Causes of Poor Service Delivery in Africa and Their Impact on Development

Esohe Denise Odaro
School of Oriental and African Studies (SOAS)
University of London

Abstract

Service delivery remains a pressing issue throughout Sub-Saharan Africa (SSA). Recently, the focus of government policies on meeting the Millennium Development Goals has increased attention on better provision of services. At present, however, services in Africa lag significantly behind those of other developing countries and are considerably more expensive than elsewhere (Foster & Briceno; 2010). This paper explores the factors affecting service delivery in SSA and compares public services provision to private sector service delivery, as well as the impact of both on development. The paper unfolds in three steps: After a brief review of the current condition of services, I will examine the shortlist of identified factors contributing to the current state of services and conclude with brief recommendations. I have excluded South Africa in my analysis because it is more developed than other countries in the region. This is by no means intended to be an exhaustive list of causal factors and capacity constraints allow for only partial considerations of primarily, water, and to a lesser extent, sanitation and electricity.

Author’s Note

Denise is an underwriter in the oil, gas, chemicals, mining, and energy sector at the Multilateral Investment Guarantee Agency (MIGA), the foreign direct investment guarantee arm of the World Bank Group. Denise joined MIGA in 2011 through the MIGA Professionals Program. Before joining MIGA, Denise received a master’s in business administration from Cornell University. She received her LLB (Hons), Law from The University of Bedfordshire and subsequently qualified as a Barrister having been called to the English Bar at Lincoln’s Inn. Denise completed a Masters in Development Studies at SOAS in 2004 and then had a brief stint running a Pro-Bono outfit offering legal assistance to the Refugee Council and NGOs. Subsequently she spent her career in the private sector, working for Goldman Sachs and GE. In 2008, Denise spent some time working in Nigeria, carrying out voluntary work in her spare time. She was appointed a Justice of the Peace for her efforts in mentoring disadvantaged children. This paper is one of a series of various independent research studies Denise is currently undertaking regarding development in Sub-Saharan Africa.

Keywords: Sub-Saharan Africa, service delivery, development, private sector.

1. Introduction

On almost all measures of infrastructure coverage, African countries lag behind other countries in the developing world (Yepes, Pierce, and Foster 2008). The gap is particularly large for coverage of paved roads, telephone main lines, and power generation. In these three areas, African nations have been expanding services
much more slowly than other developing nations, setting the stage for an ever-increasing gap unless changes are initiated. Power poses the biggest challenge, as thirty countries face regular power cuts and premiums for emergency power are high. According to the UNDP’s Human Development Report, in 2000 only 44% of the population had access to safe water. In contrast, 67% of the population in East Asia and the Pacific had access to safe water, and 65% had access in Latin America and the Caribbean (UNDP; 2003). From 2003 to 2006, barely any progress had been made; almost half of the SSA population still had no access to an improved water source and two thirds had no access to sanitation. In fact, coverage of household services has hardly improved since 1990.

In 2000, the member states of the United Nations agreed to a set of eight development goals aimed at eradicating poverty, to be achieved by 2015. Not only is Africa unlikely to meet the Millennium Development Goals (MDGs) for water and sanitation, but universal access to these and other household services is more than 50 years away in most African countries based on current trends (Banerjee, Wodon, and others 2008). While the perception exists that service delivery is higher in urban areas compared to rural areas because rural areas are inaccessible, cross-country statistical regressions of the determinants of access to water and sanitation do not support this (Mamba; 2008). Recently, the focus of government policies on meeting the MDGs has increased attention on better provision of services (UNDP; 2006). Improved service delivery through investment in water and sanitation is necessary to achieve the MDG of halving the number of people without sustainable access to clean water and sanitation. Privatisation is being promoted as a solution to the current dire state of services; evidence shows, however, that this is not a panacea, especially where expectations of African governments and the private sector incentives do not align. In order for the continent to achieve its economic potential, increase growth, and progress from being an exporter of raw materials to a producer of finished goods, service delivery must improve.

This paper considers the lack of both funding and accountability as causes of poor service provision. The status quo in one African city, Lagos, is then examined as an illustrative example of the relationship between public and private sector service delivery. The current state of public sector services and the push towards privatisation through public-private partnerships will then be evaluated, prior to briefly touching on other factors affecting delivery and my conclusions.

