

Public Enterprises and Structural Adjustments in Sub-Saharan Africa

Some Lessons to be Learned

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Article abstract

For public choice and agency theorists, the poor performance of public enterprises is caused by inefficient policies and by managers who do not care about public interests. These managers and administrative officials are supposed to maximize their organizations' utility rather than their own personal ones. To draw attention of stakeholders on what they do and how they do it, we have adopted a research methodology using documentary sources and secondary data to investigate, through the why, who, when, where and how of structural adjustment through privatization in Africa.

Public Enterprises and Structural Adjustments in Sub-Saharan Africa: Some Lessons to be Learned

by

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For public choice and agency theorists, the poor performance of public enterprises is caused by inefficient policies and by managers who do not care about public interests. These managers and administrative officials are supposed to maximize their organizations' utility rather than their own personal ones. To draw attention of stakeholders on what they do and how they do it, we have adopted a research methodology using documentary sources and secondary data to investigate, through the why, who, when, where and how of structural adjustment through privatization in Africa.

1. Introduction

In the 1970s and 1980s, the majority of African countries faced several problems, among which were balance of payments deficit, oil crises and high interest rates (Asfaw, 1996). To address these problems, African countries called on the help of the Bretton Woods institutions, such as the International Monetary Fund (IMF) and the World Bank. In 1981, the IMF and the World Bank, through Berg's report titled *Accelerated Development in Sub-Saharan Africa: An Agenda for Action*, concluded that the problems afflicting African countries were related to domestic policy mistakes and demanded that any African country that wishes to receive financial aid must undertake structural adjustment programs (SAPs) (Soludo, Ogbu & Chang, 2004). This is how African States, under the guidance of the IMF and the World Bank, got involved in the process of privatization.

Beside the aforementioned reasons articulated by the IMF and the World Bank, there were some other more relevant reasons to the problems afflicting African countries. These reasons, as multiple as there were, have been raised by various authors in their article (Adams, 2011; Adams & Mengistu, 2008; Hilson & Potter, 2005) and will be explored in more detail later in this paper. Overall, and as mentioned in several writings, SAPs have led to the weakening of the strategic

role of the State and have destabilized the business environment in Sub-Saharan Africa (SSA).

The aim of this article is to identify some of the writings on the topic and, through a content analysis, bring out key trends in order to foster the debate on the growth of public enterprises. It also seeks to draw the attention of the main stakeholders on the challenges and on the necessity for African countries to review the management system of their State enterprises. In this regard, the present article covers the following points: 1) the conceptual meaning of State capitalism, State enterprises, SAPs and privatization, 2) theoretical perspectives on privatization, 3) an overview of some of the highlights of privatization in Sub-Saharan Africa, 4) the effects of privatization on State enterprises in Sub-Saharan Africa, and 5) the implementation of State capitalism in Sub-Saharan Africa.

2. Conceptual Meanings of State Capitalism and State Enterprises

2.1 State Capitalism

State capitalism refers to a governance system where all the means of production or a part of the means of production are under the control of the State, from a legal point of view to say the least. Broadly, this governance system allows the State to be producer, promoter, protector and programmer (Uzunidis, Yacoub & Otando, 2009).

2.2 State Enterprises

State enterprises are generally referred to as public enterprises. Before SAPs in Africa, these enterprises were, in most cases, State properties. From the beginning of SAPs to date, State enterprises, which were once State properties, have mostly been privatized. In this regard, Cowan (1990) reported that between 1976 and 1983, the public enterprises of developing countries were indebted to the tune of 80 billion dollars.

According to Adams (2011), even though the process of privatization began in 1987, it really gained momentum in 1991 and reached its peak in 1996/1997. For the author, enterprises that have been privatized in Africa were from various industrial sectors including agriculture, manufacturing, mining, hotels and wood trade.

There seems to be no generally accepted conceptual definition of State enterprises among scholars. The Lack of a standard definition for State enterprises may be explained by the fact that different types of public enterprises were established at different periods to actually meet the conditions of the period in which they were brought forth (Ojo & Fajemisin, 2010; Sosna, 1983). As such, the ideologies, values, interests, dispositions and circumstances that led to the creation of public enterprises could explain the lack of a generally acceptable definition of State enterprises (Adeyemo & Salami, 2008).

