BUILDING BRIDGES: WHAT EVERY PUBLIC SERVANT SHOULD KNOW THE PRIVATE SECTOR

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This paper is not written from a scholarly or public service lens. It is presented by a private-sector practitioner of public-private partnerships who facilitates collaboration between government and industry with an eye to better delivery of government services.

In Canada, I am best known for the creation of the Lac Carling Congress, an annual gathering of public sector policy makers, program designers and service delivery officials, with the private sector and academia on hand to further the development of e-government in Canada. This presentation is based on 10 years of experience with Lac Carling – Helped along since 2004 by the Institute of Public Administration of Canada, my co-producers. The Lac Carling Congress helps governments develop their leadership role in the kind of inter-jurisdictional issues that improve government efficiencies, economic development and service quality back on behalf of the citizenry. When it comes to making significant progress on electronic service delivery, no government can do it alone – as with infrastructure, whether we’re talking about universities or roads.

Over the years, Lac Carling has become part of the Canadian landscape of interjurisdictional transformation initiatives – initiatives that include the private sector in candid discussions. Here are the objectives of the conference:

1. To bring together key stakeholders in one forum to advance the service transformation agenda for Canada.
2. To advance collaborative work on select significant public sector service delivery solutions at a tactical and operational level, with a focus on specific deliverables.
3. To build relationships – cross-functional, crossjurisdictional, public-private – that will foster further collaboration.
4. To communicate and share information and lessons learned in all jurisdictions in an effort to raise awareness and obtain further engagement around the service transformation agenda in Canada.
5. To assist councils of key officials in advancing work on key components of e-government that require interjurisdictional co-operation.

As this paper will explain, governments are having a difficult time with other critical infrastructure areas. Again, this is where the private sector can be beneficial.

For a small country, in terms of population, we have a lot of government, and we
need to make it more efficient wherever we can. Let me give you a quick tutorial on Canadian government (meaning some gross generalizations, unfortunately).

We have three levels of government that collaborate within a federation. The federal government, looks after national economics and international affairs. The 10 provinces and three territories look after more domestic issues such as health care, education and welfare. Within those two levels, you will find overlaps – in justice, for example, or health care, among many others. Municipalities, or city governments, are creatures of the province and responsible for local services. Each one of these levels of government, singularly and collectively, have entered into public-private partnerships. It’s not hard to understand: In terms of service delivery, a well planned and executed partnership may well provide a government entity with the pot of gold it needs to meet a particular mandate, internally, politically and economically.

Probably one of our greatest public private partnerships was the bridge built between our eastern seaboard provinces, Prince Edward Island and Nova Scotia. In regards to e-government, collaboration between industry and government has had huge wins – New Brunswick, with Service New Brunswick offering citizen a single-window portal that connects them to any service or level of government in the country.

Let’s begin with the definition of a public-private partnership, generally known as P3s. A public-private partnership is a collaborative business enterprise between government and the private sector that finds its value as a collaborative undertaking because it integrates interests and skills from both. The government steers and the private sector rows.1

In Canada, P3s are becoming more important in finding solutions to address a growing infrastructure deficit. This deficit is the gap between what has been spent and what should have been spent to maintain public assets.2 These public assets affect every area of Canadian living standards, from health care to school buildings, bridges and highways. According to one of our former finance ministers, Canada needs more than $16 billion for water treatment and distribution, $37 billion for waste water facilities, $10 billion for roads and bridges, $8 billion for transit and $8 billion for hospitals in just one province, Ontario.3

There are, to be sure, sharp differences of opinion around P3s. Organized labour, not surprisingly, has been particularly vocal, campaigning vigorously against such projects as a matter of principle. Such concern is understandable. In labour’s reckoning, after all, P3 arrangements threaten the jobs

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1 Hon. Michael H. Wilson, The Canadian Council for Public-Private Partnerships Speech, November 1, 2005
2 Hon. Michael H. Wilson, The Canadian Council for Public-Private Partnerships Speech, November 1, 2005
of unionized public servants – who pay the dues which support the unions. That’s an unfortunate argument, because we have reached a place in our history where governments must learn to work better with private sector firms just to maintain our current quality of life. The continual raising of taxes and overruns on major infrastructure projects that are financed from the public purse are no longer acceptable as the only way to build, repair or simply maintain current public assets. Governments in all countries need new tools to build a new public infrastructure foundation – and in today’s global economy that foundation must also embrace digital/electronic assets such as the laying of high-speed fiber for Internet access. But whether we place fiber across Zambia or help build hospitals in rural locations, governments need to posit the following question regarding public-private relationships:

“What kind of relationships should we be developing to build a new infrastructure?”

In this new economy, all governments must expect more from every dollar advanced from the public purse. In turn, the private partner will also have expectations, as will the citizen. The fact is that new infrastructure requires highly specialized goods and services that advance new players to enter the landscape. Although some African nations are clearly in the wake of infrastructure development, they remain an important part of the new, growing global economy. Unlike many U.S. and Canadian cities built by urban planners decades earlier, which are often burdened by an urban sprawl difficult to maintain, African nations have an opportunity to get it right by implementing the types of technologies available to create a better economy – and a better place for its citizens to live. Good P3 initiatives can provide the needed funding and expertise to make today’s plans tomorrow’s realities.

In Canada, we look to private sector partnerships when governments do not have enough capacity. Through difficult lessons, governments are beginning to recognize that it’s best to concentrate on government’s core business and outsource or single source the rest to a private sector consortium or firm. But first you must ask yourself:

“What are we trying to achieve?”

As an example, you wouldn’t outsource your revenue management to a private sector firm. But you would consider outsourcing your infrastructure management. In other words, there remain trust issues that need protection that is core to the business of government. There will always be procurement and political realities you must consider. In North America, government must also ask if entering into a P3 relationship for a service affects public privacy. It’s fundamental; a government must retain a trust relationship with its citizens. For this reason most public-private partnerships have revolved around providing cheaper services that address critical mass concerns such as technology or buildings. In the city of Toronto, a metropolis of 2.48 million people with a total of 5 million living in the Greater Toronto Area (GTA), the city government owns all the
road assets; it is expected to maintain the routes of commerce that allows the GTA to function and grow as a major commercial vessel. However, it often enters into development agreements to build a sector of a sidewalk, road or park in connection with the government asset. Why? This method is usually easier for the body politic than to fully entrust the private sector with an infrastructure asset such as a major highway. However, with increasing debt loads, philosophies are changing about where the private sector might contribute as partners. “The reality. . . is that many existing bridges that are only 10 to 20 years old already require costly and extensive rehabilitation. In fact, approximately 40 per cent of Canadian bridges are more than 35 years old, with a deferred maintenance backlog estimated at $10 billion.”

In areas such as health care, there remains a high degree of suspicion about the P3 model. Investments in new hospitals, hospital extensions and hospital equipment have become a national controversy. Canadian politicians are now saying that the current national health plan is not sustainable. Provincial governments that are responsible for the delivery of health care are spending nearly half their budgets on health care. That means less investment in other needed infrastructure. It is no surprise that Canadian governments now frequently ask: “Can the private sector participate in health care infrastructure while maintaining the core principles of public medicare?”

In Britain, the Blair government launched a new P3 initiative in health care. It is called the Private Finance Initiative (PFI), and it is the largest hospital building program in the history of the National Health Service. It consists of 24 completed hospital projects at a cost of 2 billion pounds, 12 projects planned costing 2.5 billion and 44 smaller initiatives worth 13.5 billion pounds. This is radical P3 strategy.

How were these public-private relationships negotiated? What made them successful? A Canadian Minister told public servants at a recent conference that if you wish to improve partnerships, view them as a body contact sport. He also stressed that the cut and thrust of high stakes negotiations are not necessarily intuitive to a public servant. His advice:

- the private partner must be well organized to meet the challenges presented by the government project team;
- the politician associated with this file must be comfortable and have full trust in the firm/consortia chosen;
- there must be a convergence of values on political will and bureaucratic momentum in order for the private sector firm to be successful within the given initiative;
- ensure a strong framework for accountability and governance as internal government turfs remain a huge issue;
- ensure partners remain accountable to each other;

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4 Robert Parkins, C23P
5 http://www.dh.gov.uk/ProcurementAndProposals/PublicPrivatePartnership/fs/en
• And, it remains important to use government processes in an intelligent way by working closely with partner(s) and politicians to retain momentum throughout project lifecycles.

Typically, the private sector admits such points but also contends that government is not quick to respond in the following areas:

• hierarchical decision making systems which need to be more flexible and empowering;
• speeding up decision-making by effective delegation to assigned bureaucrats;
• taking the time to learn and adjust to each other’s culture;
• ensuring top political clout and consistent engagement;
• when bids specifically ask for vendor staffing, take advantage rather than transfer internal staff.

Broadly speaking, P3 projects are controversial because politicians sometimes fail to answer the following question properly:

*Will the private sector partner influence the delivery of the service we are looking to partner or outsource?*

Canadian governments are looking closely at Britain’s approach in building hospital infrastructure called DBFO. DBFO stands for design, build, finance and operate. Currently under construction in Ontario are the Royal Ottawa and William Osler hospitals and the North Bay Regional Health Centre, which lies in the northern part of the province. DBFOs are contracted for a fixed term, usually 25 to 40 years. The partner will be a consortium in order to meet all the different areas of expertise required. According to the Canadian Council for Public-Private Partnerships, the hospital pays for the use of the asset by way of a unitary charge or lease payment and a performance charge, similar to a fee for a management contract. The private sector partner must meet all outlined performance requirements that relate to each charge. If this condition is not met, the fee is reduced or waived.⁶

The challenge for all governments is to ensure that such contracts maintain public control over priorities and standards while capturing the benefits of what P3s have to offer. Alberta, the most westerly of Canada’s three Prairie Provinces, spanning an area of 255,285 square miles or 661,190 square kilometres, is home to 420 communities. Just to give you a visual, Zambia has 290,586 square miles or 752,614 square kilometres. Like many African nations, Alberta is creating policies to ensure that rural migration to urban areas is not the most attractive alternative. In order to accomplish this, the Alberta government created the High-Speed Alberta Supernet. This was a public-private partnership involving the government of Alberta and two large telecommunication firms, Bell and Axia, constructing and connecting 12,000 kilometres of fiber and wireless technology to make broadband service available everywhere. It allows ISPs – Information Service Providers – to buy bandwidth at

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⁶ Hon. Michael H. Wilson, The Canadian Council for Public-Private Partnerships Speech, November 1, 2005
reasonable uniform rates across the province. By allowing rural areas to connect, the government immediately raised the level of service for its residents in health care, education, community infrastructure and a growing economy – the pillars of a strong community. Alberta’s high-speed Supernet allows rural areas to take advantage of greater community capacity that simply did not exist. It’s important to note that Alberta’s rural communities house 17 per cent of its overall population but now represents 25 per cent of its economy. This is one example of how a government was able to utilize and harness the potential of a public-private partnership for the betterment of its citizenry.

That’s one good example of P3 at work. Here’s another: In Canada, communities that do not have broadband access to the Internet are becoming isolated. Tony Valcourt, a representative of the Assembly of First Nations, an important aboriginal voice for Canada, believes broadband should be considered a public utility. The native population he represents consists of geographically isolated communities, built on Crown land reservations mainly situated in Canada’s North. But the aboriginal community remains extremely active in ensuring that access is available to Indian reserves everywhere. In September 2004, IBM Canada unveiled a strategy in a far-reaching agreement with the Province of Manitoba to expand its presence in aboriginal communities, increase opportunities for aboriginal-owned businesses and ensure greater participation of aboriginal peoples in the Canadian economy. Under the terms of the agreement, IBM will work with aboriginal communities to increase employment opportunities, IT skills development, investment and mentoring and to addressing barriers to full participation in economic opportunity by aboriginal peoples and businesses.

In 2004, Canada’s capital city of Ottawa successfully developed the following Public-Private Partnerships:

- **Bell Sensplex**
  - Executing a P3 agreement with Ottawa Community Ice Partners (OCIP) to construct the $25.6 million, 180,000 square foot-facility in Kanata, including four ice rinks and a multi-sports indoor field house. The Sensplex opened in December 2004. Is there any data that compares the initiative to the old way? How is it a better way to get ice rinks?

- **Garry J. Armstrong Long Term Care Home**
  - Developing a P3 partnership with PCL Constructors Ltd., Central Park Lodges (CPL) and Retirement Residences Real Estate Investment Trust (RRREIT) to construct a new $22.3 million, City-owned and operated 180-bed long-term care centre on Porter’s Island. The City’s contribution to the project was the transfer of ownership of the existing building, which is being rebuilt as a privately owned and operated retirement residence.

- **Ray Friel Recreation Centre**
  - Executing a P3 agreement with Serco Facilities Management Inc. to construct

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7 [http://www.albertasupernet.ca/](http://www.albertasupernet.ca/)
the $13 million facility in Orléans, including two NHL-sized ice surfaces.

- **Ottawa Paramedic Service Headquarters**
  - Executing a P3 agreement with Forum Leasehold Partners Inc. to construct a $19.9 million, 100,000 square-foot Ottawa Paramedic Service Headquarters facility in Ottawa South Business Park.

In Canada, many public-private partnerships centre on information technology initiatives for social change. That’s how one of our finest hospitals, St. Michael’s in Toronto, streamlined clinical processes. Such a system lets doctors view films almost instantly on the computer, instead of securing individual “hard copy” films from the hospital’s records department library and have them hand delivered to their offices. The initiative, called Project Gemini, has IBM Canada, Getronics and Siemens Medical Solutions working with St. Mike’s toward the digital storage of patient records and medical images.

Yet another example of a successful P3 is in New Brunswick, which launched a pay-as-you-go electronic online land registry that has become a big hit with customers. The system is known as Planet. It counts lawyers, land surveyors, real estate agents, police and government departments as its main users. It enables a client to electronically access a central data bank maintained by the New Brunswick government, which provides digital maps of a parcel of land and details on who is the registered owner, the assessed value of the property and its current tax levels. The system earns money for the government, and this revenue stream was part of the negotiation with the private-sector partner that helped bring down the cost of actual implementation.

So private-public partnerships come in all styles. But remember – according to governments and vendors alike, we need to build networks of trust and reciprocity in this new information age. The Lac Carling Congress in 2004, Peter Barnes, former Secretary to Cabinet in Ontario, stressed that both parties, public and private, must be conscious of the difference in value systems. The private sector is driven by profit. The public sector is driven by the concepts of service, due diligence and checks and balances.

In attempting to harness the best in P3s, the Institute of Public Administration of Canada was contracted last year by the Government of Ontario, IT World Canada and the Information Technology Association of Canada, representing over 600 ICT vendors, to identify best practices in the creation of service transformation relationships between public service providers and private firms. The report is called Managing Service Transformation Relationships Between Government and Industry: Developing Best Practices. Seven case studies covering different types of initiatives were prepared that span all three levels of Canadian government. The study group summarized its findings in 20 steps which it urged all parties to engage in when developing complex relationships between a public

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service agency, its stakeholders and one or more ICT firms. These steps can be applied to all complex negotiations between public-private partnerships. From defining the service needed to executing and adapting, the report found that both parties needed to respect the benefits and its inherent risks when entering into a multifaceted agreement. The Public Policy Forum, a widely respected Canadian think tank, put it this way: “Like any major contractual arrangements, public-private contracts between the private sector and local governments will and should be the subject of lengthy negotiations and detailed written agreements...The provisions in such contracts can do much to eliminate concerns (real or perceived) about the impact of trade agreements.”

One of the most successful cases discussed in the IPAC report is between the Quebec department of Tourism and its private sector partner, Bell Canada. The partnership flourished because it was based on a vigilant, focused conceptual period and reciprocal understanding of the working cultures of each partner.

The 20 steps identified in the IPAC study were captured in four areas of P3 collaboration for service transformation:

• Ensure executive buy-in and leadership; identify a program based customer service champion; dialogue with key internal stakeholders; seek internal and external input from all stakeholders; consult industry.
• Access management and technical skills required; properly define competency requirements of partners prior to involving procurement authorities; create project team; examine partner’s sustainability.
• Share concerns; choose partner(s) who understand the workings of government; ensure vendors commit their A Team to the project; ensure contract reflects level of uncertainty and risk-sharing; stipulate mechanisms for dispute resolution; create a joint governance body; build trust and joint ownership.
• Provide latitude for government managers to pursue innovation or creativity; invest in sustaining a culture of innovation; ensure openness and dialogue between partners; don’t expect to save money in the short term.

All this is critical. It is imperative that both parties agree to an initial planning framework prior to engaging in the project. This will not only ensure better accountabilities that clearly indicate what each party is responsible for, but also help to minimize what North Americans call “scope creep.” This is when the private sector bids on a proposal, signs on at a fixed price for agreed upon services/products, but finds that the expectations sought are greater than recorded in the request for proposal.

It is also important to the winning proponent to understand the method to be used if arbitration is necessary. The art of a P3 is having enough structure to allow each

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9 The Canadian Council for Public-Private Partnerships
10 IPAC, Managing Service Transformation Relationships Between Government and Industry: Developing Best Practices Report, p. 11-12
party to meet its obligations while having enough of an understanding to remain flexible in a regulatory environment. Government practitioners must recognize that just as their actions affect their political masters and therefore the public, the actions of private sector representatives affect their presidents and therefore their shareholders. Both can be unforgiving, and both depend upon a trust relationship.

There are benefits and risks for both parties. Governments need to demonstrate efficiencies that are usually accomplished through tapping into the enormous funds of private capital, while private sector entities rely on growth through larger government contracts. Capital projects need experts in many areas which are not necessarily familiar to government. It remains important to the private sector that areas of private sector innovation are retained within industry and not duplicated by government. The private sector takes a dim view of government attempts to build expertise in areas not core to the business of running government, because it affects economic development over the long term.

Besides funding capital projects, private sector partnerships have other benefits. Business firms will come prepared with business plans that incorporate careful analysis of costs over the life of a capital project. This incorporates ongoing operations, maintenance and major upgrades over the length of the agreement. Too many times, when governments receive approval for a large project, it does not include operations – an important area that needs to be calculated over the real cost to taxpayers. This means that at the end of the contract – and maintenance is part of this contract – the asset reverts to the public sector in good repair. Surveys are showing that cost overruns on capital projects are far less when governments do not go it alone.

P3s are enablers just as technologies are enablers. The problem however is keeping the end objective in mind when entering a P3 project.

We need look no further than the reforms made in Ethiopia when televisions were introduced into every classroom through a P3 initiative. When government inspectors tried to find out how technology was changing the teaching environment, it was discovered that the televisions had been shoved into the cupboards of classrooms, never to see the light of day. Why? There had been no instruction on proper programming and the best way to utilize such a resource. Instead many teachers feared for their jobs, believing the television programming would soon replace the need for teachers. The P3 worked in Ethiopia if the scope only called for the deployment of technology. But it failed miserably if the objective was to maximize the deployment of a teaching tool. Be careful what you negotiate for. Make sure the results are measurable and in fact measure the right things.

The new economy and the technologies associated with such a transition will present new problems, but they will also present new opportunities for economic prosperity and a better quality of life. A knowledge transfer to build on a traditional economy is critical and needs to be built
into P3 initiatives in order to create a higher level of understanding that leads to professional communities. Such factors resonate with both entities – as public-sector successes also become private sector successes. A P3 is only as good as the culture in which it is hatched. There must not only be trust between the government and the private sector, there must be demonstrable value. The advantage must be clear to all stakeholders or there will be a loss of trust. It is only worth doing if we do it properly. Otherwise – we go it alone.
A major policy shift has taken place in Ghana in recent years from state-led growth strategy to emphasis on the private sector as the engine of growth. The paradigm shift did not occur overnight and has generated considerable debate along the way. Among the hotly contentious issues discussed in recent times are divestiture, governance, and sovereignty. The immediate post-colonial economy era in Ghana was characterized by high levels of government ownership of enterprises, high levels of economic regulation, and explicit suppression of financial markets and exchange. This trend continued for most parts of the 1960s, 1970s, and early 1980s when Ghana began to change course with the adoption of the Structural Adjustment Program. Most of these programs included the transfer of state enterprises into the private sector. This paper examines the nexus between sovereignty, state-ownership and divestiture experience in Ghana. The paper reviews the arguments for and against privatization in Ghana, and the performance of divested industries. Then it tackles the governance issue as to whether divestiture has undermined national sovereignty or it is management and development failure that has compelled the country to surrender its policy autonomy.

INTRODUCTION
An evolutionary transformation has occurred in the economic and political orientation of Ghana from a state-led growth strategy to creating an enabling environment for the private sector to become the engine of growth. The paradigm shift did not occur overnight and has engendered considerable debate along the way as to the proper role of the state in economy. The immediate post-colonial era in Ghana and most of Sub-Saharan Africa was characterized by high levels of government ownership of enterprises, high levels of economic regulation, and the explicit suppression of financial markets and exchange. The reliance on state-owned enterprises as the vehicle for economic development continued for most parts of the 1960s, 1970s, and early 1980s.

After years of general economic decline and the dismal performance of the state-owned enterprises (SOEs), Ghana began a major policy shift as part of the structural adjustment programme that began in the early 1980s. Most of these programmes included the transfer of state enterprises into the private sector. Though some SOEs have been privatized, others are still on the
divestiture list and just starting the process. The divestiture process, the implementation and outcome, the issue of governance and national sovereignty have generated considerable debate over the years.

This paper examines the issues of state-ownership, governance and sovereignty, and the divestiture experience in Ghana. The paper first examines the arguments for and against privatization in Ghana and the performance of divested industries. Next, it tackles the governance issue as to whether divestiture undermines national sovereignty. The final section provides some concluding thoughts and the way forward.

The debate over divestiture has been fueled by some major events on the international scene. On the one hand most of the countries which once pushed for state control of production assets to the limits, that is, the communist and socialist countries have since the collapse of the Soviet Union implemented unprecedented privatization of State assets. The largest privatization in history took place in Russia between 1992 and 1995 when as many as 75,000 small and medium scale enterprises were auctioned, 14,000 medium to large scale firms were sold and 130 to 140 million new shareholders were created (IFC 1995). To a lesser extent the same phenomenon has occurred in all former socialist countries with the exception of Cuba and China. But in the case of China, a guarded but aggressive promotion of private initiatives is underway.

The second source of interest in divestiture comes from privatization in developing countries, encouraged, and sometimes made conditional to development assistance by donors especially the World Bank and the International Monetary Fund (IMF). It is reported that between 1988 and 1993, 2,300 privatization transactions were recorded by the IFC in developing countries involving $96 billion.

Sovereignty on the other hand has dominated debates in political economy for centuries and more intensely since the 17th Century when nation states as we know them today emerged in Europe. In recent times the perpetration of extreme human rights abuses culminating in ethnic cleansing in former Yugoslavia, and recent events in Afghanistan and Iraq resulting in external military intervention in the internal affairs of these countries, have raised renewed concerns about sovereignty and the exclusive right or ability of certain states to exercise complete control of their citizens (human) rights and policies such as control over weapons of mass destruction.

