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Solid waste collection in Accra: The impact of decentralisation and privatisation on the practice and performance of service delivery

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2 Decentralisation, Privatisation and the African State

This study is undertaken from three angles. The first looks at decentralisation and privatisation within the broader development debate that at present is dominated by the principles of neo-liberalism and from the perspective of the African state, particularly Ghana. The second one, addressed in Chapter 3, examines urban management, environment and partnerships in the African context. The third one, which we will highlight in Chapter 4, focuses on solid waste management. These angles are key to understanding the arguments in this work. The primary objective of the chapters 2-4 is to construct a way of approaching the issues in this book: a necessary first step in understanding the impacts of institutional change. Developing a conceptual framework is like building a house. The three main theoretical angles, which are the building blocks of the thesis, are laid in the next three chapters.

Since the mid-1980s, there has been a rapid increase in interest in the topics of decentralisation, privatisation and local government reform. This interest is present among policymakers, political parties, international financial organisations (such as the World Bank and the International Monetary Fund (IMF)), NGOs, grassroots organisations and social scientists. The euphoria surrounding these reforms is not limited to the so-called newly democratised countries in the South but is also present in the urban industrial North. Whilst in the developed countries decentralisation and privatisation policies began as a natural outcome of the prevailing democratic institutions, in the developing countries external influences were much stronger, initially as donor-driven policy of conditionalities and lately following the fall of communism in Eastern Europe (Razin, 1998; Razin and Obirih-Opareh, 2001). Decentralisation has become a central issue in the development debate (Helmsing, 2000; World Bank, 2001, 2002) in which new roles are earmarked for the local government as well as the private sector. In that context, privatisation can be seen as one particular form of decentralisation. Decentralisation as a development tool is, however, nothing new in itself. What is new is the interest it has generated, the fact that it has become so widespread and acquired many more ideological connotations than before (Schuurman, 1997).

Western scholars (such as Bennett, 1990, 1993; Martin, 1993; Rondinelli, 1987, 1990, 1993, 1997; Rondinelli and Kasarda, 1993; Rondinelli and Iacono, 1996; Rondinelli and McCullough, 1989; Schuurman, 1997; Smith, 1999, 1996, 1985; Wolman, 1990)

have carried out most of the theoretical work on decentralisation. Quite a number of works have also emerged from Central and Eastern Europe (Regulski and Koccon, 1993; Regulski, 1997). Some studies have also been done on decentralisation by African scholars (e.g. Aryee, 1997; Wunsch, 1998, 2001; Aryee and Mohan, 1997; Crook and Manor, 1998; McCarney, 1997; Oluwu, 2001; Oluwu and Smoke, 1992; Oluwu and Wunsch, 1995; Smoke, 1994). Depending on their intellectual paradigm, scholars of decentralisation differ on why a particular state foresees the need to restructure its central-local relations and what benefits it expects from this exercise (Rhodes, 1981; Smith, 1985). What then is decentralisation and why has it become a central issue in the development debate?

2.1 Decentralisation

2.1.1 Defining the concept

Decentralisation means different things to different people or different governments and they support or oppose it for diverse reasons (Wolman, 1990). The concepts stimulating the debate on decentralisation vary greatly (Bennett, 1990; Helmsing, 2000; Holman, 1990; Pickvance, 1997; Manor, 1999; Rondinnelli, 1987, 1990, 1993, 1996, 1997; Schuurman, 1997; Zsomboki, 1996). In some cases, the emphasis is purely on governmental reforms, *i.e.* shifting responsibilities downwards from central levels to local governments. In other cases the emphasis is shifting responsibilities from governmental towards non-governmental sectors, *i.e.* the private sector or community organisations. In yet other cases, a mixture of governmental reform and market stimuli is sought in order to stimulate "social market" responses. A single term therefore disguises a complex and highly varied set of phenomena (Bennett, 1990; Holman, 1990; Manor, 1999; Pickvance, 1997). Decentralisation may have been a response to debt problems at the centre, with the central government passing functions to other levels of government because it wishes to extricate itself from high levels of public expenditure on public services. It may also have served certain political purposes, such as strengthening certain regions or political and interest groups which desire to have more freedom to develop policies at the local level. Or it may have had a broader goal of enhancing transparency and responsiveness of government in order to increase the legitimacy of government in a general way. All of these purposes may have been present at the same time. Thus, the variety of uses of the term decentralisation should be no surprise.

Decentralisation not only has multiple meanings, it is also a multidimensional concept (Goldsmith, 1995; Page, 1991; Page and Goldsmith, 1987; Pickvance and Pretzelie, 1991, Pickvance, 1997). The dimensions of decentralisation that are usually distinguished refer to: (a) the range of functions carried out at the local level; (b) the degree of autonomy about how these functions are carried out; (c) the degree to

which the local government is funded from its own resources rather than from central grants; and (d) the degree of private sector participation in service delivery. Four major variants of decentralisation, *i.e.* deconcentration, delegation, devolution and privatisation have been identified (Bird *et al.*, 1995; Rondinelli, 1997; UNHCS, 1996). Deconcentration is the transfer of functions from a central unit to a local administrative office. This is one of the 'weakest' forms of decentralisation and has become a common response by higher levels of government to deflect the blame for inadequate services provision from central to local authorities. Deconcentration involves the dispersal of some amount of power of central government ministries with decision-making authority either vested in the regional offices or maintained by the central office. In most cases, delegation involves the transfer of certain powers to parastatal agencies of the central state. While the parastatals have some autonomy in day-to-day management, government usually controls them ultimately. Delegation of authority lies between deconcentration and devolution, and involves independent sub-national jurisdictions, which are given service-delivery responsibilities. They are, however, subject to supervision by the central government with regard to the level and quality of service to be provided, how the service is to be provided, and/or how the service is financed. Many politicians as well as social scientists consider devolution as 'real decentralisation' since power and functions are actually transferred to sub-national political entities which, in turn, have real autonomy in many important respects. Devolution involves independent sub-national governments, which are given the responsibility for determining the level and quality of services to be provided, the manner in which those services are provided and the source of funds to finance the delivery of those services. Arguments in this study with regard to decentralisation will largely relate to this third form of decentralisation – devolution – unless otherwise stated. Privatisation ultimately involves the transfer of power and responsibility for certain state functions to private groups or companies.

