The effects of governance modes on affordability, sustainability and the efficiency of water services in three transition countries

Managed by the Metropolitan Research Institute

Team:

Armenia: Lilit Melikyan, Armenia, associate consultant/researcher

Hungary: József Hegedüs, Andrea Tönkő (MRI), Mária Papp and Gábor Péteri, consultants

Romania: Adriana Pienaru and Afrodita Popa (A&A Expert Advice)
Research policy problem

- Transition from a centrally-planned society towards a market-based, democratic society – new governance structure
- How does the governance structure influence the operation of different sectors (for example, of the water sector)?
- Are there any causal relations between the governance model and the social/economic output of the sector?
1. Definitions of governance:
   • „good governance” (WB approach)
   • „power” structure (institutional economics)
Unbundling: step 1 (privatization and decentralization)

Institutional economics: Unbundling the water sector Step 1.
Unbundling: step 2 (governance factors independently from the robust model)

Type of Governance (Robust typology)

- Incentives/Motives
- Accountability
- Rule of Law

Outcomes
- Affordability
- Sustainability
- Service quality

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Unbundling step 3: external factors ("soft" exogenous variables)
Unbundling: step 4 – external factors (hard exogenous variables)
Transaction cost replaced the outcome indicators – the final analytical model

Methodology: case studies, limited number of cases

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Main hypotheses

- Hypothesis 1. The governance type, according to the “robust” model based on decentralization and privatization, does not influence the transaction cost in itself.

- Hypothesis 2. Changes in the transaction cost depend on three highlighted governance factors: incentive structure, accountability relations, and the rule of law.

- Hypothesis 3. There is a very close connection between the exogenous governance factors (institutional environment), and the three governance factors.
“Unbalanced growth” may distort the governance structure of the water sector and risk long-term sustainability

- Economy and infrastructure
- Balanced and unbalanced growth theories
- “Reverse” unbalanced growth theory
- Affordability and subsidy programs
Thank you for your attention!!!