MIMICKING THE PRIVATE SECTOR: REFORMS IN THE WATER SUPPLY AND SANITATION SECTOR

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ABSTRACT
In addition to the increase of private sector participation over the past decades, the private sector has impacted the water supply and sanitation sector in another way, by serving as an example for reforming public utilities. Most notably, the design of institutional arrangements under which the (public) utility operates and the management practices of utilities appear to have been copied from the private sector. The underlying assumption being that by mimicking the practices of ‘private sector’ organizations, public sector organizations would accrue the benefits of effectiveness, efficiency and flexibility that are often associated with private sector organizations. It remains to be seen, however, if this ‘managerialist’ reform strategy will prove as successful in the water and sanitation sector as many of its advocates claim.

KEY WORDS
New public management, water utilities

INTRODUCTION
Over the past decades, the water supply and sanitation sector has been both an example of remarkable progress and a source of continued frustration. Progress, in the sense that over the past 20 years an additional 2.4 billion people have gained access to water and 600 million more people have access to sanitation services (WHO/UNICEF, 2001). Continued frustration, in the sense that some 1.1 billion people still do not have access to safe water and 2.4 billion lack access to sanitation services (WHO/UNICEF, 2001). The existing frustration is exacerbated by the fact that much of the gains in service coverage have been offset by population growth and the mounting pressures of increasing urbanization. Service coverage rates for sanitation in urban areas, for example, dropped from 67 per cent to 63 per cent between 1990 and 1994, despite the fact that the number of people living in urban areas with access to sanitation increased by 70 million over the same period (Wright, 1997). In attempts to address these challenges, the water supply and sanitation sector worldwide has been subject to continuous reform.

The Underlying Principles of Reform
Following the Water Supply and Sanitation Decade, a consensus emerged in the early 1990s about the way the urban water supply and sanitation sector should be managed. This consensus is generally based on two main principles drawn up in 1992, during the International Conference on Water and the Environment in Dublin. The first of these principles is the instrument principle (Nickson, 1997) and states that water should be recognized and treated as a scarce and therefore economic good (Braadbaart et al., 1999). The second principle is the institutional principle (Nickson, 1997) and finds that “decisions [should be] taken at the lowest appropriate level, with full public consultation and involvement of users in the planning and implementation of water projects” (ICWE, 1992).

1 The water sector has not been unique in the reform efforts over the past decades. The pace and scope of change to the structures and dynamics of the state, in general, have become much greater than previously experienced (Thynne 2000). See also Pollitt (2003).
Similar ideas were promoted by the World Bank, which stipulated three principles in the 1994 World Development Report that should be adhered to in order to improve the performance of water utilities. The first principle concerns the application of commercial principles of operation which “involves giving service providers focused and explicit performance objectives, well-defined budgets based on revenues from users, and managerial and financial autonomy – while also holding them accountable for their performance”. The second principle is to broaden competition, which entails “arranging for suppliers to compete for an entire market, for customers within a market, and for contracts to provide inputs to a service provider”. The third principle is to involve users in project design and operation of infrastructure activities (World Bank, 1994).

Two Reform strategies

As mentioned, within the realm of reforms in the water sector broadly two approaches to reform can be distinguished, both incorporating the aforementioned underlying principles. The first reform path involves increased private sector participation in the water sector and is exemplified by much publicized contracts such as the Buenos Aires and Manila concessions. Although private sector participation has been subject to heated debate over the past decade and despite the pressure of many multilateral and bilateral donors and lending agencies promoting private sector involvement (Nickson, 1997), the overwhelming majority of urban water services provision remains in the hands of the public sector (Schwartz et al., 2001). Not surprisingly, then, the second reform strategy, namely that of reforms within the public realm, in which institutional arrangements and management practices generally associated with the ‘private sector’ are introduced in the environment in which these utilities operate and in the public utilities themselves, has been much more prominent.