Concepts of Divestiture, Sovereignty and State Governance

Divestiture is used in the sense of the transfer of state ownership to the private sector wholly or in part. The private sector owners may be national or international companies, groups or individuals. In the literature some attempt is made to distinguish between privatization and divestiture. For example, under privatization Boubakri and

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2 Ibid
Cosset (1999)\(^3\) include the following: (a) promotion of market liberalization, liberalization of prices and trade and encouragement of competition in the economy; (b) transfer of operations of state-owned assets to private or non-state entrepreneurs including contracting out services; and (c) sale of state-owned assets to private investors. However, it is important to distinguish between the promotion of private sector development generally by the state and privatization. Privatization involves the transfer of ownership of state enterprises (SOEs), land and assets into private hands (World Bank 1996)\(^4\). In the sense that privatization involves the sale of all or parts of government equity in SOEs, it becomes synonymous with divestiture. Thus privatization and divestiture are used interchangeably in this paper.

Much more controversy surrounds the concept of sovereignty. This is because the term has evolved historically. In political theory, sovereignty in its pure form has to do with the ultimate oversight and authority in the decision making process of the State, be it in policy making or maintenance of law and order. It pertains to the right of a nation to exercise supreme authority in all matters affecting the country.

According to Thomas Hobbes\(^5\) and Jean Jacques Rousseau\(^6\) sovereignty is based on *compact* of a country’s citizens whereby they entrust such powers to the state as is required for the common protection of all. That view of popular sovereignty underpins the “Declaration of Independence” in the USA in 1776.

The modern state, however, dates back only to the Treaty of Westphalia in 1648 which ended the bitter religious-cum-ideological and costly thirty years wars in Europe between the Catholic Church and the monarchs. Since then independent states were presumed to exercise final authority over the internal affairs of their respective territories. Even after the European countries had adopted the notion of nation state with sovereign powers, however, they denied other people the same right under colonization. Thus, self-determination and policy autonomy of each country is therefore only a twentieth century phenomena for most parts of the world.

In practice, the right of the State as the final authority in a country to regulate political, economic and social life with complete disregard to any possible repercussion from other states has been enjoyed by only a few countries. These are countries that had, at certain historic periods, acquired both economic and military might. In the past, and some will contend it is the same today, “mighty rules”.

In the last century, however, certain forces have further circumscribed national sovereignty. These including the following:

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\(^5\) Thomas Hobbes. 1651 *The Leviathan* 1651.

• The Hague Conventions of 1899 and 1907 establishing the rules governing the conduct of wars.
• The United Nations and its charter requiring the settling of disputes through peaceful means.
• Globalization and increasing interdependence of States, especially the role of information and communication technologies, the emergence of transnational operations and global capitalism in their effect of moderating hitherto tight control of the state over information, capital transfers, etc.
• The emergence of transterritorial international organizations such as United Nations, the Bretton Woods Institutions, the World Trade Organization and regional organization notably the European Union.
• The increasing scope of international law, treaties and conventions.
• The transterritorization of human rights and rule of law which were the basis of international intervention in former Yugoslavia in the 1990s and more recently in Afghanistan and Iraq.

Thus the concept of absolute sovereignty has been circumscribed. The view that the State is sovereign in that it “makes the final determination of the society” and that “it receives no orders from any or other will” is no longer absolute. The classical concept of sovereignty has been subjected to the logic of changed global conditions. A large degree of policy autonomy and ability to chart one’s own development paradigm within the limits of international law and good governance still remain, and it is within this circumscribed concept of sovereignty that we explore the impact of divestiture of SOEs. In that regard, if a sovereign nation cannot determine the main coordinates of its socio-political and economic destiny, one can say that, even within the circumscribed parameters of sovereignty, there is cause for concern. Thus, high on the agenda in Africa today is the promotion of good governance, not only political but economic and social as well.

The Logic of SOEs with Particular Reference to Africa

The cause of concern regarding divestiture in many African countries including Ghana, stems from the fact that privatization represents a radical departure of economic policies adopted by many of these countries during the immediate post independence era. Then, it was believed that governments must intervene decisively by policy, creation of socio-economic infrastructure, and ownership of productive assets in order to accelerate the development of their countries after long periods of colonial exploitation and under development and to reduce dependence on the metropolis. State ownership was also seen as a means to diversify the economies, expand the modern sector, generate employment, and fill a vacuum created by inadequate development of indigenous business or middle class.

In many African countries local market forces were seen to be weak; the international economic system was regarded as

inequitable; and the withdrawal of Soviet Union and China from international capitalism and their adoption of full scale state control appeared very attractive in their economic achievements. Adoption of state ownership was therefore a revolt against the international trading and investment system and capitalist mode of development.

In Ghana, Governments saw SOEs as a means of “taking the commanding heights of the economy,” to use a favourite expression of General Kutu Acheampong, Head of State of Ghana, 1972-1978. “Self reliance was put forth as superior to classical notions of comparative advantage, specialization and international trade even though the same governments turned to international public assistance as a means of financing public investments”8. The irony is that even Western capitalist countries acquiesced anti-classical economic doctrine under the pressures of the cold war era.

The State in African countries, therefore, embarked on massive development of socio-economic infrastructure and investment in productive assets. Through a combination of the creation of state institutions, nationalization and confiscation of assets, the State came to dominate the modern sector of these economies.

That was the situation in Ghana, especially during the republican regime of Kwame Nkrumah (1961-February 1966) and throughout the leadership of Julius Nyerere of Tanzania. State ownership and creation of State Owned Enterprises (SOEs) were pushed to the greatest limit. “At the beginning of the public enterprises reform project in 1988, Ghana had three hundred and twenty nine (329) SOEs, second in Africa to Tanzania’s four hundred (400)”9.

**Impact of SOEs with Special Reference to Africa and Ghana**

The information on the direct and indirect impact of State owned enterprises in Africa is limited and remains only indicative. According to Boachie-Danquah “As of 1990, Africa had a total of 2,754 state enterprises, of which 2,103 were in Sub-Saharan Africa. For Sub-Saharan Africa, these enterprises accounted for between five and thirty-five percent of Gross Domestic Product; for between fifteen and forty percent of national investment; for between two and thirty-five percent of formal employment, for up to sixty percent credit outstanding, for up to eight percent external public debt, and for between two and five per cent of government net expenditure10.

In the case of Ghana, Akuete11 drawing on World Bank source noted that at the start of Ghana’s major privatization drive in 1983:

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8 This section draws on the Proceedings of the Six International Conference of Mount Clair College, New Jersey on May 4, 1992 on “Privatization Strategies in Africa”.


10 Ibid

• SOEs provided 55% of formal sector employment. (Excluding the Civil Service).
• Accounted for 25% of domestic investment.
• Had accumulated deficits of SOEs equivalent to 0.4% of Ghana’s GDP in 1982.
• Were responsible for 31% of total domestic credit.
• Were subsidized to the tune of 9% of Government expenditure.
• External debt of SOEs accounted for 18.5% of national total external debt.

More recently Jones and Jammal\(^{12}\), in 1998, found that SOEs in Ghana accounted for up to 7-8% of GDP, for 40-50% of gross domestic investment; for 4% of total wage employment; and accounted for about 20% of the nation’s foreign debt. In terms of magnitude the debt of SOEs was equivalent to 28% of Government tax revenues from cocoa, which is the leading export earner for the country.

Trying to reconcile these sources of data is not only difficult but impossible. The picture that emerges, however, is clear in the case of Ghana:

• SOEs dominated the modern sector into the 1990s.
• However, their contribution to employment, revenues and exports were marginal.
• On the contrary, they absorbed significant amounts of investible capital and credit, became a major drain on budget and contributed significantly to public debt. Today, Tema Oil Refinery (an SOE) debts alone make up the bulk of domestic debt of the country.

Huq’s\(^{13}\) finding that by 1965 Nkrumah had spent the equivalent of £40 million on 32 state enterprises, only two of which showed profit, sums up the above picture of the performance of SOEs in Ghana with few exceptions.

**The Case for Privatization**

The basic and fundamental turnaround in policy from high State participation in the economy in African countries, stem from three clusters of reasons namely: classical economic arguments in favour of private sector development and competition; the poor performance of SOEs which gives rise to “I told you so”; and the economic and political crises encountered by statist nations in both communist/socialist and developing countries, especially in the 1980s, which called for massive intervention by the Western countries and Bretton Woods Institutions. The Bretton Woods Institutions insist on privatization as a condition for aid.

**(a) Economic Arguments**

There has always been a strong opinion, dominated by academic economists and the Bretton Woods Institutions to the effect that


\(^{13}\) Huq M.M. 1989. The Economy of Ghana: The First 25 years since Independence
private sector operations are inherently more efficient than the public sector. The profit motive, competition and better management are among the driving forces for relative efficiency of private operations.

Pirie\(^\text{14}\) and Martin and Parker\(^\text{15}\) suggest that inherently there are marked differences between the public and private sectors in terms of orientation, goal, focus, structure, behaviour of labour, responsiveness of management to cost control and nature of investment decisions that make private sector operations inherently superior.

The collyory of this argument is that privatization unlocks these benefits including socio political ones\(^\text{16}\):

- Improving enterprise efficiency and performance
- Engendering competition which serves consumers well
- Opening doors to capital, know-how and market which permit growth.
- Fostering better corporate governance (and good governance in general).
- Helping to broaden and deepen capital markets.
- Allowing the unlocking of assets by securing best possible price.
- Achieving wider shareholder distribution
- Targeting certain clients and buyers such as workers
- Reducing budget deficits
- Maintaining employment.

There is strong body of opinion and evidence that privatization improves the performance of the enterprises. Young suggests that in 75% of the cases in Ghana privatization has reduced government debt, brought benefits to customers, strengthened capital markets, reduced corruption, increased investment and brought benefits to workers in the form of increased employment, higher remuneration and benefits through acquisition of shares\(^\text{17}\).

However, these benefits are not automatic and are not always the case. At least, by implication of Young’s findings, these benefits do not accrue in 25% of the cases. Privatization sometimes leads to retrenchment of labour. Invariably managers of SOEs are replaced. These two phenomena may explain to a large extent the opposition to divestiture by employees and trade unions. But even where SOEs have generated employment, that has often been achieved at a heavy cost per unit. The privatization process itself may also be fraught with corruption regarding share valuation, transfer of assets to political cronies and have not always attracted new investment. Despite these qualifications, the overwhelming evidence in the literature is that, in the majority of cases, divestiture of SOEs in economic terms has generated


\(^{16}\) IFC. Op cit.

\(^{17}\) Peter Young. Sept. 1998. The Lessons of Privatization. Legislative Alert Institute of Economic Affairs.
positive results for the countries and economies in the long run, short-term social costs notwithstanding.

In Ghana, the main benefits of privatization has come in the form of reduction in Government subvention which stood at $2.597 billion in the 2004 budget estimates\textsuperscript{18}. It has also helped to raise revenue to fund budget deficits, if the latter can be called a benefit.

A major reason for privatization in developing countries has been the insistence by external agents that recipient countries diversify SOEs as condition for aid and loans. That is definitely the case with the Bretton Woods Institutions. In Ghana the sale of SOEs was made a condition for assistance under Ghana’s Economic Recovery Programme in the 1980s. This is almost true of all divestitures in the third world. It is this virtual imposition and takeover of national economic policy making by external authorities that raises issues of sovereignty. Does the imposition of conditions such transparency, accountability, participation, protection of the vulnerable and exclusion in the name of good governance justify external intervention?

**Divestiture Experience in Ghana**

Divestiture in Ghana can be traced back to the National Liberation Council administration (1966-1969). After the overthrow of Dr. Kwame Nkrumah in a coup d’état, the Government in power adopted a divestiture programme to reduce the burden of direct financing and management of state-owned enterprises in 1966. In reality the NLC government succeeded in outright sale of only four companies, and in the case of three other companies, it entered into joint venture partnership with private foreign companies\textsuperscript{19}.

But due to lack of transparency and questions raised by segments of the society, the divestiture process came to a halt until the Progress Party (PP) of Dr. Kofi Abrefa Busia came to power in 1969. The PP Government was rooted in the liberal economic ideology. It implemented the National Liberation Council Ghanaian Enterprises Decree of 1968 which sought to promote and stimulate the participation of Ghanaian private sector in the modern economy. That policy, however, was more of Ghanaianization of alien private businesses more than privatization of SOEs. The Busia administration was suddenly overthrown in 1972.

Under General Kutu Acheampong (1972-78) there was a deliberate policy to reintroduce state control of the economy with a view to take “the commanding heights of the economy”. Naturally, therefore, the government did not promote divestiture of state assets. Neither did General W.K. Akuffo who replaced Acheampong and the Limann Administration (1979-81) undertake significant privatizations.

Flight Lieutenant J.J. Rawlings’ Armed Forces Revolutionary Council (AFRC)

\textsuperscript{18} These are subventions to all subvented agencies and not the economic units which are subject of divestiture.

\textsuperscript{19} Boachie-Danquah, op. cit
which intervened for three months in 1979 and the Provisional National Defence Council (PNDC) Phase I (December 31, 1981- October 1983) were decidedly anti-private sector development. Massive nationalization of private assets was planned and an unprecedented confiscation of assets was actually implemented. However, under pressure of a collapsing economy the regime changed policy in late 1983 and sought assistance from the World Bank and the IMF. As a result an Economic Recovery Programme (ERP) was adopted. As part of the ERP, an ambitious state-owned enterprises reform programme was launched in July 1988 as a measure to improve the performance of state enterprises. Divestiture of SOEs was central to the reform agenda.

It is ironic that the PNDC Government that was most anti-private sector and anti-foreign investment, and which started with threats of nationalization and implemented outright confiscation of significant private businesses and assets became the one that carried out most of the divestiture of SOEs in the country. The reason for that lay in why most developing countries divest SOEs, namely the price for economic mismanagement, resulting IMF-World Bank conditionality for coming to their aid. By 1983 the Ghanaian economy was on the verge of total collapse. The PNDC Government ran to the World Bank and IMF with its hands up. Thus the divestiture of SOEs on a large scale was externally imposed, and enforced. That rightly raises questions regarding divestiture, national sovereignty, and good governance in Ghana.

Even though the divestiture programme started in 1988 most of the actual sales took place from 1990. Table 1 presents data on SOEs divested by the Divestiture Implementation Committee (DIC) of Ghana between 1990 and 2002. As at 31st December 2002, 313 state enterprises had been authorized by the President’s Office to be divested (Table 1). The breakdown of the mode of divestiture is given in Table 4 with outright sale of assets accounting for 66.1% (207) of all the divestitures followed by sale of shares in 13.4% (43) of the cases.

The Divestiture Implementation Committee (DIC) has proudly presented a catalogue

<table>
<thead>
<tr>
<th>Table 1: Divestiture of SOEs 1990-2002</th>
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<tr>
<td><strong>Mode</strong></td>
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<tr>
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*Source:* DIC Fact Sheet 2003
of success stories of successful privatizations in Ghana\textsuperscript{20}. These include the Golden Tulip Hotel, West African Mills Company, Tema Steel Company, Ghana Agro-Food Company, the Coca-Cola Bottling Company of Ghana Limited, Suhuma Company Limited (formerly Glistken West Africa Company), a couple of Mining Companies and Ghana Oil Palm Development Company Limited. Employment levels have risen after privatization in all those cases.

Table 2 presents pre-and post divestiture employment levels of DIC-selected privatized companies in Ghana. Remuneration packages have tended to improve and some employees have bought shares where sale of share was used to privatize enterprises. There is no doubt that privatization has also enlarged and strengthened Ghana’s capital markets as companies have listed on the stock market.

The case of West African Mills Company Ltd. illustrates these success stories. In the fourth year after divestiture, the new ownership had invested over DM 30 million to salvage the firm from imminent collapse. With the rehabilitation and modernization exercise, production of cocoa butter rose from 10,000 to 20,387 metric tones a year and processing of cocoa beans from 10,000 to 53,351 metric tones a year. Again, in the case of Tema Steel Company, more than 9.2 billion Ghanaian cedees has been invested in the rehabilitation exercise. Prior to divestiture, the company had ceased operations altogether. It now produces various sizes of high intensive and mild steel rods and billets.

But if divestiture is that rosy why is it still controversial in Ghana? The reasons are many. First, certainly some employees and management interests are not necessarily served, nor do they coincide with national ones. Managers of SOEs often lose their job on privatization. In some cases, privatization results in retrenchment initially and sometimes loss of some jobs permanently. Labour unions in cases where divestiture results in retrenchment of labour naturally would cry foul. Some workers may resist the implementation of private sector work ethics having gotten used to “aban adwuma” (government work) mentality. Moreover, divestiture has been

\begin{table}[h]
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\begin{tabular}{|c|c|c|c|c|c|c|}
\hline
 & Coca Cola Company Limited & Ghana Rubber Estates & Ghana Agro Food & West African Mills Co. & Tema Steel Co. Ltd & Golden Tulip Hotel \\
\hline
Pre-Divestiture & 340 & 3085 & 494 & 170 & 130 & 116 \\
\hline
After Divestiture & 700 & 3833 & 1570 & 345 & 584 & 346 \\
\hline
\end{tabular}
\caption{Employment Situation in Selected Divested Companies}
\end{table}

\textit{Source:} DIC Fact Sheets 2003

known to have been done in less transparent and sometimes corrupt circumstances. But these are not issues of national self-determination. So long as the country is in charge of its affairs and the Government sets the parameters for divestiture on its own, sovereignty is not impinged upon.

**Divestiture and National Sovereignty**

The question therefore is: “does divestiture impinge on national sovereignty?” Alternatively, does State ownership increase sovereignty? These are questions for legitimate enquiry especially as external forces condition divestiture exercises. In order to answer these questions there is need to look for ways whereby the divestiture may affect state governance in terms of policy autonomy and national control over domestic affairs.

- First is the merit or otherwise of the argument that state control is necessary for accelerated development.
- Second, is the “strategic industries” argument or the so-called commanding heights of the economy argument for state ownership of resources.
- Third, what difference, if any, does foreign versus national acquisition of SOEs make? This is because part of the outcry against privatization is that national assets are sold to foreigners.
- Fourth, what is the sum total of the impact of divestiture on the management of the economy and national autonomy in matters of policy determination?

**a) The State as an Agent of Accelerated Development**

The argument that state intervention is required to facilitate development in poor, ex-colonial countries due to weak infrastructure, limited modern sector and a subordinate relationship with the metropolis appears quite strong. In the case of Ghana there is no doubt that the rapid improvements in socio-economic development of the country and the modernization of the economy in the 1950s and early 1960s were due to Nkrumah’s statist policies.

The role of the state may, however, be exaggerated due to failure to distinguish between three interrelated aspects of nation building. The first is the policy and governance framework for development. The second has to do with socio-economic infrastructure building, including roads harbours, railways, water and electricity and expansion of educational and health facilities. The third has to do with direct production of goods and services.

Even the die-hard liberal economists would agree that policy and governance framework belongs to the realm of the state. Also, while there is room for public-private partnership with regard to the development of socio economic infrastructure, this author strongly believes that the role of the state is strategic. But even with regard to socio-economic infrastructure, sovereignty has to do with authority over the regulatory framework by the country and the State does not have to own every electricity generation plant and water production facility to exercise control over them.
in terms of price, access and effective operation\textsuperscript{21}.

When it comes to the ordinary production of drugs, food and clothing, steel, fizzy drinks, provision of banking services, etc. which has been the focus of divestiture there is nothing that impinges on a state’s right to govern if these services are privatized. The state may intervene policy wise and assist other agents to produce these but there is no economic logic or even strong socio-political reason why SOEs should predominate in these sectors. The history of direct production of these by state has not in any way been seen to be more advantageous in any economy; neither do private production of goods and services affect sovereignty. Rather the private sector does strengthen national economies if they engender growth, employment, export earnings, etc.

\textbf{b) State ownership of Strategic Industries}

Much of the sovereignty debate has centred on control of the so called strategic industries. The attempted divestiture of Ghana Commercial Bank (GCB) and private participation in Ghana Water Company Limited (GWCL) in 2003 have given fuel to the debate of sovereignty and social equity leading to delay by the Government of measures to diversify its interests especially as national elections in 2004 approached. The arguments put forward by both sides are many but two of them are relevant to the divestiture-sovereignty debate.

The first has to do with the likely increase in the cost of providing the services to customers with regard to water, electricity, etc. as private operators pursue purely profit motive. The poor segment of society who cannot afford the services will be denied access. This argument is not as strong as it appears. If publicly produced water is subsidized then the same subsidy can be provided to a private operator to reduce the unit price to the consumer. And if the private operator is a lower cost producer, the subsidy could be lower.

The reality is that the poor do not have access to cheap water even in urban areas in Ghana generally. Most of them buy water at several times the price paid by the middle and upper classes because only few poor people have their residences connected to the national grid. To protect the vulnerable the Government, in addition to giving targeted subsidy to the poor or generally to the private operators, can issue license on terms and conditions that ensure adequate return and still protect consumers such as regulating utility prices. Thus provided efficiency is improved through privatization everyone wins. If production and distribution costs are lowered then ceteris paribus, water will be delivered more cheaply to the poor once Government intervenes to avoid monopoly pricing which may be needed whether the monopoly is SOE or a private company. The issue of private participation in GWCL is therefore an issue in political economy more than in pure economics. The same argument, and even a weaker one, pertains to GCB.

\textsuperscript{21}We return to the case of strategic industries below.
The only strong reason to oppose privatization of SOEs such as GWCL and GCB’s therefore has to do with access or service to the poor and vulnerable communities. A private operator may focus on high density areas and rich neighbourhoods where clients can afford commercially determined service charges and avoid areas where unit costs are high and may exceed marginal revenue. In both cases the State can provide subsidy for social and political reasons as it does to SOEs and fund that from taxes including tax on privatized SOEs. In the case of GCB its network of branches is seen to be a social service to the dwellers in the rural areas. That argument gets weaker with the spread of rural banks. Again in other countries privatization has been done on condition that the new owners cannot close down branches or sack certain employees over a certain period. The issue comes down to whether or not Governments have the capacity to make tough decisions.

If the above arguments are valid for GWCL, what about other strategic industries in Ghana? In 1982 the State Enterprises Commission of Ghana classified the following as strategic enterprises:

i) City Express Services
ii) Electricity Corporation of Ghana
iii) Ghana Airways Corporation
iv) Ghana Cocoa Marketing Board
v) Tema Oil Refinery
vi) Ghana National Procurement Agency (NNPA)

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vii) Ghana Oil Limited

How strategic are these industries to Ghana? Definitely not the following six of the 16 listed above: City Express, Ghana Airways Corporation, State Transport Corporation (an inter-city bus service), Ghana National Procurement Agency (an importer of commodities), Ghana Supply Commission (an importer of commodities), Omnibus Services Authority (city bus service provider).

Even Tema Oil Refinery (TOR) which most people will consider as a lifeline of the country is not all that strategic. What is needed are strategic national reserves of petroleum (petrol and gasoline) and not the ownership of a loss making refinery. You can achieve the former by importing processed petrol and diesel provided one can import petrol cheaply to build strategic reserves which is independent of refining oil locally. Moreover, domestic refinery can be done by private owners. The only consideration would be the employment TOR offers and there is no reason why an efficiently run private oil refinery would employ less people unless many of the cur-

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22 Source. Boachie-Danquah, ibid.
rent TOR employees are disguised unemployed. Employment does not even make TOR a strategic national industry as it employs only a few Ghanaians.