2.1.2 The rationale for decentralisation

A number of cogent arguments can be put forward to explain why so many countries have adopted decentralisation strategies. These reasons can be grouped into four main factors: pragmatic arguments, political considerations, arguments related to globalisation and ideological motivation. Ideological motivation is dealt with later for both decentralisation and privatisation.

Pragmatic arguments

The first set of arguments put forward to justify decentralisation refers to the recognition of *territorial diversity* exemplified through cultural variation, uneven economic development or ethnic diversity. This diversity of space translates into the

divergence of local needs which, in turn, will solicit localised responses and thus create a pressure to decentralise. The demand for public services varies from place to place both in quantity and in quality, due to diversities between localities. Decentralisation of the provision for these services can ensure a better response to this variation in demand.

The second set of pragmatic arguments refers to *greater efficiency and effectiveness of social service delivery*. Among other factors, centralised governments move towards decentralisation as a response to dissatisfaction among the people or in the region with social services delivery and the consequent need to restructure management practices and exert less control over local affairs by the central level (Regulski, 1989; Kulesza, 1993; World Bank, 2001, 2002). Decentralisation enables increased efficiency and effectiveness of state management and the spending of the public funds. Services can be produced at a lower cost when local governments are able to work more easily with local community-based or voluntary organisations in ways that allow significant cost reductions. The public choice model, which defines choice as access to social rights as determined by the democratic process, sees the allocation of different responsibilities to particular levels of government as the most efficient way to secure choice for individuals (Bennett, 1993; Smith, 1985; Wolman, 1990). However, in order for decentralisation to be effective, public administration and local government reforms need to be linked and fully executed. Decentralisation is seen as a disciplining force to restrain public sector growth (Brennan and Buchanan, 1980). Just as competition among firms in the private sector fosters efficiency, so can decentralisation break the hold of a large monopolistic "inefficient" central government.

Finally, decentralisation facilitates *innovation*. States and localities can serve as laboratories for testing national policy changes and systems can be tested on a small scale and perhaps be better tailored to local conditions (Gramlich, 1987: 309). For instance, Oates (1990) notes that there have been some important instances in which states in the USA have led the way in introducing new policies whose success paved the way for measures at national level.

Political considerations

Political considerations are linked with issues such as democracy, accountability, meeting demands for regional autonomy and legitimacy (*i.e.* regaining lost image due, for instance, to the collapse of economies, corruption and lack of transparency). It is often felt that decentralisation would promote participatory democracy. Many people equate decentralisation with democratisation, though decentralisation per se is no guarantee at all for democracy. However, a decentralised institution

should in principle be more accountable to its constituents, who are more likely to have easy access to service providers and a better understanding of how institutions operate at a lower level than at a national, or centralised level. Liberal theorists from the North argue that engaging citizens in the process of governance not only promotes local democracy but also creates new generations of politicians and results in community integration (Smith, 1996).

Decentralisation is a composite policy answer to the decreasing effectiveness of central intervention, economic and fiscal constraints, and growing claims for local democracy and citizen's rights (Bennett, 1990; Lake and Regulski, 1990; Smiths, 1985). The transition to democracy in Central and Eastern Europe has bolstered decentralisation, including the institutionalisation or re-institutionalisation of local government (Clake, 1993; Hesse, 1993; McCarney, 1997; Stahlbergh, 1993).

Arguments related to globalisation

Decentralisation is also part and parcel of the globalisation process that is based on market logic and the idea of the minimal state. In recent times, a global and inter-dependent set of economic and political changes has progressively opened up the world for the process of capital accumulation. National governments have had to bring their socio-economic policies increasingly in line with each other to facilitate this process and, allegedly, to share in its fortunes. The new mode of regulation – in which national governments continue to play a major role – is one of deregulation and liberalisation: opening up national markets for trade, allowing unrestricted access for capital, making labour regulations more flexible, etc. The cardinal feature in the globalising economy is competition and success depends on the ability of players to respond adequately to the twists and turns of the market (Kuffour, 2002). Decentralisation not only implies the receding of the national state, but also allows local governments to compete more freely for international capital. However, local government are assuming these powers in a climate that is much more problematic (i.e. a world of unfettered competition) than that which central government previously had to face. In Africa, many infant local industries have collapsed as a result of that (Mengistae and Teal, 1998); citizens that utilise their (new) democratic rights to put them under pressure to reform; and a breakdown of corrective devices at the national level.

2.1.3 Critique on decentralisation policies

In a similar vein, many critics believe there are a number of cogent arguments against decentralisation. Critics of decentralisation policies tend to base their objections on four main arguments. The first group of arguments refers to *pragmatic opposition*. Many critics see decentralisation as an expensive exercise in the sense

of establishing or upgrading an entirely new local government apparatus (personnel/staff; offices; equipment) which is very expensive for debt-ridden countries. These critics question what scale is appropriate for efficient service provision.

