Commercialization as an Alternative to Privatization: Prospects and Problems

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Résumé: Après les indépendances, la plupart des pays africains avaient opté pour un système mixte d'entreprises où coexistaient entreprises publiques et privées. Les entreprises publiques étaient des entités légales comme les entreprise privées mais sans actionnaires privés. Le gouvernement fournissait le capital, nommait les membres du conseil d'administration, définissait la politique à suivre et les plaçait sous la tutelle d'un ministère. Les profits qu'elles généraient devaient être réinvestis ou virés au Trésor Public. Les pertes étaient supportées par le gouvernement. Après trente années d'existence de ce système, les résultats obtenus sont simplement négatifs. L'alternative à promouvoir, selon l'auteur, doit être cherchée dans ce qu'il a appelé "la commercialisation". En effet, rejetant la privatisation comme alternative, l'auteur propose la mise en place d'un système qui soumet les entreprises publiques aux contraintes de la compétition sans leur enlever le caractère d'établissement publique. Les avantages d'un tel système sont une rationalisation et une restructuration du secteur public dont le résultat est la diminution des investissements non productifs et l'amélioration de la viabilité et de l'efficacité globale des entreprises publiques. Cependant pour qu'un tel système réussisse, certaines conditions doivent être remplies notamment les barrières empêchant aux entreprises privées l'accès libre au marché doivent être levées, les chances d'accès au crédit et devises doivent être égales.

Introduction

At independence, the African countries were faced with the option of adopting the capitalist system of free enterprise, state-own enterprises (parastatals) or a mixed economic system. Most choose the latter, where both the public and private enterprises co-existed and faced competition in the factor and product markets. To have relied on the weak private sector would have further aggravated the concentration of economic power and worsened the already existing skewed distribution of income and wealth in the society.

Consequently, they thought public enterprises (PES) were the panacea that would catapult them to the pinnacle of industrialization and ensure a fair distribution of income and wealth. Further reasons for creating and sustaining these public enterprises were the apparent absence or embryonic nature of the indigenous private sector; the conversion of failing private

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enterprises into public enterprises so as to forestall increases in unemployment. The politicians used the public enterprises as patronage mechanisms to distribute jobs to their cronies.

The PES were set up as legal entities like private corporations but with no private shareholders. The government owned the capital and appointed the members of the Board of Directors who had functions very similar to Managing Directors except that they were answerable to the government and not to shareholders. Policies pursued by these PES were determined by the government and a minister who was given the responsibility for seeing that the PES were acting within the broad policy requirements laid down by the government (parliament). Any profits made by PES were obliged to be used for capital investment or transferred to the treasury while losses were financed by government loans.

Thirty years later, their hopes were dashed against the winds because what they bargained for was not what they got. Instead their financial statements showed low earnings and many losses of considerable magnitude. And far from contributing to government revenues as was hoped, African PES more and more became a heavy burden on already strained budgets. Today there are well over 3 000 PES in Africa; accounting for relatively high percentages of African countries Gross Domestic Products (GDP) and a very high percentage of manufacturing value added[1]. Their creation has contributed to formal sector employment. However, in other sectors of the economy, PES have not been the major generator of employment.

Few PES generated revenue to cover operating costs, depreciation and financial charges. In a good number of cases where PES were classed as profitable, closer examination revealed distorted prices, direct subsides, hidden transfers, preferential interest rates and a number of other elements which if properly accounted for would reduce the real profits of the PES in question.

The reasons for this poor performance include poor initial investment decisions and inappropriate pricing policies, which top the list. For example, cumulative losses in Mali reached 6% of GDP by end of the 1970s and in Togo, losses alone equalled 4% of GDP. A set of managerial impediments such as overstaffing, political interference in day-to-day management decisions, unclear objectives, a weak human resource base, inadequate incentives for good managers and the incompatibility of civil service procedures with commercial operating, are also responsible for this inefficiency in PES.

1 Nellis, John R., Public Enterprises in Sub-Sahara Africa, The World Bank, Washington D.C., 1986, p. vii.

Obstacles to good performance are so many and daunting that an increasing number of observers propose the divertiture of PES through the sales of ownership of assets, leasing arrangements and management contracts, like the performance contracts in Cameroon, and through liquidation and closure of firms for which there are no bright prospects.

