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Is There a Role for the Private Sector?**

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ABSTRACT

Most African countries are faced with serious and worsening poverty. Given the magnitude of the problem, it is unrealistic for Governments in the region to be left alone to tackle this daunting task in light of the financial and institutional crises that is facing most of the countries in Sub-Saharan Africa. Therefore, to achieve sustainable development there is need for a holistic approaches to dealing with the concerns of the poor in the region. There is a range of civil society organisations whose participation is essential to address appropriately the challenge of poverty reduction. Private sector firms - large and small and both domestic and foreign - non-governmental organisations, community based organizations, have a role to play in promoting people's welfare which was traditionally expected from the state. This is particularly warranted as African governments are confronted with shrinking resources. However, the state will continue to play an essential role in a number of areas including provision of basic social services, ensuring the appropriate policy environment, stimulating the development of entrepreneurship or promoting or undertaking, as necessary, some functions which can not, for reasons of scale or externality, be adequately initiated by the private sector.

RÉSUMÉ

Dans la plupart des pays africains, la pauvreté est un problème sérieux, qui s'aggrave de jour en jour. Compte tenu de l'ampleur du phénomène, il serait irréaliste de laisser seuls les pouvoirs publics face à cet enjeu redoutable, au moment où presque tous les pays d'Afrique subsaharienne traversent des crises financières et institutionnelles. C'est dire la nécessité d'une approche globale des préoccupations des pauvres sur le continent. Il existe une large gamme d'organisations de la société civile, dont la participation est indispensable pour relever comme il convient le défi de la réduction de la pauvreté. Les entreprises privées, petites et grandes, nationales comme étrangères, les organisations non gouvernementales, les organisations locales ont toutes un rôle à jouer dans la promotion du bien-être des populations, généralement censée revenir à l'État. Cela se justifie d'autant plus que les ressources des pouvoirs publics africains ne cessent de se contracter. Toutefois, l'État continuera de jouer un rôle essentiel dans certains domaines, comme fournir des services sociaux de base, instaurer un environnement général favorable, stimuler l'esprit d'entreprise et promouvoir ou assurer, en tant que de besoin, certaines activités qui, pour des raisons d'échelle ou d'externalités, ne se prêtent pas à l'initiative privée.

Poverty Reduction in sub-Saharan Africa: Is There a Role for the Private Sector?*

By

A.M. Yahie**

I. Introduction

Restoration of adequate economic growth and improvement of people's welfare has been a primary objective in Sub-Saharan Africa since the 1960's. At the time, it was believed that the benefits of higher rates of economic growth would "trickle down" to the lower income groups of the population. However, existing evidence concludes that, although higher economic growth is a sine-qua-non for sustained poverty reduction, it has often resulted in a "trickle up", in favor of the small middle class and the very rich.

Subsequently, African governments adopted deliberate economic policies aiming at taking over the ownership of economic enterprises controlled by colonial regimes and creating a good number of parastatal agencies in production, finance and trade sectors. Nationalization ideology promoted the introduction of these policies, which aimed at indiginization and rapid development. These moves coincided with the economic boom of the 1960' and early 1970's. The gains of the post-independence decade were, however, doomed as prices of primary commodities that the continent depended on for export and to support its balance of payment fell. This was compounded by the 1979/83 oil shocks, worsening government deficits and foreign debt situation. In addition, subventions and transfers to public enterprises, which gave very poor return on investments, exacerbated the economic and social problems facing most African governments (AAPAM 1996).

Recognizing that economic growth was necessary and that poor policies and structural weakness mainly brought about worsening economic and social conditions, regional member countries embarked on structural adjustment programs (SAPs) in the 1980's. The main focus of the SAPs was to liberalize markets, reduce the size of governments, and to promote the private sector development through privatization. The major thrust was private sector led growth and the creation of a more attractive investment climate.

In light of these developments, this paper will make an attempt to review the experience of the private sector in alleviating poverty in the region. In addition, it will critically analyze some of the issues arising during the process of privatization. Such issues are market failures, the importance of social safety nets, the role of the government in creating an enabling environment for the private sector to play its role effectively, and the need to mainstream poverty reduction policies and operations.

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II. The Private Sector and the Poor

Concept, Relevance and Issues

With the new dawn of optimism in sub-Saharan Africa, efforts to restructure the economies and liberalize markets continue unabated. Privatization constitutes one of the most important exercises of these reform programs. The term “privatization” has been described in different ways, some based on its objectives and others on the form it takes. Etukudo (1997) considers privatization as a general effort to encourage the public sector to adopt efficiency enhancing techniques induced by market incentives. Adam, et al. (1991), however, view privatization as a process which covers the transfer of ownership and control of productive assets from the public to the private sector. Using its broadest and most illustrative meaning most people consider privatization as a counter movement to the growth of government.

Despite the wealth of debate on the merits of public versus private ownership, there is no comprehensive body of evidence to assess their impact on the welfare of the poor. There is a few country specific studies and there is not enough reliable data on the provision of basic socio-economic services by public/private agents across the continent to make informed decisions on the part of policy makers and planners.

An important lesson that gradually emerged during the past decade of liberalization is that markets do not spring magically to life as the public sector downsizes. On the contrary, despite the rigorous push for reform and emphasis on establishing an enabling environment for private investment, it became clear that private sector development in Africa was sluggish. This was mainly due to inherent institutional and non-institutional barriers such as lack of information and poor infrastructure (World Bank 1993a). The few successful cases may not carry a lot of significance when more than half of the population of these countries is still classified as poor and more than a third are classified as extremely poor. There is enough evidence to suggest that privatization could adversely affect the rural population in such areas as transport, rural electrification, banking and the provision of social services like health, education and provision of sanitary and water services.

In the past, public utilities were extended to the rural population as a social service with no profit motive behind. After privatization, the continuation of these services to the rural areas often proved unprofitable. Similarly, privatized banks have closed most financial service outlets in rural areas, when they proved unprofitable. In the social sector, Bennett et al. (1994) suggest that there is enough evidence to show that the introduction of user fees had negative effect on the utilization of health services. For instance, in Kenya after the introduction of the user fee in 1989, the utilization of Ministry of Health hospital outpatient and health center attendance declined by 38 per cent. On the other hand, in the same study the authors found that, when better planned and managed, the introduction of user fees did not have similar affect. The experience of Ghana shows that although there was a nation-wide 50 per cent drop in outpatient utilization after the introduction of user fees, urban areas recovered within a year while it took rural areas years to reach their previous levels of consumption. The pattern also varies between regions whereby the more decentralized small-scale local delivery systems in Francophone Africa seem to work better than the highly centralized systems in Anglophone regions of Africa.¹

In general, Marton (1995) argued that liberalization of markets benefited the richer and elite consumer groups while most local entrepreneurs could not survive the test of increased competition from low priced imports. The effects of policy reform have primarily been felt in urban centers, with little impact on rural regions where most of the poor in Africa are concentrated.

