Key questions to guide a Political Economy Analysis in the water sector

RésEAU

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This document is part of the fourth edition of the RésEAU Brief series dedicated to Political Economy Analysis (PEA) in the water sector. It targets water professionals who are planning to conduct a PEA and would like more practical guidance.

For the Swiss Agency for Development and Cooperation (SDC), a PEA includes three phases: 1. Defining the objective of the analysis, 2. Determining the root causes of the problem, 3. Addressing the problem. Those phases are divided into seven steps that allow to go from analysis to action (see Figure 1).[1] While there are many methods, approaches, and tools to conduct a PEA, the path chosen by SDC has the advantage of clearly linking the analysis with operational implications and a Theory of Change. For each step, guiding questions are suggested.[2] These are quite general and should be adapted to the specific situation.[3]

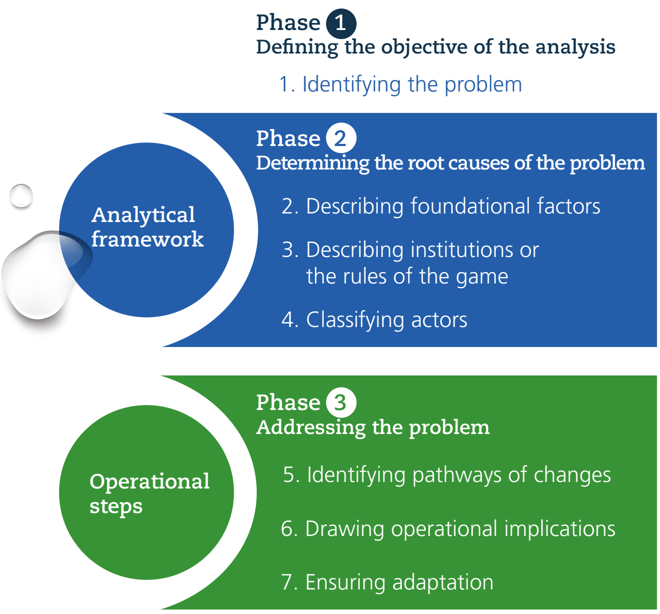

Figure 1: Seven-step framework to go from analysis to action (Political Economy Analysis, SDC, 2021)

1 Initially developed by The Policy Practice.
2 Adapted from The Policy Practice and Harris, D. (2012), Political economy analysis for operations in water and sanitation: A guidance note. ODI
3 For more detailed and specific questions related to WASH, see: Harris, D. (2012), Political economy analysis for operations in water and sanitation: A guidance note. ODI; for specific questions to transboundary water related management, see World Bank (2017), Political Economy Analysis for Transboundary Water Resources Management in Africa, Practical Guidance.

Phase 1
Defining the objective of the analysis

Step 1: Identifying the problem

- **Identifying which political economy problem(s) need(s) to be addressed**: This is often the most difficult part of the PEA and requires some iteration, e.g. What are the driving forces contributing or hindering progress in overcoming resistance to a watershed management project? It helps to define the purpose of the PEA.
- **Asking why, why, why** until the answers are no longer obvious. A preliminary set of answers to the question 'why does this problem exist?' can provide more explicit entry-points for political economy explanations around power structures, institutions, beliefs, and collective action.
- **Designing the PEA process** and elaborating terms of reference, even if the PEA is not externally commissioned: What are the financial resources available? What is the required professional expertise? What is available in-house, who will do the analysis, and what will be the different roles within the team? Who must be consulted in the analysis, and when? What will the results be used for? Who must be informed about the results? How will the results be disseminated or communicated? Some back and forth should be expected as the timeframe, budget and available expertise will influence the scope.

Phase 2
Determining the root causes of the problem

Step 2: Describing foundational factors

Foundational factors are deeply embedded structures that shape the broad character of the state and the political system. They cannot rapidly be changed, and they shape opportunities available to all actors in a given context. 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? Why?

- Geographic features: e.g. main water resources, water quality and quantity, climate and seasonality, topography, availability of groundwater, quantity and distribution of rainfall, water basins characteristics, geographic position on the river – upstream/downstream;

- Demographic features: e.g. population levels, growth and density, levels and trends of urbanisation, ethnic diversity;

- Historical features: e.g. historical patterns of sectoral investment, levels of service delivery, state of infrastructure, historical factors related to river basin collaboration;

- Social and cultural features: e.g. levels of equity/inequality, ethnic groups & clans, socio-economic classes/ structures, religion;

- Economic features: e.g. water tariffs system, subsidies, economic base and growth, tax base, sources of income/public revenue.

Step 3: Describing institutions or the rules of the game
Institutions are not organisations but rules that can be formal (constitution, laws, regulations) or informal (social norms and values), which shape the incentives of the various actors and the relationships between them.

