Private Sector Development and Poverty Alleviation: 
The case of Sub-Saharan Africa

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Abstract: Post independence, most sub-Saharan African countries initiated a growth strategy with the public sector as the main engine of economic growth and development. Following the dismal economic performance of the region through its state-owned enterprises (SOEs) or parastatals, especially during the 1970-80s, structural adjustment programs (SAP) that focus mainly on streamlining the public sector's resources and enhancing privatization were utilized in order to stimulate growth and reduce poverty. However, after about two decades of experimentation with SAP, the World Bank and IMF and other donors recognized that the traditional approach or the "top-bottom" paradigm, also referred to in this study as the "trickle-down hypothesis" to poverty reduction has been ineffectual in the case of sub-Saharan Africa (SSA). Albeit that private sector and public sector investments are not necessarily mutually exclusive, nonetheless, this study inferred that private sector investment yields a greater multiplier impact than public sector investment. Thus, private sector development (PSD) should be the main engine of growth for sub-Saharan African region. This could be accomplished via a "bottom-up" participatory method that emphasizes a holistic approach, whereby PSD initiatives are complemented by public sector investments to achieve a viable and sustainable growth, development, and poverty alleviation.

Introduction
In line with Dollar and Kraay (2001), economic growth is a necessary condition for poverty reduction. Although, economic growth does not necessarily imply development, however, significant and sustainable growth rates can provide the resources that societies need to confront poverty and high levels of material deprivation and achieve improvements in the human condition (Elu, 2000). In the public-sector-dominated economies of sub-Saharan Africa (SSA), most of the constraints to economic growth and underdevelopment were due to symptoms, actions, or outcomes of either inappropriate or poorly designed institutional arrangements (Mbaku, 1997). As a result, many sub-Saharan African countries and their donor partners have been engaged in economic experiments, notably, foreign aid and structural adjustment programs with the aim of stimulating growth and reducing poverty among other objectives. So far, the results were mixed. Overall, economic growth rate rose moderately, nonetheless, other performance indicators were sluggish (Nwafor, 2001). As Calamitsis (1999) puts it,
“although a number of countries undertook far-reaching adjustment and reform programs with considerable success, the region’s aggregate economic performance remained disappointingly weak, with falling real incomes per capita and increasing poverty throughout the continent.”

In essence, the adjustment programs could be interpreted as necessary conditions for macroeconomic stability that focuses mainly on the efficacy of the public sector. Therefore, need to be complemented with sufficient conditions such as a robust and progressive ‘private-sector development,’ albeit that privatization is a part of the so-called structural adjustment program (SAP). On this basis, this study attempts to make the case for the efficient management of economic resources via the private sector as the primary (main) engine of growth, sustainable development, and thus poverty alleviation in SSA.

This paper is subsequently organized as follows. Section II captures the ineffectual public-sector driven SSA economies and the corollary poverty crisis. Section III then chronicles the antecedents of the poverty crisis in terms of the debt crisis, the political and social upheavals, and the ensuing structural adjustment policies in SSA. The analytical framework vis-à-vis private sector development and poverty alleviation is discussed in section IV, while section V concludes with lessons and recommendations.

