



ETHIOPIA • WATER & MARKET SYSTEMS

The price of reliable water

What two years of running a rural water business in Sidama Region reveals about whether market-based water services can pay for themselves — and what happens when they compete with a public price.

AN INSIGHT FROM THE PARTNERSHIP

Aleta Chuko and Shebedino woredas, Sidama Region, Ethiopia
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A PARTNERSHIP BETWEEN



In two woredas of Ethiopia's Sidama Region, a private water company, a community association and a woreda water office have been testing a question that most rural water programmes never ask out loud: can safe water in a rural village be run as a business, and what happens when it has to compete with water the government supplies for less?

The partnership between WaterLife Construction Plc and Max Foundation, supported by P4G (Partnering for Green Growth and the Global Goals 2030), set out to rehabilitate water schemes that had stopped working — some of them more than a decade ago — and then to keep a professional operator responsible for them afterwards. Twenty-five previously non-functional schemes across Aleta Chuko and Shebedino woredas were brought back into service, restoring water access for more than 5,000 people.

The rehabilitation was the straightforward part. What the partnership was really examining is harder: whether the money, the incentives and the rules exist for that water to keep flowing once the funding stops.



Collecting water at a hand pump in Sidama Region, Ethiopia. Where a round trip once took two hours, households now fetch water within the village.

25

**water schemes rehabilitated
across two woredas**

15 yrs

**the longest a repaired
scheme had stood idle**

2 hrs → 30 min

**reduction in a typical water
collection round trip**

The problem was never the borehole

The Head of the Aleta Chuko Woreda Water, Mines and Energy Office described the situation his team faced before the partnership began: of 92 hand pumps in the woreda, 62 were not working. Some had been broken for five or six years. The reason was not that the pumps were beyond repair. It was that no one held a budget or a contract to fix them.

That is the pattern across much of rural Ethiopia. Between 30 and 40 per cent of rural water schemes are non-functional at any given time. The infrastructure gets built, handed to a volunteer water, sanitation and hygiene committee (WASHCO), and then a valve fails, a rod snaps, and there is no money, no technician on call and no spare part within a day's travel. The scheme goes quiet, and the households that depended on it go back to the stream.

WaterLife's proposition inverts that sequence. Rather than building something new and leaving, the company repairs what already exists and then stays — accountable for uptime, water quality and preventive maintenance, and paid for that service. The Aleta Chuko water office confirmed that 16 hand pumps and shallow wells were repaired in an early phase, verified through site visits, serving more than 3,500 farming households.



A rehabilitated hand pump in Aleta Chuko Woreda. WASHCO members operate the pumps on a fixed daily schedule and supervise their use.



Jerrycans queued at a rehabilitated water point. Households in Aleta Chuko contribute around 200 to 240 birr a year toward repairs.

Eight months of actual accounts

Alongside the rehabilitation work, a second and more commercially exposed model was tested in Shebedino: a micro-franchise water kiosk run by a five-member enterprise. Water is drawn from a borehole by a diesel pump, filtered, treated with ultraviolet light, chlorinated, and sold by the jerrycan. Thirty per cent of the takings go to the community association, Enjo Yewuha Mahber; the remainder covers WaterLife's costs and maintenance.



The kiosk in Shebedino. The banner names WaterLife Construction Plc as franchisor and the community association Enjo Yewuha Mahber as franchisee.



Inside the kiosk: the filtration line, with pump, battery and control unit to the left.

Because daily sales were recorded meter reading by meter reading, the partnership has something rural WASH programmes rarely produce: a real profit and loss account for a village water business.

Eight months of kiosk trading	ETB	Share of revenue
Revenue (252.5 m ³ sold)	60,939	100%
Diesel fuel	13,680	22%
Salaries	13,500	22%
Maintenance	2,290	4%
Other operating costs	3,388	6%
Net profit	9,458	16%

Roughly 1,180 birr a month. The kiosk works — and it works on a margin thin enough that a single variable can close it. Diesel is 22 per cent of revenue, so a ten per cent rise in fuel price absorbs most of the profit. When national fuel shortages hit, the kiosk did not run at a loss; it stopped entirely, and households in Shebedino went back to whatever the municipal supply was offering that week.



The diesel generator that drives the kiosk pump. Fuel was the single largest operating cost, and its unavailability — not its price — is what eventually stopped the business.

THE CENTRAL FINDING

Solar conversion is not an upgrade to a diesel water business. It is the condition under which the business exists at all.

“Since the government sells water at 3 birr per jerrykan, it is difficult for us to sell at 5 birr without losing customers. This threatens the sustainability of our business.”

Meseret Alemayew, micro-franchise kiosk operator, Shebedino Woreda

Competing against a public price

The second finding is more uncomfortable, and it is the one the sector tends to avoid. A treated jerrykan from the kiosk costs 5 birr. The government distribution point sells an untreated jerrykan for 3. When both are running, a household chooses.