Efange (1987) defined public enterprises as organizations in which the State holds a major interest and where activities carried out are of a business nature. For

Obadan (2000) as well as Obadan and Ayodele (1998), public enterprises are organizations whose main functions are the production and the sale of goods and / or services and in which governments or other government controlled agencies do not have enough ownership stake to exercise any control whatsoever over the enterprises. According to Hemming and Mansor (1988a) as well as Ojo and Fajemisin (2010), State enterprises have been created to enable governments to pursue social equity objectives that the market usually ignores. Along this line, Ugorji (1995) noted that public enterprises have been created for political reasons. The figure below shows the number of State enterprises that suffered from structural adjustments programs in Africa as well as the various African countries that were affected by these programs.

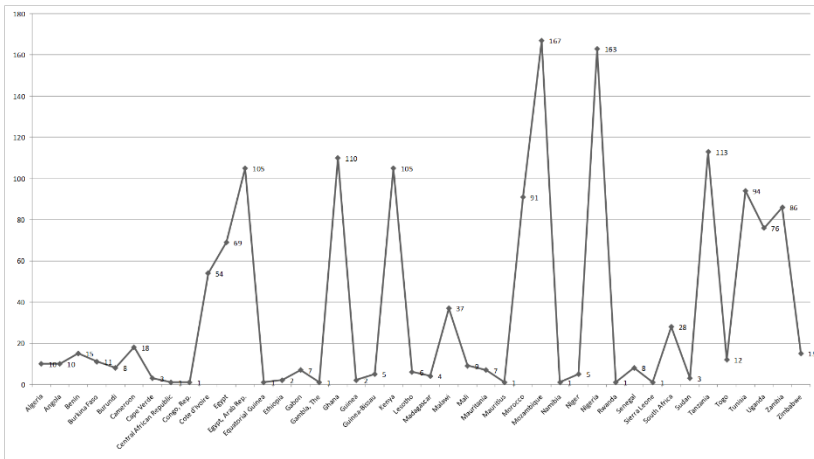


Figure 1. Number of State enterprises that have suffered from structural adjustments and the various affected countries in Africa

Source: Our own investigations in 2016

2.3 Structural adjustments programs

According to Hope (1999), structural adjustments programs are a combination of two types of policy responses that have been formulated and supported by the IMF and the World Bank, in which stabilization policies come from the IMF and structural adjustment policies from the World Bank. The author observed that in order for a country to benefit from structural adjustments loans that country must agree on a set of stabilization measures with the IMF.

Structural adjustments programs were typically carried out for at least three decades, starting from the 1980s. Noorbakhsh and Paloni (2001) noted that structural adjustments have dominated policy making in SSA since the early 1980s and that 37 SSA countries were provided with structural adjustment loans. As such, structural adjustments, which emphasize on the elimination of market imperfections in order to promote growth, became a general economic term in the 1970s and in the early 1980s (Hilson & Potter, 2005).

SAPs were the symbol of development policies in the Third World in the 1980s and 1990s (Ould-Mey, 1994). These programs consisted of providing loans to developing countries and imposing on them development policies prescribed by the IMF and the World Bank. According to Ould-Mey (1994), SAPs were designed outside of Africa by industrialized countries, guided by their own interest (e.g. expansion of their markets, increase in their exporting activities, securing debt payments through the stick and carrot policy), to provide loans to financially ruin the Third World governments in exchange for fundamental reforms in their political economy. For Briggs and Mwamfupe (2000), the implementation of SAPs (with more or less success throughout Africa in the 1980s and particularly in the 1990s) seemed to have no effect on the IMF economic reforms. Instead, these reforms led to a realignment, and in some cases to a radical reorientation, of national economic policies throughout Africa (Briggs 2000 & Mwamfupe, 2000; Cornia, Van Der Hoeven & Mkandawire, 1992; Cornia & Helleiner, 1994; Harris & Fabricius, 1996).

