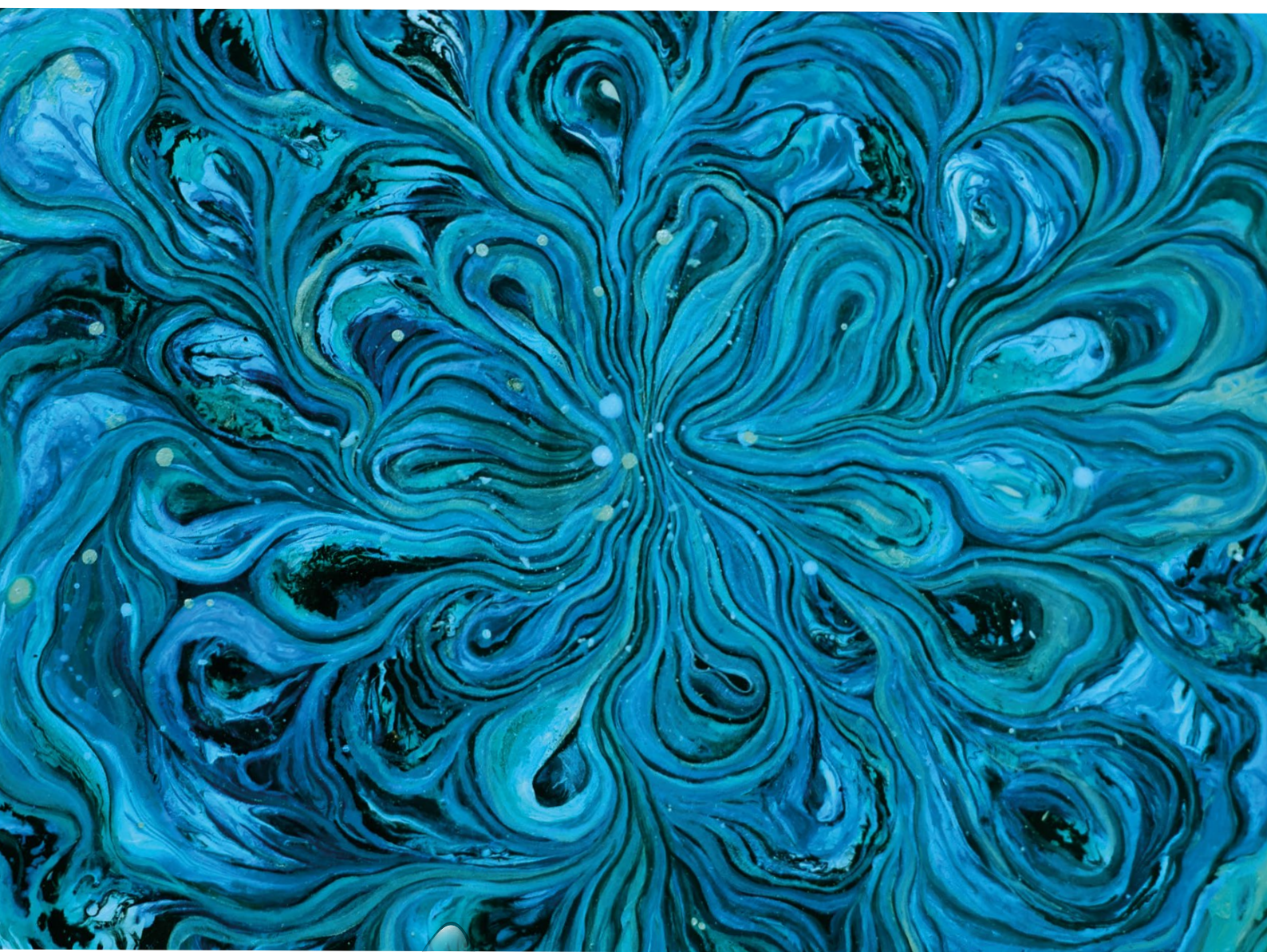


Why political economy matters in the water sector

RésEAU Brief no. 4
April 2023





Editorial

Dear colleagues,

The fourth edition of the RésEAU Brief series focuses on how to thoroughly and systematically consider political and economic factors when designing and implementing water projects and programmes. This is because water challenges do not only arise from a lack of resources, technical capacities, or infrastructure, but are often rooted in hidden dynamics of power and economics.

