55...

UNITED NATIONS

ECONOMIC AND SOCIAL COUNCIL

E

Distr.
GENERAL

E/ECA/TRADE/89/18
13 October 1989

Original: ENGLISH

ECONOMIC COMMISSON FOR AFRICA
Second African Symposium on African State Trading Organizations

Port Louis, Mauritius
23 to 28 October 1989

ECONOMIC COMMISSION FOR AFRICA
Meeting of the Inter-governmental Group of Experts on Trade

Addis Ababa, Ethiopia
13-15 November 1989

STRUCTURES AND MANAGEMENT OF STATE TRADING ORGANISATIONS

issues of reform and Re-structuring of STO's

I. INTRODUCTION

The dire economic crisis and the demanding neo-liberal classical Structural Adjustment Programmes (1) have compelled African states to carry out bold development policy changes: government withdrawal from the trading sector of the economies is on in many countries through privatization and dismantling of public entreprices in general and state trading organizations in particular. However, current experiences in this have revealed the limits of neo-liberal reforms. In many cases, unfair international competition has brought to an end operations of many productive structures. Speculative import-distribution activities have further jeopardized the existense of many local firms.

Locked up factories and bankrupcies have increased unemployment and poverty as well as other related social strifes (malnutrition, hunger, social conflicts, banditism, environment degradation etc.).

This worrying situation was instrumental in Africa's reaction to the traditional structural adjustment programmes. The African countries have consequently adopted the African Framework for Structural Adjustment Programmes (AF-SAP) during the ECA Conference of Ministers held in Addis Ababa, Ethiopia from 27 March to 9 April 1989. In doing so, African countries have called for the matching of short term objectives of current structural adjustment programmes (too exclusively focussed on achieving financial balances) with medium and long term development objectives which postulate for growth and the progressive tackling of social strifes triggered off by adjustment programmes. One point on which the traditional structural adjustment approach "Preachers" and those advocating AAF-SAP have now agreed is that privatisation and/or liquidation of public entreprises of the trading sector are not panaceas. Time is not yet for government withdrawal from the trading sector because most-African business classes are not yet in a position to take over. African states are therefore urged to adopt and carry out re-structuring and reform plans for the improvement of the structures and the functioning of public entreprises in general and STO's in particular.

This alternative is only envisageable if efforts are depolyed to carry out objective and exhaustive analysis of the structures and operational procedures of those entreprises with a view to reforming and re-structuring them.

---

(1) Mostly imposed by the World Bank and the I.M.F.

In this report, we are undertaking a broad analysis of the Structural and functional characteristics of African STO's based on the findings of consultants' field investigation carried out within the framework of project RAF 88/012/A/01/51 "Selective Managerial Training for STO personnel for the development and management of STO's in African countries south of the Sahara".

The second part of this report is an attempt to reflect on the structuring and reform of STO's and opportunities they might offer for the promotion of entrepreneurship. Our position is that changes in public entreprises, the rationalisation of such entreprises and even their dismantling ought to be opportunities for the creation of other types of businesses which would be able to sustain and reinforce the trade economies of countries carrying them and to mitigate social strifes deriving from Structural Adjustment Programmes

CHAPTER II

African STO's: Characteristics, missions and objectives

A. Characteristics of African State Trading Organizations (STOs)

1. Definitions: STOs are a sub-group of State enterprises. If they are defined as trading organizations there would be no difference between them and State production organizations because the latter also have a trading function. It is the exclusively marketing function which makes STOs special. STOs are exlusively trading organizations. They are either external trading companies or distribution companies that handle domestic trade. The definition of STOs as exclusively external trading organizations given by some authors is not satisfactory to the author of this paper 2/ there is no clear demarcation line in African countries between importing enterprises and distribution companies and not only is there often an extension of the activiries of the former by the latter but in African border areas distribution companies conduct, inspite of themselves, trading operations with the neighbouring country or countries. The only criterion which should be considered seems therefore to be the overwhelming presence of the State in the enterprise. If this was accepted, mixed corporations where the State is the main shareholder should also be included in this definition.

2. Types of African STOs

African STOs include agricultural marketing boards, import-export companies, national trading companies, government trading agencies or mixed corporations in the form of co-operative agencies etc.

2/ See Praxy Fernandes in State Trading and Development, ICPE, 1982.

(a) Agricultrual produce marketing boards

This is the oldest form of African STO. Such boards are often a carry over from the colonial period and have served as direct intervention tools of the State in collecting and marketing major agricultural export produce. All African countries have several of these STOs which handle one or several products such as coffee, cocoa, tea and cotton.

Apart from collecting, transporting and marketing such raw materials, these marketing boards also act often as intermediaries in distributing agricultural inputs such as machines, fertilizers, fungicides and seeds; they are also responsible for storing grains and assist the State in fixing producer prices and preparing marketing policies. They invest downstream in processing industries such as oil mills, flour mills and roasting industries.

The main activity of such boards is export but they could also have a local distribution (foodstuffs marketing boards) and collection network. The current trend is to replace this network by farmers' co-operatives and or private agents who are paid commissions which exempt them from the traditional duties of sizing, packing, weighing and storage.

Such boards are nearly always financed by development banks and, when they import, their supplier credits are guaranteed by the State. Except in rare cases (Senegal, Nigeria) the current wave of privatization does not affect such boards. Many of these companies, however, have real management problems and add very considerably to the external indebtedness of African countries. They are typical examples of institutions that mix the objectives of trading companies with those of political and social institutions; this leads to overstaffing, red tape, the establishment of many decision-making bodies within and outside the board, the embezzlement of public property and nepotism in the appointment of the managerial staff of the enterprise.

(b) International trading companies

This category covers all the other state trading organizations dealing with imports and/or exports of any other goods outside strategic raw materials. 3/

3/ Major agricultural products which generally cover the bulk of exports of the countries (more than 60 per cent) or imported essential foodstuffs, for example rice in Senegal.

There are export-import enterprises in several African countries under various names and they deal with quite a wide range of products (particularly, imported products) from foodstuffs, textiles, clothing, chemicals to spare parts, capital goods and building materials (the range of products imported by the Ethiopian Import-Export Corporation covers more than 50 types of articles 40 of which are monopolies). Such enterprises are of relatively recent creation and they were generally established to meet a growing demand that existing trading corporations were no longer able to meet either because they had not been able to anticipate such demand or because projected investment had been inadequate. It is, therefore, not correct to say that the State in this particular case established the enterprise in order to compete with the private sector. The turnover of such companies could sometimes be over 100 million United States dollars and the import monopolies that they are granted covered many products. They often act as wholesale importers responsible for supplying private agents or state distribution corporations. However, in some countries, the same corporation is responsible for both imports and local retail distribution which is the case of OFNACOM in the Congo and SOMIEX in Mali. The export function of such corporations is limited by the restricted range of non-traditional export products of African countries.

In some countries, the organizational structures of such import-export corporations become relatively highly sophiticated with enterprises and departments specializing in specific product lines.

Some countries such as Ghana (Ghana National Trading Company, GNTC) have another type of import distribution corporation. Such corporations are often set up to streamline marketing channels and consolidate demands in order to strengthen the competitiveness of indigenous traders who are its local distributors. They sometimes act as middlemen between international import-export trading corporations and redistributors in which case they act as wholesalers dealing in smaller quantities at the national level (this is what happens in Tanzania).