The structural adjustments experience in Tanzania show that the overall objectives of structural adjustments were to replace or to reduce significantly, economic interventions based on the state of market mechanisms, the balance between the revenue and national expenditure, thereby reflecting ideological commitment to market economy and capitalism (Gibbon, 1993, 1995; Rapley, 1996; Simon, 1992; Simon, Van Spengen, Dixon & Narman, 1995). In order to succeed, countries that adopted SAPs have to achieve the following 3 key results: (1) a restructuring of the productive forces by focusing on the goods for which they have a clear comparative advantage; (2) an increase in the investment rate, including an increase in international capital to stimulate economic growth and thus the standard of living, and (3) a significant improvement in export performance.

On the other hand, Drafor, Filson and Goddard (2000) disagree with authors who criticized the implementation of SAPs. By examining the case of Ghana, they highlighted in their article that SAPs have been used to provide a lasting solution to the many problems of this country. In search of a solution to the crisis, the Government of Ghana, with the help of the IMF and the World Bank, developed and launched a restructuring program in November 1983. The first stage, or the stabilization phase, was to put an end to the economic decline. The second stage, or the development phase, aimed to promote growth and development. There have been four major components of SAPs in this country: intervention on price, fiscal reform, institutional restructuring as well as debt restructuring and financing.

Authors like Appiah-Adu and Blankson (1998) as well as Masten and Brown (1995), have a totally different understanding of SAPs, in that they define the term based on its mission. For them SAPs are special programs intended to ensure a more stable foreign trade, to reduce trade and investment restrictions, to undertake tax reforms, to improve agricultural production, to rationalize enterprises controlled by the State, and to help with expansion in the private sector. These economic reforms have focused on an extensive reorientation of the productive sectors through a restoration of fiscal and financial discipline. Basically, SAPs are macro objectives utilized by countries, which want to open themselves to a market economy and encourage a competitive environment between companies, to control inflation and improve the economic growth. To support their argument, the authors claim in their study that according to the IMF (1993), 15 of the African countries

that adopted SAPs have improved their growth, inflation performance and market orientation performance.

2.4 Privatization of State enterprises

Despite their different perceptions of privatization, many authors agree about the specific nature of sales of companies and on the State ownership of a portion of the assets of these companies. According to Wallsten (2001), Ross (1999) provided one of the first econometric analyses of privatization, even though the focus was not specifically on developing countries. For the author, the government often retains, at least initially, a partial ownership of the incumbent. The government can also give the newly privatized company a temporary monopoly, prohibiting competition, in order to attract investors. For Adams (2011), privatization is a broad term, but can be simply defined as the transfer of assets or the transfer of services delivery from the government to the private sector. This is sample text for the body of the article. This is sample text for the body of the article. This is sample text for the body of the article. This is sample text for the body of the article. This is sample text for the body of the article. This is sample text for the body of the article.

The term has been used to illustrate three main concepts: divestiture, deregulation and delegation (Ghosh 2001; Rothenberg 1987; Savas 2000). Divestiture refers to the total or partial transfer of a company from the public sector to the private sector. Deregulation, also known as liberalization, refers to the removal of restrictions on market entry, aiming to increase the role of competition. In this case, change of ownership may not be involved. Delegation usually requires that the government maintains control and be responsible for the delivery of services while production activity is carried out by the private sector. This means that the government usually provides funding to the private sector for the production of good or service.

For Narsiah (2008), privatization is a nebulous term, with a political origin (Donahue, 1989), that coincides with the rise of neoliberalism. Privatization of the State's assets, particularly those related to infrastructures and services, is an essential element of the policy of the neoliberal economic development and a key strategy against the intervention of the State. McGregor (2005), on the other hand, thinks that privatization simply consists in the fact that the government sells its range of services to private companies, which in turn sell these services to the public for profit.

Ojo and Fajemisin (2010) defined privatization as an important tool for the rationalization of the public sector and the promotion of economic development. For them, it is a strategy to reduce the amount of public expenditure and to transfer assets as well as service and control functions from the public sector to the private sector.

In Africa, more than a thousand companies from various industrial sectors were privatized over the period of 1988 to 2008. The figure below shows the various sectors that were privatized as well as the number of companies that were privatized by sector.