To remedy this, efforts have been made in most countries to promote rural development, especially through micro and small enterprises. Several of these programs have resulted in increased employment and incomes in rural areas, especially in agro-processing, textile, leather products and handcrafts. However, in order to maximize the socio-economic impact of such programs on the poor and most impoverished, a comprehensive, integrated and sustainable program of action targeting the rural poor is needed. Such a program can not be left to market forces alone. Governments in the region should take the lead in the formulation and implementation of these programs in close consultation with the private sector.

Therefore, Bennett (1998) points out that although private and public partners do not necessarily share the same goals and objectives, they should look for synergistic benefits². The purpose of their interaction should focus on finding courses of action, which will promote the objectives of all participants. It has therefore been suggested that, in the case of transport, rather than government subsidizing the entire transport system after privatization, subsidy should cover “only the lines that cover the poorer regions”. For other services like banking, health and education, there could be built-in tax breaks and subsidies so as to ensure that the services are profitable. More importantly, support to income generating activities would enhance the poor’s ability to pay and hence would generate for the government savings that could be shifted to other resource poor areas. Finally, there is need to evaluate privatization in terms of its contribution to economic efficiency and growth as well as its impact on the welfare of the society as a whole (Etukudo 1997).

Institutional Arrangements³

Most poverty interventions in Africa are multisectoral and cut across sectors such as health, education, infrastructure, etc.⁴ The choice and subsequent successful implementation of these multiple components is influenced by the existing implementation capabilities, knowledge of what does and does not work, and the prior knowledge of policies that may render certain interventions ineffective like unfavorable prices when one of the components is supposed to support increased food production (Marc et al., 1993). Weak public institutional capacities in many African countries made the implementation of poverty projects difficult. As a result many countries have been faced with the difficult task of finding the most appropriate institutional framework to implement poverty projects. In this respect, Marc et al. (1993) point out that there has been a tradeoff between establishing new and separate structures which may avoid the bureaucratic rigidities built in the existing institutions while delivering services in a flexible and speedy manner and integrating poverty programs into the mainstream of sector development institutions. Subsequently, with the reluctance of most African governments, donors have sought the alternative of relying on a multitude of local institutions.

The first such attempt was to resuscitate Government departments with broader and crosscutting mandates like Ministries of Development Planning to assume the responsibilities of implementing these interventions. However, given the pressing needs of the poor, these interventions were not designed with delivery mechanisms that entail speed and flexibility of delivery of services. Soon it was found that these agencies, as is the case in most public institutions, were staffed with functionaries who are accustomed to the traditional top-down planning approach where the government plays the dominant role in project design, implementation and monitoring. They were also accustomed to project designs with very little or no involvement by the intended beneficiaries. More importantly, they had developed through the years a culture, which is insensitive to establishing an effective working relationship with the poor. As a result, there was more preoccupation with the institutional arrangements, which affect the supply of project inputs and services to poorer communities. This was compounded by the lack of

understanding of how to operationalize the concept of beneficiary participation and involve the poor in the design of the project. In addition, such interventions still have to be formulated and implemented under difficult circumstances. Government institutions were weak and lacked professional and financial resources to support such interventions. More importantly, since most of these interventions relied on external financial support, most donors required reducing bureaucratic procedures on procurement and disbursement of resources. Consequently, governments have to rely on the support of a multiple of agents such as the NGOs, Community Based Organizations (CBOs) and the private sector. At this juncture, it is useful to make a distinction between the provision and financing of goods and services by the public and the private sector.

Public/Private Mix in Social Service Provision and Finance

		PROVISION	
		PUBLIC	PRIVATE
FINANCE	PUBLIC	Government funding and provision; services free at point of use	Government services contracted to private providers
	PRIVATE	Government services funded (fully or partly) by direct user charges, private insurance and donor agencies	Private services funded (wholly or partly) by private insurance, direct user fees and donor agencies

Source: Adopted from Psacharopoulos 1997 and Bennett (1994).

The typology presented in the above table shows that the private sector can play the role of the provider and financier of socio-economic services targeting the poor. Alternatively, its role can also be limited to financing of provision of such services. This provides a framework for analyzing public/private mix in the poverty sector. To this end, private sector agencies can be divided into two categories: 1) commercial; and 2) non-governmental or voluntary. Commercial agencies are usually driven by profit motives while voluntary agencies are value driven and focus on meeting the needs of the poor (Psacharopoulos et al. (1997)). However, Adam, et al. (1992) argue that no definition of [private sector] is watertight and in many cases the extent to which it presents itself is a matter of degree and interpretation. This is particularly so in the case of non-governmental organizations (NGOs)⁵ which have mushroomed in Africa and are involved in the supply of services ranging from infrastructure construction to primary health care and education service delivery. Therefore, Adam, et al. (1992) concluded that “since the source of the supply of the services has changed, such initiatives could be classified as [private sector], however, they are generally not embraced by the common usage of the term. Rather, these organization are often co-opted by the state to provide services in the face of labor or financial resource constraints.”⁶ The following table provides examples of such entities.

In the African context, development practitioners describe such organizations as “indigenous” with a connotation that they are weak. This is in relation to the western “so-called modern institutions that have been assigned specific developmental tasks by governments” (Uphoff 1986, p. 7). Such institutions evolve a range of public sector to private sector activities with different characteristics

Examples of Private Sector Agencies

Private Sector Agencies	
Commercial Agencies	Voluntary Agencies
<ul style="list-style-type: none"> - Private Insurance Companies - Drug Manufacturing Companies - Private Schools, Universities, Training Colleges - Private Medical Practitioners (modern and traditional) - Pharmacies and Dispensaries - Shops and other Commercial Outlets - Health Maintenance Organisations. 	<ul style="list-style-type: none"> - International Non-governmental Organisations (NGOs); e.g. Save the Children - National and Local NGOs; - Community-Based Groups (CBGs), e.g. credit or agricultural coops - Mission/Church Organisations - Trade Unions and Professional Organisations.