The Zambian and Tanzanian firms INDECO, NIECO and BIT are rather special cases; they are more holding companies than trading companies in that they merely control several specialized trading corporations such as the Consumer Buying Corporation of Zambia, INDECO MORESON, Mwaiseni Stores, the National Drug Company, the National Import-Export Corporation, Zambezi Trading Company and Zok. Similarly, the Zambia Industrial and Mining Corporation (ZIMCO) controls, among others, the National Import and Export Corporation (NIEC) which in turn has subsidiaries.

3/ Major agricultural products which generally cover the bulk of exports of the countries (more than 60 per cent) or imported essential foodstuffs, for example rice in Senegal.

(c) State supply agencies

In French-speaking African countries, such agencies are called 'Direction du Matériel' and in English-speaking countries, Departmental Trading Companies. Their role is to supply ministry departments. They purchase equipment strictly for the needs of government departments either directly or through the above-mentioned corporations.

3. Analysis of the operational structures, policies and objectives of the STOs of some African countries

It is very difficult to define the real objectives of African public organizations. Indeed, there is a certain duality in the definition of the objectives of African STOs. There are the stated objectives and unstated objectives are those that are clearly stipulated in the specifications or charter of the enterprise. Such objectives are offset by those that the State assigns implicitly to the public enterprise depending on circumstances. Growth objectives are quantitative parameters that have to take into account the commercial nature of the business and its ability to generate resources in the same manner as private firms. Development objectives are rather qualitative. STOs have to reconcile objectives of commercial efficiency with social objectives and this is where most of their problems and criticisms against them stem from and makes it difficult to assess their actual performance. While STOs are required to make profits they are also required to provide jobs at levels that are sometimes incompatible with their profitability and to fix prices that have no reasonable economic basis whatsoever.

A set of explicit objectives generally accepted as being those of African STOs has evolved from this hotchpotch of theories. 4/

African STOs should:

(i) Promote the self-reliance of the country in strategic sectors and sub-secotrs;

(ii) Provide the necessary infrastructure facilities for a country's balanced and diversified economic structure;

(iii) Reduce regional disparities in development;

(iv) Allocate and manage a country's resources efficiently;

4/ See in this respect J.H. Chileshe, Third World Countries and Development Options: Zambia, Vikas, 1986.

See also A synopsis of State Trading Organizations (STOs) activities in Africa E/ECA/TFRTWC/WP.1.

(v) Prevent the concentration of economic power in the hands of a few individuals;

(vi) Help to create jobs and boost productivity;

(vii) Reinforce social control on trade and industry in order to ensure equitable distribution of goods and services between the urban and rural areas.

Translated into explicit commerical terms, such objectives require STOs to promote exports and control the marketing of strategic products, streamline imports and bring down their costs while guaranteeing regular supplies, streamline current marketing channels and create channels more likely to meet the needs of the people in the urban and rural areas, increase demand by generating jobs, make profits and reinvest them usefully. Let us now see how these general objectives are reflected in the objectives, trade policies and operational policies of STOs of various African countries.

(b) Analysis of the tasks, policies and operational structures of African STOs

In French-speaking African countries in general and in Senegal, Mali, Benin and the Congo in particular, there are two types of STOs:

(a) STOs under the total control of the state which is the sole shareholder (OFNACOM in the Congo, ONC in Burundi etc.);

(b) Mixed corporations in which the bulk of share is held by the state and the rest by private national or foreign economic operators (SONADIS in Senegal, SONITHAN in the Niger, COPRO-Niger etc.).

The tasks assigned to these two types of corporations are generally the same be they state monopolies or corporations with several shareholders. They have to:

(i) Supply goods to cover the requirements of the country in line with the priorities established by the state;

(ii) Improve the trade balance;

(iii) Help to hault inflation by acting as a price regulatory mechanism;

(iv) Control the bulk of exports and streamline imports.

Agricultural produce collection and marketing operations including exports thereof are generally carried out by boards, state monopolies whose activities are supported by co-operatives as in Senegal or private sector middlemen as in the case of Mali.

The marketing of non-traditional export products and the import of manufactured and semi-manufactured goods and current consumer goods are often the responsibility of mixed import-export corporations but are sometimes under the total control of the state (OFNACOM Congo). Such corporations either have integrated marketing channels or depend on authorized private redistributors (SONADIS Senegal).

Nigeria

Apart from the State marketing boards that export oil and certain raw materials such as cocoa, groundnuts, cotton, palm oil and palm-kernel oil, rubber, grains, and tubers, Nigeria has only one well-known import-export STO, the Nigeria National Supply Company Limited (NNSC).

The only Nigerian Government State monopoly is the petroleum sector; other trading activities are left to the private sector. The NNSC acts as a government import agency responsible for covering the requirements of the Nigerian State and its departments; its imports of foodstuffs and other essential commodities are relatively small.

Ghana

There are three main STOs in Ghana, the Ghana National Trading Corporation, the Ghana National Procurement Agency and the Ghana Supply Commission; Ghana also has agricultural produce marketing boards including the Cocoa Marketing Board.

The role assigned to Ghanaian STOs is to bring in the bulk of the country's imports and to serve as Ghana's sole representatives in bilateral transactions between Ghana and the Socialist countries of Eastern Europe and between Ghana and some African countries.

The Ghana Supply Commission is a government import agency responsible for supplying the State's needs in stationery, office machines and equipment, printed matter and so on. It charges a commission of 1 to 3 per cent to cover the cost of its activities.

The Ghana National Procurement Agency has the monopoly for importing essential commodities such as wheat, rice, sugar, meat, fertilizers, iron bars, cotton and paper in bulk. For economic reasons, that monopoly was reduced in 1977 to a mere control of the activities of trading corporations dealing in such products.

The Ghana National Trading Corporation imports and distributes a varied range of merchandise from machines and other equipment to electric appliances and textiles, pharmaceuticals, drinks, trucks and spare parts.

The Ghana Export Company Limited deals with non-traditional exports.

Kenya

LThe Kenya National Trading Corporation (KNTC) was established in 1966 to take over the wholesale and retail trade from foreign operators. The task assigned to KNTC was to distribute assential consumer goods, market Kenyan manufactured products and act as a partner for the socialist countries with which Kenya has signed bilateral agreements.

Apart from its "indigenization" mission, the KNTC has been asigned the following objectives:

(i) Reducing the number of middlemen between manufacturers and consumers by streamlining distribution;

(ii) Helping to reduce consumer prices in order to benefit low-income consumers in particular;

(iii) Ensuring, at the discretion of the Government, control of trade in strategic products;

(iv) Exporting or promoting the export of Kenyan products that are not traditionally exported;

(v) Undertaking import activities and acting as an import regulatory mechanism at the discretion of the Government;

(vi) Establishing and promoting trade with countries that have signed agreements with Kenya;

(vii) Promoting trade with other African countries.

The KNTC gives preference to Kenyan products when they are in competition with products to be imported from abroad.

Tanzania

The Board of Internal Trade (BIT) is a sort of holding company which controls six import subsidiaries and 22 regional distribution companies. The importing branches are:

(i) The Agricultural and Industrial Supplies Company;

(ii) The Building Hardware and Electrical Supplies Company;

(iii) The General Food Company;

(iii) The Domestic Applieances and Bicycle Company;

(iv) The General Food Company;

(v) The Household Supplies Company;

(vi) The National Pharmaceutical Company.

