

# **Understanding Water Institutions: Structure, Environment, and Change Process**

**R. Maria Saleth**  
**International Water Management Institute**  
**Colombo, Sri Lanka**

# The Context

- **Worldwide Attention and Efforts Towards Water Institutional Reforms**
- **But, Actual Changes are Difficult, Sparse , or Slow**
- **Usual Complaints on Political Economy and Technical Constraints.....**
- **But, the Real Problems are:**
  - **Conceptual Ambiguity**
  - **Ignorance of Strategic and Tactical Opportunities**
- **How Research Can Contribute to Institutional Change?**

# **The Attempt**

- **Define Water Institution and Identify Their Key Features**
- **Derive Analytical, Theoretical, and Practical Implications**
- **Depict the Analytics and Drivers of Institutions and their Change**
- **Show How These Drivers are Captured in Existing Theories**
- **Propose an Alternative Perspective of Change Process**
- **Indicate the Strategic and Tactical Opportunities**
- **Conclude with Messages for Research/Policy**

# **Water Institutions: Nature and Features**

## **Institutions as:**

- **‘Rules’ and ‘Rule Configurations’**
- **Not Mere Collection but Constellations of Structured Rules**
- **Both Subjective and Objective**
- **Path Dependent**
- **Stable and Durable**
- **Hierarchic and Nested**
- **Embedded within a Context**

# **Implications for Theory and Practice**

- **‘Institutional Ecology Principle’**
- **‘Institutional Decomposition and Analysis’ (IDA) Framework**
- **TC/Performance Implications of Institutional Linkages and Exogenous Influences**
- **Reform Design and Implementation Principles**
- **Subjective Approach and Stage-based Theory of Change Process**
- **Framework for Linking Complementary Theories**