- What legal and governance frameworks are in place for water? What does this mean for the incentives and dynamics in the water governance system?

- How is water access and distribution currently managed? What are the main challenges?

- How is the quality of water ensured?

- Are there regional water governance frameworks, processes and structures that support or challenge prevailing national policies and strategies either positively or negatively?

- Are the laws and regulations enforced? Are there implementation gaps? Where and why?

- How is the coherence of various water-related policies and plans established? What role do policies and plans play in practice?

- Do the informal rules of the game support or undermine the formal institutions? How? (e.g. customary water rights, rent-seeking, role of elites)

- How is the functioning of institutions influenced by the distribution of power?

- How exclusive or inclusive are political bargaining processes?

- How might the rules of the game be different for different groups – e.g. women and men? Underserved or marginalised groups?

- What are the main competing interests regarding the various water uses? e.g. drinking and households' needs, agriculture, energy production, manufacturing, and industry.
- How are conflicts dealt with? What is the role of power in conflict management?

- What are the economic incentives in water management? Where do revenues from water tariffs go?

- How are water sector budgets and services funded and resourced? To what extent is the budgeting of financial resources based on rational choice / common good e.g. socially inclusive and gender-responsive budgeting, procurement and taxation/revenue collection? Are intergovernmental transfer mechanisms effective / transparent / accountable? How are corruption and rent-seeking affecting the water sector?

Step 4: Classifying actors
Who are the relevant actors (individuals, organisations and interest groups including those that might bring the perspective of less powerful social groups), and why do they behave in the way they do? Understanding this may explain impediments to change or show opportunities.

- Who are the relevant stakeholders and what are the power relations between different state/regional/international agencies and individuals within the water sector (power/influence matrix)? Who are the drivers and inhibitors of change?

- Who are the most powerful actors in the water governance system? What makes them powerful (from which perspective)?

- Whose interests and which users tend to be privileged or marginalised?

- What other factors influence their behaviour such as ideology, interests, affiliations, capabilities, constraints?

- How are stakeholders connected to each other? What are the incentives/disincentives of stakeholders to cooperate with one another / block each other?

- Are there positive examples of cooperation in water issues? What could promote cooperation?

- How do conflicting interests impact on the behaviour of actors in the water sector?

- Are power relations based on common interest, e.g. financial flows, friendship, family relations, ethnicity, age, geographies?

- Who has an interest in water sector reforms, which reform and why? Who has interest in maintaining the status quo?

- What scope is there for certain actors to change their position on the power/influence map, leading to a different equilibrium? What are the triggers that could lead to this shift?

- What change or which reforms have been trialed and failed, and why did they fail? Which were successful and why?

- Are there any structural or institutional constraints for change?

- What is your role? What is your agenda or that of the donors who are financing your project?

Tip: Summarising the description of the situation (phase 1) by drawing the big picture might be helpful:

What matters the most?
What are the key drivers?
How does it give rise to the outcomes observed?

Phase 3
Addressing the problem

Step 5: Identifying pathways of changes

Different pathways of changes need to be identified and evaluated, together with supporting factors and risks. The aim is to set out why some pathways are reasonably realistic in light of the analysis, and others not. Jumping to implications or recommendations should be avoided; the changes that are plausible as a result of the analysis should be spelled out. Suggestions based on wishful thinking should be avoided. Pathways should ideally be expressed in the form 'If ..., then ..., because'. In other words, they should say what might lead to what, and by what process or mechanism of change.

- How can the problem blocking change be addressed given the underlying incentives, interests and power relations identified by the PEA?

- What are the causal mechanisms driving change processes and the conditions under which these can take effect?

- What can be the project's contribution in this logic ("theory of action")?

Step 6: Drawing operational implications

Based on the findings of the analysis and the plausibility of the different pathways of changes, the new project/programme interventions can be defined or adjusted.

- Considering the plausible pathways of changes defined, what can the project realistically promote and support? In case of an on-going project/programme, is there a need to adjust its aims, objectives, assumptions, partners, activities, budgets etc.? How?

- With whom to partner up, why, and for what kind of change? Are existing partners adequate?

- In view of the assessment of the complexity of the expected change process, what design features should the intervention have?

Step 7: Ensuring adaptation

And finally, the last step is all about putting the learnings from the PEA into practice and planning reflections on economic and political dynamics during the project/programme cycles.

- What are the challenges and risks for the interventions in the future?

- How can a continuous learning process be ensured and interventions quickly adapted to new realities. How and when will quick cycles of planning, reflection and revision be included within the project/programme?

- Is there a need to strengthen the staff in Thinking and Working Politically? If so, how?

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