, and no two basins are alike. As a result, the analysis needs to be tailored to the context and the development outcomes being sought.¹ Analysis can focus on how best to support such higher-level outcomes, or it can drill down into the political economy drivers underlying a more specific issue such as increasing members’ financial contributions to a river basin organization (RBO) or addressing implementation bottlenecks to the construction of a large dam. A typical path in conducting a problem-driven political economy analysis is presented in Figure 2.1 (and further developed and linked to transboundary waters in Sections 2.1-2.5 and Appendixes A-D).

However, there is no one size fits all approach to carrying out political economy analysis, especially when the number and selection of sectors involved, development challenges and number of countries will vary by basin. More detailed advice related to designing analysis, putting together the right analytic team, evidencing an assessment, and using key findings to shape operational engagements are explored in more detail in Appendixes A-D.

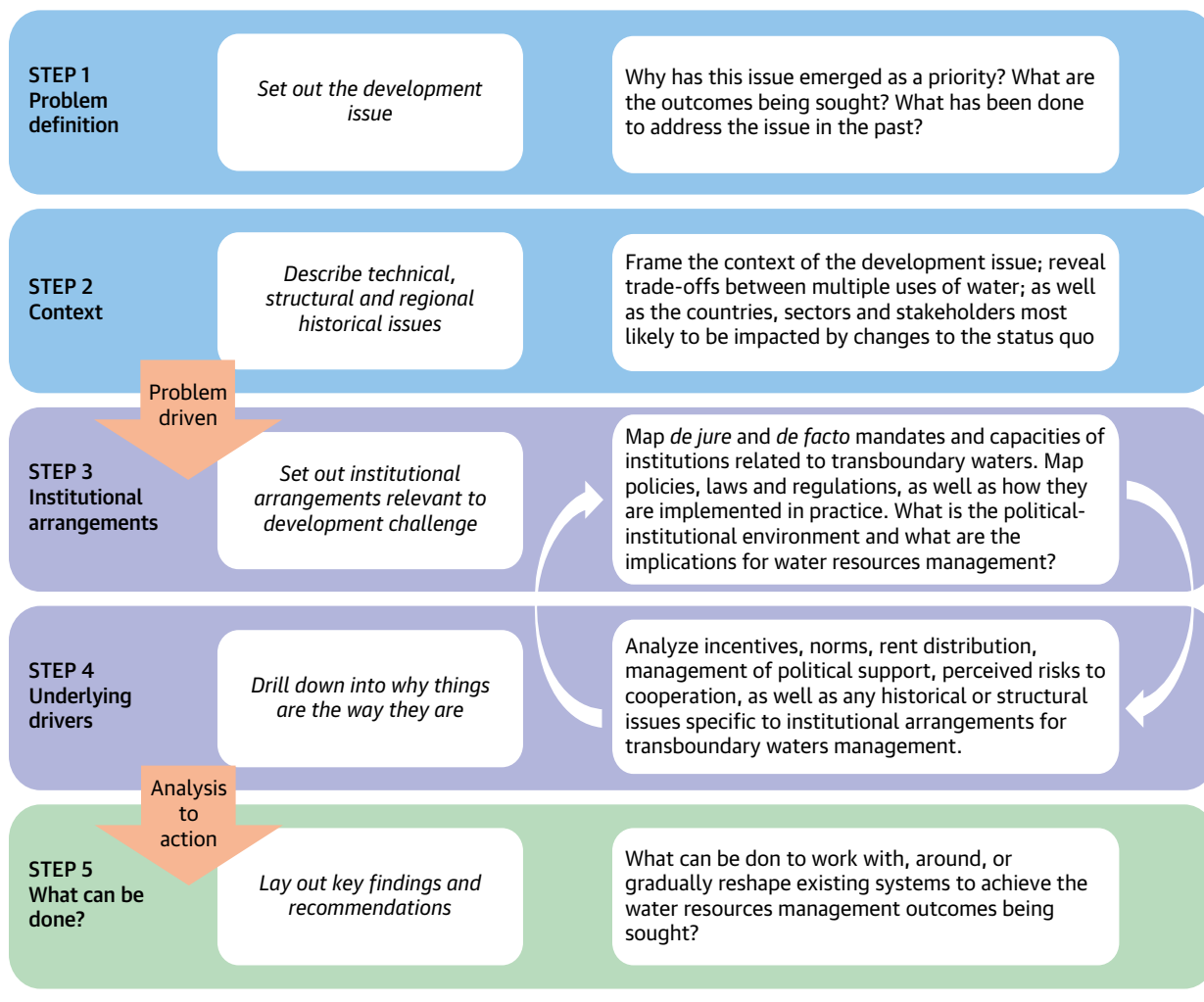
2.1. Problem Definition (Step 1)

Setting out the development issue and scope of the assessment up front is particularly important in transboundary assessments. It can be helpful to briefly unpack the problem a bit further. Why has this development issue emerged as a priority and what efforts have been made in the past to address it? What are the economic and social objectives? Is the main issue about how to “*get to a deal*” between countries or how to implement an agreement once reached? Given the development issue being addressed, which are the relevant countries and sectors that need to be discussed? Reference to a specific development question can be used to inform what countries, variables, sectors, and issues the analysis will cover in depth (Example transboundary waters development issues that can help define the problem in Table 2.1; explored further in Appendix A).

2.2. Context (Step 2)

Describe the basin context including the main relevant technical, structural, and regional historical issues at play (see Section 3.1 for a list of relevant questions). It is useful to lay out the basic facts about the basin early on in the report. This includes

FIGURE 2.1. Steps in a Problem-Driven Political Economy Assessment of Transboundary Waters



Source: Adapted from Fritz, Kaiser, and Levy 2009; World Bank 2011.

what is known about the economic and technical rationale for reform (see Box 2.1). Systematically laying out this context is critical to understanding the foundational factors which shape what is possible from a technical, economic, and political perspective. It can reveal the trade-offs between multiple uses of water, as well as the countries, sectors, and stakeholders most likely to be affected by changes to the status quo. It can also add depth and perspective to understanding “how things came to be the way they are today.”

2.3. Institutional Arrangements and Underlying Drivers (Steps 3 and 4)

Set out the institutional arrangements at the basin, national, and other levels relevant to the specific development issue (see Section 3.2 for a detailed overview of institutions). Analysis of institutions is a core part of political economy analysis. After clearly defining a development issue and framing the context, an assessment should seek to reveal why things work the way they do by exploring how

TABLE 2.1. Examples of a Range of Development Issues Linked to Desired Transboundary Waters Outcomes

Desired transboundary waters outcome	Example issues to explore through political economy analysis
<p>Strengthened Water Resources Development: Regionally beneficial investments generate socioeconomic benefits and gender-inclusive poverty reduction</p>	<ul style="list-style-type: none"> • What influences stakeholder engagement around siting and advancing preparation of a multipurpose dam? What are the drivers of decision making around design options and benefit sharing? • What could be done to increase the socioeconomic benefits reaching the poor resulting from investments in irrigation? • What incentives do donors or other financiers face related to financing a specific investment? • How can implementation of the regional policy framework for reduction of social and environmental impact in infrastructure development be strengthened?
<p>Strengthened Water Resources Management: Effective regional and national institutions enable riparians to manage shared risks and harness net benefits of cooperation</p>	<ul style="list-style-type: none"> • Why has an RBO been able to carry out some aspects of its mandate well and not others? • Where is there political opportunity and economic benefit from shared, basin-level development planning? • What factors influence efforts to build and retain capacity at regional or national water management organizations? • What are the opportunities and risks for basin states if an RBO is able to carry out and enforce specific provisions of its Water Charter? • What shapes implementation of water quality monitoring, oversight, and enforcement measures?
<p>Strengthened Regional Cooperation: Shared information boosts riparian trust and confidence, forming the basis of transboundary coordination</p>	<ul style="list-style-type: none"> • What opportunities and risks does an upstream riparian faces when the downstream riparian(s) are able to use data to predict near-, medium-, and long-term availability of water? • What factors influence the effective implementation of a flood early warning system? An effective drought monitoring system?

formal and informal institutions jointly create the “rules of the game” in a given context. Initially, it can be valuable to map the de jure and de facto mandates and capacities of institutions relevant to the development issue.

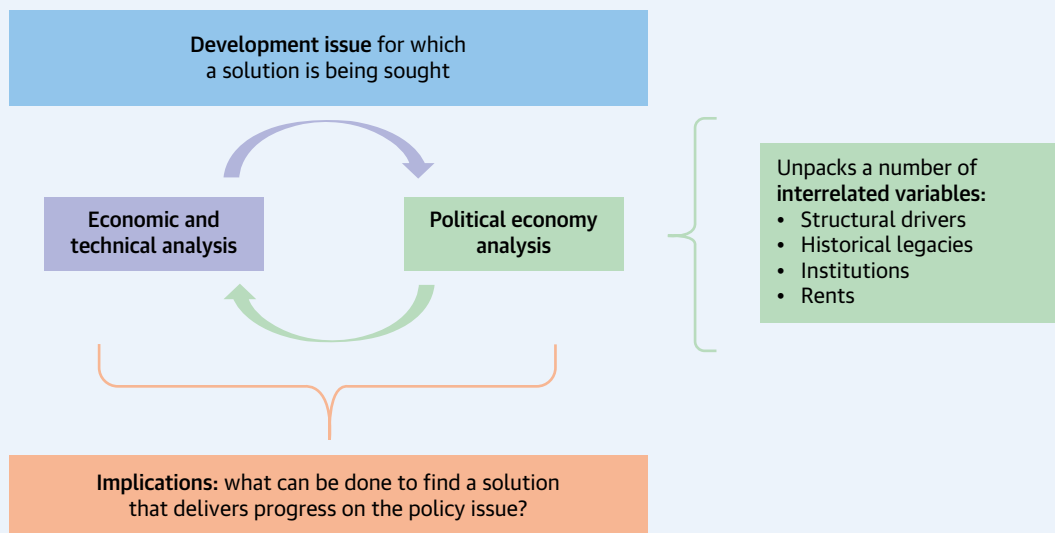
It is important to simultaneously drill down to the underlying drivers. One tool that can be particularly useful in drawing in the transboundary context to mapping de jure and de facto policies is the framework that categorizes perceived risks to cooperation (shown in Box 2.2) which helps to shed light on the unique drivers associated with negotiating or implementing a transboundary waters agreement. Next, it is valuable to drill down into the incentives, norms, and rent-sharing arrangements that shape

the status quo, as well as to connect the dots between structural-historical factors and decision making. Often steps 3 and 4 are carried out in an iterative way and there is no best practice or one size fits all approach.

