

# Discussion Paper

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## **A five lenses framework for analysing the political economy in regional integration**

**Bruce Byiers, Jan Vanheukelom and**

**Christian K.M. Kingombe**

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## Key messages

Regional cooperation and regional integration are often complex processes with seemingly intractable obstacles and drivers.

An analytical tool consisting of five political economy lenses helps detect the actors and clarify the factors driving or blocking regional processes.

Two examples – one on country level drive behind regional cooperation in the EAC and one in the transport sector – illustrate the tool's usefulness and relevance.

Political economy diagnostics can help inform dialogue with and among a range of state and non-state actors at national and regional levels on the feasibility of envisaged reforms.

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## Acronyms

AfDB	African Development Bank
AMU	Arab Maghreb Union
ANC	African National Congress
AU	African Union
CEMAC	<i>Communauté Economique et Monétaire d'Afrique Centrale</i> / Central African Economic and Monetary Union
CEN-SAD	Community of Sahel and Saharan States
CET	Common External Tariff
CFA	<i>Communauté Financière Africaine</i> / African Financial Community
CM	Common Market
COMESA	Common Market for Eastern and Southern Africa
CU	Customs Union
DfID	UK Department for International Development
DRC	Democratic Republic of Congo
EAC	East African Community
ECCAS	Economic Community of Central Africa
ECDPM	European Centre for Development Policy Management
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Area
GDP	Gross Domestic Product
G8	Group of Eight
IGAD	Intergovernmental Authority on Development
MCLI	Maputo Corridor Logistics Initiative
MDC	Maputo Development Corridor
NEPAD	New Partnership for Africa's Development
NSC	North-South Corridor
NTBs	Non-tariff Barriers
OSBP	One Stop Border Post
PE	Political Economy
PERISA	Political Economy of Regional Integration in Southern Africa
REC	Regional Economic Community
RPF	Rwandan Patriotic Front
SACU	Southern African Customs Union
SADC	South African Development Community
SADCC	Southern African Development Coordination Conference
SAIIA	South African Institute of International Affairs
SDI	Spatial Development Initiatives
TAZAMA	Tanzania Zambia Mafuta
TAZARA	Tanzania-Zambia Railway Authority
TFTA	Tripartite Free Trade Agreement
TMEA	TradeMark East Africa
TMSA	TradeMark South Africa
TRA	Tanzanian Revenue Authority

UEMOA            *Union Économique et Monétaire Ouest-Africaine* / West African Economic  
and Monetary Union  
UNCTAD           United Nations Conference on Trade and Development  
WTO                World Trade Organization

## Abstract

This paper discusses the political economy aspects of regional integration in Africa as these are essential features to consider when trying to engage in supporting such a complex agenda. It starts from the now widely recognised reality of the persistent gap between regional trade agreements as reached by the multiple Regional Economic Communities and the delivery on the ground in the member states to address the key question about when and why state and non-state actors engage in support of regional cooperation and integration. Based on a literature review of the Political Economy of Regional Integration, this paper introduces a political economy framework in the form of five lenses to better capture the political economy features in particular reforms and integration processes. The lenses are applied to different levels of regional processes to provide insights on the drivers and constraints to regional policies and their implementation. Two examples illustrate the use of the framework: (1) the political drivers and constraints to regional integration in the East African Community and (2) a political economy analysis of the North-South Corridor (NSC) project of the EAC-COMESA-SADC Tripartite.

**Keywords:** Regional Integration; Political Economy; Africa



# 1. Introduction – What drives or obstructs regional integration in Africa?

There is long-standing, broad consensus on the need for greater economic connectedness and integration in Africa (see for example Horton, 2004; Brenton and Isik, 2012). But, despite the rhetorical support for greater economic connectedness and integration, there is slow progress on implementing the formal agreements and commitments reached through the pan-African and regional institutions. This lack of progress towards the free movement of goods, services, people and capital in regional markets is frequently blamed on the twin shortages of “political will” and “capacity”.<sup>1</sup> This paper takes this implementation gap as a starting point to unpack one key question: when and why do state and non-state actors engage in support of regional integration or in regional cooperation?<sup>2</sup>

Attempts to answer that question increasingly rely on political economy analyses resulting from academic research and from policy and practice oriented studies. Moreover, consultations with a range of stakeholders confirm that there is already a good degree of tacit knowledge of the political obstacles and drivers, of the range of different interests and expectations of stakeholders from integration (narrow self-interests or broader interests depending on the political incentives elites face), and of the complex of two-level power games at play (see Putnam, 1988).<sup>3</sup>

Drawing on this experience and literature, section one presents an analytical framework that combines and systematises these sources of knowledge through the use of five lenses. Section three applies the framework to two concrete cases that illustrate the relevance and potential use of such an analytical approach.<sup>4</sup> Section four draws some preliminary conclusions. The analytical framework has been field-tested but is still *under construction* and should, therefore, be considered work in progress. As it deals with the underlying and often opaque drivers and obstacles to regional integration, applying the five lenses framework contributes to opening the black boxes of *lack of political will* and *capacity constraints*.

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<sup>1</sup> See for example Briceño-Garmandia and Foster (2010: p. 21): “Notwithstanding the economic case for regional integration, the mobilisation of political will faces considerable obstacles”.

<sup>2</sup> This paper distinguishes between the formal, institutionalised setting in which regional integration takes place, and the functional forms of cooperation between two or more countries. Such forms of regional cooperation may have links with formal regional integration processes as steered or facilitated by RECs, but often they don't. Still, both processes of regional integration through the formal regional institutions and functional forms of regional cooperation can mutually influence one another in multiple ways.

<sup>3</sup> Consultations for this work included workshops, seminars and conferences with multiple state and non-state stakeholders including multilateral and bilateral donors (African Development Bank (AfDB), European Union (EU), the World Bank (WB), the UK Department for International Development (DfID), Agence France de Développement (Afd), and participation at an experts' panel on Political Economy of Regional Economic Integration organised by the Graduate School of Development Policy and Practice in Cape Town.

<sup>4</sup> ECDPM has used the five-lenses framework (in cooperation with SAANA and with theIDLgroup) in studies for DfID (*An evidence-based, forward looking study on regional trade and integration in the Tripartite region*, 2014), for the World Bank (study of Abidjan-Ouagadougou Transport Corridor, March 2014), and for the Swedish Embassy in Nairobi on the political economy of regional integration in Africa (principally AU and five RECs, ongoing).

## 2. A political economy approach for regional integration

Mansfield (1999) observes that “while it is frequently acknowledged that political factors shape regionalism, surprisingly few systematic attempts have been made to address exactly which ones most heavily influence why states choose to pursue regional trade strategies and the precise nature of their effects.” This observation is also valid for regional integration in Africa.

There have been attempts to push the policy research agenda beyond the short-cut explanations for the implementation gap - lack of “political will” and “capacity constraints” - by recognising a broader set of interacting structural, institutional and agency variables. There is also a growing recognition of the need to focus more carefully on the national level, for example on domestic political and economic power relations, when tackling implementation failures of regional treaties and protocols (see the seminal work by Putnam, 1988).

A growing body of literature and research points to the relevance of deepening the understanding of the unique political economy underpinnings of each particular context, as it helps identify opportunities and space for reforms.<sup>5</sup> Donor funded political economy research has until recently focused primarily on country and sector level issues or problems. Their analytical frameworks by and large converge on assessing or analysing context specific interactions between: (i) foundational or structural factors, (ii) formal and informal institutions, (iii) actors, agency and incentives, and (iv) the sector or sub-sector-specific governance characteristics. A fifth lens completes the analytical framework by bringing in the dimension of the external drivers and how these interact with the domestic and regional political economy.

The proposed approach is also informed by research programmes that analyse political economy of relations between business and the state (Moore and Schmitz, 2008; Kelsall, 2013); state-society bargaining and the nature of political competition (Khan, 2010); questions of how particular sectors (e.g. extractive industry, see Barma et al. 2012) or external dynamics (e.g. trade, investments, opportunities for illicit financial flows, aid, etc.) influence the political incentives of ruling elites. This includes research on when and why ruling elites are likely to pursue and implement policies in support of the productive sector or of effective economic transformation, and the implied hard choices that relate to redistribution of economic benefits and the prioritising among sectors (Whitfield and Therkildsen, 2011).