2. The Funding Shortfall

The key sources of funding for the provision of water, sanitation and electricity services include government tax revenues, usage fee revenues and aid, but the funding allocated to these services is not adequate. Public spending in Sub-Saharan Africa for water and sanitation services typically equals less than 0.5% of GDP and is as low as 0.1% in some countries, such as Zambia (Wolf; ECA Research 2007). Average sanitation investments amount to 12–15% of total water and sanitation expenditure (AFDB and OECD, 2007; UNDP, 2006). Compounding the problems raised by low budgets, inefficiency and bottlenecks often lead to actual spending of only about two-thirds of the budget allocated to infrastructure. Some governments have allocated more resources to certain areas of infrastructure than
would appear to be warranted (Briceño-Garmendia, Smits, and Foster; 2008). The result is an overall funding shortfall for meeting Africa’s service needs; there is a gap between the estimated infrastructure spending needs and the available resources.

Cuts in the percentage of aid allocated to water and sanitation, from 7.2% to 3.3% of total ODA1 between 1996 and 2002 but up to 4.5% in 2005, have exacerbated funding shortfalls (OECD, 2007b). High aid volatility negatively affects countries that depend heavily on aid (Bul’ıˇr and Hamann; 2003). The instability of aid disbursements may alter fiscal behaviour, possibly causing a decrease in public investment (Lensink and Morrissey; 2000). In principle, aid makes more money available for public spending, which in turn should improve service delivery; high volatility, however, creates significant challenges for recipient countries with respect to the management of resources (Briceno-Garmendia et al; 2004). Also, most project aid and donor funding stipulates some form of privatisation, which is not always warranted despite the problems with public sector delivery in most countries. In Burkina Faso, for example, the existing public services were efficient, making privatisation unwarranted, but privatisation was still imposed as a condition of aid. Corruption has been a problem in privatised service delivery that is funded by aid money as well. Even when a private company, Lahmeyer, was found guilty of corruption related to a water project in Rwanda, the World Bank allowed it to be linked to contracts financed by the Bank (Hall and Lobina; 2006). Further, where privatisation has been resisted by a government, the donor or development bank funding gets cut, as it was in Guinea.2 We must also consider that higher spending might also not lead to a proportional increase in the quality of service delivery where corruption exists (Briceno-Garmendia et al; 2004).

3. Lack of Accountability

Empirical studies show a strong correlation between service availability and the extent to which citizens select their own governments. The availability of services is also strongly correlated with the quality of government regulations (Mamba; 2008). This suggests that the failure to provide public services can be attributed, at least in part, to low accountability environments, in which politicians are able to misallocate public funds; division among voters on social and ideological grounds could also be a contributing factor. Corruption results in input shortages, price increases, decreased spending on maintenance, and reduced government revenue (Wolf; 2007). Greater political accountability has been shown to improve public services and reduce corruption in Uganda, where transparency about government transfers to local spending units has reduced misappropriation of funds by as much as 90% (World Bank; 2003).

One recent trend aimed at increasing participation and transparency in public service delivery is decentralization. Decentralization is associated with better access to water and sanitation in rural areas, which might reflect both better targeting and accountability at the local level and the availability of small-scale technical solutions. However, obstacles to decentralization are numerous because the tax base in rural

---

1 Updated figures unavailable.
2 In 1999, the World Bank suspended funding for Guinea until privatisation
areas is weak and vertical imbalances in technical and administrative capacities are large (Bardhan; 2002).

4. Public and Private Sector Delivery

4.1 The Status Quo in Lagos, Nigeria

In many places in the developing world, a large share of service activity comes from private sector and community participation; sometimes this kind of participation accounts for more output than the public sector, as is the case in Nigeria’s commercial capital of Lagos. Limited investment in water and sanitation infrastructure has resulted in a situation in which only a minority of households in Lagos are directly connected to the Water Board system, while the rest of the city relies on private connections or shared, community-funded access. At that time, Williams and Walsh reported that the city’s arrangements had produced huge disparities in both the cost and availability of drinking water – there was a plentiful supply to public and commercial buildings and high-income residential areas, but low-income areas were “served by sparse standpipes, and some sections are not served at all” (Williams and Walsh, 1968).

Today, the situation appears to have deteriorated. Even highbrow areas have little access to public services. Lagos has become a self-service city in which little is expected from government, and many social and everyday services are obtained through unstructured local and private negotiations and sourcing within the private community. Deficiencies in water and sanitation provision continue to provide some of the most striking manifestations of the city’s worsening infrastructure crisis (Gandy; 2006). Gandy asserts that less than 5% of Lagos households have piped water connections, a fall from around 10% in the 1960s) and less than 1% are linked to a closed sewer system. For those lucky enough to have piped connections, the bane of their daily lives is the frequent power shortages. Most of the city depends on wells, boreholes, water tankers, illegal connections and street vendors (Expunobi, 2001; Sulaimon, 2000). Besides providing one’s own water source, one must also obtain one’s own power source to access that water, since power is needed to pump water from boreholes and wells. Inhabitants of slum settlements must choose between polluted wells or tanker water distributed by intermediaries at high, volatile prices (Gandy; 2006). This state of affairs is not idiosyncratic to Lagos, as public services enterprises in many SSA cities still face importunate financial and organisational problems including gross inconsistency in access, ineffective collection of rates and limited investment in new facilities.