The multiple and often competitive or conflictual interests of diverse stakeholders impact on water management. They may hamper an inclusive, equitable and transparent approach and respective solutions. This is where a Political Economy Analysis (PEA) can help unpack the 'black box' of hidden power structures and interests to help achieve the desired impact of development cooperation.

Being politically smart(er) provides water professionals with the fundamental understanding for durable solutions that address the root causes of inequalities and dysfunctional governance. PEA helps to better address complex interrelations and to be **more strategic, pragmatic, and realistic** in the design and implementation of programmes.

In order to design interventions in the water sector that build on a deeper understanding of the power dynamics, interests, and incentives of stakeholders, **offices of the Swiss Agency for Development and Cooperation (SDC) in Central Asia** embarked on a **Learning Journey on PEA in 2022**, aiming at:

- building a common understanding of PEA, its added value and utility in Project Cycle Management; and
- discovering best practices and concrete examples of its application in the water sector.

By sharing concrete examples and tips for water practitioners, we hope to motivate many to embark on a similar effort and journey. We are fully convinced that this will elevate your water efforts to another level of sustainability and positively impact those most in need and often left behind.

Daniel Maselli

SDC RésEAU Focal Point
daniel.maselli@eda.admin.ch

Lisa Gampp

SDC Regional Water and
Climate Change Advisor
for Central Asia
Lisa.gampp@eda.admin.ch

Andreas Weber

SDC Programme Officer Peace,
Governance, Equality
andreas.weber@eda.admin.ch

Julie Smolnitchi & Elodie Feijoo

Editors RésEAU Brief and
backstoppers to the RésEAU
Julie.smolnitchi@skat.ch,
Elodie.feijoo@skat.ch

1. Relevance of political economy in the water sector



“Water is available, as is the technology to access it and deliver it. That many are relegated to drawing water from public fountains is not a scarcity issue, but one of misguided political priorities on the part of leadership”.

Larry A. Swatuk (2019), *A Political Economy of Water*.

Political Economy Analysis: a definition

PEA consists of a set of concepts, questions and analytical tools that provide a clearer picture of how political and economic processes interact in any given society. It does this by systematically exploring the interests, ideas, values, and incentives driving the behaviour of different groups and individuals, the distribution of power and wealth between them, and how these relationships are created, sustained and transformed over time. These relationships are crucial to explain the functioning of politics and the creation and distribution of economic wealth, and therefore essential to understand how developmental change might happen. The goal of PEA is to identify a more realistic response, which is both politically feasible and technically sound.

SDC (2021), *Political Economy Analysis*; Whaites et al. (2023)

Why bother about political economy in the water sector?

Project reports often mention that certain components have failed due to a “lack of political will” or a “lack of an enabling environment”. A PEA aims at unpacking the black box of political will. The biggest challenges in development cooperation are not technical ones. Technical measures – digging a well, building a sewage treatment plant or a dam – affect and must consider people’s access and rights to water. The success of the project or programme depends on the existence of a clear normative framework and institutions capable of managing water, and related use systems necessary for user participation. **Institutions, power dynamics, politics¹ and incentives do matter in the water sector** and need to be mapped and understood for interventions to have the best chances of success. Water’s key characteristics highlights the importance of understanding underlying power structures:

- **Water as contested resource:** because freshwater is essential for life, non-substitutable and increasingly scarce, it can be both a source of conflicts within society as well as a vehicle for peace (see more information on the Blue Peace initiative of SDC [here](#)). Water-related issues are often described as collective action problems – a situation in which all individuals would be better off cooperating but fail to do so because of conflicting interests that discourage or impede joint action. Unpacking this complexity demands a good understanding of historical, political, economic, and societal dimensions of water use and management.
- **Water as multifaceted power:** who gets how much water, of which quality, when, where, for what? Who is managing water? This is the result of political processes and decisions based on vested interests. Water inequalities often mirror income inequalities. Powerful actors or groups that gain from existing formal and informal arrangements are not interested in change. It is essential to reveal the positions and interests of all actors to understand how resource access, allocation and management is defined. This is not for descriptive purposes, but rather to understand and identify the possibilities for change.
- **Water as a multipurpose public good:** As a public good with economic value, water involves numerous users and actors with different interests and capacities. Water is necessary for drinking and households needs, but also for agriculture and food production. It matters for energy production, manufacturing, and industry, and has an impact on health. Water is indispensable to sustaining healthy livelihoods and maintaining people’s dignity; its access – safe, affordable, and reliable – has been recognised as a basic human right. States bear the duty and the responsibility of providing water services to people, who are rights-holders, without any discrimination based on their sex, gender, ethnicity, religion, caste, disability, age, health, or economic status. PEA will help understand the issues of powers, rights, and interests below the surface, to best support changes in laws, governance, and monitoring.