The depth, scope and structure of a political economy analysis need to be adapted to the purpose(s) for which it is undertaken. Two purposes that stand out for development practitioners and for reformers relate to a) sampling and systematising tacit but disjointed knowledge about power and politics among the multitude of national, regional and external stakeholders, and b) deepening the understanding of the dynamics, drivers and obstacles of regional integration and regional cooperation.

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<sup>5</sup> Building on the academic research and policy insights, this section draws further on country and sector level political economy analyses. An initially small number of donors developed analytical tools for informing their country programming or strategy development, for problem solving or feeding policy dialogue with partner countries. DfID (Drivers of Change, 2008), the Netherlands (Strategic Governance and Anticorruption Analysis, 2008), DEVCO (Political Economy Concept Note, 2011), Fritz et al. (Good Practice Framework, 2009; and Problem-Driven Political Economy Analysis, 2014), OECD (International Drivers of Corruption, 2011), etc.

## 1. Structural factors

Structural or “foundational” factors relate to contextual aspects such as history, geography or certain deeply ingrained economic characteristics. These are hard to transform in the medium and even long-term. The history of state formation and a country’s sources of income can clearly influence current contexts, be it broad-based taxation, or extractive rents from a limited number of sectors or actors.<sup>6</sup> The type of colonisation (nature of extraction, of colonial administration and settlement, of political institutions, etc.) and of decolonisation (with or without liberation struggle, protracted or abrupt, etc.) are historical processes that have also profoundly shaped the types of political, economic and socio-cultural institutions that create incentives for different sets of actors in the present. Structural factors also include the income level and size of an economy, the level of concentration of economic activity, and employment in key productive sectors such as agriculture and the extractive sector. Structural factors need to be contextualised and understood in their relations to other political economy features or dynamics. While being landlocked, for example, usually has severe implications on the economy, one cannot deterministically infer negative outcomes such as uncompetitive trade relations or prohibitive transport costs – as many institutions, stakeholders and external factors also shape such outcomes.

## 2. Formal and informal institutions

Institutions or the “rules of the game” are crucial for understanding how economic growth, political competition, social development, and policies affecting the nature of regional integration come about or function. Andrews (2013) draws attention to two key observations: firstly, while formal institutions tend to capture the eye, in reality they thrive on the basis of less visible beliefs, norms, and cultural mechanisms, or informal institutions or practices. Secondly, in order to obtain a fuller picture of how institutions function - and influence policy and implementation decisions - one also has to understand the interrelationship between formal and informal institutions. Rodrik (2007) provides a third consideration: formal and informal market institutions are underpinned by multiple nonmarket institutions (for example rule of law, property rights, security arrangements, etc.), and “the plausible variation in institutional setups is larger than is usually presupposed” (idem: p. 154).

Political institutions are combinations of formal “rules of the game”, such as the constitution, the legal setting that regulates political competition, etc., and a host of informal arrangements. Winning or retaining power may depend on informal practices such as handing out patronage favours, jobs, money, access to services or monopoly privileges to supporters or “clients”. Or it may depend on appealing in more or lesser degrees to personal (ethnic or other sources of identity) or impersonal themes and issues. Failure to understand such interactions between formal and informal political and other institutions may lead to failure to examine and identify where opportunities lie in support of policy reforms and actions that further regional integration.

## 3. Actors, political elites and agency

Different actors pursue different interests and are influenced by different formal and informal institutional arrangements and incentives. This lens is about assessing how the structural and institutional context interacts with key actors and how this affects policy choices, (perceptions about) interests and behaviour. Such interactions may, for example, create incentives for collective

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<sup>6</sup> “Access to high levels of rents and unearned income can reduce elite incentives to bargain with citizens and encourage elite predation (OECD, 2011: 26).” ‘Rents’ can be understood as income flows that are additional to market-based profits and wages. “The category includes revenues from natural and administratively created monopolies, subsidies, natural resources and, not least important, corruption and aid. Some of the rents are economically efficient or socially beneficial, others are not” (Booth and Therkildsen 2012:10).

action by actors in support of development outcomes, or conversely, for rent seeking, or for ‘crony’ relationships with exclusive benefits for a few. Three types of actors/agents seem to matter particularly in shaping development processes: political elites, state bureaucrats and sector actors (including civil society, firms, farms and households) and should be the focus of this element of the analysis. Ruling elites or coalitions merit particular attention. Key questions to address is how the political and economic structures and institutions shape incentives for the ruling coalition, and how these incentives affect the time horizon within which they operate and implement policies. Indeed, these elites may be under political pressure not to undertake those actions that are required for economic transformation (or regional integration for that matter) as it may weaken their political position.

#### **4. Sector characteristics, (regional) public goods and governance implications**

A fourth analytical lens sharpens the focus on the characteristics of a specific sector or of particular regional public goods and their linkages with governance and accountability relations. Every sector or sub-sector has differing technical and governance characteristics, with varying political implications. The provision of regional public goods in the energy sector raises different governance concerns to reforms in the roads sector, and transport of goods differs substantially from transport of people. For those national and regional public goods<sup>7</sup> that are crucial for regional integration such as infrastructure development and regulatory frameworks, reformers and their supporters will benefit from a more granular understanding of both technocratic and political features in a particular sub-sector, as these shape the political opportunities for reforms and development outcomes.

As enumerated by Harris et al. (2013) the political salience and visibility of a service or a sector will create incentives or disincentives for politicians and service providers to commit to providing quality services to citizens and be accountable.<sup>8</sup> Road construction and rehabilitation tend to be better vote catchers than the cumbersome and less salient task of road maintenance. Secondly, more visible policies imply more easily attributable credit or blame, depending on information asymmetries. Thirdly, the balance of power between policymakers and other actors involved in service delivery is also important, with monopoly-provided services implying less incentive for the provision of state oversight or improved performance.

#### **5. External factors influencing the political economy context - global drivers**

A fifth lens considers more carefully a number of external drivers that may affect domestic political economy and regional processes.<sup>9</sup> The lens helps distinguish two categories of external drivers. First there are the exogenous drivers such as climate change, the changing nature or volumes of

<sup>7</sup> See also Sandler, T. (2007) and the emphasis on characteristics of regional public goods such as non-rivalry (benefits can be enjoyed by one party without (or hardly) reducing the availability of these to others), non-excludability (it is difficult or prohibitively expensive to exclude others), public interest and ownership (broad public interest and benefit demonstrate ownership by the countries/region benefitting) and the regional dimension (must involve at least two countries can only be effectively produced if every country involved participates and supports its production).

<sup>8</sup> Mcloughlin and Batley (2012) developed a useful framework for breaking down these services as “goods” (or tasks) that helps understand the market for these goods, as well as the political incentives and constraints that different actors face that are involved in their provision or consumption. This analytical framework is further explained in: Batley and Mcloughlin (2012), Chambers et al (2012). Its application to the sub-sectors of road construction and road rehabilitation can be found in Wales and Wild (2012).

