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Doctoral Thesis
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Abstract

Water governance exerts an impact on the socio-politic life of Honduras. For instance, the new legal framework changes institutions. New water organisations are created, and new processes and proceedings are proposed. These times when strategies from developed countries are transferred to developing countries, such as water governance, the need for an evaluation is desirable to disentangle the problems and to look forward at opportunities and find alternatives.

The journey from government to governance describes the change from the traditional government behaviour towards new governance. In countries like Honduras, as in developing countries, this change describes a complex process in which the imported strategies are conflicting with existing established socio-political patterns. The new water management approach as applied in Honduras needs to take into account the socio-political reality and the availability of resources, if the water governance process would gain relevance. Honduras is a relatively new democratic country after many years of military regime, thus the government needs also to be part of the governance process.

This doctoral thesis studies and highlights the characteristics of the traditional Honduran government approach, and the effects that the new governance approach has posed in the country. The difficulties emerging from this shift of approaches are discussed, and explored. The research finds support in the exploration of Honduran political and institutional sociological history to elaborate the causes and motives for current governmental attitudes. The research relates to concepts of development strategies, institutionalism and regulation modes.

This thesis argues that governance has achieved a pseudo empirical implementation in Honduras, and that new mechanisms need to be devised to balance the suggested governance mode using new notions of regulatory space, and the theoretical metagovernance approach, in order to balance between the imported measures and the reality. New governance theoretical notions are exposed to encourage and explore new alternatives for the water governance in the Honduras context. It is necessary to realise that institutional changes occur in a long-term adjustment period in order to build trust among actors and water authorities. Moreover, this thesis deems it pertinent that the government as the voter-elected entity should take the decisive lead of the governance approach.

Key words: Honduras, institutions, water governance, government, policy, regulation, regulatory governance, regulatory state.
A mi madre
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Patricia Phumpiu
Stockholm, 20 August 2008
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Abbreviations and Acronyms

CBO Community-Based-Organisation
CEDE Honduras Decentralization Commission
CABEI Central American Bank for Economic Integration
CNSSP National Supervisory Commission
CONASA Water Authority for Water and Sanitation in Honduras
ERSAPS Regulatory Office for Potable Water and Sanitation Service
GWL General Water Law
FHIS Honduran National Social Funds
FLWS Framework Law for Water and Sanitation
IADB Inter-American Development Bank
IFI International Financial Institutions
IMF International Monetary Fund
MIF Multilateral Investment Funds
NGO Non Governmental Organisation
NI New Institutionalism
NPM New Public Management
PEMAPS Strategic Plan for the Water and Sanitation Sector
PRSP Poverty Reduction Strategy Paper
RAS-HON Water and Sanitation Network for Honduras
SANAA National Agency for Aqueducts, Water and Sanitation
Sida Swedish International Development Agency
Sitrasanaays National Water and Sewage Workers Union
UN United Nations
UNDP United Nations Development Program
PAS Water and Sanitation Program- World Bank
WIR Water Institutional Reform
WSS Water and Sanitation Service
WST Water Sector Table
WB World Bank
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1 Introduction

In recent decades a rapid growth in interest in governance implies that it has become one of the most influential concepts in economics, sociology, political science and development studies. This broad applicability of governance has resulted in a vast number of works published and a variety of theoretical approaches and studies in which the concept is used.

Governance is currently known world-wide as the alternative approach towards development and to achieve the Millennium Development Goals (MDGs). The MDGs aim to achieve an effective delivery of services, especially in the utility sector which often includes water, sanitation, electricity, telecommunications, health care, waste, and public transport, among others.

The concept of governance is defined in a variety of ways and it has been evolving through the years. What in its origins had denoted a coordination of financial and economic features, it is currently representing the conglomeration of several strategies and the participation of many different actors in the quest towards development, e.g. in 1995 the Management Development and Governance Division of UNDP presented governance as a foundation for sustainable human development.

Governance is associated with the replacement of a traditional government-state with direct intervention by the means of parliamentary regulation to a system in which indirect intervention by the government state prevails. The origins goes back to the criticisms of government inefficient management and control of public services, which has led to policies and reforms that evolved into the transfer of the control of public services from the government to new actors, namely the inclusion of the private sector. In this perspective and under the context of an emerging global economy, developing countries found themselves affected by the trend of governance, when involved in achieving the Millennium Development Goals or to have access to low interest loans through the Poverty Reduction Strategy Papers (PRSP). Well-established reforms from the post-privatisation stage in developed countries are adopted in developed countries that face a significant shift, where the new concepts for governance, management, operation and regulation are poorly understood (Minogue and Cariño, 2006).

Honduras (Figure 1) is one of the Central American countries, together with Nicaragua, that since the 1990s decided to follow the path of the Poverty Reduction Strategy, which also involved committing to undertake the governance trends. Thus, the traditional governmental domain in the water sector for fifty years in Honduras was replaced with a new public administration that emphasises the shift from government to governance, in which governance is suggested as a more inclusive concept than government (Rogers and Hall, 2003) and calls for active participation of actors.
Honduras is located in Central America, and its population according to the national census by 2001 was of 6,535,344 million inhabitants, which by 2007 has incremented to 7,585,155 inhabitants. It is noteworthy to acknowledge that 47% of the population was urbanised and 53% were located in peri-urban and rural areas.

Up to the 1950s the public administration was set up through a vertical hierarchy. In a decentralised administration, the elected mayor was in charge of solving the most urgent problems of their communities. Thus, municipalities were in charge of issues such as protection to inhabitants and real estate, education, public health, etc, including the provision of water and sanitation service (WSS). At the time, national or regional plans or programs were non-existing. Solutions were proposed based on acknowledged merit and urgency of the problem (personal communication with governmental officials, 2003). In the 1950s, the provision of WSS was transferred to the central government. Since then, economic centralization has increased to the degree that public expenses are decided at a level of 90% at the central level.

This synthesis examines lack of interaction and timely coordination as the source of water governance failure; it also explores the opportunities that

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1 http://www.lib.utexas.edu/maps/americas/honduras.jpg
4 UNICEF, 2006
new organisations are bringing to this process. Under the concept of governance, the role of the state has been modified from a direct interventionist-government state to an indirect interventionist-regulatory state. The changes for transition occur in a certain political time in which the whole governance process is dependant on the interactions and political time constraints. This synthesis claims that coordination failure can always be corrected by triggering or modifying organisations or regulatory structures. However, the damage should be corrected in time before it causes a structural damage, in which case, the damage becomes irreversible.

In addition, there are a limited number of empirical studies that deal with the soft side of governance, since the concept originates under the economic discourse and later it developed under regulation and law discourses.

Honduras, as the chosen unit of analysis, is researched firstly by examining the relevant components and current practices for the water sector in Honduras. The synthesis focuses on institutional and organisational structures in urban and peri-urban settlements in order to analyse and evaluate all the components within the complexity of water governance.

This synthesis argues that, in Honduras, water governance appropriately defined and implemented gives light on new ways to include in the process the informal governance already in place. The question at the heart of the synthesis is to what extent can Honduras think of water governance as the promoter to manage water and deliver water and sanitation services functioning in a way not dependant of the state but having the state as a central actor in the process. Nevertheless, the researcher is aware that political decisions are difficult to predict and are a relevant component in the governance course.

This synthesis presents an overview of the governance and water institutional reform in the course of development with Honduras as the unit of analysis in the introduction. The second section is dedicated to describing the synthesis process and the thesis work components, the latter as the knowledge base for the synthesis. Section three then sets out a range of theoretical approaches which challenge thinking about governance as the path to achieve the improvement of water resources management and supply delivery in Honduras. Section four addresses the particular aspects of Honduras and water governance -the section maps current practices of water governance covering both scales: the management of water as a natural resource and the delivery of the water and sanitation service. Section five deals with the concluding discussion for this doctoral thesis.
Honduras and the Modernisation of State

The quest for development led Honduras to a reformation of its institutions in the 1990s with the so called Modernisation of the State (Modernización del Estado). The Modernisation of the State Law was enacted in 1992 with the purpose to analyse and evaluate the process for modernisation. The objective was to thrust the government, the production sector and the citizens to assume an innovative role under the premise of modernisation not as an end but as the means and process for development (RH, 2005a). This reformation undertook the decentralisation approach (Paper III).

The adoption of the PRSP in Honduras (IMF 2003, RH 2005b) led to the Modernisation of the State, which includes eight sections: public administration reform, decentralisation and municipal strength, strengthening rights of state and civil society, corruption control, justice system, political modernisation, legislative system and education modernisation (Paper I, II).

The Modernisation of the State distinguishes two governmental action levels towards modernisation: (1) Subsidiary: because the direct developers of innovation are the intermediary bodies. The state is the promoter, and generator for the conditions to improve performance leading to development. Thus, the state defines policies, establish normative bodies, promote market conditions for investment and competency, facilitate private investment, and foster economic stability and growth. (2) Inside the public administration: by fostering attitude and technological change to allow improvements in management simplification and administrative flexibility. The purpose is to create a functional culture of organisations that secure adequate public services. The decentralisation strategy that followed with the institutional reform and the governance approach support the modernisation in both action levels.

Seven sectors are prioritised and affected by the reform (RH, 2005a): (1) governance and justice, (2) public finance, (3) human resources and civil services, (4) social investment: education, health, childhood and family, gender and women program, ethnic, (5) re-structuration of the public sector and reengineering, (6) environment and natural resources; (7) public services and infrastructure: potable water and sanitation; energy: electricity and hydrocarbons; transport: road network, ports, and post; telecommunications; and infotechnology.

The decentralisation process derived from the Modernisation of the State reached the water sector in the 2000s with the Water Institutional Reform (WIR).
The Water Institutional Reform in Honduras

As decentralisation was the strategy for development, the WIR formulated for the first time a decentralisation program, with objectives for political and fiscal decentralization, see the Municipal Law 1990 (CCAD 2007, UNDP 2002). The Municipal Law declared the shift of responsibilities to the municipalities concerning the water and sanitation supply as well as for the management of the water resource, a task that had been in the hands of the state for more than fifty years (Paper I and II). The implementation of the law was in stand by until the 2000s when the Poverty Reduction Strategy (PRSP) was approved by the Directorates of the International Monetary Fund and the World Bank in 2001. PRSP brought funds to the slow decentralisation process in the water sector. In late 2003 the process of updating the PRSP was concluded (RH, 2005a) coinciding with the initiation of the decentralisation process for the water sector that began in 2002 with the help of cooperation agencies and the World Bank with the Water and Sanitation Program (Paper II).

The challenge for the WIR in Honduras is to invigorate the status of its water institutions structure (terms developed in Saleth and Dinar, 2004), in which water institutions are extrapolated from their external environment, such as the physical setting of the water sector and the context of the country; social, economic and political settings (Saleth and Dinar, 2004).

Under the reform, the interaction among the components of water institution is occurring according to the value that actors and decision-makers, as the political leaders, give to these alternative institutional and implementation changes. In Honduras, the National Agency for Water and Sanitation (SANAA), is one of the leaders for the transitional stage in which water management should be transferred to Municipalities. SANAA’s perception of the process and interests is guiding the WIR events in time and space (Paper I and II).

For institutions in the water sector in this synthesis, two levels of intervention are at stake: i) water as a resource, and ii) water for consumption; the development and separation of tasks at these levels are still confusing in the general citizens knowledge and for participants in Honduran debates (Paper II). The WIR for both levels is still in the process to be completed, although the latter concerning delivering public service of water and sanitation is at a more advanced stage. It is a ‘daunting challenge’ in most countries to update and reorganise the poorly functioning water institutions’ (Saleth and Dinar, 2004). As a part of the global decentralisation approach developing countries face the task of transferring policy from the hierarchical government system to governance and the regulatory state (Minogue and Cariño, 2006).

Honduras is not the exception from this statement. However, decentralisation without harmonious linkage of laws is difficult to achieve properly. Comments in Paper II about the General Water Law emphasized the lack of institutional and organizational coordination at the debates and consultation process from 2004. At the moment, most of the laws related
to water in Honduras are in the process of elaboration or in the amendments phase; the non-ending elaboration process for water related laws (Paper II) is an obstacle for the WIR process and the development process as a whole. The participation of hidden actors (Paper III and IV) is part of the renovated components that this synthesis is untying. In general, the debate on successful or failed institutional reforms brings up not only endogenous constraints and insufficiencies of the adopting country system, but also the inability to overcome exogenous international pressures.

The following sections expose the research process, followed by the theoretical basis for this synthesis and then scrutinise the global trends and Honduras case study using the theoretical understanding and empirical knowledge from the thesis work.
2 The Research: Structure and Process

This doctoral thesis comprises two main parts (i) this synthesis paper and (ii) the thesis work papers. This synthesis includes the analysis of the interaction among the components of water governance in Honduras, the judgement and critique over the process and the overall structure. The thesis work papers form the data collection for the synthesis. Referring to the learning process phases by Anderson et al (2001), in a revised version of Bloom’s taxonomy, this synthesis represents the analysing and evaluating phase. This phase breaks the material into the constituent parts and determines how the components relate among one another and within the new overall organisation to finally develop a judgement according to theme conclusions previously given in the thesis work papers, and the theoretical basis in this synthesis. The thesis work papers retrieve, explain the information collected, and identify the facts in order to acquire the knowledge of the present situation concerning the Water Governance in Honduras.

Aim

The aim is to verify the shift from government to governance in Honduras water sector and to discuss future challenges and trends. The analysis is performed through the study of the evolution of water governance in an integrated way by decomposing its components and including the consequences of the inheritance of old organisations and system.

By merging the analysis of conceptual and theoretical trends with the empirical research context of Honduras, this thesis provides an inclusive examination of the water governance evolution and its components. Thus, it bridges the gap between practice and theory providing a comprehensive wording of the specific problem phenomenon.

The main research question is to what extent can Honduras think of water governance as the new instrument for water management and water and sanitation services, in which the government should play a central role, but accepting that governance per se is not dependant on the government.

The Synthesis

The synthesis is concerned with the structural changes and interactions that followed the introduction of the mode of water governance composed of several basic strategies: liberalisation and decentralisation, management integration, negotiations and networking. This synthesis attempts to provide a rough map of the Water Governance Process in Honduras rather than a detailed survey of the many features included. Present institutions are depicted taking into account their evolution along the years, including the patterns of behaviour that they have inherited in what is called path dependency.
Guiding the analysis, this synthesis sets up the Honduran case study in global context and time, and within theories that prevail within the connection world-developing countries. Figure 3 illustrates the issues of this synthesis and the theories related to the research.

**Figure 2  Structure of the synthesis**

**Figure 3  Theories included in the analysis of this synthesis**
The thesis work papers

The five papers are based on field and analytical literature studies carried out for the thesis work, which is composed of five papers. The first field study was the initial approach to the water institutional reform in Honduras (Paper I). The second one, *The Politics of Honduras Water Institutional Reform* (Paper II), comprises the political, institutional and organisational situation immediately previous to the reform and depicts the changes and adjustments to its initial stage as well as the reform process at the time. The third field study is a pre-study of path dependency presented at the IWA Conference of Past and Futures of Water in 2007. This conference paper was further developed resulting in the paper *Reform or Adjustments? Processes and patterns in Honduras* (Paper V). Actors play a relevant role in the politics, policy and water institutional reform, since the interactions among them define the water governance modes (Kooiman 2003, Saleth and Dinar, 2004). Thus, actors are examined along two of the studies that are addressing the local actors and their interactions among themselves (Paper III), and the paper about the water trade union interactions within the water reform in Honduras (Paper IV).

