

## Annex E

### CIWA'S RISK ANALYSIS FRAMEWORK

The overall risk level of CIWA is medium to high. This program level risk rating is informed by the varying levels of risk within the program.

At the impact level, the risk is high. This is a result of political risks, both regional and national, that influence the ability to sustain deep, long term cooperation and effective transboundary water management.

The risk at the outcome level is medium to high. This reflects the mix of low to medium risks at the output level, and the need for a combination of political as well as technical progress to achieve desired outcomes. Technical progress is generally low risk, but sustaining technical achievements amidst favorable political progress (for example, negotiations and effective cooperation) is higher risk. While political risks are generally outside the control of the program, the World Bank has strengthened the role of political economy analyses in the design and management of CIWA's engagement with specific basins and in diversifying its portfolio across Africa, which will increase the effectiveness of the overall program. In addition, this risk rating includes the fact that CIWA may not reach its funding envelope target of \$200 million dollars and therefore may not be able to fully reach targets originally set out in its PMF based on the target funding envelope. Importantly, CIWA's current envelope is largely allocated and there is an extensive log of client requests for support. Lack of funding to support critical follow-on activities risks foregoing opportunities to build upon the cooperative momentum advanced thus far.

This document presents a matrix with key risks identified at the program level as well as corresponding mitigation actions that have been applied. While this program level risk analysis is informed by the many risks in various basins, individual basin and project-specific risk analyses and associated mitigation measures are in basin and project-specific documentation. All Bank programs and projects require an assessment during the project approval process of operational risk and mitigation measures, along with appropriate documentation. Once a recipient-executed project is operational, the World Bank conducts significant technical and financial oversight, including consideration of how identified risks affect implementation. When a project is being evaluated for restructuring or additional financing, the project team re-considers operational risks and incorporates any new risk mitigation measures that are required. In addition, for the CIWA program, each basin program is guided by the BAC which, in its annual meetings, reviews progress in program implementation, evaluates basin-level risks, and identifies strategic responses.

Recognizing the dynamic nature of risks and the need to actively manage them throughout the course of the program, CIWA continuously evaluates risks and mitigation measures, as well as the acceptability of residual risk, and updates the risk matrix on an annual basis.

	Risk description	Probability / Impact before mitigation	Mitigation applied	Probability / Impact after mitigation
<b>Political &amp; Developmental Risks</b>				
1.	<p><b>Challenging political context.</b> All work in international waters has an inherent risk that domestic or international political issues (related or unrelated to water issues) may negatively impact the context in which such projects operate, resulting in long-term delay or even failure of specific projects which could impact the success of the program. This risk is often beyond the scope or the influence of CIWA or of the partner organizations (RBO, REC, NGO, or of other regional organizations).</p>	<p>Probability: High Impact: High</p>	<p>CIWA has a diversified portfolio both geographically (programs in East, West, Central, and Southern Africa), and in types of support (focus on strengthening information, institutions, and infrastructure). While the political context may be challenging for one type of work in a particular region, it may be less so for another type in another region. Portfolio diversification helps mitigate political risks at the program level.</p> <p>In addition, political economy analysis is now mainstreamed in CIWA program planning.<sup>1</sup> Basin programs in the Nile, Zambezi, are informed by political economy analyses (PEA), which help to better understand risks, design projects within an acceptable risk appetite, and formulate mitigation strategies that enable effective program implementation. The Volta Basin program is undertaking an institutional assessment, including a PEA, with the goal of gaining similar PE insights that will help mitigate political risks and increase program effectiveness. CIWA is working in close partnership with the Bank's Governance Global Practice, through a Governance Specialist focal point, to ensure PE considerations are informing CIWA projects in the Niger and Okavango Basins. Combining World Bank experience in PEA with the CIWA-commissioned Framework for PEA of Transboundary Basins in Africa prepared by SIWI, CIWA has developed a guidance note specific to PEA for development programming in transboundary water contexts; this guidance note contributes to institutionalization of PEA in informing CIWA support as well as wider work in transboundary waters.</p>	<p>Probability: Medium Impact: Medium</p>

<sup>1</sup> Mainstreaming PEA in CIWA Support is further elaborated in Appendix F.