¹ In this Brief, politics is the way that people make decisions, especially over the distribution of resources.

In addition to this, different project types or approaches to water management also need to consider power dynamics:

- **Water, Sanitation and Hygiene (WASH):** Why is a committee, responsible for the provision of WASH services, not sustainable in a specific context? A PEA would try to understand the committee's financing, leadership, and capacities to identify best-practice solutions that are tailored to the local context. Working with and for the benefit of local populations inevitably means dealing with local politics. Thus, political, socio-economic, and cultural differences need to be well understood to facilitate civic participation and to engage local public authorities constructively.
- **Integrated Water Resources Management (IWRM):** IWRM is an approach in which stakeholders with different stakes and interests, often conflicting, come together to negotiate and seek consensus on how to use water in the best interests of the economy, the environment and social development. To move the IWRM agenda forward, it is necessary to understand the different gains (and losses), and who benefits from the

status quo. For example, who gains or loses something from making information on water rights accessible to the public? Usually, the power balance produces asymmetry in the distribution of costs and benefits associated with (water) resources management in society. There is therefore resistance to the desired 'redistribution', which would work better for the different social groups. A PEA would try to understand the competing interests to work with powerful stakeholders, create coalitions, and make the redistribution proposals realistic and thus possible.

- **Transboundary water management:** Managing water across borders is even more complex. Water resources management is linked with countries' interests in other economic sectors. What do riparian countries need to agree on in advance to enable joint action for managing transboundary basins? What are the opportunities and entry points? A PEA would try to understand the countries' potential and opportunities for an IWRM approach at national and regional levels to describe underlying dynamics of political, economic and social change.



Climate change, political instability, and water crisis in Al Chibayish, Iraq.
© John Wreford

2. How to apply a PEA

A PEA has three main phases for which essential tips for success are provided below, based on the generalised learnings from the Learning Journey in Central Asia.

For those who would like to go deeper:

A step-by-step approach with key questions to guide a PEA in the water sector is available [here](#).

Phase 1

Defining the objective of the analysis

A PEA aims to understand different levels of context and layers of realities, depending on its purpose. Before starting a PEA, it is crucial to identify the top-level question or issue that would benefit from deeper analysis.