The missions assigned to the BIT and other State Corporations were stipulated in the Arusha Declaration of 1967. Their tasks are to:

(vi) Help to establish more egalitarian society by ensuring that the spinoffs from development reach the whole country;

(viii) Help to implement "Ujamaa" for the development of the rural areas;

(ix) Help to mobilize national resources in order to ensure that the Tanzanian economy is self-reliant;

(x) Help to transform economic and social structures through a rapid expansion in production capacities;

(xi) Promote economic co-operation with other African countries.

The BIT monitors the activities of its six import affiliates and orients such activities towards the most competitive sources of supply or towards suppliers whose countries have signed preferential trade agreements with Tanzania. The BIT also gives priority to local producers. It ensures the integration of external trade channels with domestic trade channels through the links established by its import branches and regional distribution corporations responsible for distributing imported products in the various regions of the country.

A considerable portion of Tanzania's trade with developing countries and the socialist countries of Eastern Europe and China is carried by the BIT.

Zambia

The most important STO is the National Import-Export Corporation which, as it has been pointed out earlier on, is an outgrowth of the Zambian Industrial and Mining Corporation (ZIMCO). The NIEC controls importing firms and local distribution corporations. It also acts as a State importing agency for the specific requirements of Government departments. It also serves as a consumer price regulatory mechanism by giving the Zambian State appropriate pointers regarding pricing.

Ethiopia

The Ethiopian Import-Export Corporation (ETIMEX) was created recently in 1975. In 10 years, its turnover increased from US$ 5 million to more than US$ 100 million. The activities of ETIMEX are for the moment focused exclusiveèly on the import of a wide range of products from industrial raw materials to current consumer products such as foodstuffs and textiles, machines and equipment, building materials and chemcials. Although ETIMEX is under the Ministry of External Trade, it has autonomy in the management of its operations. Structurally, it is spilit into specialized corporations according to products. ETIMEX covers, at the moment, nearly 80 per cent of the country's imports. The redistribution of imported merchandize by the corporation is carried out by the Ethiopian Domestic Distribution Corporation (EDDC) which is the STO responsible for domestic trade. ETIMEX also supplies private sector operators.

Ethiopia has specialized corporations that handle the exports of specific products: coffee is exported by the Coffee Marketing Board, hides and skins by the Hides and Skins Corporation, oil by the Oil Seeds and Pulses Corporation, cured leather and shoes by the Leather and Shoes Corporation and so on.

The medium-term transfer of certain export activities to ETIMEX would appear to indicate an expansion in its activities. It already co-ordinates import and export trade resulting from bilateral agreements signed by Ethiopia with other countries including barter trade agreements.

Egypt

Egypt has nearly three decades of experience in managing STOs. The peculiarity of Egyptian STOs is that they are the only STOs in Africa which have their own international networks. They were quick to grasp the importance of trade among developing countries. El Nasr Import and Export Company has branches in a number of African countries namely, Senegal, Mauritania, Mali, Burkina Faso, Sierra Leone, Liberia, Ghana, Togo, Benin, Kenya, Uganda, Zambia, Zaire, the Congo, the Central African Republic, Nigeria, Niger, Chad, the Sudan, Cameroon and Tanzania. El Nasr is also established in France, Iran, Kuwait, Jordan, Syria and the Lebanon.

El Nasr has a turnover of nearly US$ 500 million. It exports textiles and cotton yarn, crude petroleum and petroleum products, rice, live animals, metallurgical products and it imports sugar, food oils, cattle, cement, maize etc.

Misr Import and Export is turned more towards Asian markets and is established in India, Bangladesh, Sri Lanka where it is represented by the Egyptian Trade Centre. In Africa, it has contacts with Somalia and Ethiopia

where it is implementing a barter trade agreement with ETIMEX. Misr Import and Export exports quite a considerable range of products including chemicals, pharmaceuticals and medical equipment, foodstuffs, metals, weaving equipment, furniture and handicrafts. It imports machines and equipment, foodstuffs such as flour, maize, sugar, animal fats, raw and refined fats, tea, coffee, spices, grated coconut, various chemicals, metals and yarn, jute bags and propylene.

With a few exceptions, the structures and objectives of the STOs of other African countries are quite similar to those that are the subject of this analysis. The structures and objectives of STOs obviously have an impact on their management and efficiency. The analysis of the impact of the structures and objectives of African STOs on their commercial management is one of the focal points of this study.

CHAPTER III

MANAGEMENT OF AFRICAN STATE TRADING ORGANIZATIONS

Management is the art of guiding an organization or enterprise and ensuring that it is constantly able to seize opportunities offered by the business environment and to overcome problems arising from the same environment. This assumes that the organization or enterprise has the appropriate means which, when used optimally, could provide adequate answers to the problems posed by the forces in play in the environment. These conditions remain relevant regardless of the form of the organization and its place of operations and regardless of whether it is a private or State corporation. African State Trading Organizations (STOs) are also therefore subject to this rule. Regulation or guidance is, however, less easy in the case of a public corporation because the weight of the State with all its political, administrative and social implications is added to the commercial environment. The inadequacy of the human, material and financial resources available make it even more difficult to properly manage African public enterprises in particular and even more so in the case of African STOs. The current debate on the State sector in Africa concerns management problems and the efficiency of STOs. Poor management is deliberately put forward as the main, if not the sole reason, for the failure of African STOs.

The aim of any form of management is the efficient utilization of available resources to achieve the objectives of the enterprise. This, of course, assumes that adequate resources are provided to carry out the objectives of the enterprise and that the managers of such enterprises are given appropriate power. What does the situation look like as far as the management of African STOs is concerned?

A. Defining the Objectives of African STOs 5/

Defining the objectives of an enterprise is a crucial management decision. On this definition will depend that organizational structures and the amount of resources required (human, financial and material resources). It could be said that those who defined the initial objectives of the enterprise are considerably responsible for its success or failure although praise or blame is always laid on the shoulders of the managers of the enterprise.

The objectives assigned to African STOs are often badly defined or are not relevant to commercial organizations. The primary objectives of a commercial enterprise is that it should make profit and in establishing STOs, all the African countries of course mentioned that objective. While in a normal situation the profit-making objective is a crucial one for the trading company, in the case of African STOs, this priority seems to be divided between profit, social objectives and political objectives. Social and political objectives even take priority over the profitmaking objective in the course of the constant redefinition of objectives carried out by the authorities for reasons of political as well as economic expediency. This is in contradiction with correct trade corporation management which precisely requires that social and perhaps political objectives should depend on the profitmaking objective and that social objectives should flow from productivity and not the reverse. To this should be added the fact that the various objectives defined for the same enterprise are incompatible. The STOs of developing countries should, as it has been explained, certainly be asked to act as direct control mechanisms of the trade sector and tools for development; however, enterprises cannot be expected to be profitable when they are required, for instance, to employ twice as many workers as they actually needed or have the capacity to absorb which was the case of ONCAD in Senegal. The excuse of stopping inflation and guaranteeing the purchasing power of the people could not be used either to request a trading company to fix prices below its actual costs and expect it at the same time to make profits and not to benefit from State subsidies (see the case of the KNTC in Kenya and BIT in Tanzania which have been requested not to pass on any rises in the prices of goods to consumers even if such goods have to be sold below their cost price).

There is, therefore, an obvious lack of discernment in how the order of priorities of African STO objectives are defined, a lack of consistancy in defined objectives and incompatibility between objectives. Managers of STOs even wonder if their enterprises have real growth objectives. The state of affairs is the result of the incompetence of those responsible for defining the objectives. They are politicians with no management experience whatsoever and unaware of the requirements of a trading concern. Such men are rarely managers. In our opinion, the objectives of STOs should be defined at two levels:

(a) The State authorities should define the terms of reference, i.e. broad guidelines in the light of economic options and the development plan;

(b) The managers and corporation directors should define the objectives of the corporation as a commercial entity. This group should decide on the proper balance in resources and jobs and the growth and profitmaking objectives.