	Risk description	Probability / Impact before mitigation	Mitigation applied	Probability / Impact after mitigation
2.	<p><b>Insufficient basin-wide commitment.</b></p> <p>Some countries within a basin may not have formal membership in the participating basin organizations and/or may challenge the basin organization's engagement with CIWA.</p>	<p>Probability: Medium</p> <p>Impact: Medium</p>	<p>CIWA supports basin-wide confidence-building measures to ensure that progress is achieved. While it is recognized that it will not always be possible to have all riparians formally committing, CIWA provides an inclusive platform in the form of the BAC where it encourages participation of all relevant stakeholders. CIWA uses this platform to provide an open invitation to all relevant stakeholders to identify the strategic directions and long-term action plan for CIWA engagement in a way that responds to the needs of the basin and where relevant, aligns regional and national priorities as well as other development interventions in the basin. Also, where feasible, CIWA uses cross-basin exchanges that showcase global examples of transboundary basin management, including negotiation processes and technical practices, to create opportunities for building trust and fostering commitment for cooperative actions regardless of basin organization membership.</p> <p>In addition, for all applicable projects, CIWA follows the World Bank Safeguards Policy on international waters OP 7.5 which, in the absence of appropriate agreements or arrangements for the entire waterway, or parts thereof, requires the beneficiary state to formally notify other riparians of the proposed project. The Policy lays down detailed procedures for the required notification, including the role of the Bank, period of reply, and the procedures to follow in case there is an objection by one of the riparians to the project.</p>	<p>Probability: Medium</p> <p>Impact: Medium</p>
3.	<p><b>Inadequate stakeholder voice.</b></p> <p>Stakeholders may not fully engage in the project cycle, resulting an inadequate voice in decision-making, raising the potential of public protest or civil action that could jeopardize or delay development projects.</p>	<p>Probability: Low</p> <p>Impact: Medium</p>	<p>The program prioritizes the involvement of stakeholders and thorough consideration of stakeholder needs and concerns throughout the project cycle. Indeed, one of CIWA's four result areas aims to strengthen stakeholder engagement in water resources management and development. CIWA emphasizes the creation of a favorable upstream environment for development</p>	<p>Probability: Low</p> <p>Impact: Medium</p>

	Risk description	Probability / Impact before mitigation	Mitigation applied	Probability / Impact after mitigation
			<p>projects and in many cases facilitates bringing stakeholders into the dialogue and sharing information in the public domain, thereby mitigating risk of resistance.</p> <p>Moreover, CIWA-supported basin programs convene all relevant stakeholders in the annual meeting of the BAC, which shapes CIWA's long term strategy in the basin, and shares information and gathers feedback on project cycle details.</p>	
<b>Operational Risks</b>				
4.	<p><b>Inadequate coordination between participating basin organizations.</b> If participating basin organizations have mutually inconsistent objectives, this may weaken the overall development effectiveness of CIWA's program.</p>	<p>Probability: Medium Impact: Medium</p>	<p>CIWA works to encourage and motivate strong cooperative working relationships. A Basin Support Plan is developed for all basins or regions in which CIWA has a long term engagement. The BSP outlines CIWA's vision for support and change in the basin, including alignment of CIWA-supported projects with the broader objectives of each of the basin organizations, as well as potential synergies, any overlaps or gaps and ways to overcome them. A CIWA BAC comprised of basin-level membership periodically assess and provides strategic direction to all projects undertaken within the BSP.</p>	<p>Probability: Low Impact: Medium</p>
5.	<p><b>Inadequate implementation capacity and readiness can cause short to medium-term delay.</b> Some basin organizations may have insufficient capacity or experience to effectively engage in basin management and development, causing delays in project implementation which could affect the overall pace of the program achieving its objectives.</p>	<p>Probability: High Impact: Medium</p>	<p>During project preparation, Bank experts assess implementation capacity and readiness of the recipient organization and plan the magnitude and complexity of CIWA's engagement accordingly. The Bank may provide support for financial management, procurement, and project management. Project-supported capacity enhancement might also be a contingency for project approval, for example, a project may be conditioned on the hiring of an environmental and social expert to provide safeguards support. Many projects address this risk by designating an institutional support and capacity building component that addresses this risk. In addition, CIWA can employ Bank-executed programming as</p>	<p>Probability: Medium Impact: Low</p>