With few exceptions, most SOEs generally are not strategic to the economy as people are made to believe. The contribution to the economy of each SOE must therefore be assessed objectively. One may not like to see the privatization of Ports in Ghana or VRA as national symbols. But so long as a country has a sovereign control over those who operate them, whether they are privately or state owned, sovereignty is not diminished.

c) Foreign Ownership of “National Silver Spoons”

The twist in the argument comes when foreigners buy state owned industries. For one thing, part of or all the management and certain key positions may become foreign. That may cause resentment among previous national managers for obvious reasons. Also it is presumed that foreigners have less commitment to national interests than citizens. But that have to be set against other benefits foreigners may bring.

In the ideal situation (not always so), foreign owners inject capital, bring quality management and technology with the result that productivity increases and, as noted above, employment of nationals rise pari passu.

The argument that foreigners repatriate profits is weak because profits have to be earned first and taxes paid on them before the rest can be repatriated. In such a case it would still be better for the country than when taxes are used to support loss making SOEs. Thus unless the regulatory framework is so weak that it encourages under and over-invoicing and other criminal activities (which is not peculiar to foreigners), foreign acquisition of SOEs do not necessarily impinge on sovereignty. The only exception when the home Governments of the foreign owners intervene in local affairs, that is, domestic governance to protect the commercial interest of their nationals as it happens occasionally, to the detriment of the host country.

d) Policy Autonomy and Independence in Managing National Affairs

The major cause for concern in so far as divestiture of SOEs is concerned remains with the limitations on policy autonomy and the ability to manage national affairs independently, especially if divestiture has been imposed by foreign entities as a result of multilateral or bilateral donor’s conditionalties. The issue of ownership of the national agenda and the ability of the Government to govern independently cannot be dismissed lightly.

In that regard, Dr. Sam Mensah has rightly argued that there is great cause for worry in Ghana with regard to policy autonomy. For most part of Ghana’s national life bilateral donors, the World Bank and

IMF have unduly influenced policy in the country. Divestiture in particular has been driven or imposed by them. In that regard, Ghana’s sovereignty so far as economic policy autonomy was concerned was seriously compromised under post 1983 Rawlings administration in adopting the Economic Recovery Programme (ERP).

The same is true today under the Kufuor administration (2001-2004). Being a Highly Indebted Poor Country (HIPC) to a large extent involves surrender of national economic policy autonomy and being placed under national economic management tutorage for a period with the promise of debt relief during and after the tutorage period. The World Bank and IMF largely determine economic policy under ERP and HIPC including the nature and pace of divestiture.

But is divestiture the one to blame for such undermining of national autonomy? To say yes will be tantamount to making an effect the cause. This paper has demonstrated that divestiture per se in the majority of the cases do not in any way circumscribe sovereignty. Rather we must look at the underlying factors that enable an official of a donor agency to tell a sovereign nation what to do. These factors, which undermine national sovereignty, may be clustered under three headings: economic management and development failure; globalization; and poverty mentality.

(a) Economic Management and Development Failure

Under economic management and development failure one is dealing with the inability of the national authorities to husband the national economy efficiently. In essence, this is poor economic governance. Symptoms of economic and development failure include:

- Low savings rate which means the country depends on donors for virtually all development budget and sometimes recurrent expenses. Ghana’s saving rate of about 10% of GDP falls far short of the needed 20% plus to sustain the necessary capital formation and provide internal resources for sustainable development.
- High domestic and foreign debts, which have de facto mortgaged the nation’s revenue and policy autonomy. The HIPC programme of Ghana as it’s antecedents the ERP, arose partly because of our indebtedness to foreigners. But the domestic debt level is equally high!
- High levels of budget deficits, interest rates and inflation which point to overall economic mismanagement. For most part of the last decade all these indices were far in excess of the norm in Ghana.
- Overvaluation of currency, rapid depreciation or general instability of the foreign exchange market.
- Corruption which has become endemic in Ghana irrespective of the regime in power to the extent that it is undermining the very basic of development.

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24 Ghana was declared HIPC in 2001 and was expected to reach decision point in July 2004.
Projects are mis-identified, funds mis-applied and it is getting to the stage where clean business is becoming impossible. The majority of the citizenry believe public officials are generally corrupt.

These are factors that have reduced Ghana’s policy choices and have reduced national policy makers into beggars who have to compromise policy autonomy to the extent that every Tom, Dick and Harry from the IMF, World Bank and donor agency has the impudence of seeking audience with the President of the nation. As these fundamentals are confronted and governance is improved, policy autonomy will be restored. To that end, some progress has been made by the Kufuor administration to improve the economy since 2001. One does not see much positive evidence with respect to curbing corruption.

(b) Globalisation

Another challenge is globalization which affects all countries, but the impact on weaker economies is greatest. Globalization is driven by the forces of global capitalism, transterritorial institutions, international laws and conventions, and information and communication technologies (ICT) and cannot be blamed on divestiture. The solution lies in strategic development of national competitive advantage and, collaborating with forces that seek to ameliorate the impact of globalization and not to blame divestiture per se.

(c) Poverty Mentality

The third factor that compels countries like Ghana to compromise their sovereignty is what I call “poverty mentality”!! The officials of state are so poverty minded and lack self-confidence that they do not even develop national positions and defend them to donors. They tend to have no developed national positions and do not present credible alternatives to donor agencies. Ghana as a nation does not have a serious national think tank to engage in long term strategic thinking and national agenda setting. Up till today it seems that the economy of Ghana is run by lone stars rather than a national think tank.

Divestiture has become an easier scapegoat. Local politicians and journalists under pressure from managers of SOEs, trade unions, parochial interests of the staff of companies billed for divestiture and who fear that their privileged positions and bad work ethics may be challenged by divestiture, and activities of NGOs who may be riding on popular sentiments more than solid analysis may oppose privatization of SOEs. In reality divestiture is marginal to the sovereignty debate. The factors that lead to divestitures, however, often have serious implications for governance.

25 The author’s fourteen years as an international civil servant taught him that most poor countries scarcely prepare for international negotiations. In 1980, as adviser to the then Council of State, the author lamented that Ghana as a country had no “brain”. By that he meant the nation had no serious think tank capacity and a national development institute to guide development efforts.
In the case of divestiture the greater concern has to do with transparency of the divestiture process, valuation of assets and corruption of officials, which in some cases, have led to the selling of valuable assets for as little or nothing to “party functionaries”, foreigners and indigenous private sector operators.

**Conclusion**

We conclude with a firm observation that divestiture in itself has only a marginal impact on sovereignty in a globalized world. However, other issues involved in divestiture such as assets valuation, mode of divestment, participation and transparency are major issues in their own right as they are reflective of the state of governance in a country. In part, they are the same factors that underlay the poor performance of the SOEs in the first place. As such they deserve to be addressed in their own right.

For policy autonomy, what a country needs are effective leadership, prudent economic management, accelerated growth, mobilization of national savings and increasing international competitiveness. If a nation like Ghana, manages its economy prudently, mobilizes national savings to 20-30% of GDP, reduces the cost of doing business and achieves a relatively less corrupt atmosphere, its standing in the world political economy will improve significantly. When such conditions prevail SOEs can be divested with no adverse impact on sovereignty and national governance.

The above analysis in no way suggests a marginal role of the State. The role of the State still remains important. It has a strategic role in the provision of basic socio-economic infrastructure, such as roads/rail/ports network; energy, ICT backbone, basic health service and development-oriented education. That strategic role excludes running a loss making Ghana Airways, City Express, TOR, etc. in Ghana. The State must provide a better regulatory framework, reduce the cost of doing business, ensure national security, protect private property rights, and improve economic management and good governance in general. In fact, the State must do these two things and do them better if it wants to have policy autonomy and control its own national development agenda. The fact that external authorities can command us to privatize is a consequence rather than the cause of weak sovereignty.

At early stages of development, the role of the State may be higher as a transitory measure. Moreover, one is not advocating hands-off, laissez fair policies but what constitutes strategic state intervention has to be limited. The tendency to designate everything as a strategic enterprise is a socialist legacy that should be avoided. Divestiture of SOEs must ensure maximum benefit to the country and this must be the basis for judging its impact rather than the peripheral issue of national sovereignty.
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PUBLIC-PRIVATE PARTNERSHIP (PPPs) IN THE MANAGEMENT OF MUNICIPALITIES IN TANZANIA – ISSUES AND LESSONS OF EXPERIENCE

Honest Prosper Ngowi

The use of Public-Private Partnerships (PPPs) in production and distribution of some goods and services is inevitable for attainment of sustainable development. There is a need therefore to forge and promote strong, efficient, effective, sustainable, dynamic and vibrant PPPs so that the private sector can produce and deliver some goods and services hitherto (and now in most parts of Africa) produced and delivered by the public sector. The paper discusses the application of the PPPs concept in eight (8) municipalities/councils in Tanzania – Arusha, Morogoro and Dodoma Municipal Councils; and Njombe, Muleba, Bariadi, Kigoma and Kisarawe councils. It further identifies and discusses some challenges in applying PPPs concept. Application of PPPs in Tanzania is still a new phenomenon. However it is evident that the concept is being used in Tanzania’s bid to bring about sustainable development. A number of potential and actual challenges are obvious in the prevailing PPP arrangement. For example, it is not easy to attain the minimum critical mass of the requirements for a smooth operation of the PPPs concept in Tanzania. The paper concludes with recommendations on the way forward for future improvement.

INTRODUCTION

The public sector has been the main actor in the development process of most countries in Africa and beyond until the mid 1980s. The sector was the main actor in production and distribution of goods and services in most economies, especially those that embraced centrally planned economic policies, like Tanzania. The commanding heights of these economies were directly owned and managed by the public sector. From the mid 1980s, however, following the winds of change in the form of many and far-reaching social, political and economic reforms, the role of the public sector in the development process has substantially changed in many countries. Its role now is mainly that of a facilitator for the private sector-led economic development and growth. The role of the private sector in bringing about sustainable development

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\[1\] It is not all councils that have been elevated to the municipality status in Tanzania. For the sake of convenience in this paper however, the words municipality/council may be used interchangeably to mean one and the same thing, unless otherwise specified, as they basically only differ in status but have similar functions.
in most economies has increasingly been recognized and acknowledged.

Given the changing roles of the public and private sectors in the bid to bring about sustainable development in most countries, it is no longer sustainable for the public sector to continue to own, manage and operate the commanding heights of the economy. Efficient and effective production and distribution of goods and services is, and should increasingly be left to private sector.

Private sector-led economic growth and development, is generally more efficient (both productive and allocative efficiencies) and effective. The sector is more dynamic, resilient, creative, innovative and vibrant than the public one. However, this sector is purely profit-oriented as it embraces the concept of free interplay of the market forces of supply and demand in the production and distribution of goods and services. There is therefore likely to be some market failures in the production and/or distribution of some goods and services. These services therefore will not be available or if available will only be accessible by the rich who can pay for them.

The use of Public-Private Partnerships (PPPs) in production and distribution of some goods and services is inevitable for attainment of sustainable development. There is a need therefore to forge and promote strong, efficient, effective, sustainable, dynamic and vibrant PPPs so that the private sector can produce and deliver some goods and services hitherto (and now in most parts of Africa) produced and delivered by the public sector.

ON PRIVATE-PUBLIC PARTNERSHIPS (PPPS)

Public - Private Partnership (PPP) is, conceptually, collaboration between public and private sector organizations in public service delivery. (Commonwealth, 2003; Sohail, 2003; Buse and Walt, 2002; and Nkya, 2000).

According to Gildman et al (1995: viii), four groups of actors are relevant in PPPs. These are: the Government; Non Governmental Organisations (NGOs), Community Based Organisations (CBOs); and the private sector.

Gildman et al (ibid: ix) provides various PPPs management systems and techniques. These are:

(i) **Contracting Out**: This is the placing of a contract by a public agency to an external private company.

(ii) **Franchising/Concession**: A private partnership takes over responsibility for operating a service and collecting charges and possibly for funding new investments in fixed assets.

(iii) **Affermage**: Public authority controls construction and owns the fixed assets but contracts out operations, maintenance and collecting service charges.

(iv) **Leasing**: Making use of equipment/assets without purchasing but paying a lease.

(v) **Privatization**: Public service is entirely sold to a private partner.

(vi) **Management contract**: Private organization takes over responsibility for managing a service to specified standard by using staff, equipment etc, of public authority.
(vii) **Build Own and Operate (BOO):** Partnership between public and private sectors whereby the private firm may build, own and operate the asset/service.

(viii) **Build Operate and Transfer (BOT):** Same as BOO but the asset/service will be transferred to the public sector after a period of time.

(ix) **Management Buyout (MBO):** The management of well run internal functions negotiate the purchase of that function and becomes a private venture.

(x) **Co-operatives:** Self governing voluntary organizations designed to serve the interest of their members, working in partnership with public authorities.

The most commonly practiced form of PPP is contracting out (Gildman: ibid). According to Sohail et al (2003) there is no strict PPPs classification that can be made, because partnership classification depends on the type of services, the nature and strengths of the partners and the objectives of the PPPs. According to North, (1990); Nkya, (2000); and Sohail, et al (2003), partnerships are basically institutional arrangements which constitute rules defining the relationships that govern the partnerships, roles, responsibilities and accountability mechanisms (formal or implied). The overall aim of PPP is to meet public needs, which would not have been realized without joint efforts.

Through PPPs, *inter-alia,* the public sector will be able to maintain partial ownership and management of services, avoid accusations of “whole sale” transfer of service delivery to the private sector and at the same time be effective in its role of political accountability to its constituents.

**PPPs FOR SUSTAINABLE DEVELOPMENT: THE CASE OF MUNICIPAL SERVICES DELIVERY**

The condition of municipal services provision and availability in Africa is generally poor. Services provided are inferior and financing system for infrastructure increase, maintenance and repair is inadequate. These problems are exacerbated by rapid urbanisation. Effective and efficient urban infrastructure and services provision are important in delivering major benefits in economic growth, poverty alleviation, environmental sustainability and sustainable development in general.

African countries need to improve basic services such as water, sanitation, waste management, transport infrastructure, health services etc so as to meet the needs of more people. Better service delivery is crucial for sustainable growth, development and poverty reduction. It increases people’s standards of living and contributes to sustainable development.

Public sector provision of these services however has proved to be inadequate and unsustainable due to, *inter-alia,* the nature of the public sector. Until very recently the sector has been typically characterised by inefficiency and lack of effectiveness, leading to poor performance. This in turn can be attributed to many closely inter-linked and self-reinforcing characteristics of the
sector like political interference; unclear objectives; limited operational autonomy; inadequate managerial skills vis à vis technical, human, conceptual and design skills; inadequate accountability and transparency; heavy and cumbersome bureaucracy; poor workers’ morale; inappropriate economic settings; inadequate capital and lack of appreciation of the free inter-play of the market forces of supply and demand. Such a sector therefore is inadequate in the whole exercise of effectively, efficiently and sustainably producing, rendering and improving the needed quantity and quality of goods and services. The private sector therefore can be seen as the next best and more sustainable alternative.

The private sector is more effective and efficient; it appreciates and embraces more the market forces of supply and demand; is less bureaucratic; more dynamic and vibrant; is the current predominant global ideology and a viable engine of growth and sustainable development. The sector however is first and foremost profit motivated. It would not embark in producing and distributing goods and services where there is no direct economic/pecuniary profitability.

For example, the sector will not invest in some services and infrastructure, however important for the community they are perceived to be, if the net pecuniary gain is not positive. There will therefore be market failure in the production and distribution of such services.

The private sector in most of the African countries in general and Tanzania in particular is still in its infancy. Many African countries embarked on socialist policies after independence. It is only recently, (mid 1980s for Tanzania) that some of these countries changed the socialist ideologies in the wake of the new wave of change to more market- and therefore private sector-led economy. On top of the infancy of the private sector in the region, the sector is relatively very small in size and capital base, especially so for the indigenous, as opposed to the foreign (in form of Foreign Direct Investments – FDIs) private sector. The former is likely to lack adequate experience, skills, knowledge and exposures needed to provide and expand the quantities and qualities of goods and services needed in a sustainable manner.

One option in facing the challenges above, is to enhance the role of both the public and private sectors in owning, financing and management/operation of the production and distribution of goods and services. Consequently, Private Public Partnerships (PPPs) is, and should increasingly be viewed as a mechanism to provide state functions and municipal goods and services on a cost effective and sustainable basis.

In PPPs, the public sector is publicly accountable and responsible for ensuring that the needs of different sections of the population are treated equitably. The public sector has the responsibility to ensure that any contract awarded is actually the best option to reach optimum value for tax payers’ money. They must make sure that they do not create a private monopoly situation. The private sector is responsible to its clients, shareholders, and owners.
APPLICATION OF PPPS IN TANZANIA

Application of PPPs in Tanzania is still a new phenomenon. PPPs are the products of the current reforms going on in the country since mid 1980s. The reform that is of great relevance in the context of this paper is privatization. According to Pass et al (2000: 220), privatization is the denationalization of an industry, transferring it from public to private ownership. As a result of privatization policy in Tanzania, more than four hundred (400) parastatals have been privatized/divested. The policy has also made it possible for the application of the PPPs concept. The main objective of policy reforms is better service to the citizens through combined efforts from public and private sectors and other stakeholders. The few known studies on PPPs in Tanzania, have concentrated mainly on solid waste management. Nkya (2000, 2004) studied PPPs in solid waste management in Dar Es Salaam. Itika (2003) studied PPPs in Dodoma in health service delivery, while Kironde (1999) studied urban waste management in Dar Es Salaam. The studies above therefore have been service-specific.

In what follows, some current pieces of evidence/cases for application of the concept of PPPs in Tanzania are presented and discussed. The pieces of evidence have been randomly collected by the author from various sources. Generally, they portray the application of PPPs in various service deliveries in various municipalities in Tanzania.

Case One: Arusha Municipal Council

The application of PPPs in this municipality is in the form of private sector delivery of revenue collection and cleaning services for the municipality. According to Mwananchi\(^2\), (19\(^{th}\) May, 2005), the municipality invited private individuals, companies, cooperatives, institutions and groups registered legally to offer services as indicated in the table below.

<table>
<thead>
<tr>
<th>Table 1: Arusha Municipal Services to be Delivered by the Private Sector in 2005/2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Service</strong></td>
</tr>
<tr>
<td>Revenue Collection at Markets</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Revenue Collection at Bus Stands/Stops</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

\(^2\) Tanzanian daily newspaper
\(^3\) For the main market and Kilombero market, the service provider would collect tax revenue and user-charge fees but not shop rents.
Case Two: Morogoro Municipal Council

The Morogoro Municipal Council is practising the PPPs concept in various areas and ways. This is evidenced in Majira⁴, 26th May, 2005. The municipality invited private sector participation in municipal service deliveries, as detailed in the table below.

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Areas Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solid Waste Collection and Disposal</td>
<td>• Sombetini Ward&lt;br&gt;• Sokini Ward&lt;br&gt;• Daraja II Ward&lt;br&gt;• Unga Ltd Ward&lt;br&gt;• Kati Ward&lt;br&gt;• Themi Ward&lt;br&gt;• Kaloleni Ward&lt;br&gt;• Engutoto Ward&lt;br&gt;• Olorien Ward&lt;br&gt;• Lemara Ward&lt;br&gt;• Ngarenaro Ward</td>
</tr>
<tr>
<td>Operation of Public Pay Toilets</td>
<td>• Main Market&lt;br&gt;• Jogoo House&lt;br&gt;• Main bus stand&lt;br&gt;• Kaskazini Toilet&lt;br&gt;• Kusini Toilet&lt;br&gt;• Kilombero Market&lt;br&gt;• Kijenge Round About Toilet</td>
</tr>
</tbody>
</table>


Case Three: Muleba Council

The council portrays the practice of PPPs in the form of private sector collection of municipal revenues; printing and car repair services; fumigation; staff transport and supply of stationeries. This is evidenced in the council’s tender announcement for the 2005/2006 financial year (Majira, ibid).

Table 2: Morogoro Municipal Services to be Delivered by the Private Sector in 2005/2006

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Area Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Collection</td>
<td>• Abatoirs&lt;br&gt;• Town bus stand&lt;br&gt;• Quarrels&lt;br&gt;• Sabasaba market&lt;br&gt;• Mji Mpya market&lt;br&gt;• Main market&lt;br&gt;• Auctions</td>
</tr>
<tr>
<td>Investments in, and operation of municipal assets</td>
<td>• Rock Garden recreational area, along the scenic Morogoro river falls</td>
</tr>
</tbody>
</table>

Source: Majira, Thursday, 26th, 2005.

⁴ Tanzania’s daily newspaper
**Case Four: Bariadi Council**

The council practices the concept of PPPs by involving the private sector in public service production and distribution as shown in the table below.

**Case Five: Kigoma Council**

The practice of the PPPs in Kigoma council is evidenced *Mwananchi*, Friday, 11th June, 2005. The council intends to use the private sector in production and delivery of various goods and services as shown in the table below.

### Table 3: Bariadi Council Services to be Delivered by the Private Sector in 2005/2006

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Areas Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Services</td>
<td>• Construction equipment</td>
</tr>
<tr>
<td></td>
<td>• Office supplies</td>
</tr>
<tr>
<td></td>
<td>• Fixture and Furniture</td>
</tr>
<tr>
<td></td>
<td>• Spare parts</td>
</tr>
<tr>
<td></td>
<td>• Garage services</td>
</tr>
<tr>
<td></td>
<td>• Food for council hospital and health centres</td>
</tr>
<tr>
<td>Revenue Collection</td>
<td>• Auctions</td>
</tr>
<tr>
<td></td>
<td>• Markets</td>
</tr>
<tr>
<td></td>
<td>• Hides and Skin</td>
</tr>
<tr>
<td></td>
<td>• Traditional healers</td>
</tr>
</tbody>
</table>

*Source: Majira, (ibid)*

### Table 4: Kigoma Council Services to be Delivered by the Private Sector in 2005/2006

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Areas Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Services</td>
<td>• Car Spare parts</td>
</tr>
<tr>
<td></td>
<td>• Printing</td>
</tr>
<tr>
<td></td>
<td>• Construction materials</td>
</tr>
<tr>
<td></td>
<td>• Car repair and services</td>
</tr>
<tr>
<td></td>
<td>• Food supply for Nguruka, Bitale, Buhingu and Mwangongo health colleges</td>
</tr>
<tr>
<td></td>
<td>• Food and charcoal/wood supply for hospital and health centres</td>
</tr>
<tr>
<td></td>
<td>• Repair and selling of computers, faxes, printers, and photocopy</td>
</tr>
<tr>
<td></td>
<td>• Sixty four (64) different types of medicines and equipment for hospital and health centres</td>
</tr>
<tr>
<td>Revenue Collection</td>
<td>• In sixty six (66) council markets including Simbo, Nyamoli, Kasuku, Msimba, Mgaraganza, Kagango, Kigalye, Mkabogo, Kizenga, Nyamhoza, Nkungwe, and Nguruka</td>
</tr>
</tbody>
</table>

*Source: Mwananchi (ibid)*
Case Six: Njombe Council

The practice of the PPPs concept in Njombe council is in the form of private sector participation in provision of the services detailed in the table below.

