Introduction

This paper evaluates the theoretical framework of institutional change and the role of the elites in institutional change. The leading question is why certain changes from the top or from the grassroots are successful in influencing the institutional system and others are not? What are the push or pull factors for institutional change? It is reasoned that the elite implementing the reforms on the local level are important in the process of institutional change. It is argued that an elite is able to manipulate the changes positively or negatively. Hence the question is raised, if institutional change is prevented or encouraged by elites, who are these elites, what is their role in transitional societies and how can they be influenced to support changes?

In this paper a theoretical tool is offered for analysing institutional change in countries in transition. The research conducted in Uzbekistan and Kyrgyzstan verifies the theoretical approach, however more evidence from other countries in transition is needed to confirm the effectiveness of this theoretical tool.

Institutional change: supply and demand induced changes

Institutions are not only defined as constraints on behaviour but also as roles and organisations. In the debate on institutional change it has been noted that not all institutions are equal, and that institutions are structured in a hierarchy. (Compare North 1990, Ostrom 1994, Hobley 2000) According to this reasoning the higher hierarchy levels are more costly to change than lower levels. (Compare North 1990, Ostrom 1994) While North does specify different levels of institutions, Ostrom distinguishes between three
different levels of institutional rules: operational rules, collective-choice rules, and constitutional-choice rules. (Ostrom, 1994, p.46) Hobley also applies the differentiation in three different levels of institutional change. She distinguishes between institutional change (architecture: agencies and relationship), organisational change (capacity building, repositioning within agencies) and process change (re-engineering)” (Hobley 2000, p.15).

Ostrom’s term ‘operational rule’ has a mechanical and technological base, however it seems that Ostrom refers to the practices of individuals. Hence the term habitus (practices of behaviour) coined by Bourdieu would be more appropriate. I will call this rule ‘habit rule’. Furthermore, Hajer reasons that the rules-in-use change when the implicit meaning of terms within communication change. Consequently, institutional change takes place in discourse. Therefore, a fourth institutional rule has to be considered, which would be at the bottom of the hierarchy. I shall call this rule the ‘discourse rule’. A changing discourse can affect rules at higher levels of the hierarchies. The change in discourse is important for the success of the institutional change in countries in transition. (See below)

Changes in meaning and actions are not always intended. When an institutional rule is reproduced during a speech act or an action, minor mistakes can occur. These mistakes can alter the rules lowest in the hierarchy that is the discourse and habit rules. To summarise, I distinguish four institutional rules: constitutional, collective-choice, habit and discourse rules.
The discourse on institutional change is driven by demand (bottom-up) and supply (top-down) approaches. North argues that in a bottom-up approach “changes in relative prices are the most important source” of institutional change. (North, 1990 p.84) The theory of supply driven changes is lead by Binswanger. He reasons that “institutional change may occur as a result of advances in the supply of knowledge” (Binswanger 1978, p.334) Even North, reasons that the change of ideas influences institutions and leads to institutional change. (North, 1990, p.84-85) According to these theories institutional change occurs both through a change of relative prices or a shift in knowledge and ideas.
How does the theory of demand and supply induced change relate to the theory of different institutional levels? Demand induced marginal changes take place at the bottom and influence the daily routine of the actor, hence they occur at the level of the discourse and habit rules. However, demand induced changes could also affect higher levels. According to the theory of Ostrom changes of one level could affect other levels, hence even changes from the bottom can trigger changes on higher levels. In this case discourse rules might legitimise habit rules, a change in discourse might question habit rules and lead to change. Changes in discourse and habit rules might alter higher level collective choice or even constitutional rules.

On the other hand, supply induced changes could occur at different levels. Depending on the supplied knowledge or idea. The change might occur in any of the four levels. Supplied at any level, changes could induce other changes at higher or lower levels. Assuming that Ostrom’s theory of institutional hierarchy, with different costs of change for different levels, is applicable for bottom-up and top-down changes, then one could reason that it would be easier to trigger changes at different levels, when the change is supplied at a higher institutional level. High-level change would have a domino effect on the lower level rules.

Institutional change can be induced from the demand and supply side. According to Ostrom every change might trigger changes on all levels of the hierarchy. It is not clear why certain changes from the top or from the grassroots are successful in influencing the institutional system and others are not. What is the push or pull factor sufficient to induce institutional change? The main answer, which is not subject to cultural relativism, is the influence or power position of stakeholders/elites (definitions see below) who gain or lose from these changes. (compare Keohane 1983, Feeny 1988) According to this reasoning, the introduction of change from the demand or the supply side is only successful if supported by powerful stakeholders/elites. This reasoning is applied in different theoretical approaches such as international relations as well as institutional theory. Feeny states bluntly the “Political and economic costs and benefits to the ruling elites are a key to explaining the nature and scope of change.” (Feeny 1988, p.168) Adams argues, “If a particular reform engenders enough opposition among social stake groups with large political weights, that reform will be delayed and/or not implemented”. (Adams 2001, p.3) While Adams focuses on different elites in society, here the emphasis is on different stakeholders in institutions. If institutional change is prevented or encouraged by elites, who are these elites, what is there role in transitional societies and how can they be influenced to support changes?

