Privatisation in Sub-Saharan Africa: Progress and Prospects During the 1990s

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The analysis of the privatisation of state-owned enterprises in sub-Saharan Africa (SSA) has been based on very incomplete and out of date data. This paper presents and discusses the preliminary results of a comprehensive survey of privatisation transactions in SSA up until the end of 1995. While previous research has concluded that the privatisation process has made only very limited process since the early-mid 1980s, the survey reveals (i) a generally much higher level of privatisation activity than that indicated by existing data sources; (ii) a very considerable range of country experiences with privatisation; and (iii) a marked increase in the number and overall value of privatisation transactions since the early 1990s. While serious economic and political constraints continue to hamper the implementation of privatisation programmes in SSA, there is a strong likelihood that the intensity of the privatisation effort will continue to accelerate during the next five-ten years.

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1. INTRODUCTION

Privatisation of both the ownership and control of state-owned enterprises (SOEs) is an increasingly central feature of all national economic reform programmes in sub-Saharan Africa (SSA). In those countries where SOEs have dominated all or most sectors of the formal economy, comprehensive privatisation programmes are regarded (particularly by the World Bank and the IMF) as being of crucial importance for the future development of a strong private sector which, in many respects, has become the superordinate medium-long term objective of adjustment programmes everywhere in Africa. Privatisation is also justified on the grounds that SOEs are invariably inefficient and, without decisive interventions, will continue to be a massive drain on extremely limited public resources (see World Bank, 1995).

Despite the centrality of privatisation in the process of economic reform in SSA, no detailed empirical research has ever been undertaken of either the scope or the impacts of privatisation in the continent as a whole. In a recent article, Elliot Berg, probably the most well known commentator on privatisation in SSA, remarks that "even the most casual effort to determine the number, nature, and impact of privatisation transactions in sub-Saharan Africa reveals an extremely unsatisfactory state of knowledge. The best sources are World Bank documents, though these tend to be heavily preoccupied with numbers of transactions...The result is a body of knowledge that is not only thin, and heavily concentrated on numbers of transactions, but also full of inconsistencies and ambiguities" (Berg, 1996:6). In presenting the available estimates on divestitures, he cautions that "it is an open question whether they mislead more than they illuminate" (ibid:10). Similar warnings have made in other recent publications on this subject (see, for example, Adam, 1994, Adam, Cavendish and Mistry, 1992; African Development Bank, 1995; Fontaine and Geronimi, 1995; UNCTAD, 1995: UNIDO, 1994; World Bank, 1994).

Two World Bank data sets have been relied upon very heavily in assessing the overall progress of privatisation programmes in SSA. The first is the survey of all privatisation world-wide for the period 1980-1987 compiled by Candoy-Sekse. With regard to SSA, she enumerated a total of only 227 transactions that either had been completed or were underway in 1987, three-quarters of which were concentrated in six countries, namely Cote d'Ivoire, Gambia, Guinea, Niger, Togo and Uganda (see Candoy-Sekse, 1988). The second data base was assembled by Sader for the period 1988-1992. This survey reveals a similar story of slow, often faltering progress of privatisation programmes in SSA during the late 1980s and early 1990s with only 172 sales transactions recorded, again heavily concentrated in a handful of countries (in particular Ghana, Mozambique, and Nigeria).
This reliance on the Candoy-Sekse and Sader data sets gives a very incomplete picture of the extent of privatisation in SSA for three main reasons. First, country coverage is far from complete. In particular, countries, such as Mali and Madagascar, which have had reasonably sizeable privatisation programmes, at least by SSA standards, are not included in either data base. Secondly, there is widespread under-reporting of sales transactions among countries that are included in these data bases. In Benin, for example, only eight sales transactions are reported when, in fact, over 90 SOEs were sold or liquidated by 1992. And thirdly, there has been a marked increase in privatisation activity in SSA since 1992.

Given these shortcomings of the available data, a lot more empirical research is needed in order to provide a more robust and up to date assessment of the progress and likely prospects of privatisation in SSA. The purpose of this article is to present and discuss the preliminary findings of a comprehensive survey of SOE privatisation transactions in SSA from the early 1980s when the first privatisation programmes were begun up to the end of 1995. While the survey is on-going and there are still some minor gaps in country coverage, the data that have been collected provide a reasonably detailed and accurate picture of the number, type, and size of privatisation transactions in SSA. This is particularly the case for those countries that only seriously embarked on privatisation from the early 1990s onwards.