The origins of this second form of reform lie in New Zealand and the United Kingdom where ‘New Public Management’ (NPM) originated in the early 1980s as a more market-oriented and output-based approach to the traditional model of public administration (Peters, 1996; Kettl, 2000). The main assumption behind NPM is that “management is management where it takes place and that instruments used to organize and motivate personnel are as applicable in the public sector as they are in the private” (Peters, 1996). As a review of reform efforts in the water sector below illustrates, most of the reform efforts can be linked to elements of New Public Management and show remarkable similarity with arrangements and practices in the private sector. The trend to mimic ‘the private sector’ is visible at all levels, from the legal and regulatory framework to the mission and goals of the utility. Broadly, the reforms undertaken contain the following elements:

1. Separating regulatory tasks from service provision;
2. Creating quasi-competition in the water sector;
3. Increasing the level of autonomy of the utility;
4. Increasing the market-orientation of the utility, allowing the utility to focus on its core activities whilst other tasks are outcontracted to third parties;
5. Increasing tariffs and customer-orientation;

2 In the period between 1990-2001, more than 40 countries engaged in over 200 projects with private sector participation in the water and sewerage sector (World Bank, 2003).
3 The 1994 World Development Report argues that ‘numerous examples of past failures in public provision, combined with growing evidence of more efficient and user-responsive private provision, argue for a significant increase in private involvement in financing, operation, and – in many cases – ownership’ (World Bank, 1994).
4 Batley (1996), in examining reforms in four developing countries, 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’.
5 In addition to the term New Public Management, other frequently used terms to refer to the more market-oriented approach to public administration are ‘post-bureaucratic’ paradigm (Barzelay, 1992), ‘managerialism’ (Pollitt, 1993), ‘market-based administration’ (Lynn, 1996) and ‘entrepreneurial government (Osborne and Gaebler, 1992).
6 It should be noted that the rise of the managerialist approach is linked with four other ‘megatrends’, namely attempts to slow down or reverse government growth, the shift towards privatization and quasi-privatization, the development of automation and the development of a more international agenda on issues of public management (Hood, 1991).
6. Increasing accountability for the results produced by the utility.

**Regulatory Framework**

The urban water supply and sanitation sector is of a highly monopolistic nature. With the costs of distribution generally making up two-thirds of the costs of supplying services, the urban water sector is characterized by a high degree of sunkness of costs and substantial potential for economies of scale. In addition, the provision of water services knows considerable externalities, both in a positive sense (improved health) and in a negative sense (pollution by effluents) as a result of which the costs and benefits of the provision of urban water services are difficult to capture in market prices (Nickson, 1997). “The sector's monopolistic structure underscores the need for strong regulatory arrangements to protect the consumer” (Haarmeyer and Mody, 1997; see also Kessides, 1993).

Historically, the agencies that performed the regulatory functions also had operational roles in water service provision, resulting in what has been called the poacher-game keeper problem. The poacher-game keeper problem has been identified as one of the main underlying causes for poor performance of public water utilities (Foster, 1996). Not surprisingly then, many reform efforts over the past decade, have prominently incorporated the separation of regulatory tasks from the responsibilities of service provision as is illustrated by several countries in Latin America and the Caribbean which have pursued the 'British model' of regulation by creating “centralized regulatory agencies such as: the Superintendencia de Servicios Sanitarios (SSS) in Chile; the Superintendencia Nacional de Servicios Sanitarios in Peru and the Comisión Reguladora de Agua in Colombia” (Foster, 1996). As the term “British Model” indicates, the model imitates the British regulatory framework where the Office of Water was established following the privatisation of water supply and sanitation companies in 1989. Below the regulatory frameworks in Chile and Zambia are briefly elaborated upon.

At the end of the 1980s the Chilean water supply and sanitation sector underwent reform by the implementation of 4 complementary laws that aimed to reinforce the financial viability of the water supply and sanitation utilities, whilst reinforcing the regulatory capacity of the government (Alfaro, 1997). Although the reform was partly intended to be the first step in privatisation of the Empresa Metropolitana de Obras Sanitarias (EMOS), ultimately reform occurred under public ownership “by means of a regulatory framework that mimicked the design of a concession with a private utility” (Shirley et al., 2000). Created by the Law for the Establishment of the Superintendent of Sanitary Services, the Superintendencia de Servicios Sanitarios is the regulatory body whose main responsibilities include the implementation and supervision of the concession system (including the transfer of concessions and bidding for concessions), the implementation and supervision of the tariff system, setting technical standards for design construction and exploitation of water and sanitation works and control of compliance to these standards (Alfaro, 1997).