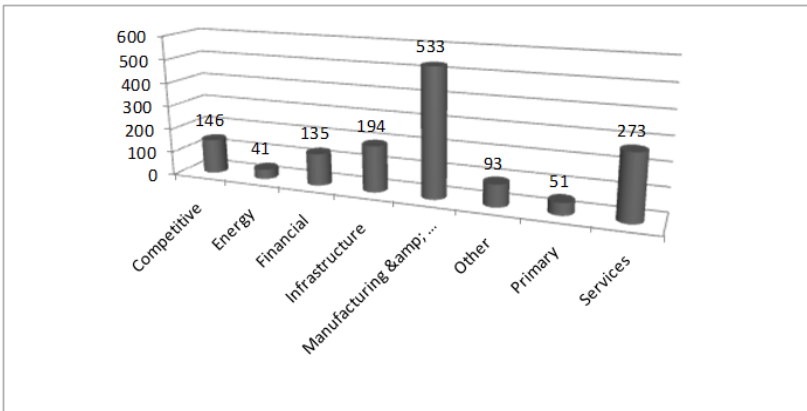


Figure 2. Number of privatized companies by sectors

Source: Our own investigations in 2016

3. Theories on Privatization

Several theories have been deployed as part of the privatization of States in Africa and other developing countries of the world. Scholars often use some of these theories to justify or to denounce the consequences of various SAPs. According to Adams and Mengistu (2008), three major theoretical perspectives have been used to support privatization: the theory of property rights, the agency theory and the theory of public choice. For them, the underlying assumption of these theories is that free market forces increase effectiveness in organizations. Each of these theories is briefly discussed below.

The theory of property rights: This theory is based on Adam Smith's (1976) writing titled *The Wealth of Nations* and in which he states that people tend to mismanage the wealth of others than their personal wealth. Along this line, Alchian (2008) as well as Adams and Mengistu (2008) noted that public enterprises are most of the time inefficient because the owners have no incentive to monitor managers of public enterprises. For this reason, public enterprises are more likely to be poorly managed because they are coordinated by individuals who have no residual rights on the assets of the enterprise (Megginson 2005). This theory specifies the social and economic relations that people should observe while respecting the allocation of resources and taking into account the advantages that owners can benefit from as well as the harm that they can cause to others (Starr 1988; Adams & Mengistu, 2008). For Adams and Mengistu (2008), property rights give individual owners a residual claim on the assets of the private company (Hanke, 1987). Thus, the more rights are allocated to decisions takers over the firm's resources, the stronger the incentives used to use these resources efficiently (Plane, 1997).

The public choice theory: This theory assumes that personal interest dominates human behavior and that humans are, by nature, beings that maximize, in an optimum way, utility whether it's in the market or in politics (Abu Shair, 1997). For this scholar, the poor performance of public enterprises is attributable to policies and managers who do not take care of public interests.

The agency theory: Just like public choice theorists, agency theorists argue that leaders of public and private companies are supposed to maximize their own utility rather than the organization’s utility. However, problems related to moral hazard and adverse selection are reduced in private companies through external mechanisms (corporate control) and internal mechanisms (incentives and the board of directors) (Cuervo & Villalonga, 2000).

The three aforementioned theories justify privatization. The first two theories emphasize the lack of individuals’ interest in relation to public enterprises while the third theory draws attention to the lack of control mechanisms and incentives for good governance in public enterprises. This justifies the waste observed in State enterprises as well as the various forms of privatization that ensued. The figure below illustrates the various forms of privatization over the period 1988 to 2008.

