

Effects of incentive applications on technical efficiencies: Empirical evidence from Ugandan water utilities

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Abstract

This study outlines practical cases of incentive applications in water utilities operating under public-public management settings in Uganda, Kenya, Tanzania and Zambia. The paper dispels a common belief that incentive applications are only possible under public-private management settings. Specifically, the study utilizes empirical historical data (period 2000-2006) in 15 National Water and Sewerage Corporation (NWSC) water sub-utilities in Uganda. Applying stochastic frontier analysis (SFA) econometric methods using a log-linear input distance specification, we find that financial incentive application has positive impacts on reduction of firm technical inefficiencies. The empirical evidence contributes to literature, debate and water utility management in a number of ways. In particular, it shows that, apart from having positive effects under public-private partnership settings, financial incentive applications can have similar effects under public-public management settings.

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Keywords: Incentive applications; Technical efficiency; Input distance stochastic frontier analysis.

For more details please refer to the Journal.