Privatization

The policy measure which seems to be taking roots in Africa is that of privatization of PES. A good number of sales have taken place. It is to be noted that todate, classification schemes and preparations for privatization are far more numerous than actual sales. The reasons for outright privatization is that many PES, for which not the slightest comparative advantage existed, should never have been created in the first place. Generally, in many cases, the assessment of the economic prospects for an enterprise was made by a private sector agent attempting to sell the plant and equipment or by a representative of a donor agency which took an optimist view of prospects in order to advance a politically-advantageous project.

Proponents of privatization argue that tinkering with internal reforms in these PES is inadequate, and argue that the more enduring solution is to sell to the private sector those which can be sold. However for those which no buyer can be found, one should go further and simply close them permanently and liquidate their assets. The second argument is that the state is a poor entrepreneur, because even where PES may be covering their variable costs or even making some returns on capital African states are paying a high opportunity cost because the resources which produce only a modest return in PES could produce a higher return elsewhere.

This argument assumes the existence of an alternative user of resources; a competent private sector. This argument goes well in a country with strong private indigenous sector.

Some exponents of privatization argue that the nationalities of private investors should not be an issue. But most African governments are nervous at the prospect of introducing or re-introducing a large foreign private sector. Though a growing number admit that the situation requires bold action, including management contracts, leasing arrangements and outright sales of PES to foreign businessmen, many exponents of privatization go further to argue that the state's objectives of employment and revenue generation, for example, would be better served under private ownership arrangements of many PES.

The more committed advocates of privatization go on to assert that states should attempt to sell off, not merely their losing propositions, but also those profitable operations which presumably could earn a higher return outside of public ownership. There is also the so-called African counter-argument which is that most African countries internal market are so small that, at least, large manufacturing firms frequently acquire automatically a monopolistic or oligopolistic position. It is to be noted that many existing PES monopoly are in manufacturing, services and extraction.

However, there is no reason to believe that the replacement of an inefficient public monopoly by a poorly regulated or unregulated private monopoly would add greatly to the country's net socio economic welfare, unless it could be demonstrated that the new private sector monopolies would invest their earnings in a more productive manner than government monopolies. It is apparent that the factors which contribute to poor PES performance such as improper macroeconomic policy environment, poor managers, poor information systems and outright corruption, are the very same factors which weaken the African states' capacity to regulate large and powerful private sector firms.

Nevertheless, African governments are concerned over the possibility that the divestiture of service activities, now furnished by PES to private sector suppliers, could result in the disruption or complete breakdown of those essential services. There are, thus many unanswered questions generated by the privatization side of the divestiture issue. African governments are turning towards privatization out of desperation, in an attempt to stem the drain and strain on their budgets, even though they are aware of the experimental nature of this effort. And there is growing concern that even unproven measures such as privatization, which at least hold some promise for improvement, must be tried because a continuation of the current PES situation cannot be tolerated.

Even though privatization has been receiving a lot of attention and is the subject of intense debate, the pros and cons, within Africa, closures and liquidation of PES appear to have -up till now- far more frequent. According to a World Bank discussion paper, about 88 closures and liquidations of PES took place in the period 1979-1984; while about the same time period there were about 23 sales of assets or equity[2]. These were mainly sales of assets. The report further stressed that there were equity sales in only four countries: Mali, Senegal, Zaire and Kenya. Also under divestiture, at least 20 management have been 13 leasing arrangements and 7 joint ventures. In Cameroon, Guinea, Liberia, Madagascar, Mali, Senegal and Togo, many of the closures have been partial or creeping or were as one might call "withering away".

Generally an enterprise looses its market or never produces at a rate sufficient to cover variable costs, or exhausts all available avenues of credit,

2 Ibid., p. 19.

or suffers some technical reversal which will cause it to reduce production to a trickle, or to stop production altogether. Later, some set of circumstances will cause the PES to fall below the minimal tolerated performance level and government ceases to replenish capital. Inventories will then be run down, the capital stock will begin to deteriorate, and in some cases workers will continue to receive full or partial pay. Gradually, the PES begins a process of decay which may take many years to complete and during which time, the firm will continue to count as an active PES, even though its plants may be empty and idle.