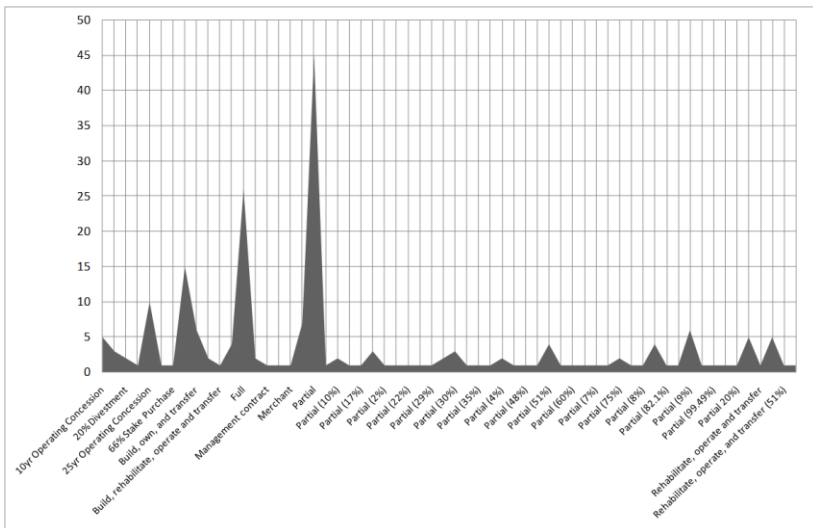


Figure 3. Various forms of privatization over the period 1988-2008 in Africa

Source: Our own investigations in 2016

4. An Overview of Some of the Highlights of Privatization in Sub-Saharan Africa

4.1 When did privatization take place?

The implementation period of SAPs generally varies by country. However, one can say that SAPs have occurred in Africa from 1980 to 2000. The first SAPs occurred in many African countries in 1989 and the second SAPs between 1991 and 1994. In Ghana, for example, the adjustment policy evolved through three phases (Hilson & Potter, 2005). During the first phase (1983-1986), the government put an emphasis on exchange rate reforms, price deregulation, monetary as well as fiscal policies implementation, and adopted a rehabilitation program of the export sector and an investment program in the public sector. During the second phase (June

1987-July 1990), reforms were undertaken in the country to address persistent weaknesses in the economy; and during the third period (1993-2000), there was an economic recovery for the purpose of an accelerated growth (Hutchful, 2002). The figure below indicates the years in which privatization occurred in SSA.

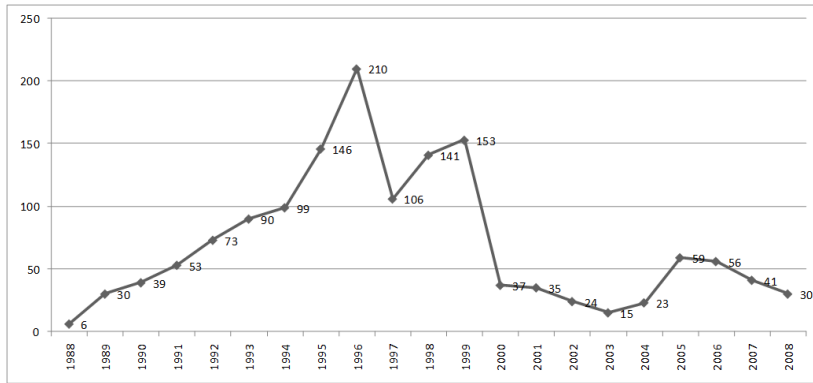


Figure 4. Years of privatization in SSA

Source: Our own investigations in 2016

4.2 Why privatizations in Africa?

4.2.1 The given reasons

According to Adams and Mengistu (2008), governments of developing countries have privatized State enterprises for several reasons. Beside pressures exerted by the IMF and the World Bank as part of the global structural adjustment, the reforms were underpinned by the widespread dissatisfaction in the inability of many governments to properly manage their economies and to provide their citizens with appropriate services.

Before the introduction of the IMF and the World Bank assistance program for economic recovery in 1983, the economies of most SSA countries including Ghana were experiencing severe economic turmoil. For example, the Ghanaian economy almost collapsed with negative economic indicators (Mmieh, Owusu-Frimpong & Mordi, 2012). For Narsiah (2008), the privatization of basic services such as water and electricity was a serious option in the 1990s, given that restructuring at the level of local governments left municipalities in a precarious situation. For authors like Adams and Mengistu (2008) and Asfaw (1996), developing countries have promoted the privatization of State enterprises as a remedy to the deteriorating economic conditions and to the large fiscal deficits associated with the poor performance of public enterprises. For others still, privatizations were intended to minimize distortions in the allocation of resources and to reduce budget deficits (Ademola & Afeikhena, 1999) in countries that implemented them.