*Table 1  Papers included in the thesis work*

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<tbody>
<tr>
<td>I  The Water Governance Reform in Honduras</td>
<td></td>
</tr>
<tr>
<td>III When are partnerships a viable tool for development? Institutions and Partnerships for water and sanitation services in LA</td>
<td>Water Resources Management. Published Online, March 2008 Springer Science Press</td>
</tr>
<tr>
<td>IV Context matters: Working together with Trade Unions in public water supply</td>
<td>March 2008 (Submitted to Water Alternatives)</td>
</tr>
<tr>
<td>V  Reform or Adjustments? Processes and Patterns in Honduras</td>
<td>Aug 2008 (Submitted to Journal of Economic Policy Reform)</td>
</tr>
</tbody>
</table>

The scope of the thesis work papers was the understanding and comprehension of the existing water sector system and its transition to a water governance approach. It also includes the exploration of possible case studies within Honduras and the search for alternatives to improve water management and governance practices in a Latin American context.

In order to achieve the overall aim, tasks were set up related to activities. Accordingly, Table 2 summarises the purposes, activities and the outcomes.
### Table 2: Purpose and outcomes of the thesis work papers

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Activities</th>
<th>Outcome/Papers</th>
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<tbody>
<tr>
<td>To present the impacts of global and regional development approaches</td>
<td>To examine influences of global and regional development trends in our case studies regarding the water sector</td>
<td>II. The Politics of Water Institutional Reform. Report</td>
</tr>
<tr>
<td>To provide analytical information of the Water Institutional Reform (WIR)</td>
<td>To examine the ongoing WIR by disentangling the institutional framework in two periods: (i) Before the WIR: -To identify institutions and organizations -Main actors and leadership -Formal and Informal Policy trends (ii) WIR Implementation: -To identify new organizational structure -To investigate the actors interests and concerns -Main roles of old and new actors -Policy implementation. Advantages and constraints</td>
<td>II. The Politics of Water Institutional Reform. Report I. Water governance in Honduras. III. Paper on Partnerships IV. Paper on Trade Union</td>
</tr>
<tr>
<td>To present approaches and processes that could facilitate the improvement of our case studies experiences</td>
<td>-To investigate alternatives for formal and informal planning / organisational and institutional structures</td>
<td>III. Paper on partnerships</td>
</tr>
<tr>
<td>To present standard behaviour and instruments that influence WSS current performance</td>
<td>-To develop epistemology (how we know things) of the policy and strategic decision-making within the organisations -To investigate: *Past policy experiences: path dependency *Present: trends and options</td>
<td>II. The Politics of Water Institutional Reform. Report V. Paper on path dependency Reform or Adjustments?</td>
</tr>
<tr>
<td>To discuss key socio-cultural factors underlying WSS quality</td>
<td>-To examine the implementation process after policy making</td>
<td>The Synthesis</td>
</tr>
<tr>
<td>To present appropriate frameworks and alternatives for a better performance-partnerships</td>
<td>To demonstrate the feasibility of existence of appropriate alternatives in management and planning and decision-making process of WSS in order to enhance sustainable development</td>
<td>The Synthesis</td>
</tr>
</tbody>
</table>
**Research methods**

This research has been empirical in its nature and based on an explicative strategy. The theories were used for exploration as well as for explanation of present and past events. At the same time, it incorporates as many relevant variables and qualities as possible. The willingness to understand the case as a whole in all its complexity, led to an inclusive strategy in which a methodological and a theoretical framework was made in parallel with the empirical studies. Such a methodology made it possible to find themes and perspectives deemed essential to enrich the case study.

Descriptive-explanatory approaches were useful to get acquainted with the research theme and the Honduras context. Thus they were used to gather knowledge and describe the case study without modifying the aim. The target was to find out the state of the art and approaches inherited from the past. Descriptive approaches also helped to collect opinions about the desirability of the present state and the different water management outcomes. The investigation got narrowed down as a deepened understanding of the Honduras water governance was gained.

Normative approaches were applied once the state of the art for water governance in Honduras was described. These try to define how governance components should be. Using a normative approach implies improvement. It includes an evaluation of the present water governance state and also of the direction of future development. An evaluation was possible from actor’s point of view and performance. Thus it was useful to categorize actors in different groups according to their interests. The normative approach includes to the specification and planning of improvements regarding the water governance in Honduras. However, it does not include carrying out the plans in practice.

In summary, the Honduras case study has involved an intensive descriptive approach combined with a normative endeavour. Table 3 illustrates the intensive study. Intensive refers to the specific cases and the description of facts that determine the outcome. The ultimate target is to remove a specific practical problem of the water management, institutions and organisational structures in order to improve them in a holistic way within their own surrounding context and relationships, achieving a deep understanding of their position and meaning in the social-cultural context as well and not only economical.

More detailed aspects of the research methods used for the thesis work papers are broadly presented in Paper II (text and annex) and in each respective paper.
Table 3 The intensive study – the case of Honduras

<table>
<thead>
<tr>
<th>Intensive study:</th>
<th>Intensive Descriptive Approach</th>
<th>Intensive Normative Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studying one case study: Honduras, and narrow down the topic to few issues; planning, institutional, organisational aspects</td>
<td>Honduras, and case studies within Honduras. Study of the history of policy and governance approaches with Honduras as an individual entity.</td>
<td>Evaluation of the case study. Critique of the present state of the art. Alternatives to remove problems, enriching the current experiences. Identify alternatives for new ways to improve management, policy making and water governance. Participatory approach where some of the actors has taken active part within the research.</td>
</tr>
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</table>

The doctoral thesis research process

The proposal for this doctoral project was initiated at the Department of Land and Water Resources Engineering, KTH within the Water Utility Research Group. The main purpose of this research group is to examine more adequately the complexity of the factors driving the water utility management systems and their reforms, with special focus on the socio-cultural, legal, economic and cognitive factors that underlie the process and the environmental and health implications resulting thereof. Targets focus on Sweden, countries in Africa, and Latin America. Thus, by 2003 one of the targets in Latin America was Honduras among other countries.

At start, the task for the Honduras research project sought to examine the privatisation processes currently underway in the water utility sector. The specific study objectives were: (a) to analyse the water sector restructuring process in the country within the broad context of privatisation. A desktop review which provides basis for this analysis will create an opportunity to distinguish between the different components of privatisation, (b) to analyse quantitatively and qualitatively the differences between public utilities and private water companies from a user perspective, (c) to assess possible socio-economic and environmental impacts of privatisation.

The initial features of the Honduras research project changed during its course. New steps were taken during the planning trip as the debate over the water institutional reform in Honduras was centred not only on the privatisation process, but also on the management of the water resources. My background and career as an architect and urban planner has provided me with an understanding of institutional and organisation structures at different levels and the internal and external problems they might face. My experience in developed as well as developing countries from community development at local level, policy and regulation decision-making at metropolitan municipal level in Lima-Peru, a city with 9.2 million inhabitants (estimation as of 2005, INE), to consultations for national laws has
broadened my empirical knowledge. Moreover, the academic knowledge at KTH, provided the technical foundation within a scientific perspective to relate to my professional experience.

The initial studies were based on the planning trip in 2003 and the field trip in 2004. The first papers on *Water Governance Reform in Honduras* (Paper I), and *The Politics of Honduras Water Institutional Reform: Evolution 1990-2006* (Paper II) departed from a combination of empirical and qualitative research. Both papers illustrate the first evolution stages of the water institutional reform (WIR). During this stage, I began to question if privatisation *per se* was the only reason for failure or success of the water governance outcomes in Honduras. During the course of the research, these first impressions shed light on aspects related to networking and partnership, attitudes and negotiation or non-communication among actors in their effort to comply with the new institutional changes and to adapt to the new organisational structure. Thus, the research starting with privatisation moved on towards an investigation of the water governance to deepen the understanding from different angles, through the actor’s attitudes and interests, such as emphasized in a hermeneutic method\(^5\). The analysis of actors are illustrated in the papers *When are partnerships a viable tool for development? Institutions and Partnerships for water and sanitation services in LAC* (Paper III) and *Context matters: Working together with Trade Unions in public water supply* (Paper IV). The analysis in these papers focuses on actors that could represent an opportunity to improve the implementation of the water institutional reform and water governance. I discern the complexity of communication and networking among actors, which is reflected by lack of interaction across levels of governments. Thus, these papers illustrate case studies, where different and new organizational arrangements have successfully demonstrated the possibility to design and implement new organizational structures according to own needs.

One important task for the researcher is to generate facts that depict the reality as objectively as possible and to project them into a vision with future perspective. This task was not possible without acknowledging the political past. Far back from present times and new trends are found the recurrent past governance and political approaches that built the country into its present circumstances. Understanding previous social and organisational approaches gives an approximation to the Honduran idiosyncrasy and the approaches projection up to present times and although not necessarily, most likely with a perspective for the future. Thus, *Reform or Adjustments? Processes and Patterns* (Paper V) reviews and assesses political approaches in the country from the late 1800s.

My interest concerned water policy implementation patterns, and explaining the cause for the present outcomes. The qualitative analysis of the actors proceedings has been useful for broaden scope and perspectives in Honduras. This also meant to analyse the surrounding socio-economic-
political context in which it occurs, to understand how actors behave when making decisions, how policy and governance approaches at national level previously applied create precedent over present approaches, how the lack of development and organisational strategies at local level generates socio-political patterns, how local management emerges as the answer for accessing water, when the state is absent. Socio-economical patterns, styles, ideologies play an important role and determine in a great deal the course of policy and governance implementation. Nevertheless they are in a continuous change. They might be subject to historical shifts. However, they are predominantly dependent on performance and trust.

Literature on Latin America utilities emphasises greatly the present economical and political global trends that influence national governments. Other studies emphasise the importance of local water governance at community level within the so called community development discourse.

Limitations

Regarding the research ideals: The research would have been enriched with detailed studies, data collection and field trips for all three representative city-cases in Honduras as presented in Paper II (municipal, private, state-government). Their convergences and divergences, advantages and disadvantages could enlighten and identify patterns of socio-economic-political behaviour within the country and region. However, time and funding constraints restricted me to concentrate on the national level with inputs from the Tegucigalpa case.

Further, during the field trips I would have liked to have surveys of user data and perspectives. The ideal would have been to perform surveys in districts with different socio-economic characteristics and at least three neighbourhoods for each district, urban and peri-urban areas. To compensate this setback, I performed a survey in urban areas, 53 questionnaires, and three focus groups in peri-urban neighbourhoods. This constitutes a rather small basis for conclusions. As a result, the consumer perspective could not be analysed and quantified in detailed. However, the discussions with the interviewed brought issues that otherwise could have not been foreseen for the general understanding.

Regarding resources constraints: The main constraint to obtain collaborators in a country different from Sweden was the financial funds and the bureaucracies required. I applauded the good initiative from SIDA to increment the grant funding for two field trips instead of one, which in fact it did help to deepen the understanding of the process and actors involved in the research topic.

Regarding capacity building: Limitations were found in regards to available post-graduate courses dealing with governance and regulation for environmental and public utilities. They were not available at KTH, neither in Sweden at the time of my study period. For that reason some courses were taken at the University of Cambridge and the London School of Economics and Political Science.
3 Framework of Understanding

The following theories and strategies are used in this synthesis to explain and to explore the driving forces of applied water governance in Honduras, as well as the impacts and new ways in the future for development. Figure 4 below shows the theories and their context in which this synthesis has been applied.

Development Theories

- Development strategies
- Socioeconomic issues

Globalisation
Developmentalism

Decentralisation
- Policy transfer
- Institutional Theories
- Institutional change
- Governance: New Public Management
- New governance

Water Governance

Policies
- Municipalisation
- Third Parties participation
- Fragmentation of organisation
- Usage of Water
- Water allocation

Politics
- New Institutionalism
- Policy process
- Regulatory capture

Laws & Regulation
- Regulatory state
- Regulatory space
- Decentralised regulation

Implementation
- Infrastructure Planning
- Comprehensive Planning
- Operational actors
- Partnerships: public - private
- public - public
- OBAs

Figure 4 Theories used in this Synthesis the context of Honduras

Development Theories

The origins of the institutional reform and the water governance approach in Honduras go back to development strategies set up for ‘developed’ as well as for ‘developing countries’. These strategies claim that development, seen at the time as economic development, is compatible only with the component of governance. In the case of developing countries government is claimed to coordinate investments in technology and infrastructure by
donors and the World Bank (Tropp 2007). The notion of development has changed over time, and has also undergone a geographical differentiation, in which the location of development has become important. It has been recognised that development is not just a concern at the national level for nation states (Pike et al 2006:33). What initially was defined with a strong trend of favouring economic dimensions has evolved towards a broadened definition that includes social, ecological, political and cultural concerns. In the 1940s-1970s the definition implied ‘Developmentalism’ as a progressive notion of ‘development’, which in Latin America implied core-periphery relations, a term featured by the Economic Commission for Latin America, and ‘dependency’, most commonly applying a top-down national spatial policy. In general, nowadays development strategies are based on a territory and require participation and social dialogue. They entail the mobilisation of local resources and the use of competitive advantages.

In developed countries, going back to the 1900s, liberal reforms were based on institutional change, enacting rules and laws such as the separation of power from the national government. The lack of response to social policy in the 1960s generated the frustration for achieving a social state and thrust for reforms in the late 1980s and the beginning of the 1990s (Echebarria 2003). These reforms focused on changing institutions through the discharge of responsibilities from the state, and redefining the institutional network (Schwartz, 1994).

These reforms were applied with the approval of PRSPs in developing countries (RH 2005b). The adoption of decentralisation and governance approaches in developing countries has two main aspects: (1) to get access to low interest loans and debt relief (Tropp, 2007); (2) to be able to add third actors, the private sector, into the management and supply scheme. In the water sector, established policies and reforms for privatisation from developed countries in the post-privatisation phase were transferred to developing countries. Minogue and Cariño (2006) argue that the transfer of these policies and reforms to developing countries generated a misconception of the transfer due to incomplete political conditions and the uncertainty of institutions that constitute a prime requisite for the transfer. In countries where institutions are not established, as it is the case in most developing countries and certainly Honduras (Paper V), the regulatory reform will ‘proceed piecemeal, without proper sequencing or coordination’ (Minogue and Cariño 2006:3).

Honduras water governance has its origins in the globalisation strategy that promotes the decentralisation approach. The following paragraphs define and set up the global context for developing countries including the case study for this research.