	Risk description	Probability / Impact before mitigation	Mitigation applied	Probability / Impact after mitigation
			an initial financing modality to strengthen recipient implementation capacity and readiness.	
6.	<p><b>Technical complexity of transboundary water projects can lead to long-term delay.</b></p> <p>Transboundary water programs are inherently complex and require seasoned perspective to avoid pitfalls and errors that can seriously undermine management and can adversely affect the progress of development projects and cause long-term delays.</p>	<p>Probability: Low</p> <p>Impact: Medium</p>	<p>CIWA taps into the global structure of the Bank and the embedded strong technical expertise of Bank staff on both sectoral and transboundary-specific fronts during project preparation and implementation. In addition, CIWA draws from external continental as well as global experience as needed to bolster technical capacity required for project design and implementation.</p>	<p>Probability: Low</p> <p>Impact: Low</p>
7.	<p><b>Insufficient World Bank capacity to engage across an increasing number of basins.</b></p>	<p>Probability: Medium</p> <p>Impact: Medium</p>	<p>Before starting an engagement with a new basin, CIWA ensures that there is sufficiently strong technical capacity as well as regional experience to lead the engagement within the World Bank. In most cases, previous Bank engagements will already have established a deep partnership with the region, which new CIWA engagements build upon. CIWA also mitigates this risk by collaborating closely with Bank country offices as well as by drawing on local knowledge of other partners. Transparency and good information flows between the Bank and partners help ensure a strong partnership.</p> <p>In addition, under its current envelope, CIWA has made the strategic decision to focus the majority of its existing resources on four priority basins, thus reducing the need for increasing expansion of teams focused on basin work. Identification of any additional priority basins would be complemented by corresponding assessments and appropriate action to ensure balance between program requirements and staffing availability.</p>	<p>Probability: Low</p> <p>Impact: Low</p>
8.	<p><b>Inadequate prioritization of Stakeholder Engagement and Coordination (Intermediate Results Area 4) and explicit incorporation of gender considerations.</b></p>	<p>Probability: Medium</p> <p>Impact: Medium</p>	<p>When starting a new engagement in a priority basin, CIWA works with the clients to develop a balanced program with support that cuts across the four results areas. During preparation and implementation, CIWA mainstreams gender and poverty considerations into program design and actions.</p>	<p>Probability: Low</p> <p>Impact: Medium</p>

	Risk description	Probability / Impact before mitigation	Mitigation applied	Probability / Impact after mitigation
			Stakeholder engagement and incorporation of gender considerations is a standard action in project preparation and implementation and there is little risk that relevant stakeholder or gender considerations will be accounted for. However, because of the typically “upstream” nature of many of CIWA-supported actions, gender related outcomes or direct end-user stakeholder engagement may not be within the scope of the CIWA activity. In these cases, CIWA will strive to lay the groundwork for future development good practice (including stakeholder engagement and incorporation of gender considerations) into any outcomes with recommendations for future action.	
<b>Financial Risks</b>				
9.	<p><b>Available CIWA financing is insufficient to meet demand.</b></p> <p>Insufficient financing can cause risks raising expectations of potential recipient partners. Participating donors may be slow to commit resources relative to the demand for engagement by recipient basin organizations.</p>	<p>Probability: High</p> <p>Impact: High</p>	<p>CIWA's available funding envelope is nearly allocated. Additional demand from current and potential partners exceeds the current funding expectations.</p> <p>Guided by a Resource Mobilization Plan, CIWA is actively working to mobilize additional funding and requests development partners to facilitate fund mobilization from their position. Accelerated resource mobilization efforts have been bolstered by mainstreaming of CIWA's strategic intent narrative in its communications; articulating the program's Theory of Change to describe how program-supported outputs translate to water security and development outcomes; and advancing analytical work to describe evidence and opportunities for transboundary water cooperation to build climate resilience in Africa. CIWA will continue to update required funding amounts during AC meetings, as well as in the CIWA Annual Report.</p> <p>CIWA conducts regular and careful management of the pipeline of potential basin programs to match demand to</p>	<p>Probability: High</p> <p>Impact: High</p>