In Zambia, the National Water and Sanitation Council (NWASCO), established under the Water Supply and Sanitation Act of 1997, regulates all water and sanitation service providers in the country with aim of improving efficiency and sustainability of service provision. Section 4 of the WSSA clarifies the mandate of NWASCO. Specifically, the functions of NWASCO include advising the government on water supply and sanitation matters, advising local authorities on commercially viable institutional arrangements for the provision of water supply and sanitation services, licensing utilities and other service providers as well as other activities relating to the

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1 Personal communication with S. Veenstra of VITENS in May, 2003.
2 Foster (1996) distinguishes between two general models of regulation: The French model, which has regulation by contract occurring at the level of individual municipalities and the British model, which has regulation by license implemented by a central agency.
3 See Shirley et al., 2000 for a discussion about the reasons why EMOS was not privatized in 1990, but subject to reform under public ownership.
provision of water, develop sector guidelines, establishing and enforcing standards, advising utilities and other service providers on procedures for handling complaints from consumers (Chanda, 2000).

**Increasing Autonomy of the Public Utility**
Separating regulatory functions from service provision responsibilities is often accompanied by an increase in the financial and managerial autonomy of the utility. A 1992 assessment of 129 urban water supply and sanitation projects supported by the World Bank in the period between 1967 and 1989, found that “institutional performance in the areas of operations and maintenance, unaccounted-for-water and human resources management has been good only where there was autonomy in utility management and an arm-length regulatory system” (World Bank, 1992). This conclusion is supported by others who find that opportunities for improvement of performance can be found in increased autonomy and notably financial autonomy\(^\text{10}\) (Cullivan *et al.*, 1988; Islam, 1993; Hoffer, 1994; Batley, 1999).

One of the ways in which the desired level of autonomy for public utilities has been created has been by altering the type of government organization responsible for service delivery. Broadly three types of government organizations can be distinguished: the ministry or department, the statutory body (or corporatized utility) and the government-owned public limited company (based on Thynne, 1998). The characteristics of these utilities are displayed below.

In the 1970’s and 1980’s public utilities were transferred to statutory bodies in great numbers in Africa and Asia. The aim of this reform was mainly to ensure that the utility would have ‘sufficient autonomy to recover costs and meet its financial obligations’. In practice, however, by remaining under the umbrella of public law, insufficient provisions were made to ensure the desired level of autonomy of the utility (Braadbaart *et al.*, 1999).

For this reason, transforming the public utilities to government-owned companies, operating under Company Law, has been promoted as a means of stimulating more efficient management of infrastructure by introducing corporate structures similar to commercial, market-oriented enterprises. There is, in essence, no legal or organizational difference between a government-owned

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\(^{10}\) According to Foster (1996) who finds the politicization of management of the utility to be one of two underlying causes for poor performance, the creation of autonomous state-owned companies can be viewed as a way of depoliticizing utility management.
company and a privately-owned utility apart from the government-ownership of the company’s shares (Schwartz and Blokland, 2002). Examples of public utilities that have been organized as government-owned companies can be found on all continents including utilities in Zambia, the Netherlands, Poland and Brazil. In Latin America, where water services have traditionally been provided by government departments, a trend towards the creation of autonomous government-owned companies has been noticed (Foster, 1996).

Creating Quasi-competition

The lack of competition in the sector is often viewed as having a negative impact on public service delivery. According to public choice theory, public agencies are inherently inefficient because of this lack of competition (Halachmi and Holzer, 1993). In fact, Donahue (1989) finds that the distinction between competitive versus non-competitive service delivery is much more important in explaining efficiency of service delivery than the public vs. private distinction that dominates much of the discussions in the water supply and sanitation sector. Not surprisingly then, increasing competition in the sector has been the aim of many a reform effort in the water sector as it is considered to lead to greater efficiency in service provision, increasing response of the utilities to meet needs of the customers and increasing innovation (Osborne and Gaebler, 1993). However, the monopolistic nature of the urban water supply and sanitation sector results in a situation where there is no significant competition between service providers, nor from products and services produced outside the industry (Nickson, 1997).