The reluctance to liquidate is due to political sensitivities. That is why a PES's withering away in a slow and piecemeal fashion is not likely to provide political opponents with a provocative issue around which protest can rally around. Informal closures keep open the option of a revival of the enterprise, under public management, at some future date. They allow for the postponement of the final settlement of debts, the severance pay and retirement benefits. What is striking about these divestitures, is that they have tended to take place in enterprises that are small, both in terms of assets and number of people employed. While PES in the utilities which are considered natural resource areas have generally not been touched, only the manufacturing and services sectors are being divestured.

But todate, divestiture has not been widely used as a PES reform measure in sub-Saharan Africa. However, at the moment there is a great deal of activity on the African divestiture front, especially in Guinea, Senegal, Ghana, Togo, Benin, Niger, Mali and Kenya. Many privatization actions are in the late planning stage and a search for interested private partners is already underway. We have, however, to admit that privatization in Africa is in untested waters. Indeed, it is a very new activity in Africa. There has been a lot of preliminary action but no reliable and stable patterns have yet emerged. Few African entrepreneurs have so far overcome the combined lack of domestic capital markets, the limited size of local capital markets, and the outright refusal of many local representatives of international banks to support their private investment efforts.

Even in those African countries where some international banks are willing to invest in PES, they often demand high rates of protection and incentive mechanisms to allow them to recover their total investment in extremely short periods. For example the arrangement by which a portion of a near defunct Togolese PES steel mill was leased to a private foreign entrepreneur has been criticized by many non African economists. This is because the new firm is assured a protection rate of 41% and tax free importation of all raw materials and because the leaser pays Togo a modest annual fee of US $175,00; a fraction of the interest charges the government of Togo must continue to pay on the original planned investment.

We do not think Togo would want to repeat the same terms of the steel mill leasing arrangement, because the original arrangement is not economically defensible in itself; for Togo could have shut down, dismantled, sold or used the steel mill and then imported more cheaply the high priced products now made locally. Furthermore, the plant employs only 75 people, even the lease fee is small and the rate of effective protection is too high. Though the steel mill arrangement might have been intended to attract international business, new entrants will demand the same uneconomic terms as those already granted. The Togolese steel mill case illustrates that far more is at stake than privatization *per se*. African governments must be strengthened in their capacity to select PES candidates for divestiture, to market these enterprises and to negotiate mutually beneficial sales, lease or management contracts with private sector parties.

Innovative actions such as "leverage buyout" where the manger or managers of a firm purchase the enterprise from its owners by raising capital from third party that takes some equity in the firm is also needed and can be attempted. For example, in Cote d'Ivoire a "leverage buyout" of an agro-industry PES was arranged with the participation of the International Finance Corporation. Presently, the World Bank is assisting the government of Togo to prepare potentially "sellable" PES for entry into the market, by means of a detailed study of their performance, assets and potential.

The goal is to produce "privatization dossiers" which will serve to attract and persuade private sector buyers. For privatization to be successful, the African countries would need not only technical assistance but financial assistance. Even if every conceivable thought of African PES divestiture candidate were sold or liquidated in the near future, every sub-Saharan African country would still be left with a substantial PES sector. This is because there are many utilities or natural monopolies which African governments regard as "strategic".

Such "strategic" utilities/sectors, are usually the largest in terms of assets, employees and financial losses; the utility companies like National Electricity Corporations and the National Water Corporations found in most African countries. Since government would not let the private sector to step in and would not dare close them down because they provide essential services, the only way out is to try to improve performance basically under the present ownership arrangements. One of the ways of improving such performance is through commercialization of the PES.

Commercialization

Because of the considerable limitations of privatization in Africa, like the non-existence of stock markets to sell stocks all shares, low savings and poor banking systems, weak control over monetary policies, risk of enabling foreign investors buy off the best of these corporations, risk of high unemployment, and the high social costs, commercialization has been seriously considered as an alternative policy in Africa South of the Sahara.

What then is commercialization? It is when PES are exposed or subjected to the stimulus or discipline of competition or the price system. Commercialization can either be full or partial. Full commercialization is where the affected PES is to operate as a full commercial enterprise which sets its pricing policy so as to operate at a profit. A fully commercial PES would automatically not be subsidized and all its funding requirements would have to be raised through the money and capital markets. The PES will still be 100% government owned. However, partial commercialization is where the affected PES is expected to cover at least its operating expenditure from its operations. The balance will then be given by the State in the form of grants.