The Public Sector and SSA Economies
Pre-independence, most countries in SSA were part of the British, French, and the Dutch colonies. Post-independence, many of these countries embarked on a public-sector approach to economic development in their willingness to express their sovereignty and self-determination. In effect, these governments established state-owned enterprises (SOEs) or sometimes referred to as public sector enterprises. According to Guseh (2001), “Measured as the ratio of government consumption expenditure to GDP, government size in SSA increased from about 20 percent in the early 1960s and 1970s to about 28 percent and 29 percent in the early 1980s and 1990s, respectively.” As such, “Countries that were endowed with natural resources, such as Liberia with iron ore, Ghana with bauxite, and Nigeria with oil, tended to use the revenue from the sales of the resources to expand their public sectors.” Consequently, the public sector became the vanguard of economic development whereby the state not only provides the traditional function of delivering public goods and services, but also engages in the production and distribution of private goods through SOEs (Ugorji, 2001). As these state agencies or parastatals grew, the size and the role of the public sector increased dramatically. For example, in Nigeria, SOEs include the Nigerian National Petroleum Company (NNPC), Nigerian Railway Corporation (NRC), and Nigerian Airways to mention a few, while in Ghana, they consist of the State Goldmining Corporation, Ghana Oil Company, Ghana National Trading Corporation, and many others. Seyni (2001) noted the role of the state in sub-Saharan African
economies in this form: “In addition to its sovereign functions (for example, security, justice, education, and health care), it was involved in economic life through direct control over the production and distribution of many goods and services. In a number of countries, the state was also responsible for managing financial institutions, as well as controlling trade and capital flows between the national economy and the rest of the world.” In short, Mbaku informed that “It was generally believed that after independence, the apparatus of state would be used to eliminate mass poverty and deprivation and generally improve the quality of life of Africans.” To this end, the critical question is how effective have the governments of SSA been in delivering public goods and services to the masses, particularly, the poor?

To answer this question, it is necessary to evaluate the public sector’s performance by addressing the fundamental questions in terms of what, how, for whom, and can the system adapt to change? Hence, these questions relate to the basic economic functions or role of government in a mixed economy—both private and public sector that characterize most if not all of economies of SSA. These functions include (but are not limited to):

- Governance – providing a legal and social framework
- Equity – fairness or economic justice
- Efficiency – full employment of resources, and full production
- Macro stability – steady economic growth, full employment, and price stability.

Governance -- providing a good and stable institutional framework for legal and social services needed for a viable economy. This fundamental role of government ensures the provision of rules and regulations for business enterprises, property rights, and enforcement of contracts. Above all, government provides security for life and property as well as maintenance for law and order through the establishment of police force and other security agencies. Other tenets of good governance consist of transparency, accountability, sound and efficient civil service, and measures to eliminate corruption.

Unfortunately, the records of countries in SSA are dismal with respect to the aforementioned tenets of good governance. For instance, bribery and corruption seem to be directly related to the growth of the public sector. As Mbaku asserted, “the laws and institutions that the African countries adopted encouraged rent seeking and other opportunistic behaviors which significantly constrained economic growth and development.” Buttressing this point, Ugorji cited that various studies have concluded that bribery, nepotism, and venality are some of the results of excessive government intervention which constrains its ability to fairly deliver public goods and services. According to Colander (1998), “where
Governments don’t provide a stable environment, as often happens in developing countries, economic growth is difficult; usually such economies are stagnant.” The case of Liberia during the 1990s is an indication – as two factions engage in a fierce civil war for political power, the Liberian economy virtually collapsed. In a different way, the Nigerian example provided the dictatorship and military governments of Buhari and Idiagbon the opportunity to usurp power by using corruption as a mantra for their so-called “War Against Indiscipline.” In an outrageous case of South Africa, Mbaku noted that “the system of apartheid provided benefits only to whites, while subjecting the black majority to untold suffering and a life of persistent hunger, poverty, material deprivation, and helplessness.”

Equity -- that is, equitable distribution of economic resources and rewards. Experience has shown that SSA failed to allocate resources properly given the structural bottlenecks within the bureaucracy that encourage corruption.

For example, statistics show in Table 1 that government deficits are staggering due to growth in spending and inefficiency in the collection and distribution of revenues. Additionally, exchange rate policies have been inappropriate as indicated by the real effective exchange rate. Consequently, the spillover cost for exchange rate depreciation on the agricultural sector is significant as farmers in various government cooperatives receive less prices and revenues for their price-inelastic commodities.

Efficiency – in terms of full employment of resources and full production. As productive and allocative efficiencies declined in SSA, resource prices and hence, cost of production increased. Some of the negative effects include unemployment and underemployment that aggravates the ‘brain drain’ syndrome. In a critic of the current Nigerian government led by President Olusegun Obasanjo; Olu Falae (2001) postulated that “It is an economic truism that employment is created by investment in productive activities in the real sectors of agriculture, commerce, and manufacturing.” As for SSA, Table 2 indicates minor or no improvements in the growth of the economy by key sectors – agriculture, industry, and services.