The second set of reasons is *political opposition*. Critics question the mechanism for redistribution/capitalising on increasing disparities. To such a school of thought, since the regions or localities are differently endowed, the primary responsibility for a government is to ensure equity through redistribution of resources in order to minimise disparities among the localities. When this essential power of the central government is taken away or substantially reduced, the less endowed regions or districts are disadvantaged. There are costs involved in decentralising certain functions (Burgess *et al.*, 1997). One of these costs is the growth of disparities between local governments in terms of services provided, since some local governments have a greater ability to finance the services than others. Though a disparity existed even before the decentralisation process, it can become much greater if local authorities provide a large number of services from resources they raise within their own jurisdiction (Razin and Obirih-Opareh, 2001). Local authorities in high-income districts or municipalities have a much larger revenue base and capacity to raise revenue through taxes from their populations than those in low-income districts.

As Rousseau (1762) stated in the 18th Century, the nation state is still the only institution capable of redistribution and establishing a social contract with its citizenship (Hirschmann, 1999; Hoogvelt, 1997). It is the best available locus for suturing together the distinct forms of sub-national, national and supranational governance (Hirst, 2000:31). Critics (such as Hoogvelt, 1997) argue that the central government can provide services more equitable within the macroeconomics policy. However, structural adjustment programmes (SAPs) opened the way for decentralisation discourse as it neatly complemented the call for rolling back the activities of the state. According to Schuurman (1997) the restructuring thrust of globalisation provokes local responses, which further disempowers the poor and erodes the state. In Schuurman's view, decentralisation is a regulatory fix that in particular is not fit for small developing countries that never experienced a "welfaristic situation" and their economic structures are not based on the "fordist" mode of production – that came into crisis. These poor states have usually not been so *omnipotent* to make deregulation and decentralisation (dismantling of the central state) necessary; many states were already rather weak even before the implementation of SAPs in Africa. Though, it may appear that African governments are present in every place of the society, in actual fact they are not strong on the ground in terms of providing welfare, etc. to its citizens, such as employment opportunities, unemployment benefits, housing, health care, and education. In other words: conditions for decentralisation

entirely differ in developing countries. Therefore decentralisation may not be the most appropriate answer for poor countries. Another potential disadvantage of decentralisation is central government's loss of control over fiscal policy, when some local and territorial governments spend or borrow disproportionately for their own needs and so contribute to inflation or increasing the debt service costs for the country as a whole.

The third argument refers to the fear that decentralisation could lead to multiples of *corruption and nepotism* at the lower levels, more than before (World Bank, 2001, 2002). The same mechanisms that troubled central states are duplicated at lower levels of administration. The main consequences of decentralisation is that more avenues for elite enrichment and favouritism are created.

The fourth set of reasons that worry critics of decentralisation is the *fear of regional separatism*. Decentralisation, which tends to give more autonomy to local levels, might facilitate separatism. If a particular area (*i.e.* district, province, region or state) wants to use the 'democratic credentials' of decentralisation to advance its legitimate democratic rights by deciding to separate, then the central government would face the dilemma of the tenets of democracy (*i.e.* rights to aspiration) and the centre's desire to maintain a unified country. Such factors can set off a chain-reaction of demands from other areas or regions, which could undermine the unity of the country. In extreme cases, it can lead to disintegration of the country. For instance, the demand of the three pre-Baltic states (Lithuania, Latvia and Estonia) made of the former Soviet Union was one of the major causes that precipitated and accelerated its disintegration.

Finally, there is the question of whether certain services such as electricity provision through a grid and water supply – which are natural monopolies – could be decentralised and can and should be managed effectively by local units or by intermediate levels of government (Batley, 1996; Cointreau-Levine, 1994; Rondinelli, 1997).

2.2 Privatisation

2.2.1 Defining the concept

Narrowly conceived, privatisation entails a shift of productive activities or services from the public sector to the private sector. Privatisation is a term associated with the transfer from the public to the private sector of assets in terms of ownership, management, finance or control (Bach, 2000). In its narrowest sense, it has been used to describe the sale of public assets to the private sector. It has been used to refer to an increase in the individual's responsibility for his or her own welfare. In

its broad sense, privatisation includes all efforts to encourage private sector participation in running public affairs. This does not necessarily lead to complete transfer of ownership and control of the service to the private sector (Braddon and Foster, 1996). It may be seen as the fourth main form of decentralisation (see above). The origin of privatisation might perhaps date back to the period when man began to own properties and use them as means of production of goods and services for himself and for exchange in contrast with community management systems. However, in modern times, this is equated with western capitalist development, which is based on propertied ownership of means of productive forces. The essence of privatisation policy (derived from theories of property rights and public choice) is that the process streamlines the relationship between enterprise owners and managers, and thereby improves performance (Bayliss, 2001; Bennette, 1997; Commander and Killick, 1988; Cornia and Helleiner, 1994; Chang and Singh, 1992; IMF, 2001; Kumssa Asfaw, 1996; Martin and Parker, 1997; Ramamurti, 1997; Rowthorn and Chang, 1995; Vickers and Yarrow, 1988; World Bank, 2001). Privatisation is part and parcel of the dominant views that development should be based on market principles. It means that the private sector has various comparative advantages over the public sector, which should be deployed.

2.2.2 The rationale for privatisation

Since the mid 1970s, privatisation has become nearly every government's premier coping strategy in the West, although its implementation in Europe is very different from that in the USA (Fisk *et al.*, 1978; Fixler and Poole, 1986; Gordon, 1987; Harney, 1987; Hatry, 1983; Kirlin *et al.*, 1977; Levine, 1980; Marlin, 1984; Poole, 1980; Savas, 1977, 1982; World Bank, 2001, 2002). The use of privatisation as a cost-cutting device was stimulated not just by the need to seek out different ways of providing more and better services with less money, but also by the ideological shift towards neo-liberal economic philosophy following the rise to power of conservatives in the leading western industrialised countries in the 1980s, particularly the Reagan administration which championed the superior ability of the private enterprise to provide public services (Gordon, 1987; Post, 1996).