# **IDA Framework**

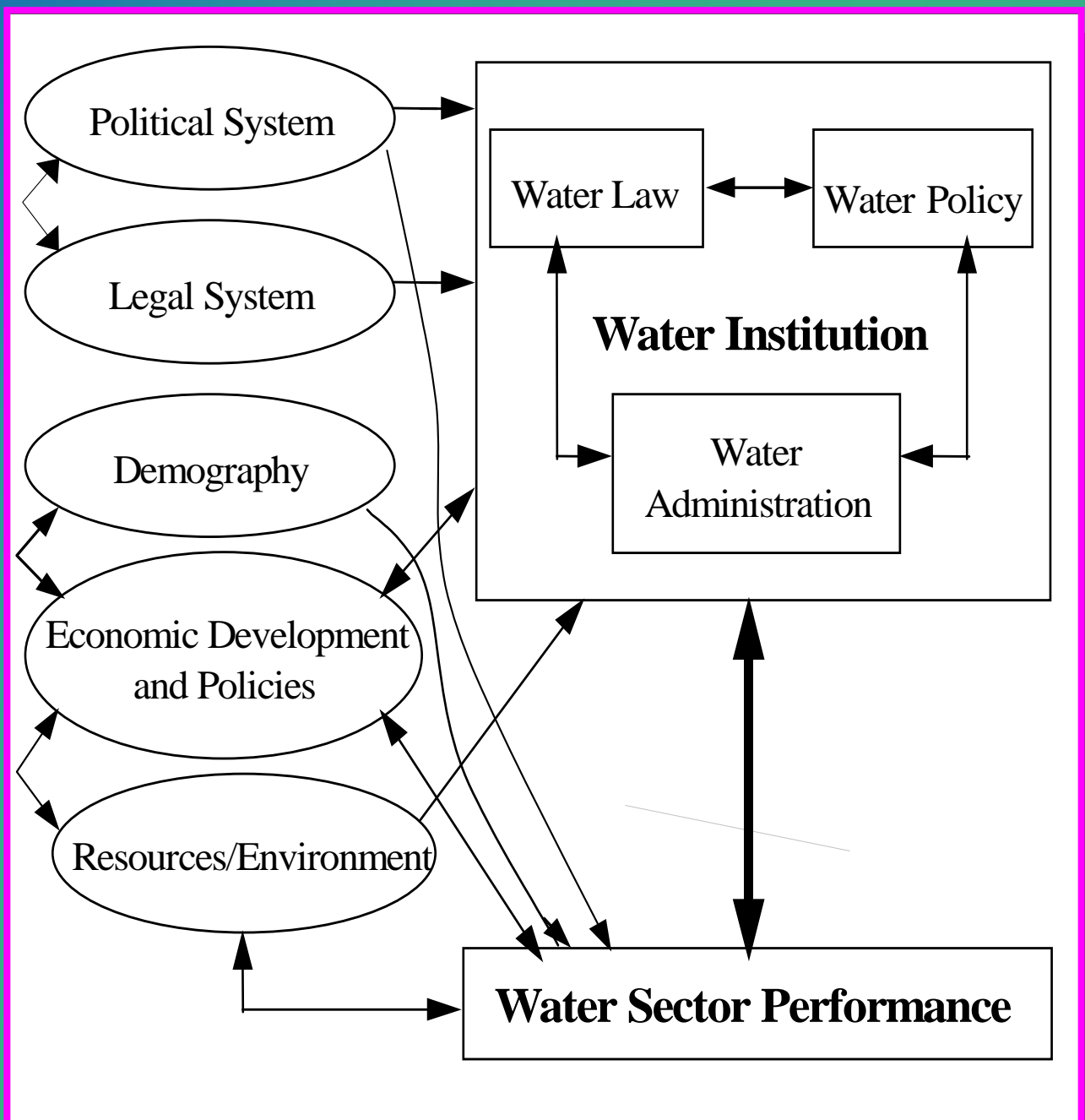
## **Unbundle or Decompose**

- **Institutional Structure from the Institutional Environment**
- **Institutional Structure to Identify Main Institutional Components (Law, Policy, and Organization)**
- **Institutional Components to Identify Their Key Aspects**