Source: Adopted from Psacharopoulos 1997 and Bennett (1994).

depending on the comparative advantage of providing rural development. For instance elected or appointed local government bodies such as village councils deal with development or regulatory tasks while membership organizations such as rotating credit associations may serve the specific needs of their members. Other examples of private nature include self-help associations, village development committees, credit unions, etc. It is widely recognized that such traditional organizations do perform essential functions and deal with diverse problems – economic, social, cultural, etc. Therefore, Uphoff (1986) concludes, that the efforts of other stakeholders such as governments and donors should be cognizant of such institutions and should work cooperatively with them where possible recognizing that they have been playing a vital role in meeting some of the basic needs of the poor in rural communities. However, he points out that due to lack of knowledge and difficulty to link-up with these institutions “there is real danger that outside intervention will destroy or wrap these institutions’ operations in a way that will undermine their present capacities.”

Enhancing Access to basic Social Services

African governments face the difficult task of providing services to inaccessible communities in resource poor areas. Most of the poor have limited access to education and health programs and consequently their labor productivity is low as well as their capacity to participate in and benefit from many kinds of programs. The low level of economic and social infrastructure further complicates the development of programs.

Enhancing the role of the private sector could be justified on a number of grounds (Psacharopoulos et al. (1997):

1. Enhance efficiency by increasing competition, strengthening accountability between providers and consumers, decentralized management structures, and creating incentives for cost-effective consumer and provider behavior.
2. Increase equity through releasing public resources to be targeted towards marginal groups. Private non-profit organizations also have powerful incentives to target and serve low income communities.
3. Mobilize additional resources in light of the limited fiscal resources as governments are under increasing strain due to macroeconomic conditions and competition for public funds from other sectors.

In light of these, a major concern is how to improve equity in social sector spending and how to reach target groups and improve efficiency through a more effective combination of the inputs of various social services such as the health and education systems (Van Der Hoven, 1991). Though it is difficult to come by inter-sectoral changes on a global scale, Van Der Hoven (1991) claims that expenditures on the health sector have declined in a number of countries. This decline was supplemented by introducing user fees, deterring the poorer patients. In the education sector, though the share of primary education was safeguarded, the per pupil levels of expenditure have dropped in a large number of countries with increases in parent's cost (uniform, textbooks, school fees) which led to a drop in primary school enrollment (Van Der Hoven, 1991).⁷ These resulted in a reduced role of the government in both economic and social sectors and weakened the capacity of the government to invest in social and economic infrastructure. Involving the private sector in the provision of basic social services typically evolves around the willingness of the poor to pay. In the following sections we will discuss this issue among others within the sectors of education and health.

Education plays a key role in poverty alleviation through provision of basic skills to increase productivity and achieve higher standards of living. In Côte d'Ivoire, for instance, it was found that an extra year of schooling would increase male earnings by 12.4 per cent (Shultz, 1988). Education is also closely linked to improved health, child welfare and lower population growth rates. There is also a relationship between literacy and the effectiveness of grass roots organizations.

The limited government budgetary allocations to the sector induced Government/private sector partnership in education financing. In many parts of the continent, it is becoming a common practice for parent-teacher associations and other forms of community initiative to cover basic expenditures such as teachers' salaries and materials. In countries such as Uganda, parent-teacher associations also play a key role in mobilizing resources to ensure that AIDS orphans can continue to attend school. NGOs are also playing an increasingly important role in this respect. In Kenya, the Harambe School Movement proved to be effective private means of financing education through self-help groups. As a result local communities mobilize most of the resources for schools; including local material, voluntary labor, cash, and are actively involved in schools management. In Lesotho and Mauritius, churches own and operate 97 per cent of primary schools and 86 per cent of secondary schools respectively, but the government trains, appoints, and pays the teachers. In the Plateau Province of Nigeria, principals accept foodstuffs from parents who can not pay their children's fee in cash (Psacharopoulos et al. 1997).

While many communities have shown willingness to contribute part of the cost of financing schools, there is an expectation on the part of the communities that resources are used efficiently. As investors, these communities will closely monitor activities and guard against waste. As a result, school management will become accountable to beneficiary communities.

Improved health is a key element in any efforts to enhance labor productivity and hence income generation capacity. Health status is also a major determinant of school attendance and educational performance. A key element of most health strategies for the poor is the provision of community-based health systems, which give greater emphasis on preventive rather than simply curative methods. Fertility reduction is a key goal to be achieved through affecting the demand for children and through increasing the supply of fertility reducing services. Nutritional programs also play a key role.

The private sector, which has always played an important role in middle class education and health services needs does not, in most countries, yet play a significant role in the provision of basic social services to the poor particularly in rural areas. However, recent evidence suggests that private medical services have been accepted in many parts of the continent. A recent study on the emerging private medical practice in Tanzania shows that most stakeholders have accepted this practice (Kiwara 1995). Almost 100% (396) of the respondents approved introduction of private practice in the country.

The major complaint, however, was that the fees were too high and the government should intervene to regulate the fees charged. When asked if the introduction of private services would improve service quality at government units', e.g. by cutting workload and freeing resources for public use, 79% of the respondents' (266) indicated that they have not noticed any improvement at government units. Drug shortage has continued and doctors were even more unavailable. Those going to deliver at government units reported being asked to bring in some items such as gloves, cotton, etc. Many observed that the same health care workers they met at the government units met them also at the private clinics. Whenever these health care workers appeared in the private unit they were "more humane." Furthermore, the interviewees observe that the introduction of cost sharing fees at the government units would not improved care. They thought that the fees collected would be mismanaged.

One of the key conclusions, which emerge from the above example, is the likely effect of user fees. Most of the respondents felt that the introduction of user fees would not improve the quality of services since these resources collected will be mismanaged. This supports the findings of a recent World Bank study, which shows that the "ultimate effect of fees on utilization depends on how the funds raised are used. If the fees are used to improve quality and enhance access to services, they may encourage rather than deter utilization. This is also supported by the findings of a recent study of health care financing in Orgun State in Nigeria, which concluded that higher fees would not significantly discourage potential users, provided that the revenue was used to purchase supplies, maintain equipment, and build an adequate inventory of drugs. Indeed usage would be likely to increase (Psacharopoulos et al. 1997).