For developing countries, the current wave of privatisation policies originated in the structural adjustment programmes (SAPs) under pressure from the Bretton Woods institutions. The first of these SAPs was by the International Monetary Fund (IMF) stabilisation programme which involves macro-economic stability, devaluation of the country's currency, export-led development, trade liberalisation, etc. The second stage of adjustment is based on market principles. This is where the World Bank takes over. In actual fact this is where the current wave of idea of privatisation policy was conceived. The role of the state in defining and promoting

public interests is being contested and reshaped by a global campaign of privatisation. Launched in the early 1980s, the current drive was first marked by divestiture of selected state-owned enterprises (SOEs) in both developed and developing nations to private owners (Ramanadham, 1989; Roth, 1987; World Bank, 2001, 2002). It was closely accompanied by the contracting out of an increasing array of public services to private businesses, most prominently in the United States (Cointreau-Levine, 1994; Lee, 1997; Martin, 1993; World Bank, 2000, 2001, 2002). Since the late 1980s and early 1990s, some developing countries have likewise turned to privatisation as a way to help address shortfalls in infrastructure and services (World Bank, 2001, 2002). Many authors have put various arguments to justify privatisation. Among these could be identified two main sets of reasons: pragmatic arguments and private sector development.

The neo-liberal economists and other proponents of privatisation are quick to argue that the private sector has several assumed comparative advantages over the public sector, including political independence, economic rationality, dynamism and innovation, greater efficiency in service delivery, more rapid and efficient decision-making, fewer restrictions in work and hiring practices, more flexibility in adjusting the types and levels of services to changing needs, and mobilisation of private investment. Such qualities make it measure up favourably to public sector enterprise and are used as arguments to justify private sector participation in the provision of public services (Cointreau-Levine, 1994; Hainsworth, 1990). Although it would be extremely naive to take these salutary effects for granted – reality shows there are many ramifications (Batley, 1996; Lee, 1997; Post 1999) – privatisation has become the political creed of the 1990s and its importance, as a policy instrument must be accepted as a matter of fact. The inefficiency of the public sector in the provision of services has been the chief reason for pushing for privatisation (Batley, 1994, 1996; Cointreau-Levine, 1994; IMF, 2001; Martins, 1993; Rondinelli, 1997; World Bank, 1994, 2000, 2001, 2002,).

Limited government capacity, individual ingenuity and the swing towards a reliance on market efficiency have led most countries to reduce the scope of government and return the production and provision of services to the private sector. Inappropriate policies and over-extended state structures had distorted development and promoted macro-economic inefficiency whilst undermining space for market forces (World Bank, 2001; Young, 1991). The need to privatise could be analysed in the context of a transition towards a market economy and the role that access to capital resources plays in creating opportunities for such a process to take place. Privatisation and deregulation have been emphasised as a route for achieving greater efficiency of service delivery (Bennett, 1990; Martin, 1993; Regulski, 1997).

Privatisation has become a key theme behind private sector development within the World Bank policy framework (Bayliss, 2001). It enhances the capacity of indigenous entrepreneurs to grow and participate in domestic economic development as well as the strength of institutions to provide a stable framework for such enterprises to flourish. This frees the government to concentrate on its main function and create the necessary environment for the private sector to become the engine of growth.

2.2.3 Critique on privatisation policies

Similarly, critics can put forward quite a number of reasons against privatisation. Firstly, many proponents of privatisation fail to distinguish between the privatisation of state owned enterprises (SOEs) in productive activities and the privatisation of public services. Whilst the former could be run for profit, the latter, *i.e.* public services do not have to run for profit. This is the argument against privatisation of public services.

The second set of arguments refers to the efficiency/cost reduction. The fundamental claim that increased efficiency should follow from the replacement of public monopoly by private competition or even, given the rigidities of public administration and the tendency to government failure, by private monopoly is considered to be hollow (Wolf, 1988). Critics have also pointed to the weak empirical and theoretical foundations of privatisation policies generally (Bayliss, 2001). Evidence of greater efficiency and effectiveness through the privatisation or contracting-out of public services remains flimsy, particularly for developing countries (Batley, 1996). The introduction of competition has a more significant effect on performance than a change of ownership, especially if privatised bodies continue to come under detailed regulation (Batley, 1996; Crook and Kirpatrick, 1988; Shapiro and Willing, 1990; Vickers and Yarrow, 1988). Privatisation of infrastructure and services that are natural monopolies can be a source of worry. More often than not, data on privatisation is filtered by an ideological screen through which the evaluation of such experience is focused primarily or exclusively on efficiency indicators (Lee, 1997).

The third set of criticisms refers to political arguments: accountability, transparency, corruption, inequality, opposition from within government and labour unions. Many writers question the potential benefits of privatisation, arguing that although in theory privatisation could bring benefits to markets, state, and society, in practice privatisation and commercialisation are resulting in a massive concentration of wealth and power to remote bodies beyond the reach of political accountability (Bayliss, 2001; Martin, 1993; World Bank, 2001, 2002;). Whenever what was previously a government responsibility is privatised, there is a potential disadvantage

of the *loss of public assets* if these are sold at prices below their real value. It has often drawn severe opposition from within the government and labour unions. A much more important factor is the potential disadvantage of reduced transparency and accountability of infrastructure and service provision. In fact, political influence partly destroys comparative advantages of the private sector. Corruption is pervasive throughout the privatisation process (Miklos, 1995) due to lack of transparency in the divestiture of state owned enterprises (SOEs) and awards of contracts. Privatisation actually reinforces the need for competent, effective and accountable local government to act on behalf of the inhabitants to ensure that private companies maintain quality and coverage in infrastructure and service provision and do not abuse any natural monopoly position by raising prices. According to the public choice approach, privatisation is necessary because self-interested bureaucrats staff the public sector. However, it is these self-interested bureaucrats who are expected to implement privatisation policy in a non-self-interested way. Privatisation requires an effective public sector and the people who are most threatened by the policy are the ones who are expected to carry it out (Bayliss, 2001; Hirschmann, 1999).