Table 5: Njombe Council Services to be Delivered by the Private Sector for 2005/6

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Areas Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Collection</td>
<td>• Njombe town bus stand</td>
</tr>
<tr>
<td></td>
<td>• Makambako bus stand</td>
</tr>
<tr>
<td></td>
<td>• Uwemba gate</td>
</tr>
<tr>
<td></td>
<td>• Idundilanga gate</td>
</tr>
<tr>
<td></td>
<td>• Ramadhani gate</td>
</tr>
<tr>
<td></td>
<td>• Kidgembye gate</td>
</tr>
<tr>
<td></td>
<td>• Idofì gate</td>
</tr>
<tr>
<td></td>
<td>• Mjjimwema gate</td>
</tr>
<tr>
<td></td>
<td>• Lyamkema gate</td>
</tr>
<tr>
<td></td>
<td>• Njombe town market</td>
</tr>
<tr>
<td></td>
<td>• Makambako market</td>
</tr>
<tr>
<td></td>
<td>• Makambako tomato market</td>
</tr>
<tr>
<td></td>
<td>• TAZARA area logs and crop cess</td>
</tr>
<tr>
<td>Leasing of Council Property</td>
<td>• Njombe stand and market toilets operation</td>
</tr>
<tr>
<td></td>
<td>• Main Makambako market toilet</td>
</tr>
<tr>
<td></td>
<td>• Hazina House renting/leasing</td>
</tr>
<tr>
<td></td>
<td>• Njombe town local brew</td>
</tr>
<tr>
<td></td>
<td>• Njombe town butcher</td>
</tr>
<tr>
<td></td>
<td>• Chauginge butcher</td>
</tr>
<tr>
<td></td>
<td>• Stalls in the main market in town</td>
</tr>
<tr>
<td></td>
<td>• Council Canteen building</td>
</tr>
<tr>
<td></td>
<td>• Tables in Njombe town market</td>
</tr>
<tr>
<td>Procurement</td>
<td>• Cleaning Njombe town</td>
</tr>
<tr>
<td></td>
<td>• Cleaning Makambako town</td>
</tr>
<tr>
<td></td>
<td>• Food supply to council offices</td>
</tr>
<tr>
<td></td>
<td>• Food supply to hospital and health centres</td>
</tr>
<tr>
<td></td>
<td>• Repair and maintenance of various machines and equipment</td>
</tr>
<tr>
<td></td>
<td>• Printing</td>
</tr>
<tr>
<td>Operation of council investments</td>
<td>• Radio Television stations in Njombe and Makambako towns</td>
</tr>
<tr>
<td>Building and construction</td>
<td>• Building and repair of bridges, roads and buildings</td>
</tr>
<tr>
<td>Sales of council properties</td>
<td>• Broker for council properties</td>
</tr>
</tbody>
</table>

Source: *Nipashe*, Wednesday, 11th May, 2005

3 Tanzanian daily newspaper
Case Seven: Kisarawe Council

As for Njombe, the application of PPPs in Kisarawe council is evidenced in *Nipashe* (ibid). The council makes use of the private sector in public service delivery in various ways as documented in the table below.

Table 6: Council Services to be Delivered by the Private Sector in Kisarawe Council for 2005/2006

<table>
<thead>
<tr>
<th>Type of Service</th>
<th>Areas Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Collection</td>
<td>• Agricultural and forestry produce (other than cashew nuts) cess</td>
</tr>
<tr>
<td></td>
<td>• Bus stand fee</td>
</tr>
<tr>
<td>Procurement Services</td>
<td>• Office supplies</td>
</tr>
<tr>
<td></td>
<td>• Printing</td>
</tr>
<tr>
<td></td>
<td>• Hospital supplies</td>
</tr>
<tr>
<td></td>
<td>• Construction and electrical equipment supply</td>
</tr>
<tr>
<td></td>
<td>• Secretarial services</td>
</tr>
<tr>
<td></td>
<td>• Fixture and furniture supplies</td>
</tr>
<tr>
<td></td>
<td>• Office machines (computer, photocopies) repair</td>
</tr>
</tbody>
</table>

Source: *Nipashe* (ibid).

Case Eight: Dodoma Municipal Council

The municipal council practices the concept of PPPs by way of making use of the private sector in various service delivery as evidenced in the table below.

Table 7: Services Delivered Under PPPs in Dodoma Municipal Council For 2005/2006

<table>
<thead>
<tr>
<th>Type of service</th>
<th>Areas Concerned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement services</td>
<td>• Office supplies</td>
</tr>
<tr>
<td></td>
<td>• Machine (computer, photocopy) repair</td>
</tr>
<tr>
<td></td>
<td>• Cars repair</td>
</tr>
<tr>
<td></td>
<td>• Construction materials</td>
</tr>
<tr>
<td></td>
<td>• Fixture and furniture</td>
</tr>
<tr>
<td>Revenue Collection</td>
<td>• Service levy</td>
</tr>
<tr>
<td></td>
<td>• Plying fee</td>
</tr>
<tr>
<td></td>
<td>• Open auctions</td>
</tr>
<tr>
<td></td>
<td>• Abattoir fees</td>
</tr>
<tr>
<td></td>
<td>• Parking fees</td>
</tr>
<tr>
<td></td>
<td>• Main Majengo market restaurant fee</td>
</tr>
<tr>
<td></td>
<td>• Kizota auction fee</td>
</tr>
<tr>
<td></td>
<td>• Sabasaba, Chang’ombe, Chamwino and Maili Mbili market fees</td>
</tr>
<tr>
<td></td>
<td>• Hotel levy</td>
</tr>
<tr>
<td></td>
<td>• Main bus stand toilet</td>
</tr>
<tr>
<td></td>
<td>• Jamatini toilet</td>
</tr>
<tr>
<td></td>
<td>• Old stand (SIDO) toilet</td>
</tr>
<tr>
<td></td>
<td>• Bonanza toilet</td>
</tr>
<tr>
<td>Waste collection</td>
<td>• Waste collection in Dodoma town</td>
</tr>
<tr>
<td>Property lease</td>
<td>• Lease of Kizota butcher</td>
</tr>
</tbody>
</table>

Source: *Nipashe* (ibid).
Comments and Discussions on The Cases

The cases presented here are solely on PPPs in the context of municipal/council service delivery by the private sector. The cases are by no means representative of the 121 municipalities/councils in Tanzania. However, they portray the general observed emerging trend in the application of the PPP concept in Tanzania. From the cases therefore, it is evident that the PPP concept is being applied in Tanzania’s bid to bring about sustainable development.

The choice of PPP cases in the municipal/council service delivery was done by the author just for convenience. It could be possible to identify some PPP cases in other public sector settings such as in public universities where the PPP concept is increasingly been applied.

Several conditions were given to the prospective actors intending to enter into PPP in provision of the services above. Among the conditions include: payment of non-refundable application fee ranging from 30,000 to 100,000 Tanzanian shillings (Tshs) for revenue collection at markets, 100,000 Tshs for revenue collection at bus stands and car parks, 30,000 to 50,000 Tshs for solid waste collection and disposal, 50,000 Tshs for operating the Rock Garden investment and 30,000 to 60,000 Tshs for operation of toilets. For solid waste collection and disposal, conditions include possession of knowledge of solid waste; experience, equipment and capacity to collect and dispose solid wastes.

Other general conditions include name, address and applicants’ office location(s); analysis and breakdown of revenues that one expects to collect, costs involved in revenue collection and amount of revenue to be paid to the municipalities on monthly basis; valid business licence; company registration and Value Added Tax (VAT)/Tax payer Identification Number (TIN) registration; attachment of a certified banker’s cheque equivalent to three months’ payment of the amount expected to be paid to the municipality per month to be retained up to the end of the contract period for those who will win the bids/tenders; cash deposits or bank cheques with a value equal to the value of the service that one aims to provide or possession of fixed asset of the said value above or more; attachment of bank statement for the last two years; one should show available equipment, number of employees and their experience; ability to develop and maintain premises where appropriate; and up to three years’ experience in relevant service provision.

CHALLENGES IN APPLICATION OF PPPS

There are a number of challenges likely to be encountered in the efforts to apply the

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6 Approximate exchange rate in the second half of 2005, when this paper was written, was 1 US$ = 1100 Tshs.
7 Bidders have to attach cars ownership cards – in their names, certified by the Tanzania Revenue Authority (TRA) or a lawyer. Equipment, such as cars may be inspected at any time.
PPP concept, especially developing countries. Some of these challenges are identified and discussed in the Tanzanian context in what follows.

Newness of the PPPs Concept

As indicated in the literature review above, the PPPs concept is still new and in its relative infancy stage of development in Tanzania. This brings a number of challenges when it comes to the use of the concept. They include proper understanding of the concept and its operationalisation by those in various positions in the public and private sector; lack of the needed support, commitment and endorsement by various stakeholders in a PPP arrangement, partly as a result of lack of the needed readiness to change and depart from the orthodox ways of doing things.

All these challenges may lead to opposition in the use of the concept. Where it is applied it may be wrongly applied hence failures.

Private Sector Related Problems

There are some characteristics of the private sector in Tanzania that pose some challenges in the application of the PPP concept.

These include: the infancy of the sector. The sector is still taking shape in Tanzania, given the socialist past of the country that dominated up to mid 1980s. Private sector mentality and philosophy in Tanzania is still in its early stages of development. The needed agressiveness, dynamics and vibrancy in the sector is still limited and non-optimal. The socialist, public sector dominated economic philosophy is still lingering in some people’s minds. These include people in some key policy and decision making and implementation positions.

Another issue is the domination of the informal sector in the private sector in Tanzania. Informal sector dominates the private sector in Tanzania. Most economic activities in Tanzania (arguably up to 60%) take place in the informal sector where businesses are not legally recognized due to lack of registration for various reasons. (See Ngowi:2005). As a result of this, it may become a challenge for the public sector to find qualified private sector partners to enter into a PPP arrangements especially where that private partner has to be legally recognized for, inter-alia, contractual purposes. (See some of the conditions that have to be fulfilled before entering PPP in the cases above).

Due to these and other private sector characteristics therefore, it may be difficulty to properly apply the PPPs concept in Tanzania. It becomes a challenge for example, to get the needed quantity and quality of private sector service providers in various sectors and geographical regions, especially in the relatively remote, rural and underdeveloped parts of Tanzania.

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8 The amount should be in line with municipal regulations.
Public Sector Related Problems

The nature of the public sector in Tanzania poses some challenges in proper application of the PPPs concept for sustainable development. The sector is typically characterized by bureaucracy; inefficiency and ineffectiveness; lack of incentives, creativity, dynamism and vibrancy; generally slow in response and corrupt. This is a challenge for this sector to work perfectly with a private sector whose characteristics are, generally, the opposite of those of the public sector.

Among the typical examples of areas where there is a challenge for the two sectors to work together smoothly in a PPP arrangement in Tanzania, is in the slow speed of decision making and implementation in the public sector. A private sector partner may submit a proposal for a PPP arrangement (or respond to a call for one from the public sector), but the receipt of the proposal is not acknowledged by the public sector and it takes extra long time to reach key decisions on the proposed PPP arrangement due to the bureaucratic nature of the public sector. It takes extra longer time for contracts to be signed and payments to be made in the public than in the private sector. This is a dis-incentive for those in the private sector that would like to enter into a PPP arrangements with the public sector, hence a challenge.

Capacity Issues

Another challenge is the capacity of both the private and public sectors to properly operate and manage a PPP arrangement. Generally, there is inadequate capacity – especially in the private sector – to properly participate in a PPP arrangement. Due to the nature of the private sector in Tanzania it is likely that there will be lack of internal capacities in issues like contract knowledge, contract formation, negotiation and management in the context of PPPs. Due to the lack of this specific capacity, the private sector may need to hire legal expertise which adds to its transaction costs in entering into a PPP arrangement with the public sector.

Another aspect is the general inadequacy of the needed funds, knowledge, experience and equipment by the private sector to implement a PPP arrangement. The majority in the private sector in Tanzania are likely to be lacking the above capacities. As seen in the various cases of application of PPPs in Tanzania above, there are a number of conditions that the prospective private sector partners are supposed to fulfill before entering into a partnership arrangement. These include possession of appropriate amount of money, knowledge, equipment and experience. Some private firms may be having these, but due to the huge informality of the sector, these may be undocumented. Due to the nature of the private sector in Tanzania, it may be difficulty to prove and/or verify that a certain equipment (say a vehicle, tractor) belongs to a firm as these are normally registered in individuals’ names but used for business purposes.

These and other similar challenges therefore make it difficulty to properly apply the PPPs concept in Tanzania. It becomes a
challenge for example, to get quality service providers that can adhere to standards and terms of reference in service provision.

WAY FORWARD

From what has been presented in this paper, it is evident that the PPP concept is being applied in Tanzania as one of the strategies to bring about sustainable development. However, there are a number of challenges that parties in a PPP arrangement stand to come across. In what follows, some ways forward in application of PPPs in Tanzania are given.

Embrace More PPPs

The use of PPPs arrangement is better than pure public or private sector provision of some goods and services. Each of the two sectors has its weaknesses. But when they enter into a partnership, there are great possibilities for advantageous synergies to arise that most likely contribute significantly into sustainable development.

As a way forward therefore, it is recommended that Tanzania and other countries should embrace more the use of the PPPs concept. The concept should be used appropriately given the peculiarities and specificities of each country and goods/services to be provided.

Capacity Building and Development

The current environment under which the PPPs concept is applied in Tanzania and most likely in other developing countries needs to be improved. The areas for improvement include understanding, accepting, supporting, approving and getting exposure to the use of the PPPs concept by both the private and the public sector. In this regard there is a need for capacity building and development in various forms including training (formal and/or informal) and study tours to best practices areas within and outside Tanzania.

There is also a need to build the private sector capacity in various aspects by way of empowerment in such areas as contract formation, negotiation and management; and in specific service delivery by way of provision/upgrading skills and knowledge through training.

The sector needs also capacity building and development by way of empowering it through provision of equipment to implement PPPs contracts. This could be done by various ways including giving better environment for the sector to access loans, credits and grants facilities under various arrangements including government guarantee schemes.

CONCLUDING COMMENTS

The paper has dwelt on the application of the Public-Private Partnerships (PPPs) for sustainable development. Some pieces of evidence for the application of the concept in various municipalities and councils in Tanzania have been documented. Some challenges that parties in a PPP arrangement may face have also been presented. These include private and public sector-related challenges and challenges related to the capacity to implement a PPP arrange-
ment. Among the ways forward recommended include more application of the PPPs concept and capacity building issues, for both the private and public sector.

It is evident that the PPPs concept is being used in Tanzania’s bid to bring about sustainable development. However, a number of potential and actual challenges are likely to face parties in a PPP arrangement. This is mainly due to the fact that it is not easy to attain the minimum critical mass of the requirements for a smooth operation of the PPPs concept in Tanzania. In light of these challenges therefore, it is further concluded that there is a need for interventions if the PPPs concept is to be meaningfully used as one of the strategies for sustainable development in Tanzania and beyond. There is, therefore, a need for capacity building initiatives.

Policy and decision makers are advised to support and facilitate more use of the PPPs concept for sustainable development. They are also advised to initiate, develop, support and facilitate more capacity building initiatives and development in both the private and public sectors for a more smooth and successful application of the PPPs concept for sustainable development at local, national, regional and global levels.

A final comment is appropriate on future research areas. There are a number of issues that the author would have liked to address in this paper but it has not been possible due to, mainly, resources constraints. These are areas where a call for further research in the future is made. The areas include making a similar study in other countries; upscaling this study in various ways – including covering more municipalities, councils and other public institutions; making more empirical study, especially on the challenges that parties in various PPP arrangements in various parts of the world face and their proposed ways forward. Over time, there will be a need to update this study. The author welcomes collaborative studies on these and other issues that emanate from this paper.

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Formalise? In Enterpreneurship Development Institute of India (EDI) Conference Proceedings.
The paper addresses conceptual issues concerning sustainable development and democratic governance, with a focus on transitional societies in Africa. The paper does not seek to make a comprehensive and conclusive definitional and conceptual outline but seeks to provide general contours upon which the ongoing debates can be articulated and aggregated to have any meaning on the people. The paper focuses on the role of formal and informal sectors (chambers of commerce, manufacturers’ associations, small-scale business enterprises etc.) in development planning, the allocation of resources to locally determined priorities, in the evaluation of the impact and effectiveness of programmes, and in the efforts at safeguarding and protecting the environment. The argument is that enhancing sustainable development and democratic governance implies improving the quality of livelihood for the vast majority of the current population without compromising the future of generations yet to come. In this process, many questions are addressed. What is the role of the informal and formal sector in the process? What role should the private sector play in ensuring a kind of balanced society? What is the role of the state in ensuring a just and governable society? How can things be merged, state, civil society, private sector in the process of enhancing the partnership of the public and non-state sectors for sustainable development and good governance in the country?

CONCEPTUAL FRAMEWORK

A World Bank publication defines governance as “the manner in which power is exercised in the management of a country’s economic and social resources for development. Governance could be seen as a value-neutral term” most favoured by the World Bank in its publication, Managing Development – The Governance Dimension (1991) and in another, Governance and Development (1992); and as a normative term” which treats “governance” as a normatively-laden term (World Bank 1994). According to Kale 1999) the normatively laden concept makes it possible to draw a distinction between “Good Governance” or “Good Government” and “Bad Governance” or “Bad Government.” He goes further to point out that “good governance” is to be preferred to ‘bad governance’ because it fosters strong, but sharply delimited states capable of sustained economic and social development and institutional growth. In contrast, ‘bad governance’ is pathology to be avoided.
because it undermines all efforts to improve policy making and to create durable institutions. Democracy provides legitimacy to governments by rooting their actions in the will of the governed, builds greater success for national programmes by engaging the energies of the governed, increases the potentials for long-term sustainable economic development, and fosters human security by providing avenues for dissent to be expressed in legitimate, non-violent forms.

Enhancing sustainable development and democratic governance could be seen as government attempt to give the economy a different capacity dimension, namely (i) modestly, by reforming the institutions and circumstances conditioning the behaviour of key actors: and (ii) ambitiously and perhaps dangerously, by attempting to influence the actual outcomes of the development process. The position here is for the State to adopt a more humane approach of partnership in the development process, as well as to admit that the centralist and inefficient ways of doings by the state no longer persist. A democratic approach paves the way for such collaborative efforts to avoid an expanding public sector being a threat to democracy and development.

In our Common Future, (Bruntland 1987) describes sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Two key concepts being that of ‘needs’, and in particular the essential needs of the world’s poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization in the environment’s ability to meet present and future needs. This definition puts a burden on the key actors state, civil society and the private sector – to articulate and aggregate acceptable pathways for fulfilling the two key concepts if the goals of sustainable development are to be achieved. Sustainable development requires meeting the basic needs of all and extending to all the opportunity to satisfy their aspirations for a better life. Meeting essential needs depends upon the kind of leveling play ground placed at the disposal of the different actors – there by creating equal opportunities for and this is best done by expanding the political space for participation and enjoying the fruits of the rule of law and justice.

Other institutions like the Organisation for Economic Cooperation and Development (OECD) and the United Kingdom’s Overseas Development Agency buying the idea of governance as ‘the action or manner of governing’, go further to link governance with participatory development, human rights and democratization. With this governance is conceptualized and focuses on such issues as ‘legitimacy of government [degree of ‘democratisation’], accountability of political and official elements of government [media, freedom, transparency of decision-making, accountability mechanisms] competence of governments to formulate policies and deliver services, respect for human rights and rule of law [individual and group rights and security, framework for economic and social activity, participation]. This paper identifies three distinctive aspects of governance:
• Political regime structure;
• Process of exercising authority in the management of the resources of the nation, economic and social resources: and
• The capacity of the government to design, formulate and implement policies as well as discharge or execute functions [World Bank, 1994: 1991: 1989]

Apparently, a major draw back in accountability in the government and administrative system in Cameroon is the excessive concentration of powers in the office of the Presidency and subsequently in the Ministry, Governors, and District Officers. Madison argues that “the accumulation of all powers, legislative, executive and judicial in the hands, whether of one, a few, or many and whether hereditary, self-appointed or elected may justly be pronounced the very definition of tyranny.” The justification for the separation of power doctrine can best be seen from the views of Montesquieu who believes in promoting rational government that “when the legislative power is limited to the executive, there is no liberty, nor is there liberty if judicial power is not separated from the legislative”. Thus enhancing sustaining development and democratic governance depends to a large extent on the nature of the political regime in place, the structure and functioning of the regime, kind of leadership and the capacity and capability of the regime to ensure the articulation and aggregation of its policies. The response (positively or negatively) of civil society towards government policies is also crucial. Unfortunately most Africa regimes seem to be stuck on the run unable to face the challenges and change in the continent’s democracy and governance, hence their inability to ensure sustainable development and quality pattern of living for the vast majority of the population.

<table>
<thead>
<tr>
<th>Box 1: Entrenched State Bureaucracy</th>
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<td>Constituitionally</td>
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<td>Institutional</td>
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<td>Financialally</td>
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<td>Administratively</td>
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<tr>
<td>Economic Centralisation</td>
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<tr>
<td>Poor delegation and non-coordination amongst parties</td>
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<tr>
<td>Assimilation and Centralisation of Power</td>
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Source: Forje (2000) Improving Accountability, Efficiency and Responsiveness in Government. The Dilemma of “Indirect Rule” and “Assimilation” Politics in Cameroon, CARAD, Yaounde
In a way, Forje (2000) asserts: when the political party machinery is married to the bureaucracy, there is no quality and efficient management but tyranny, ethnocracy and patronage in the public service, nor is productivity, efficiency and responsiveness attained when ethnocracy, favouritism and marginalisation constitute the anvil of the public service. Presently, the Cameroon Governance State Bureaucracy is centralized and entrenched within the philosophical orientation of the politics of ‘assimilation’ (box 1).

**INTRODUCING STATE-CIVIL SOCIETY-PRIVATE SECTOR COLLABORATION**

Given the current state of underdevelopment, poverty and growing inequality within the different sectors of society, there have been many calls for anew forms of co-operation that will enhance development security and sustainability over the long term. It is imperative that a harmonious conducive and enabling environment be established to ensure that the state mandates local government and the private sector to provide democratic and accountable government for local communities and the private sector: as well as encourage organisations to be active in matters of poverty alleviation, corruption eradication and empowerment of the female gender.

State-civil society – private sector interface under the canopy of partnership, participation and responsibility sharing remain important in all development activities. However, the inter-linkage between the various actors depends to a large extent on the state of and functioning of democratic governance in piloting the affairs of the society. At the same time, restructuring measures in the private sector are necessary in the poverty reduction and sustainable development agenda of the country (Forje 2005). As earlier pointed out, capacity building is crucial. It links administrative and technical capacity needed for policy analysis and economic management. For the Economic Commission for Africa (ECA), the generally observed failure in the efforts deployed in the past two to three decades to attain accelerated growth and sustainable development has been the lack of systematic action on building and enhancing the critical capacities needed to sustain growth and development.

