PRIVATE PROVISION OF PUBLIC SERVICES IN DEVELOPING COUNTRIES?


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Charles Ndandiko, University of Twente, Enschede

Summary

This thesis questions the wisdom of indiscriminately prescribing the private sector as a remedy for public sector failure in providing public services. We position our study against the background of the increasing occurrence of private sector provision of public services in developing countries even though such countries exhibit inadequacies in conditions that make private provision thrive.

Using our choice of efficiency measurement techniques, we empirically ascertain that there are no systematic inherent gains to private sector provision in terms of efficiency and no support for the notion that a public sector provider is intrinsically less efficient. We instead find that other factors such as competition, capacity and regulation may better explain efficiency levels. Hence, contrary to theory, private involvement in local service delivery does not imply the attainment of higher levels of efficiency; perhaps owing to, in the context of a developing country like Uganda, the absence of strong public and private institutions and an enabling environment reminiscent of conditions that make markets work.

We conclude that private sector provision in a developing country should be accompanied by financial and skills' enhancement of both the private and public institutions and an improved and systematic regulation. Public policy makers ought to establish prevalence of conditions that favour private sector provision before transferring a service to the private sector; otherwise the anticipated solution to the problem ends up creating a much bigger problem!

[1] *Charles Ndandiko, MPhil, MBA, is a Lecturer at Kyambogo University School of Management in Uganda. His Teaching, Research and Consulting interests are in Public Procurement Audit, Public Private Partnership and Public Service Operations Management.*