	Risk description	Probability / Impact before mitigation	Mitigation applied	Probability / Impact after mitigation
			available resources. As expected, there is a time lag between when a donor pledges funds and when those funds can reasonably be committed to a basin program and when that program can spend the funds.	
10.	<b>Fraud and funds not being used as intended.</b>	Probability: Low Impact: High	<p>The World Bank requires all trust fund beneficiaries and bidders to observe the highest standard of ethics in Bank-financed grants and contracts. All CIWA grants are subject to the Bank's Anti-Corruption Guidelines,<sup>2</sup> the Procurement<sup>3</sup> and Consultant<sup>4</sup> Guidelines, and the Standard Conditions for Trust Fund Grants,<sup>5</sup> which delineate standard operating procedures for any fraud issues. The Anti-Corruption Guidelines provide for certain actions to be taken by grant recipients to prevent and combat fraud and corruption and the Standard Conditions provide for suspension and/or cancellation of disbursements, as well as the refund of disbursed grant proceeds in the event that fraud and corruption does occur.</p> <p>All recipient-executed projects are audited annually by an external auditor as specified in the grant agreement. The Bank may require less frequent audits for small grants while retaining the right to request an audit as needed. Contributing development partners agreed to amend the Administrative Agreement with the World Bank to include both a management fee and enhanced supervision which will facilitate this process. Any audits that highlight issues will be raised and discussed with the CIWA AC.</p>	Probability: Low Impact: Medium

<sup>2</sup> Available at [http://siteresources.worldbank.org/INTOFFEVASUS/Resources/WB\\_Anti\\_Corruption\\_Guidelines\\_10\\_2006.pdf](http://siteresources.worldbank.org/INTOFFEVASUS/Resources/WB_Anti_Corruption_Guidelines_10_2006.pdf)

<sup>3</sup> Available at [http://siteresources.worldbank.org/INTPROCUREMENT/Resources/Procurement\\_GLs\\_English\\_Final\\_Jan2011\\_revised\\_July1-2014.pdf](http://siteresources.worldbank.org/INTPROCUREMENT/Resources/Procurement_GLs_English_Final_Jan2011_revised_July1-2014.pdf)

<sup>4</sup> Available at [http://siteresources.worldbank.org/INTPROCUREMENT/Resources/Consultant\\_GLs\\_English\\_Final\\_Jan2011\\_Revised\\_July1-2014.pdf](http://siteresources.worldbank.org/INTPROCUREMENT/Resources/Consultant_GLs_English_Final_Jan2011_Revised_July1-2014.pdf)

<sup>5</sup> Available at <http://siteresources.worldbank.org/INTLAWJUSTICE/Resources/STDGC-English-12.pdf>

	Risk description	Probability / Impact before mitigation	Mitigation applied	Probability / Impact after mitigation
Sustainability Risk				
11.	<p><b>CIWA support for investments in institutions, information systems and/or infrastructure is not sustained or advanced by riparians.</b></p> <p>CIWA operates upstream of actual investment and has limited control over country uptake of investment plans or sustained support for institutions. This risk becomes even more relevant as financiers other than the World Bank, with more flexible preparation standards, play an increasingly prominent role in financing infrastructure in Africa. This risk builds off of other risks, (for example, insufficient political will, or inadequate country buy-in) but it is important to consider because it feeds directly into the objectives, indicators and targets by which the program will evaluate its success as delineated in its PMF.</p>	<p>Probability: Medium Impact: Medium</p>	<p>CIWA is demand driven and responds to the requests of riparians and their organizations. Cognizant of the long timelines, high transaction costs, and non-linearity of cooperative processes, CIWA carefully assesses the sustainability of potential support through in-depth consultations with the client organization and country governments and as informed by its own PEA. Sustainability measures are included in program design (e.g. capacity building for resource mobilization accompanies project preparatory activities; process for harmonization into national structures are outlined as part of formulating and endorsing regional institutions)</p> <p>Acknowledging that riparian commitment to cooperation can change over time and is driven by perceptions of risks vs. opportunities for cooperation, CIWA places a strong emphasis on maintaining and strengthening the perception of opportunity (which demanded its engagement) through knowledge and information sharing, analytical evidence, and continued dialogue. However, recognizing that riparian commitment to cooperative development can accelerate or lapse around specific issues, CIWA maintains the ability to provide both long-term systematic and short-term catalytic support, as well as the flexibility of delivering support across the 3Is, allowing it to fine-tune delivery of support during program implementation.</p>	<p>Probability: Medium Impact: Medium</p>