Generally, it has been argued that commercialization can rationalize and restructure the public sector so as to reduce the predominance of unproductive investments, improve the viability and overall efficiency of the public enterprises, ensure that in appropriate cases public sector investments make positive returns and reorientate certain parastatals that should be operating commercially away from a near total dependence on government subventions to a situation where they can generate internally their operating funds and raise any short falls on their revenue from the capital and money markets.

It could also appease those who are opposed to privatization as impositions from the World Bank and IMF. The two financial institutions have been usually considered in Africa and other Third World countries as leaders of international capitalism and neocolonialism. The economic advantage that it can reduce the financial burden on the public treasury is also important. Furthermore, it could be acceptable to those who express the fear that privatization will merely transfer what belongs to all to a few privileged individuals.

Experience in some countries like Morocco where the Bus Service Companies were deregulated and subjected to market competition, resulted in substantial improvement in the performance of the companies[3]. Generally a PES facing new competition must either improve its efficiency or accept the loss of substantial share of its market. This threat of losing market share by commercialized industries provides a powerful incentive for improved efficiency.

Market competition is one of the strategies needed to improve performance of African PES. For the internal restructuring to be meaningful

3 Role and Extent of Competition in Improving the Performance of Public Enterprises, United Nations, New York 1989, p. 21.

and effective, African PES have to devise a system of incentives which will reward improvement in productivity and efficiency. This would require African countries to allow where possible for private firms to compete with PES; while at the same time instructing the PES to operate on commercial or market basis and maximize its profits.

As earlier indicated, those PES which are unable to compete in this "liberalized" policy environment should either be closed or allowed to sink. Making a PES compete in an ideal environment of fair competitive forces is to ensure management improvements in order to stay in business. If the PES responds to competition by making changes, that improve its performance - the goal is achieved. However, if it fails to compete effectively; it may disappear, but the public remains well served by the surviving competitors. Indeed, the objective of maximizing profits provides strong incentives to hold down costs, and it pushes the PES to generate reinvestible surpluses. It also provides an objective test of performance and aids the moral of management and workers.

Requirements for Successful Commercialization

Our next task is to examine how to create an effective competitive environment for public enterprises. These fundamental policies which are needed to establish an ideal environment for competition include: no government barriers to entry, competitive industry structure, equal access to loans and credit, equal access to foreign exchange, equal application of all laws, fair enforcement of contracts, no price controls or subsidies, equal access to raw materials and freedom to reorganize and to change businesses and no preferential protectionism. Each of these policies will be discussed in detail below.

No Government Barriers to Entry and Exit

To allow fair and honest competition between PES and private enterprises would require that government puts an end to the protected status of government authorized monopoly of PES. This can be done by eliminating government erected barriers that prevent or impede entry or exit by private firms which wish to engage in the same business. For example, if the urban transport service is the sole authorized transport service in the main cities, and private transporters are prevented by law from entry into the transport business; deregulation of the urban transport service is needed to eliminate those restrictions. And if a firm wants to drop certain lines of business, reorganize, consolidate, or close or open plants, it should be allowed to do so.

Competitive Industrial Structure

PES must be made to compete in an ideal environment of fair competition. This would force it to adopt management improvement in order to stay in business. Even the so-called "natural monopolies" should not be protected from competition by laws and regulations. Where the natural monopolies are too large, they can be broken up and subjected to continuous competition by awarding a franchise under competitive bidding. Any business enterprise would then be able to control the franchise for a definite period. The bid can then be awarded to the business organization which submits the lowest price list for the services it will sell to the public.

However, a number of African governments are presently considering ways and means to push their PES into a more competitive and market-oriented environment. For example, in Benin, Kenya, Mali, Niger and Togo, macro-economic policy chances have been initiated in many cases and are being implemented. This action could end the regulated monopoly position of some PES and therefore force others to adopt the pricing, investment and credit policies more in line with those used by private firms.

Equal Access to Loans and Credit

It is not uncommon for governments in most African countries to give the PES access to the national treasury for preferential grants, loans, and lines of credit; to charge lower than market rates of interest, and to accord lenient repayment terms and other favourable conditions. Such policies have certainly put the PES at an advantageous position than private competitors. But competition would be strengthened if all such favours were done away with and all firms are subjected to the "invisible hand" of the market forces.

