



Pipe dreams. Does privatised water offer poor urban neighbourhoods a better supply?

The supply of water to towns and cities in many low-income countries is in crisis. One much vaunted solution is for private companies to step in. A University of Birmingham research study examined how water supply is organised in some low income countries. The study report identifies a range of supply strategies, each involving different degrees of private involvement. It concludes that private intervention is not bound to guarantee instant solutions to water supply problems in poor urban environments.

Urban water supply shortfalls in many low-income countries have prompted much pressure from both inside and outside the countries concerned to find conclusive solutions. Often the problem is that cities have grown too fast and water demand has rapidly outstripped supply. The situation is made worse by under-investment and poor maintenance. Two main principles have emerged from research into various problem-solving approaches that have been tried around the world. The first is that water must be seen to have economic value and not simply stand as a social good. The other is that key local stakeholders should undertake the management of water supplies.

The Birmingham study identifies eight arrangements that represent trends in urban water supply. They range from state-owned enterprises with no private links, through contracts with specialised private companies, to leasing and concession arrangements. The report indicates that:

- The global trend towards private involvement in urban water supply is very recent and progress is slow.
- Where there is private interest, it mainly takes the form of franchise deals based on the French model.
- The British model of full private involvement (divestiture of assets) is not being followed anywhere else.
- Many countries, notably in Southern Africa, are improving supplies without recourse to the private sector.
- Experiences of regulating private involvement vary. Problems include secrecy and over-simplified (or overly complex) management structures.
- The commonest forms of private involvement in urban water supply are service and lease contracts.

For governments, implications that arise from the study include:

- Governments must be able to manage macro-economic policy
- not the general economy so as to ensure stability, be seen as legitimate in the eyes of the public and make laws to allow private interventions that protect the public interest
- they must be able to monitor and regulate the private sector prior to private intervention.

More general lessons are that:

- The organisation of urban water supply must be strong enough to support self-financing, regardless of who controls or owns the supply.
- Unless the efficiency of urban water supply is improved and tariffs reflect the actual cost of supply, investment will fail and the quality of service will remain poor.

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'The public-private mix in urban water supply', *International Review of Administrative Sciences*, Vol. 63, pp. 165-186, by A. Nickson (1997).

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