According to Adams and Mengistu (2008), researchers have made considerable efforts to assess the extent and impacts of privatization. Among other things, they have highlighted their efforts made to assess the impacts of

privatization at the firm level (e.g. Boubakari & Cosset, 1999; Megginson & Netter, 2001), at the industry level (e.g. Galiani, Gertler & Schargrotsky 2005; Wallsten, 2001) and at the country level (e.g. Filipovic, 2005; Plane, 1997). Even though they acknowledged that there is empirical evidence on the determinants of privatization for developing countries as a whole (Banerjee & Munger, 2004; Brune, Kogut & Garrett, 2004; Hemming & Unnithan, 1996), they have criticized the fact that there are no serious studies on the determinants of privatization in SSA in order to prevent similar situations from recurring.

For Hope (1999), privatization was necessary to end the worsening poverty, reduce social and economic inequalities, lessen the burden of external debt, reverse brain drain, create new employment opportunities, improve the efficiency of physical infrastructure, reduce budget deficits and improve the balance of payments. The author goes on to say that adjustments were brought forth to avoid starvation and malnutrition, and to increase productivity in some cases. Thus in the early 1980s, the structural adjustment program has become the policy response to the economic crisis in Africa.

4.2.2 The other reasons of privatization

Apart from the reasons mentioned above, several other reasons could justify the weakening of the economies of developing countries as well as the need for the privatization of State enterprises. According to Bonfond, Toussaint, & Gonzales (2010), there are other reasons that explain the implementation of SAPs in developing countries, particularly in Africa. These include the increase in the interest rate of the United States Federal Reserve (from 4 % to 18%) in 1980 to support the competitiveness of the United States currency and economy. This increase resulted in the automatic multiplication of interest rates on the funds loaned to developing countries. Given that the loan agreements were written in US dollar, for most of these countries, and given that US dollar was the strongest currency at that time, many of the developing countries were unable to pay their debts (including interest), which multiplied by at least 4 times(?) overnight. The figure below illustrates this situation.

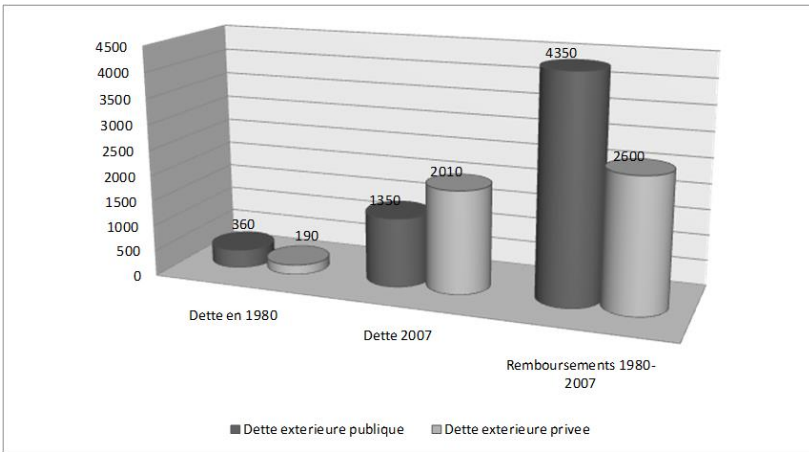


Figure 5. The other reasons of privatizations

Source: Adapted from Bonfond, Toussaint, & Gonzales (2010)

In addition to this, Ziegler (2005), in his book titled *The Empire of Shame*, denounced the systematic bleeding of the southern hemisphere by the northern hemisphere. In his book, he demonstrated that there are a number of reasons that justify the weakening of the economies of developing countries. The weakening of developing countries could be justified by illicit financial flows from developing countries to western countries, flows which were 8 to 10 times more than the official development assistance, or \$ 800-1000 billions dollars per year. In a study conducted in 40 African countries, over the period 1970 to 2004, Ndikumana and Boyce (2008) indicated that the net loss for all of these countries would be greater than or equal to 80% of their GDP or \$ 420 billion dollars. Similarly, Avermaete & Zacharie (2002) made a comparison between public assistance and the repatriation of the profits of transnational corporations and reported that from 2000 to 2007, the amount of repatriated funds varied between \$68 billion and \$297 billion per year at the country level, against \$ 100 billion for the cost of public assistance. This is what Ziegler (2005), in his book, called business of infinite enrichment.