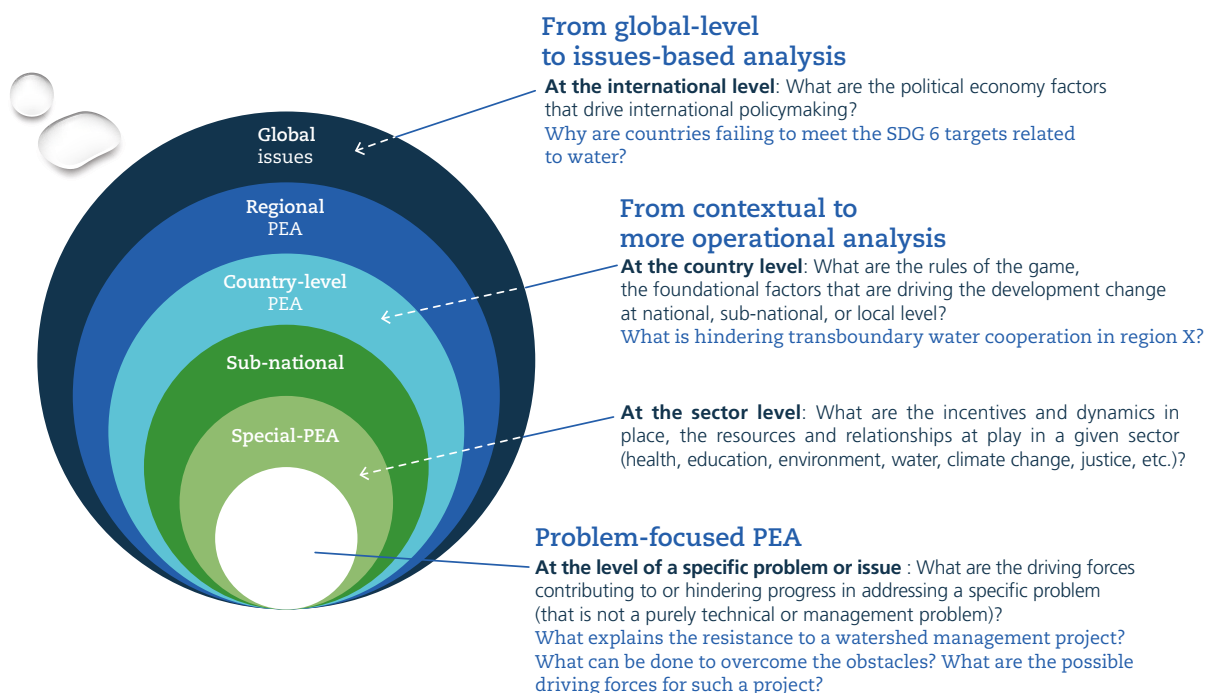


Tip 1: Have a clear purpose and identify relevant political economy questions

Be clear about the scope of the analysis, e.g. global, regional, national, sectoral, problem-focused (see Figure 1).

A problem-focused PEA usually has a bigger chance of bringing insightful and practical learnings. To identify the problem to be addressed in the analysis, two possible entry points are (Harris, 2012):

- A review of past sector programming by donors to identify where similar strategies have been repeatedly adopted without producing the intended results.
- A review of sector performance data to identify areas of persistently poor outcomes.²



► **Figure 1: Possible scopes for Political Economy Analysis, (adapted from SDC, 2021)**

2 e.g. SDG 6 online portal, Integrated Monitoring Initiative for SDC 6, UN World Water Development Reports, UN-Water Global Analysis and Assessment of Sanitation and Drinking-Water (GLAAS), WHO/UNICEF Joint Monitoring Programme for Water Supply, Sanitation and Hygiene (JMP), National report of SDG 6 target.



Phase 2

Determining the root causes of the problem

The Analytical framework helps to understand why the problem persists and identify existing systemic features and stakeholders' incentives. This phase allows to go beyond the visible and formal economic and political factors, by analysing the power dynamics in various dimensions.

Tip 2:

Focus on the most relevant foundational factors

Foundational factors are deeply embedded structures (e.g. geographic, demographic, historical, social and cultural, economic features) that shape the broad character of the state and political system and cannot be changed rapidly. The analysis should not be descriptive and exhaustive but relevant to the problem addressed: what are the structural and long-lasting factors of the country / region / society that fundamentally shape the institutional landscape for water? What structural factors influence negatively or positively the problem to be addressed? For example, the upstream or downstream position of a riparian country is one of the most important foundational factors to consider for a PEA focused on transboundary waters.

Tip 3:

Make the less visible more prominent

Understanding the informal rules (social norms and values) is as important, if not more so, than grasping formal rules (the legal and governance framework for water management). For example, ignoring customary water rights (norms and rules based on long-standing practice which are not codified in written form) when preparing new water legislation can lead to social tensions. The identification and description of rent-seeking behaviour are important to comprehend power relations.

Tip 4:

Focus on who has power

Projects usually tend to focus only on those who do not have power: the poorest and most vulnerable. While it is key to include beneficiaries' perspectives, a PEA includes a power-interest matrix that dives deeply into questions related to who has power, which interests and incentives are at stake, and what drives these incentives (ideology, interests, affiliations, capabilities, constraints).

Phase 3

Addressing the problem

A PEA does not end with a report itself; drawing on operational implications is key. It includes a forward-looking perspective: what does the analysis reveal that needs to be considered to adapt interventions? The focus is on new insights which may lead to new directions and partners, "theories of change" and entry points for action which help adapt programmes and projects to changing realities, manage risks effectively and achieve better results. Identifying feasible pathways to improve water sector outcomes and ensuring the designed intervention will lead to desirable results are part of the final phase of a PEA.

Tip 5:

Translate findings into action

Phases 1 and 2 would be meaningless if not followed by a deduction of implications for a given project. On the basis of the PEA, it is important to define the expected change processes, or what a given water project can realistically promote and support. Different pathways of change need to be found and evaluated, together with opportunities and risks in order to improve effectiveness and sustainability of any support provided.