<sup>9</sup> Unraveling such influences is an intricate exercise as there are multiple drivers, influencing country and sector level actors and institutions simultaneously, with different impacts over time. Therefore the OECD (2011) has developed an analytical tool that helps to assess those global dynamics with a particular relevance or impact on the domestic political economy, and the type of incentives they create for political and economic elites.

markets and consumer behaviour (think of rejection of illegally logged wood, or blood diamonds), global and regional trends in production (value chains) or transport (containerisation). Positive examples also include broadband infrastructure and the proliferation of mobile banking and other wireless applications that can be harnessed to “leapfrog” older technologies and can accelerate growth and job creation (AfDB, 2013a). Regional security threats, though often not exogenous to the region, also need to be carefully factored in as they often profoundly impact on the opportunities and the nature for regional cooperation. The old and now donors form a second category of external drivers. Through the nature of their engagement with country level public authorities and with multiple formal regional institutions they influence the regional policy agendas. The aid landscape is changing and old aid modalities (financial aid transfers, technical assistance, policy dialogue and the accompanying policy conditionalities) give way to a broader set of financing mechanisms, often with new development partners, private sector participation and new conditionalities attached.<sup>10</sup>

### 3. Applying the political economy approach to regional integration cases

Applying the five lenses framework to concrete cases helps demonstrate their use and value. This section provides two such cases by way of examples, one related to the integration process as driven by the East Africa Community, and a second case related to transport/transit corridors in East and Southern Africa. This paper does not present a full political economy analysis of each case. It seeks to point out how the proposed framework can help deconstruct the complexities in a few regional processes. Such processes need not always have to involve regional organisations at the heart of it (case two), whereas the first case presents a number of country related political economy features (principally in Rwanda and Tanzania) with respect to EAC integration efforts.

#### 3.1. Regional integration in the East African Community: Tanzania and Rwanda

Regional integration indicators (Mo Ibrahim Foundation, 2014) point out that East African integration is progressing faster than in most other African regions. Overall, the EAC has made positive steps in improving trade in goods and progressing towards greater harmonisation around macroeconomic policy and regulatory frameworks. Yet implementation of agreed protocols such as the common market protocol, targeted to be implemented by 2015, is widely recognised to be behind schedule. Some aspects such as movement of people face the greatest challenges.

Applying the five political economy lenses to specific implementation gaps helps identify some of the drivers and obstacles to the regional agenda. This section zooms in on two EAC member states, Rwanda and Tanzania as that highlights different influences in approaches to regional integration. In the case of the broader EAC Group, the five lenses may help better understand the drive behind the recent emergence of a “coalition of the willing”. This evolution may be seen as yet

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<sup>10</sup> Private investment is growing relative to aid, with greater reliance on market-based financing. More countries are financing their development with their own resources, including taxes, remittances and royalties from extractive industries (AfDB, 2013).

another break away that is against the spirit of more integration. Yet a more careful reading may point in a different direction.<sup>11</sup>

### Structural factors in East African integration

Clearly a wide range of long-term structural factors influences country positions on EAC integration. EAC member states face many common challenges relating to infrastructure deficits, reliance on small-scale rural agricultural employment, a limited industrial base, and large informal sectors.

Still, there are also disparities across member states. Kenya has the largest economy in the region, representing 37 per cent of EAC GDP and the highest GDP per capita at US\$1,517 in 2012 with the capital, Nairobi, as the regional commercial hub. Kenya is considered East Africa's powerhouse and has the most diversified economy. Its population of approximately 43 million inhabitants is just behind Tanzania with 48 million. Together, the Tanzanian and Kenyan economies represent 70 per cent of the EAC economy compared with Rwanda and Burundi that represent only six per cent and two per cent, respectively of the regional economy. Burundi has an average income of only US\$482 and a population of less than ten million (World Bank, 2014). Further, three of the five EAC countries are landlocked, increasing their potential gains from lowering the costs of land-based imports through regional integration, an incentive that is not present for the two coastal countries who compete with one another and other coastal countries for port traffic.

Nonetheless, Kenyan exports to the EAC represented 26.3 per cent of its total exports with the main export destinations being Uganda (13.4 per cent) and Tanzania (8.7 per cent). EAC partner markets are an important destination for Kenyan manufacturing and mineral exports while its agricultural exports are predominantly shipped to non-African markets.

For Tanzania, EAC markets generally play a far smaller role as an export destination with the exception of some manufacturing exports to Kenya (e.g. Willenbockel, 2012). For the EAC as a whole, export growth over the last decade has been highly concentrated in primary commodities, mainly oriented to developed and emerging markets, underlining the need for greater regional integration to promote intra-regional trade and greater value-addition (TMEA, 2013). The dominance of Kenya in regional exports is also a factor in determining country positioning on promoting further regional integration and likely relates to recent market access disputes within the EAC region, and recent emphasis on and growth of exports to Egypt (see Fiani, 2014) and the UK.<sup>12</sup>

<sup>11</sup> Going by the label "the Coalition of the Willing" the sub-group appears to have invoked Variable Geometry, a principle that allows for members of a regional arrangement to cooperate in separation from other members. The Treaty Establishing the EAC defines variable geometry in part as "...flexibility which allows for progression in co-operation among a sub-group of members in a larger integration scheme in a variety of areas and at different speeds..." Therefore, variable geometry grants Kenya, Rwanda and Uganda the rights to pursue cooperation and progress in areas of common interest, provided this is done within the ambit of the overall integration process in the bloc. (See also: Ajumbo, 2013).

<sup>12</sup> From news reports, for example:

<http://www.businessdailyafrica.com/New+trade+rule+blocks+Kenyan+exports+to+EAC/-/539546/1925732/-/mbwa75/-/index.html>

<sup>12</sup> <http://www.thecitizen.co.tz/News/Integration---We-will-not-be-bulldozed-says-Sitta/-/1840392/1998102/-/chdo8a/-/index.html>

<sup>12</sup> <http://www.businessdailyafrica.com/Britain-and-Egypt-trade-more-with-Kenya-than-Tanzania/-/539552/1863662/-/1147i6jz/-/index.html>

From a historical perspective, the EAC has been described as an unfinished project in restoring the regional integration that East Africa once enjoyed almost half a century ago (Collier, 2012). Kenya, Uganda and Tanzania have a long history of formal regional cooperation including a customs union between Kenya and Uganda in 1917, later joined by then Tanganyika. Subsequent arrangements culminated in the EAC from 1966 to 1977, although this collapsed due to disputes among other things over the distribution of benefits from economic integration and the dominance of the Kenyan manufacturing sector (Schiff and Winters, 2003).

Following East African Co-operation from 1993 to 2000, the EAC in its current guise came into being with the treaty of 1999, with Rwanda and Burundi joining in 2007 (EAC, 2013). EAC membership represented a reorientation for these new members from colonial era ties to their francophone Western neighbours, to their Anglophone neighbours in the East. There was an accompanying switch in Rwanda from French to English as the principal language to be used apart from Kinyarwanda. While formal integration was focused on Kenya, Uganda and Tanzania, historical ties have also been important between, for example, Rwanda and Uganda, given the emergence of Rwanda's ruling Patriotic Front from exile and military support to the current Ugandan ruling party, an additional long-term factor with implications for current integration.

### **Formal and informal institutions**

These historical features (decolonisation, past efforts at integration, etc.) or structural factors (trading patterns, differences in size of the economy, landlocked and gateway countries) can affect the EAC driven regional integration process in positive and negative ways. Positively, they can underpin institutional alignment at a formal level for the three original EAC countries. Certain historic processes also work at an informal level, for example maintaining a sense of East African identity, principally among political elites and leaders (Booth et al, 2007). They may also provide a basis for allegiances and rivalries among member states.

The EAC has succeeded in establishing a range of formal organs including the East African Court of Justice, the East African Legislative Assembly and various sectoral committees, and is proceeding with talks to undertake the next phase of integration towards a common currency. However, indicative of wider concerns, the EAC has achieved greater convergence in simplifying and lowering the cost of regulatory processes for businesses than in providing the implementation teeth to those legal institutions that are relevant to business regulation (IFC, 2013).

Non-Tariff Barriers (NTBs) offer a telling example of the gaps between formal rules of the game and the implementation. Partner states have formally agreed to remove NTBs by December 2012. However, in the absence of a legally binding framework and the necessary monitoring and implementation mechanisms, compliance among the member states varies according to political commitment or buy-in from state and non-state stakeholders. As such, businesses continue to incur huge costs arising from the erratic use of weighbridges, roadblocks, poor infrastructure, unnecessary delays at border posts, and lack of harmonised import and export standards, procedures and documentation.<sup>13</sup> As research on transport and transport corridors have indicated, informal rent-seeking practices seem to undermine the efforts at strengthening the formal

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<sup>12</sup> <http://www.theeastafrican.co.ke/news/Tanzania-and-Burundi-demand-response-to-isolation-claims/-/2558/1992566/-/kt7d8/-/index.html>

<sup>13</sup> See for example <http://www.theeastafrican.co.ke/news/Rwanda-Kenya-lead-in-EAC-integration/-/2558/1500314/-/o1c9h6z/-/index.html>

institutions to reduce NTBs (Pinard, 2011 and 2010; Raballand et al 2009; McLinden et al, 2011; Arvis et al, 2011).

