



Evaluating the institutional sustainability of an urban water utility: A conceptual framework and research directions



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ABSTRACT

Institutional sustainability (IS) is critical to translating infrastructure investments into actual service delivery. This paper examines IS for urban water utilities, and how its progress could be tracked. Common conceptualisations of IS in extant literature were found inadequate from an evaluation stand point. We conceptualize IS as a capacity rather than a financial issue, and, consistent with a process-based approach, we propose a new evaluation tool – the water utility maturity (WUM) model – which is flexible and considers different levels of IS. The WUM model, which requires further validation/verification, was piloted in two water utilities in South Asia with positive feedback.

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1. Introduction

Institutional sustainability is considered one of the yardsticks by which development interventions (including urban water supply projects) are evaluated. Over the past two decades, attempts have been made by various scholars to define institutional sustainability (e.g., Brinkerhoff and Goldsmith, 1990; Ludwig et al., 1997; Brunckhorst, 1998; Pfahl, 2005; Hill, 2008) and to measure it (e.g. Norwegian Agency for Development, 2000; Bell and Morse, 2003; Edwards, 2005; Litten, 2005). But there is still no consensus on what institutional sustainability exactly means neither are there accepted and uncontested indicators to facilitate its evaluation.

While Multilateral Development Banks such as the World Bank, Asian Development Bank, African Development Bank and European Investment Bank desire institutional sustainability of the water and sanitation interventions they finance, few define it in operational terms. This paper examines the concept of institutional sustainability in an urban water utility context, and how progress could be tracked within a typical project/program. The paper is structured as follows. First, we briefly discuss how the concepts of *institutions*, *institutional sustainability*, *institutional capacity* and *institutional capacity development* have been defined in international development literature, and highlight an emerging conceptual framework for defining institutional sustainability as a capacity issue. Then, we summarize existing guidelines and tools for evaluating institutional

sustainability in the water sector and other development interventions. Finally, the paper examines how these concepts can be applied to develop a more effective assessment tool for tracking a water utility's progress towards institutional sustainability.

2. Methods

This study was carried out in 2011 under the auspices of the World Bank, and consisted of a review of the literature and pilot studies conducted with two major urban water utilities in South Asia. The literature review sought to answer the following questions:

- What are the different conceptualizations of institutional sustainability in the development literature?
- What are their shortcomings from the stand point of evaluation?
- What sorts of indicators have been used by practitioners to evaluate institutional sustainability – both for the development interventions and for urban water utilities specifically?
- What is the more promising framework for defining and evaluating institutional sustainability for urban water utilities?

We then synthesised the results of the literature review and developed a proposed approach for evaluating institutional capacity of water utilities. The draft evaluation framework was

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piloted with key informants in water utilities that provide water services to two major cities of South Asia.

3. Institutions and institutional sustainability: conceptual debates

Institutions and institutional sustainability are broad and complex concepts, with no precise definitions. The concepts are applied differently in various disciplines and theoretical traditions. Needless to say, a more detailed assessment of the meanings of the terms in the context of the water sector is critical to understanding how institutional sustainability can be evaluated. This section provides a brief review of how these key terms have been defined in the extant literature, and how they are conceptualised, adapted and applied in this paper.

3.1. What are institutions?

Literature is abounding with different but sometimes overlapping definitions of 'institutions' shaped by various philosophical and epistemological orientations. Using the analogy of a game, Aoki (2000) demonstrated how 'institutions' have been variously conceptualised, ranging from (i) players of the game; (ii) the rules of the game; or (iii) the outcome of the game, a rare conceptualisation that is mainly advanced by welfare economists. In line with the first orientation, some international development literature (e.g. Israel, 1987) has adopted the restrictive definition of 'institutions' to mean political or social organisations that are involved in policy making and implementation. However, a commonly used definition is captured by North (1990, p. 3) who described institutions as '... the rules of the game in society or, more formally, the humanly devised constraints that shape human interaction'. Institutions could be formal, such as rules that human beings devise, or informal, such as conventions and codes of behaviour. They could be created, such as national constitutions, or they may evolve over time, such as a common law.