## **Identify**

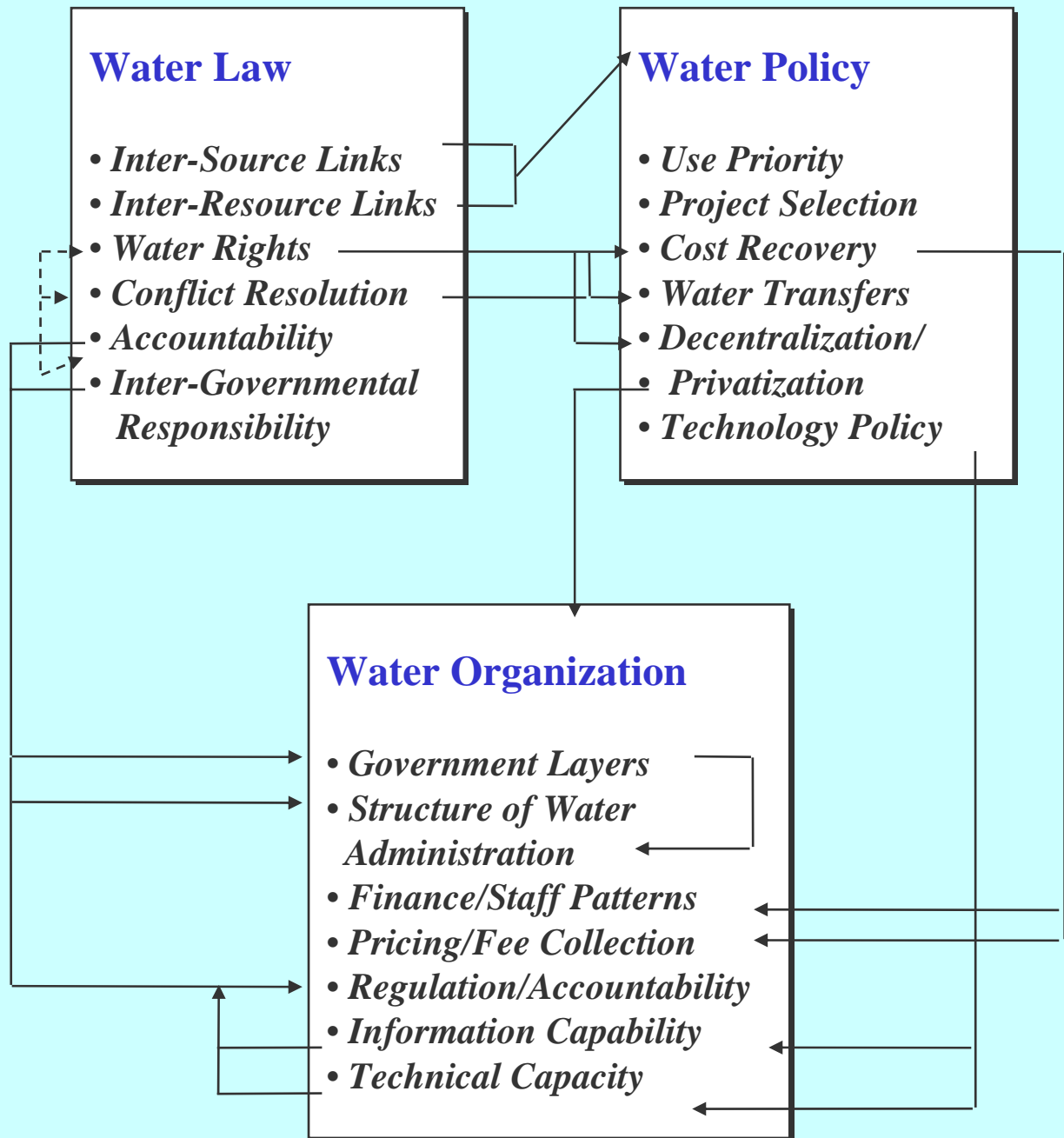
- **The Drivers of Change**
- **Internal and External Linkages**

# Water Institutional Environment



Source: Saleth and Dinar (2004)

# Water Institutional Structure



Source: Saleth and Dinar (2004)

# **Practical Implications of the Analytics**

- **Existence of Structural and Contextual Linkages**
- **Role of These Linkages in Altering the Costs and Benefits of Institutional Change**
- **Scope for Reform Strategies and Tactics in the Form of**
  - *Institutional Prioritization*
  - *Institutional Sequencing*
  - *Institutional Packaging*
  - *Reform Targeting*
  - *Reform Timing*
  - *Reform Scale*
  - *Reform Phasing*

# **Implications for Transaction Cost Theory**

## **Simple TC Approach**

- **Economic Cost of Inaction**
- **Economic Cost of Transacting**  
**Institutional Change**