In the trade field, one can also point to the common market protocol, which entered into force in July 2010. It is supposed to be fully implemented by December 2015, having achieved the “four freedoms” within the common market of free movement of people, goods, services and capital. Monetary union is scheduled to be achieved in 2020. To achieve this requires closer harmonisation and coordination of regional policies and implementation of protocols. Reportedly, Rwanda is the only country to have complied so far with agreed deadlines, which seems to converge with the broader developmental policies and implementation arrangements that the ruling elite in Rwanda has adopted. In the other member states, there appears to be slippage in the implementation of this and other formal agreements, mainly because of a range of less visible concerns and political positions that hinder progress.

Both Tanzania and Uganda are alleged to be erecting barriers to Kenyan exports through their interpretation of EAC Rules of Origin and disputes over imported inputs.<sup>14</sup> Kenya and Tanzania are also implicitly in competition to service the hinterland markets of Uganda, Rwanda, Burundi, and the Democratic Republic of Congo. One recent report suggests Tanzania is replacing Kenya as the most desirable investment destination in the region.<sup>15</sup> Some also suggest that Kenya’s status as the region’s logistics hub may be under threat after Tanzania signed a deal with China to set up the region’s largest port at Bagomoyo, which will potentially be bigger than the Dar es Salaam and Mombasa ports combined. Otherwise, China is also investing in oil pipelines, container infrastructure and railways through Kenya.<sup>16</sup>

It is hard to discuss formal and informal institutions without also mentioning the substantial amount of informal trade that continues to take place between all countries in the EAC. As in most regions in Africa, informal cross-border trade is an important element of economic life in the EAC involving firms active in the informal and formal economy. Lesser and Moisé-Leeman (2009) cite estimates that informal exports from Uganda to its five neighbouring countries in 2006 accounted for around 86 per cent of its official exports to these countries, while informal imports were estimated at 19 per cent of official import flows from these countries. In a separate study, Kenya is described as the main source of informal imports to Uganda, accounting for 56 per cent of total informal imports in 2010 (Afrika and Ajumbo, 2012). Such trade takes places *in spite of* rather than *supported by* regional integration initiatives. The scale of informal trade for a country such as Uganda reminds of the distance between what is being dealt with in regional trade protocols and the full reality of trade on the ground.

### Actors, political elites and agency

At a rhetorical level all EAC members support integration narratives.<sup>17</sup> Yet in practice, some agreements are only partially implemented, and often not by all member countries of the EAC.

<sup>14</sup> Examples of press reporting on the issue include: <http://www.theeastafrican.co.ke/business/Unending-trade-disputes-and-barriers-slow-down-EAC-integration/-/2560/1957334/-/prhua2z/-/index.html>

<sup>14</sup> <http://www.businessdailyafrica.com/New+trade+rule+blocks+Kenyan+exports+to+EAC/-/539546/1925732/-/mbwa75/-/index.html>

<sup>15</sup> See, for example: <http://www.theeastafrican.co.ke/OpEd/comment/Coalition-of-the-willing-Using-the-EAC-stick-to-beat-Tanzania/-/434750/1983028/-/rabb3r/-/index.html>

<sup>16</sup> See, *EAS ‘cheetahs’ ignore ‘tortoise Tanzania and Burundi’*, African Business, 28 January 2014, <http://africanbusinessmagazine.com/features/countryfiles/eac-cheetahs-ignore-tortoise-tanzania-and-burundi>

<sup>17</sup> Sources include: <http://www.africareview.com/Special+Reports/EAC+states+pull+in+different+directions+as+Dar+is+isolated+/->



Moreover, recently, Kenya, Rwanda and Uganda have formed a “coalition of the willing” within the EAC to move at their own chosen speed with integration. In order to understand phenomena such as implementation gaps and *variable geometries*, it helps to unpack the often less visible dynamics and motives of ruling coalitions within the state, as well as those of bureaucrats and sector actors, in particular influential private sector stakeholders or pressure groups. This section zooms in on a new and an old EAC member, Rwanda and Tanzania. Rwanda illustrates the strong drive of the ruling elite behind integration within EAC. Tanzania presents a mix of drivers and obstacles that lead to ambiguities in the implementation of regional agenda. One feature meriting attention is that of the quality of leadership, for example the leadership ability of the elite or factions within it to act in a coordinated way, to mobilise along common interests, to understand the nature of dominant incentives, etc. In terms of inter-country cooperation, collaboration between presidents or other top politicians has sometimes contributed to kick-start cooperation and integration processes.

**Rwanda’s** post-genocide political settlement has been categorised as “developmental neo-patrimonialism”. The ruling Rwanda Patriotic Front (RPF) seeks to ensure political incumbency and survival through providing public goods for social and productive ends to a broad constituency (Booth and Golooba-Mutebi, 2011; Kelsall, 2013; Booth and Cammack, 2014). The ruling elite has succeeded in effectively centralising rent management, disciplining the state bureaucracy for the purpose of policy experimentation and public investments, and implementing experiments and policies over a longer-term period as it has imposed restraints competitive politics.

A striking element of the Rwandan political economy context is the “heavy involvement in business of the ruling party itself, through its holding company, originally called Tri-Star” (now Crystal Ventures), which is fully owned by the RPF. Initially the firm filled a gap in providing services in the immediate post-genocide period, but gradually Tri-Star moved up to play a large part in the state’s “centralised management of rents”, in a country with a private sector that remains small, despite strong growth figures and improved business climate ranking. Notwithstanding the relatively small size of the private sector, as Kelsall (2013) indicates, Rwandan firms increasingly target the regional market, while government strategies target regional investors such as Kenyan growers and supermarkets who are now investing in Rwanda. Any private sector interests that might oppose the competitive pressure of greater regionalism are too few in number to genuinely bring political pressure. Given this combined security, survival and independence (from donors) drive the ruling elite has developed an adherence to developmentalism, in which engaging more forcefully with formal regional institutional processes is one pillar.

**Tanzania** is generally considered to be more ambivalent to the implementation of the formal regional integration process, with a less clear orientation towards developmentalism by the ruling elite. Tanzania’s ruling political elite has adopted a state-led vision on development. While the time frame of the vision may be long-term, the time horizon of the political *rules of the game* under which the ruling elite operates is short term. This can be explained by the highly competitive electoral cycles in Tanzania, in which the ruling coalition has to fight contested elections that it can lose, and therefore resorts to clientelist rent redistribution (Booth et al, 2014). Moreover, given the multiple factions within the ruling and dominant party, the elite’s hold on rent management is fragmented (Kelsall, 2013). Still, the ruling elite is broadly successful in disciplining the amount of rents that ministries, departments and agencies can appropriate although it has much less influence over what that money is spent on.

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[/979182/1975670/-/le58rtz/-/index.html](http://www.ecdpm.org/dp178/979182/1975670/-/le58rtz/-/index.html) and <http://www.theeastafrican.co.ke/news/Rwanda-Kenya-lead-in-EAC-integration/-/2558/1500314/-/o1c9h6z/-/index.html>

The decision logics of various key sector actors and ruling elites and their impact on the resolve to implement regional agreements can be further illustrated in the agricultural sector in Tanzania. In 2005, the Government took two separate policy measures to improve smallholder production and productivity in rice (Therkildsen, 2011). It announced a four-fold increase in investments in rice irrigation. Separately from this measure, middle level ministerial staff negotiated in the EAC with colleagues from other EAC member states on a Common External Tariff (CET) up to 70 per cent for imported rice. It was the Ugandan Government that took a lead within the EAC and managed to push this CET agreement through as it sought to protect the interests of its rice industry. On the part of Tanzania, it was less clear what drove the Tanzanian officials to accept the deal, as there was little follow-up in the implementation (Therkildsen 2011; Cooksey, 2013).