The article is structured as follows. Section 2 briefly describes the sources and types of data that were included in the survey. Section 3 presents an overview of the number, value, type, and ownership characteristics of privatisations between 1980 and 1995 disaggregated by country and main economic sector. Sections 4 and 5 then discusses how the design and implementation of privatisation programmes in SSA have been affected by a number of key political and economic factors. Section 6 reviews the limited evidence that is available on the performance of privatised SOEs. Finally, section 7 considers the prospects for privatisation in SSA during the next five years.

Privatisation, in the broadest sense, entails the full or partial transfer of either ownership rights or management control of SOEs to the private sector. Divestiture, on the other hand, is more narrowly concerned with the sale of equity or assets of SOEs as well as the outright liquidation of enterprises as legal entities. Sales transaction can be either private or public. There are three basic types of private sales, namely competitive bidding using an open-tendering process, pre-emptive sales, and the sale/auction of assets. Well established procedures have been developed for open-tender sales which, in the absence of well developed capital markets (which is the normally the case in low income developing countries), is generally regarded as the most effective and transparent form of divestiture. Pre-
emptive sales arise when existing shareholders have a legal right to exercise first option on
the purchase of any government shares should they become available.

Public flotation of SOE shares is possible when a country has a properly functioning stock
exchange. This mode of privatisation is usually necessary for sale of the largest SOEs
(especially in the utilities and transport sectors) and, if properly organised, has the added
political and economic advantages of enabling relatively large numbers of citizens to acquire
shares. Where a government does not consider an SOE to be ready for full public flotation,
this can be deferred in various ways. In particular, deferred public offerings are where private
investors acquire full ownership on the condition that a certain percentages of shares will be
sold over time to smaller shareholders. In countries that do not yet have stock exchanges,
privatisation trust funds (PTFs) can also be established that allow governments to keep SOE
shares in trust until such time that they can be sold to the public.

Non-divestiture (or non-asset) privatisations occur when governments either do not want or
are unable to sell an SOE to the private sector, but the government still wants to transfer
overall responsibility for the control of the enterprise to the private sector. Three main options
are usually available namely leases and franchises, and management and performance
contracts.

2. DATA SOURCES

Data from five main sources were utilised for the survey. (i) The Candoy-Sekse and Sader
the World Bank that partially updates the Sader data base up to and including 1995. (iii)
Reports and other documentation produced by government commissions, committees and
units that have been specially established, often with technical assistance from the World
Bank and other donors, to design and implement privatisation programmes in SSA. Basic
information on all transactions was obtained from almost all countries that have had active
privatisation programmes during the 1990s, including Burkina Faso, Cote d'Ivoire, Ghana,
Kenya, Mozambique, Nigeria, Tanzania, Uganda, and Zambia. (iv) Information provided by
country desk officers for SSA, and staff of the Private Sector Department at the World Bank;
and (v) A variety of other publications including the local and international business media.
Grey cover World Bank reports on private sector development were particularly useful for a
number of countries.
Data on all key aspects of privatisation were collected wherever possible. This included both details of each enterprise (name, sector, employment) and the privatisation transaction itself (date, type, reference and agreed prices, percentage of equity or assets divested, ownership characteristics). While it was not always possible to collect all these data for every country, basic information on the type of privatisation transaction was obtained for 1165 enterprises in 32 countries.

3. OVERVIEW

The following overview summarises the most salient characteristics of privatisation transactions in SSA. While this covers the years 1980 to 1995, the focus of attention is on the most recent period, 1988-1995.

(a) Number of privatisations

Table 1 presents information on the overall number of divestitures (wherever possible disaggregated into sales and liquidations) and other non-asset privatisations for each SSA country between 1980-1995. These data have been collated from a wide variety of sources. Wherever possible, country estimates are derived from information on individual enterprises that have been privatised but, for a minority of countries, only total figures are available concerning sales, liquidations and other privatisations. Countries for which there are no data whatsoever are unlikely to have had major privatisation programmes. For a few countries (including Guinea Bissau and Togo) the data are not up to date. Finally, data on liquidations and other non-asset privatisations are generally less comprehensive and up to date than for actual sales. For all these reasons, the total numbers of divestitures and privatisation presented in Table 1 for the continent as a whole should still be regarded as under-estimates.