**Elites and institutional change**

Adams uses the term stakeholder. He looks at different groups with political power who influence political decisions. However, the term stakeholder is very broad. Ramirez defines stakeholders as individuals or groups “that have an interest, or are active players in a system”. (Ramirez 1999) The term elites is understood as individuals or groups dominating a system or parts of a system. Welsh states, “elites participate in, or influence the making of decisions that allocate resources within and among social units”. (Welsh 1979, p.1) Putnam defines elites “in terms of power over outcome” (Putnam 1976, p.5) Even though not necessarily stakeholders, elites have dominating influence on the
system. They have influence in terms of information flow, resource allocation and decision making.

Industrialising and industrialised societies “demand technical expertise as well as functional specialisation”. (Welsh 1979, p.124) Knowledge and skills are structured into different areas with functional and official boundaries, organised into different types of institutions. In this kind of society the elite is based on professionalism and specialised knowledge. The elites are actors within institutions and not outsiders separated from institutions. Marcus confirms this view by arguing that “elites are creatures of institutions in which they have defined functions, offices, or controlling interests”. (Marcus 1983, p.16) However, the theory of elites does not differentiate between politicised and depoliticised institutions. Furthermore, the differentiation between institutional levels will be important in the context of transitional countries. (see below) In depoliticised institutions the legitimisation of elites is based on professionalism. Marcus states, that institutional professionals “claim to serve the institutions of society in disinterested and rational ways”. (Marcus 1983, p.52) In the water sector, the hydraulic mission with its creation of large hydraulic bureaucracies, is an example of depoliticised, institutionalised supply oriented elites.

The argument is that institutions are structured into different levels. Each level has its own elites and that the middle and lower level elites are responsible for implementing institutional changes. An institutional change affects the various elites at the different levels in different ways. The elite within the institution will perceive changes threatening the status quo either as positive, negative or neutral. Hence, the attitude of the elite can either be supportive, neutral or obstructive towards the changes from below or above. This implies that the elite determines the changes from one institutional rule to the other. Elites differ in different cultural systems. Here it is focused on the elite in centrally managed systems. To understand the attitude of an elite it is important to clarify who the elite is, and to determine their educational background.

**Institutional elites in countries in transition**

In his analysis of political elites in the Soviet system Welsh argues that the traditional system of elite recruitment shifted from an ideological to a managerial and technocratically based system. Hence, “education has replaced ideological orthodoxy”. (Welsh 1979, p.124) Putnam confirms the rising importance of technical knowledge in elite recruitment in the Soviet system. In the field of land reform and water management, Putnam states, “the education of the newer recruits is concentrated in technical fields, particularly agronomy and engineering.” (Putnam 1976, p.209) The reason for the shift in recruitment is the enhancement of the mobility of the elite, and the reduction of the dilemma of the problems of adverse selection and moral hazard. Welsh’s argument of shift in the recruitment of technocratic elites contradicts Winiecki’s view that “the appointments are made primarily on the basis of loyalty rather than managerial competence”. (Winiecki 1996, p. 67)

However, according to Welsh the leadership in the soviet system changed. “these changes in political leadership in socialist systems may be traced to one of two considerations: first, the inevitable pressures towards pragmatism, flexibility, and regard for technical
and managerial expertise created by economic and social modernisation; or second, the conscious grouping of political leadership groups for more effective and efficient means of governance, i.e., the desire to retain cohesive, hierarchical power structures in the face of increasing pressures of a disintegrative and pluralistic character”. (Welsh 1979, p.123) However, this does not mean that the patron-client relationships in the party apparatus disappeared. Putnam reasons, “the path to the top now requires technical skills and managerial experience, but the path itself still lies within the party apparatus”. (Putnam 1976, p.210)

The changes in elite recruitment have changed the mobility of the elites in the institutions. Putnam argues, “the specialised elites display growing self-consciousness, growing aspiration for autonomy and influence on policy making, and growing divergence from the policy views of the party officials”. (Putnam 1976, p.210) Welsh distinguishes in his analysis the difference between specialist elites in general and elites in the party, he argues “Soviet specialist elites are substantially more instrumental and substantially more participatory than are their counterparts in the party apparatus”. (Welsh 1979, p.138) Furthermore, he distinguishes between local and central party apparatchiks, arguing, “local party apparatchiki are more participatory and instrumental than their counterparts in the central party apparatus. That is the local party people are more similar to the specialist elites in their orientation”. (Welsh 1979, p.138)

Elites will resist institutional change. (Winiecki 1996) He reasons that the status quo is perceived as positive and the change will disturb the equilibrium of power and influence. Less negative on the attitude of the elite to change is Welsh. He reasons that the elite is more flexible. He distinguishes between two systems: adaptive and co-operative system. In the first system the elites tries to acquire the necessary skills and in the latter the elites recruit the new members with the necessary skills. (Welsh 1979, p.127) Recruiting new members in the co-operative system implies, that the old elite risks power sharing and loss of control.

