



Institutional assessment in natural resource governance: A conceptual overview



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ABSTRACT

Natural resource governance is enhanced and structured by rules, norms and strategies which make institutionalism quintessential in the natural resource governance discourse. Adopting a retrospective analysis of classical theoretical literature and recent empirical experiences of natural resource institutions, this paper discusses institutional analysis as pertains to the natural resource governance context. Synthesizing from relevant literature, this review designs and discusses an analytical framework to illustrate how formal and informal institutions structure natural resource governance. The key elements in the framework are: *biophysical element, process and institutional element, behavioral choice element, enforcement mechanisms and an outcome element*. The paper argues that for formal rule to be more effective, it greatly depends on its relationship with the informal institutions and more importantly their enforcement complementarities. The study, consequently, discusses key elements that influence the effectiveness of natural resource rule enforcement. This review concludes that both formal and informal institutions serve as catalysts to reinforce natural resource governance; however, the two could also combine to form a clandestine network to facilitate unethical resource exploitation. The paper puts forward that, it is not institutions *per se* but the “nature of interaction” between formal and informal institutions together with the “enforcement mechanisms” which will to a large extent determine the kind of resource outcomes.

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1. Introduction

Modern thoughts on sustainable development (SD) maintain that the philosophy of development should view each of the three SD values [economic, social and environmental] as complementary and not substitutory (Tafon and Saunders, 2014; Hartanto et al., 2003). Research has been advanced for a need to adopt an approach that seeks to harmonize between natural resource protection on one hand, and people's reasonable usage for socio-economic purposes on the other hand, *albeit*, in an uneasy relationship (Gbedomon et al., 2016; Nkhata et al., 2012; Silva and Mosimane, 2012). Achieving such balance requires appropriate access and tenure rights on the part of people and groups together with a robust institutional underpinning which will help drive sustainable behaviors (Leach et al., 1999; Ceddia et al., 2015).

Scholars contend that even in situations where there are access and tenure right systems, their enforcement may not be effectively guaranteed when exclusively left in the hands of formal state regulators, especially in the developing world (Gauld, 2000; Sundar, 2000). Merging the above goals [socio-economic and ecological imperative] requires a prudent approach that defies exclusive management of state agencies. In

other words, there is a need to balance formal institutions with community people's attributes¹ to avoid legitimacy challenges (Brown and Lassoie, 2010) and to enable effective monitoring (Górriz-Mifsud et al., 2016). This is largely due to the widespread failure of centralized management of natural resources in the 1970s which brought to the fore that achieving resource sustainability cannot be realized without effective participation of relevant stakeholders (see Brown and Lassoie, 2010; Mohanty, 2004). There has, therefore, been an increasing movement away from the archetypical centralized administration towards a more collaborative governance based on active participation of various actors at the local level (Deguignet et al., 2014; Evans et al., 2006; Hulme and Murphree, 1999); which adequately recognizes people's rights and benefits [socio-economic development] in the conservation process (Nelson, 2004; Haller et al., 2008).

The centrality of collaborative natural resource governance hinges on how the ‘rules of the game’ structure the power, benefit and

¹ Community attributes include the number of involved agents, heterogeneities of their values, interests and power, as well as the levels and types of social capital they possess (Paavola and Adger, 2005, p. 356; relations among groups and individuals, Coleman, 1990; network of more or less institutionalized relationships of mutual acquaintance or recognition; social obligations and connections (Bourdieu, 1985, p. 248; institutions, the relationships, the attitudes and values that govern interactions among people (North, 1990).

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responsibility relationships between state agencies, local agencies, the people and other various stakeholders. Owing to the complexities [the nexus between attainment of conservation, and delivery of local socio-economic benefits] associated with natural resources and multiple stakeholders involved, 'institutions' are required to structure patterns of interaction (Brown, 2003; Saunders, 2011); they help mediate and structure interactions (Ensminger, 1992; Agrawal, 1995; Gibson, 1999). Any meaningful assessment of natural resource governance cannot rule out the centrality of institutions and how they shape conceptions and values of people regarding particular resources and their management (see Ostrom, 1990; Agrawal and Gibson, 1999; Agrawal, 2001; Cleaver, 2012). The main objective of the paper is to provide a critical overview of 'institutions' in the context of natural resource governance and with the help of a framework illustrate how formal and informal institutions structure natural resource governance. More importantly, the paper discusses key measures to enhance the enforcement of formal and informal rules to maintain a balance between natural resource protection and people's socio-economic usage. This paper is organized into five main sections; Section 1 provides a general introduction and background; Section 2 conceptualizes the nexus between formal and informal institutions. The levels of formal rules are highlighted whilst three different connotations of informal institutions are conceptualized in this section. Section 3 provides a brief methodology. Section 4 discusses the natural resource institutional framework depicting six key elements. With the use of empirical literature, the framework demonstrates how formal and informal institutions structure natural resource governance. The final section provides conclusions from the study.