B. The actual power of African STOs and how such power is combined in the management of the organizations: Management autonomy, a must

It is not enough to define the objectives of the enterprise and the volume of resources required to attain such objectives. The provision of appropriate human, financial and material resources does not guarantee the proper operation of an enterprise or its ability to make profits; the actual decison-making power and the independence of managers which is the consequence of such power are crucial questions in the management of public enterprises and of STOs in particular. They raise the problem of relations between the State and the public enterprise and the problem of STO decision-making centres.

1. State control

When they are established, most African STOs are considered rather as outgrowths of State departments and of the Ministry of Trade in particular. Therefore, in the eyes of the supervisory minister and of his staff, the enterprise is a sort of "operational department" of the cabinet whose role is to conduct commercial operations. This explains why in many cases the directors of African STOs are very often former members of the central State department specifically seconded to act as directors of STOs. In most African countries, a sort of monitoring structure playing the role of a management unit is quickly created within the supervisory ministry. This unit follows almost daily the activities of STOs and submits for the minister's approval decisions relating not only to the general policy of STOs but often also to their commercial management. The direct hierarchical relations between the management of the STO and the management unit the behaviour of the seconded director favour such a situation. Most directors of African STOs do not in fact direct their enterprises. In order to keep their job, they prefer to follow the supervisory ministers. It is therefore not surprising that the STOs of several African countries operate in a very bureaucratic style and are unable to fulfil any of the business objectives they are assigned. The management of a business requires rapid decision-making, a keen sense of commercial risk and sometimes total discretion which are in contradiction with the submission of draft decisions to a minister for his approval or even the direct negotiation of contracts by the same minister. If STOs are to be managed like real businesses, their directors must be given a free hand in decision-making. It is an illusion to think that public enterprises can be given complete autonomy just as it is an illusion to believe that the total dependence of STO directors is compatible with proper business management. Once the broad policies have been defined, management decisions should be left to the managers who should be judged on their performance.

2. Decision-making centres within STOs

We have seen that in their relations with the State, some STOs suffer from the fact that they are directed from outside. Splits in the decision-making power within STOs related to the manner of recruitment of the managerial staff is also noted. In some African countries, divisions within the ruling party are reflected in the public enterprises and struggles among factions can bring the activities of STOs to a standstill. Some factions mobilize trade unions against the management others ask the managerial staff to disregard the authority of the Director General. This situation is, of course incompatible with the management of a business.

3. A break from bureaucratic and political interference: "contrat plans"

"Contrat plans" are not an African invention. They were introduced into some African countries including Senegal by foreign experts who drew their inspiration from the relationships between the State and STOs in France over the past 20 years. The terms "contrat-programme", "contrat entreprises" and "contrat plans" in fact mean the same thing. The State introduced this system of public enterprise control in an attempt to clarify the objectives of STOs and to encourage such enterprises to be autonomous in their management.

Under "contrat plans", State control involves only the appointment of STO directors and the inspection of STO management after the structures have been established. The State and public enterprise become partners linked by a mutually agreed management contract. The contract defines the strategy to be followed by the STO in the light of the objectives of the State and indicates explicitly (quantified management indicators) the management objectives. Once the contract has been signed by the supervisory ministry and the directors of the STO, management decisions are no longer subject to prior State authorization so long as they do not jeopardize the strategy laid down in the contract. The State is represented on the governing board just as are the other contracting parties (local authorities, managerial staff of the enterprise, trade unions, etc.) and its representatives are there to express their own opinion on the running of the enterprise and not to impose orders received from the supervisory ministry (they do not have casting votes).

The "contract plan" is also a useful means of evaluation 6/ the public enterprises since it offers accurate reference data and explicitly establishes the responsibility of the directors of the enterprise.

The contract plan reestablishes the balance between State control and the autonomy of public enterprise.

The African States, that have adopted the system of "contrat plans" have accepted it as a means of extricating themselves from the financial burden laid on them by inefficient STOs. In the initial process of implementing "contrat plans" some progress has been noted in the performances of certain African public organizations particularly in Senegal where the establishment of a "contrat plan" with SOTRAC (Société de Transport du Cap Vert) has brought about a notable decrease in the management deficit of the enterprise. It would be interesting to see what the outcome of a strict implementation of a "contrat plan" on an African STO would be. So far, the supervisory ministries still interfere even in cases where it is stated that the principle of autonomous management defined by the "contrat" plan is respected. The lack of experience of States and managerial staff of African STOs is perhaps to blame for this.

C. Mobilization of resources and their use in managing African STOs

In the introduction to this study, it was stated that the debate on African state trading organizations is a debate on the mobilization and optimal use of resources available to African States. The debate has been further sharpened by the stark scarcity of such resources in African countries. Good management depends on the availability of resources and their efficient use. Let us see what the situation is like in this regard in African STOs.

1. Human resources

As far as human resources are concerned, African STOs have a problem of quantity and a problem of quality.

Quantity: When most of the African STOs were established, the authorities concerned did not undertake thorough planning of the human resources in line with the requirements of the businesses. Even when organizational charts were prepared considerable changes were soon made to them solely to include additional staff who were hired on the basis of criteria which had had absolutely no connection with the proper operation or profitability of the STO. Compared to similar businesses in the private sector, African State enterprises use too many staff (at least 30 per cent more). Staff costs are often one of a factors that affect the profitability of African STOs. This is the result of the declared or undeclared intention of the State to make the public enterprise a machinery for absorbing unemployment at all costs and a means of satisfying a political clientele in search of jobs. Instead of promoting new investments to control unemployment, the State overstaffs the few enterprises under its

---

6/ For the assessment criteria of a public enterprise see MSS El Namaki, An Approach to the Evaluation of the Performance of State Trading Organizations in Developing Countries, RVB Delf Holland.

direct control. The African public enterprise does not recruit its personnel; such personnel is imposed on it from various sources such as political authorities, religious leaders and even the members of the families of the Directors of the enterprise. Such overstaffing decreases the productivity of the enterprise and helps to transform it into a complex bureaucracy.

Quality: Earlier on, it was stated that the managerial staff of African STOs is very often an outgrowth of ministerial cabinets. In some States, including Senegal, most Directors-General of Public Enterprises are either former technical advisers to the supervisory ministers, former state inspectors or former members of the Office of the President or former ministers; regardless of what skills such administrators might have in their field of competence, they neither have the training nor the experience required to manage a business. There is a difference between public administration and management of a business. Sometimes the priority given to the political criterion in selecting Directors makes public enterprises have more politicians than competent managerial staff and this does not allow the enterprise to function smoothly.

2. Financial and material resources

(a) Investments

We mentioned the importance of the ideological and political factor in the creation of African STOs. There is a certain spontaneity in the selection of investments. One is sometimes surprised to find that practically no serious feasibility studies were carried out prior to the creation of most of the African STOs or even when such studies were carried out they were used only as excuses because the conclusions of the studies were quickly sacrificed to the whims of the politicians who determined before hand the stape of the new enterprise even before implementation of the studies. The case of the Indian enterprise Hindustan Aluminium which was established on the assumption that a power source was available, which when it was built it was realized that the power source did not exist. There is also the case of the mango juice production company which was established without making sure that the raw material was available. 7/ such cases are not rare in Africa. Many were the investments that were made without any prior studies which turned out to be a waste of resources.

