

Comparing the Performance of Public and Private Water Companies in Asia and Pacific Region What a Stochastic Costs Frontier Shows

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This paper estimates a stochastic cost frontier for a sample of Asian and Pacific Region water companies to compare the performance in public and privatised companies based on a sample detailed firm specific information published by the Asian Development Bank in 1997. The comparison of individual efficiency measures is based on adjusted least squares and on maximum likelihood estimates of the cost function. The ranking in the efficiency performance of these companies obtained from the econometric estimates is then compared to the ranking obtained from the more standard qualitative and productivity indicators typically used to assess performance by practitioners. The paper shows that these rankings are not always very consistent. In addition, it shows that costs in concessioned companies tend to be significantly lower than in public companies.

JEL Classification: L5, L9.

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