The main conclusion of nearly all research that has been undertaken to date on privatisation in SSA is that progress has been very limited. The information presented in Table 1 suggests however that, even discounting for the large number of very small privatisations in Mozambique (most of which are retail outlets), there were at least three times as many sales transactions during the period 1980-1995 than the total recorded in the combined Candoy-Sekse and Sader data bases for 1980-1992 and that, furthermore, there has been a very considerable range of country outcomes. In broad geographical terms, in West Africa and East and Central Africa, it can be observed that approximately one-quarter of SOEs had been privatised in one form or another by the end of 1995. In Southern Africa, with the exception of Mozambique and Zambia, there has been relatively little privatisation activity. And, even in these two countries, a significant proportion of privatised SOEs have been sold by
fragmenting them into separate operating units so that the number of reported sales transactions alone is a poor indicator of the relative size of their respective privatisation programmes.7

Three groups of countries in SSA can be delineated. (i) Major privatisers (most notably Benin, Guinea, and Mali) where the majority of SOEs have been divested; (ii) Modest privatisers where typically less than 10 percent of the total value of public assets has been divested (Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Niger, Nigeria, Senegal, and Togo in West Africa, and Kenya, Madagascar, Mozambique, Tanzania, Uganda, and Zambia in East and Central Africa); and (iii) Minimal and non-privatisers, totalling some 25 countries.

SSA countries can also be categorised according to when their privatisation programmes effectively began. Five francophone West African countries—Benin, Guinea, Niger, Senegal and Togo were the first group to start such programmes from the late 1970s up to the mid-1980s. In the case, however, of the pathbreaker, Senegal, this early start did not result in any significant progress being made. In fact, there were more SOEs in Senegal in the late 1980s than there were ten years earlier. A second, larger group of countries did not formally embark on privatisation programmes until the late 1980s (Ghana, Nigeria, Cote d'Ivoire, Mali, Kenya, Malawi, Mozambique, Madagascar, Uganda). Most of these programmes were largely the outcome of pressure from the World Bank and IMF. However, with the exception of Nigeria and possibly Mali (for which data are not available), Table 2 shows that no substantial progress was made in any of these countries until at least the early 1990s when, for the first time, some governments began to take public sector reform more seriously. Another group of 'late starters' did not formally start privatisation programmes until well into the 1990s. Three of these countries, Burkina Faso, Tanzania, and Zambia, have shown fairly strong political commitment to privatisation whereas in the other three, Cameroon, Ethiopia, Sierra Leone, only minimal progress had been made by late 1995.

Nearly three times as many SOEs were partially or completely sold during 1988-95 than in the preceding eight year period (see Table 2). Furthermore, the annual number of sales transactions increased markedly during this latter period - from just four in 1988 to 161 in 1995. So too has the total annual value of sales. Excluding the three relatively large divestitures in South Africa and the two exceptional privatisations in Ghana (Ashanti Goldmines in 1984) and in Nigeria (an oil field of the Nigerian National Petroleum Corporation in 1993), it can be observed in Table 3 that the total US dollar value of divestitures in 1994-95 was double the level in 1989-90.
Despite, the quite impressive increase in the number of privatisation in recent years, progress as measured against privatisation programme country targets has been poor in most countries. In part this is because of the typically three-four year delay before privatisation programmes have begun to be seriously implemented. And in other countries, political commitment remained consistently weak throughout this period. In Cameroon, for example, only five of the 30 SOEs scheduled for privatisation were sold by the end of 1995. Even in a country such as Tanzania where government support for privatisation has been relatively strong, less than one-quarter of the SOEs scheduled for divestiture in 1995 were successfully sold in that year.

In other countries, the privatisation programme started reasonably well, but then stalled completely. Nigeria's programme, which in many ways had been one of the most successful in SSA, was suspended in early 1995 in favour of a mass programme of 'commercialisation' that, by mid 1996, had still not got off the ground. Also in 1995, the leaders of the newly installed military regime in Gambia not only suspended the privatisation programme but also tried to reverse some privatisations. Pressure from the World Bank eventually stopped them from doing this. Elsewhere, Madagascar's privatisation programme was also suspended (in mid 1993) due mainly to serious mismanagement and its unpopularity among the mass of the population. The small privatisation programme in Malawi mainly involved just one public corporation (ADMARC) but, given an acute shortage of private sector investors, most of the targeted enterprises were eventually sold to the government, leading politicians, and a few large foreign investors and, after a flurry of activity in 1988, the programme quickly fizzled out.