7/ Reported by P. Fernandes in Public Enterprises and the Bottomline, article published in Financial Profitability and losses in Public Enterprises of Developing countries, edited by Zia U. Ahmed, ICPE.

(b) Financial structures of African STOs

The initial investment of the State mainly goes into fixed STO assets. Almost everywhere, the mistake was made of thinking of the commercial nature of STOs and neglecting the funding of at least part of the operating costs from equity capital. The directors of STOs were requested only to utilize supplier credits and/or bank credits to cover their operations. The costs of such credits in terms of interest and other charges may be so heavy that they eat into the profit margin of the enterprise. African STOs in particular, and even some private African business have problems of revolving funds which hamper their proper operation 8(in a hostile banking environment. This lack of revolving funds is often aggravated by the lack of competence in financial management within such enterprise which results in the fact that even when the business is provided with a revolving fund, the poor credit policy to clients and the haphazard management of stocks (over stocking) wipe out the financial autonomy of the business. There is also the general insufficiency of financial resources of African STOs in relationship to their assigned objectives. The social missions and objectives are rarely considered when the financial requirements are being assessed and social achievements are hardly compensated for. The excess staff that STOs are forced to maintain, as well as losses on sales prices when the State keeps such prices below the actual costs of the business, are not compensated for or if they are, the subsidies that are supposed to cover them are paid very late and at a rate which does not take into account the operating cycle of the STO.

D. Business management

(a) Domestic trade

In the classification of African STOs described above, mention was made of import distribution STOs which handle both international trade and local distribution (domestic trade). Some of these companies have their own network of shops managed by their own staff; such is the case of the Office National de Commerce du Congo - OFNACOM. Other STOs such as SONADIS in Senegal approach domestic distribution indirectly by authorizing local distributors who pay them a deposit to operate under their name. In some cases, the local distributors are independent and do not use the name of the STO.

8(See M. Tine, 'Mémoire sur le fond de roulement des entreprises Sénégalaises.' Université de Dakar, ENSUT.

Under the direct approach, the STO is solely responsible for the whole distribution network and its decentralization in the rural areas. Some distribution units are often established under this approach in defiance of any rationality or notion of profitability.

In the case of the network of licensed distributors (the indirect approach), the image and guatantee of the STO are maintained and the STO participates in promoting a class of local traders which it trains in the rudiments of business management and to which it provides management assistance through a body of trade inspectors. The margin of manoeuvre of this class of traders is, however, limited in that their prices and the range of products that they distribute are determined by the STO that authorizes them to trade. On the other hand, the STO has no control whatsoever on the independent traders that it promotes. They set up shop where they wish and sell as much as they want and are subject to the general regulations of the country. The STO's assistance to them is limited to ensuring that they have regular supplies and supplier credits (GNTC played a similar role in Ghana).

(b) Import management

(i) Justification and conditions

For nearly 20 years, trade promotion policies and programmes in Africa concentrated mainly on exports. Awareness of the importance of management and import control is recent. It is probably the recent foreign exchange crisis which has brought about such awareness. African States have understood that management of foreign exchange resources makes it possible to regulate both the inflow and outflow of such resources. Care should be taken to ensure that the foreign exchange earned through exports should not be wasted on uncontrolled and/or over-valued imports. African States have two options for streamlining imports: "administrative management" which entails the establishment of import regulations and leaves operations to independent traders or "direct" import management by the State operator, therefore, through State corporations created with that end in view. Experience has demonstrated that import regulation through taxes, tariff and monetary arrangements (import deposits, variable exchange rates) and the issue of licenses and prohibition has only a relative impact on the management of imports and the channelling of imports towards development objectives. All these regulations are easily avoided through the corruption of the civil servants responsible for implementing them. Direct control by the STOs, therefore, seems to be the safest option. Even in the States that have importing STOs, both types of control exist side by side because of the mixed nature of the economy but direct control is predominant in some African countries such as Ethiopia, Angola, Tanzania, Zambia, Algeria and Egypt. African States also prefer "direct" mana management in order to ensure that there is a regular supply of essential commodities and to keep price fluctuations down to limits that are acceptable to consumers. The States also want to ensure that their commitments under bilateral agreements are met.

The intervention of STOs should also enable African States to make economies of scale, use imports as negotiating weapons to promote exports and to counter-balance importing transnational corporations.

Import planning and management by the African STOs are carried out within an atmosphere of constraints to which African public enterprises are generally subjected:

(a) The control of markets by the State imposes rigid purchase procedures: above certain sums tendering of bids is obligatory and the management of the STO has no control whatsoever on the decision of the national contracts committee - this is the case in Senegal;

(b) In view of the foregoing, freely negotiated contracts play only a small role in the purchases of the STOs concerned and it is therefore not possible for them to sign long-term contracts with suppliers and in so doing, to obtain better terms;

(c) The impossiblility of guaranteeing the independence of decisions regarding purchase and of keeping negotiations secret. In some enterprises, decisions regarding purchases regardless of the size of the contract are made by a committee comprising managerial staff of the enterprise which is the case of ETIMEX in Ethiopia;

(d) The lack of information on possible sources of supply, on prices and trade practices;

(e) The shortage of experienced trade officers;

(f) The foreign exchange crisis and cumbersome procedures for obtaining import licenses and paying suppliers.

In most African countries, macro-economic planning is not descriptive enough with regard to sectors to offer clear references for the planning or programme officers of importing STOs. External trade planning figures often do not have solid empirical foundations and therefore STOs that are given monopolies are obliged to make risky estimates. The relations between STOs and central planning also raise serious problems when the points of view of the directors of the enterprise and those of central planners diverge and the latter have no idea whatsoever of the marketing approach that the STOs are trying to describe.

In African STOs proper, there is often no planning. Most African STOs do not have a planning department and handle demand on a daily basis and in an approximate manner and this is what causes the frequent shortages and enormous financial charges that result from an improper management of orders and stocks. When the planning function is left to the trade department, which is often the case in Africa, it does not have proper tools to carry it out effectively (there is a lack of reliable information, lack of serious studies on demand, no - quantitative and qualitative assessment of supply etc.).

It is therefore under such difficult conditions that African STOs carry out (if they do so) the planning and management of imports. Let us now see how those African STOs that plan do so.

(ii) The planning process

Demand assessment

This is a crucial phase in the planning and management of imports. In most cases, such assessment is based on historical data and is done by extrapolation. No consultations are carried out on the figures obtained outside the enterprise and, in many African STOs, this leads to an under-assessment and very rarely to an over-assessment of demand. In rare cases, such historical extrapolation is preceded and/or followed by systematic consultations with associations of users within the chambers of commerce, users of the parastatal sector and, as a last resort, the national planning department. Such consulation permits an assessment of quantities and yields qualitative data which could serve as a basis for breaking down the demand and identifying appropriate sources for supply.

Product strategies and purchase strategies

As far as product and purchase strategies are concerned, the hands of African STOs are tied by political considerations and commitments made by the State. The products to be purchased and the sources of supply are often determined before hand and forced on the enterprise by various factors that Michelle Saint Marc calls the economic tropisms of marketing channels 9/. If solutions to the commercial policies of STOs such as advertising are possible to overcome the lack of adequate information (purchasers do not have a complete picture of the conditions of the market and the various possible sources of supply) and psychological rigidity (purchasing and consumption habits), institutional rigidity such as preferential trade agreements, tied aid, direct financial links and monetary zones is more insidious and in fact forces partners on African STOs. This obviously restricts their margin of manoeuvre. African STOs therefore do not operate in a competitive environment that is perfect or even relative which allows them to choose product strategies and import markets. In the short term, African STOs should identify products that are not subject to quotas in the import programme and try to initiate a process of diversifying their sources pending the lifting by the governments of the institutional constraints that tie the countries often to the former colonial powers or to multilateral co-operation agencies such as the European Economic Community.