Tip 6:

Keep the learning process going

Rather than a one-off exercise, a PEA should be included in the regular monitoring and learning process of a project, to allow for adjustment. This requires flexibility and adaptive management from the donor, the implementer as well as the project stakeholders.

Additional guidance

This section provides additional guidance that is not related to the PEA process: resources needed, timing, team, etc. It is useful to look at these tips before starting a PEA and then check again regularly.

Tip 7:

Be aware of the importance of planning

Completing all three steps of a PEA might take longer and use more resources than expected. Identifying the scope, resources, team, timing etc. at the beginning of a PEA is essential and impacts on the quality of results and application.

Tip 8:

Identify the right timing depends on the purpose of the PEA

A PEA can take place at any moment in the Project Cycle Management (PCM) (see Figure 2). Depending on the purpose of the PEA, an in-depth analysis might be needed, or the outcome of a 3-hour reflection workshop may be sufficient. This will depend on the complexity of the context, the stage of the project (planning, implementation, evaluation) and the issue at stake.

Tip 9:

Do not outsource, but build

on the team's country and thematic knowledge

While a PEA is often done by externally commissioned experts, recent experiences show that PEA is particularly impactful if it is done by a programme or project team, with methodological and facilitation support by an external person. The personal and institutional learnings, and the implementation of the adjustments needed, are more effective when staff and possible partners are in the lead.

Tip 10:

Prepare clear and realistic Terms of Reference (ToRs)

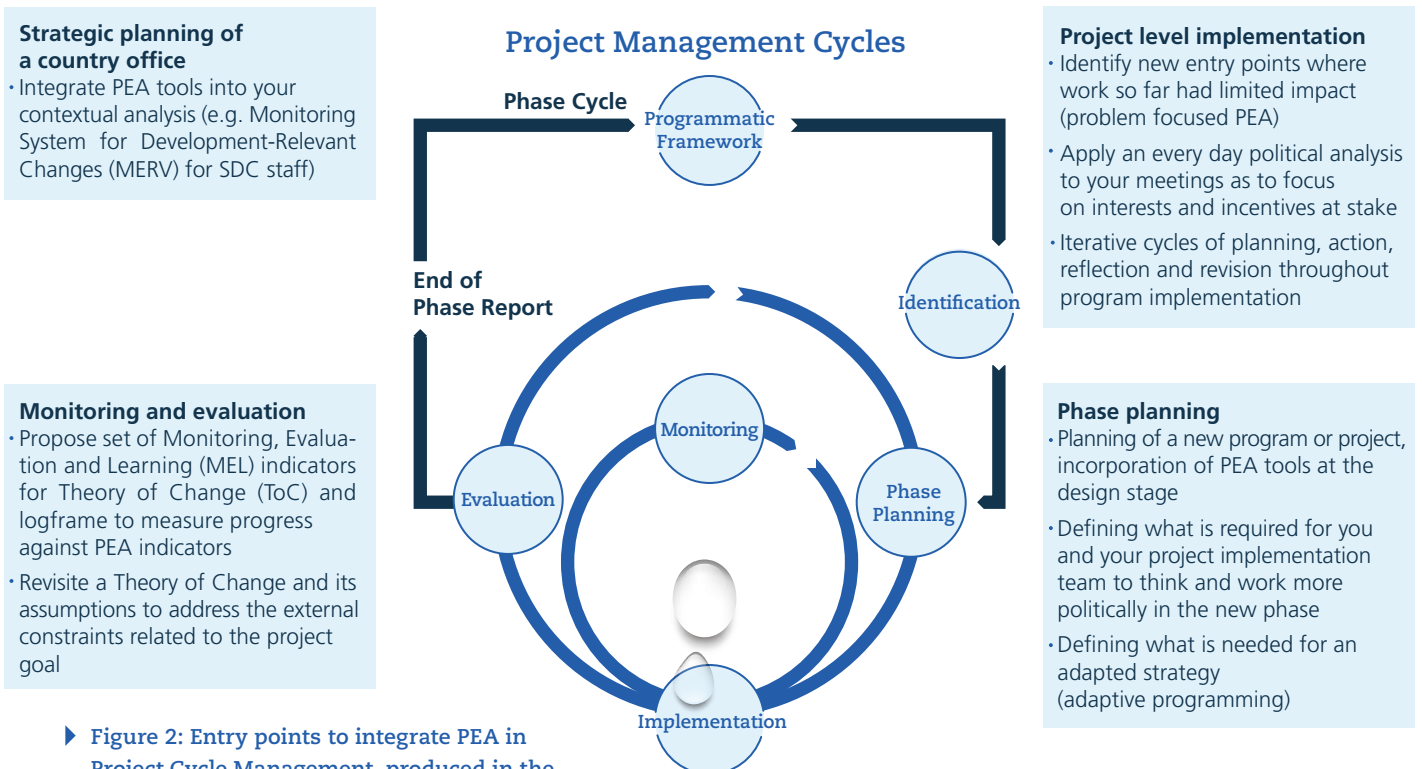
Even if the PEA is not externally commissioned, it is important to prepare ToRs. For a practical [example](#), see the ToRs for a PEA for Transboundary Water Resources Management in Africa (World Bank, 2017).