The fourth point has to do with equity and the need for monitoring and for safeguards. There is fear that privatisation might deny equal access of the poor and most vulnerable groups to public services. Under privatised conditions, it may be difficult to ensure that lower-income households and areas receive basic infrastructure and services at affordable prices. Thus, there is still an ongoing debate about the desirability and efficacy of privatisation (Rondinelli, 1997; Rondinelli and Kasarda, 1993) in which the questions are: what if the private sector is not able to provide the service, what are the risks of monopolisation and exploitation, and how can private efforts be coordinated in such a way that public goals are achieved (Devas, 1993; Hardoy *et al.*, 1992)? There is widespread recognition that when responsibilities are passed on to the private sector, safeguards must be built in to ensure appropriate standards, achieve coordinated provision, ensure a competitive environment and avoid monopoly control of essential services by private providers which are not publicly accountable, and to minimise corruption and inequity (Burgess *et al.*, 1997; Cointreau-Levine, 1994; Rondinelli and Iacono, 1996). As a consequence, none of the alternatives to privatisation, at least to public services, completely exonerates government from its social contract with the people. In most cases of privatisation the government remains responsible for guaranteeing a basic minimal level of services, for maintaining a supervisory role and for monitoring the performance of the private sector, for ensuring equitable access for all urban residents and for rating performance and unit costs (Bernstein, 1993). Therefore, privatisation in service provision usually takes the form of a public-private arrangement, requiring constant

and stringent monitoring and evaluation. In such situations, the government retains some degree of power, while saving on costs, reducing political interference and red tape, and lowering levels (see section on partnerships).

The market does not and cannot decide everything. Orthodox privatisation literature shows that welfare gains from the policy are maximised where the enterprise is in a competitive market. Where this is not the case, appropriate regulation is required. However, regulation is particularly problematic in developing countries. Firstly, the process is institutionally demanding in an environment where appropriate skills are scarce. Secondly, markets are smaller and therefore less competitive, requiring more effective regulation. In most low-income countries where there is regulation, it is based on the industrialised country model – the main utilities have specific regulatory bodies. However, where markets are smaller, many more industries, *e.g.* cement distribution or agro-processing, are monopolistic, requiring relevant regulation. And thirdly, the reality is that – regardless of legal niceties – the economic significance of privatised companies, coupled with uncompetitive market structures, is such that regulation may well have little effect in low-income countries (Batley, 2001). In case of deficient monitoring capacity of the state, quality and competition cannot be ensured and the supposedly potential benefits of privatisation will be undermined.

The above implies that the public role changes rather than disappears with privatisation. Rather than a simple transfer of assets from public to private sector, privatisation is therefore usually about changing their roles and relationships with regard to ownership, operation, control and regulation (Batley, 1996; Foster, 1992). The capacity of government to perform a new role and to manage new relationships with the private sector is an important policy issue which has so far been given little attention in research on development countries (Batley, 1994, 1996).

The final factor refers to *public good arguments*. One issue of critical concern to the privatisation exercises is cost recovery vis-à-vis the role of the state in the provision of services regarded as or approximate 'public goods' for example the disposal of waste. It is difficult but not impossible to exclude non-payers and the cost of extending the service to additional users is practically zero. Also, disposal sites are likely to be difficult for private firms to acquire without recourse to state powers of compulsory purchase and private firms and users are likely to resist paying to limit the negative effects on surrounding areas. These are arguments for direct public control of the provision of the service (Batley, 1996).

2.3 Ideological motivations for decentralisation and privatisation

Development economics is characterised by competing political economy dimensions (in conservative-radical terms, in state-led versus market-led terms, on how the state should function, etc.), and by intrusions of key ideas from time to time, which have deep and durable impacts on intellectual thought and practical response (Pugh, 1996). As far as ideology is concerned, decentralisation and privatisation policies are part and parcel of the same neo-liberal economic philosophy, the new realism that dominates development thinking and proclaims a resurgence of the market and a reduction of state control. Since the 1980s, and particularly after the collapse of state communism and the fall of the Berlin Wall, there has been an uncritical belief within major development circles in the superiority of the liberal democratic model. The international institutions and donor community have increasingly devoted time and effort to gain universal acceptance for a liberal-democratic and free-market model of development, arguing that a slim, efficient and accountable public bureaucracy are not simply desirable but also necessary for a thriving free market economy and vice versa (Leftwich, 1994). Crucial actors in the development scene (particularly, the IMF and the World Bank) advocate a push back of state control through decentralisation and privatisation. The challenge now is how to define appropriate roles and responsibilities for the key actors involved (Safier, 1992). The argument is that government policies should create favourable conditions for private sector-led development (Taylor, 1997).

Ideologically, decentralisation and privatisation policies are not just about efficiency and effectiveness but also a struggle against big government *i.e.* downsizing government, making it slim whilst simultaneously extending the scope for operation of private capital (Young, 1991). Decentralisation implies that government has to step back for lower structures of government, the private sector, NGOs and CBOs to take over the vacuum created by the retreating public sector. Thus advocates of these policies justify them as key elements in building "good governance" interpreted as greater accountability, transparency and pluralism (Aryee, 1997, 1995, 1992; Crook, 1994; Crook and Manor, 1998, 1995; Stoker, 1998, 2002), which are expected to lead to more efficient, realistic and locally adapted development strategies (Oluwu, 2001, Oluwu and Wunsch, 1995, Smoke, 1994; Smoke and Oluwu, 1992; World Bank, 2002, 2001, 1989; Wunsch, 2001, 1998, 1991; Wunsch and Oluwu, 1996). In reducing central government responsibilities, decentralisation has also been expected to encourage participation by the private sector in the task of economic development. Privatisation is viewed not as a panacea (Cointraeu-Levine, 1994), but as an attempt to create new institutional forms capable of responding to a rapidly changing social, economic and political environment via the private sector.