There is enough empirical evidence to show willingness to pay for health services. In Zimbabwe, the introduction of the by-pass fees at hospitals reduced over-loading and therefore increased the internal efficiency of public health services. In Malawi, greater managerial efficiency in mission hospitals has led to their being designated as district hospitals. In Tanzania, several surveys have found that NGO-run facilities function more effectively than those run by government. In particular, drugs are more readily available at NGO facilities and their staff tends to have greater technical skills. In Tunisia, government converted public hospitals into private enterprises and as a result reaped efficiency gains. These enterprises employed less restrictive public sector practices in managing their budgets and hiring and firing of their staff (Psacharopoulos et al. 1997)

Finally, there is an active market in all urban areas – even though much of it is informal or illegal. The private sector is already playing a major role in the provision of services such as housing, transportation, education, health, water, and consumer goods. Due to their active participation in the market economy, the urban poor have demonstrated their ability and willingness to pay for services.

Social Funds: Innovation

Structural adjustment programs usually focus on reducing the role of the public sector in the economy and creating a regulatory and policy environment that promotes the growth of the private sector. This is mainly due to the perceived superiority of the private sector in the provision of goods and services. Furthermore, Marc et al. (1995, p. 20) point out that "to reach some of the target groups, it is necessary to work in a different manner than usual for government structures. For instance, closer association with the private sector at the local level and working directly with communities are seen as alternative ways to support vulnerable groups more effectively."

As part of the overall goal of developing the private sector, many poverty reduction programs in Africa involved private sector entrepreneurs in the provision of basic social, economic and infrastructure services. Examples of such programs were implemented in Senegal, Sao Tome and Principe, Somalia,

Uganda, Zambia, etc. For efficiency sake, many of these programs, particularly, Social Funds adopted private sector management practices and styles⁸. These included using private sector contracting formalities, using private sector management practices, and even relying on renowned entrepreneurs to manage such programs⁹. Some were created as autonomous institutions separate from government structures. Because these programs work with small scale private entrepreneurs, their autonomy proved essential “For rapidly processing bids from a number of small scale enterprises, awarding contracts expeditiously and without political interference, and accelerating payments to contractors” (Marc et al. 1995, p. 62). At the time of the implementation of many of such programs, most of the public agencies had no prior experience of managing demand driven, community based initiatives which required quick and efficient delivery of poverty oriented investments. Consequently, performing such functions efficiently and expeditiously would have been difficult if cumbersome government procedures would have to be followed (Marc et al. 1995).

The use of private sector agencies and management practices certainly had political and even ideological implications. Glaessner et al. (1994 p. 26) found out that most governments carrying out structural adjustment programs felt that this was a way to demonstrate that a relatively large program to create employment and provide social and economic infrastructure and services to the poor could be carried out quickly and efficiently without creating a new large bureaucracy. In addition, by financing sub-projects executed by private contractors, social funds demonstrated the virtues of policies whereby the government would make policy, but would leave its execution to the private sector. This clearly indicates that both the Government and the private sector have critical roles to play in promoting poverty reduction. More importantly, the social and economic needs of the poor are best served by public/private complementarities capable of sustaining quality investment.

Enhancing income Through Micro-Finance

In recent years it has been recognized that an important condition for poverty reduction is the availability of a range of appropriate and accessible financial services for poor urban and rural households. However, in most African countries banks have made little effort to reach this potential clientele due to the high cost of managing small loans and handling savings accounts with low average balances and frequent deposits and withdrawals. This situation has been exacerbated by the restructuring and privatization of many banks in the region, which while enhancing the long-term viability of the banking systems has had the effect of reducing the banking network and farther decreasing access to financial services. The decline of agriculture and development banks has also contributed to a decrease in services to rural areas by formal financial sector institutions.

In reaction to the failure of commercial banks to serve the poor, a variety of grassroots organizations, credit unions, savings and credit cooperatives, village banks and non-governmental organizations (NGOs) have become active in micro-finance activities in rural and urban areas. These non-traditional financial institutions (or MFIs) undertake Micro-finance: the provision of basic financial services such as small loans and deposit instruments to micro-enterprise and disadvantaged groups. These institutions represent the only access by the poor and rural population to financial services except for limited services provided by moneylenders. The following are examples of such initiatives in Madagascar and Uganda.

The first Savings and Loans Associations (SLAs) were established in Madagascar in 1993 under a pilot project supported by the World Bank. By the time the project closed in 1997, 54 SLAs had been established in four regions Toamasina, Lac Alaotra, Fianarantsoa; and Haute-Mania and they have started to group themselves into regional unions. As of September 1997, total membership was 11,289, of which 37 percent were women. Deposits among the members totaled around US\$280,000

and the average deposit size were US\$25. Total credit outstanding was approximately US\$81,000, all short-term loans primarily for agricultural activities and trade. The average loan size was about US\$132, about half of GDP per capita in Madagascar. Loan repayment rates were high, and evolved around 97 percent. In September 1997, the outstanding loan portfolio of SLAs accounted for 29 percent of members' savings. This combined with the low savings levels resulted in pent-up demand for credit that was partially alleviated by external line of credit. To foster linkages with the banking sector and strengthen their capital funds, the SLAs entered into tripartite contract with donors who extended lines of credit and with the National Agricultural Bank which intermediated the line of credit for a small fee.¹⁰

Similarly, The Uganda Poverty Alleviation Project (PAP) financed by the African Development Fund (ADF) has been under implementation since November 1994. Its main objective is to alleviate poverty at the grassroots level through the provision of credit for employment creating and income generating micro-projects. As of September 1998, the project has disbursed US\$11 million to micro enterprise owners in the project areas and has financed 22,057 micro-projects. Of these, females own 56% and males own 44% and the repayment rate of loans stands at 93%. Intermediary entities such as NGOs and CBOs have played a major role as conduits for micro-projects finance to many beneficiaries. However, some districts have difficulties to identify intermediaries and the project staff directly disbursed loans to viable micro-projects. This alternative approach has ensured that funds reach those in need.

Project beneficiaries are engaged in diverse economic activities ranging from agriculture and general trade to small scale manufacturing among others. Beneficiaries have indicated that the project contributed to their socio-economic wellbeing as their businesses has the potential to grow while diversifying their activities and a substantial number of jobs are created in almost all the sectors of the local economies. Many of these projects have shown signs of sustainability, particularly those that were providing skill development training such as tailoring, handcart making, zero grazing, auto mechanics and brick making among others.

Lessons learned from the above cited projects and many other donor financed projects would reveal that one of the major constraints holding back the development of the private sector in Africa is shortage of investment resources. This is particularly more acute in the case of micro, small and medium enterprises (MSMEs). In part, this scarcity is a reflection of low-income levels and the persistence of a large subsistence sector. It also springs from inherent weaknesses in policies and institutions, which hamper resources mobilization and restrict the private sector's access to available financial resources. Just as in rural areas, these constraints cover both the individual (enterprise and household) level as well as the institutional level.