As part of setting out institutional arrangements and underlying drivers, consider exploring links to the national political-institutional environment in key countries. The logic of political order in a given country will shape what policies it adopts, what international agreements it enters into, and whether it is able to implement these policies and agreements (for more on political order, see Appendix E). This is true of regional as well as within country issues. Especially when carrying out an assessment

BOX 2.1. Technical Knowledge Is a Critical Element of Political Economy Analysis

An emphasis on politics does not diminish the importance of technical knowledge. As reflected in the figure below, political economy analysis complements technical and economic analysis. While political economy assessments provide insights into the nontechnical drivers of decision making, they rely on a sound understanding of the technical bottlenecks that need to be resolved, as well as the economic and social costs and benefits of a given intervention. With regard to project design, finding the sweet spot between what is technically desirable and politically feasible requires specialized knowledge of the technical, economic, and political-institutional issues at play.



Source: Adapted from Fritz, Levy, and Ort 2014.

of higher-level questions, it can be valuable to sketch out the strategies for managing political support in riparian countries and to set out the implications for water resources management. It may also be useful to identify which national ministries, departments, and agencies have a role in water resource management, national planning, or shaping international agreements, as well as to set out their role in principle and in practice.

Providing a solid evidence base for political economy analysis can employ a number of diagnostic approaches to unpack the key concepts. Though political economy focuses on issues that can be difficult to evidence, analysis can draw on a mix of qualitative and quantitative methods to produce a strong, rigorous narrative.² A key consideration is that the objective of most assessments is to understand the underlying “rules of the game” and not

BOX 2.2. Countries Perceive Risks When Negotiating or Implementing a Transboundary Waters Agreement

Capacity and Knowledge: Confidence in ability to negotiate a fair deal; having adequate and correct information and knowledge to negotiate a deal.

In experiencing the capacity and knowledge risk, countries can fear that they would be at a disadvantage. This risk is manifested in two major ways: (a) countries perceived they had less negotiating capacity than their co-riparians and (b) countries perceived they did not have adequate or accurate information about the basin.

Accountability and Voice: Deliverability of benefits by the regional entity and co-riparians, often related to trust; having a say in decision making in the governing structures of the regional entity.

Decision makers generally experienced the accountability and voice risk in regard to fear that co-riparians, third parties, or the regional institution may not deliver benefits; concern that his/her country's interests would not be adequately considered in joint decision-making processes; and/or perception of a high probability that the regional institutional arrangement would not result in the optimal flow of benefits.

Sovereignty and Autonomy: Ability to act in the best interest of the country without constraints; making decisions independently.

To a greater or lesser extent, all of the cases reflected the significant risk of sovereignty and autonomy. At its core, this risk is about a decision maker sensing the danger of intrusion into the country's authority to make sovereign decisions. It refers to both of the following: (a) the desire to have control over national development goals and related development of resources and infrastructure and (b) the right to make decisions independently.

Equity and Access: Fairness of (relative) benefits to a country, including timing of benefits and costs and obtaining/retaining fair access to the river.

Countries were acutely concerned with the risk of equity and access. Namely, (a) fairness in any deal, regarding specified quantity (or quality) of water, benefit flows, or project costs and (b) entitlement to use the river. Some countries viewed entitlement as the right to continuing with historic uses; others as gaining access to a river running through (or originating in) its territory; and yet others as attaining benefits in proportion to a country's relative size in (or percent contribution to) the basin.

Stability and Support: Potential longevity of the agreement; in-country support of the agreement, including likelihood of ratification.

The risk of stability and support had direct national and personal implications. It was an important consideration for all countries, but particularly so for countries with diversified and powerful stakeholders. It applied to all the following: (a) the implementability of an agreement, (b) the presence or absence of key stakeholder support, and (c) a decision maker's positive or negative public image.

Source: Adapted from Subramanian, Brown, and Wolf 2012.

necessarily to name names or uncover scandals. Though assessments can uncover sensitive information, it is important to use this evidence to paint a picture about how decisions are made and reforms implemented. Additionally, a common good practice technique is to begin with a literature review, which helps to identify gaps in knowledge before heading out into the field to collect additional data. A list of common tools for evidencing the analysis is included in Appendix C.

2.4. What Can Be Done? (Step 5)

Problem-driven political economy analysis should conclude by laying out key findings and emerging implications for development practitioners (see Appendix D for a detailed discussion). Recommendations should

synthesize key findings, lay out the main implications for engagement, and suggest ways forward. The best recommendations arise from strong dialogue between the analytic and operational team. They should be grounded on a sound understanding of the incentives, resources, and instruments available to the operational team. In some cases, it can be useful to pair a member of the analytic and operational task team to jointly “translate” more abstract findings and thinking through the implications for the specific program under development. Typically, when considering the content of operations, teams will need to consider both the feasibility and the robustness of reform options (see Appendix D). Further, for transboundary waters challenges, teams may consider using the categories of risk reduction as outlined in Box 2.3 to frame the recommendations in

BOX 2.3. Seven Categories of Risk Reduction for Framing Recommendations

Knowledge and Skill Expansion: Training and studies to meet gaps in capacity and knowledge, and support for developing new skills.

Institutional Design: Tailoring the institutional arrangement to be a “fit for purpose” cooperative arrangement for dialogue and action among riparians.

Agreement Design: Tailoring the agreement to the preferences of political leaders involved with regard to its formality, scope, goals, obligations, etc.

Program Design: Shaping the program to address country interests and goals—sectoral links, long- vs. short-term benefits, review and monitoring, etc.

Financing and/or Guarantee: Meeting financing needs and gaps identified by countries, including third-party guarantee of financial obligations.

Facilitation (Third Party): Unbiased, third-party assistance in dialogues among riparians, including clarifications and interpretations.

Decision Legitimacy: Use of consultation and discussion forums and other avenues for ensuring widespread domestic and regional support of decisions.

Source: Adapted from Subramanian, Brown, and Wolf 2012.

terms of transboundary waters-relevant actions. Periodic updating of analysis can allow for adjustments and midcourse corrections during implementation. Further advice for shaping recommendations is included in Appendix D.

Notes

1. An indicative list of desired outcomes in transboundary water resources is provided in Table 2.1.
2. See Fritz (2014), Chapter 1, Table 1.2, for examples of evidencing.

Chapter 3

Key Variables and Concepts

This chapter sets out key political economy concepts and variables, linking them to the transboundary waters context. As discussed above, the specific issues addressed by an assessment will vary depending on the context of the river basin and nature of the development issue being addressed. Strategic analysis focused on how best to support higher-level development outcomes may cover a wider range of factors discussed below including structural, regional, and historical factors (3.1); institutions (3.2); rents (3.3); political and economic drivers (3.4); and the cross-cutting nature of capture dynamics (3.5). More detailed advice about how to set the scope of an assessment is provided in Appendix A.

3.1. Structural and Regional Historical Factors

Structural and regional historical factors are the hard and fast “facts” about the basin and its development that are beyond the direct control of local actors. While these issues are typically addressed as purely technical assessments of transboundary water resources, political economy analysis connects these factors to the pressures and incentives they create for decision makers. Geographic position on the river is perhaps the most influential structural factor for transboundary waters as it shapes the capture dynamics in the region. Such dynamics emerge from upstream/downstream and tributary/main-stem issues. Documenting historical processes provides depth and perspective to understanding “how things came to be the way they are today.” Previous policy choices, investments in organizational capabilities or water-related infrastructure and other legacies can have a lasting impact on the political and economic systems operating within a basin. Legacies can be related to how a single country or the region has evolved. If there are examples of successful cooperation in the basin, it

can be useful to look back and understand how this came about and why it worked.

3.1.1. Position on the River: Capture Dynamics, Upstream/Downstream, and Main-Stem/Tributary Issues

The position of a given riparian is perhaps the single most important structural factor to consider when carrying out political economy analysis of transboundary waters. Basic geographic and hydrological issues related to which countries are upstream, which are downstream, which countries are located on the main stem of the river and which are located on a tributary or in the hydrologically inactive portion of the basin are important to keep at the center of the analysis as they cut across nearly every political and economic driver in transboundary waters.

Upstream riparians have fundamental leverage over their downstream neighbors because they have the first opportunity to withdraw, use, and in some cases pollute, water resources. Upstream riparians have the ability to “capture” the water for productive use, to store for future use, or to use the ability to control access as leverage with downstream riparian(s) that depend on the resource. In some cases, downstream riparians have developed earlier than upstream riparians and claim historical rights to the resource. Impact on water quality is another factor that plays out in upstream-downstream dynamics. Upstream countries without the ability to control deforestation or erosion, or where poorly-managed irrigation is practiced, may deliver water with high turbidity or salinity to downstream neighbors. Another related concern arises when water-storage facilities are developed upstream without an appropriate pass-through for migratory fish or sediment, which can negatively affect fisheries, delta ecosystems, and/or cause coastal erosion in downstream countries.

Location on the main stem of a river vs. a tributary are also relevant as political and economic factors for consideration. Countries located on the main stem of a river have the fundamental ability to affect major flows and quality parameters, compared to countries located along a tributary or other more minor-feeder systems. Groundwater withdrawal, in many cases by countries not on the main stem of the river, could affect total flows in the river or lake levels, which can create tension between neighboring states. The power, leverage, and dependencies related to the simple facts of nature and geography must be placed at the heart of a political economy analysis of regional dynamics in river basins.

3.1.2. Expanding the Data on Structural Factors

While position on the river and in the basin is a starting point for analyzing cooperative actions, many other structural factors should be considered as well. An indicative list of common structural issues that should be considered in the context of the pressures and incentives they create for stakeholders in the basin is included in the following text. See Box 3.1 for an example of structural factors that influence transboundary waters issues.

- *Hydrological, geographic, and topographical:* What development gains can be realized through cooperation or the specific intervention being proposed; how much of the basin falls within the national

boundaries of each country; what is each country's geographic position within the basin (for example, upstream, downstream, on the main stem or tributary, bordering a major lake, landlocked or having access to the sea); how much water does each country draw from the basin; and where are the main population centers within the basin and each country?

- *Economic:* The role of the basin in each country's economy; what sectors rely on water from the basin and what is their relative contribution to the gross domestic product (GDP); what is the rate of GDP growth in each country, how does this contribute to demand on water resources, and how would development gains from cooperation or the proposed intervention influence GDP growth; what is the level of government revenue, foreign direct investment, and development assistance in each country and how much is allocated to water-related sectors; what is the per capita income, poverty rate, and level of inequality in each country; what is the level of trade between countries within the basin?
- *Population and demographics:* Who currently uses water in each country (for example, what regions of each country, urban or rural populations, the bottom 40 compared to top 60); what recent demographic shifts have taken place in each country and has this affected how water is used (for example, population growth, urbanization, migration)?