**Changing from state farm to WUA**

In countries in transition the reforms in terms of local water management not only include the decentralisation of water allocation and the introduction of Water User Associations (WUAs), but also the break up of state or collective farms and the introduction of private land holdings. Hence, the change is highly complex.

The local elite in the centrally managed system are the former state or collective farm managers. The shift from state farm water management to private farms and WUA is a shift of the constitutional rule, which implies decentralisation of power and the rise of participatory management of the common natural resource. According to this rule, the local elite loses its status in the local society and its influence over resource allocation. One of these resources is water. However, experiences in countries in transition, such as the different Central Asian countries, show that the old local elite manages to retain its power and keeps control over resource allocation. Hence, the introduction of a decentralised and participatory system fails. The local elite is able to resist the reforms ordered from above. What are the reasons for the failure of the reform process? And how could reforms be implemented? 
According to the theoretical reasoning a change of the constitutional rules will first affect the collective choice rules. This will trigger change in the discourse and habit rules. However, at this point the term collective choice rule does not apply, because the manager has been appointed from above, and only the introduction of participation will make it a collective choice rule. Therefore, I will use the term top-down appointed rules.

At this point, the role of the manager becomes crucial, because it is possible to manipulate the process of change at the level of the top-down appointed rules. Typically, when a WUA is introduced, the former state farm managers hold on to their power positions and prevent real change. The managers move with the introduction of WUAs from the positions of state farm managers to the positions of WUA managers. The habit and discourse rules of the former state farm continue and will even reinforce the power of the new manager of the WUA. The management structure of the WUA does not change from the top-down to the collective choice approach. The WUA does not become participatory and the farmers remain alienated from the land and from the water management.

How is it possible for the manager to retain a dominating role? In the era of state farm management, the farm manager was in charge of all the state-farm activities and in control of resource and information flows. The employees were specialised farm workers,
with no experience of managing a farm independently. This unequal relationship continued after privatisation. At this point the experience in the different countries of Central Asia start to diverge and the strategies of the former local management vary according to the country’s specific reforms. However, because of their position and established connections, the former managers are able to utilise the process of land reform to their advantage. They influence the distribution of land, in terms of who gets land and where the allocation is located. In addition to the better land, the social status of the old management does not decrease. The WUAs legitimise their positions because they enable the elite to reinforce its social status and the wealth of its social network. The strategy of personal securitisation can endanger the reform process. The securitisation of wealth or position is very common amongst elites. The experience from Uzbekistan and Kyrgyzstan shows that it is necessary to change not only the constitutional rules but also the top-down approach rules. At the same time it is questionable whether the former managers are the best people to manage the WUA’s.

If there had been a fair election, arguably the positions as former state-farm managers would have helped them to gain the positions as WUA managers. Their position would have been legitimised by the election process. The reasons for their election would have been numerous: such as familiarity with the people, experience of management positions and established connections to other institutions. Additionally, the discourse and habit rules would have contributed to the election of the former managers. The former managers may have gotten the job anyway.

However, not every securitisation of wealth and position endangers the reform process. Security is time dependent. Securitisation can have short-term and long-term dimensions. In a long-term perspective the manager is better off, when the community of farmers is successful, in terms of co-operation on water distribution and operation and maintenance of the irrigation and drainage system. Also, only sustainable WUAs are eligible for loans from outside donors, such as the World Bank. (Sustainability is measured in seven milestones.) The benefits of the WUA’s managers will increase when the WUA is functional. Furthermore, any implementation of habit rule changes, which prove to be successful in increasing water productivity, desalinisation of the ground, water logging or farm productivity increases the social status of the manager of the WUAs. Even though the short-term interest might push the former managers to unfair individual securitisation, the long-term individual securitisation will have positive effects on the whole community. Consequently, the long-term securitisation of the former managers of the state and collective farms can increase the productivity of the member farms of the WUAs. The long-term security is identical at the level of collective choice rules and top-down appointed rules.

Conclusion

The evidence gathered in the study suggests that a change of the constitutional rules does not always bring real changes on the lower levels. The level responsible for implementing the changes can manipulate the process of change. However, there are a few options to ensure that the reform process will be sustainable. Firstly the elite at different levels has to recognize that the reform process is not negative but can be utilised positively for them and for the whole community. Secondly, it is necessary to implement changes from the
demand and the supply sides. Such approaches will make people more aware of the ongoing changes. Awareness could lead to more participation and therefore more control of the local management, which is in charge of the reform process. In terms of WUAs, participation only occurs when the discourse rules change, when the farmers say: “This is my land and I am responsible for it.” Then the process of establishing WUAs becomes participatory.

However, where donors are involved they want to see rapid changes and the establishment of large numbers of WUAs in a short time. Unfortunately the example of Kyrgyzstan shows their expectation to be unreasonable. From the 250 established WUAs only 40 reached milestone four and only 20 milestone seven. This is an indication that the high expectations of the donor community have not lead to rapid sustainability. It shows that the process of institutional change, the change from the centrally managed farm to the participatory managed WUA is not just a change in name but a change of expectations and behaviour. It is a long process.

Bibliography

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