(b) Sector

By mid 1996, basic information on individual transactions had been collected for 1165 SOE privatisations (895 sales, 168 liquidations, and 102 other) in SSA between 1980 and 1995. Over half (52.1 percent) of all SOEs partially or completely sold have been in the manufacturing sector (see Table 4). Four other sectors-agriculture, finance, hotels and tourism, and trade accounted for another 27.7 percent of all sales transactions. The largest SOEs and hence the bulk of public assets are utilities, mining, and transport enterprises, but there have been very few divestitures in these sectors. As noted earlier, information on liquidations and other non-asset privatisations are incomplete in many countries. It can be observed however, that leases, and management and performance contracts appear to have been concentrated in five sectors namely agriculture, manufacturing, utilities, hotels and tourism, and transport and storage.
Smaller SOEs have generally been targeted during the initial stages of privatisation programmes in SSA mainly because they are easier to sell. Within the manufacturing sector, five industries have been particularly prominent in most national privatisation programmes namely, food processing, alcoholic beverages, textiles, cement and other non-metallic products, and metal products. Excluding the exceptionally large sale of ISCOR in South Africa, these four industries accounted for 60.0 percent of the total proceeds from the sale of manufacturing SOEs between 1988 and 1995. Other industries have attracted little interest from either local or foreign investors. The bulk of larger manufacturing SOEs that have been sold in most countries (and generally to foreign investors) have again been in the food processing (including sugar), alcoholic beverages, cement, and textiles industries.

(c) Size of sales transactions

Unfortunately, no data are available on the value of divestitures in SSA between 1980 and 1987. For the period 1998-1995, the survey indicates that the total value of transactions was US$2.73 billion, which is approximately one percent of the value of all divestitures worldwide. Table 5 shows that three countries- Nigeria, South Africa and Ghana accounted for nearly three-quarters of all transactions. Tanzania and Kenya had the next largest shares of 4.4 percent and 4.3 percent respectively. With respect to sectoral distribution, it can be observed in Table 6 that the mining and manufacturing sectors comprised over 80 percent of total privatisation proceeds in SSA. The only other sizeable sectors were hotels and tourism (6.0 percent), financial (4.7 percent), and agriculture (3.9 percent).

The overall median value of the privatisation sales for the SOEs for which data was available was only US$ 370,000 between 1988 and 1995. There are, however, quite considerable inter-country variations in median sales values. In Mozambique and Zambia, these were as low as US$200,000 and US$250,000 respectively which in part is because both countries have 'bidder-driven' privatisation programmes coupled with the widespread fragmentation of SOEs into separate units (see below). Where foreign investors have tended to predominate (as in Benin, Cote d'Ivoire and Togo), median sales values have been much higher. The sectoral breakdowns presented in Table 6 show that agriculture, construction and trade have had the lowest median sales values of US$180,000, US$200,00, and US$140,000 respectively. As expected, the highest values are for the mining, financial and utility sectors.

The five largest divestitures during this period were ISCOR (iron and steel, US$500 million) and ALUSAF (aluminium smelting, US$100 million) in South Africa, Ashanti Goldmines in Ghana (US$485 million), an oil field belonging to the Nigerian National Petroleum Corporation (US$500 million), and the Tanzania Cigarette Company (US$55 million).
Between them, these five sales accounted for 60.1 percent of total proceeds (see Table 7). The 178 SOEs sold for US$1 million or more were only 30.6 percent of the total number of divestitures for which sales data are available for this period but accounted for 96 percent of the total value of transactions. Slightly less than 56 percent of SOEs were sold for under US$0.5 million but only 2.0 percent of total proceeds was earned from this group of enterprises. In the absence of significant 'broadbasing' of SOE divestitures in SSA, it is clear therefore, that ownership of state assets has been concentrated in the hands of a relatively very small number of companies and individuals.

In the absence of reliable country estimates of the total value of SOEs, it is not possible to calculate precisely the proportions (in value terms) of the total public assets that have been sold and liquidated. But even in a country like Nigeria which, by African standards, has had a large privatisation programme, this figure was still less than five percent by early 1995.

