

Debating the Provision of Basic Utilities in Sub-Saharan Africa: a Response to Nellis

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Both delight and surprise are prompted by John Nellis' One Pager #31, a rejoinder to the Bayliss and McKinley IPC Policy Research Brief #3 on "Privatising Basic Utilities in Sub-Saharan Africa". The Brief reports on the book edited by Kate Bayliss and Ben Fine, *Privatization and Alternative Public Sector Reform in Sub-Saharan Africa: Delivering on Electricity and Water* (Basingstoke: Palgrave MacMillan).

The book inevitably goes beyond material covered in the Brief. It offers a swingeing and detailed critique of World Bank thinking and policy on privatisation, including a heavy dose of scepticism about the Bank's current *mea culpa*: "we were wrong; we privatised too much too soon and without preconditions in place". The Bank has partly come to its senses because, despite ample support for privatisation and exaggerated promises for its performance, it has performed miserably in sub-Saharan Africa.

The time is indeed ripe for a thorough 'rethink', which would involve giving the public sector a fair crack at the helm. Appearances to the contrary, this is not what the World Bank or Nellis is proposing. Their priority is to continue supporting the private sector whilst exhorting the state to build up capacity—but primarily to support private-sector, not public-sector, provision of utilities. The easiest privatisations are over; privatisation is now evidently floundering. So the state must work even harder, they argue, to make it a success. No assessment is given of what might be achieved by devoting the same resources and commitment to public sector provision. And this stance continues despite the admission, confirmed by Nellis, that the provision of electricity and water in sub-Saharan Africa will remain mostly the responsibility of the state.

Such is the context for Nellis' rejoinder. For twenty years his position on privatisation has reflected, even informed, that of the World Bank—starting with cautious endorsement of privatisation, followed by a full-scale embrace and, finally and most recently, culminating in implicit acceptance of its failings. His current five-point acceptance of our diagnosis is welcome. Delivering basic utilities in sub-Saharan Africa is no easy task. But the privatisation experiment has made it worse, by eroding state capacity or preventing it from being expanded.

Like the World Bank, Nellis is no longer committed dogmatically to a 'one size fits all' privatisation model. As mentioned, the priority of the new model is to get the state to support the private sector rather than simply leaving it to its own devices. This is apparent in his closing sentence: "So, in a nutshell, the solution is not to eschew private investment, but rather to find mechanisms to make it more politically acceptable, more socially responsible and more mutually beneficial".

To be fair, whilst accepting our diagnoses, Nellis does tax us on three points. The first is that we 'overestimate' state capacity in sub-Saharan Africa. He offers no evidence for this assertion, most likely because no estimate has been made. Our point is that the privatisation experiment has clearly over-estimated the capacity of the private sector. More importantly, Nellis accepts that public service provision will be predominant into the foreseeable future and, by implication, that it will have to be the focus of efforts at reform and capacity building—irrespective of its current failings.

Nellis reasonably questions how this might be done. This is a positive step over presuming that it cannot. He correctly anticipates that we address this crucial point in our book, putting forward the 'public sector system of provision' approach (pssop). This does not start from (private) market *versus* (public) state provision but from the specificities of each country and sector, in terms of practice and potential. For this approach, presumptions about under- or over-estimation of state capacity are beside the point: public service delivery must be addressed and evaluated as an option.

The second point relates to Nellis' assertion that we under-estimate the need for private capital to fill the huge investment gap in Africa. But private capital has already failed to fill the gap. This is why the new Bank model encourages ever increasing efforts by the state (as well as consumers) to absorb higher levels of risk to satisfy the guarantees now demanded by private investors. Crucially, private capital comes at a price, and one that is not necessarily cheaper than public finance. We are not precluding the participation of private capital, but we situate it within the economic and social functioning of a country as a whole and try seriously to weigh alternative forms of public and private financing of provision.

Nellis' third point relates to his positive example of the Athi Water Services Commission, billed as a hybrid of private management and public ownership (a project which was undertaken, not coincidentally, against donor advice). We give other examples of such initiatives in our book. Some work, some do not. This project, by Nellis' own account, is far from ideal. Most critically, it fails to address the lack of investment finance. What is significant, though, is that Nellis still assumes that private sector management can work but public sector management cannot. Such presumptions became self-fulfilling, in fact, during the era of privatisation when the capacity for public service provision was systematically undermined.

So, in a nutshell and as a counterpoint to Nellis, our solution is "not to eschew **public investment**, but rather to find mechanisms to make it more politically acceptable, more socially responsible and more mutually beneficial".