**Globalisation and development.** One of the most debated strategies is ‘globalism’. Globalisation emerged in opposition to Keynesianism under a neo-liberal ideology of politics. Under this strategy, the state is rolled-back. Instead the deregulation and liberalisation of markets are advocated (Kuttner 1999, Jessop 2002).
Back to the 1870s, most of the private water supply enterprises in Europe were transferred to the public municipal sector, which the Victorian ruling period called ‘the period of gas and water socialism’ (Gustafsson 2001, Gustafsson 2007). This situation prevailed until 1950s when the public sector was considered not suitable to manage water utilities and to overcome the investments that were needed in water and sanitation utilities management. The government failure was attributed to technical constraints, attachment to political interests, little incentive for private innovations, lack of private financial means, among others. Opponents to privatisation fear a loss of control over the management of such an important public good as is water (Barlow and Clarke 2002, Hall and Lobina 2002, Gustafsson and Koku 2007).

The advocacy of state and market combinations complied with the Washington Consensus propelling the turn to neo-liberal approaches to be applied in ‘developed’ and ‘developing’ countries. Hall and Lobina (2002) point out that globalisation is criticised because of the conditionality programs of the IMF and the World Bank for developing countries. As a result many of the developing countries have been required to lower their tariff barriers more rapidly than developed countries, and the asymmetries of market access and double standards in trade rules have not been addressed, a requirement that the developed world did not face itself. Stiglitz (2006) calls for a democratisation of globalisation to equal markets and competition on equal basis.

Decentralisation of utilities management such as water emerged as a movement directed against claimed government failures and the capture of political interests. England and Wales are the landmarks in the post-war period concerning the decentralisation of the water sector. They embarked on the privatisation of public infrastructures when Margaret Thatcher was the leader of the ruling government. Since then, the water sector worldwide has encountered mayor changes on the lines to privatisation (Kuttner 1999, Gustafsson 2001, Minogue and Cariño 2006, Gustafsson 2007). Recently the trend for decentralisation and privatization to third parties has lost some of its attraction. For instance this year the mayor of Paris, which is the seat of the global water giants Veolia and Suez, has decided to return the water sector to public hands after decades of private management.

Honduras has not been the exception to the wave of decentralisation worldwide as described in the introduction. The trend for decentralisation initiated with the PRSP is still going on for the water sector, and the next paragraphs describe the consequences. The decentralisation/devolution approach is born under this era of globalism, which often offers ambiguous implications for reductions in regional growth disparities (Bredehoeft 2002, Pike et al 2006) (Paper II). Local and regional development is seen more as a global issue than a national concern (Scott and Storper 2003).

Globalisation has been researched in social sciences under the hypothesis of ‘convergence’, depicting common trends in the processes towards development, and addressing the ‘capacity gap’ generated by the states (Evans 1997). The convergence claim has also extended to Latin American
countries that inherited highly politicised state structures, and large inefficient public sectors (Paper V), creating an emptiness for the capacity required to achieve development.

A more participatory approach emphasizing the potential role of civil society in the development process perhaps complementing state and market, as an autonomous entity, is the so called Post-Developmentalism approach. This approach suggests resistance to globalisation and claim unequal opportunities and power relations in the practice of developmentalism. Post-development researchers argue that developmentalism ‘has foisted upon the ‘developing’ South, often by international lending agencies such the IMF and the World Bank’ (Pike et al 2006:118) intimately connected with globalism and neo-liberalism (Kuttner 1999, Hall and Lobina 2002, Gustafsson and Koku 2007), in which developing countries markets remain open to the exports and investments of ‘developed’ world producers under a multinational free trade. Along these lines, the Modernisation of the State in Honduras adopting the strategies for poverty reduction are also considered to be prone towards developmentalism, in which public services are decentralised in order to fulfil the privatisation phase, that most likely will favour private sector from developed countries.


In any case development is considered as a wide and complex societal governance issue. The application of these strategies in Honduras is further discussed in section 4 and 5, where the outcomes are analysed and presented.

Institutional Theory, Institutional Economics, Institutional Change

Institutional theory is put forward by certain economic scholars. However, within the theoretical perspectives there is not a single theory for all the economists. From a broader perspective, institutional economics contribute to economic development theories by emphasizing that (i) economy is more than the market (ii)economy has to be studied evolutionally (iii)that in addition to studies on individual problems it is also important to study group problems, forces and processes (Samuels 1988). Unlike previous theories, institutional economics considers also transaction costs, hierarchies and incomplete competition, information asymmetries, and bounded rationality of individuals6 (Williamson 1985). The latter is an actor related approach to institutional theory based on the assumption that the individual is a rational and selfish actor (Wegerich 2001). Two schools of

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6 Bounded rationality is defined as the cognitive limitations to make decisions based on incomplete information.
thought of institutional economics exist: (i) one emphasizes the collective benefits from it, and (ii) the other prioritises social and distributional conflicts; the latter one is the more accepted.

A *new institutional economics* (NIE) has emerged against the analytical rigidity of the traditional institutionalism. Coase, Williamson and North (in Ayala Espino 1999) are the hardcore proponents for NIE. They emphasize the importance of institutions, but at the same time have theoretical differences. The themes included in NIE are related to organisations and operation of the firm, property rights, the division between market and firms, the transaction costs as a relevant theme, compliance with legal norms, problems with asymmetry of information, role of political processes, power structures and mechanisms for decision making (Samuels 1995, Ayala Espino 1999).

Institutional development theories have influenced this research in regards to water supply at the utility level and also regarding institutional change in the water institutional reform process. The institutional theories applied adhere to the concepts of NIE theories, which give importance to the unavoidable transaction cost in the production or service activity. One of the concepts of NIE is the principal-agent theory referring to business relationships among the firm and clients, a theme presented later in this section under the issue of regulation.

Ayala Espino (1999) proposed a study plan for his book, which present an order for the topics included in his book regarding institutional economics. The topics that this research is addressing are circled in Figure 5, and integrated in the analysis for water governance in Honduras in section four.

![Figure 5 Themes from NIE included in this Synthesis](Source: Ayala Espino (1999))

Two concepts are clearly differentiated in the institutionalism approach: *organisations* and *institutions*. According to North (1990) organisations are the players in a game, while institutions are the rules of the game. The characteristics of organisations are depicted by North as the group of individuals bound to some common purpose to achieve objectives, provide a structure to human interaction, and can be agents for institutional change.
In addition, North (1990) defines the institution’s characteristics as humanly devised constraints that shape human interaction, frameworks for the interaction of human beings (Wegerich 2001), they reduce uncertainty by providing a structure to everyday life, a set of rules, compliance procedures, moral and ethical behaviour norms that can be formal or informal. Wegerich (2001) argues that institutions are social resources that determine relations of individuals, groups and organisations, and can also be considered as part of social capitals, a topic later presented in this section.

In regards to water, Saleth and Dinar (2005) define water institutions as the defined as rules that together describe action situations, delineate action sets, provide incentives and determine outcomes both in individual and collective decisions related to water development, allocation, use and management'.

An analysis for the water sector by Jordana and Levi-Faur (2004) argues that the shape of institutions is determined by the benefits they can provide to the relevant actors. On similar lines, Giordano et al (2007:123) following Saleth and Dinar (2004:98) agrees on the internal aspects of a water institution as an interactive structure determined by the prevailing: (i) water law rights, accountability and among others the inter-relation with laws related to water (governance structure) (Paper II); (ii) water institutional structure: water-related law, and policy and organisational elements (governance framework) (Paper II, III), (iii) water institutional environment: historical, constitutional, economic, social, political and physical conditions of the country (Paper II, V). The most important of which is law, policy and organisation-related institutional aspects or rules (Giordano et al 2007).

Institutions can be found in two main types: formal and informal institutions. The former is accepted and recognised by law and are documented, whilst the latter is comprised by the behaviour and conventions. In a later document, North (1993) described institutions more precisely as: ‘the humanly devised constraints that structure human interaction. They are made up of formal constraints (e.g. rules, laws, constitutions), informal constraints (e.g., norms of behaviour, conventions, self imposed codes of conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies’.

The term institutional framework is the totality of institutions, in which decisions are made and implemented. It is composed by: (i) institutional environment (background constraints guiding individual and organisational behaviour; (ii) institutional arrangements (structure set of linked or interdependent institutions of the social system of the economic, social and political domains); and (iii) organisational actors (individuals, agencies, and organisations). In cases where the institutional framework does not provide the environment to perform on the basis of improvement, there is a need for institutional change. The occurrence for institutional change is determined by the opportunity cost exceeding the corresponding transaction cost.
(Saleth and Dinar 1999) Institutional change is rather a complicated process dependant on the period of change, which mostly occurred by accumulation of short term opportunities and generating a gradual rather than instant change leading to a long-term path of change.

The trend for reforms under the globalisation scheme in Honduras has focused on changing and creating institutions in a way that the state delegates its responsibilities. The trend has its roots in the liberalism movement in which state intervention in the economy is a coercive power that restricts individual's freedom against laissez-faire economic policy. The implemented institutional themes in the Honduran WIR reform have been the organisation, mechanisms to assign water resources, and management of public employment. The relationships with the market are still to develop within the process. In the thesis work institutional changes are described in Paper II; the management of public employment and its consequences is analysed with the change in actors roles and behaviour in the relationship water national agency- employees and members of the water sector trade union in Paper IV.

**From Government to Governance**

Following the developmentalism trace, the concept of governance emerges in the 1980s as an alternative to coordinate financial aid and economic efforts from donor agencies with government in their search for development (Tropp, 2007). The argument favouring the concept of governance is the government failure and need for a system to manage independently public service issues. The classical public administration, a state led approach, then is believed to evolve to a more inclusive and flexible governance approach. The main differences between these two modes are summarised in Table 4: (taken from Salamon 2002, Rhodes et al 1996, Kooiman 2003, Saleth and Dinar 2004).

**Table 4  Characteristics of Government and Governance**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Classical Public Administration</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steering</td>
<td>Hierarchy. Monopoly of political power</td>
<td>Organisational networking</td>
</tr>
<tr>
<td></td>
<td>State-led with public agencies</td>
<td>Multi actor participation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self-organisation (Rhodes 1996)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The state could have a central role</td>
</tr>
<tr>
<td>Organisation</td>
<td>Self-contained. Focus on internal objectives under elected</td>
<td>Interdependence between organizations</td>
</tr>
<tr>
<td></td>
<td>politician control</td>
<td>(Rhodes 1996)</td>
</tr>
<tr>
<td>Modes</td>
<td>Command and control</td>
<td>Regulation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Negotiation and Persuasion</td>
</tr>
<tr>
<td>Domain</td>
<td>Public sector</td>
<td>Public + third party (private</td>
</tr>
<tr>
<td></td>
<td></td>
<td>including communities and organizations)</td>
</tr>
<tr>
<td>Unit of analysis</td>
<td>Program/agency</td>
<td>Tools or instruments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Implementation school</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1970s)</td>
</tr>
</tbody>
</table>
What is Governance?
Governance literature has traditionally been concerned with accountability and compliance (OECD 1995, CIDA 1996, Ogus 2001 Minogue 2004) giving normative dimensions to the concept. The concept soon got expanded to include actors apart from the government, including the private sector and civil society organisations (Schneider 1999, Schacter 2000), the linkage of legal and administrative systems with political institutions and processes (Majone 1997, Minogue et al 2006), involving more actors, networking and more participation in the decision making process (Kooiman 2003, Tropp 2007). The participation, coordination and negotiation characteristics are already mentioned in 1995: the Commission on Global Governance defined governance as:

“. . .the sum of the many ways individuals and institutions, public and private, manage their common affairs. It is a continuing process through which conflicting or diverse interests may be accommodated and co-operative action may be taken” (in Tropp 2007).

The literature has given ‘governance’ an enormous quantity of definitions and these link to different usages: e.g. governance in public administration, governance in international relations, governance in comparative politics (Kjaer 2004). In sum they do not give a clear picture of what is the scope of governance (Minogue and Cariño 2006). There are many uses of governance. For example, it refers to the minimal state; corporate governance; and the new public management.

The governance definition of the United Nations Development Programme (UNDP 2004):

“[…] is the exercise of economic, political and administrative authority to manage a country’s affairs at all levels […]. it comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and moderate their differences.”

Water governance is carried out by institutions, by the interaction of actors, and by organisation structures within a certain economic, culture and social context. Rogers and Hall (2003) noted that governance should include political, social, economic and administrative systems to develop and manage water resources, as well as the water supply service. Work (in Legaspi 2006:139) defined governance as ‘a system of values, policies and institutions by which a society organises collective decision-making and action related to political, economic and socio-cultural and environmental affairs through the interaction of the state, civil society and the private sector. Scientists assert the key element is the need to broaden out the analytic focus from the organisations of government to include also organisations outside the state (Kooiman 2003, Rhodes 1997, Rydin et al 2003, Goldsmith et al 2004). In a more recent definition Rhodes (2007) refers to the ‘changing boundaries between public, private and voluntary sectors’. Rydin et al. (2003:547) affirms, ‘the shift is necessary because organisations in civil society and the economy have become much more involved in the policy process’. Researchers like Cook and Kirkpatrick
Kooiman (2003) differentiate the concepts by separating theory (governance) from practice (governing), in which he defines governing as:

‘the totality of interactions, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities; attending to the institutions as contexts for these governing interactions; and establishing a normative foundation for all those activities’ (Kooiman 2003:4)

For the purpose of this synthesis, governing as defined by Kooiman, is the term that best suits this document, and it will be used analogously with governance.

In developed countries the empirical concept of governance lies in the delegation and networking to coordinate processes as Rhodes (2000) definition depicts. Rhodes ‘governance narrative’ provides an account of how a hierarchical government has given way to a differentiated polity characterized by network-based processes of coordination. Lacking the previous process that developed countries has gone through, governance in developing countries meant at first to reduce the duties and responsibilities from the government and transfer them to other actors. In a sense, the governance concept in developing countries is not applied in practice or incomplete (Minogue and Cariño, 2006). Actors need to be aware that ‘governance’ refers to a change in the meaning of government, a new process of governing (Rhodes, 1997) and not a ‘hollowing out the state’- taking away all duties from the government-, which refers to the separation of politics from policy and the administration (Rhodes, 1997; Wilks, 2001).

Minogue et al. (1998) argue that governance should also reflect broader concerns such as issues of ‘accountability, control, responsiveness, transparency and participation’ in addition to important issues such as economic growth and efficiency. Moreover, governance concerns the private sector as well as community advocacy responsibilities. For the latter much has been written of social capital and community action (Oström, 1990) later discussed briefly in this section. The private sector duties are enlightened with the ‘responsive regulation’ (Ayres and Braithwaite 1992), where self-regulation is the key issue for private firms, e.g. corporate social responsibility. As a corollary, Kooiman (1999) argues governance as ‘generally more appropriate to speak of shifting roles of government as shrinking roles of government’.

One of the mechanisms to governance is the partnership option, in which not only the private and community are involved, but also the government. The relationship among organisations (formal and informal) and partners as well as the institutional framework (formal and informal) are developed in Paper III, with a broader perspective including case studies from other countries in Latin America besides Honduras.