Tip 11:

Find a balance between sharing results and doing no harm

It is important to define at the outset of the analysis which audience the results will be useful for, what results can be communicated, and how to communicate them. Keeping findings confidential would prevent colleagues and partners from benefiting from valuable learnings. Yet transparent communication might endanger stakeholders involved as a PEA reveals sensitive issues. There is a need to carefully assess the undesired consequences of full disclosure of findings.

How to integrate a PEA into the Project Cycle Management



► Figure 2: Entry points to integrate PEA in Project Cycle Management, produced in the context of the SDC Central Asia Learning Journey on PEA

3. Short testimonies of PEA application in the water sector

The Learning Journey in Central Asia on political economy in the water sector brought together a series of practical examples of how the theoretical concept of PEA was applied. Due to their sensitivity, PEA results are often not shared publicly, but some examples can be found on the Policy Practice website ([case studies](#)) and the USAID [learninglab](#) (see also the Further reading section for more water-related cases).

In this section, two testimonies from Kosovo and Central Asia are shared and focus on the rationale to do a PEA, and how it has informed decisions. These are not necessarily “best case” examples, but they seek to document learnings.



Batlava lake in Kosovo
© Skat Consulting / IWRM-Kosovo Programme

Kosovo

Dimitrija Sekovski, Team Leader of the Integrated Water Resources Management in Kosovo ([IWRM-K](#)) Programme financed by the Government of Kosovo and SDC and implemented by Skat Consulting together with the [Environment Agency Austria](#).

Why did you do a PEA and what did you need to know?

The IWRM-K Programme is ambitiously designed to catalyse socio-economic development and ecosystem restoration in a politically fragile country and regional context, through the adoption of a highly participatory IWRM approach.

The PEA for us started as a **donor-driven request**, which resonated well with the overall vision and conceptual orientation of the programme. It appeared to be a **key addition**, and an effective ‘glue’ to the range of environmental, social, economic, and environmental analyses we had already done. We wanted to dive deeper and have a ‘higher resolution’ view into the causes of the ongoing inequalities and environmental degradation.

What did you learn?

It revealed a number of possible **entry points for political economy reflection**, such as: i) formulating convincing Theories of Change in a complex and conflictual context (e.g. a tense inter-ethnic situation), ii) bridging the gaps between the intended outputs and outcomes, iii) better mainstreaming transversal themes, iv) integrating conflict sensitivity in certain aspects of water resource management, and iv) supporting legislative and institutional reforms.

We identified **environmental and water permitting** as a key topic where private and public interests intersect in a very lively and tangible manner. The permitting system is a source of power for political leaders and authorities responsible for the delivery of permits. Private actors have incentives to bypass the permitting system, sometimes through corrupt behaviour. While the ideas on how to address this in the most effective way are still fermenting, the programme is likely to promote the application of **good governance principles**: improving transparency, effectiveness, and efficiency of procedures, enhanced participation, accountability of institutions and persons in charge, and the overall rule of law.

Central Asia

Lisa Gampp, SDC Regional Water and Climate Change Advisor for Central Asia, Responsible of the Water Infrastructures and Climate Change (WICC) Programme and SDC's Blue Peace Central Asia initiative.

Why did you do a PEA and what did you need to know?