In order to simulate the advantageous forces of competition in the water sector a number of reforms have included efforts to introduce quasi-competition in the sector. One way of introducing competitive elements in the sector is by way of benchmarking exercises between different utilities. In essence, the process of benchmarking involves four steps (Reagain and Keegan, 2000):

1. Understand and analyse the indicators and processes of your own utility;
2. Analyse the indicators and processes of other utilities;
3. Compare your performance with the performance of the other utilities that were analysed;
4. Implement changes that are required to close the performance gap that you have noticed in comparing your performance to the performance of other utilities.

One country in which benchmarking has become commonplace in the water sector is the Netherlands where the Netherlands Waterworks Association (VEWIN) publishes a benchmarking study of Dutch drinking water companies every three years. The aim of the studies is to provide insight into the performance of the water companies in the areas of water quality, the environment, finance and efficiency (VEWIN, 2001). The study is used by a number of water companies for setting targets and goals in their business plans. PWN North-Holland, a water supply company serving the province of North-Holland in the Netherlands, uses comparisons with comparable utilities to develop their three-year business plans. The goals that these plans contain are directly linked to the bench-marking studies undertaken by VEWIN. For the 2003-2005 period, for example, PWN’s targets are to improve the ranking for the costs of service provision (where PWN is currently one of the poorest performers) by one place every year (PWN, 2003). The result of stipulating such targets in the Business Plan is that PWN engages in quasi-competition with comparable utilities in the Netherlands.

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11 A review of different government-owned PLCs shows that there is substantial divergence in the performance of public utilities organized as government-owned PLCs, with success stories such as SANASA S.A. in Campinas, Brazil contrasting with poor performers such as the Lusaka Water and Sewerage Corporation in Zambia. It appears that, although the PLC structure can provide a general framework, much of the performance of the individual utilities depends on how this general framework is filled in by company statutes or articles of association (see Schwartz and Blokland, 2002).

12 Braadbaart (2002) also finds that public or private ownership of the utility does not provide a convincing explanation for trends in utility efficiency. See also Jackson (2001).

13 PWN uses surface water as a raw water resource and as such compares its performance mainly with other surface water utilities.
Market-Orientation
A fourth ingredient of many reforms introduced in the water sector is an increased market-orientation. In the urban water supply and sanitation sector the increased market-orientation is largely accomplished in the form of increased outcontracting of services and tasks through service contracts. By way of a service contract the government hires a third party to carry out one or more specified tasks or services. These contracts usually have a short duration of between 6 months and 2 years (World Bank, 1997).

A number of reasons can underlie a decision to outcontract services to third parties. The most prominent of these reasons is cutting costs of certain activities. These savings are achieved because the performance of the ‘outcontracted’ tasks is subject to competition between multiple parties (World Bank, 1997). Moreover, a third party can develop economies of scale by catering a product to multiple enterprises, which lowers the unit price cost. A second reason is that outcontracting services can improve the quality of that service. A third, somewhat less important effect, is that outcontracting to third parties can keep the management of the utility informed about the latest technological advances and new methods for undertaking the outcontracted services. Fourthly, an active outcontracting policy not only creates competition between third parties, but, to a lesser degree, also creates competition between third parties and departments within the utility. The possibility that services undertaken by departments within the utility are outcontracted to a third party is likely to provide the departments with an incentive to increase efficiency (Blokland, 1999). Fifthly, an active outcontracting policy can be used to substantially reduce employee levels in the utility.

One of the best known examples of outcontracting derives from EMOS S.A. of Santiago, Chile, which prior to being privatised in 1999 had adopted an extensive outcontracting policy in which more than 20% of the value of all operational activities was outcontracted. EMOS’ policy was based on the premise that any service or activity could be outcontracted as long as (Blokland, 1999):

1. it was not a strategic or core activity (such as billing, accounting functions and tariff studies);
2. the activities did not involve potential high risks to the quality of service or the security of the facilities;
3. the activity could not be performed more efficiently by EMOS staff.
4. third parties could be found that showed interest in undertaking the services.