At the individual level, the major constraint is the inability to cope with the competitive market and take advantage of the opportunities brought about by the reforms. At the institutional level, the major problem has been the uncoordinated interventions by institutions such as Government, NGOs, and donors supporting the development of the sector. Other constraints include:

- (i) Absence of the necessary facilities in their places of operation. Many MSMEs operators have no business licenses, hence they operate in mostly unhygienic temporary places lacking basic facilities;
- (ii) Following the liberalization of the economy, such enterprises face the challenge of competing with imported goods. This forces them to concentrate on petty trading instead of production;
- (iii) Most of these enterprises lack sufficient working capital to operate effectively and financial institutions find it risky to advance them funds;
- (iv) Major institutions that cater to the micro and small enterprises are NGOs, which have been operating without coordination and policy guidelines. Lack of a conclusive policy on the promotion of the sector is one of the major limiting factors;

- (vi) Prohibitive taxes for some types of businesses and prohibitive licensing procedures and fees.

Recent Donor Initiatives in Microfinance

In recognition of the importance of the Micro-finance sector, numerous donors initiated projects aimed at building the institutional capacity of Microfinance Institutions (MFIs) while others pledged resources to be on lent to poor beneficiaries. The African Development Bank (ADB) Group undertook the single largest initiative in 1997, through the ADF Microfinance Initiative for Africa (AMINA). The impetus for the ADF AMINA initiative was derived from the Consultative Meetings, which led to the seventh replenishment of ADF-VII. During the meetings the participating countries stressed that poverty reduction should continue to be the main focus of activities financed by ADF-VII. ADF therefore allocated UA 15 million to a pilot project. Resources under this initiative will be used to build and strengthen the capacity of MFIs in Africa. The ultimate objective of this initiative is to increase the access of micro-entrepreneurs (especially women) to a more formal credit mechanism including those of commercial banks and other formal financial institutions.

Other donors have undertaken similar initiatives. The British Department for International Development (DFID) adopted a policy towards an inclusive and broad-based private sector. DFID is initiating work with businesses internationally to promote beneficial trade and investment with developing countries, encourage ethical and longer-term investments and assist partner-governments in their role as facilitators and enablers of a strong, regulated private sector. They are, thus, moving away from an exclusive focus on the direct provision of retail services to the poorest. DFID is exploring ways to encourage pro-poor financial sector reform and a strong banking sector which can service small business and invest in microfinance providers downstream. Examples of financial sector partnerships include guarantee funds, which leverage commercial capital into microfinance institutions (MFIs) at reduced risk to the investor, and privatisation trust funds helping to distribute share ownership more broadly and venture capital for small business¹¹.

In a similar vein, the International Trade Center (ITC) is promoting export production villages. ITCs concept is based on the fact that for most African countries the rural areas house the vast majority of the poor. They also provide basic subsistence for much of the urban population who return to their villages in times of economic downturn in the cities. Consequently, the survival of the majority of the poor is dependent on the capacity of rural areas to provide basic subsistence. Successful rural development programs may also be able to slow migration to urban areas and help generate an economic surplus - particularly in the form of export crops.

The Ghana Government with the support of the African Development Bank and UNDP initiated the National Poverty Reduction Program (NPRP), built on a multi-sectoral approach to dealing with poverty in Ghana. In view of International Trade Center's (ITC) recent experience in Ghana and many countries, the government has requested ITC's cooperation in the implementation of the NPRP. Although the main thrust of ITC's previous work in Ghana on poverty reduction was the establishment of Export Production Villages in the rural areas, experience and the results of an external evaluation of the sustainability of the project, carried out in April 1998, have proved that with appropriate adaptation, the concept can be applied to urban poverty reduction as well.

The ITC model is based on certain pragmatic considerations. Labor is the single most important asset that the poor have. Providing employment opportunities to the poor and raising their labor productivity are possibly the most effective and least costly ways of reducing poverty, though the

concept of human poverty far transcends employment and income. Under certain conditions, including informed rational behavior, if individuals in poor communities are empowered with skills and productive capacities, they will work and earn incomes to procure for themselves and their families basic human needs to redress the various forms of deprivation which make them poor. The ITC concept therefore addresses through trade and export-led activities the productive employment and remunerative incomes creation aspect of the multi-sectoral approach to dealing with the multi-dimensional and complex problems of poverty.

The merit of the approach is that though it deals with breaking the vicious cycle of poverty, it promotes the paradigm of export-led growth and private sector development while providing economic safety net to the poor and other targeted vulnerable groups, thus mitigating the adverse impact often associated with such policies and measures on the poor.

III. The Private Sector and the Poor: *Issues*

Market failures

The market is an important and useful human institution for meeting those needs to which it is suited. As a result, structural adjustment programs under implementation in many parts of the continent involved market liberalization and the implementation of policies such as privatisation, infrastructure and institutional reform and private sector development. Micro-enterprises (ME) and small and medium size enterprises (SME) dominate the private sector in Africa. A major challenge facing the continent is “mastering the dynamics of these enterprises to harness their potential and achieve sustainable economic development” (ADB 1998). However, Korten (1995) points out that market economies are most likely to serve the interests of poor when:

- a) They support the household and community economies that sustain values of co-operation, sharing, trust, and mutual obligation;
- b) They are primarily local in character augmented by, rather than dependent on, trading relationships with more remote localities;
- c) The ownership of capital is local and most productive and commercial activities are carried out by small enterprises;
- d) Strong democratically accountable governments set and enforce rules for the market’s socially productive function; and,
- e) A strong and politically active civil society holds government accountable to the public interest as defined by engaged citizens.

Of the five criteria listed above, (a) to (c) conform with the nature of the sector, which is characterized by family ownership of enterprises, reliance on indigenous resources, labor intensive and adopted technology, skills acquired outside the formal school system, and small scale operations. This shows that the potential for reducing poverty in Africa lies within this ME and SME sectors which are predominantly family owned. The importance of family ownership is a critical factor for the success of these enterprises, as shown by most businesses owned by Lebanese and Asians in Africa.

Criteria (d) and (e), however, point out what is lacking to maintain the conditions under which the market achieves a socially optimal allocation of resources: “a strong hand from a democratic government held accountable to the public interest by a politically conscious and actively engaged civil society” (Korten 1995; p. 3). He further reiterates that “when any of these conditions are not met, the market is

prone to function in ways contrary to the interest of the people, particularly the less endowed groups. If these conditions are neglected, it could result in enormous social inefficiency and malfunctioning just as the continent is now experiencing.”