As part of the elaboration of a new regional water diplomacy programme, and to develop a joint vision between Swiss representation offices in the region and SDC staff in Bern, a PEA in regional water management was commissioned to have a better understanding of the actors, power dynamics, bottlenecks, and issues at stake. In total, four national sectoral PEAs (Uzbekistan, Kyrgyzstan, Kazakhstan, and Turkmenistan) and a regional one for Central Asia were realised. In Tajikistan, no experts willing to carry out such an analysis could be identified.

What did you learn?

SDC offices in Central Asia had never done such an exercise before, and there was a certain resistance to it as well as a gap in expertise on PEA, both internally and in relation to external consultants. The result was not a success story, but rather a succession of what not to do in a PEA, with many learnings. Clear objectives, a well-defined problem and good ToRs are key. A PEA should not be just a context analysis but be clearly linked with operational issues. We should not expect a blueprint solution on what to do, or an answer to all questions. Instead in my case the PEA helped us to understand risks. The ownership of the process is also very important. SDC National Programme Officers are the context experts, and a facilitated PEA would probably have been a better choice for us. Finally, discussing the audience and the communication of the PEA results at an early stage is key and needs to be defined in the ToRs: How will the findings be used (purpose)? In the case of an externally commissioned PEA, how will the team be involved, how will operational implications be discussed and validated? To whom will the results be communicated?

Central Asia is characterised by a very complex institutional set-up with diverging and often opaque power structures. There is a discrepancy between the formal and actual governance system. The entry points for change are often outside of the water sector. The PEA provided some insights into this and motivated us to go further and dig deeper.



Panj river and a public water supply tap in the Wakhan valley, Tajikistan.
© Florian Klingel / Skat Consulting

4. Concluding remarks for PEA in the water sector

Water is political and its use and management are driven by vested interests: no matter the focus of a water project - from handpump construction in a village to improving the use, management and protection of groundwater in a country - power dynamics are at play at all levels, i.e. community, regional, and national levels. Powerful political, economic, and social interests related to water are intertwined. Actors often have multiple agendas, a deep understanding of which is needed to unveil their decisions and actions. **PEA supports water professionals in identifying and dealing with those interests with the aim of enhancing the impact of their work.**

Work politically: Working politically does not mean engaging in partisan politics, but acknowledging that social change is always political. Working politically is therefore about operating in ways that are both 'politically smart and politically informed' and requires adapting the way programmes are planned and managed. **This is what [adaptive management](#) is all about.**

PEA is more than a one-off exercise: there is often the misconception that a PEA consists of a one-off heavy exercise by external experts, to produce a lengthy document. But PEA can be integrated in everyday practice by anyone. What is crucial in the application of PEA is the willingness to ask the right questions, until they become part of the working culture: who wants what, why and how? **PEA tools offer a thinking frame by**

asking the difficult questions and reduce donors and implementers bias. It provides a set of concepts, questions and tools to systematically make power dynamics more visible.

Acknowledge one's own limitations: PEA helps becoming more realistic in terms of what can be achieved and where chances of success are low. **PEA is a good means to discuss expectations – sometimes too high – and argument for more successful – even if less ambitious – programmes and projects.**

PEA does not provide a blueprint solution: it helps to become aware that some actors have a very powerful role and that there is a need for an adjusted or altogether different approach to be more successful. However, there is no blueprint on how to engage with powerful actors. **PEA can sometimes make development work even more complicated!**

Support options are available: there is a lack of practical and shared cases of PEA applications in the water sector. A joint space within the water community or beyond – cross thematic – to **exchange between peers and reflect on the political economy of water-related issues** would be extremely beneficial. Such a space remains to be developed. For the time being, SDC's [Peace, Governance and Equality section](#) offers several options for SDC staff and implementing partners upon request.



A cotton field irrigated with solar energy in Turkey.
© Red Stock

Further reading

General information on political economy

- SDC Governance Network [Shareweb](#), Political Economy topic.
- SDC (2021), [Policy Note: SDC's Political Economy Approach](#).
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Imprint

Editor:

Federal Department of Foreign Affairs FDFA
Swiss Agency for Development and Cooperation SDC
3003 Bern
www.sdc.admin.ch

Specialist contact:

Section Water
E-mail: water@eda.admin.ch

Visuals and infographics:

Zoï Environment Network

Bern, 2023 / © SDC



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Section Water

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Charlotte Qin, QinTheory Studio