

Water: A Case of Policy, Institutional and Market Failure

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The policies for water management at village level are not necessarily confined to irrigation water but also affect significantly the problem of drinking water especially in the water scarce region. Institutional and market approach to dealing with the problems of water scarcity have been discussed in the literature. The present paper analyses the institutional failures and problems of water markets in the water scarce region of Rajasthan. The paper essentially addresses to this question by taking villages as a unit for water management. Rural Rapid Appraisal (RRA) method, group interviews, individual interviews and the transect walks are used as tools of analysis apart from the empirical method of analysis. Thus the paper traverses in an analytical domain beyond the usual empirical work. Here an attempt is made to combine the methodologies beyond the broad discipline of economics. The focus of the analysis is on Rajasthan villages and the paper concludes that a blanket price policy may prove harmful in a welfare oriented approach of provision of water. It is further argued that a differential pricing policy may be followed and this should be related to the availability of water or scarcity value of water.

Integration of institutional and market aspects is vital while making policies for water management. The failure of public policy in this regard would result in serious repercussions as water is the minimum basic requirement for human survival. The problems are more strident in scarcity conditions. In this paper an attempt is made to show how the failure of public policy, institutions and markets has led to problems ranging from human misery to environmental problems in diverse environments. The prevailing conditions in rural areas (related to water) are the manifestation of misguided policies and water management rather than scarcity of water. This has not only resulted in prevalence of sub-human conditions consequent to severe water shortages in scarcity regions but also resulted in disintegration of rural institutions, as well as, collapse of traditional water systems. Besides, transaction costs of different nature coupled with socio-political problems are also instrumental to institutional failures.

While the policy and the institutional failures in managing drinking water have led to the emergence of water markets in scarcity regions, market and policy failures in irrigated (endowed) regions have resulted in iniquitous distribution of irrigation water and serious environmental problems. In endowed region also the high transaction costs relating to interdependence and co-operation between tail, middle and head reach farmers (with regard to canal maintenance) is proving detrimental to the community irrigation management, especially in the tail-end areas. Besides, the paper also throws some light on the relevance of drinking water pricing and willingness to pay for water in rural areas.

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