At another level, the lack of information on market trends and the lack of serious analysis of available data do not enable African STOs to purchase at the appropriate time and at appropriate prices and to avoid shortages or over-stocking which are factors that have an impact on the profitability of the enterprise.

9/ Michelle Saint Marc, "Commérce Extérieur de development, SEDES pages 175-195".

(iii) Physical management of purchases

This is the most worrying aspect in the process of acquiring and manging imports. The losses suffered by African STOs in this area often cancel out all their efforts elsewhere to streamline management. High forwarding costs (transport, transit etc.), and the excessively high financial expenditure incurred as a result of the poor physical management of purchases have a great deal to do with the poor performances of importing African STOs. The causes of such poor performances are poor planning of purchases, transport, storage and distribution. Even when the State lays down standards in this area, there are problems in their implementation because the agents of the supply departments of the public enterprises lack the appropriate skills.

Physical management begins from the demand assessment phase; the qa quantitative aspect of this assessment has already been mentioned. The qualitative aspect concerns mainly the definition of quality standards to reduce the range of articles to be purchased and to ensure that they meet the requirements of consumers. It is of course the responsibility of the national standardization agency to define standards at the national level but in most African countries even if such an agency exists, it is inactive and has not been able to develop enough standards to cover the products imported by the STOs. The Ethiopian Institute of Standardization, which is one of the best structured and most active in Africa, has prepared standards for only a limited range of products imported by ETIMEX and the other Ethiopian STOs. The purchasers of African STOs are therefore often left to themselves in this area and their limited knowledge of some products does not help them. Very few STOs in Africa have made the effort to remedy this situation by preparing purchasing manual on procedures and products. The problem of standards is wider than the products themselves and concerns other aspects such as processing and packaging which in turn are affected by the quality of handling and transport. The use of the standards of the International organization for Standardization, would be a short-term solution but it should not be forgotten that such standards were often defined in contexts that are different from those of African countries. It is, therefore, hoped that the Nairobi based African Regional Stadardization Organization (ARSO) will be able to help in speeding up efforts of African countries in this area at the national and regional levels.

Another aspect directly linked to quality standards and other specifications is checking to see that orders and physical deliveries by the supplier match. Such verification is carried out at two levels: before and after the orders, before loading and upon arrival at the port of reception. Most African STOs have no accurate knowledge of the real capacities of suppliers when they sign contracts with such suppliers. The exploratory missions of purchasing departments which would have enabled purchasers to familiarize themselves with exporting companies are often not considered by the management as a profitable investment but rather as useless trips. Such exploratory missions would have spared many African private and public enterprises considerable difficulties because they realized, when it was already too late, that they had signed contracts with shady middle-men or with small producers incapable of satisfying their demand. Many advances paid under such conditions have been lost.

As far as inspection prior to loading is concerned, the public services and STOs of most African countries rely on the monitoring corporation which thus has near-total monopoly even if it has often been realized that despite the certificates of conformity issued by the monitoring corporation some articles were in fact loaded without prior inspection and were not in conformity with the required standards of the importing African STOs. It is perhaps high time that the contracts signed with the monitoring corporation were reviewed and provision made for penalties. The ideal would be for African countries to set up joint inspection units by encouraging the creation of African bureaux of maritime and merchandize experts.

On the whole, African STOs do not have inspection units for incoming goods. Such inspection is often carried out by the trade departments which do not have staff really qualified to do so.

(iv) Transport and logistics

Foreign exporters always insure sales CAF. Comparative studies carried out by some African importing companies have proved that freight rates are too high and the freight rates obtained directly from shipping lines could be as high as 20 to 25 per cent. The fact that several African countries have their own shipping lines should encourage STOs to purchase FOB and to consolidate their freight to enable national shipping lines to help them to plan the transport of such freight. National shipping lines could either forward the goods themselves or negotiate preferential freight rates with other shippers or liner conferences. However, STOs need to have logistics and transport staff to co-ordinate matters with the national shippers and forwarding agents in order to deliver the goods on time. This is often not the case. Some African STOs are victims of congested harbours in countries such as Nigeria and Ethiopia and pay considerable charges to the port authorities and banks. Although STOs are certainly not responsible for the inadequacy of port facilities it has an adverse impact on their operations. The STate should therefore take appropriate measures for streamlining harbour traffic in favour of commercial operators making available the equipment required for such streamlining such as quays designed for handling containers and cranes.

The ultimate phase of physical management of imports covers the storage and management of stocks as well as the distribution of goods to consumers. In these areas, the distribution of functions varies from country to country. In countries such as the Congo, the importing STO (OFNACOM) has a bi-polar structure and imports and distributes through its own distribution network; in other countries such as Ethiopia, Zambia and Senegal, the importing STOs leave domestic distribution to STOs created for that purpose. This latter approach cuts down general management problems. In both cases, there are serious problems in the layout of storage warehouses, the arrangement of control documents and the physical inventory of goods. This results in enormous losses and makes it impossible to streamline the volume of stocks to avoid overstocking or shortages.

(c) Export management

It was pointed out earlier on that exporting African STOs are mainly agricultural produce or mineral marketing boards established to manage the exports of one or several agricultural products. Such boards often use traditional channels that link African countries with established markets in the North. They administer sales and their capacity for innovation, research and planning of marketing has been blunted by routine procedures. With policies now turning towards the export of products with an added value such as finished or semi-finished products, the structures of such STOs have to be revised, revitalised so they can diversify their markets and adapted to the competitive environment of international trade.

CHAPTER IV

Diagnosis of management functions of African State Trading Organisations

1. Analysis of the current functioning of the STOs

The current operations of African STOs are subject to the following criticisms:

- their functioning is expensive
- they are not homogeneous.

1. Operations

Compared to the existing level of activities, structural costs are too high.

1.1 Productivity is insufficient

The operating staff exceed by 50 - 100% the normally required number of staff. In spite of this excessive staff, materials management systems are substandard as the records and operations of incoming and outgoing stocks are often not in line with actual physical stocks.

-Frequent stock shortages and re-procurement procedures not in line with optional and cost effective stock management requirements.

- There is no way, in such a situation, to check and determine loses delivery errors and pilfrages.

1.1.2 Procurement and procurement operations are poorly organized

The concerned STOs have adopted a system of public procurement which includes a combination of centralized and/or decentralized procedures.

The procurement department of each STO has been established by a decree or special order.

The acqusition of goods or services by the general manager can be only be effected within the limits of the amounts indicated in the annual budgets.

Procurement officers decide, approve or submit procurement lists to the relevant authorities for their approval. Under the perview of current instructions, purchasing departments purchasing organizations, can draw their procurement programmes, issue tenders, negotiate and conclude business deals to the extent of powers granted to them and within established financial rules.

The department has to go through all the procurement process including the preparation of a contract reflecting clauses agreed upon by the two parties i.e. the management and the supplier that has been selected through the tender process or after bilateral negotiations such contracts can come into force only after they have been approved by competent authorities, i.e. either a national committee, the Minister or his representative.