Macro stability – with respect to steady economic growth, full employment, and price stability. As mentioned by Colander, these are generally considered macroeconomic goals, “because they involve macroeconomic externalities (externalities that affect the levels of employment, inflation, or growth in the economy as a whole).” Two policies can be employed by the government to strengthen and facilitate the operation of a nation’s economic stability. They are fiscal and monetary policies. The use of government spending and taxation as well as changes in the nation’s money supply and interest rates, respectively.
In the case of SSA, Table 1 illustrates that real percentage growth of GDP remains stagnant at approximately 2.2 to 2.3 during the periods of 1975-84, 1985-89, and 1990-2000. In 1999, GNP per capita was $500 for the region, while the period of 1998-99, shows an annual percentage rate of growth of GNP per capita of −0.3 in Table 3. Essentially, based on annual average, the population growth exceeds the real percentage growth of GDP for SSA (see for example, Table 1). Incidentally, unemployment rate rises in conjunction with brain drain as high skilled workers and youths leave the country in search of jobs and better opportunities to enhance their standard of living. Moreover, in terms of price stability, Table 1 shows that the GDP deflator has been rising during the periods indicated, while at the same time, the terms of trade deteriorated. All these drawbacks culminated to worsen the total external debt as captured in Table 1, especially during the 1980-90s.

Table 1: Sub-Saharan Africa: Macroeconomic Indicators

<table>
<thead>
<tr>
<th></th>
<th>Annual Average</th>
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<tbody>
<tr>
<td>Real percentage growth of GDP</td>
<td>2.2</td>
</tr>
<tr>
<td>Gross domestic savings (% of GDP)</td>
<td>20.2</td>
</tr>
<tr>
<td>Total consumption (% of GDP)</td>
<td>79.8</td>
</tr>
<tr>
<td>Gross private investment (% of GDP)</td>
<td>9.9</td>
</tr>
<tr>
<td>Gross domestic investment (% of GDP)</td>
<td>20.8</td>
</tr>
<tr>
<td>GDP deflator (Index 1995 = 100)</td>
<td>23.4</td>
</tr>
<tr>
<td>Consumer Price Index (Index 1995 = 100)</td>
<td>9.8</td>
</tr>
<tr>
<td>Real Effective Exchange Rate (Index 1990 = 100)</td>
<td>69.6</td>
</tr>
<tr>
<td>Real Discount Rate</td>
<td>-3.5</td>
</tr>
<tr>
<td>Growth of Money Supply (%)</td>
<td>14.0</td>
</tr>
<tr>
<td>Excluding Current Account Balance (% of GDP)</td>
<td>-4.4</td>
</tr>
<tr>
<td>(excluding net capital grants/GDP)</td>
<td>0.6</td>
</tr>
<tr>
<td>Terms of trade (Index 1995 = 100)</td>
<td>1.8</td>
</tr>
<tr>
<td>Value of agricultural exports</td>
<td>54892</td>
</tr>
<tr>
<td>(millions of US $ and current prices)</td>
<td>-5.1</td>
</tr>
<tr>
<td>Excluding grants</td>
<td>-5.7</td>
</tr>
<tr>
<td>Total external debt (US$ millions &amp; current prices)</td>
<td>6.7</td>
</tr>
<tr>
<td>Government deficit/surplus</td>
<td>2.9</td>
</tr>
<tr>
<td>Excluding grants</td>
<td>6.7</td>
</tr>
<tr>
<td>Net Official Development Assistance (ODA)</td>
<td>2.9</td>
</tr>
</tbody>
</table>
Table 2: Sub-Saharan Africa: Growth of the Economy by Key Sectors

<table>
<thead>
<tr>
<th>Key sectors</th>
<th>Average annual percentage growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value added</td>
</tr>
<tr>
<td></td>
<td>1980-90</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2.5</td>
</tr>
<tr>
<td>Industry</td>
<td>1.2</td>
</tr>
<tr>
<td>Services</td>
<td>2.4</td>
</tr>
</tbody>
</table>