Equal Access to Foreign Exchange

Both PES and private enterprises should be given equal access to foreign exchange. The unfair practice has been that while private enterprises have been subjected to strict controls, limitations and delays, PES have been given preferential access to foreign exchange. This puts private enterprises at a considerable disadvantage if they have to buy spare parts, supplies and capital equipment from abroad. Equal treatment of both public and private enterprises is an important prerequisite for effective and fair competition.

Equal Application of all Laws

Experience in most African countries has shown that when it comes to the application of the laws, private enterprises are discriminated against especially when it comes to obtaining licences and approvals, the payment of fees and taxes, exemptions from environmental regulations, tariff free importation privileges and many others. This is true of the National Electricity Corporation (SONEL) in Cameroon, which enjoys all these privileges.

Fair Enforcement of Contracts

In many African countries, it is the private enterprise, in a majority of cases, that honours its contracts. This practice, thus, further puts the private enterprise in a disadvantage position vis-à-vis the PES. Competition therefore requires a judicial system that enforces contracts fairly. Cameroon is no exception in this. PES like the Urban Transport Company (SOTUC) do not pay custom duties on the spare parts imported into Cameroon but private enterprises are made to pay duties on the spare parts which they order. This certainly puts the PES at an advantageous position. Sometimes, the State is to be blamed for non-payment of bills to PES. In order to render PES competitive, the state should pay its bills promptly.

No Price Controls or Subsidies

In order to create an ideal environment that promotes competition, African countries should eliminate discriminatory price controls and all subsidies, whether direct or indirect; open or hidden. Experience has shown that price controls can be, and have been used to deliberately or inadvertently drive private enterprises out of business. Such controls generally take the form of keeping the prices of goods low when the cost of production has risen well above the fixed prices. Sometimes the authorized increases might be too small and too late; thus making it difficult for the company to survive.

Subsidies of PES might be provided in a number of ways. Some of them include (a) receiving "free" guard services from the police, or army; and (b) "free" transportation services for workers who are on the payroll of government agencies. Subsidies can also be direct. Such subsidies include budget transfers, grants, loans, low interest rates on loans. All these various forms of subsidies have benefited the PES to all disadvantage of the private enterprise.

Equal Access to Markets

Of course, both PES and private enterprises must be given equal opportunities to reach and sell to prospective buyers. But what is happening today in some African countries like Cameroon, is that PES are given priority to government purchasing. The Government Printing Press is usually given the advantage of selling to government. This practice has of course destroyed the competitive environment in Cameroon. Government purchases should rather be based on competitive bidding, whenever possible, for commodities whose specifications are clearly stated well ahead of time. Not only is equal access to the market important, access to raw materials and supplies is equally important. Fair competition requires equal treatment of all competitors, including public enterprises.

Freedom to Hire and Fire

Manager of PES could do a better job if they were able to run their enterprises, especially in the hiring and firing of workers. One of the basic managerial perogatives is the freedom to hire and fire. hence a proper application of this freedom can result in a well chosen, well motivated and productive work force. However an unscrupulous capricious and peremptory exercise of this freedom could result in a poor quality work force, low morale and poor organizational performance. The exercise of this authority may be hindered by natural legislation which permits managers of PES to follow certain hiring practices. For example, they may be prohibited from dismissing an employee no matter how unsatisfactory he might be performing.

However, if that managerial prerogative is denied to the private firm and allowed for the public enterprise, the competitive climate is greatly compromised. Also giving preferential protection to PES does not create a competitive atmosphere. Allowing foreign imports may be the only way to introduce competition. In Cameroon, the high custom duties on imported rice, thus protecting the home-grown rice, has not made the production of home-grown rice efficient and less competitive.

While it is unreasonable to expect quick and easy adoption of all these policies at once, there are many examples where public enterprises have been exposed to full and fair competition. Nevertheless, every country can examine its own circumstances and specific public enterprises and can adopt the appropriate policies where feasible in order to foster market competition.

Limitations of Commercialization

Regardless of whether public ownership and control of resources in many African countries reflect internal initiative or external pressures; in the final analysis the case for the creation of public enterprises rests on the inability of the price mechanism to ensure steady and sustainable economic growth, efficiency and equity. The more difficult are problems confronting development; the less adequate will be the policy of commercialization (that is, exposing or subjecting public enterprises to the stimulus or discipline of competition or market place so as to ensure profitability), and the greater will be the need for public ownership.