(d) Type of sale

Table 8 shows that over half of SOEs were reported as having been sold using private sale open tender procedures. Again, however, there are some interesting differences in the sales techniques that have been employed by SSA countries. Deferred sales have been particularly common in Ghana and Zambia mainly in order to encourage greater involvement in privatisation programmes by indigenous (i.e. African) entrepreneurs. In Kenya, pre-emptive sales have dominated a fairly limited privatisation process which, because of their inherent lack of transparency, has resulted in widespread concerns about corruption and undervaluation of enterprises (see below). In Uganda, over half of all privatised SOEs have been repossessions by their mainly Asian owners (in particular the Mehta and Madhvani families).

The existence of stock exchanges in Ghana, Kenya and Nigeria and, to a lesser extent, in Cote d'Ivoire has undoubtedly facilitated the sale of larger SOEs. The median value of public flotation divestitures was US$2.14 million compared with only US$0.1 million for private sales (see Table 8). In Nigeria and Ghana, restrictions on the size of individual shareholdings has also expanded considerably the number of citizens with a direct stake in erstwhile SOEs which in turn has boosted political support for the privatisation process. In Nigeria, over 850,000 individuals bought shares in 51 enterprises.

Despite mounting concerns from both politicians and the public at large about the limited involvement of African citizens in larger divestitures, relatively few privatisation programmes have had well designed and adequately resourced PTFs or similar instruments.
The PTF in Zambia has been held up as an example of good practice (see Bell, 1995) but even here, only three SOEs had been sold using this method by the end of 1995. The failure to develop viable PTFs from the start of the privatisation process in countries such Ghana, Malawi, Senegal, Tanzania, and Uganda has been a major factor inhibiting the involvement of Africans. This failure can, in part, be attributed to the often undue haste with which some privatisation programmes have been started.

In Uganda, an interesting development has been the public auctioning of SOE shares. This has been done albeit on a limited scale from 1995 onwards and has enabled much greater involvement of African citizens in the privatisation process thereby placating, at least to some extent, the critics of privatisation. Moreover, because of the heavy demand for shares, the proceeds from these public share auctions have been considerably higher than from private sales where there have been usually only a very limited number of mainly foreign bidders (see Muganwa, 1996). Thus, it is clear that the mode of divestiture is a critical determinant of the overall success of privatisation programmes.

(e) Purchaser characteristics

While privatisation units normally provide information on the names of companies and individuals who have purchased SOE equity and assets, without additional research, it is frequently not possible to ascertain whether the new owners are African and non-African nationals (in particular Asians in East and Central Africa and Lebanese entrepreneurs in West Africa) and/or foreign investors. Out of a total 895 recorded sales in the data base, only 377 (42.1 percent) could be positively identified as being 'local investors' with another 174 enterprises definitely having some foreign investment. However, most of the remaining 344 SOEs are small enterprises, and thus the large majority of them are also likely to have been purchased by local investors.

In Nigeria, apart from the purchase of an NNPC oil field by Elf Aquitaine, there has been no foreign participation whatsoever in the country's privatisation programme. In Mozambique and Zambia upwards of 80 percent of the purchasers of divested SOEs have been reported as being local investors. However, the proportion of investors who are Africans has generally been small. In Tanzania, for example, only 15 out of 90 SOEs that had been sold by the end of 1995 had been bought by 'wazawa' (Swahili for indigenous people) despite the fact that the Parastatal Sector Reform Commission had, wherever possible, given preferential treatment to this group. In Zambia, the number of genuinely African owners is somewhat higher (probably around 40 percent). This is partly because of the larger number of employee and management buy-outs (17 by December 1995), and the fragmentation of many SOEs into smaller units (in
particular in the agriculture and food processing sectors). Fragmentation of SOEs has also enabled greater involvement of nationals in Mozambique than would otherwise have been possible.

The proportion of the proceeds of a divestiture paid in foreign exchange is a reasonably good indicator of the extent of foreign ownership. Table 6 shows that local investors accounted for slightly less than one half of all divestiture proceeds between 1988 and 1995. Among the most important sectors, the highest levels of local financial involvement were in manufacturing, finance and trade while the lowest were in agriculture, hotels and tourism, and mining. Interestingly, in most SSA countries, it is these latter sectors that are likely to have the highest growth potential in the context of widespread trade liberalisation. Not surprisingly, foreign investment has been concentrated among the larger SOEs that have been sold. Excluding Nigeria (where almost all SOEs were purchased by local investors), nearly two thirds of all sales transactions of more than US$1.0 million involved foreign investors.