As Bardham (1997) points out, to the liberal economist, decentralisation is a means of getting rid of an interventionist and overextended regulatory or predatory state. Decentralisation places decision-making in the hands of those who have information which outsiders lack – an incentive advantage qualitatively similar to that enjoyed by the market mechanism over the state.

Many authors such as Uduku (1994) and Bayliss (2001) however, criticise the underlying ideology of market-led development and argue that the instrument of privatisation does not address the deep-rooted causes of poverty and inequity. According to this school of thought, development can no longer be seen only in terms of economic growth and/or meeting basic needs, but as enhancing the competence of people to analyse and solve problems of day-to-day life. Critics question the somewhat over-simplified terms in which the mainstream neo-liberal ideology equates private sector participation with formal democracy and a new form of downsizing government. As the general adage states, the proof of the pudding is in the eating.

In recent years, regulation theorists have sought to dispel simplistic faith in market-based solutions by demonstrating the ways in which the stability of capitalist societies is reliant on complex and irreducible regulatory mechanisms (Bayliss, 2001; Hoogvelt, 1997). Challenging the so-called “invisible hand” as the seemingly neutral forces of supply and demand that determine the price of a product and services, etc., Hoogvelt (1997) stated that “indeed the merit and lasting achievement of the Marxist tradition has been to show that at all times, and at all levels, the ‘invisible’ hand was guided and steered by politics and power, and that it always, and indeed cumulatively so, ended up in concentration of wealth and property for some people in some places, while causing abject misery, poverty and appalling subjugation for a majority in most other places.” According to Hoogvelt, Marx greatest contribution was to show how the formal equality of market could produce socially structured inequality (Hoogvelt, 1997: 15), with a large portion of the population impoverished. Schuurman (1997) asked whether decentralisation should be regarded as part of a progressive political project befitting the poor in the Third World, or as part of a global neo-liberal project to disempower progressive elements in the civil society and thereby remove the remaining obstacles to the global presence of capitalism.

However, and as Martin (1993:176) argued, an ideological divide exists for the pro and anti-decentralisation and privatisation policies, which no amount of pragmatism will bridge. This demonstrates that technical criteria alone cannot measure the worth of any public policy instrument.

2.4 The African State facing decentralisation and privatisation

Africa seems to be the only continent of the world that has failed to grow in real terms (World Bank, 2000). The African state faced a number of problems/shortcomings at the time of independence. These include: (i) ethnicity/regional diversity; (ii) the impact of clientelism, favouritism and unaccountable and corrupt elites; (iii) a State incapable of fulfilling the functions bestowed on it; (iv) the impact of structural adjustment programmes (SAPs) on the African State; and (v) a weak indigenous private sector.

2.4.1 Ethnicity/regional diversity

A major factor, which accounted for the centralist approach by many African countries, was the issue of *ethnic or regional imbalances in the process of nation building and development*. Africa is a very diverse continent in terms of ethnic groups (Mule, 2000). Nearly all the African countries are composed of many tribes or ethnic groups of which Ghana, for example, has many. In 1960, roughly 100 linguistic and cultural groups were recorded in Ghana. Later censuses such as those in 1984 and 2000 show that the ethnic and cultural composition of the population has not disappeared by the turn of the 21st Century. Even within any of the major ethnic groupings *e.g.* Akan, Mole-Dagbani, Ewe, Ga-Adangbe, and Guans, etc, there are sub-grouping and sub-divisions²¹ (see <http://www.ghanaweb.com/GhanaHomePage/tribes/>). Such large numbers of ethnic groups (kingdoms, paramountcies; with different languages) and minorities create problems for nation building in the absence of a strong unifying force: the central government. Managing ethnic diversity is therefore a major challenge and many countries in Africa have succeeded or failed, on the basis of whether, and to what extent they have been able to successfully manage ethnicity (Mule, 2000).

2.4.2 The impact of clientelism, favouritism and corrupt elites

The worrying phenomenon in such situations is the tendency of the central government to pursue policies of *clientelism/favouritism* with particular states, regions

²¹ For example, the biggest group in Ghana, the Akan has at least five sub-divisions *i.e.* Ashanti, Akims, Kwahus Akuapims and Fantes. The Ashantis for example have Asante-Akims, Adansi, Agona, etc. The Akims are further divided into at least three: Akim Kotoku, Akim-Bosome and Akim-Abuakwa. In some cases, the sub-divisions reflect different languages. For the unsuspecting Ghanaian, all people from the Volta region are Ewes. However, there are over twenty languages spoken by the different ethnic groups that inhabit that small parcel of land. The subdivisions of each group share a common cultural heritage, history, language, and origin. These shared attributes were among the variables that contributed to state formation in the pre-colonial period.

or groups, in order to retain the state/region in the union²². Such policies could anger other regions or tribes and set in motion endless demands and counter demands, which could have negative repercussions or undermine the unity of the country, if not handled properly. In addition, a major characteristic of many African states is the constant in-fighting between different regional and/or ethnic groups over state power leading to a weakening of the developmental efforts. African governments have usually faced difficulties over territorial jurisdiction, deeply entrenched ethnic rivalry, a lack of a common identity and heavy external influences and interference (Doornbos, 1990; Sandbrook 1993; Post 1996).