Table 3: Basic Economic Performance of Selected Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>GNP per capita, 1999 US $</th>
<th>Average annual percentage rate of growth of GNP per capita. 1998-99</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>1000</td>
<td>6.0</td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>2150</td>
<td>-0.1</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>3840</td>
<td>-2.4</td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>2060</td>
<td>---</td>
</tr>
<tr>
<td>South Asia</td>
<td>440</td>
<td>4.2</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>500</td>
<td>-0.3</td>
</tr>
</tbody>
</table>


Review of the poverty crisis

Following independence in the 1960s, many sub-Saharan African countries' expectations in finance and economics were bolstered by growth in output and real per capita incomes, nevertheless, most of their economies stagnated in the 1970s, and subsequently declined in the 1980s. The result was the "poverty crisis" that emanated mostly from the "debt crisis." Thus, a survey of issues and policies that precipitated the poverty crisis which visited SSA would be helpful in ascertaining the extent and depth of the problems. Therefore, this section reviews the antecedents of the poverty crisis in light of the external debt problem, the political and social risks, and the concomitant structural adjustment policies in SSA.

First, the two oil-price increases (shocks) of 1973-74 and 1979-80 resulted in a large increase in expenditures for oil imports. Thus, borrowing was used as a mechanism to finance the extra importation that negatively impacted the balance of payments and led to large deficits for many
countries in SSA, while, positively led to huge surpluses for the oil-producing nations. Second, the increase in deposits in the industrialized countries' commercial banks by the oil-exporting nations fueled the lending or recycling of the dollar deposits commonly referred to as the 'petrodollars.' Third, the negative real interest rates were critical in generating and perpetuating the debt crisis. In other words, the tendency to borrow by sub-Saharan African countries was marked by negative real interest rates and willingness of financial institutions to lend and make profits. Fourth, the mismanagement of borrowed funds by many sub-Saharan African nations contributed immensely to their debt problem. These funds were borrowed mainly to subsidize consumption and investment needs, particularly, infrastructure, education, and public employees salaries. Fifth, capital flight from SSA added to the debt crisis. With rising inflation and low real interest rates, many residents deposited funds in foreign financial institutions and purchased foreign securities, thereby reducing the amount of loanable funds available in the domestic front. Thus, these countries have to borrow more capital from abroad in order to make-up for this shortfall. Sixth, the deterioration in the terms of trade of sub-Saharan African countries also exacerbated their debt woes. The declining terms of trade was in large part due to declining agricultural commodity prices which constituted the major exports of most SSA. Consequently, this decline necessitated additional borrowing in order to finance needed imports for development (Appleyard and Field, 1998). Furthermore, since primary commodities are price inelastic, the declining prices meant that total revenues and/or foreign exchange earnings decreased. For instance, as inferred by Summers (1992), “from 1970 to 1986, Ghana’s share of cocoa exports slipped from 29 percent to 8 percent, Uganda’s share of coffee exports fell by almost 50 percent, and Sudan’s share of cotton exports dropped by more than half.” Summers also noted that in 1980, the ratio of debt to GNP was 9 percent in Nigeria, 29 percent in Ghana, 33 percent in Zaire, and 50 percent in Tanzania and Kenya, respectively. Seventh, the contractionary policies of the industrial nations in order to cushion the energy shocks and the inflationary repercussions led to the declining imports and lower net exports for SSA. For example, the industrial nations raised interest rates, which aggravated the region’s ability to service its debts. In addition, for oil producing nations like Nigeria, the dutch-disease syndrome led to higher budgetary deficits and more national debt.¹