BOX 3.1. Linking Structural Issues to Decision Making in the Okavango

In the Okavango Basin, the socioeconomic dependencies on the river and the delta for each country and nationally important productive sectors that may affect the river shape decision making. In brief, all three riparians retrieve the majority of their economic flows from mined and oil reserves outside of the basin. Botswana has an important secondary foreign exchange revenue from tourism, particularly in the fragile Okavango Delta. Hence, an analyst could use these first layers of socioeconomic data to dig deeper on drivers that Angola and Namibia may have for developing or cooperating with Botswana on conservation measures.

- *Dependencies:* For each country, what is the level of dependence on the basin for water resource needs; what is the level of economic dependence of each country on water-related sectors; what dependencies exist between riparian countries (for example, through trade, for security, for financial assistance); what is the level of aid dependence of—and linked to this influence of development partners on—countries in the basin?
- *Climate change:* What are the current and expected effects of climate change for each country in the basin; how do these effects influence the key issues outlined above (for example, water scarcity leading to lower agricultural production or increased aid flows to foster climate resilience); have international relationships been developed during negotiations on response to climate change?
- *Existing major infrastructure:* Map existing major infrastructure that regulates or utilizes water and its impact on the hydrology of the basin.
- *Colonial and post-colonial relationships:* What long-standing or inherited governance, or legal structures remain salient today; does the shaping of countries' territory and borders or languages inherited during the colonial period continue to shape the space for cooperation or the proposed intervention; what is the role of alliances developed during the Cold War or alliances with former colonial powers, and earlier international conflicts?

See Box 3.2 for an example of how historical legacies influence transboundary waters issues.

3.1.3. Historical Legacies

- *Previous legal agreements:* What are the relevant existing laws, treaties, or trade agreements and how do these influence the space for cooperation or the proposed intervention?
- *Fragility or conflict:* Are there historical grievances or conflicts between countries, and do these continue to shape attitudes and opportunities for cooperation or the proposed intervention; are there recent or ongoing civil conflicts within a riparian country that have shaped the willingness of national leaders for cooperation, the capacity of the public sector to implement agreements, or the ability of citizens or civil society to engage around water resources management; have civil conflicts spilled over into other countries in the basin and has this had long-term impacts on bilateral relationships?
- *Regional economic and political integration:* What processes for regional or political integration have already been initiated; what has been their progress or impact; are there long-standing legacies of cooperation between riparian countries?

3.2. Institutions: The “Rules of the Game” that Shape Behavior

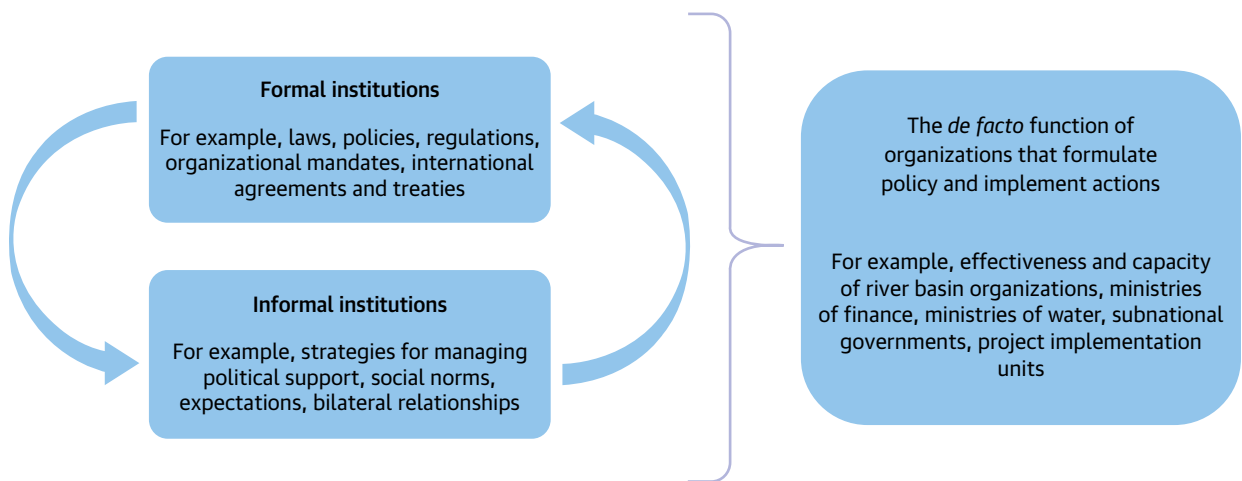
Institutions are the “rules of the game” in a given basin, which shape behavior between states, between ministries, between stakeholders, and between levels of power; they emerge from the interaction of formal and informal arrangements. Formal institutions make up the laws, policies, and regulations governing an organization, country, or region. Informal institutions include social norms and expectations, strategies for managing political support, and rent-sharing arrangements. Political economy analysis unpacks how formal and informal institutions jointly shape policy making and implementation. Together formal and informal institutions make up the “rules of the game” that shape the behavior of governments and other developmental actors in a given country or region (Figure 3.1).

The relationship between formal and informal institutions is complex; the many levels of institutional structure in transboundary waters increases its complexity. Where the “rule of law” is present, there is generally an expectation that formal systems and laws govern the interactions between citizens, as well as between citizens and the state. However, in many low-income or fragile countries, formal rules may be

BOX 3.2. The Historical Legacy of Political and Economic Cooperation in West Africa

In West Africa, historical factors play an important role in the way transboundary water cooperation is manifested. Many West African countries share the legacy of French colonization and inherited governance, legal and institutional systems, as well as language and global alliances; these parallels have been useful to overcome initial barriers to cooperation. Likewise, West African states not colonized by the French have inherited different institutional structure and languages, which have posed a barrier to cooperation with former French colonies. On the other hand, it has increased the drive for countries like Nigeria, Ghana, or Sierra Leone to cooperate to avoid isolation. Other historical legacies, such as the strong political leadership of Economic Community of West African States (ECOWAS), move countries toward regional integration, including credible peacekeeping efforts and regional efforts. For example, cross-border movement of peoples plays an important role in regional solidarity in West Africa. Finally, the strong history of economic cooperation, including economic and monetary integration, led by ECOWAS and West African Economic and Monetary Union (UEOMA), are important historical and structural factors to include in a political economy analysis focused on West Africa.

FIGURE 3.1. The Relationship between Formal and Informal Institutions



present but observed selectively; regulations may be outdated, unclear or overlap; and informal norms are influential (North et al. 2013). Citizens often use their personal relationships to navigate interactions with each other and with the state. Further, there are usually gaps between *de jure* policies and *de facto* implementation. The gap between formal and informal institutions may differ greatly between different countries and at different levels. The international

system is especially characterized by limited rule of law; formal agreements between nations are influential but interact with issues of sovereignty, security, and patterns of behavior over time.

Political economy analysis of transboundary waters should lay out the formal-legal arrangements governing the relevant basin, country and/or sector and explore how they are implemented in practice. Rather

than focus on deficits or deficiencies in the implementation of de jure policies, political economy asks why systems function the way they do. What is the underlying logic that explains why a water management agency is fully staffed but cannot fully take up its mandate? Or that a major infrastructure project is allocated to a region of the country which is inefficient from a water resources management point of view? Unpacking these questions can reveal the constraints and opportunities facing possible reform options, as well as where there are possibilities for working with systems to meet development objectives. See Box 3.3 for an example of de jure and de facto institutional arrangements that influence transboundary waters issues.

Examining risks countries perceive from cooperation in transboundary waters can help unpack relevant de jure policies. Decision making on transboundary waters can be motivated by perception of risk. Clarifying perceived risks can help to clarify why countries, sectors, and actors function in a certain way

with regard to water management. Subramanian, Brown, and Wolf (2012) categorized the risks countries may perceive when negotiating a deal in international waters as shown in Box 2.2. This framework could be useful for elaborating on de jure policies.

Four sets of formal institutional arrangements are most relevant to development challenges in transboundary water situations. These are (a) the national political-institutional environment in riparian countries, (b) national institutions for water resources management and international engagement in riparian countries, (c) regional water-management and development organizations, as well as (d) other regional continental and global organizations. The analysis should also explore the role of regional economic communities (RECs) and global or continental actors depending on the scope and focus, as these higher-level processes often play a role in developing and legitimizing development action and can influence financial flows and donor assistance.

BOX 3.3. De Jure Mandate and De Facto Implementation for Data and Information Sharing— The Niger Basin Observatory

The Niger Basin Authority (NBA) has a broad mandate to manage and develop resources in the Niger Basin. It depends on member state contributions and goodwill to carry out its core functions. When the interests of member states are not well aligned with the NBA carrying out its mandate, the institution must balance its mission and core functions with the interests of the member states. For example, the Niger Basin Observatory, an organ of the NBA, is mandated to monitor the basin and produce regular information on the development of the basin. To fulfill this task, the observatory has monitoring stations throughout the basin and relies on member states to share flow and abstraction data to characterize the basin and the development of its resources. Yet, accurate monitoring of flows may challenge member states interests. This creates an inherent tension for the NBA which fully relies on member states contributions to carry out its core monitoring functions. This tension also arises with regard to recruitment and human resource management. There is the perception that the NBA must maintain member-state goodwill. Consequently, staff positions are often appointed with an eye toward representation of all nine countries in the basin; few are competitively selected. This results in more limited de facto implementation of the NBA's functions, particularly on controversial matters.

3.2.1. National Political-Institutional Environment

Country diagnostics explore the formal and informal arrangements among elites and regulate competition over power and resources in a country.¹ Unpacking these arrangements can illuminate how the elite manage political support within a country, the logic underlying the allocation of economic benefits within a country, as well as how policy decisions are made and how they are implemented. There are many existing typologies which can be used for this purpose.² Using a country diagnostic to understand the dynamics between formal and informal institutions and allocation of key economic benefits within key countries in a basin is essential to understanding how willing or able countries are to negotiate or implement a transboundary agreement.

The nature of the political-institutional environment in riparian countries will shape what bargains can be made regionally, as well as how policies around water-resources-related sectors are implemented within each riparian and regionally. A key question is, who benefits both economically and politically from the current allocation and use of water resources? It can be helpful to unpack whether and how water-related sectors play a role in managing political support. For example, infrastructure projects related to the construction of new dams might be allocated to politically connected elite who will finance the president's next campaign. A ministry of water may have limited technocratic capacity not because of a dearth of qualified individuals in the country, but because one must also be politically connected to get a job with the government. A popular leader who is sure of his political support may be more willing to take a politically risky decision internationally than a leader who is concerned about losing power at home. Mapping these considerations begins to reveal the logic behind the status quo.

3.2.2. Country Institutions for Water Resources Management

The de facto function of ministries, departments, and agencies that manage water-related sectors is

shaped by formal and informal institutions. Ministries that influence water resources management include those working on energy and hydropower; agriculture, fisheries, and food security; watershed management; environmental protection; tourism; flood management; transportation; finance and planning; and foreign affairs. These can be located at national or subnational levels.