4.3 Where and how did privatizations take place: different forms of privatization (The case of Nigeria)

According to Narsiah (2008), despite the many constraints faced by African governments, privatization has spread throughout the continent--41 out of 48 SSA countries have adopted privatization. Our literature review indicates that there are different types of privatization, ranging from the sale of assets to the outsourcing of key functions. Adams (2011) reported that, in terms of the number of transactions, the most popular method of privatization is the sale of assets (75%). Considering all developing countries, SSA countries have had, in terms of the number of transactions, the second largest sale of assets (27%) after Latin America. However, the sale generated very little revenue (4%) for the developing countries between 1988 and 2003. This might be due to the fact that most of the public enterprises that were sold were of low value (Adams 2011; Kayizzi-Mugerwa, 2002; Kikeri & Kolo, 2005; Nellis, 2003). Moreover, on the \$11 billion of revenue from privatization

receipts in Africa, nearly one-third was generated by a handful of privatizations in South Africa between 1990 and 2003 (Adams 2011; Nellis, 2003). Privatization in SSA countries greatly occurred in telecommunications (e.g. South Africa), mining (e.g. Ghana and Zambia) and oil (e.g. Nigeria) industries (Adams, 2011).

With respect to Nigeria, different forms of privatization were used (Ojo & Fajemisin, 2010). A brief review of these forms of privatization is provided below.

Public offer: This form of privatization consists in selling shares through the Nigerian Stock Exchange. Ojo and Fajemisin (2010) reported that 35 public enterprises were privatized through this approach in Nigeria.

Private placement of shares: This form of privatization was used in cases where the number of shares held by the government was so low that it could not force the public offer of shares, even though the enterprises met the listing requirements for the stock market. As of 2010, year of the publication of their article, Ojo and Fajemisin (2010) reported that only one company has been treated as such.

The sale of shares: This form of privatization was used in cases where the enterprises could not be sold through public offering, or through private placement of shares. In general, these are enterprises with a poor performance record and hopeless future prospects. Ojo and Fajemisin (2010) reported that a total number of 27 enterprises were subjected to this form of privatization.

Management Buy Out (MBO): This form of privatization consisted in selling all or a substantial part of the enterprise to employees. As such, employees are solely responsible for the management of the enterprise. Ojo and Fajemisin (2010) reported that only 1 company experienced this form of privatization.

Deferred Public Offer: This method of privatization occurred in enterprises that were viable. Ojo and Fajemisin (2010) reported that five companies were subjected to this form of privatization and that three others were likely to be treated like that.

These privatization methods were applied depending on the sectors that were of interest for new buyers. The graph below gives information about various countries as well as the concerned sectors and sub sectors.

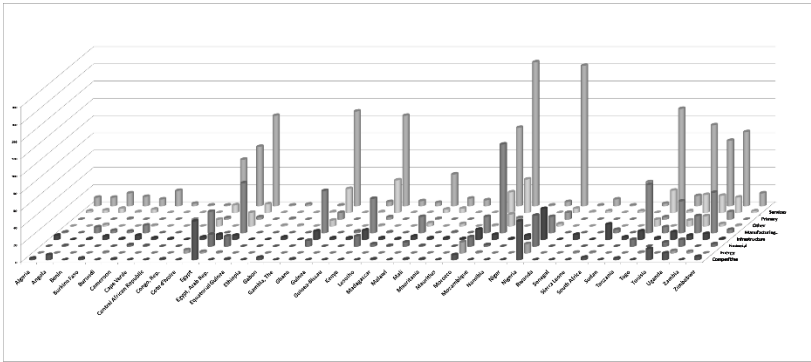


Figure 6. Privatization Methods

Source: *Our own investigations in 2016*

5. Effects of Privatization and SAPs on State Enterprises in Sub-Saharan Africa

Authors have different opinions regarding whether or not privatization and SAPs have had positive or negative effects on the countries that have implemented them. According to Adams (2011), the results of these studies are ambiguous. For example, while Plane (1997) and Barnett (2000) reported a positive effect of privatization on the economy, Adams and Mengistu (2008) as well as Filipovic (2005) reported otherwise. On the positive effects of privatization, Wallsten (2001) as well as Wellenius et al. (1992) concluded, from their case studies, that the first results of privatization have been encouraging, with companies in some countries reporting good financial performance. An increase of internal investment funds and access to international capital markets were also reported. On the other hand, Schneider (1999) thinks that privatization efforts and reduction of the role of the State have not improved the efficiency as expected. For him, the same officials who have extracted resources from governments programs are often those who are able to make the most profit from the privatization efforts.