Furthermore, any serious attempt to review the poverty crisis in SSA must take into account the political and social risks coupled with natural disasters that have plagued the region since independence. They include ethnic, tribal, and religious conflicts;² corruption, especially in the public sector; and natural disasters such as famine and drought. These problems were compounded by the social health crisis of HIV/AIDS. As for the phenomenon of HIV/AIDS, it takes a heavy toll, both economic and human, as it undermines productivity, security, education, health care, civil service systems, social cohesion, and political stability. Moreover, it is reducing the life expectancy of workers, while alarmingly increasing the numbers of infant and child deaths, creating millions of orphans, widening the gap between the have and have-nots, and reversing development gains.
In sum, Elu posited that “Poor economic performance in SSA is said to be caused by droughts, poorly developed infrastructures, lack of both human and physical capital, poor natural resource endowments, political violence and ethnic wars, and such external factors as the economic policies of the industrial countries of the North—which discriminate against exporters of primary commodities, and the international financial systems which are said to undermine the ability of sub-Saharan African countries to participate effectively in the global economy.” Consequently, Hope (1999) asserted that “this economic deterioration at the national level, and the ensuing economic deprivation at the human level, resulted in the emergence of policy reform which was dominated by donor-sponsored structural adjustment programmes (SAP).” In effect, many sub-Saharan African countries have adopted SAP since the mid-1980s as a necessary condition for sustainable growth and poverty reduction. The first country that initiated adjustment in Africa was Senegal in 1980, while Ghana followed three years later, and subsequently all countries in SSA were undertaking structural adjustment policies (White, 1996). Essentially, these programs basically were initiated to eradicate the state control systems built in African countries since independence. As a result, the nucleus of the adjustment programs was market liberalization of the following: credit markets (financial liberalization), factor markets (abolishing minimum wages and removing capital subsidies), external trade (abolishing quotas, reducing import tariffs and export taxes), internal trade (removing state monopolies and eliminating price controls and related subsidies), and foreign exchange market (initial devaluation followed by a shift to a floating exchange rate regime). Additionally, SAP includes revitalization of institutions by reducing the size of the public sector (retrenchment, closure and privatization or contracting out), as well as promoting private sector activities (revising legal codes and investment incentives and removing government impediments to enterprise, including state monopolies).

As viewed by Nsouli (1989), the changes that took place in the later part of 1980s in the region were mixed. The drought ended in 1985, international interest rates fell, industrial nations experienced upturn in economic activities, and SSA experienced a decrease in oil import prices. Thus, as illustrated in Table 1, the result was an average annual growth rate of real GDP in SSA of 2.3 percent during 1985-89 period, indicating a slight increase in real per capita income. On the other hand, terms of trade declined to a dismal annual average of -3.8 percent given 1995 as the base year. At the same time, the fiscal deficit as a ratio of GDP increased, while money supply grew by an annual average of 1 percent from 14 percent in 1975-84 to 15 percent in 1985-89 as depicted in Table 1. Moreover, the external current account deficit and the ratio of external debt to GDP rose. Incidentally, implying a fall in the external debt position and declining debt service ratio.

However, beginning in the mid-1990s, sub-Saharan African region started experiencing a major turnaround in terms of overall economic performance. For example, Calamitsis noted that the GDP of SSA grew by an average annual rate of slightly more than 4 percent in the period of 1995-98.
Excluding the two largest economies in the region, namely, Nigeria and South Africa, the average annual growth of real GDP was approximately 5 percent during this period, whereas the CFA franc countries collectively exceeded 5 percent during this period, suggesting an upturn in economic activities. Nonetheless, as demonstrated in Table 1, the average annual rate of GDP remained unchanged by an estimated 2.3 percent in 1985-89 and 1990-2000 periods. Simultaneously, based on the consumer price index (CPI), the average rate of inflation in the region fell from a peak of 12.6 percent in 1985-89 to roughly 10 percent in 1990-2000. In addition, the value of agricultural exports increased from 2.0 in 1985-89 to 4.6 in 1990-2000 (based on millions of U.S dollars and current prices) despite the Asian financial crisis and its attendant adverse effects on primary commodities, particularly oil.

The economic turnaround notwithstanding, the data shown in Table 3 suggest that when compared with other regions, sub-Saharan Africa’s economic performance is lacking. Besides Latin America and Caribbean that recorded a -2.4 percent average annual rate of growth in the GNP per capita during 1998-99 period; sub-Saharan Africa trailed the other regions with a poor showing of -0.3 percent average annual rate of growth in GNP per capita within the same period.

