



RESOURCE

Can public sector reforms improve the efficiency of public water utilities?

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Description / Abstract

Privatization of public water utilities is increasingly being viewed as a strategic solution to the observed inefficiency of the water sector in developing countries. However the link between private ownership and efficiency is unclear in the water sector, given the monopolistic nature of the service and the need for public regulation. This study poses the question whether public sector reforms could improve the operational efficiency of water utilities as an alternative to privatization.

Using Data Envelopment Analysis we find that neither the decentralization of the responsibility for water operations to the municipal level nor the establishment of an autonomous regulator had a positive impact on the efficiency of Mexican water utilities. We conclude that the enacted reforms should have been combined with reforms that introduce competition and reduce the informational asymmetries in the urban water sector.

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