



**RESOURCE**

# Privatisation revisited: lessons from private sector participation in water supply and sanitation in developing countries

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## Description / Abstract

This paper examines the experiences of private sector participation (PSP) in the water supply and sanitation (WSS) sector. The paper first uses nonmarket failures as a concept to briefly explain why public sector provision of WSS is prone to failures. The widely sought solution, PSP, has not shown encouraging results in the WSS sector. In particular, private resources have not been adequately mobilized to solve WSS sector problems as anticipated by the proponents of PSPs. PSPs in the WSS sector managed to succeed in environments where effective regulation, good governance, and contract enforcement were prevalent. Effective demand for improved WSS services and innovative approaches for competition also paid an important role.

Experience also showed that public water utilities can work well when anchored on reforms with ingrained internal and external accountability, customer orientation, and autonomy. While ownership itself hardly influences the efficient provision of WSS services, the interdependence of the public and private players should not be overlooked; a reasonably well-functioning public sector is a precondition for the success of private provision of WSS.

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