Furthermore, there is the problem of the state being run by unaccountable and corrupt elites. There are quite a number of reasons for this. The first set of reasons refers to the *unrepresentative or elitist nature of African governments*. Almost all the governments in Africa have either been unrepresentative or elitist in nature. The political elites have always been concerned with their own survival and the use of state power for the accumulation of private wealth (Ake, 1995; Aryeetey, 2001a and b). African state bureaucracy has very often fulfilled a role similar to the colonial rulers (*i.e.* exploitative). The ruling elites have seldom been effectively challenged due to the absence of sizeable middle and working classes (traditionally important agents in the political arena), and the prevalence of a poor, uneducated and self-sufficient peasantry that does not constitute a formidable political force (Aryeetey, 2001 a & b; Bratton and Van der Walle, 1992; Doornbos, 1990).

The second factor refers to the pervasive influence of political manipulation and corruption as the main techniques of political mobilisation. Together with mismanagement, the political system of favouritism helps to explain the failure of the state to create an effective form of legitimacy. A correction to this tendency is the upsurge of democratic change and political liberalisation due to the fall of the communism in the Soviet block which has also engulfed the African continent. Dictatorial regimes in many African countries had to make way for more democratic rulers, due partly to outside and domestic pressures for change (Aryeetey, 2001a).

These reforms are taking place in response to the escalation of indigenous political demands (motivated by severe economic grievances and deep-seated indignation about corruption and mismanagement) as well as in response to pressures from out-

²² At the time of independence, there was a strong lobby by the Ashanti kingdom for a loose federal state. The central government had to appease them with a limited dose of 'regionalism' to ensure a united country. The question of how to deal with a clientelistic state was partly responsible for the delay in the granting of political independence to the Gold Coast, which had a Ghanaian as Prime Minister and Head of Government as far back as 1951.

side (*i.e.* the insistence on 'good governance' by the western donor community (Aryeetey, 2001a, 2000; Bratton and Van der Walle, 1992; Sandbrook, 1993). The early 1990s witnessed an upsurge of real democratic reforms all over the African continent (Bratton and Van der Walle, 1992). The transition to democracy, however, is faced by formidable hindrances, including a lack of established democratic traditions, the manipulation of elections on the part of ruling parties (obstructing or silencing the opposition), the lack of organisation and coherence among opposition movements including other civil societies such as trade unions, professional associations, human rights organisations, etc.), the virtual absence of independent and professional mass media and the consequent lack of a well-informed citizen, and the problem of how to deal with ethnicity in a sensitive and sensible way (Aryeetey, 2001a; Rasheed, 1995; Schraeder, 1995; Sandbrook, 1996). Consequently, there are ample opportunities for the ruling elite to turn democratisation to their own advantage. The concept of democratisation is in danger of becoming a smoke screen for authoritarian leaders and sectarianism policies (Aryeetey, 2001a and b).

2.4.3 The state is incapable of fulfilling its development functions

A salient feature of the African state is its dominant role in all development efforts and the high expectation bestowed upon it. The inability of African states to fulfil their basic functions have, however, been compounded by the results of prolonged economic crisis (Aryeetey, 2001a). During the 1980s, concern grew about the inability of many governments to deliver development programmes to their people at local level. In Africa, which was the most problematic region in terms of development, the World Bank stated that one of the continent's most urgent needs was to improve institutional capacity. This included a recommendation that local governments could play a greater role if allowed more autonomy and regular, independent sources of revenue, especially in managing the expanding urban networks that link the towns to their hinterlands. In rural areas, local services, such as water supply, could be better run at communal level. This also requires delegation of responsibilities (UNHCS, 1996). The political inefficacy, administrative weaknesses and economic stagnation can be understood in part as being caused by attempts to impose a high level of centralisation in contemporary African states and by the fact that these explanations argue forcefully for changes in political structure and development strategy. Regardless of how effective central planning was in either socialist or mixed economies, the prescriptions for central planning by international organisations in the 1950s and 1960s were a convenient excuse for third world governments to nationalise and centralise as many activities as possible (Rondinelli *et al.*, 1978). However, the perceived failures of central planning in both socialist and mixed economies led many government officials and development experts to call for decentralisation as a remedy (Rondinelli, 1990).

2.4.4 The impact of structural adjustment programmes on the state

Another problem facing the African State has to do with the impact of the structural adjustment programmes (SAPs). SAPs have caused considerable problems for African states (Aryeetey, 2001a). The reforms have been imposed on these countries due to, among other things, severe economic crises and the failure of the concept of the African State. The promotion of economic reforms in times of economic distress is extremely precarious because the social costs of adjustment are disproportionately borne by vulnerable groups. Decentralisation and privatisation policies have been introduced exactly at a time when the state faced a legitimacy crisis. Many states were forced to make the transition to democracy due to external pressures and growing internal indignation and resistance towards economic mismanagement, unaccountability and corruption. But the fate of their policy reforms has been modelled mainly by the pervasive influence of past practices. Rather than creating an entirely new situation, regimes have often tried to mould their policies in a way that supports their own short-term and selective interests.

The insistence by the neo-liberals on market principles, open and competitive economic set-ups, though not perfect, facilitates the mobility of capital. By removing constraints on the circulation of capital, investment is expected to increase, producing positive spin-offs. Proponents of globalisation point to the, admittedly sometimes impressive, economic growth rates in many countries that have adopted the neo-liberal model. However, reforms in many African countries have largely failed to induce a pattern of self-generated growth. On the contrary, the pace of liberalisation exposed many African economies to international competition without giving their domestic industries chances to adjust. The resulting picture is one of distressing de-industrialisation and subsequent low levels of employment. Furthermore, one of the major prescriptions of structural adjustment, *i.e.* the adoption of the model of export-oriented growth, has in fact reinforced the traditional dependence of many African countries on the production of a limited number of – agricultural export crops or mineral resources – in spite of the fact that the trading conditions of these commodities continue to worsen and threaten long-term national food security. Finally, as a result of the adjustment-induced economic liberalisation and deregulation, many governments in African countries have been forced to cut back on social services (*i.e.* food subsidies, health care and education), placing additional burdens on non-state social security arrangements. The privatisation of public services has created additional barriers. Of course, this process has the greatest impact on the most vulnerable groups, such as poor women and children, widows, single women, the elderly, and the handicapped (Kapoor, 1994; Hoogvelt, 1997; Mihevc, 1995). Furthermore, in many African countries deep ethnic and religious rifts fragment society. The unequal distribution of costs and benefits of structural ad-

justment has helped to exacerbate these differences and has led to a re-emphasis of regional, ethnic, and/or religious identities (Ellis, 1996).