This is important because the rationale for creating public enterprises in African countries is to intervene in the national economy with sufficient vigour and confidence so as to overcome the major socio-economic. The proper balance between intervention and restraint is likely to be both delicate and changing: delicate because the administrative capacity in most African countries is small and the problems are immense; changing because the ability of authorities to analyze and resolve problems should gradually increase.

However, the maximization of efficiency and output (the achievement of a Pareto Optimum), in the developing economies of African nations, through the commercialization of public enterprises depends on a host of restrictive conditions: perfect competition must prevail in all product and factor markets; correct and transparent information about present and future price and non-price variables must be available[4].

Consumers tastes must be given and independent of each other; producers must attempt to maximize profits. Capital must be divisible; there must be no increasing returns to scale, otherwise competition will break down; and external economics must be absent. Even supposing that all these conditions existed which is most unlikely, it does not follow that commercialization-of public enterprises would be an ideal policy in many African countries.

Firstly, the policy of commercialization is to foster efficiency and not equity. There is no suggestion that the distribution of income in Africa under Pareto Optimum is ideal or every acceptable[5]. The sole implication of the optimum is that more of one commodity can be obtained only by having less of all other; and one individual can be made better off only by making someone else worse off. This however, does not enable us to compare the welfare implications of one Pareto Optimum with another, or even compare a point of maximum efficiency with many non-optimum positions[6].

Secondly, commercialization is generally concerned with static resource allocation and not economic growth *per se*. Indeed, the commercialization of African public enterprises presupposes that an efficiently functioning market economy will maximize current output from its given factor endowment. However, we do not know the rate at which capital is accumulated or the speed with which the equity of the labour force is improved in most African countries.

Thirdly, investment decisions under commercialization may lead to non-optimum allocation of resources because the managers of public enterprises will now maximize private and not social net marginal product. To this extent, external economics will not be sufficiently exploited. Indeed, because of the indivisibility of capital, large rather than small changes are involved. Yet commercialization of public enterprises in Africa can work perfectly only under the assumption of small changes.

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4 Richardson, G.B., Information and Investment, Oxford University Press, 1960.

5 See Little I. D.M, A Critique of Welfare Economics, 2nd Edition, Oxford University Press, 1957.

6 Griffin, K.B. and John L.E., Planning Economic Development Addison Wesley Publishing Co., London 1970, Chapter 3.

All a concluding note to this section, it should be pointed out that the foregoing limitations of the policy of commercialization (as an alternative policy for achieving allocative efficiency in public enterprises) should not be interpreted as a sweeping condemnation of the price system as an instrument of efficient resource allocation in the developing economies of Africa. They suggest, however, that non-intervention is an end in itself and that commercialization of public enterprises should be viewed as a means of achieving national economic development objectives in Africa.

Consequently, the commercialization of State owned enterprises in African countries should, therefore, be pragmatic: if the public enterprises are performing well, one should leave them alone; if they are not, one should intervene provided the costs of intervention are clearly less than the benefits. If the issue is unclear, commercialization as an alternative to privatization should be given the benefit of doubt.

Conclusion

In concluding this paper, it would be recalled that the main objective was to examine commercialization as an alternative to the privatization of public enterprises in Africa. From the foregoing analysis, it is clear that the need for an active economic policy, towards redressing poorly managed African State owned enterprises, even if only indirect means were to be employed, can hardly be denied. Agreement on this point may conceal two points of view.

The "liberal" view considers State intervention in the African economies through the establishment and management of public enterprises as an occasionally necessary medicine.

> *Nobody denies that clean living is the best way to good health, but this is really not a sufficient reason to deny that it is something necessary to take medicine*[7].

This view is based on the assumption that national investment and pricing decisions of managers will normally lead to an optimum position. One of the ways of achieving this goal is through commercialization of African public enterprises.

The other view considers that a continuous active and sustained economic policy by African States; beyond measures needed to ensure an equilibrium between aggregate demand and aggregate supply, is necessary since the multitude of dispersed individual uninfluenced decisions will not lead to the maximization of national income in these countries.

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7 Meier, C.M., Leading Issues in Economic Development, 4th Edition, Oxford University Press 1984, p. 710.

The real question is then how far can state intervention in the national economy extend; which African economic sectors and activities should be covered; what degrees of "freedom" it should leave between and within the various economic sectors and activities, etc. in African countries. Perhaps a more rational and acceptable answer can be found in the commercialization of African State-owned enterprises as an alternative to outright and complete privatization.

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