Looking at agency mandates, laws, regulations, and written policies alone does not reveal the entire story about how water resources are managed in a country. Rather, it is also important to compare and explore how these are implemented in practice. Instead of focusing on deficits or deficiencies in the implementation of de jure policies, political economy asks *why* systems function the way they do. For ministries, departments, and agencies, it can be useful to map formal mandates and compare these to the actual activities executed by that entity. In some cases, the ministries with the most influence on decision making may not have a formal mandate to manage water-related resources. Analysis can address whether there are any informal mechanisms for managing water that seem to be working well—for example, personal relationships between ministers, ad hoc committees, informal community organizations, or other processes not formally codified in policy or law.

It is helpful to connect the dynamics in water-related sectors to the nature of riparian political settlements. For example, the capacities for national agencies to carry out their mandate may be related to the personal relationships of ministry leadership to the office of the president. Capacity may be affected if positions in a particular agency are handed out for considerations other than technical expertise—national utilities are often characterized by this challenge. National agencies' ability to deliver on their mandates may also be tied to other features of country governance such as the quality of budget execution.

3.2.3. Regional Water-Management and Development Organizations

River basin organizations, special purpose vehicles, and other bi- or multilateral organizations are intergovernmental institutions responsible for managing water resources on behalf of the member states. Formal mandates vary from basin to basin and organization to organization, but the underlying purpose often includes coordinated planning and development, withdrawal and water quality monitoring, facilitating dialogue on use of the resource and, in some cases, advancing development options on behalf of multiple parties. As with country dynamics and national water-resource-related institutions, it is important to understand how the “rules of the game” emerge from formal and informal arrangements. For example, analysis might address the formal mandate of an RBO, as well as what it is able to achieve in practice. It may look at what laws and treaties regulate international relations in the region, and how countries have followed these de facto.

Analysis of financial flows to an RBO, and services provided by the RBO, can illuminate regional dynamics. These organizations receive their mandate from national governments and ultimately depend on the level of buy-in and political support they receive from the member states. The size and regularity of financial contributions are one possible indicator of the level of member state buy-in. Analysis might review the formal mandate and how much of this mandate it is able to execute; how the RBO is financed, how much of allocated funding it receives, and how well funds are managed; and how staff are recruited and what their qualifications are to execute their responsibilities. For more on RBOs, see Appendix F.

3.2.4. Other Regional, Continental, and Global Organizations

In Africa, RECs often provide the overarching structure for regional economic cooperation, policy development, and for development planning and

action. RECs, particularly related to sectors which rely on water, such as energy, agriculture, and transportation, often set out the policy space in which RBOs and national governments make water-related decisions. They can often play a legitimizing role for water-related decisions taken by national governments. The role and strength of RECs varies, and overlapping constituencies and mandates can add confusion to this element of the analysis.

Continental and global international organizations can also play a role in setting out policy for management of water resources at the basin scale. Often certain riparians are members of specific United Nations (UN) conventions with which their interests are well aligned, such as Ramsar Convention or the UN International Watercourses Convention, whereas other countries may see these conventions as impinging on sovereignty. Countries will have their own perspectives regarding such concepts as water ownership, what constitutes “fair and equitable,” the meaning of “significant harm,” their existing established rights, and so on. Other influential agreements may include the United Nations Framework Convention on Climate Change (UNFCCC), international frameworks on human rights, or the Sustainable Development Goals (SDGs) which affect ability to raise financing, feasibility, and international support. Other treaties, trade partnerships, and other agreements may affect the relationship between riparians and their drivers for cooperation.

3.3. Rents

Transboundary water resources management has to do with structuring benefits between countries. The structure of benefit sharing has to align with the political realities of the basin—both the relative power among riparians vis-avis each other, as well as the relative power and influence of individuals and groups within each riparian. A hegemon may be unwilling to lose its influence in the region by agreeing to greater cooperation. Governments are also likely to consider how greater cooperation might reallocate benefits

within its own borders; they may be more interested in realizing benefits for key political allies and less so for those with more limited voice and power.

Political economy analysis focuses on the ways in which political and economic systems shape and influence each other; a key way this happens is through rent sharing. *Rents* are economic or financial benefits. They can be created through competition and innovation, or they can be generated by limiting competition and granting privileged access to insiders (including through favorable regulatory environments, allocation of government contracts, appointments to special committees that receive per diems or sitting allowances, or needing to “know the right person” to open a business). Political analysis looks at sources of rents in an economy; how they are distributed within and between countries; and how rents are tied to the management of political support.

The term rent sharing is used to describe systems in which rents are created by limiting competition and granting privileged access to insiders in return for continued political support. In some countries markets are open and competitive; all citizens have roughly equal ability to start a business, receive a job in the civil service, or an equal shot when bidding on government procurement contracts. In this context, merit and innovation drive the production of rents. Yet in many countries, politics is managed through the distribution of benefits to those with the ability to disrupt stability or challenge the status quo (through either violence or elections). Thus, rents become the “currency” of politics. This is true of relationships between countries as well. The allocation of formal and informal benefits underpins alliances between countries. As at the country level, when formal laws or agreements are not aligned with the distribution of power and resources, a gap tends to emerge between de jure and de facto systems.

Rent sharing takes many forms and in some countries is more visible than in others (Haber, Maurer, and

Razo 2003; Khan 2010; Levy 2014; North, Wallis, and Weingast 2012; North Wallis et al. 2013). In very fragile contexts, rents may be the glue that keeps previously warring factions from returning to open conflict—for example, through the distribution of senior level ministerial or military positions. In more stable settings, elites often use rents to manage political support—through distributing government jobs, awarding procurement contracts, or setting preferential exchange rates—to reward insiders or win the next election. For example, the president may ensure that construction companies affiliated with senior military officials win procurement contracts for major infrastructure projects regardless of whether they deliver at cost or on time. Rents can also be distributed to non-elites. For example, citizens in a “swing district” may not be asked to pay their water utility bills to ensure their vote in an upcoming election. Within a water ministry, positions with per diems or sitting allowances may be allocated to those who align themselves with the minister.

Incentives to share rents between elites or with specific groups can be at odds with the delivery of broad-based public goods including improved water resources management. This includes situations when limited state resources are allocated toward private rather than public benefits; when policy making is based on the interest of a small group rather than citizens as a whole; or when the capacity of the civil service to deliver is eroded because appointments are made on the basis of connections not qualifications. Even in difficult contexts, political leaders would like to be seen delivering to citizens or advancing the interest of the country—but may also feel constrained by the imperative to maintain stability (in very fragile countries) or ensure reelection. A key reason to undertake political economy analysis is to identify places where the political interests of leaders overlap with development policy.

It is important to think about rents as part of exploring a country’s political settlement, as well as part of unpacking sector-specific dynamics. At the country

level, who are the main groups with the power to maintain or disrupt the status quo and how do they benefit economically from the current political system? What is the political influence of those who stand to gain from reforms to, or cooperation around, water resource management in the region? How does this shape decision making about water resources within a country and/or between countries? To what extent do leaders face pressure to deliver rents to a narrow group to maintain political support, and to what extent do they face incentives to deliver broad-based public goods to citizens (such as better access to water, electricity or irrigation)?

When assessing the benefits of improved water resource management, it is important to look at the economic and political benefits of proposed interventions, including between countries, as well as between country actors. Often, technical analysis lays out the economic returns from a proposed intervention—for example, better regulation of a river leading to irrigation schemes with double cropping and therefore higher agricultural productivity, hydropower leading to more widely available lower-cost electricity, and so forth. Political economy analysis seeks to understand the sometimes hidden forms of economic returns through rent allocation—that is, advancing infrastructure investments near a senior official's village; allocating construction contracts to insiders; or promoting the importance of increased electricity through hydropower to the president's family business interests. Major infrastructure related to transboundary waters is highly visible and involves considerable sums of money, making it especially important to understand how rent sharing influences decisions, selection, and construction of these projects.

When identifying sources of rents in transboundary waters, analysis should consider economic incentive systems at the national level, as well as the distribution of benefits between countries and between actors in multiple countries where benefits are drawn from

multiple sectors. Further, the specific rents relevant to the analysis will vary based on the nature of the development challenge being addressed. An indicative list of categories to consider when identifying and analyzing sources of rents in transboundary waters includes:

- *Organizations responsible for water resources management and related sectors:* Both national and international organizations may experience recruitment practices which preference political considerations over technical qualifications. These institutions may facilitate access to rents in numerous ways including through salaries, allowances, travel stipends, opportunities to allocate contracts for kickbacks, and other opportunities where access to resources and information can be an advantage.
- *Major infrastructure projects:* Allocation of construction contracts to political insiders, construction of projects in politically important districts, and distribution or allocation of benefits among stakeholders (for example, hydropower, irrigation schemes, canals, water supply, and so forth).
- *Agriculture:* Allocation of land and provision of water to politically powerful groups (for example, smallholder vs. large-scale investors); preferential exchange rates for importers or exporters; exchange rates and other policies affecting crop prices and skewing benefits for rural farmers or urban consumers; and insurance or investment policies that drive financial flows toward or away from incentivizing farmers to invest in irrigation schemes.
- *Electricity:* Nonpayment by politically powerful groups (either swing districts, big businesses, or individual elite); distribution of concessions among powerful lobbies or the elite; policies or distribution networks that skew access toward urban population centers or specific rural areas.
- *Ecotourism:* Ownership of businesses or distribution of concessions for development among powerful lobbies or the elite.

- *Water supply*: Allocation of water to politically important groups (for example, urban dwellers vs. farmers vs. pastoralists, smallholder vs. large-scale); nonpayment of utility bills by politically powerful groups.

3.4. Political and Economic Drivers for Regional Integration

In an analysis of the political economy of regional integration in Sub-Saharan Africa (Brenton, Hoffman, and Waterman 2016) findings point to several critical factors key to successful regional integration. While these may be partially embedded in the key variables outlined herein, they may deserve particular attention in an analysis of transboundary waters because of their relevance to regional dynamics.