4.2 Public Service Provision

Most public service enterprises in SSA have been unsuccessful in providing reliable water supply and sanitation services. Government monopoly in service provision has resulted in lack of accountability and community ownership in the planning and implementation of infrastructure projects, poor management and sustainability, low quality and limited options. A major challenge for the provision of
water and sanitation is capacity constraints with respect to planning, management and implementation, especially at the local level. Measures including the restructuring of ministries, matching of resource allocations with policy commitments and establishing national monitoring and evaluation frameworks are needed to improve access to water and sanitation (AMCOW et al., 2006). Additionally, the service sector’s low revenue collection leaves it heavily dependent on aid funding with multiple fragmented donor projects, which makes planning at the sector level very difficult (Slaymaker and Newborne, 2004). As discussed above, poor service delivery in Nigerian cities is largely attributed to poor planning, but in some cases good urban planning policies are undermined by poor implementation, as seen in Abuja. These problems are compounded by population growth and the increasing rate of rural urban migration without a corresponding expansion of basic social infrastructure. A common sight in most Nigerian urban centres is the indiscriminate dumping of refuse in open spaces because waste is seldom collected from the depots, in part because of the lack of sufficient equipment. The situation is also aggravated by a lack of concern over industrial waste (Omar, 2009).

The dominance of public enterprises has led to a monopolistic market environment, and the ensuing dearth of competition has been blamed for inefficiency and the dreadful state of these services. Moreover, these enterprises often price services below cost, but these prices are still beyond the reach of low-income households. For utilities, only 70%–90% of billed revenues are typically collected, and distribution losses can be twice that. According to household surveys, about 40% of those connected to utility services do not appear to be paying for them, a share that rises to 65% for a significant minority of countries (World Bank; 2010). These losses are material at the national level, absorbing 0.5% of GDP on the Sub-Saharan African average, or $3.4 billion annually (Briceño-Garmendia et al., 2008). Indeed, provision of services at below cost prices contributes to the lack of capital and low levels of investment in infrastructure (World Bank Report, 2010). Low payment recovery and subsidies granted to large industrial customers hurt the poor masses, which have to pay higher prices and a higher percentage of their income towards services. It is unrealistic to expect the urban poor to pay sufficient charges to make needed infrastructure extensions viable, let alone profitable. In 2009 in Uganda, water payments accounted for 22% of the average income of urban households in the poorest 20% of the income distribution (Wolf, 2009). In Nairobi and Accra, the prices paid in low-income settlements with little access to the public provision are around 8 times higher than those paid by high-income residents (Wolf, 2007). In general, the poor pay higher prices for water because they tend not to be connected to public services and thus must rely on expensive private alternatives.

As highlighted above, a major impediment to the provision of basic water and sanitation is the lack of new infrastructure coupled with insufficient maintenance of existing services. Governments have been encouraged to consider the commercialization of public services through privatization in order to lead expansion schemes. However, many challenges are faced in attracting investments from the international private sector. In comparison to other continents, Africa has a low overall population density (36 people per sq. km), low rates of urbanization (35%), relatively rapid rates of urban growth (3.6% annually), a relatively large number of landlocked countries (15), and numerous small economies (World Bank, 2010). Population densities in African cities are relatively low by global standards and do
not benefit from large economies of agglomeration in the provision of infrastructure services. As a result, the costs of providing a basic infrastructure package can be twice as much as in other developing cities (Dorosh and others; 2008). The explanation for Africa’s higher prices sometimes lies in genuinely higher costs and sometimes in high profits.

4.3 Private Sector Service Provision

While aid donors have encouraged the involvement of the private sector, especially in the water sector, they have also cut their own contributions to the sector to a point far greater than the actual investments made by the private sector (Hall and Lobina; 2010). Development banks and the donor community have pushed for forms of privatisation owing to the school of thought that through partnering with the private sector, the potential political issues of full privatization could be evaded, access to new technology and expertise could be gained and, imperatively, access to capital needed for vital infrastructure expansion would materialise. Generally, the use of the term ‘privatisation’ is avoided and the term ‘Public Private Partnership’ (PPP) is used to connote the partnership between private and public sector.