Many economic analysts including Calamitsis, estimated that the region would need to increase average real GDP growth rates to 7-9 percent annually on a sustained basis as in the mid to late 1990s growth performances of Cote d’Ivoire, Ethiopia, Mozambique, and Uganda. Clearly, this would require substantially higher rates of domestic saving and private capital inflows from the private sector in order to enhance economic growth and development and thereby, reduce poverty significantly.

**Private Sector Development and Poverty Alleviation**

As the World Bank and IMF had rightfully admitted, the evidence has shown that after a plethora of poverty programs over the last 20 years--mostly conditionally constrained, the traditional top-down approach to fighting poverty has been ineffective. This was demonstrated by the data shown in Table 2; given the almost stagnant average annual percentage growth rate in the value added to GDP by key sectors of the economy such as agriculture, industry, and services.

In line with the World Bank Chief to Nigeria, Dr. Mark Tomlinson, despite the role of the Bretton Woods institutions, namely IMF and World Bank, and other foreign donors, sub-Saharan Africa has to find other ways and means to fight poverty. Although private and public investments are not necessarily mutually exclusive, nevertheless, Calamitsis reminded us that several empirical studies have concluded that private investment has a greater impact on growth than government investment. As a consequence, not only should the region recognize the important role of the public sector in terms of
efficacy in governance, but most notably, each nation needs to improve the structure of incentives for the private sector. In essence, Pfefferman (2001) noted that economic development and dynamic private companies are not mutually exclusive. As such, it is essential to promote a conducive environment for private sector to contribute to economic development, and hence poverty reduction. Indeed, the private sector is widely acknowledged as the main engine of growth (Kragh et al, 2000). Following the Organization for Economic Cooperation and Development (OECD), Kragh et al defined Private Sector Development (PSD) and its scope as follows:

‘Private sector’ is conceived by the donor community as a basic organising principle for economic activity where private ownership is an important factor, where markets and competition drive production and where private initiative and risk-taking set activities in motion. The private sector principle can be applied in all economic activities -- agriculture, industry and services (including the delivery of public services). Donor motivations for supporting PSD are based on promoting economic efficiency and social welfare. Donors agree that PSD is fundamentally about people: releasing and harnessing their productive potential and satisfying their human needs and desires; and creating pluralistic societies which provide both human freedom and human security.

Several ways and means could be applied to improve the objectives of economic policies via PSD. They include the following tenets:

- Macroeconomic stability -- appropriate macroeconomic policies by the government engenders confidence overall, especially in the private sector which enables it to increase investment and create jobs for households, including the poor.
- Business investments and job creation induce a large tax base and revenues which enables public sector funding for health, education, infrastructure, welfare programs, and other social services that benefit the poor.
- Private firms for example; trains workers in terms of knowledge, skills, and attitudes and thus increase their human capital -- a vertical growth that yields development dividends and thereby reduce poverty.
- Through competition, firms improve the quality of their products at affordable prices and therefore raise real income and standard of living of consumers, particularly the poor.
- Increased standard of living with respect to growth-enhancing policies reduces demerits or unlawful activities and thereby prevents crime and ethnic tensions as well as channels needed funds to other areas such as security and law enforcement, education, health care, and infrastructure development.
- Private sector empowerment through non-profit institutions or non-govemmental organizations (NGOs) promotes peace, security, and act as the watch-dog for human rights abuses as well as voices for the poor and powerless.
The establishment of diversified financial institutions provides start-up capital to support small, medium-size, and rural sector enterprises as well as offer opportunities for self-sufficiency and poverty alleviation. A crucial method to facilitate this process is 'microfinancing.' In accordance with Woller and Woodsworth (2001), "Microcredit is a grass-roots development strategy that grants small-scale loans to poor borrowers for self-employment projects that generate income."