Other scholars have adopted both orientations (i.e. the role players and the rules) into their definition of institutions. For instance, Uphoff (1986, p. 9) described institutions as 'complexes of norms and behaviours that persist over time by serving collectively valued purposes' which can either be diffusely practised or structured into organisations. Similarly, Brinkerhoff and Goldsmith (1992, p. 371) defined institutions as '... rules or procedures that shape how people act, and roles or organisations that have attained special status or legitimacy'. Based on this conceptualisation, the level to which rules or roles are deeply rooted and highly esteemed by a large constituency is a measure of institutionalisation, a process through which organisations and roles acquire value and stability. This all-inclusive conceptualisation was also adopted by Spangenberg et al. (2002), who defined institutions as the rules by which decision-making and implementation is structured – the rules could refer to social entities as actors, or systems of rules shaping behaviour. The social rules can be subdivided into three categories: (i) organisations as institutions (i.e. actors); (ii) institutional mechanisms; and (iii) institutional orientations. Organisations are the most tangible class of institutions. Organisations structure the choice of action of individual or corporate and other collective actors within a society.

Institutions could also be defined as *mechanisms* (i.e. explicit or formal systems of rules), or *orientations* (i.e. implicit or informal systems of rules) that structure the choices of actions of individual or collective actors in a society. It is important to note that organisations, mechanisms and orientations can all be described as systems of explicit or implicit rules. Along the conceptualisations by Uphoff (1986), Brinkerhoff and Goldsmith (1992) and Spangenberg et al. (2002), this paper adopts the all-inclusive view of institutions as rules and roles by which decision-making and implementation is

structured, i.e. institutions as a combination of organisations (as actors), institutional mechanisms and institutional orientations.

3.2. What is institutional sustainability?

Institutional sustainability is defined in various ways in the development literature. A critical review of the literature identified five broad views. One of the earliest studies (Honadle and Van Sant, 1985) defines institutional sustainability as *continuation of the benefit flows* to the users/clients with or without the programmes or organisations that stimulated them in the first place. This conceptualisation, which is consistent with the project cycle model of development,¹ assumes institutional sustainability is to be assessed after the project has ended, which presents practical problems in predicting institutional sustainability during the project period (Brown, 1998).

Another school of thought defines institutional sustainability in terms of *the longevity of the institution*. The longer an organisation survives as an identifiable unit, the more institutionally sustainable it is considered to be (Brinkerhoff and Goldsmith, 1992). However, there are several flaws and inconsistencies with this conceptualisation (Brown, 1998): e.g. (i) how long does an organisation have to survive in order to qualify as sustainable? (ii) is survival of an organisation by itself enough, or should there be some minimum performance criteria for an institution to be considered sustainable? (iii) some organisations are set up to achieve a specific purpose, and longevity of such organisations may not be necessary or desirable; and (iv) it may be difficult to evaluate the sustainability of the institution *ex-ante*, during the implementation phase.

In the context of development management, institutional sustainability has also been defined as *the ability of an organisation to meet recurrent costs*, after donor funding is exhausted (Brown, 1998). Financial self-sufficiency definition may not necessarily apply to some developmental activities that require high capital costs, such as is the case for water source development to supply low-income communities in a water-scarce area. Financial self-sufficiency contributes to viability, which is a separate concept, although closely related to sustainability. It is clear that some desirable developmental activities will never be financially viable, as their capacity for full cost recovery is minimal or non-existent.

Increasingly, institutional sustainability is being conceptualised as a capacity issue, rather than a financial issue. Many reputable scholars and international development agencies currently define institutional sustainability as the capacity of an institution to generate a minimum level and quality of valued outputs over the long term (Brown, 1998; Brinkerhoff and Goldsmith, 1992; Pfahl, 2005). It is '... the institution's capacity to coordinate human interaction in order to achieve specific sustainability objectives' (Pfahl, 2005, p. 84). Institutional sustainability is about continued effectiveness, about creating and maintaining an acceptable level of capacity, and then about converting that capacity into actual performance.

Brinkerhoff and Goldsmith (1992) and Hill (2008) emphasized the dynamic and temporal character of institutional sustainability and conceive it as a *process by which key features of sustainability have been institutionalized within a management regime*. This school of thought considers institutional sustainability to be a process of internalizing normative and regulative structures and mechanisms that serve to reinforce system dynamics to produce and maintain desired outcomes that satisfy collective goals. This position is

¹ This is an approach where a set of actions are designed and defined in advance, which are oriented to a specific development objective, and are represented by a logic model that links causes and effects from inputs to results. This type of development approach has sometimes been labelled as a blueprint approach, and usually does not encourage the participation of the development beneficiaries.

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