Indeed, despite the relatively strong administrative capacity of the Tanzanian Revenue Authority, the government did not enforce compliance with the agreement on raised tariffs in the EAC, nor did it stop the smuggling of imported rice. Therkildsen (2011) points to strong political pressures on the ruling elite, as rice is being imported through Zanzibar, the Tanzanian island that is also very dependent on imported (cheap) rice for its food security. Zanzibar is also a politically contested part of the country, where the Tanzanian ruling party risked losing its hegemony at the time. The EAC tariff measure to which Tanzania signed up was not implemented by Tanzanian authorities for political reasons. The fear of the ruling elite for upsetting the well-organised industrial constituencies in Zanzibar was stronger than the fear for the fragmented and unorganised smallholders with an interest in protective measures from imported rice.

### **Global drivers and their impact on the domestic political economy**

The efforts of Tanzania's political elite to preserve its hegemony over power may be affected by conflicting issues such as continuing low agricultural productivity, competition from outside producers and the negative impact of certain regional tariff measures within the EAC on Zanzibar producers. At the same time, the Tanzanian government is keen to be seen as an important reformer within the international development community and in Africa. It has been one of the first countries to become part of Grow Africa, a global development programme that emerged out of the World Economic Forum and the G8's Global Alliance for Food Security, and that engages with the international private sector. Such programmes and processes are to a large extent externally driven, as they create political incentives through the (promise of) donor money and investments that influence the domestic political economy.

In the case of Rwanda, some donors have expressed apprehensions about the ways in which the country seeks to guarantee the integrity of its borders and national security. This has resulted in uncertainty about the reliability of some of the external funding of the Rwanda budget.

## **3.2. What drives regional transport? Comparing political economy features in transport corridors in Southern and East Africa**

The EAC example covers an intentionally broad integration agenda. The same five lenses can be usefully applied to more narrowly defined regional integration processes in a particular sector, sub-sector or cluster of sectors. Given the growing focus on transport corridors in Africa, this second case compares the Maputo Development Corridor (MDC) with the North-South Corridor (NSC).<sup>18</sup>

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<sup>18</sup> This case study draws on Byiers and Vanheukelom 2013, and Vanheukelom et al 2014.

In the case of the NSC, it is informative to look at this multi-country transport corridor in terms of the politics that surround it from a Zambian perspective. Zambia sits at the centre of the NSC and as a landlocked country that might be expected to have most to gain from it. The NSC is the relatively new flagship of three RECs (SADC, COMESA and EAC) seeking to coordinate and harmonise programmes in trade, trade facilitation and infrastructure development through improvements to road, rail and ports.<sup>19</sup> This transport corridor can be contrasted with the older Maputo Development Corridor, which dates from the mid-1990s and has already led to improved road and rail connections, reduced border times, and related major industrial investments in Mozambique. Applying the five lenses can help identify important differences between the two corridor initiatives with potential implications for policy-makers.

### **Structural factors in transport corridors in Southern and East Africa**

For the most part, both corridors build on pre-independence road and rail connections that were constructed to serve the interests of mining capital and their hunger for cheap labour. South Africa relied heavily on migrant labour from the sub-region, including from Southern Mozambique. As of 1895 it shipped out coal and other minerals along the railroad from the then Witwatersrand to deep water port of Lourenço Marques, now Maputo.

The MDC project can therefore be understood as the rehabilitation of a pre-existing transport corridor, which in the past served a restricted group of users. The project was driven by three profound changes, including regime change in South Africa after the first non-racial, democratic elections in 1994, the accompanying shift from apartheid destabilisation (including military campaigns directed at infrastructure in Mozambique), and by peace and democracy in Mozambique as of 1992. As such, the two neighbours were in the process of designing strategies to reform their economies, re-establish improved diplomatic and economic links, and attract public and private investment.

The NSC emerged from different historical origins. The predecessor to COMESA took shape in 1978 with the proposal for a sub-regional Preferential Trade Area (PTA), which was finally established by treaty in Lusaka in 1981. The PTA treaty called for a gradual transition to a common market that began in 1993 with the signing of the COMESA Treaty. The Tripartite Initiative then emerged from COMESA and SADC, both of which can also trace back their roots to the Frontline States movement. In terms of infrastructure development, at its Northern end it builds on the TAZARA rail, TanZam Highway, and the TAZAMA crude oil pipeline between Tanzania and Zambia. Landlocked Zambia desperately needed in those days an alternative outlet for its copper production as three neighbours were no solid gateways (apartheid South Africa, Rhodesia under minority rule until 1980, colonial rule of Mozambique until 1975 with a subsequent civil war and apartheid infrastructure destruction). Despite being landlocked the country increasingly serves growing markets of the Democratic Republic of Congo and Angola. Zambia has a negative trade balance with SADC, as it imports machinery, cars, and electronic equipment. Its trade balance with COMESA is slightly positive, yet this largely depends on important exports such as cereals and on the DRC choice to export is copper ore to smelters in Zambia or not.

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<sup>19</sup> It also aims at increasing the power generation and energy trade potential of the Southern African Power Pool with new power generation and transmission investments but these are not taken account of in this chapter.

### Formal and informal Institutions

Although part of the SADC region and a potentially important access port for countries beyond South Africa and Mozambique (Botswana, Swaziland and Zimbabwe, for example), the MDC has taken shape independently from formal regional frameworks and procedures. It was launched as a South Africa driven *Spatial Development Initiative*, involving soft and hard infrastructure development in a toll road and a railway, as well as port development, industrial investment cluster, improved border management and initially even a commitment – according the public-private facilitating Maputo Corridor Company - to serve “disadvantaged communities” (Byiers and Vanheukelom, 2014). The institutional drive originated from South Africa’s Department of Transport, the Cabinet of the President and from the Department of Trade and Industry. In order to attract investments, the South African government had endorsed the concept of public-private partnerships. The Development Bank of Southern Africa was drawn in, and the Spatial Development Initiatives became a testing ground for intergovernmental cooperation within South Africa, and for inter-governmental coordination with neighbours such as Swaziland and Mozambique. Macro-economic austerity and a strong push for results were key drivers for lean institutional arrangements that drew on the strengths of different public and private actors, in the absence of substantial external funding.

Later, the SADC Secretariat picked up the idea of Spatial Development Initiatives and integrated it in the SADC Regional Indicative Strategic Development Plan of 2003). More recently, incoming SADC Chairman, President Guebuza of Mozambique, highlighted corridors as vehicles for SADC regional integration, which need to be harnessed due to the “role they play in consolidating social dimensions of development and the regional integration processes”. (SADC, 2012a) One of the corridor projects of the SADC Regional Infrastructure Development Master Plan (SADC, 2012b) is the North South Corridor. Meanwhile, the NSC has become a flagship programme of the Priority Infrastructure Development Programme, and its railway link is being championed by South Africa’s president Zuma as one of the projects of the NEPAD Presidential Infrastructure Champion Initiative.

### Actors, political elites and agency

The above narrative suggests that movement towards completing the MDC was in line with a range of geographical and historical factors, and proceeded outside formal regional integration processes. In part, this was because of the strong relations of trust between key public stakeholders in the neighbouring countries, and especially the strong relations between the then Presidents of South African and Mozambique, Mr Mandela and Mr Chissano. Both thought of the initiative as economically strategic and symbolically important as the transport corridor marked the end of apartheid destabilisation and the beginning of Mozambique’s recovery plans and overtures to external investors and financiers. Fiscal deficits and the alignment of interests on both sides of the border resulted in a swift agreement on the need to carry out the road rehabilitation through a public-private partnership, apparently the first in Africa, and in implementation arrangements that ensured that investments materialised, although at different speed for different components. The Presidential drive in each country also ensured sufficient bureaucratic drive behind implementation arrangements for the MDC.