The most common forms of PPP globally are: (1) management contracts offered to private firms to manage the operations of service delivery for a fee over a short term period, (2) concessions contracts granted to private enterprises to fully run, invest in and expand services for a profit over a long term period, typically between 20 to 30 years, and (3) lease contracts by which a private company is brought in to run and maintain an existing service system but with no responsibility for expansion or new investments. Thus far, PPPs in the water sector in Africa have not produced the desired results. Several schemes have had a “negative impact on the poorest of the poor by restricting their access to clean supplies due to high tariffs” (Ogunbiyi, 2004). In SSA, there have been mainly lease contract PPPs and only a handful of concessions granted; three for water and electricity services in Cape Verde, Gabon and Mali, and two others covering water and sanitation in South Africa. None of these cases have seen their expected success. Mali terminated a 20-year concession prematurely in 2005, and Cape Verde proposed renationalisation, both following their private partners’ under-investments (World Market Analysis, 2005). In Gabon, there were problems with the concessioner Veolia3, also owing to under-investment, consequent power shortages and poor water quality, which resulted in the country’s first typhoid epidemic in 2004 (Africa News, 2005). In 2005, the IFC stepped in to provide financing and guarantees needed for investments over the next five-year period. Subsequently in 2010, the PPP has proposed a 512 million Euro investment plan to be realised before 2017,4 mostly from government and development funding.

The two mildly successful PPP stories are lease contracts in Senegal and Cote d’Ivoire. Their success is due in part to the long duration of their contracts, but also to the fact that, in both cases, the government has financed investments and new connections. In Senegal, the contract led to an impressive 35% increase in water

---

3 In 1997, Societe d’Electricite et d’Eaux de Gabon gave a 20-yr. contract to Veolia.
connections (Hall and Lobina, 2010). In general, other leases throughout the sub-
continent have been much less successful, as evidenced by the Veolia leases in
Gambia, Guinea and Niger. With the exception of Niger, where the contract
continues to be in place despite water shortages alongside price increases, the other
two leases have been terminated because of poor performance, contractual
omissions and disputes over investment responsibilities. Similarly, a funding-
conditionality-imposed lease contract in Tanzania was terminated by the government
after only two years due to the private partner’s failure to meet its investment
commitments (Action Aid, 2005).

5. Other Factors

There are many other factors that are not discussed in this paper; this does
not imply, however, that they are any less important. Some of these factors include a
lack of skilled and professional manpower in government to handle service issues
and inadequate related services. Better roads, for example, could make it cheaper to
build and maintain water and sanitation facilities in rural areas (Gwilliam et al., 2008).
There is some evidence that asymmetric information plays an important role in
public service delivery; research in Uganda by the World Bank found that countries
with better media coverage could have more efficient public service provision
(Svensson and Reinikka, 2004). Another contributory factor could be a lack of
political will or political pull amongst the public: because most citizens have never
experienced functional public services, the impetus for political mobilisation to effect
change is hardly existent. Unfortunately, the long-standing state of woeful service
delivery has given rise to a local mafia class that provides water, fuel, and other
services. These lords protect their market and high profits by sabotaging new
government-sponsored infrastructure.

6. Conclusion

In conclusion, weaknesses in service-delivery can be attributed to a number
of issues. Optimistic expectations for investments by private companies have been
dashed. These expectations led to reductions in development financing and aid,
which has now exacerbated the poor state of infrastructure in SSA. Imperatively, the
manner in which provision of basic infrastructure services is dispensed to meet
demands will determine the level of economic activity and, in turn, the overall
development of a nation. Delivery of public services is also essential in order to meet
the MDGs. In particular, improved health and environmental sustainability as well as
widespread access to clean water, sanitation and other basic public services are
proving to be fundamental preconditions (OECD, 2004). The current needs
necessitate crucial investments in expanding delivery and improving infrastructure. It
is recommended that in partnering with private sector operators, governments
should enter apt contractual arrangements that are compatible with socioeconomic
criteria and objectives, with an emphasis on the specific needs of poor consumers. In

the medium term, the private sector is not expected to fill the financing gap in infrastructure in Africa (Thoenen, 2007; AfDB and OECD, 2007).

Bibliography


OECD, 2007b. DAC statistics webpage.


OECD. (2004). A Global Plan to Achieve the MDGs. Draft report for discussion at the OECD-DAC Highlevel Consultation on the UN Millennium Project.