A more empirical approach is Krahman’s (2003) governance definition of fragmentation of political authority in seven dimensions: geography, function, resources, interests, norms, decision-making, and policy
implementation. Together these dimensions help to distinguish governance from government, applied on what is believed to be the ideal conceptualization of a fragmented and centralized political authority (Krahman 2003). According to Krahman, the seven dimensions help to determine which factors will enhance governance and how governance norms and decision-making modes have been transferred from one level to another. He argues that the outcome could then help to discern the causes related to development, if taking into account the fragmentation, since ‘Governance denotes a strong relationship with development’ (Kaufman et al. 1999). At last institutions are often not the ultimate means for improving WSS delivery, but it is governance, which makes it happens and leads it to development (Kaufman et al 1999).

By adopting the PRSP and implementing the Modernisation of the State in the water sector, Honduras faces the challenge to establish new institutions able to manage the sector and to ensure that enabling of a governance system that would not entirely depend on political grounds (RH 2005b). Thus reforms in developing countries are induced to the use of the concept of governance.

New public management. Among the public management theories that have emerged in reaction to government failure, New Public Management (NPM) or Public Management Reform (PMR) literature is quite generous with numerous case studies in its account. NPM has evolved and developed different themes (Dunleavy et al. 1993). The theory emphasises modernisation and reform of the government oriented towards outcomes and efficiency, which is considered to be achieved through competition, visible market, strong preference for privatisation, and the separation of politics from the administration. The evaluation focuses on performance contrary to the focus on control, as it was with the traditional public administration. Thus, instruments and tools employed with this approach depend on output budgets, performance measurements, and quality award programs (Barzelay 1998). The literature also focuses in policy making in public services of which water management is a relevant sector. NPM is claimed to gather multidisciplinary characteristics among them public administration, accounting, economics and public policy (Pollit and Bouckaert 2000).

Thus, the definition or classifying the NPM term depends on specialists, i.e. public administration specialists often focus on how NPM relates to budgeting, financial management, civil service and labour relations, procurement, organisation and methods, and audit and evaluation. Accounters concern with management control, performance measurement to government organisations. Organisational economists concern with institutional design of the sector use conceptual toolboxes and signature skills. Specialists in policy areas such as health, policing, social services, and defense will do accordingly with policy design and implementation (Barzelay 1998). Thus, NPM offers the opportunity for an interdisciplinary dialogue on public management.
The detractors for NPM argue that it indirectly depicts ways to commercialize public activities, and thus have been built under the umbrella of private sector techniques for corporate interests to regulate, coordinate and control (Boston 1991, Wilcox and Harrow 1992, Osborne and McLaughlin 2002, Ashby et al 2007).

Since NPM managers are encouraged to work based on outcomes for improving performance, it is argued that their task is contradictory, since part of the decision making is delegated to third implementer parties, which become to be the direct responsible entity to achieve the outcomes.

The challenge for Honduras, currently undergoing a NPM approach for the water sector, at least with the legal basis approved, is to balance the power of actors, to clear out the responsibilities and resources that the government is retaining for coordinating the governance process. Moreover, as NPM recognises the participation of third actors, the water sector administration in Honduras have counted with informal actors that operate the system administratively and technically in peri-urban and rural areas (Papers II, III, V). These actors such as the Juntas de Agua have been operating, but the tasks they performed have not been officially recognised, although SANAA has given them technical support, and together both have worked hand in hand looking for alternatives of technical support. This partnership has evolved along decades of cooperation.

New Governance is the alternative approach to bring new actors in place besides the government. Instead of focusing on control or performance as the traditional public administration or NPM, new governance focuses on the interaction among actors, networking, and on the internal structure of organisations-organisational networks, which dependant on processes and negotiations (Ayres and Braithwaite 1992, Rhodes 1997, Kooiman 2003). The networking approach claims to offer the opportunity to include actors that were neglected before, and thereby include side-stepped interests and expertises into the process of governance (Goldsmith and Eggers 2004).

On the other hand, networking bears also its complexity. The detractors of this approach argue that often the leadership ends up in the upper hand, because of asymmetry of information among principal and agents, and because the discretion assigned through sharing authority. In the former, the problem arises when principals are also sharing or giving away discretion to agents, thus the agents have opportunities to hide real performance and other information, which the principals could not always be aware of (principal-agent problem). One of the proposed alternatives is to ensure truly information. However, this implies costs that add to the overall budget. The alternative leaves the principal with the dichotomy of two main issues: controlling through information and the affording cost.

Another constraint is the delegation of authority to third parties generating ‘grey areas’ of sharing authority among semi-public, semi-private organisations. These new organisations could turn to lead the governance process with unbalanced power, turning back to a hierarchical mode of
governance and also to revert the process towards an interventionist approach, as it was in the past with the state-government itself but now with a third actor in place (Kooiman 2003:222). Thus, the balance over these two issues also depends on the resources assigned to the agency. Moreover, the debate is extended to the inclusion of the socio-cultural context in which these actors are embedded (Granovetter 1985, Fukuyama 1995) in order to build organic and social organisations, tackling also that social capital should be preserved as it is discussed later in this section.

Networking have been described in different dimensions among them policy networks (Rhodes 2007), and organisation network (Goldsmith and Eggers 2004), the general description of network is the group of elements linked together. Thus, Rhodes (2007:6) describes policy network as ‘sets of formal and informal institutional linkages between governmental and other actor’s structure around shared interests in public policymaking and implementation’.

In sum, governance nowadays refers to systems, networks, and the debate is about the issue of the system or network steering. Governance always refer to the changing role of the state (Kooiman 2003, Rhodes 2007, Tropp 2007); and network governance according to Rhodes (2007) refers to (i) the public sector change from the 1980s, (ii) the joined-up governance from the 1990s, seeking to improve coordination between governments departments; and (iii) the hierarchical model.

If networks are the domain for governance, then networks need to be ruled to control behaviour and give opportunities and incentives to actors. Thus regulation emerges as a technique of governance. This synthesis analysed the approach that Honduras took to initialise the reform as the NPM, however new trends could also be applied considering its national context and realities. These new alternative of governance could have some impacts, if applied in water governance.

*Regulation, Regulatory Space, Decentred Regulation and the ‘hollowing out the state’*

The traditional notion of regulation is defined as the official rule or the act of controlling (Cambridge Dictionary), a secondary law form created to implement a primary piece of legislation. Regulation denotes the presence of a public authority and has been defined narrowly or broadly; the former denoting rules, state intervention in the economy, accountability and compliance (Baldwin and Cave 1999, Ogus 2001,); or similarly ‘command and control’ (Ayres and Braithwaite 1992); interaction of legal-administrative systems with political institutions and processes (Majone 1986 in Minogue and Cariño 2006). A broader notion of regulation denotes actions of the state or local government design to restrict or influence a change of behaviour in activities of the various social and economic groups in the community, such as involving mechanisms affecting behaviour from all sources such as local government or markets (Kirkpatrick 2001, Legaspi 2006). Other concepts has been proposed to expand the boundaries for the notion of regulatory governance such as, and ‘regulatory state’, ‘regulatory space’ (Hancher and Moran 1989, Moran 2002, Wilks 1996, Majone 1997, 26
Water Governance: Policy, Politics and Regulation in Honduras

Scott 2001), and self-regulation (Ayres and Braithwaite 1992). These concepts attempt to include all matters in the decision and political negotiation process.

Regulatory Governance includes the legal mandate given to actors in order to establish resources for policy implementation and processes for interaction. These factors refer to transparency, fairness and access to citizen input. With the governance approach the private and civil society influence in the decision making process and the national or local government is not any more the only source for policy formulation, implementation, monitoring and evaluation. Thus the information is shared among all participating in the process through networking, and the new role of the government include to be an interventionist in providing direction for regulatory instruments (Legaspi 2006) such as planning and finance.

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Regulation inside ‘government’ is the way regulation works inside and over government at the bureaucratic level. The activities of public bureaucracies are subject to influence from other public agencies. Regulation inside government varies substantially in how close regulatees are situated in the structure (Hood et al 1999). A formalisation of control over government is established contrary to the stereotype that NPM involved government (Mulgan and Hoggett in Hood et al 1999).

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Regulatory capture is a term used to refer to situations in which a government regulatory agency created to act in the public interest instead acts in favour of the commercial or special interests that dominate in the industry or sector it is charged with regulating. Posner (1975) argue “Regulation is not about the public interest at all, but is a process, by which interest groups seek to promote their private interest (...) Over time, regulatory agencies come to be dominated by the industries regulated.”.

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Regulatory State and the ‘hollowing out the state’. A regulatory state implies the delegation of duties from the state to third actors that need to be directed according to policies and to direct actors in regards to procedures and incentives. This delegation has called for the ‘hollowing out the state’, a thesis describing the reduction of national or local governmental political power and assigning new roles for the government.

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Regulatory Space is a holistic approach first proposed by Hancher and Moran (1989). ‘Regulatory space’ or ‘regulatory arena’ encourages to broaden the analysis of relationship not only to be the included, but also to examine the characteristics of the excluded actors. Later on, Scott (2001) draws attention on the dispersion of regulatory authority and responsibility among organisations and proposed bringing regulatory space to another dimension by examining regulation in a particular setting, and by analyzing the setting in specific political, legal and cultural attributes. In this manner social features are brought to regulation and joining ‘local legal knowledge’ that Blomley (1994), Oström (1990), Healey (1992), Rydin et al (2003) and other researchers consider necessary in the governance process that emphasised also the role of institutional structures.
Decentred Regulation. Black (2002) combines regulation by the state with decentred regulation, which is dependent on notions of ‘complexity, fragmentation, interdependencies, ungovernability, and the rejection of a clear distinction between public and private’. It is based on multiple actors as well as governance. However the key element is knowledge, thus no single actor can dominate the holistic process of regulatory governance.

Meta Governance as a concept, grants a continuing role to the national governments with the responsibilities of setting up the rules of the game, and to steer and operate the overall process of coordination of the networks (Kooiman 2003).

Finally, regulatory instruments are categorized by Ogus (2001) in (i)economic and (ii)social. The former ensure competitiveness of the market, while the latter control operational activities for the health and safety of the general public. Social regulation can be seen as an instrument for consolidation of the economic and political power vested in politicians, especially in developing countries where ‘social regulation promotes public welfare or private interests’ (Ogus and Zhang 2003).

Paper II has elaborated the role of the regulatory office in Honduras and the relationship with other actors in water governance. In this synthesis, section 4-5 are analyzing the present situation with possibilities and alternatives to proceed in order to improve water governance.

New Institutionalism

The sociological discourse of new institutionalism focuses on developing a sociological view of institutions, the way they interact and the way they affect society. Three approaches compose new institutionalism: (i)rational choice institutionalism, (ii)sociological or organisational institutionalism and (iii)historical institutionalism (Hall and Taylor, 1996; Immergut, 1998). These approaches underline institutions as influential and as potential determiners of social, political and economic outcomes. The rational choice institutionalism has two main features: first, the behaviour of actors is constrained by institutions; (Paper II, III, IV) second, institutions are seen ‘as the result of deliberate design’. Sociological institutionalism ‘is rooted in organisational theory and relies on a broader definition of institutions including not only formal rules and procedures, but also norms’ (Jordana and Levi-Faur 2004). Historical institutionalism emphasizes that path dependency limits the possibilities for institutional changes when ‘the mechanisms sustaining the dominant institutional arrangements weaken’ (Jordana and Levi-Faur 2004, Mahoney 2001). Path dependency theory was originally developed by economists to explain technology adoption processes and industry evolution with the subsequent ‘lock-ins’ (Nelson & Winter 1982). Later on, the concept was broadened to include social institutions, including informal institutions. Path dependency with social and political implications in Honduras has been developed in Paper V.
Social Capital

Honduras has strongly developed self-organised communities administering and managing their water service. Thus, there is the urge to research on social capital and the advantages and disadvantages that it poses towards water governance.

What is social capital? One of the most quoted definitions is based on Coleman’s (1990) perception of social capital and put forward by Putnam (1993). According to Putnam “Social capital refers to institutional arrangements such as social trust, norms of reciprocity and tolerance and networks of informal association that can improve the efficiency of society by facilitating coordinated actions” (1993:167). This synthesis focuses on two of Putnam’s elements: trust and networks, as they are key elements for new governance and for social capital as well. Therefore this thesis work has highlighted on trust as an intangible quality, and networks as objective and observable element of social capital that is also the means for new governance.

Putnam (1993) and Fukuyama (1995) also relates social capital with trust. For Fukuyama “social capital is the capability that arises from the prevalence of trust in the society or in certain parts of it” (1995:26). Pretty and Ward (2001) recognise trust as one of four central aspects of social capital: relation of trust; reciprocity and exchanges; common rules, norms and sanctions; connectedness, networks and groups. They argue that trust smooth cooperation, liberates resources and reduces the transactions costs; the latter is heavily discussed in regulatory governance. When individuals are able to trust others to act as expected, there is no need to invest in monitoring others and, thus, the individuals can save money and time. Trusting someone creates social obligation and fosters reciprocal trust (Pretty and Ward 2001). Undoubtedly trust of some sort is critical component of many social relations.

With the same perspective as the regulatory space concept (Scott 2001), social capital researchers such as Foley and Edwards (1999) and Pennington and Rydin (2000) anticipated strong emphasis on the crucial importance of context, and argue that such expressions of trust are the reflection of the peculiar social and economic positions of those concerned. Therefore, the significance of trust can only be ascertained with reference to a ‘specific social/political context’ (Pennington and Rydin 2000).

For the purposes of this synthesis, trust as a conception of social capital is considered important only within the context of the collective actors involved in governance process. More specifically, it is concerned with the extent to which trust constituted an element present in the initial incentive structure and whether cooperative solving water management and water supply have contributed to the development of trusting relationships (Papers II and III).

Many authors argue that social capital in the form of trust is created as a by-product of other collective endeavours such as participation in civic
associations (Portes and Landolt, 2000) or a consequence of other dimensions of social capital: ‘Trust …is not some universal lubricant that oils the wheels of cooperation wherever it is applied. Rather, cooperation is achieved through variety of mechanisms…Where cooperation succeeds, trust may be presumed to follow’ (Foley and Edwards 1999:162). Similarly, Putnam (cited in Newton 2001) claims ‘people who join are people who trust…the causation flows mainly from joining to trusting’, a statement applicable for developing governance. Putnam (1993) argues that spontaneous cooperation is facilitated by social capital. A substantial stock of social capital, in the form of norms of reciprocity and networks, can support voluntary cooperative problem solving. If governance is to be inclusive, then the question is how cooperation can evolve when social capital is weak. When society is pervaded by distrust or conflict, cooperative arrangements are unlikely to emerge (Baland and Platteau 1998). In this regard, Newton (2001) emphasizes that it is difficult to see how social networks can be created without trust to start with. In the specific context of this synthesis, this issue has been tackled, arguing that where distrust prevails and spontaneous cooperation is unlikely to happen, external facilitation might contribute to the creation of network.