It has been observed that the purchasing procedures are often still based on the colonial era rules.

The purchasing function is of a crucial importance in all investigated organizations.

It seems necessary

- to take up an in-depth diagnosis of the purchasing procedures and procurement obligations.

- to formulate recommendations for the strengthening of these organizations' structures.

One of the very problems that has been often mentioned is that of excessive delays in the conclusion of contracts agreed upon as per the purchasing systems and rules applied by the majority of the purchasing departments of the visited organizations. hree or even six months may be needed before final conclusions of contracts.

On the basis of the procedures and delegation of powers foreseen in the existing system for approvals, the delays can take place either in the purchasing department of the organization concerned or at the level of the administrative or financial control.

Different factors have been identified as sources of these delays. The most important among them is the rigidity of procedures which do not include any provision allowing selection and application of procurement methods based on market structures and mechanisms.

Other adverse factors:

A large number of operational officers do not know anything about the objectives of their organizations and are poorly acquainted with the purchasing system.

The idea of a strategy of forecasting needs on the domestic market in the area of purchasing does not seem to be a preoccupation of the majority of senior managers.

Another issue often mentioned the absence of any procurement information systems with regard to imports, as well as the unawareness of commercial and financial consequences of procurement operations. One could add also the too rigid approach to these problems.

1.1.3. Management tools and administrative procedures are costly and poorly integrated and they provide little information

(a) They are costly

Average payroll amount of ASTO's account for 30% of the turnover. The total cost of the prescribed administrative work is much beyond what is reasonably acceptable.

(b) Poorly integrated

Commercial statistics, if in existense are not in line with sales accounting books.

(c) They provide too little information

The most worrying information gaps are:

- total lack of knowledge of actual profit margins during a financial year and the absence of sectoral analytical data on such margins.

- absence of follow-up of the sales by item .

- inadequate statistical data bases which do not provide required information.

2. Trade activity

- Two characteristics:

- Profit margines are decreasing

- Marketing policies partake of routine procedures

2.1. lower profit margins

Two reasons can explain this phenomenon: "blind" tenders and ineffective procurement departments.

Tender issuing offices are often "blind"

They have no connections with sales directors and therefore do not receive direct information on the market as a whole.

The traditional clientele has been neglected

In spite of the efforts undertaken by some STOs, the traditional clientele is poorly targeted and insufficiently stimulated. There are no programmes of business visits and the sales representatives do not have any individual files about their clients. Moreover, promotional activities are rare and of a poor quality.

3. Inadequacy between tasks delegated to certain agents and the training they received

It has been observed that training does not occupy much room in the ST... managers preoccupations. We could identify serious gaps in the operations of STOs of which most are due to inadequate training of operational staff. We shall attempt to outline the senior managers responsible for the management and the staffing of STOs with a view to elucidating flaws existing in the management of STO's we visited.

The critical observations concerning STO managers mentioned here are not relevant to their personalities.

Opinions indicated below were expressed by the employers who can evaluate their immediate collaborators in real situations.

Young managers are not operational enough, they have accumulated knowledge which they do not use to carry out their duties. They have not acquired practical know-how.

Some experienced top official were not trained in management and are not equipped to evaluate actions in the framework of plans or a strategies designed and adopted in advance.

Their know-how does not allow them to cope with various situation and changes

The majority of managers have a fragmented vision of the techniques they are using, they are not capable of grasping the reality of the enterprise as a whole.

They are not good at coordinating. Overwhelming incompetencies have been registered in certain cases: basic intellectual tools (reasoning, written expression), knowledge, skills allowing to understand and to explain certain subjects or to correct mistakes on the spot.

Types of behaviour have been observed which are poorly suited to initiate action to motivate a team of middle and lower managers.

Finally, status and remuneration are in the majority of STOs so low that they do stimulate initiatives and do not allow the adoption management policies. The fact that some managers have been appointed to their positions without having proved their capabilities is another reason to this.

- It was also noticed that majority of STOs have not been sufficiently selective in hiring their staff through proper recruitment policies and knowledge tests. It is necessary to mention again that these critical views varied slightly according to the situations.

We do not wish to question the good intention of people but it is necessary to understand the functioning of mechanisms in the light differences in know-hows and activities actually carried out by certain cadrés.

Having pointed out the major shortcomings of African STO's we shall now focus the rest of this report on ways and means of improving their structures and management.

CHAPTER V

Re-structuring and reform of African State Trading Organizations

The inefficiency of Public entreprises and their impact on budgets have left African government with three options:

(a) Privatisation (of such entreprises)
(b) Their liquidation
(c) The rationalization of their structures and management

1. Privatisation

This seems to be the favourite form of intervention of those advocating traditional types of structural adjustment programmes.

Improving and re-establishing financial balances in the short run require resources that can be immediately yielded through sales of public assets (STO's and other public entreprises). However privatisation programmes are facing many obstacles of which (a) the lack of native buyers who would take over STO's on sale and efficiently run them, (b) the net loss of assets and money by governments (proceeds of sales of public assets are often less than the residual value of assets and taxes arreareas of the interprises being sold) (c) social functions of such enterprises are abandoned to financial profitability and will have to be taken over by governments through other arrangements and with other resources.

Privatisation is not in any case a panacea and does not guarantee efficiency.

2. Liquidation

Liquidation is a negative approach to re-structuring. It doesn't carry any renewal expectation for the enterprise nor does it guarantee continuity of the latter's activities. The decrease of subsidies expected by government in cases of liquidation is lower than net losses incurred on assets that are often abandoned or lost. In any case liquidation is a source of net losses of jobs, incomes and social strifes triggered by the resulting vacum.

3. Rationalizing Structures and Management of STO's

Stabilizating, consolidating and relaunching economies should be the main preoccupations if policy makers are to cope with the current depressing economic situation.

Liquidating STO's is obviously not in line with policies founded on such preoccupations;

Privatisation has always had a regressive impact on employment income and consequently on markets and growth;

Radical solutions such as privatisation and liquidation cannot be compeletely ruled out but one should be realistic to resort to them only in cases where they are absoluetly unavoidable and when alternative mechanisms for the safeguard of national interests and socio-economic functions hitherto fulfilled by concerned entreprises. To support and improve the management of public entreprises (mainly the STO's) appears to be less expensive than their liquidation or their selling off under conditions which would not guarantee the fulfilment of their original socio-economic objectives. Rationalizing STO's structures and management with a view to improving their efficiency should be a priority for the African government. How to carry out restructuring and rationalisation programmes?

3.1. Formal re-definition of STO's objectives and missions

The existing dual sets of STO's objectives (explicit and implicit ones) should be abandoned and clear cut definitions should be provided for

(a) social objectives
(b) economic objectives
(c) profitability and commercial efficiency variations of such objectives should not be subject to political leaders' moods, they should be triggered by strategic changes forecast in management plans for the development of the entreprises concerned.

The objectives should be consistant for STO's can't for example be asked to sell under cost prices and at the same time yield profit margins where no compensatory subsidies are paid to it to cover losses incurred in their attempt to attain socio-political objectives of governments.

Socio-economic and even political objectives should only be set where governments can commit themselves to establish compensatory mechanisms for the remuneration of activities carried out by STO's for the attainment of such objectives or their reflection in value in the balance sheets (as credits to the state for example).