Beyond public policy-makers and bureaucracies, the private sector also played a large part in pushing for, funding and implementing different aspects of a viable transport corridor. Not only was road rehabilitation and maintenance carried out under a Public-Private Partnership arrangement with a long-term private concession, the corridor initiative was also accompanied by multi-million

dollar investments in the aluminium smelter Mozal I and II (plus adjacent industrial park) near the Mozambican capital and harbour. Given the need for Mozal to import almost everything, and export almost all outputs, key aspects for the Mozal investment related to access to electricity from South African Eskom,<sup>20</sup> access to the ports and transport. Although some have criticised the lack of integration and the rather narrow development impact of Mozal and other investments in the Beluluane Industrial Park (see Byiers and Vanheukelom, 2014), the investments nonetheless helped drive the MDC project forward, with combined pressures for road improvements and investments in rail infrastructure, one-stop border posts, and improved port management.

Mostly private actors created new private sector associations to attract investors, monitor progress in multiple components of the MDC, and facilitate exchanges on new and inclusive development opportunities. The Maputo Corridor Logistics Initiative (MCLI), for example, is such a private sector association of (mostly South African) firms using the corridor. It also has linkages with civil society, donors and public authorities at different levels at both sides of the border. The MDC has equally been a positive development for Maputo elites who gained easier access to retail and tourism services in South Africa, while the concession company running the main road along the corridor and the company operating the container scanner at the port also represent business interests for some high-level Mozambican politicians. While not a driving force, this clearly also factors into the political economy of the process of MDC implementation and further development.

While the MDC is narrow in scope, the NSC is clearly a much broader, more ambitious undertaking with correspondingly greater coordination challenges and less clearly identified beneficiaries. The costs and benefits are, moreover, unevenly spread, with numerous collective action failures (such as free-riding) to be expected. The NSC is also very much about building infrastructures and improving border posts, with little ostensible direct involvement of the private sector, either through the promotion of accompanying investments or in consultation. Indeed, in Zambia, a country that might be expected to be a major beneficiary of the NSC, private sector discourse is clearly more focused on general business conditions and meeting the demands of the markets of Eastern Angola and the DRC. At the same time, there is a domestic constituency that fears competition from South African producers and that is well served with thick borders, poor transport infrastructure and high transport prices and costs in a non-competitive transport environment, etc. Indeed, Zambian membership of both the SADC and COMESA free trade areas provides the potential for the country to position itself as a regional trading hub – but also may harm the Zambian companies that export to the region as it may place them at risk of competition from imports from Kenya and South Africa, countries that have relatively speaking a deep industrial base. If one seeks to understand the incentives for political elites, and the likely pressures from different sections of the private sector in Zambia, a more granular analysis of the key actors is required.

In terms of the analytical framework, the analysis needs to be complemented with a consideration of both the technical and political features of the particular sector or sub-sector that is under discussion. Different categories of stakeholders and actors respond or interact in different ways to these particularities.

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<sup>20</sup> Eskom is South Africa's public electricity utility.

### **Sectoral characteristics**

Roads are highly visible public goods, offering potential political gain for political elites if they can demonstrate their patronage over road construction. Other aspects of the road sub-sector – such as maintenance – are less politically attractive, or even harmful for political elites. This is clearly illustrated by the resistance against policies that seek to introduce tolls for road users as a measure to ensure financial sustainability of road maintenance. The MDC is a toll road, which, before arriving to the port in Maputo, passes through Matola, an increasingly urbanised and growing suburb of Maputo. Daily commuters from Matola to Maputo therefore use a small section of the MDC and pay a toll for this use. While the tolls contribute to the overall upkeep and maintenance of the road, they also create problems for the government given political resistance to tolls.

In a different way, the case of Zambia also highlights how policy preferences in the transport sector are shaped by specific sector characteristics. The political attractiveness of rural road construction projects, for example, proved to be more attractive in electoral terms for the incumbent political elite in Zambia. Indeed, while Zambia is landlocked, President Sata's government prioritised national rural roads over the regional flagship North South Corridor. As mentioned, roads have a particular political resonance, and in Zambia political dynamics have meant that even where roads have been considered to carry insufficient traffic to merit tarmac, the government has committed to "pave Zambia", probably because of its vote catching potential.

### **Global and regional drivers and their impact on the domestic political economy**

International investment in the form of Mozal has been pivotal for getting MDC off the ground, with the continuing high prices for aluminium providing sufficient incentives for a second phase to be built. International demand for South Africa's coal has also put pressure on existing South African ports, providing strong incentives to use the port of Maputo, thereby affecting demand for use of the MDC as an outlet to the sea. Donor pressures were absent at the South African end, except to say that the South African Rand was under pressure, and there was a strong political commitment of the newly elected ANC government towards macro-economic stability. So the pressure was on the state to facilitate private sector financing in infrastructure development, resulting in the first Public-Private Partnership in Africa for the toll-road. At the Mozambican end, external pressures consisted of World Bank imposed conditionalities. These were targeted at macro-economic discipline, as well as at privatisation of the Maputo Port in order to reduce dwell time of goods, fight corruption and lower handling costs more generally.

In the case of the NSC, there is an important global demand for minerals, which remains a driver behind corridor development, with the majority of Zambian copper exports, for example, being channelled through Durban. As importantly, it seems, have been the efforts from external development partners. The NSC was launched as a pilot Aid for Trade project, so building on a combined interest from African countries in the region and the World Trade Organisation's renewed enthusiasm for linking trade and aid. The Priority Infrastructure Development Programme as promoted by the AU's NEPAD Agency and the AfDB seeks to reinforce this process with the potential private and public funders or investors. Such support may create incentives for overcoming certain coordination failures. But it may, of course also result in cherry picking, as the NSC remains a collection of more or less bankable projects. Increasingly, new donors have demonstrated their preferences in infrastructure development, and this will also have an influence on programmes and processes such as NSC and MDC.

## 4. Conclusions

This paper presents a framework for identifying the political economy actors and factors behind regional cooperation and regional integration, and for analysing relations that shape the outcomes of regional processes. There is a growing interest in political economy diagnostics, as efforts at regional cooperation and regional integration encounter seemingly intractable obstacles, whether implemented or promoted by public or private partners, by mandated regional organisations, and often combinations of all with support from external development partners. This paper suggests five analytical lenses to analyse the political economy context, to help structure the tacit knowledge about political dimensions in a change processes from practitioners, and to combine it with evidence and insights from policy oriented or academic research.

Applications of this analytical approach – for example facilitated by key players such as donors, international development banks, etc. – may deepen the understanding of the political feasibility of reforms by informing about the relations between structural dimensions, (formal and informal) institutions, sector specific governance features, global and regional drivers and how these create political and other incentives for key stakeholders in the short and longer term. This is clearly work in progress, but in order to illustrate the potential usefulness of the applied framework, two cases were briefly introduced.

The case of the East African Community compares a new member state, Rwanda, with an older member state, Tanzania. The five lenses assessment of some of the regional policies and implementation arrangements adopted by the two countries helps identify structural, institutional and agency drivers behind these measures. It also helps think through some of the implications of specific governance and accountability characteristics of a particular sub-sector. For the ruling elite in Rwanda, the membership of EAC and its integration agenda seems represent a higher policy priority than for Tanzania given the Rwandan government's reliance on economic opportunities in the region for its strategy of developmental regime survival. Tanzania, on the other hand has a more ambivalent relationship to regional agreements that it subscribed to, as the case of rice imports and the Common External Tariff suggests. The ruling elite in Tanzania operates under different political and economic institutions, in that it faces different competitive pressures in a context in which rents are redistributed in fragmented ways. Fears of losing elections in Zanzibar, moreover, created pressures in opposite directions from policies favouring food security and the application of the EAC Common External Tariff on rice.

The second case revolved around one established and one emerging transport corridor in Southern and East Africa. The five lenses help identify the structural, historic, institutional, leadership, private sector and bureaucratic components behind the relative success in the older Maputo Development Corridor between South Africa's industrial heartland and the port of Maputo. Unlike the newer North South Corridor between Dar es Salaam and Durban, this bundle of soft and hard infrastructure development initiatives was organised between only three countries, with one powerful driver behind the wheels, and two Presidents in support. In the case of the NSC, there is a combined involvement of the African Union and its Programme for Infrastructure Development, the NEPAD Planning and Coordination Agency, the Tripartite Free Trade Agreement, the eight member states through which this transport corridor transits, with support from AfDB and other financing institutions.