Networks, Governance and Social Capital

In its most broaden concept, governance is based on networks. From the perspective of political science and social science, networks of individuals, groups and organizations are crucial component of new governance and social capital (Foley and Edwards 1999, Pretty and Ward 2001, Kooiman 2003, Goldsmith and Eggers 2004). Rhodes (2007:4) refers to policy networks as the ‘set of formal and informal institutional linkages between governmental and other actors structured around shared interests in public policymaking and implementation’. Thus policies emerge from the bargaining between the networks’ members’. Similarly networks in governance, serve to accomplish public goals under governmental initiatives; with requirements for clear assigned responsibilities to each partner, measurable performance goals, and structured information flow (Goldsmith and Eggers 2004:8).

Connections between individuals or groups may be of different types such as one-way or two-way communication (Castensson et al 1990, Pretty and Ward 2001). If they are long established, they might not be responsive to existing conditions or subject to regular update. In regards to the value of social capital, Pretty and Ward argue that two-way linkages are better than one-way; in which linkages subject to regular update are generally better than historically established ones; moreover, generally the more linkages the better.

While it might be expected that having more diverse ties will increase individual’s likelihood of assessing various resources, one should have in mind that there are substantial differences among networks in the sorts of resources and the character of their ties (Foley, Edwards and Diani, 2001).
Depending on their strength\textsuperscript{7}, two types of ties are usually distinguished: weak and strong. In this regard Granovetter (1973) in his early work on the strength of ties argued that weak associational links that produce thin trust constitute a powerful and enduring basis for social integration in large-scale society. In contrast Foley, Edwards and Diani (2001) argue that cases involving high-stakes collective action often depend on strong ties.

Woolcock (1998) has defined three types of networks or three types of social capital: bonding, bridging and linking. Bonding social capital or ‘within the group’ describes strong multifunctional links between people with similar objectives and is characterized by strong but localized trust within various groups. Bridging social capital or ‘between the groups’ is characterized by more cross-cutting ties and describes the capacity of such groups to make links with others that may have different views. Those ties are usually explained as weak and accompanied by thin, impersonal trust. Finally, linking social capital describes vertical hierarchical connections between different positions of power and the ability of groups to engage with external agencies, either to influence their policies or to draw on useful resources. Like Rydin and Holman (2004) state, many local levels case studies in practice are concerned with bonding social capital.

In terms of the type of social capital, this synthesis has focused on bridging and linking social capital as it is concerned with links and networks that are as well relevant components within the governance process in Honduras. Networks at national level are the linking of organisations that broaden the research perspective to a vertical dimension and do show the links between policy and implementation within the governance process. As Pennington and Rydin (2000) suggest, networks have to be analysed within the context of underlying collective action problems and the existing political and institutional arrangements in which they are embedded, including how they are interrelated and how these contexts affect the incentive structures concerned.

Governance and social capital in Honduras will be examined using bottom up and top-down approaches (Adam and Roncevic 2003 for social capital). The former refers to the study of social networks, norms and civic associations in creating social capital on the ground (strongly present in Putnam’s conceptualization), while the latter perspective focuses to the study of the role of the state in creating state-society synergy (Evans 1996). As regards to the role of state, Ostrom (1990) clearly distinguishes between the controller and the facilitator role. A facilitator state provides a supportive framework within which considerable local autonomy to individuals and groups are allowed. Such state acts as supporter to local institutional arrangements in solving collective action problems. In contrast, a controller state manages the environment itself rather then helping local communities to develop their own institutions for environmental planning. Therefore, when state is the controller, local

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\textsuperscript{7} The strength of interpersonal tie is understood here in accordance to Granovetter’s (1973) definition of the strength of a tie as a combination of the amount of time, the emotional intensity, the intimacy, and the reciprocal services which characterize the tie.
incentives are inhibited and solutions to the problems are expected to come from the top. In bringing up these terms this synthesis emphasizes on new governance and social capital in order to be able to examine the networks and the new role of the actors regarding water governance in Honduras.
4  **Policy, Politics and Regulation in Honduras Water Governance**

It is believed that in tropical countries such as Honduras water exists in enough quantities to supply all regions of the country. Considering the overall abundance of water it would seem that the country would have no problems in meeting demands for its various water uses, but the reality is quite different. Water resources still need to be managed adequately in order to reach the demands of increasing population located in main cities and settlements. Three main factors are responsible for this apparent contradiction: seasonality in supplies, quality of the water, and population distribution. Seasonality refers to the availability of water during periods of heavy rainfall or in dry seasons. The detriment of the water quality relates to the waste water and other discharges. The factor of population distribution depicts the relation of the inverse proportion of inhabitants to the location of potential availability of water. The geographical mountainous setting in areas of dense demography in Honduras also contributes to the difficulties for accessing water with the present infrastructure system. Figure 6 illustrates the population distribution and the area prioritised for development, the ‘T of development’ (Paper II).

![Figure 6 Honduras and the 'T of development'](image)

Honduras has inherited the hierarchical government approach and bureaucracy style to manage the water sector. Under this approach, the national government through SANAA has played the managing role of the water sector for more than half a century. This governmental hierarchical approach has been the predominant mode during the political life in the country to deliver public services and fulfil public policy goals. Under the PRSP strategies, the Municipal Law in 1990 brought the first step to the decentralisation process in the water sector. However, changes did not happen spontaneously after the law was enacted. It was only in the year 2000 that implementation began through initiatives of the government, financial support of international cooperation agencies, and international financial institutes such as the International Monetary Fund (IMF) and the
Figure 7 illustrates in a simplify manner the internal and external factors - the hexagons- that are affecting the governance process. The circles represent the alternatives that the future Honduran water governance will decide to consider. Politics is implied as a particular means of resolving conflict, that is, 'by compromise, conciliation and negotiation, rather than through force and naked power' (Heywood 1997).

This section analyses the dimensions for water governance proposed by Saleth and Dinar (2004), and Giordano et al (2007): (i) water law and the legal framework, what they call the governance structure, (ii) water institutional environment that includes path dependency, political, social and physical conditions; and in the governance framework in the following two sub-sections (iii) water institutions and the reform (iv) water policy and organisational power structure; and finally the (v) instruments for implementing government direct intervention and regulatory governance in Honduras.
The challenge for water institutional reform in Honduras

The implementation approach for the decentralisation strategy used in Honduras did not differ from others applied in other developing countries. The national government in Honduras has been the entity that fostered and steered the changes with the New Public Management (NPM) approach to shift from hierarchies to markets and from government to governance. The institutional change was supported by new laws such as the Framework Law for Water and Sanitation (FLWS), and the generation of new organisations, such as e.g. the Water Authority (CONASA) and the Regulatory Office (ERSAPS), with the inclusion of new participants/actors in decision making meetings.

**Linking the legal framework with governance and environment**

As mentioned earlier in the document, the decentralisation process and the shift from government to governance in Honduras, is a case of policy transfer and institutional reform initiated by developed countries to developing countries. This process is still ongoing, and the analysis of such a process has been elaborated academically with both the positive or negative results. Among the authors sharing positive outcomes for this approach are Saleth and Dinar (2004), who believe in a process of adjustment for the reform to meet the adopting realities. In this sense, the positive aspects of Honduras policy transfer has been discussed in Paper I and II, around the legal, institutional, organisational and implementation dimensions.

The legal dimension comprising laws for water sector and related sectors, has been updated (Paper II, CCAD 2007). For example, among the laws and rules related to water consumption are: the norms and legislation for standards in water quality (1995), legislation for waste water discharges (1996), and the FWLS enacted in 2003 (in CCAD 2007). Under this state modernisation approach, not only water sector laws have been updated but also other related sectors such as the: health code (1991), agricultural modernisation (1992), the law for environment (1993), sanctions and fines for non compliance to the forest law (1993), incentives for forest investment by incorporating the private sector (1994), as well as the law advocating promotion and developing public works and national infrastructure (1998) or the rules for solid waste in order not to contaminate water –among other rules for discharges-(2001), land and territorial use (2003).

This set of laws and normative rules cover the administration and procedures to deliver public services, or to facilitate the service to the users. However, the set of legislation related to the water as a resource, such as the General Water Law, are in a holding situation, affecting the resource allocation for the usage of water. Related laws are also still in elaboration such as the forest law enacted in 1961. This set of missing legislation denotes the lack of commitment for environmental issues, such as the preservation and conservation of water resources, which are still at heart of the problems. In addition, although the Water Law exists from 1927, it can
be understood that it was created under a different availability and conditions of the water resource. An environmental linkage would facilitate the elaboration of an integrated water resources management vision and a comprehensive national plan.

The process of adjustment, that Saleth and Dinar claim is a required step to achieve positive outcomes, is one of the major challenges of the decentralisation process. This adjustment could definitely influence the priorities in the government’s agenda for the water sector. Otherwise other sectors will set priorities, even though related, which are not necessarily linked to similar ones of the water sector.

Researchers disagreeing with Saleth and Dinar, like Hall and Lobina (2002), Minogue 2004, Minogue and Cariño (2004, 2006) argue that policy transfer generates counterproductive outcomes by stating that there is no possibility for the government to overcome the exogenous international pressure, and meeting adjustment requirements, thus resulting in failure. As discussed in Paper II the pre-conditions and the circumstances of the change pose several obstacles to adjust local realities to the imported policies from the start, thus resulting in failure.

**Historical institutionalism: Path dependency in Honduras?**

Honduras relates to path dependency in regards to the adoption of the modernisation of the state, as a response to the external pressure the country faces from developed countries. In the study performed in Paper V, it is manifested that the early 2000 century agricultural reform also responded to external pressures from the surrounding countries. Paper V illustrates the significant political governmental discretion that is predominant in Honduras, once the external pressure is accepted. It is likely that the consequences of such political discretion are convergent into a path dependency pattern in the manner in which policy is decided and made. The consequences of this behaviour impact the implementation process of policies and programs, and then leading to similar historical outcomes. Path dependency is identified in Honduras only with policy that is depending on the proposed reform per se, rather than with the adjustment of reform a broader context, i.e. leaving out the evaluation of participative governance on equal grounds to include the Honduran context reality in the policies and programs proposed.

The Honduran distribution of resources such as budgeting and financing has a recurrent governmental behaviour. For instance, municipalities are not receiving the amount stipulated by law to administer WSS and for the maintenance of their operations. On the other hand, SANAA, as a monolithic entity captured the control, even at the decentralisation process, by transferring its staff to new organisations, such as CONASA and the Regulatory Office.

Regional policy integration is also following the path dependency pattern in which activities in rural areas are not linked with development programs and infrastructure plans at regional level. Rural area operators are
dependent on their own efforts to manage WSS, with the support from the government materialized with technical assistance, in a program supported by international cooperation agencies.

Honduran national governmental recurrent command and control approach denotes a historical institutionalism\(^8\) e.g. as when the government decides policies of decentralisation and third party participation and finds it difficult to delegate. This pattern will continue as long as institutions and economic driving forces prevent the policy shift from hierarchical and command and control towards decentralisation and governance. Liebowitz and Margolis (1995) argue that path dependency emphasises the temporary nature of politics. Moreover, historical institution theory, like path dependency, limits the possibilities for institutional changes and creates institutional lock-in. Nevertheless, path dependency might be locked up, as the recent experience of the Bolivian case witnessed; the traditional governmental behaviour for policy decision making was changed with the outburst of the Cochabamba water struggle in 2000.

Previous attempts to the WIR, created institutions with the purpose ‘to adjust to emerging market conditions’ (Mahoney 2001). The pressure and demands to build popular institutions were present at the start of the agricultural and water reforms in Honduras. However, the reforms have not influenced the grassroots actors or even the ones implementing the reform. In consequence institutions did not develop in strength. The liberal and neo-liberal reforms analysed in Paper V do not have a common goal. Contrary to the former, WIR in its neo-liberal reform approach intended to create decentralization. However, a common circumstance with the former liberal agricultural reform is the existing managerial decentralization already in place at the onset of the reforms. Grassroots had developed without government intervention administrative and managerial capabilities. In the WIR case, the informal decentralization process began ahead of the reform process. The reasons for a non operational centralized state are of demographical and geographical nature. They contributed to make decentralization a natural option (Mahoney 2001, Torres et al, 2002). Back from the beginning of the twentieth century until our days, towns and villages were very sparsely distributed, because of the mountainous areas; consequently, the population was quite dispersed, which Guevara Escudero (1983) called ‘hermit societies’. In fact, the national government was completely absent in most places (Torres et al, 2002). Honduras situation is not an atypical case, Castañeda (2007) also describes the existence of villages under similar conditions in Guatemala.

This disconnection of coordination has given a high degree of autonomy to local governments and operators, mainly CBOs. In the absence of local governments, Juntas de Agua, community based organisations (CBOs) to deliver water, have evolved into effective local informal institutions that in

\(^8\) Historical institutionalism sees formal and informal rules that provide the structure and contexts that shape actor’s behaviour (Steinmo et al, 1992).
time found in SANAA its technical supporter with the financial help of cooperation agencies. Juntas de Agua have organised themselves since the first agricultural reform, and possibly even earlier. They compensated the lack of local authorities, which left a weak state power, without demand to develop. Before the WIR, the role of the state was reduced to perform macroeconomic strategies following the external pressure to increment economical growth country wise, measures that did not have real connections with local levels of governments. During the WIR, local governments are supposed to assume the administration, delivering and monitoring of Juntas de Agua.

Thus, the challenge with decentralization nowadays is to develop the interaction and linkage among all actors, especially the linkage of local actors with local and national governments. Institutional lock-in can be reverted, if the institutions created for the WIR are used for the purpose they were created with the vision to generate a participative governance and a debate space in order to improve the water delivery service and management of the water sector.

**Water institutions and the reform**

The institutional reform and policy transfer literature emphasizes the importance of the policy transfer motives, i.e. ‘why and who wants it, because they shape what we will be looking for’ (Dolowitz, 2003). In the case of Honduras, as we explained previously, the decentralisation approach was part of the conditional ties for financial assistance under the Heavily Indebted Poor Country (HIPC) Program, promoted by the International Monetary Fund and the World Bank. Under the argument used for a need to coordinate the efforts from government and donors to deliver financial aid, a task that apparently governments in developing countries had failed previously (Tropp 2007). Under these conditions, the shape of institutions is defined under a standard model that does not consider the pioneers, the social capital for WSS in rural areas (Paper II, III).

The purpose of the Honduran Water Institutional Reform (WIR) is to achieve an administrative reform with the characteristic of a discontinuity from the traditional concept of administration; a discontinuation that implies an administration as an open and diverse system, beyond technical adjustments, and which includes its political and societal dimensions (World Bank 2001, Echebarria 2006, RH 2005b)). In this sense, discontinuity is taken away the administration concept from its traditional restrictive meaning, in which changes are linked to a physical, organisational and technical renewal, without a real institutional change.

As already seen, legal instruments have been enacted for the purpose. However, changes are not spontaneous, even though the state is restructuring its web/network. The WIR searches after the alteration of the Honduran rationale, of the character of its reality attempting to establish a new set of values and principles to change significantly actor’s behaviour. This alteration needs obviously a transition period. Moreover, in the
attempt to give priority to the market, the WIR strives to alter the organisation, the mechanisms for assigning the resource, the relationship with other actors and not only within governmental actors.