The implementation of drastic austerity measures under the structural adjustment programmes of the IMF and the World Bank, such as the removal of consumer subsidies and severe cutbacks on budgets for social services, has had a disruptive influence (Bayliss, 2001). This has stimulated different types of responses including resorting to the informal alternatives for the provision of services that traditionally belong to the state (Ellis, 1996; Rasheed, 1995; Trip, 1992).

2.4.5 A weak indigenous private sector

Historically, African countries have had very weak private sectors. Weak indigenous private sectors are partly to blame. Private business was dominated almost exclusively by small-scale informal economic activities. As a result, in the early years of independence, African countries were characterised by a tendency towards centralisation, in which the central government took the lead in economic development. This was due to the important role of the state in the first phase of nation-state building of each country. The prevailing dominant development thinking at that time was based on modernisation theories (with a strong Keynesian slant) and called for strong state-led development. In the 1960s and 1970s, the policies of the first generation of independent African countries reflected widespread assumptions regarding the central role of the state in engineering economic development in the face of weakly developed indigenous private sectors and often substantial foreign economic presence. By this time, western aid agencies had accommodated themselves to the expanded role of the state including its encouragement of economic planning and the use of public enterprises for a variety of purposes. Though significant public sectors had frequently been handed down as one of the legacies of the colonial era, public sectors then came to embrace an expansive range of productive and commercial activities. They accounted for a greater share of gross domestic product and of formal sector employment that was often substantially above the average for other regions.

2.5 Conclusions

This chapter has made it clear that the African State is weak. The last three decades represent an attack on government, bureaucracy and centralisation in favour of decentralisation and privatisation. Government agencies are viewed as monopolies that have few incentives to provide effective services at reasonable cost (Aryeetey, 2001a). To a large degree they are insulated from their constituencies by layers of government bureaucracy and civil service protections so that they achieve a life of their own, serving the needs of their managers and employees as well as a few nar-

row, external constituencies that have leverage over them. The classic palliative for monopoly is competition and the marketplace. The result is that a large range of market-inspired mechanisms has arisen to either replace government provision or at least modify it.

Three major points in the previous analysis could be singled out. The first refers to the *uniform approach and strong external pressures*. There is the tendency to suggest uniform policy reform in spite of profoundly different settings. This results from the prevalence of neo-liberal doctrine and the power of multi-lateral organisations promoting their policies. Decentralisation is often an abstract exercise in which there is insufficient appreciation of details of the strategy and its implementation. Thus, many attempts at decentralisation and privatisation have failed to improve the delivery of public services because the plans were ambiguous. A recurring theory is that different situations in terms of services, institutional settings and geography merit different approaches. But the present quest for deregulation, decentralisation and privatisation tends to look for mechanical and universal strategies which have very uneven consequences. The same decentralisation approach will have drastically different consequences in different contexts. This issue is not usually considered in designing specific schemes where oversimplified and universal approaches are considered a universal panacea for improving responsibilities and efficiency. Analysing the different applications of decentralisation and privatisation, the World Health Organisation (WHO) concluded that the 'devil is in the details'. The actual impacts of decentralisation and privatisation depend crucially on a myriad of details that often cannot be settled in advance.

The second points to *lack of political support for reforms/strong internal opposition from leading sectors in the society*. The fact that policies of decentralisation and privatisation were imposed on many debt-ridden developing countries as part of structural adjustment programmes regardless of their actual political-economic situation implies that domestic political support for these reforms is not always self-evident. The lack of political commitment is probably one of the most important reasons for abysmal results (Burgess *et al.*, 1997). Strong internal opposition from bureaucrats who are supposed to implement or supervise the implementation of the decentralisation and privatisation policies is based on their fear of losing personal interests (Bayliss, 2001) and pressure from trade unions and civil society affect the processes and their outcome. However, the same policies might produce different outcomes in different settings.

Thirdly, *conditions for successful decentralisation and privatisation are not fulfilled*. These include (i) The weakness of (local) government in new control/management

status; (ii) The fact that the private sector is not always capable of stepping in/or is reluctant to take over; (iii) The building of new layers of government versus the downsizing of governmental influence and imposing cuts on government spending through SAPs; and (iv) A lack of democratic tradition, strong central government organisation to control (local) government and the private sector. Formal adoption of appropriate policies is futile if a country's institutions do not have the capacity and incentives to ensure their implementation.

Decentralisation requires a willingness by central government to share power and to engage lower level units in the decision-making process (Regulski, 1996; Smith, 1985; Wolman, 1990). It also means greater accountability and transparency of the governance process in which citizens have an opportunity to participate. The advantages of privatisation can be maximised when government creates a competitive environment, has adequate procedures for promoting cost reduction and service quality, strongly supports small and medium-sized enterprise development and divestiture or the restructuring of state-owned enterprises. Privatisation requires governments to perform an effective regulatory role to minimise corruption and inequity (Bayliss, 2001; Rondinelli and Iacono, 1996).

In the Chapters 6, 7 and 8, we will see whether these conditions are fulfilled in relation to solid waste collection in Accra. We will first, however, focus on urban governance and urban management and see how these are influenced by the global debate on sustainable development.

