



Introduction

Within Workpackage 1.1 of TECHNEAU data are gathered on relevant trends in the drinking water sector which serve as a basis to develop adaptive strategies. The objective of the task 1.1.11 of Techneau Work Area 1 is to gather information on trends and changes in organisation and financing models of the drinking water sector. Current situation and changes over the past years has recently been analysed by different research projects and organisations including the EU project Euromarket (2003-2005), OECD, EUREAU, and the Worldbank.

Importance

In order to come to a good picture on the future of the water sector, not only technological and social factors are of importance, but also the structure of the water industry is of prime importance. Organisation and financing models of the water industry are discussed in this report.

Approach

The report synthesises the main outcomes of the different studies to provide an understanding of

- i) the European water supply market structure, including the classification and current situation regarding management systems,
- ii) the existing models of liberalisation,
- iii) the factors influencing the evolution of the structure of the water sector, and
- iv) the identified trends and changes in the water sector.

Result

European water supply market structure

Despite a large diversity of management systems, a simplification to four types of dominant institutional arrangements is generally proposed based on the degree of separation between the responsible entities and the management entities. They include direct public management, delegated public management, delegated private management, and direct private management. The predominant model of water supply and sanitation in Europe is public management.

Existing models of liberalisation

Worldwide, the private sector operates only a small amount of the water supply. The main existing models in the water sector are the so-called English, French and the German model. These three models correspond respectively to three basic types of privatisation: "full privatisation", "privatisation through delegation" and "privatisation with regulation by the supervisory bodies". The three privatisation models lead to three distinguishable forms of competition: i) yardstick-competition between private providers, ii) competition between private operators for the right to temporary operation, and iii) competition in the goods and services markets.

Factors influencing the evolution of the structure of the water sector

Four main factors influence the evolution of the structure of the water sector in Europe. They include i) the evolution of the water supply service, and ii) the increasing environmental legislation (EU water policy), iii) emergence of new

stakeholders, and iv) other factors such as geography and hydrology and other local development constraints.

Identified trends and changes in the water sector

The factors influencing the evolution of the structure of the water sector depend on each country's particularities. Current trends regarding liberalisation and private sector involvement vary following the different local situations regarding technical complexity, financial pressure, regionalisation and the emergence of new stakeholders. The studies nevertheless pointed out globally a shift towards market logic (with a larger private participation), a process of regionalisation (grouping of municipalities and increasing scale of water supply services), and the creation of new regulatory systems.

More information

More information can be obtained from the Authors:
Yann Moreau-Le Golvan (KWB Berling), Philippe Bréant (Veolia)

Deliverable number: 1.1.11