In the large majority of countries, the state has divested its entire ownership stake in SOEs that have been sold. Only 123 SOEs out of a total of 895 recorded in the data base continued to have some state involvement after privatisation. State involvement continues to be highest in countries that had previously had socialist development strategies (in particular Burkina Faso, Mozambique, and Tanzania) but for 85 percent of the 123 SOEs for which data are available, this was a minority shareholding.

4. POLITICAL OPPORTUNITIES AND CONSTRAINTS

A variety of political and economic factors have affected the design, implementation and outcomes of privatisation programmes in SSA. During the 1980s, most governments openly opposed the sale or liquidation of SOEs which clearly prevented the widespread adoption of viable privatisation programmes. However, during the 1990s political constraints have become less critical in many countries (although, of course, privatisation remains an intensely political process), and instead the saleability of SOEs and the mode of privatisation are increasingly the major concerns. Thus, whereas ten years ago the key question for most governments in SSA was why they should privatise, now they are primarily concerned with how privatisation programmes can be designed and implemented most effectively. The following discussion examines why this shift has occurred by looking at how the privatisation process in SSA has been influenced by key stakeholders, in particular politicians and bureaucrats, public sector workers, and local and foreign business interests since the mid 1980s.
The main conclusion of virtually all research on privatisation in SSA is that the generally slow progress that has been made to date can be largely attributed to a pervasive and deep-seated lack of commitment at the highest political levels. In many countries, this has been further compounded by the limited political feasibility of actually introducing major privatisation programmes due mainly to strong opposition from entrenched vested interests, most notably senior bureaucrats in ministries and SOEs themselves as well from public sector workers who have expressed understandable concern about the possibility of mass retrenchments. Furthermore, there have been less self-interested but nonetheless widespread, long-standing and usually quite intense nationalist/populist concerns about the possible adverse political and economic consequences of increased foreign investment that are likely to arise as a result of privatisation. The key political problem, it is argued, is that the costs of privatisation are borne fairly immediately by relatively small but powerful groups whereas the benefits are only likely to be spread more slowly among society as a whole. Thus, collective action is easier to organise against reform than for it (see van der Walle, 1989 and Galal and Shirley, 1994).

As noted earlier, only a handful of governments in SSA were seriously committed to privatisation during the 1980s. The rest tended to play lip service to the World Bank and the IMF with respect to their demands for public sector reform. While these organisations generally managed to convince governments to adopt the privatisation of SOEs as a central objective of economic reform programmes, their own operational personnel were usually too preoccupied with the first crucial stage of the reform process, namely the implementation of basic macroeconomic reforms to pay much attention to public sector reform.

While this conclusion is broadly correct for the 1980s, important political and economic changes have occurred since then which have resulted in major shifts in both privatisation policy and practice. Whereas most African governments resisted anything more than token privatisation during the 1980s, there are currently only a handful of countries where privatisation programmes have either seriously stalled or where there is little likelihood that major privatisation programmes will not be introduced in the near future. Why then have there been such major changes in both the political commitment and political feasibility of privatisation in SSA countries during the last five years?

First, most governments in SSA have become progressively more convinced of the need for far reaching economic reform, including reform of the parastatals sector. While the economic
benefits of adjustment programmes are still not particularly visible for the bulk of the working population in most countries, most governments with the 'support' of the increasingly powerful international finance institutions and the main bilateral donor agencies\textsuperscript{6} are accelerating the pace of economic reform. As an integral part of these programmes, privatisation is also being pursued more seriously. In the past, the strongest resistance to privatisation had come from countries where adjustment programmes had not been introduced at all or where they had seriously faltered. With governments in SSA becoming ever more dependent on donor funding, such recalcitrance is now uncommon. The fact also that these programmes have now been in place in most countries for at least ten years means that their populations have been 'softened up' with respect to the need for a strong private sector in a liberalised economy. More generally, as privatisation has proceeded apace throughout the developed and developing world, there is now much greater acceptance of the need for effective privatisation as part and parcel of economic reform, and the development of an internationally competitive economy.