**FACTORS THREATENING EFFECTIVE GOVERNANCE**

Unless a more balanced national governance regime is achieved, violent conflict and poverty will continue within the frontiers of the country. This may undermined the legitimacy, authority of the state in fulfilling its obligations to the people. Some factors threatening effective governance in Africa include issues depicted in Box 2
The third (box 3) concerns issues threatening effective governance system in a society. It is important for the state to promote a just and responsible society and not to tolerate poverty, corruption and other social ills that lead to the establishing a disintegrating society. It is imperative to promote sustainable development and economic growth from which all members of the society will benefit. Above all to ensure that globalisation does not have a negative but positive effect on the poor, rural, or unskilled members of society. Recognising further that new or restored democracies also face the challenge of consolidating their sovereignty, their democratic achievements, of making democracy itself an irreversible process, and of ensuring that all members of society benefit from the democratization process and are able to participate fully in the new systems of governance, it becomes imperative for states to create the necessary enabling environment that should breed the foundation for quality living conditions for all. Hence democratic societies have qualities, which

<table>
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<tr>
<th>Box 2: The Contents of Democratic Governance</th>
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<tbody>
<tr>
<td>• Transparency</td>
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<td>• Accountability</td>
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<td>• Pluralism</td>
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<td>• Participation</td>
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<tr>
<td>• Inclusion &amp; not exclusion</td>
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<tr>
<td>• Sovereignty of the People</td>
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<tr>
<td>• Majority rule</td>
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<tr>
<td>• Responsibility and benefit sharing</td>
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<tr>
<td>• Government based upon the consent of the ruled.</td>
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<tr>
<td>• Separation of powers</td>
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<td>• Etc. etc. etc.</td>
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<td><strong>Source:</strong> Forje (1999)</td>
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<tr>
<th>Box 3: Factors Threatening Effective Governance and Sustainable Development in Africa</th>
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<tbody>
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<td>• Abuse of executive power:</td>
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<tr>
<td>• Poor economic growth:</td>
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<td>• Political instability or fragility of the political institutions, structures and judicial system:</td>
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<td>• Serious security problems, food security, functional welfare, life, property</td>
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<tr>
<td>• Non-accountability of the bureaucracy and political party interferences:</td>
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<tr>
<td>• Non-separation of powers between Executive, Legislative, and Judiciary (Checks and balances absent):</td>
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<tr>
<td>• Foreign support to the state of bad governance.</td>
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<tr>
<td>• Absence of ethics and moral virtues in the system:</td>
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<tr>
<td>• Exclusion of key stakeholder in the development process</td>
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</table>

**Source:** Forje (1999)
we consider superior to others, particularly those concerned with their participatory, representative and equitable nature. Therefore, democracy, development and respect for human rights and of fundamental freedoms are the interdependent and synergic, and democracy is an ongoing process.

The fourth is that of building a passion for democratic governance. Good governance rests on democracy and democracy rests on a number of interrelated tenets. Among these is the centrality of the structure of public power, of a constitution to help protect and safeguard rights and liberties and of diversity of power centers and outside the state. Some of the major issues are presented in box 4. A democratic society is an open and transparent society and encourages the free creation, pursuit and flow of information and thus elicits the effective participation of civil society in local, national and international institutions and processes.

For Cameroon, the central challenge for building sustainable, effective governance and deepening democracy is that of constituting and reconstructing the key institutions for economic growth and democratic governance as depicted in box 5.

<table>
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<th>Box 4: Building a Passion for democratic Governance</th>
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<tr>
<td>• Sovereignty of the people</td>
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<tr>
<td>• Government based upon consent of the ruled</td>
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<td>• Majority rule</td>
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<tr>
<td>• Minority rights</td>
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<tr>
<td>• Guarantee of fundamental human rights and needs</td>
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<tr>
<td>• Equality before the law</td>
</tr>
<tr>
<td>* Due process of law</td>
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<tr>
<td>* Constitutional limits on government</td>
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<tr>
<td>• Social, economic cooperation and</td>
</tr>
<tr>
<td>• Values of tolerance, pragmatism</td>
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<tr>
<td>• Inclusion and not exclusion</td>
</tr>
<tr>
<td>• Freedom of the press and speech</td>
</tr>
<tr>
<td>• Responsibility of the citizen</td>
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<tr>
<td>• Sense of nationhood</td>
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</tbody>
</table>

Source: Forje (1999):
Equally important is that of creating a level playing ground for all. The current attitude and politics of exclusion is doing serious harm to the society, and even scaring away domestic resources and foreign investments for development related activities. Building a passion for democracy means a bottom-up approach to governance, opening up the political space for development and economic activities. It is argued that enhancing democratic governance and a vibrant civil society would pave the path for economic growth. Without economic growth, the quality of living standards cannot be improved.

In short democracy feeds into economic growth and economic growth feeds into democracy to create sustainable development. Underscoring this development is that of human capacity development. It can be argued that a reduction of government in allocating resources, and where policy makers lack the necessary competence to contribute positively to economic development and the advancement of the democratic process. The process of the establishment of infrastructures, their composition and the outcome of their influence on the economy, therefore, are an important area of scientific inquiry.

It flows from the above that building democratic institutions while achieving equitable social and economic development poses tensions. To begin with, granting all people formal political equality does not create an equal desire or capacity to participate in political processes – or an equal capacity to influence outcomes. Imbalances in resources and political power often subvert the principle of one person, one voice, and the purpose of democratic institutions. Again promoting democratic politics means expanding capabilities such as education to enable people to play a more effective role in such politics, and fostering

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**Box 5: Underlying Issues for Reconstructing and Reconstituting Key Institutions**

- A system of representation, with well-functioning political parties and interest groups or associations that freely participate in the body politics of the country.
- A vibrant civil society, able to monitor public and private sectors – and provide alternative forms of political participation and control methods.
- An electoral system that quarantines free and fair elections as well as universal suffrage to all.
- Effective civilian control over the military and other security forces:
- Establishing an Independent Public Service Commission, Electoral Commission and a Judicial system:
- A system of checks and balances based on the separation of powers with independent, judicial and legislative branches as well as an impartial civil service sector;
- A free, independent media industry and freedom of speech for the citizens
- Responsibility of every individual and contribution to the development of the country;

Source: Forje (1999)
the development of civil society groups and other informal institutions to help democratic institutions better represent the people.

Cameroon is entrenched with problems because representation through the choice of the people and the voices of the people are constantly thwarted. Therefore good governance must ensue to sustain the rapid changes taking place nationally, and globally as the world moves from the economy of trade to the economy of knowledge. For a developing economy like that of Cameroon, it is essential and imperative that all measures be taken to promote and sustain good governance and quality management. Improving human capital development is vital. The challenges of this millennium are that of ideas. Society is now ‘knowledge driven’ and this requires skilled human resources potential, sense of direction, quality leadership, accountability, transparency, productivity, fair competition, and equity in the distribution of national wealth.

Given the penetrating forces of genetic technology. The growing impact of information and communication technologies in our daily lives, it is important that advances made in this domain be incorporated into activities that promote growth, good governance, good management and quality service delivery in order to improve the living standard of this and future generations. No society can in this millennium afford to by pass the impact of emerging technologies in the development process.

**LIMITATION TO STATE-CIVIL SOCIETY –PRIVATE SECTOR INTERFACE:**

It does not imply that all is smooth with the form of triple heritage being advocated. No doubt, problems are bound to rise concerning private sector involvement. The private sector has its agenda as well. A major factor is that private sector funding can lead to a distortion in sustainable development management. Box 6 attempts to illustrate some of the problems.

**Box 6: Some Limitations to State-Civil Society Private Sector**

- The failure of corporate social responsibility [CSR]
- Conflict over management objectives
- The promotion of emblematic issues
- Short versus long term perspectives

Forje: (2005)

Beginning with the last, a major obstacle to sustainable development in African countries, is their policy approached coached within a short-term agenda. To maintain and create credible development requires commitment for the very long-term. For example, it is known that changes in the value of the ecosystem services would force the private sector into a form of survivalist attitude. However, there exist many opportunities for the private sector working in partnership with and the support of the public sector agencies, including local communities, to create effective development resilience.
Turning to conflict over management objectives, we should realise that the first objective of the private sector is to maximise profit. There is bound to be conflict of interests as the private sector generally regards development as a suite of services over which it has proprietorial control and to make profit. Such a view conflicts with the service provision agenda of the state. It may also create an impasse over appropriate regulatory arrangements on long-term property rights. The third issue is that of the failure of corporate social responsibility. However, the belief is that good corporate social responsibility and practice can lead and contribute to a public interest dimension in profit-maintaining, where partnership with the state and be a mechanism for integrating private enterprise to local interests and public sector regulations. And finally, the promotion of the emblematic attitude. For example, interface with the state can guarantee the maintenance of a robust and integrated development approach.

**FUNDAMENTAL WEAKNESSES**

Cameroon has much turmoil and obstacles to overcome. For example, the recurrence of external shocks and internal crises demonstrate that many weaknesses remain and that further stringent reforms are needed. Government policies which have triggered the persistence of poverty, ethnicity, income disparity and social inequity as well as the negative impact on the country’s economic performance and democratisation process presents Cameroon with daunting challenges in the globalised world. Some outstanding weaknesses that confront the country could be listed as indicated in box 7

<table>
<thead>
<tr>
<th>Box 7: Some Outstanding Weaknesses to be Seriously Addressed</th>
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<tbody>
<tr>
<td>• External vulnerability;</td>
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<tr>
<td>• Unresolved internal issues of inclusion versus exclusion;</td>
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<td>• Inconsistent political and policy strategies;</td>
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<tr>
<td>• Absence of nation unity / cohesion;</td>
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<td>• A behavioural attitude as if the country is not ours;</td>
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<td>• Failure in recognizing the role of Opposition parties in</td>
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<tr>
<td>governance process.</td>
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<tr>
<td>Remaining Outstanding</td>
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<tr>
<td>Unresolved issues</td>
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<tr>
<td>• Weak and captive institutions;</td>
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<tr>
<td>• Passive and captive civil society; Growing tendencies of</td>
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<td>returning to the era of monolithic party system;</td>
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<tr>
<td>• Facing the debacles of (i) the pandemic of HIV/AIDS, (ii)</td>
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<tr>
<td>endemic diseases, (iii) corruption, and (iv) growing</td>
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<tr>
<td>poverty; Inappropriate utilization of human capacity and</td>
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<tr>
<td>natural resources for the ultimate benefit of the society;</td>
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<tr>
<td>• An unpredictable or uncertain international community</td>
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Forje (2004)
The government must recognise the contribution of efficient public institutions and regulations to economic growth and welfare. Strong institutions contribute and play greater prominence to ensuring accountability and transparency to government output functions. It is also an important factor to stability and a credible judicial system that ensures confidence to investors. So far, Cameroon’s progress in these areas has been relatively slow and inconsistent since it made the quasi effort of embracing plural democracy in 1990. Efforts to improve the quality of public institutions and services have continued to lag behind especially within the legal, political, judicial and parliamentary system, which to a large extent remain captive and cumbersome. The protection of human rights remains fragile and largely inadequate. Institutions including the courts are weak, politically influenced and even discredited in many respects. The quality of public service delivery is poor.

Corruption is widespread, even institutionalised and legalized crime and violence have increased. Insecurity to both life and property remain the order of the day. Drastic measures must be put in place to curb these acts. The banking sector and other financial institutions remain fragile and very often fail to respect ethical and professional norms. Regulatory enforcement is weak due to political ethnic interferences from various quarters. Corruption increases public debts. And generally, the state lacks the political will in enforcing strong control mechanisms. A successful democratisation process requires/depends on many interrelated input factors, for example, pluralism, participation, transparency etc. Pluralism requires an independent judiciary that impartially administers the law. An independent judiciary, in turn, requires attitudes that support pluralism and a bureaucracy that is impartial prepared to serve whichever government is elected to office.

FORGING NEW POLICY AGENDA

To seize the opportunities offered by the wave of democratisation and globalisation, Cameroon must develop a consistent long-term policy framework that will reduce its vulnerability. At least two fundamental issues are crucial in this respect, namely (i) fiscal consolidation, and (ii) better governance entrenched with politics of social justice and inclusion. The recommendations of the good governance report must be rigorously implement through a judicious policy of the carrot and stick. Fiscal consolidation will help reduce Cameroon’s external vulnerability, as it will permit more proactive fiscal management and revamp internal savings. There is need as well as ample scope to strengthen public finances by revamping the tax system, introducing stringent budgetary system, reducing inefficient public expenditure and eliminating corruption. Furthermore, proper use of science and technology will add more value to the country’s abundant and untapped natural resources.

A more effective way to resist, and to assure a favourable climate for various groups to compete in, is to maintain pluralism through a free press, competitive parties, elected executives and legislatures, and free
courts. If these groups do not exist, or are too closely intertwined with the bureaucracy, it is difficult for ethnic, religious, economic, and cultural groups to compete and cooperate with one another in shifting patterns as new issues arise.

**RECOMMENDATIONS**

Good governance implies a non-corrupt state bureaucracy. To accelerate growth and improve the social welfare of the people, Cameroon has but one option, to maintain a transparent reform momentum. It is only through this that it can best combine a long-term ideal of sustainable growth with democracy leading to social equity.

Continued social inequity or exclusion promotes bad governance. Good governance equals social equity. Cameroon badly needs democratic governance to forge ahead its process of reconstruction and reconstituting the Nation-state for the benefit of the people. Governance is crucial as it is complex and multifaceted since it permeates all aspects of economic, social, legal and political performance.

The government must strive to remain on the bandwagon of the plural democratisation process that started in 1990. It must strive to ensure accountability, transparency, reconciliation, consensus, partnership, participation, responsibility and equitable wealth sharing.

To ensure good governance, it is imperative to eradicate current top-down development and administrative approaches, promote and sustain a bottom-up management system and development approach.

A government that is credibly elected (free and fair elections) receives the confidence, legitimacy and support of the people that enhances its credibility within the international community.

To ensure good governance and reduce corruption, it is crucial to promote a harmonious state-civil society-private sector partnership and participation, it is also imperative to reduce existing opportunities for discretionary intervention by state authorities that use these mechanisms for their own benefits.

The need to reinforce the effectiveness of government and encourage the development of the rule of law, justice, legal reforms and other measures to move the nation forward cannot be overemphasized.

Checks and balances including an effective and efficient control mechanism can come through the introduction of an “ombudsman” system to oversee government activities and to bring civil society as part of the custodian of the governance process.

Therefore, resources should be directed into economic incentives and the democratisation process, creating a level playing field for all actors as inherent parts of the development agenda:

Creating the requisite access to appropriate know-how, as well as creating an ability to make decisions independently, include a stable policy environment.
In anticipation for genuine changes or reforms to be effective and beneficial to all, the international community should respond positively to the aspirations of the people, and to ensure that appropriate measures are put in place to ensure the reign of democratic governance as the way forward for improving the quality of livelihood for this and future generations.

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HARNESSING THE POTENTIALS OF THE INFORMAL SECTOR FOR SUSTAINABLE DEVELOPMENT – LESSONS FROM NIGERIA

Joseph O. Dada

The informal sector plays a very important role in the development of the economies of nation. In Africa, the majority of the informal sector organisations are involved in small businesses and social services that are vital to economic development. Apart from laying the foundation for promoting the evolution of large firms that ultimately dominate the formal sector, it also provides employment opportunities in both rural and urban settings. Indeed, against the strong economic storm that pervades the economic landscape of most African Countries, the informal sector stood its ground. Evidence abound indicating that the informal sector has been providing refuge for the army of workers laid off from and for many still employed in the formal sector by providing employment and avenue for earning additional income thereby ameliorating their declining standard of living. This paper is an assessment of the role and performance of this sector. After reviewing some concrete issues with specific reference to Nigeria, the paper offers some recommendations for policy makers and the future.

INTRODUCTION

The importance of the informal sector can be situated within the context of the remark of the former Head of State of Nigeria, Ibrahim Babangida in 1991, at the height of the SAP crises. He posited thus “The Nigeria economy has defied all known economic prescriptions, yet it has not collapsed. The reason for the non collapse of the economy is not fetched. It is the sustaining power and ‘ability’ of the neglected informal sector.

Indeed, the commercial landscape of Africa is littered with mosaics of these unregulated enterprises which slowly but firmly support the economy of member countries with the dexterity and flexibility of an octopus. It is a sector whose activitism has crystallized into an indispensable partner which is increasingly referred to as the underground Economy (Daodu, 2001).

With specific reference to Nigeria, the various economic reforms embarked upon since the 1980’s by various government have yielded no positive result, especially in the area of balance of payment deficits, high and increasing unemployment rate, galloping inflation, high debt overhang, high poverty rate and general slump in the standard of living. Against those back-
drops one can posit that the formal sector has failed in its attempt at steering the economy of the nation forward.

Indeed, against the strong economic storm that pervades the economic landscape of most African Countries, the informal sector stood its ground. Evidence abound indicating that the informal sector has been providing refuge for the army of workers laid off from and for many still employed in the formal sector by providing employment and avenue for earning additional income thereby ameliorating their declining standard of living.

CONCEPTUAL FRAMEWORK

Definition of Informal Sector Enterprises

Many authors and researchers contextualise the informal sector within the framework of small scale ventures. And there has been no one definition that holds the allegiance of all stakeholders: economists, operators, government and donors. However, the lack of a universally agreed-upon definition does not imply that the term is indefinable or that it is a simple concept that admits of no further definition and therefore must be accepted without enquiry.

The term informal simply means free of conventional forms or restrictions. While sector, connotes a distinct part of an economy. Given the foregoing, the informal sector can be defined as follows:

The Dictionary of Modern Economics (1987) defined informal sector as the large volume of self employed in developing countries who are engaged in small scale labor-intensive work. These people are often regarded as unemployed or underemployed.

Ajakaiye and Akerele (1995) postulated that an entity may operate some form of government laws but still be an informal enterprise. They simply put it as a production unit that is operating without official regulations to govern its behaviour in the input and output market as well as units production process is unambiguously an informal production unit.

Ajakaiye and Akerele therefore, posited that two possibilities may exist for an enterprise operating under certain official regulations. The first is for the level of binding official regulations not to compel the installation of a set of rules to govern its behaviours in all markets as well as in its production process. Such enterprises are informal regardless of whether or not it autonomously imposes regulations on its operations. Example of this class of regulations is enterprises operating with simple licenses, permits, registered business names and registered premises.

Similarly, UNECA/AAPAM (1990) consider informal sector to mean small scale income-generating activities that are not registered under law, do not comply with legislated standards of quality, minimum pay and safety, and more often than not, do not pay taxes.

Amins (1987) definition of the informal sector is akin to that of the ILO. By his definition, the informal sector includes en-
terprises that have in common, one major and dominant attribute – the absence of official status. In other words, enterprises and individuals in the informal sector operate outside the incentive or social security offered by the State and its institutions. To the World Bank, the ‘informal’ sector is almost the “illegal” sector and contains most micro-enterprises which escape government regulations and pay taxes.

However, it would appear, from existing literature that the most frequently adopted definition comes from the ILO (1976) which defines informal sector enterprises as those that employ a handful of workers, who earn low income, utilize rudimentary or subsistence technology and operate outside the boundaries of government regulations governing business in general.

The informal sector in Africa has its roots in traditional arts and crafts and rural production, a phenomenon that goes back to the colonial period. Broadly, informal sector activities traversed the following: Hawking, street vending, retail trading of all sorts, repairs and maintenance works of all types, carpentry, small scale artisan, personality and beauty care activities, fashion design, etc. One can say without prejudice that the informal sector is dominated by a large number of small scale production and service activities that are sole proprietors, partnerships, co-operatives, and even private limited liability companies.

**Sustainable Development (SD)**

The term sustainable development was brought into common usage by the World Commission on Environment and Development (The Bruntland Commission) in 1987. Sustainable Development calls for development that “meets the need of present generation without compromising the needs of future generations. (Finance and Development, December, 1983, page 7).

The tripod objectives of Sustainable Development:

(i) Economic objectives (Growth; Equity and Efficiency);

(ii) Social objectives (Empowerment; Participation; Social Mobility; Social Cohesion; Cultural Identity; Institutional Development);

(iii) Ecological objectives (Ecosystem Integrity; Carrying Capacity; Biodiversity; Global Issues).

Sustainable Development could be regarded as a process of change in which the exploitation of resources, the direction of investment, the orientation of technological Development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.

Sustainability stresses the importance of participation as a means to sustain the development process and to ensure a more equitable distribution of benefits created by development initiatives. Its main focus is the utilization of national resources (physical and human) to:

(i) Meet the country’s need;

(ii) Achieve sustainable livelihood system in a given community;
(iii) Eliminates poverty;
(iv) Maintain the physical and human environment for the present as well as succeeding generations of members of the community, and above all
(v) Achieve global inclusion by ensuring the mobilization of the participation of all members of the community in the development process as well as equitable distribution of benefits produced.

CHARACTERISTICS OF THE INFORMAL SECTOR

Policy and regulatory constraints have restrictive effect on the production potentials of micro and small scale enterprises (MSE’s). Thus MSE’s have remained largely informal which, though allowing them to escape such burdensome regulations as taxation, labour legislation, entry and exit restrictions, curtails their access to finance, steady input resources and markets information and technology. Internal constraints are also a factor, since entrepreneurs, managers and workers often lack the key skills necessary to modernise (page 18 World Bank Discussion Papers 271, 1985).

The informal sector operations are more likely to be owned and managed by a single person; major decisions can be made directly and promptly. They have a more intimate feel for the changing needs of their customers in serving local markets. They concentrate in relatively labour intensive businesses, create more employment opportunities, and effect a more equitable income distribution, while also supporting increases in productivity (Stanley and Morse 1965; Steel and Takayi 1983 Spela Webstar 1981). They help the entrepreneurial base flourish among diverse ethnic groups and regions and among relatively low income people in rural areas because they are typically found throughout the country. (Abate 1980, Sandsara 1989, World Bank 1991.

According to Dr. (Mrs.) Shekera Khan Journals of Pakistan Administrative Staff College Vol.xxii Jan-June 1985 No.1; In Pakistan the characteristics include:

(i) ease of entry;
(ii) reliance on indigenous resources;
(iii) family ownership of enterprises;
(iv) small scale of operations and adapted technology;
(v) skills are acquired outside the formal sector education system and
(vi) unregulated and competitive markets; and
(vii) largely having little access to government services.

According to the Research Report No.1 1988 by Development Policy Center pg.23, the informal sector possesses certain characteristics which set it apart from the formal sector. It is important to have a clear understanding of those distinguishing characteristics in order to formulate policies and programmes to guide the growth and development of the sector. Some of these characteristics are size; age; ownership; registration status; investment and income; major consumer of products and services; sources of finance; location of enterprises; gender educational attainment and job history.
Size and Control

In their report on The Informal Sector in Nigeria’s Development Process, undertaken for the Development Policy Center, Arimah and Jerome (1998) contextualise the size and composition of the Informal Sector. They hold that during the early stages of economic development, the informal sector tends to be poorly developed and employment is usually in the informal sector. The size of the informal sector can consequently be expected to be large in many Third World countries. They identified factors that could contribute to this large size to include high rural-urban migration, lack of skills by majority of the migrants, etc. Also the slow pace of development and investment mean little job opportunity in the formal sector. Coupled with these is mismanagement of the economy with its attendant effect of retrenchment. These factors have resulted in an excessively large informal sector.

With regard to the composition of the sector, Abumere, et al sees this in terms of the age of the sector enterprises, ownership and registration status and investment and income. On age, they reported that relatively few informal enterprises existed in Nigeria before 1981; only 4.5% of them were in existence before 1970 and about 16.4% up to 1980. Phenomenal growth occurred after 1981 with the mid-1980s to-date witnessing a proliferation of informal enterprises.

The explanation for the growth of the informal sector is the structural adjustment programme which produced an army of unemployed labour that has been and is being absorbed by the informal sector.