This approach thus focuses on institutional reform rather than on public action content, redefining aims, objectives, scope and time features, i.e. a substantial reform (Echebarria 2003). The limited and selective participation of actors in the WIR process denoted the NPM guidelines of action, where the government still is steering the reform without consensus, and expecting other actors to ‘row’ in later stages of the process (Majone 1999, Pollit and Bouckaert 2000, Heywood 2002). As a result, the water institutional reform in Honduras encountered setbacks at the time of implementation because of: outcomes on the macroeconomic reform not being visible within the domestic context, the reluctance to cooperate with new operational actors such as CBOs and trade unions. The trade unions are strong lobbyists in the political life of Honduras, who were not given the opportunity to participate in previous stages of the WIR (elaborated in Papers III and IV). Already Stiglitz (1998) mentions the need for a second generation of reforms in order to face the challenge of an institutional renovation, which addresses the question of how much and what type of a consensus should be allowed?

Features attributed to governmental steering, which have been present the last fifty years to manage the water sector in Honduras, were to be replaced with the features of governance, a concept which in its principle form implies more participatory and consultation in policy and implementation decision making, as well as the inclusion of informal actors (Kooiman 1999). In general, actors were not prepared to accept the full meaning of the concept at the time for the implementation. The lack of transition time to shift from government to governance was not given, and thus did neither allow authorities, governmental bodies nor civil society and its organisations to assimilate the new opportunities of the governance system. Water governance could still take advantage of the instruments and procedures, and thus the system be transformed according to the Honduran reality and context. Therefore, it could contribute with the improvement of water management and deliver water to all, as well as to investigate constraints that the change from government to governance implies. Already De Soto (2000) claimed that the period imposing to developing countries to level up with new regimes coming from developed countries was not comparable with the longer period that developed countries took to create and assimilate their own system.

The WIR process faces a limitation of time, asymmetry of information among the actors, confusion of roles among the old and new organisations due to an overlap of functions, among others. These features are among the NPM criticisms, for NPM is a private managerial approach that focuses on results, networks, in which no one actor is responsible for an outcome (Rhodes, 1997). However in Honduras, existing formal and informal institutions, e.g. Municipality/SANAA-Juntas de Agua, and new arenas for debate, e.g. the WST, could lead the WIR process in Honduras towards the path of governance. Linking institutions with networks is the second phase
of governance. These networks need the trust to build participatory discussions in order to allow negotiations and political bargaining at all levels of governance. Ultimately, negotiations should benefit the management of the water sector. In addition all these new organisations and networks need to entail transaction costs, an issue recognised as very relevant, but not detailed in this synthesis.

**Water organisations, power and social capital within water governance**

An Organisation has power, relative to an element of its task environment, to the extent that the organisation has the capacity to satisfy needs of that element and to the extent that the organisation monopolises that capacity' (Thompson 1967 in Rhodes 2007:4).

Among the common and more critical challenges for the shift from government to water governance in Honduras are the delegation of responsibilities and the discretion granted to the new organisations directly involved. Following the NPM approach, the government is steering the decision-making procedures in a highly centralised process. The challenge of delegating responsibilities with the support of appropriate resources such as financial and expertise capacities has proved difficult. The shift from hierarchies to markets, which represents NPM, has characterised the first phase by fragmenting the solely entity responsible for the administration and operational duties, SANAA. This phase of the process has been legally validated under the legal framework, previously examined. However, even though it is legitimized, the delegation of responsibilities has not reached full implementation. Figure 8 illustrates the political and organizational structure of the water sector before the adoption of the NPM, one mega institution as SANAA was in charge of all functions. Figure 9 shows the transition period after the WIR, where the presence of SANAA is still strong.

![Figure 8: Political structure of the water sector before the WIR](image-url)
Delegation and discretion vs. governmental bureaucracy: Delegation and discretion has been performed in Honduras through the fragmentation of the water public sector to newly created organisations. This proceeding is a common feature in NPM and new governance approaches for reforming the public sector administration. Fragmenting SANAA has meant the creation of more new governmental dependant organisations, which are as well governmental entities that gradually are assuming their responsibilities with the support of SANAA’s professional expertise.

Delegation and discretion play a vital role in the municipalisation process. Two different cities present different approaches to the delegation of responsibilities in Honduras, Tegucigalpa and San Pedro Sula, the main cities in the country. In Tegucigalpa, the negotiations for delegating responsibilities are not completed at the moment of the elaboration of this synthesis. Nevertheless, the problem behind the scene can be explained as a vicious circle in which capabilities and financial resources, power and politics prevent the transfer to continue. SANAA is in charge of the aqueducts and reservoirs, which bring a great deal of the revenues to the agency, and prevents SANAA to transfer their management and operation.

Table 5 illustrates the functions delegated from SANAA to other organizations while still performing relevant tasks in the water sector of Honduras. New functions for the newly created organisations or future operators are also shown in the table.
Table 5  Responsibilities of water organisations during the WIR
Source: Adapted from Sanaa DIAT

<table>
<thead>
<tr>
<th>Organisation Function</th>
<th>CONASA</th>
<th>ERSAPS</th>
<th>Sanaa</th>
<th>Municipality</th>
<th>Operator</th>
<th>Junta de Agua</th>
<th>Municipal Control</th>
<th>NGO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning &amp; Coordinaton</td>
<td>E1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operation</td>
<td></td>
<td>E3</td>
<td></td>
<td>E1, E2, or E7</td>
<td>E6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design and Construction</td>
<td>R</td>
<td>E4</td>
<td>E2</td>
<td>E1, E2, or E7</td>
<td>E6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulation</td>
<td>E1</td>
<td>E5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vigilance</td>
<td>E1</td>
<td>E1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical Assistance</td>
<td>R</td>
<td>E1</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td>E2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conflict resolution</td>
<td>E1</td>
<td>E8</td>
<td>A</td>
<td>A</td>
<td>A</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The reservoirs represent the main sources of water. SANAA has already delegated functions and discretion to municipalities in most of the country, except Tegucigalpa, which owns the biggest sources of water. On the other hand, municipalities do not count with enough financial means on their own, and expertise to create a new whole water department in charge of WSS. Therefore, SANAA argues not to hand in all the assets due to lack of capability and organisation at the municipality level, especially Tegucigalpa, as the most known case.

On the contrary, San Pedro Sula faces different constraints. Under the NPM approach the WSS was given in concession to a Aguas de San Pedro (ASP), an Italian led private firm, for 30 years in the year 2000. Two main administrative-operative characteristics surrounded the concession, which are criticised as common denominators in NPM implementation cases. First, the expertise hired by ASP was professionals trained by SANAA. Secondly, a regulatory entity to monitor the regulatee (operator) was missing. Minogue and Carriño (2006) described the typical conditions of developing countries as an ‘incomplete and faltering process’ at the time in which the NPM approach is implemented. On the positive individual side, the satisfaction of the ASP employees regarding working environment (personal communication at ASP with employees) is quite positive, and the concession contract has given professional incentives to improve the careers, which the staff did not find easy, when working at governmental organisations.

Figure 10 depicts the organization of the water sector before the WIR and Figure 11 illustrates the new organizations for the water sector in this transition towards new governance.
Figure 10 Water Sector Organisation before the WIR (Paper I)

Figure 11 Proposed Water Sector Organisation after the WIR
Discretion has been given to local urban and rural municipalities. Local authorities are dealing now with capacity building helped sometimes by cooperation agencies to overcome this setback. In rural areas, the system is better organised due to the Juntas de Agua, settled long ago. Municipalities are gradually integrating informal actors into their administrative system. These grassroots organisations are self-organised, and the discretion upon their agenda is well established. From the national to the municipal level, enabling discretion finds its constraint in the political hierarchy and political ruling parties running the positions. Elections for municipality’s representatives are independent from national elections, which pose constraint for the steering government, if the elected mayor is from a different ruling party.

Later on, the separation of the legal system highlights the relevant role of administrators in the process (Wilks, 2001). Capacity and discretion have proved successful in the UK system according to Wilks (2001), but it is questionable if UK conditions could be applied on the Honduras situation.

**Fragmentation of governmental organisations and participative governance:** The fragmentation of water organisations in Honduras as a mean of NPM is facing external pressures for its completion. However, the governmental bureaucracy characterised by authority and rules (Rhodes 2007), has not shift the hierarchical attitude towards a negotiation attitude, proper of a more new governance scheme, nor to a steering scheme. In fact, the Honduran government finds constraints to overcome the existing path dependency in its bureaucracy. Fragmenting water organisations as the first phase has already found detractors, as trust was not present. The second phase of network governance is to seek the improvement of interaction and coordination among these new organisations, which are the products of the fragmentation.

Fragmentation in governance does not mean to narrow the functions strictly. In order to achieve the goals of public service at the implementation phase, it is necessary to coordinate and interact, and to network with each of the formal and informal organisations in the scene, because ‘any organisation is dependent upon other organisations for resources’ (Rhodes 2007:5). An inclusive networking brings the opportunity for participation and cooperation with one another. The central role of the government is to foster and create pressure for this coordination and networking to happen. The process of fragmenting organisations in Honduras is denoted by the predominance of the government and the SANAA political power. There are reasonable motives such as the problem of find professional managerial expertise, and lack of funding for paying the transaction costs to innovate and create a new organization within municipalities. Figure 12 illustrates the functions that SANAA is delegating and the new organizations created for the purpose.
One well-known criticism of networking governance is the creation of even more governmental bureaucracy, regulation and networking, with the paradox of marketisation being the generator of more bureaucracy than what it is supposed to replace. However, on a positive side, creating new networks and increasing membership of existing networks, calls for a more inclusive and capable membership rather than follow a traditional exclusive decision making elite. Nonetheless, the government can also set the limits to network actions (Rhodes 2007) with criteria elaborated for the purpose such as capability, knowledge, and experience.

Honduras NPM approach is inserting elements from the network governance approach, especially in the participatory dimension. However, detractors for water governance believe that the NPM approach and the Honduran WIR has stimulated and created opportunities for international private firms to operate the water system of major cities (Hall and Lobina 2002). In general literature against a “privatised “decentralisation, denotes that the presence of the private sector, exclude local intervention and truncate participation incentives, which do not alleviate the problem for WSS. It is important to note that the municipalisation process is not complete, and therefore, concessions to third parties are not a common denominator in Honduras with the exception of ASP. The market is mainly found among local domestic informal operators.
Three main issues are at stake and relevant for the organisational debate: (i) the majority of urban and peri-urban areas are not served fully with access to water and sanitation neither by the public nor private sector; (ii) local firms might have less opportunity to deliver WSS if international-led competition is fostered; (iii) the reluctance to adapt/obey is also a response of rent-seeking in the bureaucratic sector.

Among the three debates the third one is the most critical to overcome at the moment in the Honduran WIR. This issue claims for the need of a transition time required to assimilate the concepts in order to detach from the traditional approach. The former two debates are in the hands of the regulator, local enterprises, and informal local actors that have not been included in the decentralisation process even though they already have the expertise to deal with the task.

The debate of the SANAA fragmentation, as the main exam WIR, goes between the distribution of functions to the same sort of organisation and the innovative creation of new organisations. Up to now the process of fragmentation is in the upper hands, and so far the organisational structure follows the same pattern as the traditional ones.

Governance, social capital, trust and networks: On of the positive actions, the reform includes participation, namely WST in CONASA, giving light to the participative governance approach from the 'top-down' perspective. The success of this approach will depend on the criteria that civil society could negotiate from the level of its participation in the discussions, and on the decision level departing from the agenda setting. Among the actors; governmental officials, professionals, civil society representatives, there is an awareness regarding asymmetry of information. Thus, there is a need to balance efforts in order to find a common level of interaction among all actors. The 'top-down' perspective, 'linking' (in the Putnam’s sense) upper hands with the grassroots is an effort accredited to the Water Platform (UNDP) that should find grounds to continue in the effort. The first civil society representative at the WST was the Red for Water and Sanitation- Honduras (Ras-Hon); the opportunity to change representatives gives a wide margin for the civil society to set up their own designation criteria.

From the 'bottom-up' perspective, Oström (1990) writing about collective action as well as Putnam (1993) and Fukuyama (1995), have claimed that efforts must address a common set of problems, emphasizing commitment, trust, communication, and monitoring. These are efforts that the Juntas de Agua in Honduras have developed along the years. They have established an organisation pattern that has been evolved in conjunction with SANAA. However, the commitment, trust and communication efforts are purely the result from the community efforts. Besides bonding inside their organisation itself, Juntas de Agua are networking with other organisations in order to fulfil their goal to get access to water, i.e. the horizontal networks. Thus 'bridging', are set up with other CBOs with
direct communication with municipalities from which they find some financial and legal support.

The ‘linking’ vertical network of Juntas de Agua is existent only with SANAA, as for technical support. Juntas de Agua, born in the grassroots and worked from the ‘bottom up’ perspective, seek for a linking approach that has been delayed. One of the apparent reasons is the informal empowerment that water organisation could achieve voluntarily or involuntarily. Local governments concern could be supported by looking at cases like Cochabamba, Bolivia. There water associations have detached from municipalities and have their own independent informal organisations, which do not depend financially and politically from local governments. A negative consequence is reflected in the delays and difficulties to implement integrative and cohesive planning efforts at municipal level due to the many different neighbourhood water associations that cannot decide on common grounds (Phumpiu 2008).

The decentralisation approach have initiated and fostered new vertical linkages between Juntas de Agua and local governments. The purpose for this closeness is to seek collaboration between the local administration and the Juntas de Agua, as a way of formalising these latter organisations. The administrative transparency goal with this collaboration is expected to be both ways, an outcome to be proven in the near future.

**Figure 13  Networking of main actors at the beginning of the WIR**

The attitudes and behaviour is related to new relationships that have expanded since there are more organisations in place. Figure 13 illustrates the old and new relationship with the addition of ‘spaces for dialogue’ or for consultation. The scheme represents governmental and community sectors and the character of the relationship. Actors such as the trade union and CBOs, which have a strong presence, do not interact at this level with the organizations of the government.
The proposed system is illustrated in Figure 14, in which SANAA has delegated all functions: the state tasks for coordinate and direct the water sector is responsibility of CONASA, the regulation delegated to ERSAPS, and the operation to local organizations.

The challenge for the WIR in Honduras is to overcome patterns of behaviour that have prevailed, thus gradually taken away the exclusiveness for participation, and parallel to create incentive for capacity building for all actors, and not only civil society. This challenge extends to the significant issue of achieving balance between participation and decision-making, having in mind that the state government plays a central role in water governance.