Second, significant political liberalisation has created additional political space (or 'room for manoeuvre') in order to inaugurate or revamp privatisation programmes. In particular, multi-party elections in a number of countries (e.g. Lesotho, South Africa, Tanzania, Zambia) have allowed newly installed governments to distance themselves from the statist policies of their predecessors who had a strong vested interest in protecting the public sector. Tight corporatist links with key stakeholders such as trade unions, one party bureaucracies, and state functionaries have been seriously weakened as governments have become more dependent on the electorate as a whole for their political survival.

Thirdly, the already dire financial state of SOEs has continued to deteriorate at a time when the fiscal crisis of the state in almost all SSA countries is more acute than ever. In general, attempts to restructure SOEs using performance and management contracts with existing managements has not been successful. For both these reasons, therefore, the need to sell off, liquidate or fully privatise the management of SOEs has become that much more urgent.

And finally, with the key macroeconomic reforms now implemented in most countries in SSA, private sector development is now at (or very near) the top of the World Bank's economic and political reform agendas. Given the general failure of these macroeconomic reforms to resolve the economic crisis in SSA, the Bank has become increasingly aware of the critical need to develop the private sector in order to ensure high and sustainable economic growth in the future. Consequently, much greater pressure is now being applied on governments to privatise rapidly all types of SOEs, both large and small, with the World
Bank now actively encouraging governments to sell SOEs rather than opt for non-asset types of privatisation.

Despite the importance of these changes in the political and economic context in the large majority of SSA countries since the late 1980s, it would clearly be naive to think that there now exists total political commitment to privatisation or that serious opposition by various stakeholders will no longer arise. As will be discussed shortly, major political obstacles still have to surmounted in all countries. However, it seems increasingly unlikely that these obstacles will effectively undermine the privatisation process in the majority countries as was the case during the 1980s.

(b) Indigenous and foreign business interests

One of the key political concerns about privatisation in SSA has been that SOEs should be sold, wherever possible, to African citizens. This is particularly the case in anglophone East and West Africa where Asian and Lebanese business communities have been in more advantageous positions to acquire larger SOEs. Resistance to 'foreign involvement' has been much less pronounced in francophone SSA mainly because of the relatively undeveloped state of the indigenous business sector. For this reason, privatisation programmes in these countries have tended to be foreign dominated.

Concerns that 'wazawa' are not squeezed out by local Asian and foreign companies during privatisation have been repeatedly made by politicians in Kenya, Tanzania and Uganda and, to a lesser extent, Malawi and Zambia. However, where the private sector as a whole is still very small and fragile after years of public sector domination in most economic sectors (as in Tanzania and Zambia, for example), actual resistance to non-African investors acquiring the lion's share of attractive SOEs on offer has been quite limited. In Tanzania, for example, well over half of divested enterprises have been sold to Asian companies and entrepreneurs. Generally speaking, there has been less political controversy surrounding the sales of the largest SOEs in these countries to well known transnational corporations as there has for much smaller enterprises to Asian businessmen most of whom are nationals. In Zimbabwe and South Africa, the prospect of local white business communities being the principal beneficiaries of privatisation has been one of the main hurdles preventing these countries from embarking seriously on privatisation.

The limited capacity of African entrepreneurs and other indigenous organisations to purchase SOEs is reflected by the high incidence of "uncomsumated transactions" in a number of countries, most notably Ghana, Guinea, Madagascar, and Nigeria and, to a slightly lesser
extent, in Burkina Faso and Uganda. In Guinea, already grossly undervalued SOEs were sold for Guinea Franc 21 billion (approximately $US 600 million at mid-1980 exchange rates) but only one tenth of this total was ever paid. In Ghana, 12 enterprises, collectively valued at over 20 percent of the 1990-1994 tranche of privatisations, had to be 'redivested' because of the non-payment of mainly deferred sales agreements. Between 1990 and 1994, gross sales of SOE equity and assets amounted to C63.1 billion of which only 34 percent had been paid by the end of May 1994. Similarly, in Nigeria, N2.3 billion out of a total of N5.7 billion had still not been received by April 1993.

