

Editorial

IN CERTAIN QUARTERS 'the market' and 'market-based solutions' are anathema. For some individuals and organizations, the notion of market-based approaches to the provision of basic services such as water supply and sanitation carries connotations of filthy lucre and corporate greed. How can profit be associated with the supply of services which are fundamental to human need, dignity and rights? Part of this revulsion is a hangover from the sterile and polarized debates around the privatization of water services and the so-called commodification of water which were taking place ten years ago.

Those who support market-based approaches argue that financial viability and profitability (or at least the ability to avoid financial losses) are fundamental to the sustainable provision of services. Whether we are considering the viability of a community-managed water supply system or the continued ability of a commercial business to supply goods or services, revenues must at least match outgoings. If not, the demise of the service is inevitable.

The private sector, in some form or another, has always been a necessary and important part of water and sanitation service provision. The private sector has always been there to provide everything from soap to chlorine, jerry cans to storage tanks, pipes to pumps. It has provided design and consultancy services, construction capabilities and management. Goods and services which are essential for the establishment and continued operation of water and sanitation services are routinely delivered by everyone from small, local and informal providers through to large, national and international companies.

But 'the market' is about more than the involvement of private sector providers of goods and services. Market-based approaches involve a fundamental change in the way users of water and sanitation services see themselves and are seen by others – no longer as beneficiaries, but as paying customers, dignified by their engagement in a market. In this approach the market is about people's need, demand and willingness to pay for goods and services, and it is about the means of supply of those services. Market-based approaches involve explicit consideration of both the demand side and the supply side, and require us to get both of these to work in synchrony. Progressive market-based approaches explicitly take account of the needs of the poor and the excluded, and they make special arrangements for their inclusion.

It is important not to be naive about market-based approaches. Markets for water and sanitation services are far from perfect, and customer choice, the quality of goods and services, and affordability can

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only be protected by open competition (to the extent that that is possible), consumer voice and formal or informal regulation. Incentives for public and private service providers to extend and improve services to those least able to pay need to be protected and strengthened.

In sanitation and hygiene, modern approaches focus very largely on demand creation, rather than on subsidized construction of physical facilities as in former times. That demand may express itself in construction activities by households themselves, or by the purchase of goods (such as sanplats and tippy taps) and services (such as latrine construction) from the private sector.

In rural water supply we are still largely operating in an externally driven manner, in which capital costs are highly subsidized (usually at least 90 per cent) but recurrent costs are the responsibility of the users. There is often ambiguity about who is responsible for capital maintenance and replacement.

In urban middle- and high-income communities, it is taken as read that water supply services are provided by a public or quasi-autonomous utility, and that consumers pay for the service. Low-income settlements are often grossly under-served.

In both rural areas and low-income areas of many towns and cities, the extent of self-supply is often under-estimated or ignored. Many people rely on shallow wells which they have constructed for themselves, with or without the involvement of informal construction contractors. In rural areas this is a very positive self-help initiative, but in dense informal urban settlements it raises serious questions about water safety. However, there is a growing realization that linking self-supply to market-based approaches can lead to accelerated progress in the realization of water and sanitation services.

This issue of *Waterlines* presents several discussions and examples of market-based approaches to water and sanitation services. Jon Naugle's, Jacqueline Devine's and Jan Rosenboom's papers are explicitly focused on the provision of goods and services by the local private sector. David Schaub-Jones's paper makes a higher-level examination of what market-based approaches have been perceived to mean and what they have actually delivered, with a focus on urban services. Finally Deepa Patel's paper from Haiti evaluates the use of a proprietary product in a major humanitarian emergency.

Market-based approaches represent part of the bigger picture of extending and sustaining water and sanitation services. They offer food for thought and action, alongside other approaches to the achievement of complete and permanent service provision. As with all approaches they should be judged on their outcomes, and the extent to which those outcomes meet the desires of the users themselves.

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