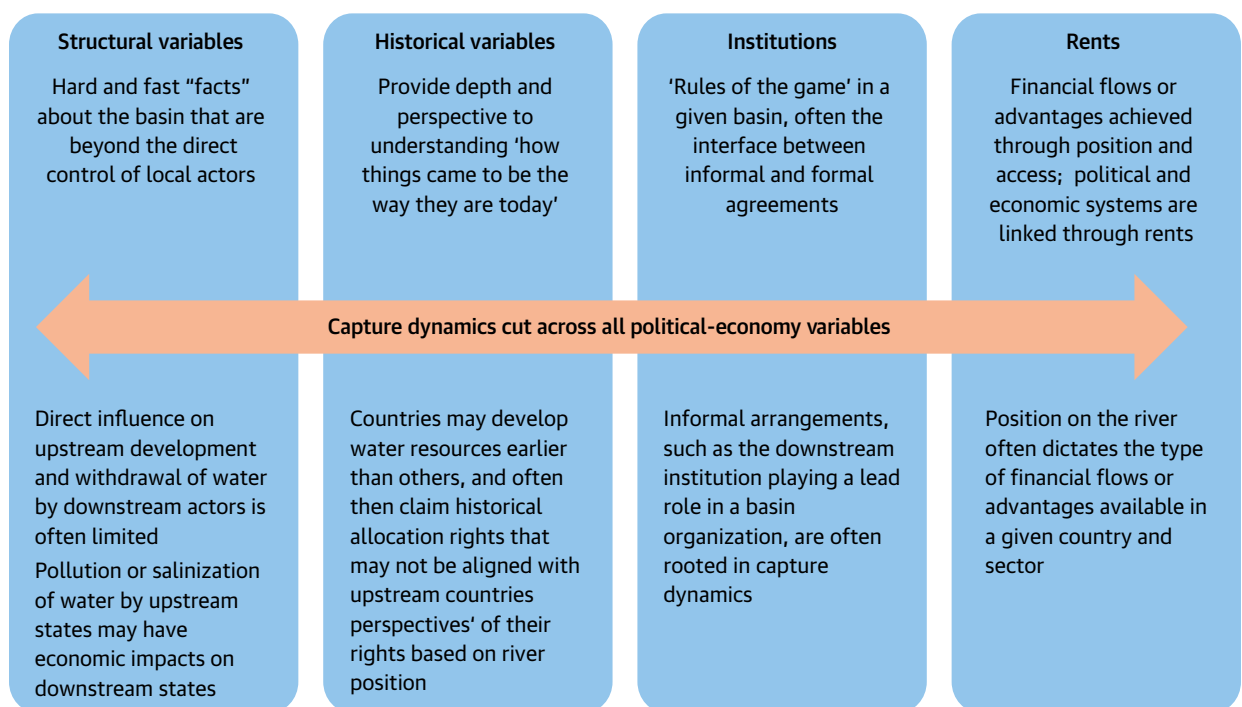
- *Private sector interests*. Strong private sector support can be an important element for successful economic integration (Byiers et al. 2013; Cowles 1995;

Mattli 1999). Consideration of how the private sector stands to gain or lose in a transboundary deal may be an important factor to integrate into the analysis.

- *The role of a champion*. Integration agreements are more likely to succeed if at least one government takes the lead on implementation (Mansfield et al. 2008; Mattli 1999). This is also true for transboundary water agreements, where leadership on the part of one or more governments, and in some cases, having a particularly influential leader or champion, can play a key role in cementing cooperation.

- *Complexity increases as the number of actors increases*. The literature on the political economy of regional integration demonstrates that negotiations become more difficult as the number of actors rises (Byiers et al. 2013, Mansfield et al. 2008, Mattli 1999). This is not surprising and is consistent with the broader literature on bargaining and collective

FIGURE 3.2. The Cross-Cutting Nature of Capture Dynamics



action. It is also largely true for transboundary water agreements and related analysis; related recommendations should account for this factor.

3.5. The Cross-Cutting Nature of Capture Dynamics

Position on the river is fundamentally a structural factor and is beyond the control of local actors. The resulting capture dynamics—the fact that upstream riparians have the ability to “capture” water for productive use, store for future use, or control access as leverage with downstream riparian(s) that depend on

the resource—should be considered when analyzing all other variables as it plays a unique role in shaping stakeholder positions and actions. Figure 3.2 depicts the main variables outlined for consideration in this paper and provides key examples of avenues through which capture dynamics are often observed.

Notes

1. For more on this important concept, see North, Wallis, Webb, and Weingast (2013); Levy (2014); Khan (2010)
2. See also North Wallis and Weigast (2007) (2012) for their description of Limited and Open Access Orders; Levy (2014, 2015); and Khan (2010).

Appendix A

Designing Analysis

Setting the scope of political economy analysis is an essential first step in the delivery of an operationally relevant product. Because development assistance to transboundary waters resources management can support a diverse range of activities, it is helpful to be clear about the development challenge for which a solution is being sought and the specific purpose of the analytic work. Additional practicalities such as the timeframe, budget, and available expertise should also inform the scope. These three elements should be thought through at the outset as part of setting the scope. Ultimately, the goal is to produce an assessment that provides the right level of depth to meet the needs of the operational or management team.

Defining the Development Challenge: What Is the Research Question?

Problem-driven political economy analysis begins by articulating a specific question the analysis will inform. The research question will shape what variables, sectors, and issues are covered by the analysis, as well as the range of possible recommendations likely to emerge out of the analysis. For a strategic scoping study, the research question might be quite broad and focused on higher-level transboundary water development outcomes—for example, looking at the opportunities for advancing regionally relevant investment in water-related sectors in a basin. Typically, such an assessment will be more focused on higher-level dynamics and “big picture” issues. A question related to a narrower “challenge” will provide a more in-depth look at a more limited number of issues—for example, what factors shape the de facto capacity of an RBO to facilitate regional dialogue and manage investments, or what are the drivers of decision making in the dominant water-related sectors in the main stem riparian states.

For transboundary waters, it is especially important to match the research question to the specific needs of the operational task team and to use this to shape the scope of the assessment. For transboundary waters, the range of possible countries, sectors, and issues that could be analyzed in a political economy assessment is extensive. Because of the multi-dimensional, multi-country nature of transboundary waters, trying to “capture it all” runs the risk of generating overly general or unfocused findings. A degree of specificity also ensures the analysis examines relevant political and institutional considerations which will vary between different sub-sectors or water management activities. For example, when looking at major infrastructure projects, national institutions for public investment management and the influence of patronage in the allocation of construction contracts will be critical. While an assessment of navigation in a transboundary river or lake might examine trade flows, private sector interests, port authorities, local governments, and operations and maintenance budget flows.

Setting out structural or hydrological factors will help define the research question and set a manageable scope for the analysis. Laying out the geographic and hydrologic characteristics of the basin can reveal the key sectors and riparian countries which would be affected by further development of water resources or greater cooperation. For example, in the Volta Basin, an analyst might set out the fact that the basin is shared by six countries, but the majority of water in the river flows within two countries and that the upstream countries are planning to expand irrigated agriculture while the hydropower potential is largely downstream. To initially narrow the scope of the assessment, the analysis could focus on irrigated agriculture in the first country and hydropower in the second.

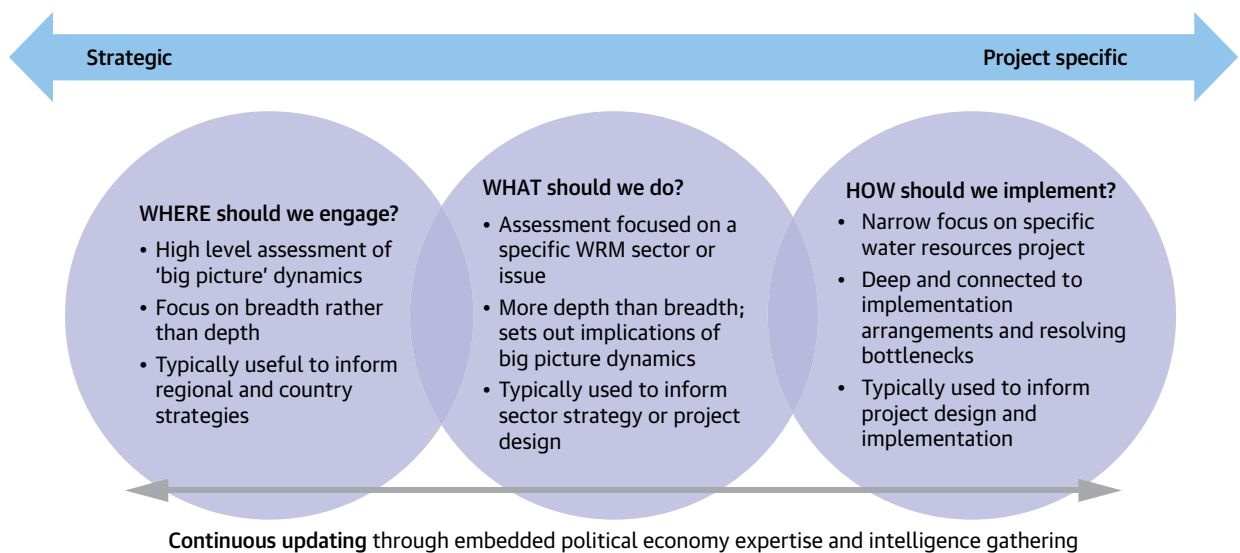
Exploring the type of risk that policy makers perceive during negotiation or implementation of a transboundary waters agreement can also contribute defining the development issue. In their 2012 paper *Reaching Across the Waters*, Subramanian, Brown, and Wolf identify five categories of risk that policy makers and national leaders may perceive when considering whether to cooperate around management and development of shared water resources (see Box 2.2) (Subramanian, Brown, and Wolf 2012). Identifying which of these perceived risks appears to be at play may illuminate specific areas to investigate further. Scope: Strategic or Project Specific?

Political economy analysis can be used as part of strategic direction setting (whether and where to engage), as well as program design and implementation (the “what” and “how” of engagement). Political economy analysis to inform transboundary waters management can usefully be conceived of as located along a continuum from “strategic” to “project specific” as shown in Figure A.1. The purpose of assessments may vary from high-level guidance on whether to engage in a basin to much narrower guidance about how to design or implement a specific project. Articulating whether the assessment is meant to be strategic or project specific

can help the research team identify the relevant countries, sectors, and variables to be considered.

The number of countries or water-related sectors covered by the assessment would likely decrease moving from strategic to project specific. Strategic assessments focus on main drivers of decision making and are typically used to inform regional strategies, portfolios, engagements, and dialogue. These will be unlikely to provide sufficient depth to inform the design of a project, but might already begin to consider in which water-related sectors (for example, irrigation, hydro-power, tourism, food security, fisheries, or agriculture) development assistance is more or less likely to gain traction. Moving right across the continuum, assessments become more focused and detailed, unpacking dynamics around a specific project in the pipeline—they address only the key sectors, countries, and organizations involved in the pipeline project. A further consideration is the trade-off between breadth and depth of analysis along this continuum. A scoping study aimed at uncovering the drivers of basin-wide dynamics would be located at the strategic end of the spectrum. Definitive analysis aimed at designing a specific policy intervention would fall at the “project” end of the spectrum. These considerations are elaborated in Box A.1.