On ownership, the general picture in Nigeria is that about 83.4% are individually owned. From the report of Abumere, et al this varies across the cities with Nnewi displaying a sole ownership rate of 98.5% while Aba has a rate of 57.3%. For the other cities, sole ownership rates of at least 80% are commonplace. Forms of ownership such as partnerships, cooperatives and limited liability are either negligible or non-existent. Abumere, et al also found that altogether; about 50% of the enterprises are registered in one form or other with government. The figures range from 89.4% for Suleja to 91% for Nnewi. As for registration with appropriate unions, about 54% of these are affiliated to one union or the other. The figure range from 14.7% in Kano to 79.4% in Nnewi.

Investment and Income also represent an indication of how well informal sector enterprises are doing. The study by Abumere and others shows that the bulk of investment lies between 10,000 and 100,000. Very few informal entrepreneurs have annual income in-excess of 500,00. For the entire sample, this group constitutes 6.9%. The only notable exception occurs in Aba with 13.8%. For the cities of Ibadan, Kano, Lagos, Nnewi and Suleja, this group constitutes just 3.0%, 1.7^%, 1.3%, 5% and 0.8% respectively. This is further indication of the low capitalization associated with the informal sector.
Socio-economic Importance

The informal sector attracted tremendous interest from many interest groups, academics, researchers, economists, governments and institutions. The increasing interest is in recognition that not only does the sector provide employment for a considerable proportion of the labour force, but with the virtual collapse of the formal sector in the country as in several other countries of the world, it is this sector that had kept the economy going. The Economist, in 1984, estimated that the informal sector provided work for at least 80% of the workforce in Zaire and 75% in Morocco and Nigeria. The contributions of the sector to income and productivity are equally considerable.

The size of the informal sector is, thus, a direct measure of the failure of socio-economic policies. It is also a stage of development phenomenon. In the SAP years, for example, the informal sector would appear to have taken up the challenge admirably. For instance, with the massive devaluation of the Nigerian currency, following the inception of SAP in 1987, many Nigerians found it difficult, if not impossible, to buy new vehicles. The task of keeping aged vehicles on the road has fallen heavily on the local mechanics that seem to be coping admirably. Similarly, tailors and local fashion designers have performed excellently with respect to the market for clothing and garments of various types. Indeed, in Nnewi, Aba and Awka in Eastern Nigeria (now South-East), motor spare parts, such as plugs, contract sets, bolts and nuts, etc. as well as shoes and some electrical applications are made in the informal sector. Thus, the opportunities for this type of local entrepreneurship was greatly enhance by SAP.

Simultaneous with the down-sizing in both the public and private sectors following the inception of SAP, was the dramatic rise in the number of graduates from primary, secondary and tertiary institutions. With little and diminishing employment opportunities in the formal sector, many of these new graduates looked to the informal sector for jobs. As ILO in its World Employment Report (1995:92) reported, the falling formal-sector employment since the 1980s has witnessed corresponding growth in the informal sector employment. Thus, the sector is serving as a source of subsistence income during recessions.

During the SAP years, incomes earned by both public and organised private sector workers were so low that many of the workers, while keeping their jobs in the formal sector, turned to the informal sector for survival as petty farmers, traders, tailors, cab drivers, hair dressers, petty consultants, etc. Indeed, many earn more in the informal sector than they do in the formal sector.

The informal sector has also been very supportive of the formal sector. Abumere (1978, 1980), Helliner (1986) and Logan (1972) emphasize that not only do many farmers in the traditional sector produce for the modern sector and even for export, but that links between the formal and informal sectors are even more striking.
Constraints to Development

(i) Non-availability of policy and institutional support;
(ii) Inadequate exposure to capacity building;
(iii) Non (or limited) access to micro-credit
(iv) Reliance on self help type organisation
(v) Poor management and operational capacity.

With respect to Access to Micro-credit, the following are the constraints to informal sector borrowing:

(i) Riskiness of lending because of:
   (a) poor management
   (b) High rate of business failure.
(ii) High Administrative cost;
(iii) Low productivity;
(iv) Under capitalization;
(v) Shortage of skills;
(vi) Poor Attitudes of the loanees;
(vii) Aversion to disclosure of information;
(viii) Inadequate infrastructure;
(ix) Lending Requirements which often include:
   (a) Collateral ...;
   (b) Registration as a limited liability company;
   (c) Submission of feasibility studies.

Focus of Governmental support

What could be termed support policies for the informal sector in Nigeria were designed to cater for Small Scale Industries. Such policies influence the informal sector activities and can be categorized into three broad groups:

(i) Credit Policies and Strategies;
(ii) Managerial/Technical Training;
(iii) Creating Enabling Environment.

(i) Credit Policies and Strategies

Having realized that finance is the major back-bone of the economic enterprise, the Federal Government of Nigeria has since 1970 been formulating supporting credit policies. A few of these policies are:

(a) Small Scale Credit Scheme (SSIC) - 1970-80
(b) People’s Bank - 1989
(c) Community Banks – 1990

(ii) Management/Technical Training

Management and technical training are necessary for the development of Small Scale Industries and indeed the informal sector. Agencies that provide these services/training includes:

(a) National Directorate of Employment (NDE) – 1987
(b) Industrial Development Centers;
(c) Mature People’s Scheme;
(d) Entrepreneurship Development Programmes (EDP’s);
(e) Various Management Development Institutes such as ASCON, CMD, ITF etc.

(iii) Creating Enabling Environment

For Small Scale Industries, infrastructure facilities such as electricity, water, transport and roads are a sine-qua-non. Lack of these basic amenities has crippled many businesses in Nigeria, including Small Scale Enterprises and informal sector activities. This led to the creation of such agencies as:
(i) National Directorate of Food, Road and Rural Infrastructure (DFFRI);
(ii) MAMSER;
(iii) NERFUND etc.;
(iv) Establishment of Industrial Estate

As maintained earlier on, these interventions were not directly targeted at the informal sector. Indeed, it was not until 1999, that specific support for informal sector activities came into focus in the national plan, the objectives being to expand income earning opportunities for the urban poor engaged in the informal activities.

The implication in the urban focus intervention is that majority of the informal sector operators who are predominantly in the rural areas were left out.

CHALLENGES AND PROSPECTS OF THE INFORMAL SECTOR IN NIGERIA

As other studies have shown, the informal sector is faced with many problems, ranging from poor infrastructure facilities, low patronage, low capital base, high interest rate and lack of training. These problems are responsible for retarding the growth and development of the informal sector.

Based on the findings of the survey conducted by WAMDEVIN as shown in table 1 below, the most important problem faced by the informal sector is low patronage. Two hundred and ninety-eight (298) respondents indicated this as the most important problem confronting them. The second important problem is the erratic or irregular power supply which affects production. Two hundred and twenty-nine (229) respondents confirmed this as a major problem. Another major problem that was ranked third in order of importance is high transport cost while inadequate equipment, bad business location, credit sales, lack of good working environment, difficult customers, local government harassment, and poor economy are other problems mitigating against the informal sector operators in descending order of importance.

In spite of the problems facing the informal sector in Nigeria, the future prospects of the sector is not in doubt. The informal sector thrives as the unrecognized nursery

<table>
<thead>
<tr>
<th>S/N</th>
<th>Challenge</th>
<th>No. of Respondents</th>
<th>Rank</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>Low Patronage</td>
<td>298</td>
<td>1</td>
</tr>
<tr>
<td>B</td>
<td>Irregular Power Supply</td>
<td>229</td>
<td>2</td>
</tr>
<tr>
<td>C</td>
<td>High Transportation Cost</td>
<td>137</td>
<td>3</td>
</tr>
<tr>
<td>D</td>
<td>Inadequate Equipment</td>
<td>93</td>
<td>4</td>
</tr>
<tr>
<td>E</td>
<td>Bad Business Location</td>
<td>80</td>
<td>5</td>
</tr>
<tr>
<td>F</td>
<td>Credit Sales</td>
<td>80</td>
<td>6</td>
</tr>
<tr>
<td>G</td>
<td>Lack of Good Working Environment</td>
<td>79</td>
<td>7</td>
</tr>
<tr>
<td>H</td>
<td>Difficult Customers</td>
<td>75</td>
<td>8</td>
</tr>
<tr>
<td>I</td>
<td>Local Government Harassment</td>
<td>67</td>
<td>9</td>
</tr>
<tr>
<td>J</td>
<td>Poor Economy</td>
<td>67</td>
<td>10</td>
</tr>
</tbody>
</table>

Table I: Ranking of Major Challenges Facing the Informal Sector.
of entrepreneurship. While its business mortality rate may remain high due to the problem areas enumerated above, its potentials for growth and transformation into the league of the organised sectors remain equally high.

The hardships of the informal sector characterized by deprivations on several fronts have on the one hand toughened its members, unwittingly forcing them to imbibe entrepreneurial discipline and personal commitment. Plan of the outcome of their survival in the face of insufficiencies is that the situation prepares them to respond better to opportunities and remedial measures. Therein lies the future prospects of the informal sector. The enabling factors that will enhance the prospects of the informal sector in Nigeria are as shown in Table II below.

In this analysis, the four most pertinent areas identified are: Provision of Financial Assistance; Availability of Loan Facilities; Improved Power Supply (Infrastructure) and Improved Patronage.

**Table II: Solutions**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Description</th>
<th>No. of Respondents</th>
<th>Rank</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a.</td>
<td>Provision of Financial Assistance</td>
<td>333</td>
<td>1</td>
<td>24.8</td>
</tr>
<tr>
<td>b.</td>
<td>Availability of Loan Facilities</td>
<td>229</td>
<td>2</td>
<td>17.0</td>
</tr>
<tr>
<td>c.</td>
<td>Improved Power Supply</td>
<td>162</td>
<td>3</td>
<td>12.0</td>
</tr>
<tr>
<td>d.</td>
<td>Improved Economy</td>
<td>115</td>
<td>4</td>
<td>8.6</td>
</tr>
<tr>
<td>e.</td>
<td>More Collaterals</td>
<td>97</td>
<td>5</td>
<td>7.2</td>
</tr>
<tr>
<td>f.</td>
<td>Improved Patronage</td>
<td>88</td>
<td>6</td>
<td>6.5</td>
</tr>
<tr>
<td>G.</td>
<td>Regular Fuel Supply</td>
<td>86</td>
<td>7</td>
<td>6.4</td>
</tr>
<tr>
<td>h.</td>
<td>Improved Transport Cost</td>
<td>83</td>
<td>8</td>
<td>.61</td>
</tr>
<tr>
<td>I.</td>
<td>Better Working Location</td>
<td>79</td>
<td>9</td>
<td>5.9</td>
</tr>
<tr>
<td>j.</td>
<td>Reduced Cost of Raw Materials</td>
<td>74</td>
<td>10</td>
<td>5.5</td>
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**CONCLUDING COMMENTS AND RECOMMENDATIONS**

The need to harness the potentials of the informal sector in development at this point in time in the history of the Africa cannot be overemphasized. In this respect therefore, the following recommendations become imperative:

(i) **Mainstreaming of Informal Sector:**
Deliberate attempt should be made to incorporate the informal sector into the mainstream economy by

(ii) **Undertaking deliberate study of the sector at country and regional levels in order to develop a reasonable data base on which sector specific policies could be designed and implemented**;

(iii) **Concerted efforts should be made to eliminate the various restrictions militating against maximum performance of the sector. If need be, deliberate reviews of various WTO and other bilateral agreements should be embarked upon, with the objective of expanding the operating frontiers of the sector**;
(iv) Public and Private financial institutions should be encouraged to grant the sector access to loanable funds on flexible terms to reflect their distinct characteristics.

(v) It has been demonstrated that entrepreneurship can be developed through training and planned efforts. Since training has emerged as a powerful intervention for accelerating the process of entrepreneurship development in the developing world, it is suggested that it should be attempted with all seriousness with the aim of standardizing skills and knowledge.

(vi) Provision of modern market structures. To make it cost effective and affordable to the target beneficiaries, the use of local building materials and simple design should be considered.

(vii)There is the need for deliberate infrastructure development, expansion and maintenance programme in order to open up the vast rural areas where majority of the informal sector operators reside.

(viii)Intensification of capacity building initiatives targeted at the sector. Such capacity effort should be geared towards skills improvement and basic business management knowledge. In order to realize its full benefits, training should not be attempted as isolated effort/event. It must be preceded by identification/selection of potential entrepreneurs and followed by sustained support activities.

(ix) Given that majority of the informal sector operators are women, special consideration should be accorded them to ensure that their peculiar interest and characteristics are taken into consideration.

(x) Partnership with donor agencies focusing on capacity building requirements (technical and managerial) should be pursued as part of the NEPAD initiative.

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THE NEW EAST AFRICAN COOPERATION AND NON-STATE ACTORS: OPPORTUNITIES AND CHALLENGES FOR PROMOTING INTEGRATION

Suleiman Ngware

The New East African Community comprising of Kenya, Uganda and Tanzania (and probably Rwanda) has embarked on a serious and completely new Cooperation Treaty that is different from the defunct EAC which was disbanded in 1977. In the new set up priority is given to ensuring that the new community learns from history and does not repeat the mistakes of the defunct Community. Similarly, the new cooperation has facilitated the formation of the East African Business Council (EABC), comprising apex bodies of private sector organizations in the three member states. Similarly, the East African Trade Union Council (EATUC) has been granted Observer status in the deliberative and policy making organs of the Cooperation. Likewise similar initiatives have been taken (or are underway) in other sectors e.g sports, tertiary education etc. However given the past history, social, cultural and economic diversity and indeed the impact of inevitable globalization process, there are definitely opportunities to be exploited and monumental challenges to be faced in order to move the Cooperation to a stage that no single leader or even three/four of them could reverse the Cooperation and its gains. The paper discusses the role of the Non-State Actors (NSAs) and how they can be harnessed to promote the Cooperation and indeed the desired goal of achieving democratization, improved service delivery, economic growth and poverty reduction, all of which are key and strategic ingredients for sustainable development. In developing the paper, an attempt has been made to situate NSAs in a proper context, and also conceptual issues regarding NSAs in the context of EAC are discussed. The remaining part of the paper concentrates on the major challenges ahead and the Way Forward as NSAs and EAC focus on building mutual trust and collaborative partnership for more solid, productive and sustainable integration in East Africa and beyond.

THE CONTEXT

The purpose of an East African Federation is best described by the following quotations:

“The balkanization of Africa into 53, mostly sub-optimal states, has meant that Africa cannot have a large internal market under one Political Authority; have no power to negotiate with the

1Institute of Development Studies, University of Dar es Salaam, Tanzania
and political interdependence, and to manage the externalities that arise from it [Haggard, 1995] In fact, the past two decades have witnessed a resurgence, revitalization or expansion of regional economic cooperation and integration groupings at the global level. Regionalism is also seen as a force that helps channel the resources of economies and people into activities where they are likely to excel. It is indeed a force that softens the effects of globalization by pooling state policies and resources in order to compensate for the loss of national policy and sovereignty. Ideally, regional economic integration represents an extension in international economic relations, driven by economic mechanisms, but frequently with political objectives as the key, strategic and underlying force.

However it needs to be emphasized upfront that it is the political process with unflinching political commitment at all levels that is the engine of integration. Inherent in all this is also the commitment to broad popular participation and inclusion of all segments of the people in the East African partner countries. Broadly speaking, this refers to the role of Civil Society Organizations (CSOs) or invariably, called Non-State Actors (NSAs). An attempt will be made in this paper to discuss the role of NSAs in the new East African Cooperation. The main focus of the paper will be on the opportunities, provided by the inclusion of NSAs, the challenges governments in East Africa and NSAs themselves have to overcome and the way Forward towards closer, more effective and productive East African Cooperation (EAC). The main underlying thesis is that the goals and objectives

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rest of the world..... This balkanization must ... wound up”

H.E. Yoweri Kaguta Museveni
President, Republic of Uganda

“We have everything to gain in East African Federation in terms of political stability, greater feeling in safety in numbers and as an economic entity better able to fight poverty”

H.E. Benjamin Mkapa
President, United Republic of Tanzania

“I firmly believe that regional integration is not a choice but a necessary strategy for sustainable development" On a cultural level, regional integration solidifies the unity of communities with personal ties and common history, language and culture”.

H.E. Mwai Kibaki
President, Republic of Kenya

The East African countries have a fairly long history of integration since colonial times. The post independence initiatives had a historical context and urgency for integration are relevant in understanding the context of the current efforts towards closer integration. At the same time the recent embrace of regionalization is a political and economic response to globalization as states try to control at a regional level what they may have failed to manage at a national level [Rugumamu 2005:68]. Regionalism refers also to a process of policy coordination, harmonization and adjustment designed to facilitate closer economic
of the new EAC can hardly be realized and sustained by the efforts of Governments alone. History still haunts this region for our failure to demand greater space and voice in the former East African Community in which the three leaders had almost an absolute monopoly on its fate. The more the many and diverse groups of people take an active role in the new set up, the more it is “socialized” among the East African people, the less monopoly the leaders will have on it and the better for all stakeholders.

Immediately following this introduction, an attempt will be made to contextualize NSAs followed by a broad conceptual framework regarding NSAs. Following this will be an analysis of challenges which have to be overcome in order to build and sustain an effective NSAs – EAC relationship and collaborative partnership and mutual respect, confidence and trust. Following this part will be a discussion on the Way Forward and the last part will be a concluding summary of the paper.

**NSAS CONTEXTUALIZED**

In our view the role of NSAs is as important as it was during Africa’s anti-colonial struggles in which the self activity of ordinary people, organized in their communities, labour, youth, disabled and women’s groups played a strategic and pivotal role in supporting the political parties during the fight for political independence [Bond, 2005:1]. Unlike the former East African Community, the new EAC bold initiative is unique, in that it is an East African drive, largely East African owned and East African led renewal and development programme. However one needs to take note of the lack of effective measures for NSAs sustained active involvement, participation and inclusion and indeed “staying engaged” in various EAC issues is still wanting. It is also important to recognize that it is a common flaw that objectives of EAC are politically correct and even responding to practical needs, but even so way beyond the response capacity. It should also be appreciated that experiences with NSA participation in advocacy, policy and dialogue processes are relatively recent in EAC partner states. As it will be argued later in this paper, more needs to be done to make NSAs weigh more on advocacy, policy and dialogue at EAC level. It is worth appreciating that Chapter 25 of the EAC Treaty recognizes the lead role of the Private Sector and Civil Society in the development process. In particular Article 129 only acknowledges the symbiotic partnership between the public and private sector during policy formulation, programme prioritization and implementation. Towards this end, and without any direction from the Secretariat, a number of professional and Civil Societies [Appendix X] have formed East African bodies which could now be effectively harnessed during both the Customs Union and Common Market stages to form a solid foundation for the Political Federation.

Indeed a number of Professional Associations, Civil Society Organizations, Local Government Associations, Youth and Women organizations have formed alliances across East African borders and some of them meet regularly. These associations are expected to play critical roles in civic
(not political) education on the need for Federation in specific target groups [The Committee on Fast Tracking East African Federation, 2005:58]. The Civil Society and Professional Associations expect to play robust roles in the following areas: First, advocacy and sensitization of the citizenship towards EAC goals and objectives, including the Political Federation. Second, ensure entrenchment of Good Governance, Human Rights, Environmental Conservation and setting up of conflict resolution mechanisms. In our view the above reflects a sustained trend since the late 1980s of donor agencies and religious organizations channeling more and more funds through NSAs as a means to promote democratic governance. The basic assumption is that NSAs and good governance are mutually reinforcing. On the other hand, the enforcement of good governance opens up new spaces and voices for active citizen participation, since freedom of association, expression, information and inclusiveness are strategically crucial to the emergence of vibrant NSAs and the acceptance of pluralism and diversity. These, in our view, are the cornerstones of “taking the EAC to the people” (who are sovereign) where EAC actually is not only anchored but it belongs to the ordinary people. On the other hand, an enabling environment is key to allow NSAs to become change agents that influence public policy in favour of democracy, popular empowerment and public – sector accountability. NSAs are thus expected to fulfill several (non-exclusive) roles: as welfare service providers, as advocates, as watchdogs and as development partners. The following Figure provides a clearer picture of these roles.

In our view as NSAs become more active, visible and powerful in the public sphere at EAC level, they raise their credibility and legitimacy and can no longer be taken for granted. Indeed NSA actors and players need to endorse the good governance

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**Figure I: Roles of Civil Society Organizations**

<table>
<thead>
<tr>
<th>Welfare Service Delivery</th>
<th>Advocacy</th>
<th>Watchdog Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil society organizations can provide the necessary institutional basis for service delivery when questions of effectiveness and responsiveness of the state arise.</td>
<td>Civil society organizations can play a role in political life by reiterating the legitimate right of citizens to make demands upon the state. Civic education programmes can help mobilize people and encourage previously marginalized groups to enter the political arena.</td>
<td>Civil society organizations can promote good governance and social equity by monitoring both state and market performance. Non-state organizations increasingly use the dissemination of information – on current legislations, public expenditure, policy implementation, achievements and drawbacks in promotion of the rule of law, good governance, and respect of human rights-as a tool to keep an eye on state performance.</td>
</tr>
<tr>
<td>At the local level, grassroots organizations can promote collective action to improve access to basic services (e.g., health and education).</td>
<td>Civil society organizations are effective vehicles for representing and negotiating citizens’ interests vis-à-vis the state.</td>
<td></td>
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</tbody>
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agenda in EAC if they are to earn and deserve public trust nationally and at EAC level. Given what has been said above, it is evident that processes of political and economic liberalization nationally, regionally and globally have altered the role of state and created inevitably greater space and voice for a diversity of stakeholders, actors and players other than the central state to participate more actively in EAC development processes. The next part will provide a conceptual understanding of NSAs, invariably also known as CSOs.

**GRAPPLING WITH CONCEPTUAL ISSUES**

It is worth appreciating that NSAs is not only a nebulous concept. In practice, it represents a hugely complex, diverse and dynamic arena of actors and players. [Cangas, 2004: 3-5] There is no shortage of conflict within NSAs, including stiff competition for prominence, credibility, legitimacy and resources. At the same time lines between NSAs and the state (and EAC) are often blurred as well. Indeed, it is not always easy to understand “who’s who” in NSA and to identify organizations and institutions that have the potential, mindset and commitment to be effective change agents in collaborative partnerships with state and also at EAC level. It is thus emphasized that the support to and ownership of EAC by all and diverse groups of stakeholders is key and strategic to the prosperity and sustainability of EAC. With this in mind, the wide-ranging participation of all segments of society should not only be encouraged but must constantly remain a permanent feature of its policy and operations. [ECDPM/GOT, 2005: 9-10]. This is in order to create enabling and favourable conditions for greater voice, equity and for effective participation and inclusion of the poorest in the fruits of economic growth and for the strengthening of the democratic governance in and within EAC. Nevertheless it will be hard for NSAs to participate at EAC level if they remain fragile, undemocratic and un-pro-active at local/community and national level (ibid). It is also important to recognize that the purpose of extending partnership to NSAs in the policy formulation and implementation of EAC is, among others, to achieve the following:

First, to contribute to the consolidation of a stable and democratic environment within EAC. Second, to increase ownership of the sustainable development process within EAC. Third, to ensure greater sustainability of mutual cooperation programmes within EAC. Fourth, to make decisions on priority areas for capacity building support to non-state actors. Fifth, to provide a framework for promotion of “Societal dialogues” between (and among) NSAs, Governments and EAC’s negotiation, consultation and/or simply exchange of ideas and information. Sixth, to facilitate access to funding from various internal, external, private and multilateral organizations. Last, but not least, to create conditions that will help NSAs to organize consultations in a way that makes it possible to start up and facilitate a continuous process of dialogue in the most flexible and adaptable way in and within EAC.