According to Hilson and Potter (2005), experts generally agree that foreign investors who are attracted by the business climate of a country have stiffened competition for many craftsmen and entrepreneurs. For instance, Chalfin (2000) recalled that in the mid-1990s, the market conditions for nuts traders in the Bawku District in Northern Ghana have become less reliable due to the presence of an increased number of private companies.

In their article, Hilson and Potter (2005) noted that the privatization and structural adjustment that took place in Ghana fueled the growth of the informal sector, increased the level of poverty and marginalized more people. Empirical evidence provided in their article suggests that SAPs in Ghana have further marginalized indigenous operators in artisanal gold mines.

Ogujiuba, Stiegler and Ogonnaya (2013) have reported indications of a moderate increase in production following the introduction of SAPs. This is

especially true of export crops, which have benefited the most from the program's incentive price structure. As part of their study, the index of agricultural productivity by type of activity shows the impact of oil boom on the sector. There has also been a decrease in payroll employment (Leith, 2004), especially in the formal sector. Once dismissed from their work, these employees went to the informal sector that absorbed them (Debrah & Mmieh, 2009).

6. Conclusion

Depending on the individual countries, SAPs evolved through 3 stages in Africa. Based on the reviewed articles, the following conclusions are drawn:

1. There is a gap between the theoretical predictions of the different SAPs and what is endured by people (Adams, 2011).
2. The results of the study show that although the inflationary crisis was a determining factor in the decision to privatize State enterprises, institutional infrastructure and equity issues have affected the process of privatization (Adams & Mengistu, 2008).
3. The reviewed empirical studies and the results of these studies indicate that the pace and intensity of privatization may be different for different regions of the world and that politics plays an important role in the privatization process in developing countries (Adams & Mengistu, 2008).
4. Adjusting only one aspect of the infrastructure of a country (that is the economy through SAPs) at the expense of other elements that determine human safety and well-being is an unbalanced and unsustainable approach to development (McGregor, 2005)
5. Any economic, human, social and ecological need should be addressed simultaneously, with the same priority (McGregor, 2005).
6. Many citizens believe that the privatization process benefits private-sector economic operators rather than the nation as a whole. Specifically, most respondents believe that foreign investors benefit from privatization more than local investors, and that the process of privatization favors rich people which is associated with high levels of corruption. (Adams, 2011).

Future Outlook

1. Political leadership can be a key factor in the success of privatization in SSA. As emphasized by Goodman (1998), the strength and capacity of state institutions and the quality of political leadership are the determining factors in the development of economic policies.
2. The need for political leadership is based on the fact that there is the need for a convergence of government and investors' interests in the privatization process. Thus, privatization must be conducted by long-term goals of economic development rather than by short-term goal of generating income to overcome financial crises (Adams & Mengistu, 2008).
3. It is therefore important that governments work to correct the impression that even if there are benefits, it is the foreign private investors or the political and economic elites who benefit from them. The challenge for African countries is

therefore to ensure economic efficiency and to correct the impression that entrepreneurs, business elites and people well established in the society benefit at the expense of the poor (Adams, 2011).

4. Overcoming administrative and political problems does not imply a reduction in the size of the State bureaucracy, but rather it means that governments should be made more accountable to meet the needs of their people (Adams, 2011).
5. Policies targeted towards employability rather than job security may be particularly profitable to treat the negative externalities of privatization and globalization in general (Adams, 2011).
6. It is essential that issues of administrative reforms and revitalization of public enterprises be taken seriously. The revitalization of public enterprises suggests that privatization is only appropriate when there is competition and when there is institutional capacity to regulate markets (Adams, 2011).

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