Given this multiplicity of actors or stakeholders the potential distribution of benefits and costs is much harder to calculate, prioritisation of projects is more cumbersome and the risk of freeriding greater. While this is also precisely the prime motivation for a supranational approach – there are numerous other constraining factors, some of which are well illustrated by applying the lenses to landlocked Zambia. Despite the formal commitment to the realisation of the NSC, Zambia has prioritised rural road construction, as that seemed to be a more rewarding political strategy among the incumbent elite who faced electoral defeat. In particular the fourth lens zooms in on sector specific political and governance characteristics: obviously paving Zambian rural roads has a stronger appeal to rural voters than tending for a piece of transport corridor, or improving border management. And road rehabilitation, for that matter, is less popular than road construction because it lacks *political visibility*. Governance and accountability features in particular (sub)sectors need to be properly assessed and addressed by reformers as the number of sectors tends to multiply in the context of cross-border cooperation, transport corridors, or regional public goods provision more generally.

While it is early days to draw too wide ranging conclusions, work with the five lenses seems to confirm that all the five lenses somehow need to be combined for a proper assessment of the political economy context of regional integration and cooperation. This way, political economy diagnostics can help inform dialogue with the range of state and non-state actors at national and regional levels on the feasibility of envisaged reforms or the implications of integration processes; it can help (re)orient support efforts by development partners, and it can also help identify knowledge gaps that require filling through additional - possibly more fine-grained – research efforts.



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## Annex

**Table 1: Applying the five lenses to national and regional examples – or how to make the less visible political economy factors and actors more tangible?**

The focus of the five lenses	Examples at national level	Examples at regional level	Examples of the added value of each lens
<p><b>1. Structural/foundational factors</b></p> <p>History (nature of colonisation and decolonisation process), geography (being landlocked, access to water resources, etc.) sources of income, or other deeply engrained structural features influence the context in which national and regional change processes evolve.</p>	<ul style="list-style-type: none"> <li>- In a number of African countries, extractive industries yield extraordinary “rents” and revenues for the state. This can weigh heavily on the political economy of a country or on the way political elites engage in policy processes.</li> <li>- Lesotho has been for a long time a labour reservoir for South Africa’s mining industry. Donors, in the seventies, ignored this structural economic determinant of dependency and labour migration and “reimagined” the Lesotho economy as a textbook subsistence farming economy.</li> </ul>	<ul style="list-style-type: none"> <li>- Africa’s boundaries are fragmented due to colonial history and often obstruct efforts to achieve economies of scale.</li> <li>- The fact that a country is landlocked imposes a number of costs that cannot be assumed away by mere gestures or signals of solidarity.</li> <li>- Especially landlocked countries present numerous challenges in terms of integrating transport systems and reducing transport costs</li> <li>- South Africa’s mining industry has had profound structural effects on its neighbouring countries in terms of shaping the labour market and the infrastructural lay out of roads, ports and human settlements.</li> </ul>	<ul style="list-style-type: none"> <li>- This lens focuses the attention on hard to change structural factors whose influence on the shaping of formal and informal institutions is often ignored. Such ignorance can be avoided.</li> <li>- Donors in the seventies designed agricultural investment projects in Lesotho if it was a pastoral society, ignoring the deep rooted structural feature of an economy that was primarily dependent on migrant labour to South Africa’s mines. Hence, the projects for the subsistence farmers were based on an imagined economy and “were about as likely to be successful as a project to grow flowers on the moon”<sup>21</sup>.</li> <li>- In states with high rents from resource extraction “interventions that may make perfect technical sense will often be politically infeasible since they affect these rent flows and the delicate political deals they underpin”.<sup>22</sup> Attention to such foundational factors may help a more realistic assessment of what is feasible.</li> </ul>
<p><b>2. Formal and informal institutions or “rules of the game”</b></p> <p>- formal institutions include laws (such as electoral rules), regulations, treaties, written agreements that are often</p>	<ul style="list-style-type: none"> <li>- Overloading of trucks is formally forbidden in Cote d’Ivoire and Burkina Faso. Rather than remove such trucks off the road, enforcement agencies accept payments that are generally considered as bribes that serve the purpose of removing</li> </ul>	<ul style="list-style-type: none"> <li>- All member states of the West African Economic and Monetary Union have signed up to Regulation 14 (2005), which regulates and limits axle loads of trucks. By 2009 three West African governments had introduced measures to control axle-weight (and four others had not).</li> </ul>	<ul style="list-style-type: none"> <li>- An assessment of formal and informal institutions helps to move beyond “best practice” or “one size fits all” blueprints that are not adapted to the context.</li> <li>- Such assessment helps unpack the political and other incentives that shape the behaviour and choices of multiple stakeholders. And such understanding helps</li> </ul>

<sup>21</sup> in: Deaton, A. 2013. The Great Escape. Health, Wealth and the Origins of Inequality. Princeton University Press.

<sup>22</sup> in: Barma, N., Kaiser, K., Le. T.M. and Vinuela N. 2012. Rents to Riches. The Political Economy of Natural Resource-Led Development. Washington DC: The World Bank (p. 47).

<p>enforced by third parties.</p> <ul style="list-style-type: none"> <li>- informal institutions refer to less visible beliefs, norms, culture</li> <li>- formal AND informal institutions are a fact of life in developed and developing economies. Understanding the way they interact offers better insights in the political and other incentives at work in a particular environment.</li> </ul>	<p>the roadblock rather than paying a fine.</p> <ul style="list-style-type: none"> <li>- Both the behaviour of enforcement agencies and of truckers is hard to change as there are strong informal incentives at work: the payment of the trucker goes in the pocket of the state agent, and the non-compliant trucker can proceed the way with his overloaded truck at a small additional cost.</li> </ul>	<ul style="list-style-type: none"> <li>- Yet despite such policies or measures, truckers in West African countries generally overload their trucks because of a range of informal practices (such as multiple roadblocks by security forces or enforcement agencies, informal payments for entry into the profession, etc.) that created incentives for transporters to recover such costs by violating the formal rules.</li> <li>- Other example: in Southern Africa, all three RECs have formal, legal mechanisms in place to eliminate existing Non-Tariff Barriers (NTBs). Still, the region seems to favour 'moral suasion'<sup>23</sup> over legal sanctions or state-state trade dispute settlement.</li> </ul>	<p>identify the margins of manoeuvre in which reformers operate and how their external supporters can “work with the grain”<sup>24</sup> and adopt approaches that are “fit for purpose”</p> <ul style="list-style-type: none"> <li>- In the example of overloading trucks, it has proven impossible to do ban overloaded trucks as this requires a process of gradual regulatory and market reforms. But one could start with moving from “bribes” to formal fines that increasingly change the incentives (costs) for overloaded trucks.</li> <li>- In the case of Southern Africa, a NTB Monitoring Mechanism has been put in place to allow for monitoring of violations by affected non-state actors, to stimulate multi-stakeholder dialogue and to allow for peer pressure on policy makers and state and state agencies.</li> </ul>
<p><b>3. Actors, agency, political elites</b></p> <p>How do particular political and economic structures/institutions shape incentives? In answering this question, three types of actors merit particular attention when assessing development processes and potential drivers for reforms: political elites, state bureaucrats and sector actors (firms, farms and households). Increasingly, there is also attention for ideas and knowledge as influencing factors.</p>	<ul style="list-style-type: none"> <li>- The introduction of multi-party democracy in Cote d'Ivoire and the economic upheaval due to rising oil prices and falling cocoa prices at the time of President Houphouet-Boigny's death altered the incentives and the resources of the ruling elites drastically. This in turn affected policy choices as the time horizon under which they operated were reduced (because of increased political competition) and the logic for rent-redistribution also altered (because voters needed to be won over).</li> </ul>	<ul style="list-style-type: none"> <li>- In the case of the Maputo Development Corridor the political leaders in Mozambique and South Africa provided high level political backing. State enterprises, senior bureaucrats and a few big private investors cooperated to overcome obstacles in investing and managing a transport corridor that involved three countries and multiple layers of government. Strong sentiments about post-colonial and post-apartheid solidarity also proved to be an important driver.</li> <li>- The Federation of Eastern and Southern African Road Transport Associations (FESARTA) has encouraged its members and associated truckers to assist with monitoring all sorts of violations by public agents and to feed the Non-Tariff Barriers Monitoring Mechanism. Later in the process, FESARTA has embarked on more direct actions to inject change.</li> </ul>	<ul style="list-style-type: none"> <li>- This lens helps think beyond the “usual suspects” in reform processes. Oftentimes obstacles to reforms can only be removed through coalitions of stakeholders, or through more coordinated and focused interventions by multiple departments.</li> <li>- Such complexities are increased with the number of countries and stakeholders involved.</li> <li>- The power of ideas, ideology, religion, experiences, sentiments about belonging should not be underestimated as these inform decision logics, preferences and behaviour.</li> <li>- FESARTA has started to take a more pro-active approach and intends to move beyond merely monitoring NTBs. It may use its power for collective direct action to exert pressure on state agencies to be more responsive and accountable.</li> </ul>