**Command and control vs. the new regulation: the political transition?**

The Honduras state has the leading position in decision making for water allocation and WSS, as the hierarchical national water agency, SANAA, was the responsible entity for the water sector as a whole. The traditional concerns for SANAA were to maintain institutional dynamics, decision making for priorities and programs, balanced organisational structures with budget constraints assigned by the state government, internal dynamics such as negotiating with the water trade union. External relationships were limited to Juntas de Agua with technical support in agreement with donors for earmarked programs, especially those located in peri-urban and rural areas. The NPM approach proposed and implemented in Honduras was by and large against principles of hierarchical control, and instead suggested a more flexible subsidiary approach, which goes in hands with the NMP marketing ambitions. Therefore, municipalities are politically responsible for improving results, that are measured according to third parties performance e.g. Juntas de Agua or whatever local private sector providers. Thus, the management control is escaping from municipality’s hands, if there are not enough expertise and financial resources to control and
monitor third parties. Tegucigalpa is the exception, where SANAA is still steering the decision-making, while the delegation of functions to municipalities has been gradually and politically postponed (Paper II). The different political affiliation of the municipal representatives is implicitly recognised as one of the relevant ‘constraints’ for the government to delegate and grant discretionary powers. Other reasons in regards to implementation are the insufficient financial status of municipalities, and the need for capacity building at both administration and operative levels.

In regards to a professional and operative expertise, decentralisation in Honduras did not contemplate the relocation of water trade union workers (Sitrásanaays). In principle, municipalities with their own agenda and personnel are not willing to accept transferred staff from the state governmental public agencies. Difficulties in the negotiations are also one of the reasons for which the process has been delayed. The municipalities need to acquire operative expertise in short-time, induced them to finalise negotiations and accept only the water workers at the operation level.

In general, command and control, in a society that fostered obedience to command, makes it difficult to pass the barrier of delegation. In Honduras large scale social exclusion was practised in previous agricultural reform (Paper V), often with the collusion of the state (Moran 2000, Mahoney 2001). These attitudes are reflected in the institutional and organisational structure we see today. The legal framework does not embrace a comprehensive approach and only deal with the actors at the medium level such as the providers, but the decision level is still in the upper hands despite of the decentralisation. The creation of CONASA and ERSAPS, as the leaders for the new organisation, brings new elements for the change. However they are also directly dependant of the state government at the moment. At the positive side, participation is included in the internal organisation of CONASA in an attempt to include forgotten actors in the process for development. This could be an indication to open up towards the new governance that needs to be fostered, if to avoid failed efforts that were not adequately implemented.

The independence from political pressure, transparency and accountability.

New governmental organisations in Honduras face the challenge of deciding between governance with a steering government, i.e. NPM approach (Heywood 2002), or on a networking governance, i.e. new governance approach. The latter challenges for an innovative internal organisation and detach from the old organisations. Both approaches, NPM and the new governance, imply a considerable move in the organisational structure of the Honduran state government.

In principle the NPM and the governance approach opens up to new regulation in order to face the emergence of new non-governmental actors, products of the fragmentation process and other third parties (Heywood 2002, Minogue and Cariño 2006). The need for generating ways to create incentive, and to monitor and evaluate actor’s performance is supposed to
be fulfilled with the creation of ERSAPS. It was created as a body of the Health Ministry and thus budget-dependant of a state government entity.

Within the organisational spectrum that includes central government, local government, formal and informal civil society bodies, the short term goal focuses on communication and building trust. Trust is not attainable in a short term period. However it is important at this stage of networking formation to expose interests and attitudes to later conform a common ground (Goldsmith and Eggers 2004) for implementation in the Honduran water sector. This line of thought has been understood by organisations that have created spaces for dialogue at different levels, e.g. UNDP and the Water and Sanitation Program from the World Bank (PAS). In addition, transparency in communication and facilitators from inside or outside the organisation are in need to close the gap between grassroots and governmental entities that prevail from the hierarchical government (Rydin et al 2003). Participation is one of the instruments to close this gap, another one is to bring an independent regulatory office to support and incentive WSS supplying actors.

ERSAPS might assume the purpose to close the upper hands with the grassroots gaps, depending on the chosen line of action. The direct inheritance of SANAA duties could narrow its line of actions such as tariffs settings, legislation and communication with consumers, among others. The resources attained to the creation of the organisation could also narrow down the scope of action to ‘ruling’ and prevent ERSAPS to broaden its expansion to the notion of balancing incentives, and ruling the actors in the water sector.

The most well-known ERSAPS’ task as for tariff setting had previously required the approval of the National Supervisory Commission, which most thought it was a SANAA’s decision (from data from the informal conversations and focus groups taken in 2004). SANAA is an autonomous organisation, however dependant and subsidised heavily by the state government. ERSAPS is now taking the duty of negotiations and decisions over tariff setting together with the central government. The scope of action can further broaden to design incentives for new providers, legalize informal behaviour such as the one performed by the Juntas de Agua and the truck vendors (Paper III), extend resources to achieve a closer ERSAPS-consumer relationship in order to have feedback and include those in their agenda, as well as to achieve an ideal information database that helps to monitor and follow up activities in the water sector. In practice, ERSAPS at the end of the day lack clarity due to discretion powers to perform its duties. This is a product of the inheritance of duties and vision from an agency that depended directly from the state government.

Transparency and accountability are at the eye of the storm in a country like Honduras. The National Anti-Corruption Council said that Honduras loses at least $526.3 million annually to corruption (February, 2007). There is a perception of widespread public corruption in Honduras. As Seligson (2001) reports corruption is difficult to overcome. However, the inclusion
of non governmental actors enlightens the path for more communication in order to decrease the asymmetry of information among consumers, providers and decision-making actors. In this challenge actors have the duty to reconsider changes in their attitudes towards the rest of actors in order to achieve a win win situation under these new conditions of change, which are quite different from their traditional behaviour.

The fear to end up in the same situations, which lead Europe towards deregulation, it is thought to be avoided by taking the lead in the decentralisation strategy through new governance approaches that have a wider perspective than the NPM applied in Honduras. An excerpt referring to the US situation by Moran (2002) states: ‘the failure of regulation by public ownership explains the shift to an alternative mode of control whereby public utilities deemed to affect the public interest are left in private hands, but are subject to rules developed and enforced by specialised agencies’.

Water governance is about effectively implementing socially acceptable water allocation and regulation, and is thus intensely political (Rogers and Hall, 2003:4). Governance is about institutions, organisations, regulation, politics and social context. Definitely regulation tends to be highly political, however, failure or success of governance depends also on the regulator performance to carry on the process (Minogue, 2004; Wilks, 2001). As part of the networking governance approach regulators can play a significant role depending on the capacity and discretion granted to perform their task. In the end, policies emerge from the bargaining between the network’s members (Rhodes et al 2006). The idea of governance has not only broadened the focus for networking, but also introduced perspectives such as privatisation that has not been well received in Latin America, which includes Honduras. In fact, the new governance instead has shifted the attention of decision making from governments and internal public agencies towards new actors.

**Impacts of the decentralisation and governance approach: Overview of the local reality in a regional context**

One of the main impacts of decentralisation towards development in Honduras is the imposed economic agenda imposed on developing countries at the macroeconomic level. With the pressure for increasing a macroeconomic stabilisation, economic efforts have been oriented to fiscal adjustments that had effects on the country economic life, but no economic improvements at local levels, as they are not primarily intended to create substantive economical change at the microeconomic level (Paper II). In parallel, the institutional change demanded due to the external international pressure had to be set up in a short term period, a process that for developed countries has taken several decades (Paper II).

Governmental institution and organisation building is the main component of the Honduran reform, which is facing the struggle of assimilating the notion of governance and the issuing of new water legislation. In an attempt to discover the reasons for political behaviour, the comparison of
reforms in Honduras revealed a pattern of path dependency in the implementation of the reforms in Honduras (Paper V). The Honduran water sector is gradually relating with other sectors to compose a comprehensive national plan to modernise the state, so then turning into a subset of a country’s general governance system, an arena where various actors relate to each other as Rogers & Hall (2003) claim. On the other hand, the inclusion of a third party, the principal characteristic of governance, is at debate since not few actors criticised the delegation and discretion that third parties could be entitled for managing water. Moreover, the obstacles of the government to balance the asymmetry of information, technology and budget make the state or municipal governmental monitoring task even more difficult.

At a more local level in the process towards governance, the identification of formal and informal actors has high relevance in their gradual insertion in the process through creating spaces of dialogue.

This synthesis rests on the assumption that under public control, i.e. by the control of democratically elected politicians, all actors are able to play roles in harmonizing conflicts between private and social interests, and provide a socially and environmentally optimal direction for WSS, and consequently guide society towards development. SANAA is retaining the allocation of water resources in its hands, which is justified under the fact that municipalities or other already established organisation do not count with the expertise or resources. However, the openness claimed to be a central part of governance through the interaction and coordination of all actors is blurred. The transfer of information, a crucial stage, is performed with distrust among the actors. Participation gets some positive outcomes with the creation arenas for dialogue and debate. This attempt is praiseworthy considering that such spaces have not existed in Honduras earlier. However, still much work is needed to carefully plan the implementation agenda in order to equal the knowledge at different participation levels through capacity building or other mechanisms in order to have a valuable outcome.

If Honduras should choose the regulatory governance scheme, all relevant actors should also be involved; when the state is not any longer the absolute player, but a relevant one. The notion of ‘regulatory space’ by Scott (2001), as an alternative to command and control regulation, gives much more space to the government to act and to draw on the context of Honduras. The special context of Honduras with grassroots organisations solving the problems at the field and somehow supported by governmental organisations are to be highlighted in the process towards governance.
5 Concluding Discussion

Issues and concerns for water governance in Honduras

As the reader may know now, the debate on the water sector management in Honduras is centred on the shift from a command and control regulatory mode to a regulatory governance mode. This synthesis suggests that while new governance might have been legitimately approved and ‘officially’ adopted, the practice still follows the government approach. The situation at present has not changed much from what had been described in previous policy and implementation reforms. Honduras is facing two critical problems, the governance structures are weak and they are fragmented.

As long as governance refers to the boundaries between public, private and voluntary sectors, in which networking is the key component, the relationship among the old and new actors in the Honduran water governance to reach the public goal is of vital importance. The decentralisation and fragmentation have been the basis for the transformation proposed in this Central American country, in a process in which the actors are interdependent. They need to interchange resources and skills from each other. At the same time the government is granting discretion to these actors according to the chosen regulatory governance strategy. The next paragraphs expose to issues and concerns that arise from the Honduran transition from government to governance.

Institutions of water governance and the reality in Honduras

The issues that dominate the debate upon the decentralisation through the municipalisation of the water sector in Honduras are: (i) a complete set of legislation that validate the governance comprehensively, (ii) redistribution of power and resources, (iii) process of negotiation, (iv) institutional adaptation and reference to path dependency and lock-in.

The transition process towards governance in Honduras faces the socio-economical and political reality. Among the Honduran facts that constitute an obstacle for the governance process, the following are of importance: (i) the lack of institutional memory, changeable along the election periods, (ii) the limited internal capacity to generate financial resources, thus dependency of external aid; (iii) earlier state approaches prioritised social agendas; (iv) distrust of national and local government as managers and providers.

The concerns are centred in the decentralization frame under an implementation scheme that does not account with the legal, human and economic resources to be fully applied in practice. The administration and implementation shift from a mega institution such as SANAA to new institutions, has proved difficult in a context of lacking professional expertise and financial resources. The governance approach attempts to apply a model based on sectors that are interlinked and attempts to cover issues of decentralisation, institutionalism, regulation, planning, and municipal strength. The implementation of these issues with an incomplete legal and institutional support is a matter of serious concern.
The questions that arise from the present situation are related to the type of governance that Honduras is opting or would be most suitable for them to opt. The decentralisation option was obviously not a consensual choice, reflected in the actor’s attitudes toward it. For that reason they are reticent to implement the laws. Thus, there is the need to balance and adjust the model chosen by Honduras politicians by further embracing Honduras strengths and own characteristics as the ‘regulatory space’ proposed by Scott (2001). If not, the choice of ‘steering’ government, such as the meta-governance of Kooiman (2003), can open alternatives for new organisations taking into consideration the hierarchical Honduras context. The notion of meta-governance emphasizes the role of the government as central to set up the rules of the game, and the dependant networks are the ones steering the overall process of coordination.

Without a constant evolution the process for change is fragmented and piecemeal and governed by the mercy of politicians and exogenous pressures denoting the existence of weak institutions. Thus, the creation of new organisations needs to be considered in detail to avoid a lock-in of governmental weak institutions. WIR has to promote the development of state institutions that facilitates the interactions of actors resulting in policy decisions. These interactions are rooted in network’s trust and diplomacy which are main characteristics of networks.

**Implementation Design: Planning from bottom up and scaling up**

The planning sector at national level was abolished in the 1970s. Thus, instead piecemeal planning is performed in each organisation of each sector. What is of concern is the need for an overall and holistic planning for the utility in order to attain the public goal of provision basic services to all. Environmental consideration might as well be included in this holistic planning, for which the water sector could be represented by the existing integrated water resources management (IWRM), committees.

Another concern in establishing a water governance approach in Honduras is the inclusion of actors that feel unrepresented in the water management process such as community efforts like the ones promoted for IWRM and Juntas de Agua. These organisations represent the strength of the operational force in rural and peri-urban areas. They constitute potential active participants that can extend networks and contribute with their experience to build new ways for governance.

At local level, problems that local governments face are interrelated; nevertheless a piecemeal planning and overlapping solutions are pushed forward to community groups, non-profit entities (NGOs), local private companies for solutions, implementation and delivery, despite of planning being one of the instruments recommended to enhance by international organisations in order to achieve compliance for the MDGs.

Networking within planning is an efficient tool to coordinate vertical and horizontal linkages, to ‘link’ and ‘bridge’. One of the concerns to achieve governance attains the regional territorial approach. Honduras is a country with a diverse geography in which every territory needs to be reached, in
order to take advantage of its economic potential and to foster social integration.

Honduras social advantages are the existence of grassroots movements and the recent generation of spaces for social dialogue. These groups and spaces could help to make local and regional institutions interact and create networks. They could initiate the building of an environment for transparency and accountability, which in Honduras is a critical constraint. These organisations and spaces could as well foster the development of the local civil society to get access to water. New Governance is advocated to bring in collaboration and networks, in which public action is the basis for their success.

However, the bottom-up approach encounters constraints upon the possibility of scaling up. The issues of concern are: (i) capacity to overcome more complex interrelationships at all ‘linking’ levels, (ii) building trust at vertical level involves more social issues than at horizontal level. Scaling up bottom up approaches should be taken carefully in Honduras, a country with many inequalities, (iii) conciliation of power among the actors.

In order to obtain an overall picture of the governance approach from policy making to the implementation phase, as a summary, the characteristics of the main water governance components i.e. regulatory governance framework, implementation structures and implementation design in Honduras are assessed and illustrated in Table 6a-b-c.

