

11.479: Water and sanitation policy and planning for developing countries
Policy memo assignment
Due Session 17

The Chief Minister of the southern Indian state of Andhra Pradesh (equivalent to a state governor in the US) is committed to bringing private-sector participation (PSP) into water supply and sanitation service delivery for the state capital, Hyderabad. The Chief Minister has charged the Managing Director of Hyderabad's water board with devising a strategy for a private-sector concession that will both (1) address concerns about impacts on poor households and (2) result in a successful privatization process (*i.e.*, one that attracts multiple private firms).

Knowing of your expertise in water and sanitation planning in developing countries, the Managing Director has asked you to review the water and sanitation situation in Hyderabad, and to provide recommendations regarding how to implement the concession. He has already identified three possible strategies for you to consider—although you are not limited to these options:

- Designing a concession for the entire Hyderabad metropolitan area that includes specific investment and coverage expansion mandates for the private provider;
- Designing a concession for the entire Hyderabad metropolitan area that includes specific investment, but flexible coverage expansion, mandates for the private provider; or
- Designing a concession that gives financial responsibility for W&S services in low-income areas to the Municipal Corporation of Hyderabad.

Your assignment is to review the background case study and to draft a policy memo in which you lay out recommendations for the best approach to a private-sector concession in Hyderabad. Note that the decision to pursue the concession should be taken as given; you are only to respond to the dual objectives of your client, the Managing Director, which deal with how best to implement the concession. You may adopt one of the positions laid out by the Managing Director, or you may suggest an entirely different approach to the design of this concession. In any case, you do not need to review each of the three options above in your memo; simply present the one design that you are recommending, and a set of convincing arguments for it.

On that note, remember to support your arguments with information from the case study document. Your discussion should clearly illustrate how your preferred strategy meets both sets of goals for the concession that are laid out in Section 1 of the case study.

In thinking through the case, bear in mind the following:

- Why might PSP be attractive to Hyderabad? What problems are we trying to solve?
- Why is there concern about poor households under a PSP arrangement? What do you know about targeting the poor for W&S services that you could use in the design of a concession like this?

If you think you need other information that is not contained in the case study in order to lay out your recommendations, let me know what data you're lacking in case they are something I can provide to the class. If I can't, then your policy memo should simply (1) state what information you did not have and (2) explain how it might impact your preferred strategy for Hyderabad.

You are permitted to discuss this assignment with your classmates *and* to submit joint products from groups of up to three students. (You can, of course, work alone and submit an individual memo as well.) For those working in teams, each member should complete the brief survey available on the MIT server once your memo is finished, and post your responses by the assignment due date (12:00 noon, May 5th). Finally, please note that all memos will be available for perusal by all class participants on the MIT server after May 6th.

Your memo should not exceed five pages in length and should follow the format on the "Guide to Policy Memos" handout. Memos that do not conform to this format will be returned. Please direct any questions about this assignment to me via e-mail; I want to be of any help that I can to you.