Review of: "The Failure of Public Water Utility Privatization From Araral's Perspective: Implications for Ethiopia's Water Sector"

Georges Gharios[1]

1 University of Dundee

Potential competing interests: No potential competing interests to declare.

The thoughts of Professor Eduardo Araral on the privatization of public water utilities are thoroughly explored in the article by Tefera Assefa. The effects of such privatization on the Ethiopian water sector are highlighted. For his substantial contributions to the study of institutions for group action and governance, particularly in the water industry, Araral has earned widespread acclaim. The article's main argument is a critical examination of the data supporting the fiscal and efficiency privatization hypothesis. These theories are frequently used as justifications for privatizing public water systems. In order to set the scene, the article emphasizes the global trend of privatizing public utilities, particularly water utilities, which gained traction in the 1980s and 1990s. The New Public Management (NPM) movement, which aimed to increase efficiency and cost recovery in public administration, was principally responsible for this tendency. The fiscal hypothesis, which contends that privatization will lessen the government's investment burden, and the efficiency hypothesis, which contends that the private sector is fundamentally more effective than the public sector, are the two basic theories that underpin the movement for privatization.

The article, however, offers data that refutes the fiscal theory. For example, it draws attention to the fact that numerous private contracts did not lead to investments that would have expanded services to disconnected homes. Additionally, a large percentage of privatization contracts required public funding or guarantees from the government. Further contradicting the fiscal hypothesis, the piece also emphasizes how multinational businesses frequently restrict their investments in developing nations. The article offers evidence to the contrary of the theory, which contends that the private sector can deliver water services more effectively than the public sector. It implies that there are no appreciable efficiency differences between public and private operators. In certain cases, it was even discovered that privatized water services were more expensive than their public counterparts. The article goes on to say that a failure to recognize the special characteristics of water as a resource may be to blame for the failure of water utility privatization in emerging nations. Water is necessary for life, readily available locally, and frequently susceptible to knowledge asymmetry. Its privatization is therefore more complicated and difficult than with other utilities.

The article's strengths come from its thorough analysis of the literature on the privatization of public water companies, which presents a fair viewpoint on both the fiscal and efficiency hypothesis. It is especially pertinent for policymakers in the area because of its focus on the consequences for the Ethiopian water sector. The article's claims are also solidly backed up by actual data, which raises the article's trustworthiness. However, there are areas where the article could improve. A clearer outline of its methodological approach would be beneficial, especially in terms of how evidence was selected and analyzed. Lastly, the article could have provided more concrete recommendations for policymakers, especially regarding alternative approaches to water utility management that might be more effective than privatization.

In conclusion, Tefera Assefa's article offers a critical and evidence-based review of the privatization of public water utilities from Araral's perspective. By presenting evidence that challenges widely held beliefs about the benefits of privatization, the article provides invaluable insights for policymakers in Ethiopia and beyond. However, to maximize its impact, the article could benefit from greater methodological clarity and a broader discussion of its implications for other developing countries.