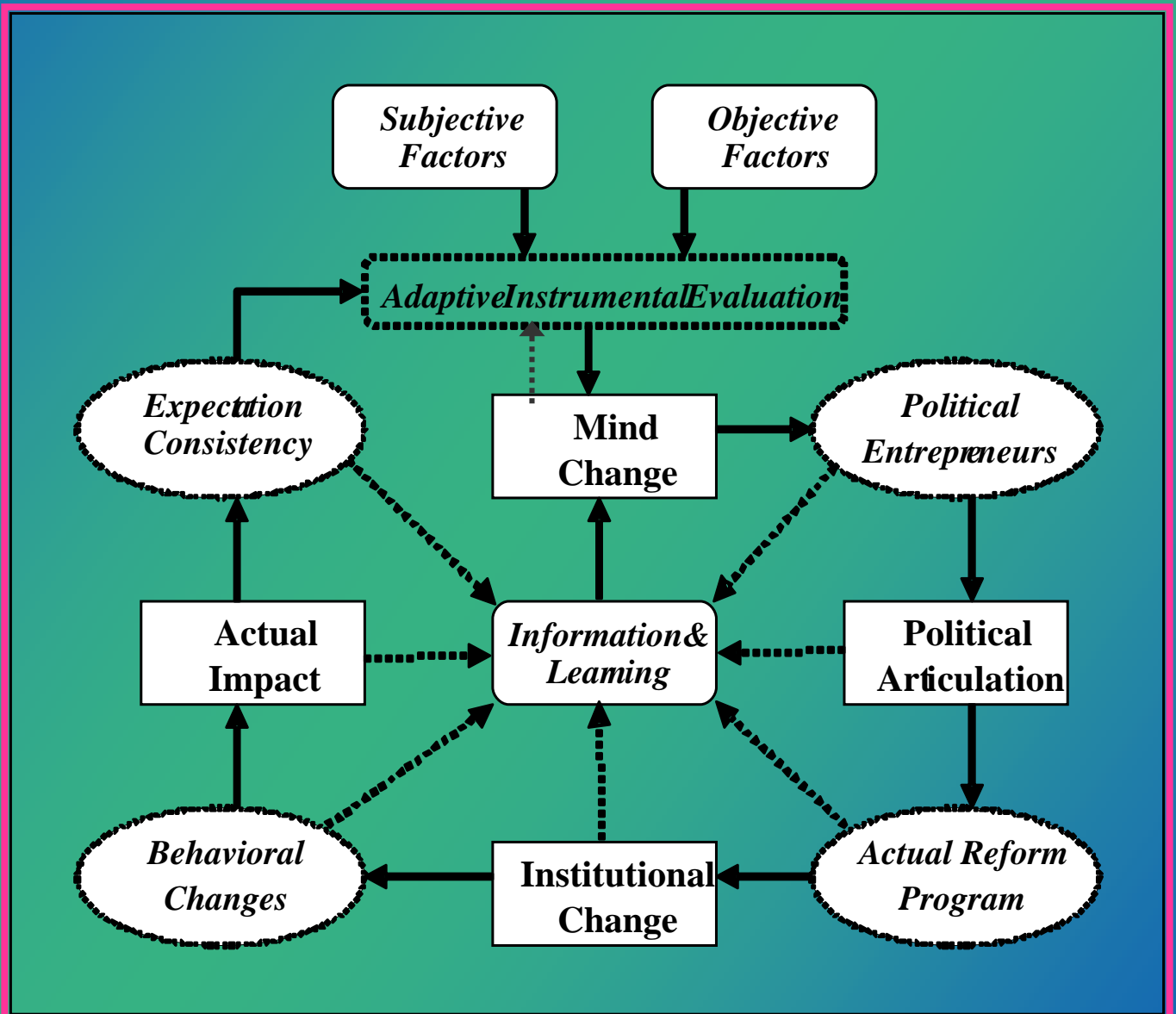
## **Needed Amendments**

- **Non-economic Factors**
- **Effects of Endogenous Factors**  
**(Institutional Linkages)**
- **Effects of Exogenous Factors**  
**(Contextual Influences)**
- **Subjective and Adaptive**  
**Instrumental Evaluation**

# Stage-Based Perspective of the Change Process

- **Change as a long and Circular Process with Distinct Phases Involving**
  - *Mind Change*
  - *Political Articulation*
  - *Actual Institutional Change*
  - *Real Impact*
- **Objective Influence**  
*(Prices, Technology, Population)*
- **Political Entrepreneurs and Interest Group Politics**
- **Behavioral Changes**
- **Subjective and Adaptive Instrumental Valuation**
- **Process of Information, Learning, and Feedbacks**

# A Stage-Based Theory



Source: Saleth and Dinar (2004)

# **Conclusions and Messages**

- **Linkages within and between the Structure and Context of Water Institutions are Real and Critical**
- **There is Vast Scope for Altering Transactions Costs, Reform Prospects, and Performance**
- **Knowledge on the Drivers and the Mechanics of the Change Process is a Key Component of Both Institutional Supply and Demand**
- **Institutional Research, learning, and Education Has a Critical Role in Promoting Institutional Change**