

Domestic Private Sector Participation: BANGLADESH

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OVERVIEW

In Bangladesh, urban water supply and sanitation (WSS) service delivery is inefficient and inadequate and arsenic contamination has made water quality a major concern, especially for the urban poor. Centralized utilities with weak institutional and financial management operate in isolation instead of within city-wide urban management frameworks and are unable to address problems appropriately and to scale. Reforms are necessary to improve efficiency and service coverage, as well as financial and expenditure management.

Rural water supply facilities, primarily provided by small-scale private providers, extract shallow ground water by hand pumps and other point sources. However, arsenic contamination has reduced access to safe drinking water from 95% to 76% over the past years.

Small-scale providers and non-government organizations (NGOs) have the potential to deliver water and sanitation services. An increase in Micro Finance Institutions (MFIs) in rural areas further opened opportunities for private operators (POs) to deliver community water supply by making capital finance available and encouraging the full recovery of operating costs. The Government of Bangladesh (GoB) and the World Bank, under Bangladesh Water Supply Program Project (BWSPP) and Social Investment Program Project (SIPP), planned to provide nearly 300 villages and a few small towns with piped water, using POs/sponsors-NGOs, contractors, community-based organizations (CBOs).

In sanitation, on the other hand, the coverage figure has improved to over 80% of households by 2006. This has been achieved by the keen interest and support of GoB and more importantly, with the significant support from small-scale private latrine producers. Many NGOs and donor agencies are assisting the Government. The GoB has set the national goal to achieve universal sanitation by 2010.

QUICK FACTS

Population	(2007)	142 M
Gross national income/capita	(2006)	US\$470
Urbanization	(1990-2005)	3.7%
People living in cities with > 100,000 inhabitants	(2005)	29%
People living in poverty	(2004)	50%
Access to water	(2004)	
Urban		70%
Rural		74%
Access to sanitation	(2007)	
Urban		80%
Rural		82%

Data Sources: World Development Indicator Database; Bangladesh Bureau of Statistics and WHO.

TYPES OF PROVIDERS

Snap shot: Extent of Provider Involvement

	Public	International Private	Local Private	Users' Associations	Others	Dominant Provider
	1	2	3	4	5	
Urban water supply	X					1
Rural water supply	X		X	X		3
Small towns water supply	X		X	X		1
Sanitation and Hygiene						
Sewerage, wastewater and sludge treatment	X		X	X		1
Desludging			X	X		3
Household sanitation product manufacturing and distribution	X		X			3
Hygiene promotion	X	X		X	X	5 NGOs

Notes:

¹ Water service providers in Bangladesh are composed of government agencies [Department of Public Health Engineering (DPHE), Dhaka and Chittagong Water Supply and Sewerage Authority

(D&CWASA), six City Corporations and 310 Municipalities/Pourashava, 4480 rural local government institutions (Union Parishads) and private providers].

² Benchmarking and performance improvement activities of urban water utilities are providing support to DPSP promotion.



SITUATION ASSESSMENT

Policy and Regulatory Environment

RATING: Challenged

- There is no specific policy to promote domestic private sector provisioning. Local Governments and the National Department of Public Health Engineering (DPHE) need to adopt a policy for engaging community organizations, NGOs and private sector including DPSP to provide WSS services to poor.
- Private providers are regulated through licensing and also for quality testing by Bangladesh Standard Testing Institute (BSTI). But there are still many who are not registered and therefore, could not be regulated.
- Water tariff is regulated by Local Government Institutions (LGIs) with the endorsement of the Ministry of Local Government Rural Development and Cooperatives (MoLGRD&Cs).
- Consumers are able to give and receive feedback on service policy/quality through Citizens Charter, but there is no clear incentive on the part of provider to respond.

Market and Business Infrastructure

RATING: High Improved

- Competition is low because the people want more support from government service providers, although the Government desires more private sector involvement.
- Expansion by DPSPs is hampered by lack of access to financing.
- Access to water resources is regulated by Water Supply and Sewerage Authorities in the larger cities and the rest by the respective LGIs (*Pourashavas* and *Union Parishads*).

Domestic Provider Performance (Optional)

RATING: High Improved

- Generally, private sector providers are providing adequate and affordable service in the rural areas.
- Staff are semi-skilled professionals who would benefit from technical, commercial, financial and management training for skills enhancement.

KEY OPPORTUNITIES

Opportunities for enhancing DPSP activity in the next three years (2009-2012):

- 1 Clear policy pronouncements and the development of institutional frameworks for private sector participation (PSP) in water and sanitation are necessary. These can be further supported by regular dialogues with utilities and government agencies.
- 2 An International Finance Corporation (IFC) study mapped the small-scale service providers of water supply and sanitation services in Dhaka. This data can serve as basis for generating broader momentum around a collective approach to small-scale providers (SSPs) and their coordination with the water utility. An International Development Association (IDA)-funded project (near appraisal) to improve sewerage and drainage in Dhaka will also address the opportunity of the water utility to contract with SSPs to expand services in slum areas.
- 3 Financing institutions need to be motivated to lend to private service providers. At present, they prefer lending to industries. Possible partners for this undertaking would be the Department of Finance, the World Bank and Local Water Utilities Administration.