Activities that EMOS outcontracted included installing or reading meters, monitoring losses, repairing pipes, and collecting accounts (World Bank, 1997). In outcontracting these activities EMOS used a variety of contract types and awarding procedures. Different activities require different selection procedures and different contracts depending on the nature of the activity to be performed. For example, specialised activities were generally outsourced by means of private bidding where a small number of pre-qualified companies were invited to place a bid (Blokland, 1999).

Tariff Increases and Customer-orientation
Historically, public utilities have not excelled at being customer-oriented. This lack of customer orientation is, for a large part, explained by the way public utilities have been funded over the years. Most public utilities received most of their funds from government organizations. At the same time the consumers of the utility were ‘captive’, in the sense that short of moving they had few alternatives to the service provision of the utility. As such the utility had a strong incentive to listen

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14 There appears to be some difference of opinion about the extent to which services were outcontracted as the World Bank (1997) states that EMOS had outcontracted services accounting for about half its operating budget.
to the government agencies from which it received its funds, but little incentive to listen to the people to whom they provided services (Osborne and Gaebler, 1992). This relationship between the government, the utility and the consumers in which the utility is dependent on the government for funds is represented schematically in figure 1.

![Figure 1. Relationship between Government, the utility and consumers](image1)

With the adoption of the principle that water is an economic good, the trend to emphasise the recovery of costs from service provision from the users has gained increasing importance. With the shift in the main source for utility funds (from the government agency to the consumers), the degree of consumer-orientation of the utility also has to change as the utility becomes dependent on the consumers for their income. The importance of this link is illustrated by a study into well-performing public utilities in Latin America. Well-performing companies were both characterised by ‘financial strength’, which was achieved by implementing reasonable rates as well as a strong customer-orientation (Yepes, 1990). “Within the new public management framework, the charging of fees for services can also be seen as a way of making service providers accountable to clients” (Batley, 1999). Figure 2 illustrates the ‘new’ relationship between the government, the utility and the customers in which the utility is dependent on the consumers for the majority of funds. The advantages that an increased customer-orientation is expected to have, include (Osborne and Gaebler, 1993):

![Figure 2: “New” relationship between Government, the utility and consumers.](image2)

1. Customer-oriented service provision increases the accountability of the service provider to its customers.
2. Customer-oriented service provision depoliticizes the provision of services
3. Customer-oriented service provision stimulates innovation. If the utility gets its funds from the customer instead of a government agency, the utility is more likely to investigate innovations, which will increase customer satisfaction.
4. Customer-oriented service provision is likely to be more efficient as it better matches supply and demand for services.

The link between increasing the utility’s income from user fees and the necessity to improve customer-orientation is aptly illustrated by the public utility serving the city of Guanajuato, Mexico, SIMAPAG. SIMAPAG, which underwent significant reforms in the 1990s, introduced a monthly increase of tariffs to slowly raise the tariffs to levels closer to cost-recovering levels. Every month the tariffs are increased by 1.1%. The users, aided by awareness campaigns explaining the need for raising tariffs, were willing to pay the increased tariffs for services, but the existing system for payment of bills was very customer-unfriendly. In order to mitigate this situation, SIMAPAG established an automated system to charge for water services and made it easier for consumers to pay their bills. Between 1996 and 2001 the income received from users increased by 280% from approximately $141,000 to over $400,000 (Aguinaga, 2003). Moreover, although SIMAPAG’s customers are willing to pay the increased tariffs they are also becoming more demanding, insisting upon higher service standards that SIMAPAG must meet (Nieto, 2003). The result is an upward spiral of increasing service quality accompanied by increasing cost recovery.