It is in this sense that NSAs themselves are expected to operate in a democratic, transparent and accountable manner, share the key development objectives and have the
capacity to present their views and proposals of their members. Likewise, NSAs should also have the capacity to report back to their members or constituencies and to other stakeholders not present in the consultations as well as to disseminate information to a broader range of organs, including grassroots. But for NSAs, to do so effectively, they need development of skills in lobbying, advocacy and negotiation techniques, participating in legislative work, analysis and presentation, and establishment of networks and/or organized activities.

Thus capacity building is essential to enable NSAs to play a constructive and more pro-active role in the EAC development process. However it should not be seen as a final objective, but as a means of attaining EAC development goals. In broad terms, capacity building should support NSAs to achieve the following: First, to improve internal structure and organization, constituency building (e.g. broadening networks), the development of leadership qualities, the development of analytical and advocacy skills, sustainable fund raising mechanisms, etc. Second, to perform an advocacy role vis-à-vis Government at local, national and regional level, ensuring that the needs of the grassroots are represented at all levels. Related to this is continuously increasing the capacity of actors for policy analysis and dialogue. Third, to perform a monitoring role vis-à-vis the State and EAC institutions or vis-à-vis a particular issue of general interest nationally and/or at regional level. Fourth, to improve the research capacities of NSAs, in order to focus interventions on pro-poor development policies to articulate poor communities’ concerns, Governments’ and Donors’ agendas and to identify “best practices” to be replicated and adapted to other contexts facing similar development challenges in and within EACs.

It should also be noted that the initial enthusiasm towards NSAs could also be receding: not all organizations of society are as civil as they appear and not all “NGOs” are as non-governmental as they claim. Their representativity, accountability and sustainability are often weak and in many instances some NGOs are highly politicized. In some parts of Africa, for instance, NSAs have tended to replace opposition parties as channels of dissent and discontent. Indeed, for a variety of reasons, it is often easier, safe and more profitable to do politics from an NSA angle than within a political party. These circumventing strategies are in many ways understandable given the political climate dominating many democratizing countries, characterized by systematic distrust, subtle repression and continuous harassment. But they undermine the very foundations of a genuine democratic polity and the principle according to which NSAs should be apolitical. Thus while we should encourage and celebrate the participation of NSAs in promoting and sustaining EAC, we should be always alert on such negative tendencies, which, if not checked, could be detrimental to the very foundation that created them. Only NSAs that address the needs of their members, have specific issues for dialogue and are managed democratically with transparency will be considered legitimate partners in the new EAC.
The art of strengthening “NSAs” encompasses: legitimacy, accountability, transparency, credibility and representation as major cross-cutting themes. In recognition of the growing prominence of NSAs on the world stage, EAC partner states should explore new participative and accountable models for promoting individual and collective governance within NSAs and the EAC. In other words there must be “good governance” agenda for CS within the national and EAC context in terms of being accountable to themselves, nationally and at EAC level. The following figure summarizes structured accountability mechanisms:

One of the most important factors determining the legitimacy of a NSA organization is its degree of embeddedness in society. Associations that have a clear mandate, agenda and the capacity to advance the interests of their members have the greatest chance of becoming key political players and actors. At the same time, ability to enter the policy making terrain and landscape depends on organizations’ capacity to make use of well-funded research in advocacy campaigns, to develop skills of persuasion and to access spaces, such as EAC, where policy is formulated. In these ways organizations e.g. professional associations, cooperative and trade unions etc. are able to reproduce their constituencies both at national and EAC level. NSAs are becoming aware of the need to set up a clear governance agenda that effectively deals with issues of representation, both within the NSAs themselves and across the EAC. Indeed setting up and furthering this agenda will increase the ability of NSAs to satisfy their constituencies’ demands and ensure they are credible, active, legitimate and accountable at all levels of EAC.

Gradually as NSAs are being recognized as formal partners in EAC development, more attention is being paid to their inter-

Figure 2: Accountability canvas of Non-State Actors
nal governance and internal structures. The expectant is that NSAs promoting democratic governance should practice what they preach, if they are able and remain credible. However, the right of NSAs to influence public policy making without being an elected body is often called into question as few NSAs derive their only legitimacy from democratic election processes.

It is emphasized that accountability entails concrete mechanisms to hold an organization responsible for its actions, through either rewards or sanctions. In general terms, accountability requires that EAC be fully committed to deliberately creating greater space for NSAs in order to provide itself with checks and balances, in addition to treating NSA as key and strategic partners. Also, people or institutions affected by the EAC’s actions should have means to legitimately report concerns, complaints and abuses, and get redress if needed. NSAs must also respond to claims raised by a wider range of actors and players upwards to their trustees, government and resource providers and individuals downwards to their partners, networks of peer organizations, local communities’ staff and supporters.

It should also be emphasized that the role and agenda of NSAs are indeed broad and diverse. Todate, debate has revolved around issues of trust, legitimacy, autonomy, proved performance, and voice, internal democracy and strengthened accountability and transparency. In our view only when NSAs address seriously these issues will they qualify as legitimate and responsive partners in EAC development. Needless to say there is a long way to go till this goal is fully realized and recognized. Most analyses of NSAs consider four organizational levels: The first, and broader level is composed of the Grassroots Organizations. These are generally informal groupings that provide coping strategies to address an immediate constituency issue. The second level is that of formal and structured association opening at local, national, and regional level, such as NGOs and are geared by social responsibility and demands. The third level is made up of umbrella organization and thematic network, such as national association, federation and thematic groups that champion common interests, share information, set up strategic partnerships and secure funding. Finally, the fourth level is constituted by platforms, which are a dialogue for the umbrella organs and networks. Claiming legitimacy only on the basis of legality can be problematic in countries where freedom of expression and association are not clearly protected by law or where there is mutual suspicion between Government and NSAs. The next part focuses on the main challenges that NSAs face and have to overcome in order to enable them become more active and pro-active development partners in and within EAC.

**NSAS AND EAC: CHALLENGES AHEAD**

That NSAs have an important role to play in enhancing and sustaining EAC should not raise any controversy. However it is emphasized that the implication of non-state actors is not limited to mere participation in the implementation of projects and programs of EAC at local level. In our view non state actors are to, first be informed, demand to be influenced and in-
involved in dialogue on all EAC policies, strategies and priorities. Second, they should demand to be involved in the implementation of EAC projects and programmes. Third, NSAs must demand to be provided with resources to support EAC local development processes. Fourth, they should demand to be provided with building support in critical areas in order to reinforce their capabilities, particularly as regards organizational matters and representation, and the establishment of consultancy mechanisms including channels of two-way informal and formal communication and dialogue, and to promote strategic alliances inside and outside EAC. It is also emphasized that non state actors in EAC can play roles as both service providers and advocacy agents. Non-state actors may play either or both of these roles. As service providers, they may be involved in the implementation of EAC projects/programmes. As partners in dialogue, they shall voice views of the groups they represent and consult with decision makers within the Government and the EAC in the strategic and programmatic orientation of the cooperation with the EAC. Both roles also involve their participation in the monitoring and evaluation of the performance of EAC. This means that they should take an active part in the review of the impact and efficiency of the EAC and policies/programmes affecting them. The purpose of extending partnership to non-state actors in the implementation of the cooperation process is to achieve the following:

First, contribute to the consolidation of a stable and democratic environment within EAC. Second, increase ownership of the development process with EAC. Third, ensure greater sustainability of cooperation programmes within EAC. Fourth, make decisions on priority to capacity building support to non-state actors. Finally, provide a framework for promotion of “social dialogue” between NSAs, Government and EAC negotiation machinery.

The challenges confronting EAC development are many, complex and varied. However they come from two inter-related sources: First, constraints imposed by hostile international economic and political dis-order within which their economies operate and second, domestic weaknesses deriving from social, economic and political structures and the notorious neo-liberal structural adjustments policies and programs. Given the fact the global non-actors are normally allies of the poor, it is incumbent upon non-state actors in the EAC region to rally with their global counterparts for not only moral but material, political and technical support so that non-actors in the region could acquire greater voice and space that would enable them play a more pivotal and strategic role in enhancing EAC. This would include first and foremost EAC is controlled, managed, owned and benefits EAC people and not an exclusive market for international trade, their corporate conglomerates and/or individual or groups of EAC leaders.

The non state actors must be enabled to have the necessary mind set, skills and capacities to promote a renewed EAC wide engagement on its own development goals and initiatives. Indeed non-state actors need to get training, advocacy skills and capaci-
ity to contribute to and engage in dissemination of knowledge of the issues at stake; engage with and participate in the mobilization of social groups around their interests and appropriate strategies of EAC development; and engage with governments and policy institutions at local, national, regional and continental level and expand collaboration with their colleagues at the global level.

Above all partner states in the EAC must take measures that will require the re-constitution of the developmental state: a state for which social equity, inclusion, national unity and respect for human rights form the basis of political and economic polities; a state which actively promotes, and nurtures the productive sectors of the economy; actively engages appropriately in the equitable and balanced allocation and distribution of resources among sectors and people; and most importantly and which integrates people’s control over decision - making at all levels in the right, equitable use and distribution of social resources. A common challenge is the weak internal organization e.g. decision-making processes that are not always clear, archives and files that are not well organized, no communication system that makes information flow through an organization difficult and unreliable and structure and systems that are inadequate, etc. There are regular complaints about “briefcase NGOs” in East Africa that are focused on mobilizing donor funds but end up using these scarce resources for personal gains. In other cases organizations are highly personality- driven and focused on a leader rather than development concerns or institutional structure. Some challenges are common. NSAs have a particular challenge in terms of donor dependency. As a matter of fact very few have a strategy that envisages sustaining themselves beyond ad-hoc project financing. This problem is compounded for organizations that have been successful and are under tremendous pressure to grow at an “unnatural” pace. A major challenge specific to pure development organs is to bring their objectives in tune with the available resources within their local priorities and capacity. Other related challenges include the following: First, policy dialogue on EAC proves most successful when it is participatory and civic organs collaborate effectively. Second, there is hardly any publicly known policy agenda that is known in advance or which NSAs have provided an input. Usually NSAs come in when “the food is ready”. Third, there are no terms of engagement that bind EAC and non-state actors in dialogue to respect a certain procedure or framework. Fourth, channels to organizational dialogue are not always clear. Fifth, policy dialogue at EAC level is currently developed at macro level, than at sector and grassroots level and of particular significance are voluntary organizations in which women and youths who hardly participate. Undoubtedly, they represent a key social force for EAC at the grassroots level, for they are able to find easily a common language across borders and a united by the similarity of their experiences, concerns and roles in society. However a number of operational challenges arise in the process: NSAs diversity can hamper efforts to define a common agenda for EAC as a whole, the right of governments to oversee NSAs operations can be hard to reconcile with the
right of NSAs to participate in the political EAC landscape and terrain. Third, assessing in-house democracy requires complex institutional analysis, fourth, upward and downward accountability demands are sometimes antagonistic and difficult to reconcile and finally, adopting a mult-factor approach to EAC governance regimes that roles be re-defined and power relations reconsidered.

At the same time the diversity that exists across NSAs is an obstacle to defining a universal good governance framework that is applicable throughout EAC, particularly as regards the criteria for accountability, transparency and internal democracy. For instance, certain standards of practice may be beyond the reach of small NSAs e.g. few grassroots organizations are able to afford annual auditing by independent professional companies. In this framework, it would be wise to allow some versatility in the choice of tools and check list that organs can use to comply with minimum standards.

**EAC AND NSAS: WAY FORWARD**

The resolve of the people and Governments of East Africa towards political and economic integration now seems irreversible. Unlike in the past, the new initiative is not only a bold one, but is based on broad participation and inclusion of various segments of people whose stake in it is as important and valid as that of its leaders at both national and EAC level. The need and importance of NSAs playing a pivotal and strategic role in EAC is not only recognized but also encouraged. However the envisaged collaborative partnership between EAC and NSAs is still fragile and uncoordinated both at national and EAC level. In our view, the national Governments, EAC and NSAs have to do more individually and collectively to enhance the partnership, collaboration and all round inclusiveness. Goodwill alone and mere rhetoric will not be sufficient. Concrete actions in terms of policies, regulatory framework and implementation of the same will make a huge positive difference on all stakeholders.

NSAs will need to improve their knowledge base and technical capacity to make meaningful contribution to the cause and ideals of EAC. But often they focus very one-sidedly on knowledge and analysis not enough on the equally important other aspects e.g. negotiation, advocacy, lobbying, dissemination etc. Many NSAs are convinced that their suggestions and/or demands are urgent and legitimate, but few have recognized that “how” is as important as the “what” to conclude successful negotiations both at national and EAC level. It is emphasized that meaningful dialogue between NSAs and EAC will not only depend on decisions by NSAs, but also by Governments and EAC that communicate their agenda timely, invite organizations with enough lead time to give them a chance to prepare contributions and consult with each other, and provide the necessary information in a consistent, effective and transparent way. There is a clear need to further structure and institutionalize participation, inclusiveness, accountability and transparency in the way EAC and NSAs interact and collaborate on all important issues related to integration. Indeed some NSAs may be happy that they are more regularly consulted by Governments and EAC, but get frustrated by the
apparent lack of serious involvement and participation in the key decision-making process after the consultations. This leaves a perception that participation is not based on a genuine partnership.

In addition intense civic education will need to be carried out in each partner state and at EAC level to promote awareness of the idea of EAC and to prepare the general public not only to recognize its legal and political existence, but equally important, the public must continue to demand the ownership of EAC. There are already a number of formal and informal integration processes among the professional bodies and Civil Society Organizations whose involvement is important for reducing any socio-economic and cultural gaps among the citizens of East Africa. This process also helps in building mutual confidence for cooperation and further integration. The East African Business Council, representing the private sector and the East African Law Society are among these civic associations. In this context, great importance attaches to the promotion of cultural exchanges, sports events and other social contacts at the level of ordinary people to people relations. Indeed this type of integration and cooperation would build solidarity and bridges between (and among) peoples of partner states and would indeed contribute to mobilizing public opinion in support of EAC. Likewise, special attention should be given to establishing cooperation among organizations and institutions representing the self-employed, neighbourhoods groups, and NGOs, and voluntary organizations that continue to spring up throughout Kenya, Uganda and Tanzania.

CONCLUDING SUMMARY

The New East African Cooperation has embarked on a serious and completely new Cooperation Treaty that is different from the defunct East African Community which was disbanded in 1977. In the new EAC priority is given to making sure that the new integration learns from history and never repeat the same mistakes again. The exclusion of civil society and the private sector from participation in the cooperation and integration processes and activities was a glaring blunder in the disbanded East African Community. The main thesis of the paper was that the pivotal and strategic role of NSAs is inevitably crucial for not only “socializing” EAC within public sphere, but equally important, to make the various segments of the population in East Africa demand a stake, voices, participation and all round inclusion in all matters related to EAC. In this way, integration has a greater and more robust chance of not only mere survival but will be easier to maintain and sustain since not a single leader or group of leaders will have an exclusive monopoly to abolish the new EAC. It is worth summing up this paper by these words:

“The primary bond that links the countries and peoples of the South is their desire to escape from poverty and underdevelopment and secure a better life for their citizens”

REFERENCES


This paper examines the use of Public Administration approaches to target Policy Development as vehicles for the African Union (AU) and The New Partnership for Africa’s Development (NEPAD). The paper supports the general and founding principles of the NEPAD vision. But at the same time, the paper contends that the AU must play a significant role in the continental development of this great concept if the NEPAD-AU equation is to create that significance balance. Moreover, the culture of cooperation within the NEPAD initiative between AU Member States will further improve the procurement of good governance on the level of self-governing units, local governments and municipalities. We note that several African states have in one form or the other forgotten the implications of collaboration with the aims of continental development. A number of suggestions are offered towards improving this situation. Although the road to a meaningful collaboration within NEPAD states lies in the future, the present is crucial for Africa’s economic and political recovery.

An examination of the literature in the area of development theories provides a plethora of terms descriptive of these different theories: economic theories, welfare theories, empiricism, subjectivism, evolutionary theory, neo-Marxist theory, Marxist theory, modernization theory, dependency theory and public administrative reform theory. Pervasive throughout the development literature, however, is an obvious dichotomy between dominant ideological shifts towards development and the liberation paradigm shift which articulates the notion of redress, compensation and equitable redistribution of resources (Hochschild (1978:3; Deblois (1976).

Closely related to these divergent theories, perspectives and policies are issues that address the relationships between African states and the levels of cooperation in the coordination of policies for development. Directly related to the concern of developing areas are the models which are used to shape the development process and the sustained levels of accountability, leadership and governance. Riggs (1964:12) questioned the assumption that works well administratively in developed societies (G8+) will work well in developing societies. Based upon the assumption of moderniza-
tion and desirability to achieve a state of efficiency and effectiveness in public administrative practices, most developing nations utilize systems which may not really address the needs of local concern. Policies become clouded and often too many a time, are not implementable and they lack a targeted focus.

Most African governments, international agencies, and other policy makers in the area of policy-making and development, often emphasize policy targeting as a strategy for implementing programs and projects. For governments in Africa, and with the NEPAD initiative, uneven development and complex patterns of social and class differentiation, the need to ensure fiscal budgetary discipline and an effective peer review mechanism among other factors, have made it necessary for the adoption of targeting as a methodological approach to address development. For instance, policy targeting has often been emphasized in poverty alleviation programs or projects. Not only is targeting widely recognized as a means for implementing policies, but also for ensuring an equitable distribution of projects such as infrastructure and the NEPAD initiative. “The marginalization of Africa in every aspect, and its current high level of poverty are no longer in doubt” The issue arising out of these is how to arrest this downward trend and put Africa back firmly on the world’s development agenda” (Nkuhlu 2002:2). However, recent experiences with program implementation through targeting in some African countries, suggest that targeting tends to be a highly sensitive issue and a potential source of tensions particularly in multi-ethnic, multi-layered public bureaucracies or relatively diverse societies. Therefore, it is thought that separate targeting policies are required as apart of a comprehensive national development strategy.

The assumption that an African country tends to be characterized by uneven development among its component units, regions or groups of people implies that such areas or groups which were considered ‘backward’ should be targeted when implementing programs and projects aimed at ensuring equitable development of the country. Gordon Sullivan and Michael Harper once stated that “if an organization is to strive towards the achievement of set objectives, the possibility lies in breaking down outmoded structures and creating an organization that can thrive in tomorrow’s uncertainty” (1996:84). More often than not, targeting results in controversies and criticisms from other sections or groups who see targeting as a means of concentrating national resources in the development of specific areas while neglecting others. Thus targeting could be a major source of political and/or ethnic tension in countries where ethnic and tribal sentiments often play major roles in issues concerning development and resource allocation. In support of this notion, African Heads of State and Governments participating in the African Union agreed to address the issues of Democracy and Good Political Governance, Economic and Corporate Governance, Socio-Economic Development and an African Peer Review Mechanism (NEPAD 2002:4). These are some of the very important and key features of the principles guiding the NEPAD idea.
The above are simple instances of targeting and its likely implications, and a suggestion that targeting any type of development programs and aids is not completely crisis-free. Nevertheless, some critical issues surrounding program/policy implementation in which targeting is an instrument are often neglected during the design of such programs or policies. Most development aid programs to African countries appear to have assumed similarities in characteristics among all aid recipients. Often there is no consideration for country-specific issues, such as a society’s sensitivity to ethnicity or cultural diversity. It is within this concept that the NEPAD idea must play a vital role in emphasizing the African equation to development and policy revisititation. The issues of democracy and good governance have a bearing on the rule of law, the equality of all of its citizens, the sustenance of the principles of equality of opportunity for all and the adherence to the principles of the separation of powers, while at the same time, maintaining the independence of the judiciary (NEPAD 2002:4).

Moreover, the inability to separate policy design from its implementation often results in additional or associated costs (financial, social, political, and economic) in development programs during implementation. These are in the form of increased administrative costs to national governments and, attempts to ensure that a given program reaches its intended or targeted beneficiaries may also raise transaction costs, it may also raise the cost of providing incentives to the economy, and may create an overall reduction in political support. In most cases, such costs are often overlooked during the program and project planning stages, thereby posing severe constraints on a smooth implementation process. In view of these and other reasons, the need for policy targeting as a strategy cannot be overemphasized. In support of the principles of good governance, the policy approach of targeting can be used to address the mechanisms to be put in place when adopting standards, as this will require specific and clear codes of behaviour between member states.

The objective of this paper is to provide insights into the question of how policy targeting can be designed in order to make program implementation meet the requirements of more effectiveness, minimum “costs”, and optimal public administrative and political support. Attempts to provide answers to this question are presented in a policy-making framework. The paper looks at these major policy requirements for targeting development programs and projects in the context of an African country.

NEPAD AND TARGETING STRATEGIES FOR DEVELOPMENT

Conceptually, targeting is intended to answer the question, who benefits from a given development program/project such as NEPAD. It involves the identification of specific beneficiaries of a given development program or project. A given program or project, in this case, is an object of public expenditure. Thus, targeting is a key design principle in public expenditure. It is also a key instrument for policy imple-
Targeting methods are used as a means by which programs such as those intended for poverty alleviation are implemented. In this case, poverty alleviation programs such as the provision of safety nets and income transfer for an identified group of people is an instance of targeting. Here, targeting emphasizes distribution of program benefits to lower income groups. More generally, in an agricultural development policy, an instance of targeting is directing payments to small or financially handicapped, vulnerable or poor farmers, or in micro finance, which provides direct credit assistance to micro and small enterprises.

On the other hand, identified beneficiaries of a given project may be a group of people for which the project has been specifically designed. A group of people can be identified in terms of certain characteristics or conditions that make targeting a necessary means, by which, to benefit from such a program/project. These characteristics and conditions have economic, social and spatial/locational dimensions, each making it necessary to target development programs.

Firstly, in African public policy, protocols and economies have experienced uneven development of the various segments, units, or regions. Historically, a source of uneven development in African countries can be traced to the development of capitalism, which was experienced by the colonial societies in Africa. This was through African incorporation into an emerging world market and international division of labour, typically initiated during a period of European colonial rule. In this sense, capitalism came to these societies from outside rather than resulting from their internal dynamics. Thus there have been significant fundamental social changes of the chosen characters of capitalist development in African countries. This suggests key connections in the relationship between capitalism and colonialism and also, significant variation in the colonial experience, which resulted in uneven development within African colonies.

Therefore uneven development within a given African country can be said to have resulted in links between economic sectors, technology, and social forms of production, in a spatial as well as social division of labour. The development of capitalism thus reshaped pre-existing social divisions, as well as creating new ones. Uneven development thus resulted in social differentiation. It has resulted in social relations of systemic inequality along lines of class, gender, and divisions (e.g. tribal and ethnic), and the process through which these social divisions and relations are created. Therefore, programs aimed at reversing this trend, tend to emphasize targeting areas or groups, which have been left out of development.