The public sector through outsourcing to private sector could provide vital services to the poor. For instance, many NGOs and consulting agencies are working together with governments in SSA to provide essential goods, services, and counseling to the poor. In other words, creating a public-private partnership (PPP).

A viable private sector enhances foreign direct investment that increases job opportunities for the masses, including the poor. Thus, economic policies which foster private sector's initiatives such as lower taxes and regulations, exchange rate stability, and the rule of law in turn increases foreign direct investment. The net effect to the recipient country will be to better the future for the poor by increasing private sector's capital, technology and know-how, management skills and access to international markets.

Private sector's contribution to technological innovation cannot be overemphasized. The advent of the internet and its corollary benefits to SSA include such dividends as free exchange of information and ideas that geography and potential political instability impose (Williamson and D'Alessandro, 1999). As a result, offsetting the adverse effects of "brain drain" through the establishment of a virtual community of African professionals all over the globe who are interested in contributing to the political, social, and economic development of the region and the continent. Moreover, electronic communication via internet connectivity provides great potential benefits for ecommerce and hence more jobs and higher incomes for the sub-Saharan African poor population.

**Conclusion**

The lesson learned from this study in terms of poor economic performance in SSA was primarily due to public-sector-driven economy, namely, "statism" as adopted by most countries in the region immediately after independence in order to reduce poverty and deprivation. However, the result was state control of virtually all economic or market function which facilitated and promoted rent seeking, corruption, venality, nepotism, inefficiency, and military coup d'état. Secondly, the constraints brought by the increase in government size and regulations marginalized private sector initiatives, while jeopardizing the rise of the entrepreneurial class. Thirdly, government size and power seem to be directly related to the burgeoning budget deficits and external debts, as well as the declining average annual percentage rate of growth of GNP per capita. As a result, this study concludes that the post
independence interventionist strategy of the state in SSA via the growth of SOEs or public sector enterprises is inversely related to economic growth and development, particularly, during the 1970-80s.

Despite the structural adjustment policies of the 1980-90s that were implemented in SSA to ameliorate the dismal economic conditions of the 1970-80s, the region has experienced marginal economic improvement. These policies which focused primarily on the efficacy of public resources and initially based on the traditional approach or "trickle-down hypothesis" to eradicating poverty, namely, the top-bottom paradigm has been ineffectual, since a growth rate of about 7-9 percent is needed for a sustainable growth, development, and poverty reduction.

Consequently, a new approach to poverty alleviation led by the private sector that feature a "bottom-up participatory" method of fighting poverty and deprivation is needed. Basically, it involves a holistic or integrated approach to tackling poverty issues rather than macro method. Essentially, each poverty issue such as income, food, insecurity, human development, and opportunity should be differentiated into its component parts and then diagnosed before policy prescriptions. For this to occur, private and public sectors’ investments must complement each other, in spite of the inference that the multiplier effect of private investment is greater than that of public investment. Indeed, for poverty alleviation to be sustained in SSA through economic growth and development, the private sector has to be the main catalyst that leads the way. Among those ways and means are the following objectives: macroeconomic stability, business investment, job creation, human capital investment, competition, peace and security via growth-enhancing policies, NGO participation, diversified financial institutions, microfinancing of small businesses and projects, public-private partnership via outsourcing, enhancing foreign direct investment, technological access, research, and development.

References


ENDNOTES

1 The dutch-disease concept connotes a shift in the domestic production structure in favor of non-traded goods, while traded goods are replaced by cheaper imports.
2 These war-torn nations consist of, but not limited to the Peoples Republic of Congo, Rwanda, Burundi, Angola, Liberia, Sierra Leone, Ethiopia, Somalia, Sudan, Nigeria, and recently, Cote d'Ivoire.
3 CFA franc (le franc des Colonies Francaises d'Afrique) zone consists of the economic and financial arrangements of mostly colonies in Africa under French rule (that is, the government of France).
4 As noted in Nwafor (2001), "The fundamental problem indicates an overflow of conditionalities-- a symptom of structural weakness and distorted priorities, whereby, policy and decision making were in line with the typical top-bottom paradigm."