

Trust in Water

Towards a model for a Catchment System Operator (CSO) system

Henry Leveson-Gower

Contact: henry.leveson-gower@neks.ltd

The Challenge

Many and various stakeholders in catchments are linked by complex, only partially understood ecological systems which are likely to change with climate change. Hence stakeholders can impact on each due to their actions particularly in terms of land and water management and use. So how can we coordinate all these different actors for the common good?



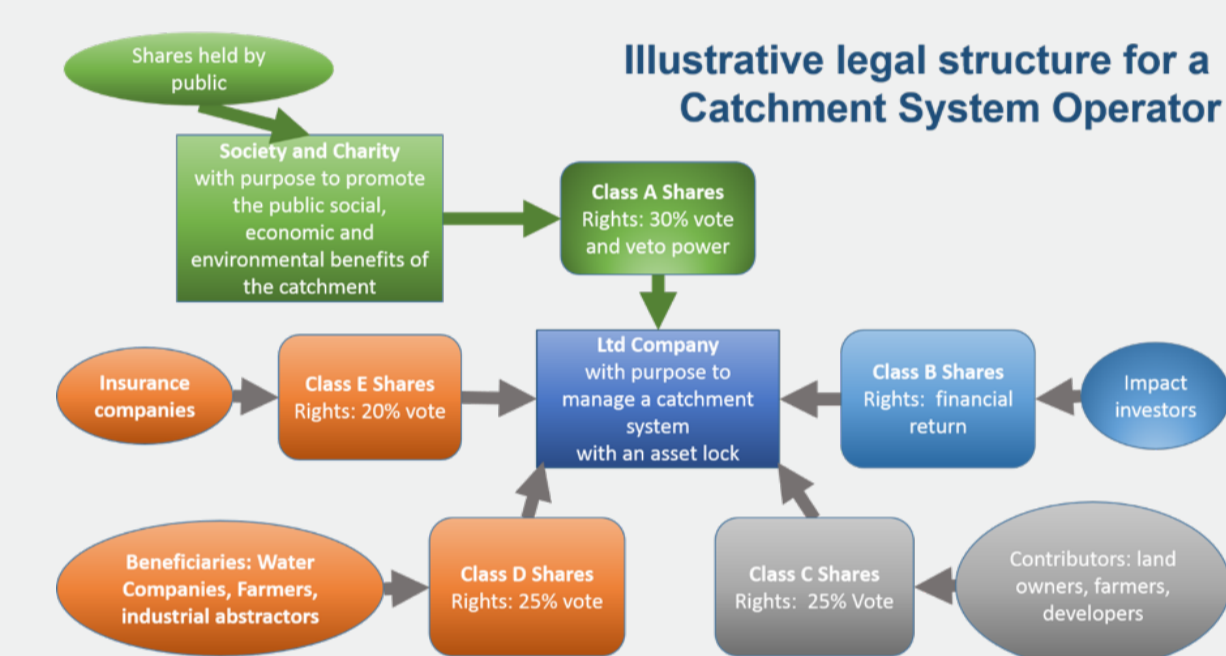
New approaches

Behavioural and institutional economics focusses more on the role of trust and institutional design as underpinning the potential for coordination (e.g. Hodges' Ethical Based Regulation). Trust is also key in procedural justice and team reasoning. Interviews and surveys of stakeholders undertaken as part of this project suggest that levels of trust between stakeholders is variable with regulators and NGOs coming out best and private companies and investors worse. Those surveyed indicated the following as key criteria for organisations to be considered trustworthy:



The top criteria all relate to the nature of the organisation (competence, governance, leadership & values), while competitive pressure comes at the bottom. So how can you design an organisation that is likely to be seen as trustworthy?