Secondly, the crisis of the ‘developmental state’ in African countries poses a critical problem. The central role of the state in public administration, development planning and economic management has had a strong resonance in Africa. It was seen as a principal means of managing the economy, directing it away from the interests of financing capital and markets toward meeting national needs and aspirations. The cri-
sis of the developmental state that emanated from this central role of the state in the 1970s and early 1980s in Africa and even recently, in the 90s in South Africa, has resulted in locational and social differentiation in a considerable number of countries. The crisis of the developmental state has had far reaching implications, which resulted from the regular and persistent deprivation being experienced in many African countries. There had been fallen export volumes and values, squeezed import capacity, and problems of food supply, which together escalated external borrowing, followed by a decline in their credit worthiness.

In addition, Henry Barnstein, in 1992, in his study entitled “Agrarian Structures and Change in Sub-Saharan Africa” reports that poor and negative rates of return to investments in development projects increasingly frustrated and embarrassed the aid agencies especially the World Bank, that were centrally involved in their design, funding and management. Thus, the economic crisis of the 1980s tended to accentuate the unemployment situation and drastically undermined real incomes through rapid inflation.

A third condition, which may make targeting a given development program necessary, is what Robert Chambers, in 1988, in his work on poverty in India, referred to as ascribed deprivation. This means that certain categories of people in a given country are more likely to be underdeveloped according to ascribed characteristics such as their gender (usually women), membership of a marginalized or oppressed group, ethnic or minority groups, low castes, tribes, age and politically isolated entities.

Fourthly, targeting mechanisms are also necessary where development experiences in a country can be distinguished spatially. This may be applicable to certain regions, rural localities, or types of rural development experienced. Even some villages may be more underdeveloped than others. Moreover, a group of people or a given location can be distinguished according to their different livelihood strategies in the regions, or the geographical characteristics, such as in arid areas.

The attempt by some African countries to restructure their national budgets and institute elements of good governing principles can also make targeting development programs necessary. Countries are being advised by international financial organizations such as the IMF, the World Bank and G7 countries, to cut expenditure and employ fiscal discipline in their budgets. An implication of this tends to be a reduction in the number of programs or projects that the government will finance. Thus, targeting government expenditure in the most desirable areas may be necessary. But all of these must be coupled with the idea of good governance and democratic principles. To this end, the new notion of human development, which puts people at the centre of all development efforts based on exercising choices, cannot be fully captured without targeting. Targeting appears to be a way of putting the human development paradigm into practice.
The above conditions imply that if development programs were designed to ensure equitable welfare, then focusing the benefits on the needy clearly appears to be appropriate. A targeting policy can be designed with the aim of satisfying some stated objectives, which are the desired outcomes in the proposed policy.

Such objectives may include ensuring the equitable distribution of objects of development programs among major sectors of a given economy, such as micro-finance and credit to farmers and the implementation of remedies for past discrimination, marginalization, or inequalities in the distribution of development programs. At the same time, through an increase in the participation of people in minority areas in the development process and increasing the levels of diversity initiatives, there can be an ensured position of efficiency of government expenditure on programs and projects in terms of cost effectiveness and fiscal discipline.

Three requirements or watchwords are necessary in the design and implementation of a targeting policy. These are effectiveness, which ensures that the target group benefits directly from the program; minimal cost, in order to ensure efficiency; and, optimal political support, which guarantees the sustainability of the program, and ensures the participation of interest/pressure groups and stakeholders. Therefore when designing policy for targeting development programs and when considering feasible options for adoption, it is essential that these requirements or criteria be met.

In addition, policy makers in this area should carefully consider the possible use of a racial and ethnic neutral approach that could achieve the same goals while at the same time, using the demand oriented approach, which ensures alternative targeting mechanisms. While it is imperative to enforce fiscal responsibilities in order to reduce risks, the major concern will involve further consideration of the stakeholder issues such as leadership, politics and ethnicity. NEPAD, as a project of the African Union, must ensure flexibility of program distribution by avoiding a strict regional quota system and must subject distribution of projects to demand driven initiatives. The issue of the impact on non-minority regions and groups, as well as the expected extent and duration of the program, can be observed through close monitoring, and coordination of viable programs which must play a pivotal role if NEPAD and its grand initiatives are to succeed.

It is a vital requirement for governments within the NEPAD mandate to monitor and maintain country human development profiles which are based on information and other indicators. These profiles should spell out past achievements, continuing human deprivation, disparities, and future goals. However, it should be noted that this requires rigorous data gathering in order to adequately identify the present and future priority needs of a given section, or region in the country.

Targeting policies should be designed as part of comprehensive national development strategies for poverty alleviation and
human development. Effective public policy targeting must be seen as a way of bridging the gap between economic growth and human development. Nevertheless, this requires the participation of all the segments of a given African country, regardless of social or class differentiation or ethnic affiliation. It should constantly seek a viable political strategy to develop national consensus and public support for economic and social reforms. This also requires the decentralization of all development initiatives and the creation of incentives such as tax shelter, which could jump-start the economy and in return, encourage and stimulate private sector initiatives, as well.

Creating the equation of participation

At the national level, international development agencies should be involved in order to reduce political pressures on the government. In this case, inter-governmental units should have access to the agencies in their respective capacities as units of independent regional government. This approach should facilitate the creation of sensitive governance infrastructure between governments and other stakeholders to create an active civil society. NGOs and community groups could also play a vital role in enhancing human development. These groups generally tend to supplement governmental efforts in the provision of services. They can extend certain services to the people and groups who otherwise have remained under-served. NGOs can also play a vital advocacy role by motivating public opinion and community participation and by helping to shape development priorities.

The demand-oriented targeting option can be seen as a more practicable option compared to other stated options. This is in terms of its potential for ensuring the flexibility of programs through alternative methods, beneficiary participation, the sustainability of programs, the advantage of reaching the intended beneficiaries directly, and in terms of its being socially and politically acceptable to the public. It should be noted, however, that fiscal decentralization that may result from demand oriented targeting, tends to pose a challenge to the targeting of programs in resource-poor regions. Some evidence suggests that the poor in resource-poor regions may not gain from decentralization if revenue assignment does not match new expenditure responsibilities. In future, more analytical work may be required in this area.

The ultimate goal of the Southeast European countries is to provide conditions for sustainable development and enhance the welfare of their respective populations. Efficient use of resources is a critical prerequisite for transitioning from survival to development, developing modern regional infrastructure, and integrating with the community of developed states. Partnership with developed nations and good governance will provide the driving forces and tools for enhancing the capacity of national institutions to make sound policies for the effective and efficient management of resources. These actions will support the efficient and coordinated interaction between the state, society and business institutions.
THE NEPAD APPROACH

The strategic goal of the project is to provide for sustainable development in the region by playing a central role in overcoming regional barriers and creating favourable conditions for the penetration of advanced technologies to facilitate efficient use of the local natural resources (depletable and renewable). For this purpose, a Regional Network for Efficient Use of Resources could be established. It will function as a permanent mechanism for introducing municipalities to the principles of demand-side management (DSM), Executive Capacity Building (ECB) and Integrated Resource Planning (IRP). This will assist municipalities in the identification, development and implementation of local and regional investment projects for energy efficiency, efficient use of fuels and water, and other natural resources. In addition, the network can address areas that need focused examination in municipalities throughout Africa, to improve the prospects of implementing investments for the use of viable resources.

Equating Capacity to Continental Building

For the NEPAD idea to become really functional, it must be realized that the concept of NEPAD is only “a pledge by African leaders, based on a common vision and a firm shared conviction” (NEPAD, 2001) among leaders of the African continent. Africa and NEPAD need to create an information pool to address the complex problems of the NEPAD idea. NEPAD needs to create an information database on best practices and disseminate the lessons learned. It needs to initiate an Internet based information exchange system, based on advanced communication technologies. It must develop a computerized database for comparing energy consumption among municipalities, thereby providing useful benchmarks through the provision of information on sources of technical expertise capable of examining specific energy efficiency projects. In this connection, it should be able to provide information on sources of financing, including lenders and equipment vendors. The training of local end users, project developers and bankers on development, implementation, monitoring, and evaluation of bankable and viable projects for efficient use of resources is a needed imperative. Funke and Nsouli (2003) noted that “weak domestic policies have contributed” to “lacklustre performance, though factors that are beyond the control of African countries, such as negative terms of trade shocks, have also affected performance” (2003:5). NEPAD’s overall goals should be focused to some extent on assisting local authorities with the development of local and regional strategies, synergies and action plans to build local institutional environments for their successful implementation. For example, on the energy front, NEPAD and its functionaries should be able to assist the participating countries with some introduction of innovative governance and financial mechanisms and practices in respective countries. The effective utilization of the established Regional Network should be acted upon for the efficient use of resources in the participating countries, as this could help develop a strategy for the transition to
self-sufficiency. All of these ideas could culminate in the creation of a centralized Commission for the AU, which will in turn, serve NEPAD’s needs. Direct outcomes of this effort of NEPAD’s continental initiatives will be the procurement of trained local experts on governance, policy, project developers and bankers through an established Regional Network for Efficient Use of Africa’s Resources to facilitate project identification and implementation. The need for a strategy and Action Plan to sustain a political, administrative and policy network as part of a Regional Network and the creation of a pipeline of national and regional projects for financing and implementation.

Joint investment projects for the reconstruction of the region will serve as a basis for communication and collaboration at the local level in the regional blocks of the AU, which will contribute to overcoming the traditional conflicts and the tensions between the countries in the region. Furthermore, an aggregation of regionally based small and medium-size projects will increase the attractiveness to foreign investors and, thereby contribute to the economic development of the region. In addition, savings (from reduced consumption of fuel, water, raw materials and energy) will allow local authorities and industrial enterprises to satisfy other urgent demands and or allow them to re-invest in new projects for efficient resource utilization. A centre of excellence could emerge through the establishment of a reliable collaborator for international organizations and financial institutions in the implementation of programs for reconstruction and stabilization of the Continent. This will serve as a resource for harmonization of regional policies with AU policies in the various fields of resource utilization, policy training and administrative planning, good governance and leadership issues.

The centre of excellence could become a permanent source of ideas on nation-states planning and will facilitate dialogue between local, national, and international organizations at all levels (government, private sector, financial, and public interest). The network could be based on the fundamental concept of partnership and joint actions in the post OAU reconstruction process (AU) to replace a competitive and divisive environment existing between, and sometimes within, the states of the region.

At the end of this process, member countries of the AU will have the capacity to establish and maintain national networks, among others, to develop municipal energy strategies, develop bankable investment projects, and raise funding for their implementation. A strategy for the future development and self-sufficiency of these regional networks will outline the important role of the local municipal networks. After three to five years, it is envisioned that the regional network will limit its function to supporting regional cooperation through the exchange of experience and lessons learned. Thus, the role of the regional network will be to transform existing infrastructures from being a driving force to a catalyst of good governance, which will drive the NEPAD initiative.
Financing the network

It is envisaged that such Centres of Excellence will be self-sustaining and should consist of a voluntary association of local authorities, NGOs, and other enterprises from participating states. Initial financial support will be required for founding the network and developing a strategy for Development and an Action Plan for the first years of operation. A viable centre for the collection of basic information on the resource utilization and efficiency potential in the region; building the capacity of local organizations to identify and implement investment projects, and creating a system for peer exchange between the participants; and assisting municipalities in developing an initial package of regional investment projects at the local level.

Equating Governance Imperatives to Development

A great number of citizens, although interested in the quality of public services that the state should provide, are not acquainted with the process of creating, preparing and executing the budget. They, therefore constantly demand answers as to how public money is being spent, and are trying to get more actively involved in the budget discussion. Citizens understand that the budget contains funds gathered from all taxpayers, but also that the budget revenues are limited, and that the state fulfills the needs of those who can publicly demonstrate, justify and fight for those needs. Therefore, in order to actively participate in budget discussions, citizens need to become better acquainted with the budget process, its acceptance and execution. On the other hand, government representatives, from the president to those in parliament, need to make suggestions for the best allocation of budget resources with respect to the needs and desires of participating citizens through a guided, yet complex set of procedures.

The goal of this type of infrastructure within the NEPAD initiative will be to improve public services infrastructure at state and local levels by transferring expertise between AU member states. The personnel will also be trained to make use of relevant computer programs across borders. In a similar vein, the capacity building process will strive to develop specific skills concerning, the strengthening organizational structures in terms of accountability and transparency; monitoring techniques; the development of successful communication strategies; the running successful public awareness campaigns; the development of efficient relations with the media and an understanding of its rules and operational procedures with the development of sound relations with the business community and an understanding of its rules and operational models, and the promotion of effective municipal governance and the establishment of cooperation with local government authorities.

CONCLUSION

The culture of cooperation within the NEPAD initiative between AU Member States will further improve the procurement of good governance on the level of self-governing units, local governments and...
municipalities. But at the same time, we note that several African states have in one form or the other forgotten the implications of collaboration with the aims of continental development. Such cooperation could include the exchange and sharing of experience and knowledge acquired through their individual cooperation with local governments. It could also share international best practices both continentally and internationally, and knowledge acquired at various training stages could be widely disseminated with the aim of improving public and community services at the local level through an exchange of expert teams and various forms of internships.

A wider and more direct involvement of citizens in public affairs, in the decision making and problem solving processes on the local community level, through capacity building to establish and develop trans-frontier cooperation and cooperation with local governments in the region, could be envisaged. Some of these initiatives might involve direct targeted lobbying for the acceptance of similar and compatible standards in the countries of the region regarding local government powers and competencies, so as to make their trans-frontier and regional cooperation possible and effective without any special consent and intervention of the central authorities. The absolute buy-ins of different stakeholders through support to small projects directly, could positively influence the cooperation of actors such as local governments, NGOs, trade unions, media in local community building.

Finally, the analyses and suggestions positioned in this paper have brought to light some of the factors, which must be addressed in the AU’s attempt to make the NEPAD’s initiatives a fruitful one. Although the road to a meaningful collaboration within NEPAD states lies in the future, the present is crucial for Africa’s economic and political recovery.

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HIIGHGLIGHTS: RECENT DEVELOPMENTS IN PUBLIC ADMINISTRATION AND MANAGEMENT

COMMUNIQUE OF AAPAM ROUNDTABLE CONFERENCE

The 27th AAPAM Roundtable was hosted by the Government of the Republic of Zambia and held at the Zambezi Sun Hotel, Livingstone, from 5th to 9th December 2005. A total of 230 delegates from 20 countries participated in the Roundtable. These included Ministers of Government, Members of Parliament, Heads of Public Services and Secretaries to Cabinet, Directors-General of Staff Colleges and Management Development Institutes, Chairpersons of Public Service Commissions and other statutory bodies, Senior Government Officials, representatives of international organizations, management consultants, academics and researchers in institutions of higher learning. The countries represented at the Roundtable included: Angola, Botswana, Cameroon, Canada, Ghana, Kenya, Lesotho, Malawi, Mauritius, Namibia, Nigeria, Sierra Leone, South Africa, Swaziland, Seychelles, Tanzania, The Gambia, Uganda, United Kingdom, and Zambia. The United Nations Department of Economic and Social Affairs (UNDESA), the Canadian International Development Agency (CIDA), the Institute of Public Administration of Canada (IPAC), the Commonwealth Secretariat and the Economic Community of West African States (ECOWAS) are among the development partners represented at the Roundtable.

The Roundtable was a continuation of a tradition dating back to 1978 when the African Association for Public Administration and Management (AAPAM) launched its Annual Roundtable conference series. The Conferences have since been held in different member countries, with each conference addressing issues of contemporary relevance and concern, and drawing on the insight and experiences of policy makers, senior public officials, corporate and civic society leaders, and renowned public administration and management scholars.

The theme of the 2005 Conference was “Harnessing the Partnership of the Public and Non-State Sectors for Sustainable Development and Good Governance in Africa: Problems and the Way forward.”

The Conference was declared open by the Honourable Reverend Lt. General Ronnie Shikapwashya, MP, Minister of Foreign Affairs, Republic of Zambia, and Guest of Honour at the occasion. Other dignitaries present at the opening ceremony were Honourable A. Simango, M.P. and Provincial Minister, Southern Province, Zambia; Honourable Dr. Pontso Sekatle, Minister of Local Government of the Kingdom of Lesotho; Heads of Public Service from various African countries; His Worship the Mayor of the City of Livingstone; Honourable Sakwiba Sikota, Member of Parliament for Livingstone; members of the AAPAM Executive Committee; Permanent Secretaries and Chief Executive Officers.
of Public Institutions; Members of the AAPAM Council and Chairpersons of National Chapters; representatives of AAPAM’s external partners; Mr. John Mitala, AAPAM President, Head of Public Service and Secretary to Cabinet, Uganda Government and Dr. Yolamu R. Barongo, AAPAM Secretary-General.

Besides the opening address by the Guest of Honour, messages of solidarity were delivered at the formal opening by other notable personalities, among them, Dr. Joshua L. Kanganja, Secretary to Cabinet, Government of the Republic of Zambia, and the Conference’s Chief Host; Professor Victor Ayeni, Director, Governance and Institution Development Division of the Commonwealth Secretariat; Dr John-Mary Kauzya, representing Dr Guido Bertucci, Director, Public Administration and Development Management, United Nations Department of Economic and Social Affairs, New York; and Mr Joseph Galimberti, Executive Director, Institute of Public Administration of Canada.

Mr John Mitala, the AAPAM President and Head of the Public Service and Secretary to Cabinet, Office of the President, Government of the Republic of Uganda, in his address, thanked the Government and People of Zambia for providing excellent hosting facilities, the African Governments and the development partners for supporting AAPAM, and the delegates for finding the time to participate.

The AAPAM President’s statement was followed by a keynote address delivered by Hon. Felix Mutati, MP, Minister of Energy and Water Development, Republic of Zambia.

CONCLUSIONS

Papers were presented by high-ranking government officials and renowned public administration scholars focusing on public private partnership models and on the conditions that must be fulfilled for a chosen model to respond adequately to the challenges of good governance and sustainable development. The participants’ comments on the presentations clearly indicate that partnership arrangements viewed by all parties as equitable stand a better chance of succeeding than those perceived to be skewed in favour of a particular group.

Besides underscoring the importance of shared vision, the participants stressed the need for the parties to agree on the ground rules before entering into long-term commitments. While the rules must be clear on what each partner need to bring to the compact and on how to balance rights with obligations, it is essential that the rules be sufficiently flexible to allow the partnership to adjust to unforeseen circumstances and take advantage of opportunities. This places special responsibility on leaders in state and non-state institutions, and has momentous leadership capacity building implications.

The participants’ comments were not limited to “public private partnership”, but extended to other aspects of the Conference theme, particularly, good governance and sustainable development. The general view was that balancing the interests of the present with those of the succeeding gen-
erations provided the litmus test of effective public-private partnership. The participants comments may be summarized as follows:

(i) Visionary and consensual leadership is critical not only to the successful implementation of contemporary governance reform programmes, but also to the attainment of the long-term sustainable development objectives;

(ii) The policies and strategies embarked upon in various African countries need to balance the interest of the present generation with that of generations yet to be born;

(iii) The major threat to the sovereignty of African countries lie, not in the unrelenting march of globalization, but in mismanagement, corruption, cronyism, and the persistent failure to put the right persons in the right offices;

(iv) A growing number of African countries are acknowledging that the continent’s future lies in the adoption of democratic, participatory, ethically sound and accountable governance systems – systems founded on the will of the people, creating enabling conditions for civic engagement and private sector growth, and instituting measures to combat grand as well as petty corruption;

(v) The state still has a strategic role to play in economic development, but it needs to refocus its energies towards efficient and effective performance of this vital role;

(vi) Civil service procedures serve a purpose, so long as they are meant to further the cause of accountability without placing unnecessary obstacles in the way of private sector growth and productivity;

(vii) Public Private Partnership (PPP) is not a new concept in Africa, although it has attracted a lot of attention in recent years, due to the growing interest in cost-sharing, benchmarking and resource optimization options;

(viii) Successful implementation of PPP agreements hinges on a number of factors, among which are the extent to which the underlying values are shared by the partners, the clarity brought to the definition of rights and obligations, the effectiveness of the accountability and reporting structures, and how equitable the arrangements for sharing the attendant risks and benefits is perceived by the parties to the compact;

(ix) it is essential that the curricula of MDIs, Staff Colleges, IPAs, and university faculties of public administration be examined not only with a view to enhancing standards - as envisaged under the UNDESA/IASIA initiative on standards of excellence in public administration education and training - but also to prepare government and public service leaders for the challenges of good governance and sustainable development;

(x) AAPAM deserves to be commended for introducing public service awards aimed at recognizing exemplary contributions to African public administration, raising the visibility of the public service, and enhancing the morale of public administration leaders, managers, and scholars.
RECOMMENDATIONS

Based on the preceding observations, the Roundtable recommended that:

(i) The capacity for visionary but consensual leadership and for exemplary management of national resources should be accorded high priority in the design and implementation of the next generation of capacity building initiatives;

(ii) In the recruitment of political office holders and career officials, new mechanisms and instruments should be introduced to facilitate the selection of individuals capable of pursuing national strategic objectives with steely determination, promoting esprit de corps in otherwise fractious organizations, and forging strategic and results-oriented alliances with non-state actors;

(iii) To consolidate the gains of national sovereignty, African states should work hard to harness internally generated ideas and resources for sustainable development, and forge partnerships that have beneficial impact on the present as well as the future generations;

(iv) If the investment in private sector growth and entrepreneurship development is to yield the expected dividends, the public service should take proactive measures to eliminate unnecessary red-tape, cumbersome and time-consuming procedures, and needlessly elongated decision chains;

(v) Even if, based on pure economic calculations and cost-benefit analytic studies, a government decides to participate in a long-term, say, 25-40-year, public-private partnership arrangement, it should ensure that the interest of future generations is duly safeguarded rather than compromised;

(vi) The public service training institutes should serve as a major vehicle for promoting cross fertilization of ideas between the public and the private (as well as non-profit) sectors;

(vii) The curricula of MDIs., Staff Colleges, IPAs, and university faculties of public administration should be reviewed to enhance the standards of public administration education and training, and prepare public service leaders for the challenges of good governance and sustainable development;

(viii) AAPAM should continue to provide a regular forum for cross fertilization of ideas and promotion of dialogue, among the key players in the development process, particularly, the players from state and non-state sectors;

(ix) AAPAM should also take stock of its achievements to-date - which the membership found impressive - and come up with strategies for following through its conclusions and recommendations on the adoption of good practices in governance and public administration;

(x) To promote good practices in public administration innovation, extend the frontiers of scholarship and promote knowledge sharing in the field, the newly launched AAPAM Awards Programme should be endowed with adequate resources.

ACKNOWLEDGEMENTS

AAPAM would like to express its appreciation of the Zambian Government’s contributions to the successful organization of
the Conference. Besides providing highly valued logistics support, the Government placed first-class conference facilities at the disposal of the Association and extended generous hospitality to the delegates. The Association is also very grateful to the international development partners (particularly, CIDA/IPAC, the Commonwealth Secretariat, UNDESA, and Africa Capacity Building Foundation), and to the local sponsors namely, the Bank of Zambia, Celtel, Mulungushi Village Complex, National Pension Scheme Authority, Zambia National Commercial Bank, for both material and financial support. The local collaborating institutions, that is, the National Organizing Committee and the National Institute of Public Administration (NIPA) provided excellent logistics, secretariat, and general backstopping services for which AAPAM is highly indebted.
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