FIGURE A.1. Continuum from High-Level Strategic to In-Depth Project-Specific Assessments



BOX A.1. "Strategic" vs. "Project-Specific" Assessments

Strategic assessments:

- **Purpose:** This type of analysis is used to inform strategic planning about where to engage, as well as the design of regional engagement strategies. With regard to timing, these are usefully conducted before taking decisions about whether to engage in a specific basin or country.
- **Focus:** The focus is on "big picture" basin dynamics and the overall trajectory of the region. Analysis is comparative rather than deep. It might explore the capacities and systems that have produced successful reforms in the past. It will also highlight any critical junctures that represent the opening or closing of a window of opportunity for reform. Though it may already make some initial contributions to discussions about which types of interventions or approaches may gain traction, it will not provide sufficient depth to inform the design of a specific engagement.
- **Scope:** The analysis is more likely to cover all countries in the basin, looking at dynamics that are influential across water-related sectors. The assessment will touch on how political and economic power is organized in each country, explore the salience of water in each country's political-economic system, and discuss the implications for unlocking sustainable and inclusive growth, climate resilience, and poverty reduction through the development of international waters. The analysis might explore the de jure and de facto functioning of national and regional institutions which are responsible for water resources management, as well as which of the "risks of cooperation" set out in Box 2.2 are at play in the region.

Analysis focused on a single engagement or project:

- **Purpose:** This type of analysis is to inform decision making about the design and implementation of specific engagements or operations. With regard to timing, these are usefully conducted before the project concept note stage when there is still flexibility with regard to design. These assessments are most valuable when initiated by and in close collaboration with operational teams and may benefit from periodic updating over time.
- **Focus:** This type of assessment provides depth rather than breadth—but connects the dots between issue-specific dynamics and big-picture national and regional drivers. It addresses the questions "what should we do" and "how should we do it?" It has a medium-term outlook which unpacks dynamics likely to shape engagements over 2–3 years.
- **Scope:** This type of assessment is focused on the specific water resources management sectors encompassed by the proposed project—for example, groundwater, data and information sharing, investment in a specific infrastructure project, addressing an identified institutional gap. Further, the analysis may not touch on every riparian with the same level of depth; a discussion of which countries to cover in more detail will be critical.

Additional Practical Considerations for Designing a Targeted Analysis

- What existing political economy analysis has been carried out on the region, riparian countries, or relevant sectors in the past? The analysis could be

more ambitious in its scope if significant political economy analysis is already available on the specific countries, sectors, or the basin. If starting from scratch, it may be prudent to keep the scope more limited at first.

- What is the state of technical knowledge about the “development challenge” being addressed? The analysis can be more ambitious in scope if there is a good understanding of the specific technical aspects of the challenge and proposed solutions. Without a strong understanding of the technical elements of proposed interventions, the analytic team will need to invest time in understanding both the technical and nontechnical drivers of the status quo. Examples of useful technical information include a survey of water-related information monitoring and management systems in all countries in the basin and at the regional level; an institutional audit; an analysis outlining possible institutional arrangements for operation and maintenance of a multipurpose dam; an Environmental and Social Impact Analysis and/or associated implementation documents such as a Resettlement Action Plan; a Multi-Sector Opportunity Analysis; a Hydropower Potential Survey; economic analysis of the benefits to cooperation or the proposed intervention; and other studies conducted to deepen the technical and institutional understanding of the challenge at hand.
- Is there someone available who is already familiar with the political-institutional arrangements of the region or will the analyst be starting from scratch? Someone with a good deal of knowledge about the context may be able to dive deeper than someone with limited experience in the region or sector. This is especially the case for an assessment covering numerous countries and subsectors. Appendix B explores putting together an analytic team in more depth.
- How much funding is available? What is the timeline? The wider the scope, the more issues the analysis addresses, the longer it will take and the more funds it will require (see Boxes A.1 and A.2). It is important to consider whether the research question can be addressed through a desk review, will require missions or would benefit from large-scale survey data. Cost estimates of various scopes of political economy products are provided in Box A.2.

BOX A.2. Defining the Output: Choosing from a “Menu” of Political Economy Products

- **Workshop-style support, plus follow-up note:** Workshop with country experts that summarizes existing knowledge of regional and country drivers; brief workshop papers prepared and circulated in advance of the session and/or a summary note summarizing key points. Cost: US\$5,000–20,000
- **A baseline single country political economy assessment:** Country diagnostic exploring the national political-institutional environment of a single country; output is action oriented and clarifies the incentives of key actors responsible for policy and implementation in the principal reform areas; multiple country assessments can be combined for a granular picture of dynamics in a particular basin. Cost: US\$35,000–50,000 per country assessed
- **In-depth assessment:** High-level summary of regional drivers and in-depth analysis of one or more priority sectors as indicated by basin structural-hydrological factors, as well as a follow-up in-depth analysis of one or more priority sectors or reform areas. High-level summary based on desk review and interviews with key experts; in-depth analysis based on in-country data collection. Cost: US\$125,000–175,000.

Source: Adapted from World Bank 2013.

Appendix B

Analytic Team

Lessons learned over the last decade shown that putting together the right analytic team is the most important factor influencing the quality and utility of the final output. Generally, it is not possible to find one person who can “do it all,” and so it often makes sense to put together a team that can cover the ground between them. Ideally, the right skills mix includes experience carrying out governance or political economy analysis for development agencies; previous knowledge of the countries or region being studied; and familiarity with the sector being studied. Additional considerations include whether the team is able to access local or insider knowledge; has the right language skills for the country or region; can approach the research from a more systematic perspective (rather than being focused on the day-to-day politics); and has the ability to translate some of the more academic findings into the practical implications for the operational team.

Including operational staff on the analytic team is likely to yield the most fruitful analysis. The technical and management teams working with clients to design and supervise operations should contribute to setting out the development challenge for which a policy solution is being sought (entry points for engagement on greater resilience to climate change regionally, supporting more sustainable fisheries management, unpacking the capacities and systems that have produced successful cooperation in the basin in the past), as well as the technical issues at play. Additionally, operational teams usually have a good deal of tacit knowledge about institutional dynamics and underlying the political economy drivers which should be captured in the analysis.

Consider having scheduled points of contact throughout the duration of the project. The analytical team should work iteratively with the operational team. Dialogue and multiple contact points between operational staff and the political economy or institutional

specialists on the team increases learning. One way to include operational staff in the analysis is through joint missions with political economy or institutional specialists participating in meetings with clients, beneficiaries, and other stakeholders. Because political economy analysis may uncover new questions or unseen links between seemingly unrelated issues, it is important for operational staff to discuss emerging findings before the final report is completed and refine the research questions as needed. This also affords operational teams—often overloaded with reports and under pressure to deliver operations—the chance to internalize the findings over time and to shape the analysis so that it continues to meet operational needs.

Teams can draw on in-house capacity or external consultants. At the World Bank, through the Governance Global Practice, there is in-house capacity to draft, peer review, and advise on the development of project concept notes or terms of reference (TOR), and in some cases to co-task team leader (TTL) the analysis. Further, in-house time is often required to supervise external consultants, refine the key messages of the assessment, and generate the implications and recommendations. It is very difficult for external consultants to fully understand the choices and operational realities facing World Bank teams, and thus some staff time should be built in for this part of the work.

Most teams hire external consultants to carry out the analytic work. International consultants often bring experience with applying problem-driven analysis, as well as familiarity with broad political economy and academic theories about the country or region. Local consultants bring contextual knowledge, insider information, and better access. For these reasons, when affordable, it may be useful to pair local and international consultants. Similarly, it can be useful to pair someone with a strong governance, institutional, or political economy background with someone more

familiar with the technical issues in the sector. For transboundary waters in particular, it can be useful to seek inputs from multiple experts covering multiple countries or water-related sectors between them, depending on the scope and resources available.

Determining when, how, and if the client(s) should be directly engaged on analysis can also play an important role. Not all political economy analysis is viewed negatively by client counterparts. The goal is to understand why current systems function as they do and to illuminate ways forward, and often domestic policymakers welcome these insights, especially when it results in more open dialogue with development partners about the constraints they face implementing policy. Engaging clients in shaping the analysis or gathering data can be a useful tool, depending on the objectives of the analysis.

When hiring an external consultant, clarity of scope and research question are essential elements of the TOR (a sample TOR is provided in Box B.1). While this is the case for almost any analytic work, it is particularly the case for problem-driven political economy analysis. Political economy analysis can mean different things to different people; being clear about the research question and issues to be covered is critical to ensuring that the consultant and the TTL are on the same page. Consider building specific points of contact and the expectation of an iterative process. This can include development of an inception report, as well as discussion of emerging findings and key issues to explore in more depth; a midpoint check-in to review research plan before field work begins; collaboration on transforming key findings into operational recommendations; and dissemination events such as a workshop.

BOX B.1. Sample TOR for Political Economy Analysis of Transboundary Water Resources Management

The following sample TOR should be adapted as much as possible to fit the development challenge for which a solution is being sought, as well as the purpose and desired outputs.

A. Background

[Add name of the unit, project or team] is aiming to improve the effectiveness of its operational engagements; risk identification and mitigation strategies; and its responsiveness to country demand for context-specific and context-sensitive approaches. To this end, **[name unit, project, or team]** is undertaking applied political economy work early in program design and implementation.

B. Objective of the assignment

The objective of this assignment is to provide the task team with a deep understanding of the political-institutional context in **[region or countries or organization]** to ensure that the purposes of the proposed **[strategy or operation]** are aligned with a prudent assessment of the political, economic, and institutional realities of **[region or countries]**.

box continues next page

BOX B.1. continued

C. Project Context

[Add text on project context including

- Background on structural and technical features of the basin
- Summary of previous and current World Bank support in the region
- Why the study is being commissioned at this time—that is, to inform a regional strategy, review underperforming engagements, to identify opportunities, to learn from success]

D. Problem Statement

[Describe the development challenge for which a policy solution is being sought. Highlight which countries and sectors are related to the development challenge.]