**Accountability for results**

Accountability for results concerns holding management responsible for the performance that their decisions have produced. The accountability for results is directly linked to the increased autonomy that many utilities have been granted as the allocation of authority to the utilities is conventionally accompanied by the duties to give account for how this authority has been used. As such, the need to give account is inextricably linked with the autonomy that a utility experiences (Islam, 1993; Pollit et al., 1998). In the traditional approach to the management of public utilities, accountability was more directed towards the procedural aspects of decision-making, the inputs as it were, than to the outputs that those decisions led to (Lane, 1994; Kernaghan, 2000). Islam (1993) has described the trend of focussing more on accountability for results as a shift from process-oriented control to results-oriented control.

The shift from holding utilities accountable for the results that they produce, has also taken hold in the water supply and sanitation sector. As early as 1990 it was argued that in order for utilities to improve effectiveness and efficiency, utilities should set specific and attainable goals accompanied by measurable indicators to monitor progress (Yepes, 1990). Illustrative of the trend towards accountability-for-results is the adoption of a series of performance contracts in Uganda over the past years. Performance contracts are written agreements between managers of state-owned enterprises, who promise to achieve specified targets in a set time frame, and government which promises to award achievement of the set targets with a bonus or other achievement (Shirley and Xu, 1997). In Uganda the Government of Uganda entered into a performance contract with the National Water and Sewerage Company (NWSC) for a period of three years from 2000 until 2003. As a means of operationalising this performance contract, the NWSC, in turn, engaged in a series of sub-performance contracts with the management of the service delivery arms of the Corporation. These sub-performance contracts became effective in 2000 and were designed to (Mwoga, 2003):

- Increase the level of autonomy of the area offices
- Promote commercial orientation of the area offices
- Create result-oriented management
- Increase accountability and a clear separation of responsibilities between area offices and NWSC Headquarters
- Introduce incentives and disincentives as drivers of performance.
On the basis of an assessment of 8 sub-performance contracts in Uganda Mwoga (2003) finds that the performance contracts that were implemented in the 2000-2003 period had a positive effect on the performance of the public utilities15.

**Concerns about the Managerialist Reforms**

In this article it is argued that the most prominent reform strategy in the water supply and sanitation sector of the past two decades has been to introduce institutional arrangements and management practices that previously were only associated with the ‘private sector’. These arrangements and practices include the separation of regulatory tasks from service provision, creating quasi-competition in the water sector, increasing the level of autonomy of the utility, increasing the market-orientation of the utility, increasing tariffs and customer-orientation and shifting the focus of accountability to results instead of procedures.

Although the managerialist reform strategy is implemented widely and promoted by a broad coalition of sector professionals, donors and lending agencies (Batley, 1999), a number of concerns can be expressed about this reform strategy.

First of all, the actual impact of managerialist reforms has been questioned by a number of studies, which finds the impact of this approach to be at best ‘inconclusive’ (Lynn 1996; Lynn 1997; Skelley 2002). A few reasons can be mentioned which could explain why the impact of these reforms may be limited. The first reason is that many commentators have agreed that “the existence of a strong institutional culture, encompassing both a high degree of professionalism among staff and a sense of pride and ‘ownership’ within the local community” may be at the root of the success of well-functioning public enterprises (Foster, 1996). Others have noted the importance of leadership of top management on the performance of utilities (Cullivan et al., 1988). Dimensions such as customer-orientation and market-orientation may then be outward manifestations rather than underlying causes of the success of well-functioning enterprises (Foster, 1996). A second explanation relates to the piece-meal implementation of many reform strategies. In many cases the different elements of managerialist reform are not implemented in an integrated way. Rather bits and pieces of the reform strategy are implemented, which leads to the concern that the impact of these individual elements will be limited.

Secondly, implementation of these reforms is not without cost and it remains to be seen if the cost of implementation is not higher than any efficiency gains that have been gained. For example, although proponents of outcontracting often claim savings of around 20% to 30%, establishing if the increased use of service contracts does indeed lead to cost savings is difficult. This difficulty is due to problems in measuring “the transaction costs, the ongoing costs associated with managing contracts (or governance costs), and the overall costs to the organization of organizing market competition and undertaking the transition to new arrangements” (Hodge, 2000). Much appears to depend on the nature of the service or activity that is outsourced. Some activities may lend themselves for realising significant savings whilst “contracting for some services may not enhance, and may even reduce, the efficiency of public sector services because the additional transaction costs are likely to outweigh any gains in technical efficiency”16 (Hodge, 2000).