3.2. Promoting management autonomy

This calls for a re-definition of the relationship between STO's and central government supervisory authorities with a view to simplifying and rationalizing such relations, day to day management operations require flexibility that cannot be fulfilled when government bureaucracy prevails. STO-management relationship should be further clearly defined in "contract-plans" or any

other type of agreement of that sort. This type of contract should be drawn in simple terms and should focus on a limited set of performance indicators and a few objectives in figures (jobs to be created, profit rate, expected, investments etc.)

The establishment of "Sociétés Nationales"

- National Corporations - in lieu of traditional public enterprises is another way of furthering STO's autonomy. Current experiences in a few African countries (Senegal etc.) are too recent for accurate evaluation - judging by managers' enthusiasm for this type of corporations and efforts they deploy to get their STO's turned into "Sociétés nationales", we may say that such types of corporations satisfy managers' quest for autonomy.

3.3 Freeing STO's from economic and political "Tropisme"

In the competitive environment of international trade, managers of African STO's shall be left free to design their own commercial strategies - governments shall respect managers' autonomy and their ability to make strategic decisions; they should not sign bilateral and/or multilateral agreements which would impose partners on STO's through tied aid, pre-designed import programmes indicating quotas and sources etc..

3.4 Staffing STO's with well qualified personnels and adopting systematic on the job training programmes.

To this end, managers should be left free to determine, under no political pressure, the necessary staff for the optimal functioning of their STO's as well as the required qualification of the various staff. This might help break with the plethoric staff of some STO's and with incompetent staff.

3.5 Improving financial structures of STO's

This could be achieved by getting STO's endowed with sufficient long term financial resources for the financing of their fixed assets and adequate working capital that would enable managers mining their excessive dependance on banks and the impact of excessive financial charges hampering STO's profitability. Improving financial structures of STO's would require from government that they stick to their commitments visa a vis STO's by paying at fixed dates for supplies and services provided by the latter governments should also compensate losses incurred by STO's for the attainment of imposed socio-political objectives, with sound financial structures, managers cannot be expected, notwithstanding their competence, to miraculously fulfil objectives of profitability.

3.6 Drawing strategic management plans for STO's

Like any other type of entreprises, STO's are systems which are subject to changes (they have to move forward or decline in bankrupcy). Management policies should therefore take this into account. Such policies should result from thorough analysis on how entreprises could grow on the basis of their traditional activities and/or in new areas and modes of action. All possibilities of changes in markets and products should be envisaged.

3.7 Improving operational business management and adapting management tools

3.7.1 Re-shaping structures

Most STO's have already established procurement and marketing departments. The issue is therefore to improve the functioning of such departments by ensuring (a) a better coordination between the departments and services they operate (b) the establishment of administrative offices for the follow-up of procurement and sales actions with regard their logistic implications which would support procurement officers and marketing forces. These offices would ensure that established procedures are respected and that acurate statistical data on stock changes are maintained and that operations are duly documented.

3.7.2 Reviewing and improving administrative procedures in a global way with a view to minimizing procurement costs. In many African STO's such procedures are extensive and costly.

3.7.3 Drawing formal commercial policies

(a) For Procurements:

- Standardizing and specifying goods to be procured.
- Ensuring a formal close management of supplies by monitoring the procurement step by step (prospecting, ordering, delivery, stocking etc..) and coordinating the various operations to avoid breaks in the procurement claim.

(b) For sales: to provide sales forces continuous support in all administrative and logistic matters, by determing research and promotional policies, mastering stock changes, fixing delivery time and logistic processes leading to effective delivery.

(c) At global levels: Systematically planning commercial operations (Procurement and sales), draw flexible budgets based on varying levels of operations - ensuring periodical evaluation comparing forecasts and effective results.

4. Reforming and Re-structuring STO's: another approach

4.1 The current situation

Current structural adjustment policies include a negative approach to reforms and re-structuring of public entreprises in general and STO's in particular - Privatization and liquidation are the favorite remedies advocated to solve problems of public entreprises.

The end results of all these policies are recession, exacerbated unemployment and their effects on incomes and markets: In total this amounts to the shrinking of the economic structures of the economy and to depression.

Privatizations and liquidations of public entreprises entail wastage of sizable resources in compensations paid to labour and directly consumed without any impact on employment and production.

4.2. Proposals for new approach to privatization and liquidation

Re-structuring programmes should be carried out keeping in mind the fundamental objectives of economic stabilization and growth and they should be consistant with such objectives. To this end, safeguarding jobs, consolidating and strengthening national economies should be the main preoccupations. With investments currently stagnating and declining in most African countries policies should aim at preserving existing entreprises or at least turning liquidations of the latter into opportunities for the creation of small and medium scale entreprises through "Spin off" processes. 12/

4.2.1. "Spin off" Processes: Principles and modalities

The issue is to find ways and means of substituting to the current negative approach to privatisation and liquidation of STO's a positive approach: to try to improve performances of STO's through internal management actions and existing strategic management plans (where they exist). If such attempts to reform STO's using internal positive management forces are not successful, STO's should be encouraged to organize their self liquidation and their dismantling into several other organizations to be promoted on the basis of ideas formulated by their staff and management for diversification and on the basis of existing strategic corporate plans and corporate profiles and demand at

---

12/ See Ales Vahcic, Janez Prasnikar and Tea Petrin in "Development Strategies of the Commune of Nova Gorica (Yugoslavia), a search for entrepreneurs in a self managed economy (University of Ljubljana, Yougoslavia)

the national global level. The basic principle of "spin off" processes is that every privatisation or liquidation should be an opportunity for the establishment of entreprises or activities that would help preserve jobs and socio-economic functions previously carried out by STO's under privatization or liquidation as well as resources they were endowed with.

"Spin off" processes would consist in:

(a) identifying possibilities of creating new entreprises on the basis of a thorough macro-economic survey of current situations and possible changes in future (see national development plans...)

(b) identifying possible directions for diversification taking into account strategic corporate plans.

(c) exchanging views with managers and workers and recording their views on activities (sector and sub-sectors) in which they would like to convert themselves into private entrepreneurs.

(d) drawing conclusions from (a), (b) and (c) and determining how STO's under liquidation could be "spinned off" into new entreprises.

(e) assessing material, financial and human resources of concerned STO's and determine how they could be utilised by "spinned off" entreprises.

(f) assessing sources for financial and material assistance that could supplement resources available in STO's under liquidation.

(g) the establishment of management consulting structures which would act as "incubators" to guide the new entrepreneurs and minimize operational management costs.

(h) the effective creation of the "spinned off" entreprises.

CHAPTER VI

CONCLUSIONS

Traditional structural adjustment programmes and neo-liberal reforms underlying them have mainly focussed on privatization and liquidation of public entreprises in general and STO's in particular. Current experiences give clear identifications on the irrelevance of such reforms with regard the prevailing economic conditions in African countries. With the lack of classes of businessmen ready to take over from the state, privatisation programmes could hardly be carried out. In any case, privatisation and liquidation of STO's have resulted in recession and the increase of unemployment and other connected social strifes.

Emphasis should be put on reforms based for the improvement of internal management systems and structures of STO's with a view to ensuring the optimal improvement of performances from within STO's. For such an improvement to take place, review and rationalization of all management functions should take place. Failure to achieve such internal reforms should lead to positive privatisation and/or liquidation programmes that would protract socio-economic functions previously carried out by STO's being re-structured and preserve jobs. "Spin-off" processes, self centered re-structuring from within STO's should provide opportunities to turn privatisation and liquidation into programmes for the creation and promotion of new entreprises that would contribute to the consolidation and possibly growth of national economies and to the preservation of jobs as required by the situation in most African countries.