Privatization and Social Safety Nets

Africans have over the years developed unique coping mechanisms that are found instrumental at times of difficulties. A key ingredient of this coping mechanism is the interwoven social fabric that is built on a wealth redistribution system among clan members. Those who have are bound by social and moral obligations to provide to the less endowed.¹² This is an informal social security system, which has existed for generations. In essence, this is a built-in income redistribution system secured by the society as a whole. This social fabric that harnessed social safety nets is eroding as the household is confronted by market and political constraints which make it difficult for the poor to take advantage of economic opportunities when made available. Key among these constraints is the ownership of the country’s productive sectors.

At independence, the economies of most African countries were characterized by Europeans owning the large industrial and commercial enterprises; Asians and Lebanese engaged in wholesale and retail trading with a virtual monopoly of general transport services including motor spare parts. At the bottom were the Africans pursuing farming, petty trading and rudimentary services.¹³ Therefore, indigenization was at the heart of the massive nationalization of productive enterprises soon after independence. Since then, a small number of African entrepreneurs may have graduated through the ranks and may have increased their asset possessions. However, the situation remains the same, as most of the productive enterprises and trade are in the hands of Asians (East and the South) while the Lebanese dominate the West and Central part of the continent. Kraus (1992, p. 92) pointed out that privatization in Africa has seen a slow progress in part, because “selling state companies meant selling them from an African government to an Asian business group or to African entrepreneurs who are from an ethnic group considered the competitor of those in power.”¹⁴ Similarly, describing recent experiences in Nigeria, Udo-Aka (1996)¹⁵ in a quote from the National Concord – a privately owned and managed newspaper – questioned the logic behind the privatization of public enterprises and raised the following concerns: who is in a position to buy these shares and assets once they are up for grabs? Will the nation be better off for it? And what effect will this have on the provision of welfare related services? Though researchers may have not addressed these issues seriously, they are legitimate concerns continuously expressed by concerned citizens across the continent.

In my view, who owns the trade and productive sector presents a dilemma to many countries in the region. Market liberalization propagates free entry. This in turn implies access to financial resources to establish businesses or buy privatized enterprises. In practice, lack of access to financial resources and the skills necessary to manage such enterprises meant foreign domination of these sectors. Therefore, the apparent foreign domination of the private sector in Africa could lead to highly undesirable results, both socially and politically. On the social front, foreign ownership perpetuates capital flight and diminishes the income redistribution milieu, negatively affecting the social safety net. As the gap between the rich and the poor grows – mostly in favor of the foreign business owners, domestic political tension grows which dampens the climate for promoting private sector environment¹⁶.

The Role of the Government in a Market Economy

Ongoing economic reform programs in SSA are based on an economic model of market oriented development which promotes private ownership while reducing the role of the Government. Historically, Governments played an active role in the provision of basic socio-economic services at subsidized rates. This was justified on the grounds of externalities and the public good's nature of such services. For instance the benefits of health services such as immunization or educating a child accrue not only to the individual recipient of the services but to others who are not involved in the transaction. On the other hand, the benefits accrue to the community as a whole and it is neither feasible nor rational to exclude any one from receiving it. Due to the excludability nature of public goods would prevent the market from ensuring payment for the service by the user to the supplier.

Another aspect is access to information. In services such as health, the ordinary private consumer may not be aware of the true cost of producing such services and may not be able to select a services that offers the true value of their money. Consequently, Bennett et al. (1994) argue that "consumers often lack information about which is the most appropriate treatment and what would be a good price for it, instead they rely on health workers to make the decision on their behalf." They conclude that the situation could be aggravated as health workers "may act to increase their own incomes rather than the wellbeing of the patient." Consequently, it has become a common practice these days to include sensitization and outreach components in projects that are targeting the poor with the aim of informing them the availability of services such as microfinance, health and education. Another important dimension of information is that it is usually the middle class and political elite who get it first and as a result they often skim the benefits before it reaches the intended target groups. The final and most important aspect is equitable distribution of the nation's wealth. In other words, Governments have a social and moral responsibility to ensure that the poor and vulnerable groups have access to basic social and economic services.

Korten (1995, p. 3) argues, and correctly so, that "contrary to commonly heard claims, markets need governments to function efficiently. It is well established in economic theory and practice that markets allocate resources efficiently only when they are competitive and individual firms internalize the full social and environmental costs of their production. Since successful firms invariably grow larger and more monopolistic, governments must regularly step in to break them up and restore competition. Similarly, since externalizing costs is a major source of significant competitive advantage, there is tremendous pressure on individual firms to do so to the full extent that public regulatory processes will allow." However, Korten concludes that for a national government to perform its essential functions in support of market efficiency and reduce poverty it must have jurisdiction over a national economy. Only when a strong democratically elected government is able to set and enforce a necessary framework of rules for the market can the sovereign people hold private sector institutions accountable to the public interest. For instance, Etukudo (1997) argues that the emerging markets in South-East Asia achieved their economic breakthroughs with the ruthless use of state interventions or subsidies designed to give international advantage to their companies. Both the European Union States and Japan subsidize and protect their industries and agriculture when it makes sense to do so even when lecturing Africa about the benefits of market forces.

Mobilizing Resources

Transforming policy and plans into programs and projects to promote sustainable development calls for mobilizing human and financial resources both internal and external. The level of investment that

is necessary to generate the desired level of well being of the poor will no doubt exceed that of the public sector. For instance, in achieving universal primary education at present cost levels, Colclough (1993) estimates that some West African countries would require investment levels between 3-7 per cent of GNP. This is certainly beyond the reach of many African governments. However, in his analysis of building the critical capacity for sustainable development, Olowu (1998, p. 40) questions if “what Africa lacks is capacity – in view of the large number of trained [Africans] working outside the region.” In his view what is needed is “to mobilize available skilled personnel to work in the variety of African institutions – through proper incentive.” A similar argument could be made in mobilizing financial resources to support on-going poverty reduction initiatives. In this context, however, the author will argue that although Africa is faced with serious financial crises, this is propagated by chronic misallocation and misuse of resources, rather than lack of resources. For instance, in 1996 sub-Saharan African countries spent close to \$9.6 billion on defense expenditure. This is close to 2 per cent of the region’s GDP and is equivalent to \$13 per capita per annum.¹⁷ If we take into account the personal fortunes of some of the dictators in the continent; the massive flight of capital - reportedly multiples of the region’s total GDP – that Africa continues to suffer from;¹⁸ and the public funds and properties that are misappropriated by corrupt public officials and their collaborators in the private sector; one would be tempted to conclude that Africa has enough resources to advance sustainable human development¹⁹. What is lacking is the political and moral will and commitment to dedicate these resources to where the need is the greatest – poverty reduction.

