

The New Public Management: The future for reforms in the African water supply and sanitation sector?

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Abstract

In many African countries, public water utilities are undergoing reform characterized by the introduction of management principles and practices often associated with the private sector. On the one hand, these reforms, which can be placed under the umbrella of the New Public Management, have been promoted by a broad coalition of sector professionals, donors and lending agencies. On the other hand, the NPM-style reforms witnessed in many African countries appear to be the result of declining interest of the large international operators to venture into these countries. This article describes the nature of these reforms in two African countries, Uganda and Zambia. Although, especially in Uganda, the reforms appear to have been successful, this article concludes by raising some questions regarding the potential of NPM-style reforms in the African water and sanitation sectors. First of all, it is difficult to fully attribute the observed performance improvements to NPM-style reforms. Secondly, these reforms require pre-requisites, which do not exist in many African countries. Thirdly, even if reform is successful public water utilities remain dependent on the government and (international) donors to sustain performance improvements.

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1. Introduction

The water services sector in sub-Saharan has long suffered from poor performance of its public water utilities. Apart from problems of service coverage of less than 60% (WHO/UNICEF, 2006), other problems that plague water utilities include high unaccounted-for water (UfW), which often averages between 40% and 60%, and overstaffing (Mwanza, 2005). Moreover, the service providers are often confronted with financial problems due to a combination of low tariffs, poor consumer records and inefficient billing and collection practices (Foster, 1996; Mwanza, 2004; World Bank, 1994).

The poor performance of African water utilities has not gone unnoticed and discussions about reforms have been plentiful. Whereas francophone Africa has witnessed considerable

private sector involvement, such as SODECI in the Ivory Coast and more recent contracts in Senegal and Guinea, countries in Southern and Eastern Africa appear to have opted for an alternative reform route. In recent years reforms in these countries have striven for public water utilities which operate according to management practices and principles usually associated with private companies.

2. Reforms in the water supply and sanitation sector

Until the International Drinking Water Supply and Sanitation Decade (1981–1990) the main approach to improving the performance of water utilities was to focus on providing poorly performing utilities with the proper ‘hardware’ to provide services. The thought was that if a utility would be technically equipped to provide services, the utility would do so. Unfortunately, the results of the Drinking Water Decade proved disappointing with almost as many people still lacking

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either clean water or sewerage at the end of the Decade as when the Decade began (The *Economist*, 1994). The main lesson learnt was that concentrating on the technical aspects of service provision is, in itself, unlikely to improve the provision of water services. Or as Spiller and Savedoff (1999) noted, “the problem [of providing adequate services] is not related to project finance or lack of technical or manpower capabilities”. As a result, at the end of the Drinking Water Decade, attention shifted from technical solutions to solutions of a ‘managerial’ and institutional nature in the early 1990s. The ‘managerial’ approach to improving service provision basically followed two paths. Firstly, management of the water utilities was delegated to the private sector through concession contracts or other contractual arrangements. The second reform strategy kept management of the utility within the public realm, but concentrated on introducing management practices associated with the private sector in the public water utility.

2.1. Private sector involvement

The first reform path involves large-scale involvement of the private sector and is exemplified by much publicized contracts such as the Buenos Aires, Jakarta and Manila concessions.¹ Many international and bilateral donors and lending agencies perceived private sector involvement as a means of removing politics from the sector and as a source of investment capital (Brown, 2002). Following the disappointment of the Water Supply and Sanitation Decade in the 1980s, initial optimism for the beneficial impact of increased private sector involvement was enormous, even if the actual implementation remained controversial. In recent years, however, the optimism concerning private sector involvement in the water supply and sanitation sector has faded. High-profile concession contracts which once were presented as representing the future of the water services sector collapsed or are facing increasing operational difficulties. Best-known among the collapsed concession contracts is the concession contract in Cochabamba, Bolivia, which was terminated in 2000 following a period of civil protest often referred to as the ‘Water War’. Other well-known concession contracts that were terminated include the El Alto-La Paz concession (2005) in Bolivia and the Buenos Aires concession (2005) in Argentina.

Also in Africa it has become apparent that private sector involvement, as it was envisioned and implemented in the 1990s, is not the ‘golden solution’ that many had believed it to be a decade earlier. Although private operators have expressed interest in engaging in the water sector of this region through management contracts and possibly lease/affermage contracts, the willingness to provide capital is small. This is reflected by the levels of investment of some of the large international operators, which in 2004, on average, had less than 4% of their investments in Africa (Table 1).

Table 1
Levels of investment and percentage of investments in Africa

| Company | Total investment in the water sector | Percentage of those investment in Africa |
|---------|--------------------------------------|--|
| SAUR | €22 Billion | 3.7% |
| VEOLIA | €46 Billion | Less than 4% |
| SUEZ | €42 Billion | Less than 4% |

Source: Talbot, 2004.

In the 2003–2004 Action Plan of SUEZ, for example, the company highlights that it will “concentrate on the soundest markets providing the most recurrent revenues starting with the Franco-Belgium domestic market and including the European Union and North America”. The Action Plan continues by explaining that “exposure to emerging countries, as measured by capital employed, is expected to be reduced by close to one third” (SUEZ, 2003). As such, the opportunities for reform through increased private sector participation as a reform strategy for sub-Saharan Africa appear limited. This observation is echoed by the managing director of the National Water and Sewerage Corporation in Uganda, Dr. Muhairwe (2006a), who argued that international operators are hesitant to invest in developing countries in Africa.

2.2. The New Public Management

The second reform strategy promoted in the 1990s is that of introducing reforms within the public realm, in which institutional arrangements and management practices generally associated with the ‘private sector’ are introduced in the institutional context in which these utilities operate and in the public water utilities themselves. Batley (1999), in examining reforms in four developing countries, including one country in which the study focused on the water supply and sanitation sector, found that the thrust of reforms was towards changes in arrangements within the public sector by increasing the autonomy of state-owned utilities and requiring them to manage on a more commercial basis. The origins of this second form of reform, often referred to as the New Public Management, lie in New Zealand and the United Kingdom where it originated in the early 1980s. The New Public Management ‘model’ is often presented as a more market-oriented and output-based approach alternative to the traditional ‘bureaucratic model’ of public administration (Barzelay, 2002; Kettl, 2000; Peters, 2001). It is this second reform path in the water supply and sanitation sector, the New Public Management, which is appearing to become an increasingly important reform option in the African water supply and sanitation sector. Broadly, NPM reforms in the water supply and sanitation sector share the following characteristics:

1. Increasing the level of autonomy of the utility
2. Separating regulatory tasks from service provision
3. Creating quasi-competition in the water sector
4. Increasing tariffs to cost recovering levels and increasing customer orientation
5. Increasing accountability for the results produced by the utility

¹ In the period 1990–2001, more than 40 countries engaged in over 200 projects with private sector participation in the water and sewerage sector (World Bank, 2003).

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