<sup>23</sup> Chikura, C. 2014. *The Non-Tariff Barrier Monitoring Mechanism*. SAIIA, ECDPM PERISA Case Study 1

<sup>24</sup> see also research programmes such as: the Africa Power and Politics Programme ([www.institutions-africa.org](http://www.institutions-africa.org)); the Development Leadership Programme ([www.dlprog.org](http://www.dlprog.org)); the Improving Institutions Pro-poor Growth Programme ([www.ippg.org.uk](http://www.ippg.org.uk)); Future Agricultures ([www.futureagricultures.org](http://www.futureagricultures.org)); Elites, Production and Poverty Programme ([www.diis.dk/epp](http://www.diis.dk/epp)); and the Tracking Development Programme ([http://www.institutions-africa.org/trackingdevelopment\\_archived/home.html](http://www.institutions-africa.org/trackingdevelopment_archived/home.html)).

<p><b>4. Sector characteristics and governance</b></p> <p>What often seem to be merely technical features of a particular sector (or sub-sector) may profoundly influence the way that users, providers, beneficiaries behave. How rents are generated and distributed is deeply affected by the type of public goods or services are being provided (infrastructure, health, education, etc.), or by the nature of the transactions in a particular sector (extractives sector). Each sector, for example, features different accountability practices and mechanisms, and generates different types of information.</p>	<ul style="list-style-type: none"> <li>- Zambia transport and investment policies were highly affected by sector specific characteristics and institutions. In the context of competitive politics and elections, Government prioritised investing in rural road construction since that was perceived to be more important for campaign trail politics. Yet, Zambia is landlocked, and also has commitments in terms fulfilling regional agreements on One-Stop-Border-Posts or regional road investments.</li> </ul>	<ul style="list-style-type: none"> <li>- The North South Corridor is Africa’s largest infrastructure development programme. Along the corridor, major infrastructure components have been identified in order to realise this transport development initiative.</li> <li>- Yet, while hard infrastructure investments are taking place, the transport prices are not diminishing. Numerous policy constraints and the lack of investments in the “soft” infrastructure merit urgent attention: regulatory reforms in the logistics services, non-tariff barriers and poor trade facilitation.</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>- The fourth political economy lens helps distinguish sector specific characteristics that affect the “production”, distribution, use, quality etc. of particular public goods and services.</li> <li>- This is important as the case of transport clearly illustrates that sector investments need to take place in the right mix (<i>hard</i> and <i>soft</i> investments) and the appropriate time.</li> <li>- A more granular analysis of actors and factors affecting the quality of outcomes in a particular (sub-) sector can help prioritise reforms, stakeholders, as well as the sequencing of interventions.</li> </ul>
<p><b>5. Global drivers</b></p> <p>A number of powerful external drivers may affect domestic stakeholders in their resolve to engage in regional integration processes. Sources of rents and unearned income (including aid), opportunities for elites to conceal illicit assets, competition between neighbouring countries to attract foreign investors, global market incentives, regional conflicts etc. alter the domestic political economy and incentive environment.</p>	<ul style="list-style-type: none"> <li>- Twelve out of sixteen countries of ECOWAS region have experienced violent conflicts in the last decade. These have affected in varying degrees the investment priorities with private and public actors in sectors such as transport, port development, etc.</li> <li>- Donors tend to prioritise and fund (visible) investments and rehabilitation of infrastructure, thereby creating disincentives for government to invest in vital (but less visible) maintenance and the slow institution and capacity building, including in budgetary planning.</li> </ul>	<ul style="list-style-type: none"> <li>- Already since 1980 (under SADCC) and later under SADC (1992) management of shared water resources has been a focus for regional integration.</li> <li>- Donors tended to prioritise investments in an environmental agenda (with an emphasis on environmental conservation) while SADC member states such as South Africa insisted on water as a “development enabler”<sup>25</sup>. The donor bias against water infrastructure development for economic objectives has resulted in lack of resources for project preparation and low-cost long-term finance in this sector.</li> </ul>	<ul style="list-style-type: none"> <li>- The fifth lens helps better understand regional and global drivers and how these affect the incentive environment in which domestic actors operate.</li> <li>- One particular set of global drivers are donor preferences and policies, as these may or may not be aligned with country policy priorities. Or they may result in underutilised potential for better national and regional development outcomes.</li> <li>- So this fifth analytical component of the PE approach adds a focus on external drivers or obstacles that may influence the domestic political economy and incentives in powerful ways.</li> </ul>

<sup>25</sup> Muller, M. 2014. Water Resource Management and Development in SADC. SAIIA-ECDPM, PERISA Case Study

### About ECDPM

ECDPM was established in 1986 as an independent foundation to improve European cooperation with the group of African, Caribbean and Pacific countries (ACP). Its main goal today is to broker effective partnerships between the European Union and the developing world, especially Africa. ECDPM promotes inclusive forms of development and cooperates with public and private sector organisations to better manage international relations. It also supports the reform of policies and institutions in both Europe and the developing world. One of ECDPM's key strengths is its extensive network of relations in developing countries, including emerging economies. Among its partners are multilateral institutions, international centres of excellence and a broad range of state and non-state organisations.

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ECDPM organises its work around four themes:

- Reconciling values and interests in the external action of the EU and other international players
- Promoting economic governance and trade for inclusive and sustainable growth
- Supporting societal dynamics of change related to democracy and governance in developing countries, particularly Africa
- Addressing food security as a global public good through information and support to regional integration, markets and agriculture

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ECDPM is a “think and do tank”. It links policies and practice using a mix of roles and methods. ECDPM organises and facilitates policy dialogues, provides tailor-made analysis and advice, participates in South-North networks and does policy-oriented research with partners from the South.

ECDPM also assists with the implementation of policies and has a strong track record in evaluating policy impact. ECDPM's activities are largely designed to support institutions in the developing world to define their own agendas. ECDPM brings a frank and independent perspective to its activities, entering partnerships with an open mind and a clear focus on results.

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European Centre for Development  
Policy Management

*ecdpm*

#### HEAD OFFICE SIÈGE

Onze Lieve Vrouweplein 21  
6211 HE Maastricht  
The Netherlands *Pays Bas*  
Tel +31 (0)43 350 29 00  
Fax +31 (0)43 350 29 02

#### BRUSSELS OFFICE BUREAU DE BRUXELLES

Rue Archimède 5  
1000 Brussels *Bruxelles*  
Belgium *Belgique*  
Tel +32 (0)2 237 43 10  
Fax +32 (0)2 237 43 19

[info@ecdpm.org](mailto:info@ecdpm.org)  
[www.ecdpm.org](http://www.ecdpm.org)  
KvK 41077447



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