Table 6  Analysis of regulatory water governance in Honduras

<table>
<thead>
<tr>
<th>a. Regulatory Governance Framework</th>
<th>Status</th>
<th>Description</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Frameworks</td>
<td>Active</td>
<td>Strong foundation</td>
<td>Establish clear role for state governmental actors within governance (FLWS).</td>
</tr>
<tr>
<td>Legal Framework</td>
<td>Passive</td>
<td>Weak</td>
<td>Laws for allocation of water are not defined (GWL).</td>
</tr>
<tr>
<td>Water Legislation (rules, norms, standards)</td>
<td>Active</td>
<td>Strong</td>
<td>Water laws and legislation and some related sectors have been enacted.</td>
</tr>
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</table>
### b. Implementation Structures

<table>
<thead>
<tr>
<th>Issue</th>
<th>Status</th>
<th>Description</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Structures</td>
<td>Formal</td>
<td>Explicit recognition</td>
<td>Water legislation is given clear legal basis but incomplete.</td>
</tr>
<tr>
<td>Institutional Structures</td>
<td>Organic</td>
<td>Implicit requirements</td>
<td>Standard requirements are incomplete such as the quality of water for consumption and the quality control is not assured.</td>
</tr>
<tr>
<td>Resource Structures</td>
<td>Inadequate</td>
<td>Inappropriate capacities</td>
<td>The verifier/monitor does not have access to staff with appropriate expertise or adequate facilities.</td>
</tr>
</tbody>
</table>

### c. Implementation Styles

<table>
<thead>
<tr>
<th>Issue</th>
<th>Status</th>
<th>Description</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design styles</td>
<td>Systems</td>
<td>Focus on management</td>
<td>Emphasis placed on the evolution of processes.</td>
</tr>
<tr>
<td>Delivery Styles</td>
<td>Arms-length</td>
<td>Extensive relationship</td>
<td>The relationship is likely to be bureaucratic.</td>
</tr>
<tr>
<td>Enforcement Styles</td>
<td>Litigious</td>
<td>Adversarial relationship</td>
<td>Based on sanctions and fines, do not conciliate with the user or actors.</td>
</tr>
</tbody>
</table>

**The inclusion of actors through participative networking governance**

Public participation has been one of the most emphasised issues since the 1980s. It became one of the requirements for approval of projects funded internationally in Honduras. Participative governance requires symmetry of information in order to achieve a productive outcome. Otherwise the result could be lack of participation or contradictory feedbacks that could risk achieving consensus in the decision making-process and implementation activities.

Participative governance has been addressed to avoid social exclusion. The dangers that participation pose are related to the fear to turn participation in a populistic rethoric used by politicians to gain electors, acceptability of participation at a certain period in time, i.e. it is fashionable to include. However, with time, the inclusion of participation adds legitimacy to the process, but still quite often the outcomes are rather symbolic. For instance, participation has not brought much of a difference in decision-
making at the consultations for the FLWS and the GWL. Moreover, it had little impact on the established dynamics of power vested by the government. Participation in these circumstances has resulted in detriment of the initial trust.

The concern at including participation rises the question of the nature of the participation: (i) how much participation should be included, and (ii) at which stage to call for participation.

As said several times in this synthesis, the social capital in Honduras is quite active at grassroots and only within horizontal levels. In peri-urban and rural areas, social capital plays a relevant role in managing and supplying water. Interactions and institutional arrangements across levels are almost non-existent. Social capital is quite different in peri-urban with the active Juntas de Agua, compared to urban areas where social capital does not constitute a way to manifest participation itself.

Undefined concepts of participation limit their advantages. For instance, the definition of the constitution of the civil society to participate is vague. Eligibility to and the level of participation, and in which stage of the process participation could be included is also obscure. It seems that Honduras opportunities might be opened by two fronts: the international community with Water Platform and IWRM, and the government with the WST.

On the other hand, the risk for the spinocracy is at stake, when the Strategic Plan for the Modernisation of the Water and Sanitation Sector (PEMAPS) uses data to favour its own discourse on what it would like to achieve. PEMAPS proposal (in CONASA 2005) is arguable since it is elaborated with the support of the Public-Private Infrastructure Advisory Facility and the World Bank. Members of the Honduran scientific and political networks agree that this collaboration gives grounds to confirm Minogue’s (2004) argument that proposals by IMF contribute to the failing decentralisation process and WIR, and that adopting countries ‘follows the path of industrialized economies’; where these processes had generated different processes and results, that not always pleased politicians and locals (Minogue, 2006). In Honduras, the collaboration/consultation has not contributed to clarify the debate.

As a remark, WIR refers to both water and sanitation. In Honduras, the management systems for urban water have always officially been associated to the sanitation management. Nevertheless sanitation has been neglected in improvement programs due to financial and capacities reasons. According to the WSFL, as well as water, sanitation is entitled to get expansion in the sewage system and to obtain strength in governance. It is important to highlight the relevance of this negation since both systems are managed by the same laws, and the focus of the reform is mainly in the water sector. So what is the future for sanitation under this spiderweb?
Participatory governing through partnerships and the ‘regulatory space’

Partnerships must be the product of networking. Within the regulatory space, partnerships ideally facilitate the closeness to the local reality and capabilities, if including partners of different background; local-private, local-non profit, the community itself in order to foster equality of power and decision-making among them.

One of the characteristic for the water sector in Honduras has been the fragmentation of organisations. The dispersion of organisations and institutions in the traditional Honduran approach of governance has been a constant. The harness of these components is sought in regulatory governance in order to support the public policy objectives. The metaphor of ‘regulatory space’ seeks for the interaction of all actors in a space that recognise plurality of authority and a complexity of interests and actions, and still be subject to a public decision.

Thus partnerships and dialogue spaces are a way to harness interests and plural systems of the organisations. In Honduras, they become politicized when associated with the power elite. Information and resources are locked in and not shared among the partners. However, the environment of regulatory space might open a comprehensive debate, which could make government more open to participation.

New governance, new mechanisms

New governance is in the search for new mechanisms that respond to the reality of Honduras. The following questions have the objective to expose the reader to the particular reality of Honduras. They open a discussion that Hondurans are to elaborate themselves after recognizing the characteristics and patterns of behaviour and being objective with their own reality.

Is networking, regulatory capacity and governance able to develop with the current resources?

Definitely communication is lacking in the water governance process in Honduras. One way to solve it is through networking. It is not a simplistic alternative since water governance and institutional reform are quite a complex process that links water sector institutions with other networks of institutions. However, the existing resources, such as the dialogue spaces, bring the opportunity to foster communication and networking. By networking, the more points of contact among the players, the more likely trust and communication will flourish. Thus, the ‘success depends on quickly identifying and resolving any friction points’ (Goldsmith and Eggers 2004:106)

Institutional and organisational resources are not fully employed at the implementation phase. The discretion is still in upper hands. With an appropriate implementation design, reticent behaviour from neglected organisations can be avoided and attract their attention for an innovative and creative way by their own inputs. However the attitude is of vital importance. As analysed in Paper V, all actors need to have the capacity to
compromise to find a win-win situation in order to fulfil public policy goals in the water sector.

Partnerships, as a resource for governance, already exist in neighbourhood contexts. Scaling up may not be the answer. Instead to broaden the context and to innovate (in order to design) on applicable procedures in favour of actor participation might lead to new participatory mechanisms. However, I am not quite certain about the proliferation of new sites of participation without a governmental leadership with the mission of monitoring of actors. It has been proved in Honduras that partnership spaces are prone to politicisation and manipulation.

**Is it desirable for Honduras to evolve towards a decentred regulatory governance?**

As opposed to command and control regulation, decentred regulation is composed by a set of alternative perspectives on the nature of government-society and intra-society interactions (Black 2002). Honduran water governance network is not conformed in such a way and it is not as interactive as desired, if to comply with the principles of governance. Actors of all kinds in water governance are still reluctant to participate in any process due to the distrustful relationship among each other. Nevertheless the principal notions of decentred regulatory governance are unravelled to visualize alternatives of change for the water governance in Honduras.

One of the key notions for decentred regulation is the fragmentation understood as: (i) fragmentation related to knowledge and the (ii) fragmentation of power and control (Black, 2002). Honduras does face constraints regarding the fragmentation of knowledge. Municipalities, Juntas de Agua, informal providers as regulatees comprise a group which duties have belonged to SANAA at certain point of view. However, the inclusion of external actors bringing new technology and resources has widened the gap of knowledge that SANAA could have had, when administering those geographical areas. Thus, ERSAPS is now facing asymmetry of information, when already limited information might be even more restricted. The possibility of future non-governmental providers raises the concern of asymmetry of information, and the conflict between the regulator and the regulatee. For example, the concessionaire Aguas San Pedro has not been monitored since the time of the concession, and the information from SANAA was not comprehensive and complete at the time of the transfer.

On the other hand, the Honduran government did not have the monopoly on the exercise of power, since not all localities were under SANAA’s umbrella of operation. The gradual fragmentation of power and control of old and new organisations, informal actors joining the system, and the state are posing new challenges. Although the government is still reticent to share power with non governmental organisations, dialogue spaces may lead to a more equal basis for communication and decision-making.
The notion of ungovernability of actors in decentred regulation is supported with self-regulated entities. If self-regulation would be the norm among water providers—municipalities, Juntas de Agua, and future providers—their behaviour is susceptible of change and thus the regulator cannot take it as constant. The most common criticism is the unintended consequences that regulation will have upon these providers.

In water governance, fragmentation of autonomy is dependant upon the interactions and interdependencies between social actors, and between social actors and government. ERSAPS’ approach is a two-way approach, meaning regulator-regulatee, and avoiding three or four-way empowering processes of regulation, which includes all actors in the process of regulation.

In summary, the combination of organisations is not only atypical to Honduras, but also not openly accepted. The closeness among governmental and non-governmental organisations could be developed, but it does seem far to occur in a traditional context such as Honduras. At the best the decentred approach and the regulatory space notion could bring an understanding of the existing context, and thus raise the awareness among actors or the socio-economic conditions in the country.

**If governance is to be inclusive, how can cooperation evolve when social capital is weak?**

It is definitely difficult to attain all different cultures that Honduras have within the traditional inflexible process. Thus, new mechanisms for governance need to be developed. With the command and control approach, it is difficult to imagine citizen/public participation. However, with the new governance approach the way to express and to be innovative is feasible. If the neo-liberal agenda will be successful to a new form of governance that incorporates an imaginative process, and not only local processes but also regional and national processes, it is needed social and political movements that have a balanced influence in decision-making, change in attitudes and direction. Otherwise, the response would likely be similar to the Bolivian water revolution.

It is maybe dangerous to trust in leadership. We need to realise that Latin American countries have been built under leaderships with uneven distribution of wealth. Consensus seeking is not the attitude even though participation is welcomed. Consensus implies equality of knowledge, information spread, and balanced organisational capabilities. The sociological and anthropological background plays an important role in these groups of leadership and representation. Thus, in a diverse society with tribal culture and westernized life, a standard norm is not going to fulfil all realities. Moreover, building social capital requires an effort of understanding cultures and time issues that are always underestimated, when dealing with different cultures than the western ones.

The transition from a controller state, as Honduras is, to a facilitator state (Ostrom 1990) requires a supportive framework allowing for local autonomy to individuals and groups. The Honduras state will need to find ways to foster interactions and act as supporter to local institutional
arrangements in solving collective action problems. Only then, social capital could emerge as a strong component of governance and then keep open the possibility for ‘counter public’ spaces in which alternative agendas- and forms of politics- can be generated.

It is clear and well recognised in political science literature, that the more open and inclusive the process, the more it tends to be valued by participants, so they participate in framing the agenda, and thus participating in governance. However, it is certainly well experienced that it is even more difficult to arrive to unanimous decisions or, by default, none decision at all which is the downfall of political movements and alternative public spaces.

While the government playing a central role, is new governance the alternative for Honduras?

To what extent can Honduras think of water governance as the new instrument for water management and WSS, in which the government should play a central role but accepting that governance per se is not dependant on the government?

Let’s be realistic, power will always exist. In either form of power it will be presented, and power will also be unequally distributed.

Therefore, although most of the water governance process discussed in this thesis is directed towards reaching efficacy in the process, efficacy of decision making is also a relevant component that can influence legitimacy and balance in complex ways. Decision making is a very relevant issue that is part of the constitutional procedures, but is not discussed here.

From my experience in Honduras and abroad, public forums organised by the government has the tendency to find ways to transform the public into ideal citizens being responsible, carrying out some duties. Rarely discussed is the transformation of institutions and behaviour of the governmental side in such forums. Thus, the tendency in practice is to assume a governmental central role by a hierarchical approach, even though it is performed in the name of governance. Innovative ways to foster participation should reach also the government and all other actors, Quite a lot of pressure has been posed in the private sector since they were the newcomers, but they are not the only ones to change.

In politics, power is usually thought of as a relationship: that is, as the ability to influence behaviour of others in a manner not of their choosing (Heywood 1997). However, non coercive power might be seen as wanted leadership.

The change from governance hierarchical scheme to networking coordination and interaction requires new ways in the Honduras new politico-cultural environment and acting public sphere. There seems to be no time to go back. The governance process has started in one way or another, and should now search for new mechanisms to encounter the new water governance the country has created until now. This new approach
does not resemble the original European model as well as counts with new organisations that are not traditional in Honduras.

The challenge for Honduras government to play a central role in the new governance approach without hollowing out the state is to create mechanisms to connect people with a problem solution approach, and to connect the decision makers with people. In this sense, whether the state is ‘hollowing out’ (Kooiman 2003, Black 2003), remains more of a point of view (Kooiman 2003:115).
6  **KEY CONSIDERATIONS**

Introducing the new governance approach has proved to be a problematic solution due to the scarcity of social-economic-political, policy resources, and the strong reliance of external international actors. The difficulties to establish governance is aggravated with the problems of uncertainty of policy and economic instability. Inertia of the bureaucracy, due to path dependency is part of the state institutional behaviour in Honduras. The government does act arm's-length by taking distance instead of taking issues hands-on and being active in innovating and verifying.

There is an urgency to educate policy makers about the limits of the government approach and to incentive politicians and civil society to research new modes of governance that works for Honduras. The former could take time since their mindsets are very much trained and fixed culturally, i.e. the governmental officials think that the command and control approach before WIR is the rationale for government intervention.

A suggestion to a new mode of governance is to centre the search in solving problems. Current efforts do seem to centre in processes and procedures as the goal to be attained. Instead the solution of the problems does need to be the goal. The reasoning relies on that procedures themselves draw attention for nodes of conflict, and can frustrate further proceedings if there is no further goal.

The NPM methods to manage the water sector used by the government of Honduras have proved the need for new mechanisms. There is a need for innovations focused on (i)problems and (i)direction-leadership. Such a revision is not a coming back to the technocrats, but represents a broaden vision that includes politics and socio-economic characteristics in Honduras as a whole and as a diverse regional entity.  

By suggesting the inclusion of the ‘excluded’ in public participation mechanisms, more democracy is included in the process of governance, but it does not imply an effortless process. On the contrary, this alternative of public participation needs a redesign. Not few have criticised the proceedings during the participation and consultation forums. As it is currently experienced, there is no happy end, but still this mechanism have much more to offer as an input for both government and governance procedures.

Finally, governments are authorities elected by voter-citizens. The key word for regulatory governance approach is consensus and networking among actors, which does imply to leave out the government from decision-making on central national issues. Evidently both approaches do not have basic grounds in common. However new notions of regulatory government are to broaden the options for government as elected by citizens to have the chance to steer Honduras.
7 References


PAPERS