2. Conceptual overview: institutions

North (1991) conceptualizes institutions as "the humanly devised constraints that structure political, economic and social interactions; they consist of both informal constraints (sanctions, taboos, customs, traditions, and codes of conduct), and formal rules (constitutions, laws, property rights)" (p. 97). The author provides that human societies have devised and adopted institutions in an attempt to create order and reduce uncertainty in exchange. North's definition appears to emphasize more on 'institutions as a constraining mechanism'; however, institution should not just be seen as 'constraint' but also as an 'enabling' mechanism which provides rights and benefit systems, powers and responsibilities and choice sets. This study therefore, defines natural resource institutions as *mutually shared codes and prescriptions that regulate human actions and their relationships by constraining and enabling people's choice sets regarding a particular biophysical element; as well as the means and strategies for ensuring compliance.*

The definition is premised on the fact that institutions serve as the 'rules of the game' that underpin common pool resources management or governance without which may lead to 'tragedy of the commons' where "each man is locked into a system that compels him to increase his herd without limit - in a world that is limited" (Hardin, 1968 p. 1244). The combination of both formal and informal institutions tends to define the choice set available to actors which provides them with a set of transaction cost² who by acting rationally will embark on actions with least costs (Paavola, 2007). The mention of 'institutions' connotes a 'shared understanding between entities or parties'; this is mostly devised by individuals, groups and communities to guide repetitive interactions and organized by *norms and rules* (Ostrom, 1990). *Norms* as used in institutionalism suggest moral behavior, ethical standards or patterned [conventional] ways of doing things; shared prescriptions largely enforced by participants themselves (Ostrom, 1999a). *Rules*, on the other hand, connote regulations characterized by enforcement

complementarities [enforced by designated agencies, processes and procedures in a more predictable manner] usually by a third party (Crawford and Ostrom, 1995).

2.1. Distinguishing between formal and informal institutions

2.1.1. Formal institutions

Imperial (1999) discusses formal institutions to include laws, policies, regulations [rules and prescriptions] that forbid and permit together with the expected outcomes and sanctions associated with deviation. According to the institutionalist school of thought, formal institutions are closely related to the corridors of state, its agencies, officials and state-sanctioned activities (Boussard, 2000; Tsai, 2002). From that perspective, they are conceptualized as all actions, principles, procedures and agencies involved in the act of controlling the organized instruments of the state and the political process (Friedrich, 1953; cited in Lauth, 2000). Lauth (2000) therefore provides that formal institutions involve the prescriptions, instruments and instructions that are largely codified, having the status of constitutional clauses and laws that are guaranteed and sanctioned at multiple levels largely by public agencies. Formal institutions as used in the context of natural resources governance are therefore characterized by:

- (i) national and federal constitutions, statutes, laws, directives and local government laws regarding natural resources
- (ii) the activities, procedures and operations sanctioned by state agencies and officials e.g. forest agencies and officials
- (iii) rules that are authoritatively passed [with public or state power] to govern a particular resource and to shape relationship between stakeholders and the resources
- (iv) rules that are generally binding with prescribed enforcement complementarities
- (v) adequate certainty of outcomes when one deviates from such rules and generally not borne out of discretion

From the above context, formal institutions and structures are designed to, among other things, regulate how humans interact with natural resources (see Paavola, 2007). The ability to structure the interaction to a larger extent depends on the effectiveness of the enforcement mechanisms. The rules which structure human-nature interactions and actions, are organized at three main levels (see Table 1).

The *operational rules* [also known as *surface level*, see Thomson and Freudenberg, 1997] involve the routine decisions at the local level about when, where, how and who questions; the directives to sustainably use or manage a given resource system and the authority to change, enforce or selectively neglect to apply a given set of rules is a *collective choice right*. Those who can make such collective choices are determined by *constitutional choice* rules, including the fundamental

Table 1

Levels of formal rules.

Adapted from Imperial (1999); Kiser et al. (1982).

Operational rules	Decisions about when, where, and how to do something, who should monitor the actions of others, how actions should be monitored, what information should be exchanged or withheld, and what rewards and sanctions will be assigned to combinations of actions and outcomes (e.g. appropriation, provision, monitoring and enforcement).
Collective-choice rules	They influence operational activities by determining how operational rules can be changed and who can participate in these decisions (e.g. policy making, management and adjudication).
Constitutional-choice rules	They influence operational rules by determining who is eligible to participate and collective choice rules by determining how they are changed (e.g. governance and modification of constitutional decisions).

² Although transaction cost implications have not been given a dominant recognition in natural resource governance research, they, however, elucidate the implications of institutional designs for governance outcomes (see Paavola, 2007; Paavola and Adger, 2005).

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