Thirdly, the implementation of managerialist reforms may require a set of preconditions, which are required for managerialist reforms to be successful. Schick (1998) argues that a formal public sector, incorporating budgets that controlled spending and corresponded to actual transactions and a

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15 The performance of the utilities was assessed for seven performance indicators grouped in five categories: cost recovery, asset maintenance, operating efficiency, coverage and access and commercial efficiency (Mwoga, 2003).

16 The theory of transaction costs includes factors such as uncertainty, frequency, asset specificity, measurability of attributes, bounded rationality and opportunism to arrive at a transaction cost (Hodge, 2000). These characteristics of a service would then also indicate the suitability for outcontracting a service or task.
civil service system that governed how public employees are hired and paid is an essential precondition for managerialist reforms to succeed. In many developing countries, which are characterised by an informal economy and public sector, these preconditions are not met. “The greater the shortcomings in a country’s established management practices, the less suitable the reforms” (Schick, 1998). Moreover, in some countries with weaker market systems “power and privilege existed in function of state action (Batley, 1999). This means that reforms, which would challenge this status quo, are unlikely to receive much support from people enjoying the ‘power and privilege of state action’. For example, although political support has been granted to reform efforts incorporating decentralization of management services to corporations or autonomous agencies, a number of governments have subsequently restricted real autonomy of the autonomous agency by interfering in price setting and company policies (Batley, 1999).

Fourthly, questions can be raised regarding the applicability of elements of the managerialist reform strategy in the (public) water sector. Accountability for results, for example, assumes that performance can be fully and properly measured by objective measures. The question is if many of the real benefits of the provision of water services lend themselves to quantitative measurement (Mintzberg, 1996). “The high degree of uncertainty and complexity under which [public utilities] have to function do not lend themselves to a neatly divided set of obligations set down in a document” (Islam, 1993). Another potential problem with accountability for results relates to the weak redress that governments have when its own organizations fail to perform. “It may be subject to as much capture in negotiating and enforcing as it was under pre-reform management (Schick, 1998; Batley, 1999).

Fifthly, the trend that recent public sector reforms seem to be inspired by private sector experience has also meant that a traditional ‘public sector values’ may have been weakened (Kernaghan, 2000; Schick, 1998). In particular, questions can been raised about the strong emphasis on efficiency and effectiveness that this reform strategy adheres to. “The criteria the public sector is supposed to pay attention to extend beyond efficiency and effectiveness” (Pollitt, 2003). Public utilities also have social objectives as part of their responsibilities and the question is if these social objectives are not neglected at the expense of an increase in efficiency (Islam 1993; Lane 1994; Hodge 2000; Hague 2001). This question is of particular importance in the water supply and sanitation sector, which is “often regarded as the most quintessentially public of the public services” (Foster, 1996).

CONCLUSION
The managerialist reform agenda has been the most prominent reform strategy over the past decade and it has been promoted by a broad coalition of water sector professionals and institutions. Over the past decade a wealth of literature has grown, ‘celebrating’ the triumph of the New Public Management-style reforms over the traditional public administration. However, it may be a bit premature for these celebrations. Some essential questions still need to be answered:

What really has been the impact of the managerialist reforms? Are the core ideas of New Public Management ‘outward manifestations’ rather than ‘underlying causes’ of well-functioning utilities? Is this reform strategy suitable as a one-size-fits-all reform strategy, which is how it seems to be projected by those ‘celebrating’ it, or should it be adapted (or perhaps avoided) under certain conditions? What are the (capacity) requirements and pre-conditions that a country should meet in order for these reforms to be introduced successfully? What are the consequences of the implementation of the managerialist reform agenda for the low-income consumers? In trying to answer the question if privatisation works, Hodge (2000) finds that the theme of winners and losers is ‘undeniably’ associated with privatisation, and he concludes that the question “does privatisation

\[\text{Based on Lynn (1996).}\]
work?” needs to be clarified by a supplementary question “Work for whom?” To what extent should the same supplementary question be asked for the managerialist reform strategies?

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