Recent models of corporate legal structures for purpose based enterprises could be adapted such as Community Interest Companies and fair shares models as well as older ones such as societies. Such models have been used for community projects. They could provide legal underpinnings for a CSO while allowing stakeholders to collectively adapt as they learn and circumstances change, with accountability to the wider local community:

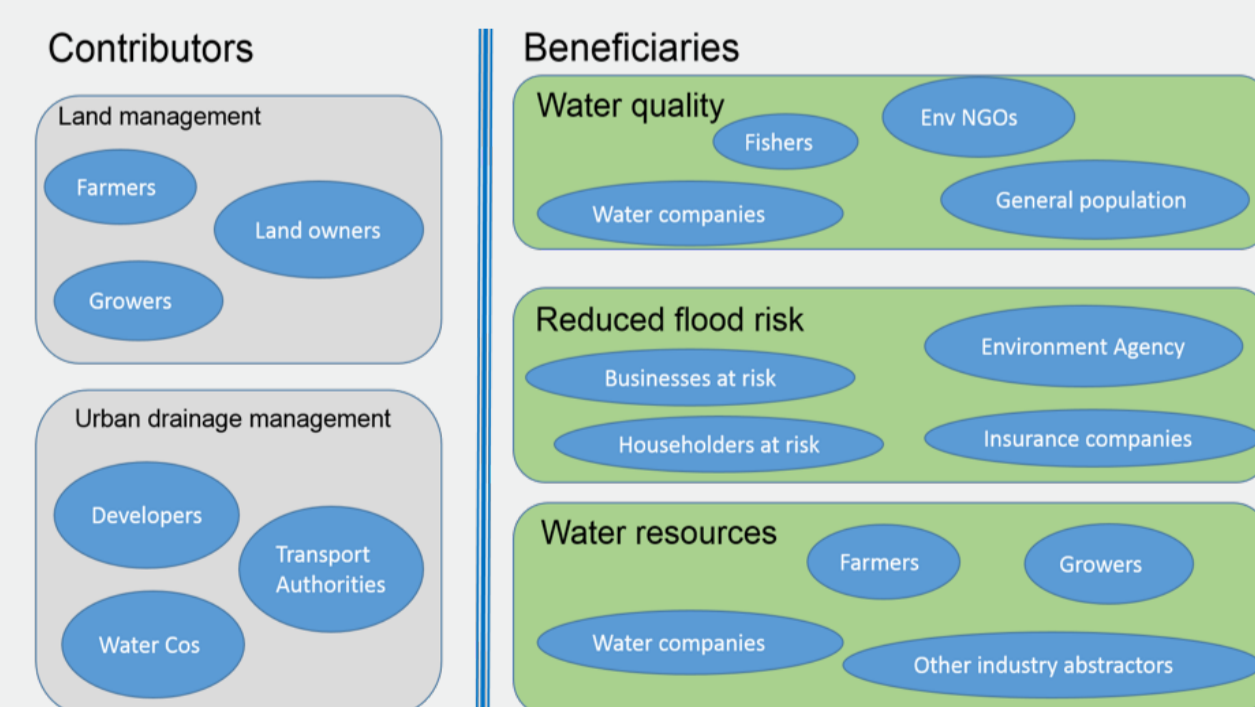


Std approaches failing?



Standard regulatory and incentive based approaches struggle to provide this coordination. Both can be complex and contentious, and are particularly problematic for difficult to measure activities such as diffuse pollution. They can induce a tick-box mentality, encourage gaming of the system and stifle local initiative. Responding with 'new and better' regulation and incentives can just drive further red-tape. Attempts to address funding through payment for ecosystem services with long-term contracts could give birth to multiple complex contracts for different activities which constrain adaptation and could conflict - a new type of red-tape nightmare.

Organisational design



Interlocking interests of contributors (ie those who can act to better manage the catchment) and beneficiaries could have the potential to create a common purpose. This could be underpinned by a legal structure that supports collaboration between those different stakeholders and their ability to access funding as illustrated on the top right graph.

Government role

Government could have a role similar to that of the Charity Commission model of registering organisations that met relevant broad criteria while leaving communities to tailor organisations to local stakeholder and geographical specifics. Government could also create expert support systems to ensure organisations were competent.



Further work is particular needed to

- consider what powers and responsibilities to give CSOs and how they could evolve;
- address the interaction between CSOs, regulators and local government;
- ensure such a system effectively interfaced with the growing impact investment movement.