E. Scope, Tasks and Description of Assignment

This TOR proposes a political economy assessment be carried out in close coordination with the task team. The consultant will assist the task team with timely and operationally relevant advice including as inputs to the concept note, project appraisal document, and risk framework. More specifically the consultant will:

[Specific tasks may vary depending on the specific development challenge under review; the skillset of the consultant; and the outputs desired by the task team]

- Review existing World Bank and external analysis relevant to the assignment.
- Analyze the context in which the [strategy or project] will take place. This analysis should provide a brief overview of the logic of political order and map relationships, influence and power of key ministries, agencies, and stakeholders in [list relevant countries], as well as suggest how this may create opportunities or constraints for the [strategy or project].
- Assess the initial conditions for World Bank support including regional and national champions, levels of buy-in, credibility of leadership and reform teams, interinstitutional coordination, interested constituents and their level of support, possible reform spoilers and appropriate mitigation strategies.
- Provide input to the World Bank team on the different implementation arrangements, offering specific advice on how to ensure the alignment of interests.
- Participate in short seminars and other events with the task team to help identify emerging risks and to help the team identify any "midcourse corrections" that may need to be made throughout the process.

box continues next page

BOX B.1. continued

F. Timeline

- **DATE:** Submission of inception report, an initial briefing note covering the specific questions listed in section E.
- **DATE:** Participation in small closed-door workshop with task team to discuss the inception report and implications for [strategy or project] and risk framework. A direct output from this workshop will be a revised, sharpened list of questions for the analysis—either deepening the existing list or adding emerging issues not initially considered critical.
- **DATE:** Inputs to World Bank team as needed on institutional arrangements, risk mitigation measures, lessons, and context.
- **DATE:** Submission of full draft of political economy report based on revised, sharpened list of questions for analysis.
- **DATE:** Final inputs to World Bank products and submission of a final political economy report that summarizes the work.
- **DATE:** Presentation of key findings at to relevant stakeholders.
- Ongoing: Consultation and discussion with other World Bank team members, as requested.

G. Experience and Qualifications

The consultant will be expected to demonstrate the following experience and qualifications:

Required:

- In-depth knowledge of [**countries**] and their political economy especially as it relates to transboundary water management.
- A strong network of local contacts, particularly in [**countries**].
- Capacity to write and present information verbally in a persuasive and operationally accessible manner to task team leaders with different sectoral expertise, presenting information in way that makes its relevance clear to people from different disciplines.
- Knowledge of water resources-related sectors including [**list specific sectors relevant for the region, strategy or project**].
- Ability to synthesize and organize complex information from an array of written and oral sources into a comprehensive, policy-oriented document.

box continues next page

BOX B.1. continued

- Working under tight time constraints and incentives that may not value lengthy processes and require delivery of best fit solutions with tight deadlines and flexibility.
- Experience using quantitative and qualitative methodologies.
- **[Languages]**

Desired:

- First-hand experience working with the World Bank, other international financial institutions (IFIs), or bilateral development agencies on large and complex sector diagnostics.
- Track record of using research as a tool to initiate processes of change.
- Ability to work as part of a multidisciplinary team.
- Experience carrying out political economy analysis for operational teams in developing countries.
- Knowledge of development interventions in [region], the range of development actors, their impact and challenges to date.
- Strong interpersonal, communication, and diplomatic skills and a proven track record to work with government stakeholders at different levels as well as local communities.
- Proven track record of working in multicultural settings as a team member rather than a leader.

Appendix C

Evidencing the Analysis

As with other social sciences, political economy analysis can draw on a number of quantitative and qualitative research methods. As much as possible, it should be underpinned by a sound and rigorous understanding of the technical issues at play. Further, a key consideration is that the objective of most assessments is to systematically understand the underlying “rules of the game” that shape decision making, and not necessarily to name names or uncover scandals (though this can happen). Though assessments can uncover sensitive information, it is important to use this evidence to paint a picture about how decisions are made and reforms implemented.

Specific methods that can be used to evidence political economy analysis include:

- Economic analysis addressing, for example, the development gains that can be realized through cooperation or the specific intervention being proposed; the role of the basin in each country’s economy; the level of dependence on the basin for water resource needs; the sectors which rely on water resources and their relative contribution to the GDP.
- Benefits assessment indicating current users of water (for example, riparian countries; regions within a country; urban or rural; bottom 40 compared to top 60) and projected beneficiaries of greater cooperation or the proposed intervention.
- Processes tracing examining how previous decisions were made (for example, international agreements; current allocations of water between countries or sectors; recruitment and human resource management decisions in national or regional water-related ministries, departments, and agencies).
- Formal surveys can be used to collect information regarding, among many possibilities, the availability of irrigation to small-scale farmers; experiences with agricultural extension services; awareness and perceptions of an RBO within riparian governments or civil society; or the political salience of relevant water-related sectors to citizens (including by demography).
- Focus groups and informal interviews with stakeholders relevant to advancing cooperation or the proposed intervention. This may include government officials in national ministries, departments, and agencies; RBO staff; civil society organizations; individuals from communities which rely on the basin for livelihoods.
- Stakeholder mapping can reveal links, levels of influence, and goals of actors related to cooperation or the proposed intervention. Typically, stakeholder mapping sets out who are the key players, the types of relationships between key players (for example, formal authority, family ties, political links, money flows), and the level of influence related to the specific project or policy under discussion. Data can be collected from secondary sources, key informant interviews, or focus groups. Sampling for focus group discussions can be designed to reveal the perspectives of different groups—for example, from different countries in the basin or between government and civil society.
- Comparing formal agreements, laws, regulations, policies, and organizational mandates with how they are implemented *in practice*. As described in Section 3.2, the focus should be on understanding the (sometimes hidden) rational drivers of the differences between *de jure* and *de facto* arrangements, rather than on perceived “dysfunctions” or “deficits.”
- Describing strategies for managing political support by exploring how leaders are selected; how they generate legitimacy and mobilize constituencies (for example, policy platform, rallying around

nationalism and national identity; ethnic alliances, regional alliances, distribution of resources to specific groups); and how campaigns are financed (for example, through increased public spending before elections, free access to certain services or resources to specific constituencies, distribution of public employment to key groups); mapping electoral systems and election results, comparing these with resource allocations.

- Data on fiscal allocations or disbursements to national ministries, departments, and agencies in relevant water-related sectors (for example, for capital, operating and maintenance, and salary expenditures); between regions of a country (for example, through intergovernmental transfers, the provision on infrastructure, payment of salaries) or between sectors within a country; to RBOs.
- Mapping how financing for a specific sector or organization (such as an RBO) is controlled. Tracking

who (in principle and in practice) makes decisions about resource allocations and disbursements can reveal the link between economics and politics.

- Tracking whether construction or implementation keep pace with resources allocated as a possible indicator side payments or kickbacks that may underpin patronage systems. For example, comparing unit cost data for major infrastructure to regional averages.
- Governance indicators can give quick snapshot of governance and public sector management in a country. Useful sources include, but are not limited to, the World Wide Governance Indicators (WGI), Country Policy and Institutional Assessment (CPIA), Bertelsmann Transformation Index (BTI), Global Integrity and Transparency International.
- Mapping recruitment practices in relevant water-related ministries, departments, and agencies, as well as relevant international organizations.

Appendix D

Thinking About Recommendations

As noted in Chapter 2, problem-driven political economy analysis concludes by laying out key findings and emerging implications for development practitioners. Typically, the best recommendations arise from a strong dialogue between the analytic and operational team. They are grounded on a sound understanding of the incentives facing operational teams, as well as the available resources and instruments. In some cases, it can be useful to pair a member of the analytic and operational task team to jointly “translate” more abstract findings and think through the implications for the specific program under development.

When adjusting the project design or implementation modalities to respond to political-economy realities, teams may wish to consider the feasibility and robustness of reforms. Feasible policies may be easier for actors to agree to and are more likely to be implemented given a particular context. Robustness is the likelihood that the policy option will have a developmental impact. There are often trade-offs between the two—a technically first-best reform may not be feasible, but a second-best reform may not deliver the same level of economic or other benefits. For example, there are trade-offs between continuing to support a decade-long dialogue between two riparian countries to reach agreement on the joint operation of a power station or the construction of two power stations. Building and operating one power station is more cost-effective and efficient from an energy production standpoint (robust). Yet if agreement is never reached, development gains from increased access to electricity will not be realized (feasibility). In this respect, feasibility and robustness should not strictly be seen as trade-offs, given that a perfectly designed program may not be implemented at all.

When considering recommendations, teams can aim to expand the space for more robust actions or adapt to find more feasible solutions that work within the

existing political-institutional environment. While projects that aim for adoption of international best practice or rapid transformation can be appealing, reform in transboundary waters engagements is typically a slow, risky, long-term process with an incrementally changing space for reform. In some cases, political economy analysis will reveal unique windows of opportunity or entry points through which external actors can influence the political-institutional environment to expand the space for adopting first-best (robust) solutions. Key findings can be used to explore how interventions will contend with the existing dynamics that have thus far prevented first-best reforms from being implemented, and to set expectations about a reasonable timeline for change. Subramanian, Brown, and Wolf (2012) propose seven categories of risk reduction (see Box 2.3), which list recommendations that can be used to gradually expand the space for reform.

In more static contexts or for more difficult development challenges, political economy analysis will reveal that there are very few good or low-risk options for external actors to foster greater collaboration or to move forward in the proposed water-related sector. When this is the case, key findings may serve as a guide map for the trade-offs between feasibility and robustness, and inform the design of second-best or incremental reform options that work within the context as it exists. For example, if regional cooperation seems unlikely in the next 5-10 years, it may be possible to advance national projects of regional significance. If riparians are unlikely to collaborate on undertaking a project that advances a regional flood-warning system, they may be able to advance national hydromet projects that strengthen national hydrological and meteorological data collection and synthesis while joining discussions on the collective value of making certain types of data accessible in the public domain.

A further key consideration is that, though valuable, analysis cannot resolve difficult operational challenges on its own. While it can provide more systematic information on the trade-offs between feasible and robust policies, there will still be difficult decisions to make about how these should be managed. Further, ensuring that key findings influence the implementation of development operations is still the frontier across sectors. Innovation and learning is taking place across multiple multilateral and bilateral aid agencies.

These experiences suggest focusing on solving locally owned problems; blending design and implementation through rapid cycles of planning, action, reflection, and revision informed by a deep understanding of the political-institutional landscape; and managing risk by pursuing activities with promise while dropping others. This deep understanding of the political-institutional landscape can emerge from a number of sources from formal analysis to embedding governance expertise in operational teams.

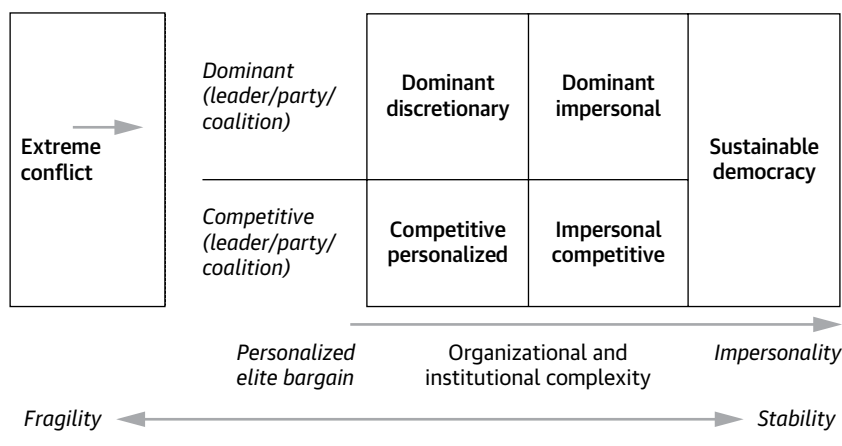
Appendix E

A Sample Typology for Understanding the Logic of Political Order

Country diagnostics provide a snapshot of the political and institutional environment and characterize how the government works. Such a snapshot can usefully describe the current state of the country’s institutions and political dynamics, and also detail the “logic of governance” in the country. Figure E.1 sets out how countries can be located heuristically on a spectrum from “dominant to competitive” and from “personalized to rule bound.”