An important lesson learned from existing Social Funds is that their performance has been hampered by the absence of effective institutional frameworks. Besides, almost all Social Funds were designed as short term interventions. However, in order to address the concerns of the poor, there is need for permanent institutions that coordinate and oversee the implementation of interventions implemented by both Government and private sector entities. This is the only way to ensure that poverty concerns are not forgotten.

Such institutional framework could be designed as an autonomous National Poverty Reduction Fund managed by a board made up of reputable public and private citizens. The proposed fund could provide an alternative approach built on efficiency enhancing techniques generally employed by the private sector, while it relies on the government to give it legitimacy and oversee its operations to ensure equitable distribution of its benefits. The fund would be designed to target extremely impoverished areas and groups such as women and children. Limiting its geographical coverage and focus groups would ensure that benefits accrue to those most in need. Possible sources of financing such a fund may include:

- a. Proceeds or contributions from the private productive sector.²⁰ This could be accomplished by allowing for tax deductibility of private sector donations to charitable organizations. Such scheme exists in Mozambique under provisions of recently introduced “Lei de Mercado.”
- b. Introduction of new laws that will generate additional revenue. Revenues collected under these laws could include the following:²¹
 - Sales of stamps.
 - Withholding a small percentage of the sales of tickets of admission to public places.
 - Proceeds from the sale of confiscated goods and goods that are not re-claimed and are in possession of responsible government agencies.
 - Profits from public lottery, etc.
 - Donations, contributions from political parties, and the proceeds from organizing sports activities, and other form of fund raising activities, etc.

Strengthening Capacity to Analyze Policy

The major challenge facing most Sub-Saharan African countries is to pursue a combination of macro-economic and sectoral policies aimed at achieving growth with equity. This calls for programs that foster the participation of the poor in the process of economic growth, in particular by improving their access to jobs and income-generating opportunities; as well as a critical review of the assumptions which are the driving force behind some of the policies. For instance, most of the policies and projects that donors promote are based on the assumption that the market is highly efficient in allocating resources and motivating their supply.

However, the realities of the economies under consideration are far from being perfect. There are a lot of exogenous factors, which, if not accounted for, may influence the effectiveness of a macro-economic policy measure. The situation is further aggravated by the absence of a comprehensive set of socio-economic statistical data, which could lead the policy makers and planners to adopt realistic measures that correctly reflect the unconventional nature of these economies. A case at hand is the failure to respond to price incentives provided to rural farmers in an effort to raise production when there is little potential market.

A major concern among many people is that poverty reduction projects are rarely seen as a serious effort to address poverty and usually come as an after thought. They typically lack clear relationship with other development ventures and are not fully integrated into the overall development planning process. Typically, they do not involve key stakeholders such as the private sector. Planners and policy makers tend to be quite skeptical of the overall outcome of the numerous micro-level interventions of poverty projects, which have been documented in many parts of the region. After all these developmental experiences are usually small scale to begin with, sporadic in nature, spatially quite dispersed and rather diverse in character. They encompass many interventions ranging from sensitization of community groups to micro interventions such as zero grazing. The main issue to consider is, therefore, whether it would be possible to derive more generalized policy and operational guidelines from projects under implementation. Overview of the current status of a number of donor financed projects reveal that mistakes, failures and successes of on-going interventions could provide invaluable inputs in formulating new national level projects and reformulating the existing ones²².

There is need to systematically integrate the interrelationship between macro-economic policy, employment and income generation, and poverty reduction in the analysis of macro-economic and sectoral policies and instruments that underpin social and economic reform programs. In other words, while continuing to support policies that allocate more resources to social sector activities, action oriented poverty alleviating programs/projects which involve the private sector should be viewed as innovative operational tools that can feed directly into the policy making process in order to make the design of social and economic sector policies more poverty conscious.

IV. Conclusions

Most African countries are faced with worsening poverty, hunger, ill health, high unemployment. The integration of poverty concerns and granting greater attention to them will lead to the fulfilment of basic needs and improved living standards for all. It is unrealistic for Governments in the region to be left alone to tackle this daunting task in light of the financial and institutional constraints facing them. Therefore, to achieve sustainable development, Korten (1995) points out the need for more holistic approaches to dealing with poverty, unemployment, and social disintegration, that give priority to meeting basic needs.

There is a range of civil society organisations whose participation is essential to address appropriately the challenge of poverty reduction. Private sector firms - large and small and both domestic and foreign - non-governmental organisations, community based organisations, universities, research centres and religious organisations have a role to play in promoting people's welfare which was traditionally expected from the state. This is particularly warranted as African governments are confronted with shrinking resources. However, the state will continue to play an essential role in a number of areas including provision of basic social services, ensuring the appropriate policy environment, stimulating the development of entrepreneurship or promoting or undertaking, as necessary, some functions which can not, for reasons of scale or externality, be adequately initiated by the private sector.

There is, therefore, a need for African governments to accelerate the process of creating an enabling environment for the private sector to play an effective role in reducing poverty. To create this environment, countries must ensure the efficient functioning of domestic markets, facilitate sufficient access of the poor to domestic markets and create the best possible conditions for competitiveness of their firms, particularly the micro, small and medium sized enterprises which characterise most of the countries in the region. In particular, enterprises in the informal sector are to be considered as part of the enterprise entity, which contributes to the development process. They provide the poor with an anchor to domestic markets. However, they typically lack the infrastructure and support services common to the formal sector. The absorption of private sector initiatives in rural areas and among the poor and vulnerable groups of the society, such as women, can tend to be slow and gradual, and spread over a considerable period of time unless the process is accelerated through promotional and institutional support.