Households do not choose uniformly. Mintewab, a regular customer in Shebedino, buys from the kiosk because her daughter repeatedly fell ill after drinking piped water that ran muddy in the rains; she said she would pay up to 10 birr a jerrykan if the service resumed. Genet, another user in the same woreda, put the opposite case plainly: the community, for the most part, is not willing to pay more — only those who are health-conscious buy from the kiosk.

Both are describing the same market accurately. There is real willingness to pay for water people trust, concentrated in a segment that understands what contaminated water does to a child. There is also a much larger group for whom a two-birr difference decides the purchase. A single price cannot serve both, and treating the price-sensitive group as a problem of awareness misreads what is a problem of income.

This is where the market-based argument has to be honest about its limits. Where a free or near-free public source is available and functioning, a commercial operator is not competing on convenience or quality alone — it is competing against a subsidy. The kiosk’s customers arrived in numbers when the municipal supply failed, and thinned when it recovered. A model that depends on the public system underperforming is not a scalable model.

What does look scalable is the arrangement on the rehabilitation side, where the tension resolves rather than sharpens. Households in Aleta Chuko contribute roughly 200 to 240 birr a year into a WASHCO bank account held for repairs and spare parts, and several said they would contribute more if reliability were guaranteed. There, the payment is not for water — it is for the certainty that the pump will be working next month. That is a service people are willing to buy, from a public asset, through a private operator.



A focus group discussion with WASHCO members and community representatives during the partnership's field assessment in Aleta Chuko Woreda.

Government is not the obstacle

A common assumption about private participation in rural water is that policy stands in the way. In Sidama, the woreda officials interviewed said the opposite. The Head of the Aleta Chuko Enterprise Office was direct: the policy is not restrictive, it is permissive. His colleague at the Water, Mines and Energy Office added that moving water maintenance toward private operators aligns with national strategy, and that the aim should be to create business-makers — people who fix water systems because it improves their own livelihood, not because they are waiting for a government instruction.

What blocks the model is further downstream, in the machinery:

- Finance moves too slowly. Once a youth enterprise is organised, its funding request passes through the Finance Office to Omo Microfinance — a process that officials described as taking months, sometimes a year. Young people qualify, wait, and leave.
- Start-up capital has been outrun by inflation. The standard allocation is around 250,000 birr. A water meter that cost 1,200 birr now costs 7,800. A pump can cost two million.
- Spare parts are not local. Technicians and WASHCO members travel to Aleta Wondo, then Dilla, then Yirga to find a genuine part. Every trip is a week of a village without water.
- No one regulates the service. There is no independent rural WASH regulatory function setting standards, approving tariffs or protecting customers — which is precisely the certainty a lender or investor asks for first.

None of these require new policy. They require the existing policy to be operable. As one official put it, the task is to break the bureaucratic chains.

“The goal must be to create ‘business-makers’. If an enterprise or a farmer sees this as a business that improves their own livelihood, they won’t wait for the government to act.”

Head, Aleta Chuko Woreda Water, Mines and Energy Office

What Max Foundation actually did here

Max Foundation did not rehabilitate a single pump in Sidama, and that is deliberate. Our role in this partnership was to make a private water company investable and to make the system around it navigable.

In practice that meant commissioning WaterLife's business plan, marketing strategy and 2026–2030 strategic plan; building the monitoring and evaluation framework that produced the sales data above; opening conversations with Awash Bank and Enat Bank and mapping potential impact investors; and convening WaterLife with woreda and regional government offices so that the tripartite relationship between operator, WASHCO and government has somewhere to be negotiated.

WaterLife has not yet secured commercial investment. The evidence base that would support it — unit economics, customer acquisition cost, revenue forecasting over a longer window — is still being assembled. That is an honest description of where this sits: a proof of concept being de-risked, not a model ready to scale. The value of P4G's catalytic funding was that it paid for the eight months of accounts that tell WaterLife, and any future lender, exactly which variable to fix first.

What we take from Sidama

Three conclusions carry beyond these two woredas.

A rural water business lives or dies on its energy bill. Diesel made a functioning kiosk fragile enough to be closed by a national fuel shortage. Any commercially oriented rural water service should be designed solar from the outset.

Tariffs have to be designed for a segmented market. Differentiated service tiers, cross-subsidy from institutional and commercial customers, and volume incentives are not refinements — they are what allows a single scheme to serve both the household that will pay 10 birr and the household that cannot pay 5. A dedicated willingness-to-pay assessment should precede any tariff rollout at scale.

The public–private question needs answering at policy level, not stall by stall. As long as the state supplies water below cost and a private operator supplies it at cost, the two are in unmanaged competition and the operator carries the risk. Deciding deliberately where the private model applies — and where a public subsidy should be routed through a private operator rather than against it — is a policy choice, and it is the one that determines whether market-based rural WASH scales in Ethiopia.

ABOUT THE PARTNERSHIP

The WaterLife–Max Foundation partnership is supported by P4G (Partnering for Green Growth and the Global Goals 2030) and works in Aleta Chuko and Shebedino woredas, Sidama Region, Ethiopia.

Read more about the partnership [here](#).