The dominant trajectory is characterized by a number of possible patterns, including a rule-bound, developmental state along the East Asian model; a dominant-patrimonial state in which control over resources is used to cement personalized political alliances as a first priority and for developmental purposes as a second priority; or a predatory state in which leadership uses its position to capture resources without any regard to developmental

FIGURE E.1. Framework for Analyzing Political Settlement



Source: Adapted from World Bank Governance Global Practice 2015.

policy or the broader interests of society (World Bank Governance Global Practice 2015).

In a personalized-competitive context, factions agree to address conflicts over who should rule by holding competitive elections but beyond this are bound by few formal rules. Governing takes place through personal agreements and the distribution of rents among elites. A rule-bound competitive context can have relatively strong formal institutions, but often without resolving underlying challenges of inclusion and equality.

Appendix F

River Basin Organizations

RBOs are generally created by the riparian states of the basin to provide a formal forum for engagement and interaction. RBOs vary widely in size, responsibility, and function. Some are constituted with mandates and functions including operating as implementing agencies while others may be technical standing committees established to look after the interests of their respective riparian governments. Processes of building trust between parties, developing cooperation, establishing shared objectives, undertaking joint projects, sharing data and information, securing development finance, and many other activities are undertaken through RBOs, depending on their mandates.

RBOs enjoy differing degrees of support and integration with national-level institutions at country level. Most are fully mandated and carefully monitored through their respective Ministries of Water Affairs (or equivalent) with the engagement of other ministries such as Foreign Affairs. Others may function at varying degrees of dislocation from their national-level institutions such that national departments have little knowledge of their activities and functions.

RBOs have different institutional structures. A common structure is: Council of Ministers [Political level]; Technical Standing Committee [Senior National Officials]; Secretariat; and Project Staff. The relationships between the parties in each layer, for example the ministers from different countries, and the relationships between one layer and the next is usually very complex and highly political. The relationships between parties are dynamic and change over time and due to circumstances.

In the past few decades, RBOs have enjoyed substantial donor support, which has funded institutional structures, staffing of secretariat, and specific projects. Many (if not most) RBOs are heavily dependent on donor support for both the recurrent costs of running

the Secretariat (staffing, offices, activities, meetings) and projects. Though there have been efforts to meet core costs of RBOs through country contributions, this has not been widely achieved. An over-dependence of the RBO on donor funding (especially for staff positions) may lead to a cleavage between the RBO and the realities of the riparian states.

Donor involvement creates its own dynamics both between donors and recipients, and between different donors. This creates further overall complexity both with regard to financing development and in aspects such as the regional strategic political objectives of donors, particularly bilateral donors. For instance, by providing funded staff posts within an RBO it is possible that competent professionals from national riparian government departments will be attracted, partly due to higher salaries but also due to a perception of an improved work environment. While this bodes well for the RBO, it weakens the respective national departments, possibly hampering efforts to improve basin-wide governance.

RBOs are complex environments. Their ability to effectively fulfill their mandate and to achieve the development objectives set out in Chapter 2 are influenced by numerous factors. These include national-level political economy dynamics. Senior Secretariat officials are usually highly astute political agents who are functioning in a highly politicized context. Often Secretariat and Technical Committee officials are concerned with how they are perceived to be protecting their national interests “at home.” Further participation in the RBO may facilitate rent-sharing arrangements by allowing officials access to RBO resources (for example, per diem, allowances or other travel benefits; use of RBO vehicles; and so on). Box F.1 provides a list of indicative questions related to including dynamics of RBOs in an analysis.

BOX F.1. River Basin Organisation Incentive Analysis

Establishment

- Does an RBO exist? (a Technical Committee, Permanent Commission, or Water Authority, and so on)
- How was the RBO established?
- What is the legal status of the RBO?
- Are all the riparian countries in the basin represented in the RBO?
- Was the establishment of the RBO driven by a particular riparian?
- Was the establishment of the RBO driven by a particular project or investment?
- Was the establishment of the RBO driven from outside? (Donor, Multilateral Agency, and so on)
- Are there formal treaties or agreements between riparian states on the management and development of shared waters?

Role

- What are the stated objectives of the RBO?
- What are considered as the core functions of the RBO?
- Is the RBO considered to be an implementer of projects or is its role mainly coordination and facilitation?
- Is the RBO focused on specific issues such as environmental management or is it multi-objective?

Financing

- What funding do riparian countries provide to the RBO?
- Do the countries pay their dues on time?
- Does the riparian payments cover the cost of the core functions of the RBO?
- What proportion of the funding of the activities of the RBO is provided by outside donors and financiers?
- What checks and balances exist in the RBO in the procurement of goods and services?

Governance

- What is the highest governance level of the RBO? (Officials, Ministries, Head of State)
- What is the effective role of technical experts in relation to the political governance of the RBO?
- Are there power and hegemony differentials between riparian states?
- Are there overarching political, security, legal, or historical legacy factors which have an impact on the activities of the RBO?

box continues next page

BOX F.1. continued

- Are there formal links between the RBO and regional economic institutions (RECs)?
- What are the key interests of each level of governance—cooperation, investments, protection of sovereign interest, and so on?
- What is the level of independence of the RBO from the national government structures of the riparian countries?

Staffing

- Does the RBO have a permanent secretariat?
- What are the drivers, incentives, and interests of the Chief Executive and key officers of the Secretariat?
- What are the main areas of potential benefit for Secretariat staff?
 - International-level salaries;
 - Frequent international travel (and receipt of per diem payments);
 - Job security;
 - Professional prestige;
 - Seniority in home government structure;
 - Furthering of academic interest;
 - Other?
- To what extent are RBO/Secretariat staff accountable primarily to the interests of their countries of origin?

External Influences

- Are there "lead" donors attached to the RBO?
- What are the interests of such "lead" donors?
- Are there seconded expat advisers in the RBO?
- What is their level of influence?
- What is the level of expatriate or externally (donor) funded staffing in the secretariat?
- What is the level of expatriate influence in the RBO?

box continues next page

BOX F.1. continued

Effectiveness and Reputation

- Has the RBO delivered effectively in the eyes of the riparian governments?
- Has the RBO delivered effectively in the eyes of donors and financiers?
- Has the RBO succeeded in increasing effective cooperation between riparians leading to development?
- Is the RBO known about and respected in the national water departments of riparian countries?
- Does the RBO have a data and information sharing function between the riparians?
- Is there broad public awareness of the existence and role of the RBO in its riparian countries?

Source: SIWI Framework.

References

- Andrews, Matt, Lant Pritchett, and Michael Woolcock. 2012. "Escaping Capability Traps through Problem Driven Iterative Adaptation (PDIA)." Center for Global Development Working Paper 299.
- Andrews, Matt, Leni Wild, Marta Foresti, and Salimah Samji. 2015. *The Doing Development Differently Manifesto*. <http://doingdevelopmentdifferently.com/>.
- Brenton, Paul, Barak Daniel Hoffman, and Kehinde Vivian Waterman. 2016. "Political Economy of Regional Integration in Sub-Saharan Africa." World Bank Group, Washington, DC. <http://documents.worldbank.org/curated/en/2016/02/24606765/political-economy-regional-integration-sub-saharan-africa>.
- Byiers, Bruce, Jan Vanheukelom, and Quentin de Roquefeuil. 2013. "Arguing a Political Economy Approach to Regional Integration." Unpublished manuscript.
- Byiers, Bruce, Jan Vanheukelom, and Christian K. M. Kingombe. 2015. "A Five Lenses Framework for Analyzing the Political Economy in Regional." ECDPM Discussion Paper 178. www.ecdpm.org/dp178.
- Cowles, Maria Green. 1995. "Setting the Agenda for a New Europe." *Journal of Common Market Studies* 33 (4): 501-26.
- Fritz, Verena, Kai Kaiser, and Brian Levy. 2009. *Problem Driven Governance and Political Economy Analysis: Good Practice Framework*. World Bank.
- Fritz, Verena, Brian Levy, and Rachel Ort. 2014. *Problem-Driven Political Economy Analysis: The World Bank's Experience*. Washington, DC: World Bank.
- Haber, Stephen, Noel Maurer, Armando Razo. 2003. *The Politics of Property Rights: Political Instability, Credible Commitments, and Economic Growth in Mexico, 1876-1929*. Cambridge University Press.
- Harris, Daniel, and David Booth. 2013. *Applied Political Economy Analysis: Five Practical Issues*. ODI Politics and Governance. January 2013. <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8193.pdf>.
- Khan, Mushtaq. 2010. "Political Settlements and the Governance of Growth-Enhancing Institutions." Unpublished manuscript.
- Levy, Brian. 2014. *Working with the Grain*. New York: Oxford University Press.
- Mansfield, Edward, Helen Milner, and Jon Pevehouse. 2008. "Democracy, Veto Players, and the Depth of Regional Integration." *World Economy* 31 (1): 67-96.
- North, Douglas, John Wallis, Steven Webb, and Barry Weingast 2013. *In the Shadow of Violence: Politics, economics and the Problems of Development*. Cambridge University Press.
- North, Douglas, John Wallis, and Barry Weingast. 2012. *Violence and Social Orders*. Cambridge University Press.
- Subramanian, Ashok, Bridget Brown, Aaron Wolf. 2012. "Reaching Across the Waters: Facing the Risks of Cooperation in International Waters." Water papers, World Bank, Washington, DC. <http://documents.worldbank.org/curated/en/2012/03/16588090/reaching-across-waters-facing-risks-cooperation-international-waters>.
- World Bank. 2011. "How to Notes: Political Economy Assessments at Sector and Project Levels." World Bank Group, Washington, DC. <http://siteresources.worldbank.org/PUBLICSECTORANDGOVERNANCE/Resources/PoliticalEconomyAssessments.pdf>.
- . 2013. *LMS Course: Political Economy 101*.
- . 2015. *Making Governance Work for Sectors: A Summary of Sector and Project Level Political Economy Work in Nigeria during FY15*. Washington, DC: World Bank.
- World Bank Governance Global Practice. 2015. "Incorporating Governance into the Systematic Country Diagnostic—A Multi-level Approach." World Bank Group, Washington, DC.