Notes and References

1. However, Bennett et al (1994) stress that these conclusions are based on limited data from small scale operations which involved substantial technical assistance. In addition, the situation prior to the introduction of the user fees was different between the regions. For instance, the Francophone region were characterised by extremely poor quality health care and limited government funding. Therefore, the above conclusions must be interpreted with caution.
2. For more details on the benefits of public/private partnership see Bennett, Anthony (1998) "Sustainable Public/Private Partnerships for Public Service Delivery." *Natural Resources Forum*, Vol. 22, No. 3, pp. 193-199, Elsevier Science Ltd, Great Britain.
3. This section draws on Yahie, A. M. (1993) "The Design and Management of Poverty Alleviation Projects in Africa: Evolving Guidelines Based on Experience." EDI Working Paper, World Bank, Washington D. C.
4. This section draws on Yahie, A. M. (1993) "The Design and Management of Poverty Alleviation Projects in Africa: *Evolving Guidelines Based on Experience*." EDI Working Paper, World Bank, Washington, D.C.
5. Non-governmental organisations (NGOs) are generally defined as legally constituted non-profit organisations working in the area of relief, development (including the delivery of social services), and advocacy. Community Based Organisations (CBOs) are informally structured and exist for the benefit of their own members and/or communities. However, NGOs have formal organisational structures and exist to meet the needs beyond those of their own members and communities.
6. For example, Adam et al. (1992) argue that the term privatisation has been used to describe an array of actions designed to broaden the scope of private sector activity, or the assimilation of the public sector of efficiency enhancing techniques generally employed by the private sector. This loose description, which results in privatisation often being viewed as a goal in itself, rather than as simply a means to an end, can lead to confusion. Therefore, they conclude that essentially, privatisation is a process, which covers the transfer

- from the public to the private sector of the ownership and/or control of productive assets, their allocation and pricing, and the entitlement to the residual flows generated by them.
7. This issue of expenditure pattern in relation to the social sector remains controversial, mainly due to the weak database in many African countries. However, in a recent study Kanbur, R. and S. Mink, 1992. *Poverty and Accelerated Growth in Ghana: Policy Issues in Light of Global Experience*, The World Bank, found out that in the case of Ghana there is an indication that in fact allocations to the social sectors have increased during the economic recovery program.
 8. A similar scheme used in many parts of the continent is the public works executing agency or AGETIPE (Agence d'Execution de Travaux d'Interet Public pour L'emploi). It was established in countries such as Senegal, Mauritania, Burkina Faso, etc. and most recently in Djibouti to address the capacity constraints of the public sector to deal with micro-enterprises and the informal sector. It mainly focuses on rehabilitation and construction of basic infrastructures to create jobs while remaining responsive to institutional beneficiaries, contractors, and the communities at large.
 9. Both the Sao Tome and Principe Social Investment Fund and the Senegal AGETIPE chose a prominent private sector person as chief Executive.
 10. See for instance World Bank, (1998). "Findings" No. 32, September 1998, Washington, D. C. Some of the lessons learned from the project includes: (1) Government bureaucratic delays in passing legislation and follow-up decrees regulating the creation and activities of MFIs; and (2) Lack of readiness on the part of the government to receive donor support targeting the sector.
 11. See the "White Paper for International Development" Department for International Development (DFID), London.
 12. For instance, recent reports indicated that Somalis in the Diaspora remit annually approximately more than USD50 million to their relatives who are still trapped in their war ravaged country. This is equivalent to more than 60 per cent of the country's foreign exchange earning in 1989. These resources are remitted through a network of agents operating in both the country of origin and various parts of the country. Reports emanating from Somalia indicate that these agents are reliable and resources reach their beneficiaries even at some of the remotest parts of the country.
 13. As was the case in most African countries, in 1955, out of 346 registered companies in Kenya; Europeans owned 246 (71%), Asians owned 99 (29%) while Kenyans owned only 1 (0.02%). As a result most of the countries adopted policies that promoted indigenization. For instance, the objective of the Uganda Development Corporation established in 1963 was to "establish and promote our own people in the trade and commerce field generally so that Ugandans may play a reasonable part and hold a reasonable share of the country's commerce." Similarly, many other African Governments adopted policies that promoted public enterprises which served as a means to promote the establishment of private African enterprises.
 14. Though evidence is hard to come by, many people believe that the foreign entrepreneurs collude to suppress the growth of indigenous industries for fear of competition. An important tool used by these entrepreneurs is the banking system, which is usually owned and managed by foreign corporations. Another approach is to co-opt local officials, particularly the police and tax authorities to continuously harass emerging indigenous businesses.
 15. See Udo Udo-Aka (1996) "Ownership Patterns and Public Enterprise Performance" in Fadahunsi, Olu. 1996. "Privatization in Africa: The Way Forward." AAPAM, Regal Press, Kenya Ltd. Nairobi.
 16. A good example is the recent political instability in Lesotho. In this and other conflicts in Africa, foreign owned business were targeted and heavily looted. Some people may view this as a simple act of vandalism. However, many others would view it as an attempt to redistribute wealth by all means possible.
 17. UNDP, (1998). "Human Development Report 1998" Oxford University Press. For instance the report estimated that the total additional yearly investment required to achieve universal access to basic social services would be roughly \$40 billion, 0.1% of World Income. If we use the people not expected to survive at the age of 40 (as a percentage of the total population) which is estimated at 31%, as a proxy for the percentage of the poor in sub-Sahara Africa, sub-Saharan Africa's share would come to \$12.4 billion. This is equivalent to 4.5% of the region's GDP.
 18. See for instance the World Economic Forum (1998). "The Africa Competitiveness Report 1998" Geneva, Switzerland.
 19. Some people argue that rather than focus on attracting foreign investment, African governments should encourage its own citizens to locally invest the massive legitimately earned resources – estimated in the billions of USD - they deposit in Western financial institutions. I for one, do not see the logic of asking

foreigners to bring their hard earned capital to invest in Africa, when Africa's own citizens do not have faith and trust on their own financial institutions and governments.

20. There is enough evidence to suggest that the private agents use all means to avoid paying taxes. Underreporting of income or profit taxes is common practice. Tax deductibility of private donations may encourage private sector operators to contribute to the well being of the poor while it gives them chance to choose which charitable entities they give their donations. Recently, the Government of Malaysia adopted an initiative, which exposed individuals found not willing to contribute by placing a red flag in front of their houses.
21. Similar to "Assistencia Publica" law in Mozambique as constituted by the legislative article no. 2756 of June 17, 1967.
22. For instant, see Yahie, A. M. (1998). "The Experience of the African Development Bank Group in Financing Poverty Reduction Projects and Programs." A paper presented at the Regional Conference on "Economic, Social and Cultural Rights" Organised by the international Commission of Jurists in Collaboration with the African Development Bank, 9-13 March 1998 Abidjan, Côte d'Ivoire.

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