Ethnic rivalry has further adversely affected the ability of indigenous entrepreneurs and other individuals to participate in privatisation programmes and has seriously discouraged some governments from taking privatisation more seriously. In Kenya and Cameroon, in particular, political elites who are drawn predominantly from particular ethnic groups (Kalenjin and from the south respectively) have seen privatisation as a threat because of the superior economic position of ethnic rivals (mainly the Kikuyu in Kenya and from the north in Cameroon). Allowing these ethnic rivals to purchase the bulk of SOEs would undermine their ability to control patrimonial state apparatuses. In Nigeria, traditional rivalry between north and south was also a major factor that shaped the allocation of shares in SOEs sold after 1988.

While most governments would clearly like to maximise the participation of Africans in privatisation programmes, most political leaderships now accept that these programmes are unlikely to succeed without significant foreign investment. As in the past, governments in some countries have tried to reduce the potentially conflicting objectives of, on the one hand, upholding national economic sovereignty while, on the other, attracting foreign capital and skills by continuing to maintain ownership stakes in key SOEs. Thus, particularly for larger SOEs, reputable international companies are often sought as 'strategic partners' with either government or local investors. But, unlike joint ventures in the past, the state is now almost always a minority shareholder.

(c) Labour

The threat posed to public sector employment is another commonly cited reason for the resistance of SSA governments to widespread privatisation. SOE managers and workers represent a very powerful political constituency in most SSA countries. But, despite the importance of employment issues, virtually no relevant data are available. Perhaps not surprisingly, privatisation units do not usually divulge very much information about the size of retrenchments among divested SOEs. It is usually claimed however that very few redundancies have occurred. Zambia is one such country where this claim has been made. In
Table 9 it can be observed that relatively very few redundancies were reported among those enterprises for which data are available. However, comparing the number of workers employed in these enterprises immediately after privatisation in 1993, 1994 and 1995 with employment levels in 1992 (independently reported elsewhere) shows that a very sizeable proportion of the labour force was shed in the period leading up to privatisation.

Opposition to privatisation by workers of SOEs has been a major retarding factor in many SSA countries, but in particular in Ghana, Malawi, and Tanzania. During a public address in 1996, the Executive Director of the Ghana Divestiture Committee noted that "some problems on the labour front still persist, resulting in a spate of lawsuits, thus delaying the pace of the programme in certain respects" (Ghana Divestiture Committee, 1996:10). Workers at four relatively large SOEs in Tanzania took legal action against the Parastatal Sector Reform Commission during 1994 and 1995 but, on each occasion, their attempts to prevent the sale of their companies were given short shrift by the courts. Workers in countries such as Mozambique which adopted Marxist-Leninist/socialist development strategies after independence frequently have a strong sense of ownership of their enterprises and have strenuously resisted privatisation.

The payment of terminal benefits to workers is another major issue. In Ghana, enterprises have been able to negotiate very high levels of benefits which has seriously deterred potential investors. And where SOEs are technically bankrupt (as has been commonly the case in Tanzania), they cannot pay these benefits. Generally speaking, however, adjustment programmes have resulted in the creation of more flexible labour markets which have seriously undermined the power of organised labour to resist falls in real wages and retrenchments.

5. THE SALEABILITY OF SOEs

While the political environment has become more conducive for comprehensive privatisation in SSA during the 1990s, the actual saleability of SOEs, in particular the larger ones, has remained a key constraint in most SSA countries. Potential purchasers of SOEs have to weigh up a number of economic and political factors when assessing the attractiveness of acquiring a particular enterprise and the price they are prepared to pay. The overall economic climate is clearly of paramount concern and, as elsewhere, investors focus on the 'fundamentals' of an economy as a whole as well as the specific product markets they are interested in. For most sectors and economies, these fundamentals have not changed dramatically during the 1990s. Foreign investors invariably take their lead from local investors, but private investment as a
The proportion of GDP has continued to fall in all but a handful of SSA economies (see IFC, 1995). Markets in the traded goods sectors have become appreciably more competitive as a result of trade liberalisation, but real interest rates are at historically very high levels and underlying economic growth has remained weak. Only a few, usually quite profitable, manufacturing industries (food, beer and spirits, cement, cigarettes, sugar refining) as well as more recently mining and tourism have attracted any significant foreign investment. Most other manufacturing industries have been seriously affected by adjustment programmes and some, most notably textiles, iron and steel, other metal and electrical goods, and vehicle assembly are in a serious state of decline in many countries. As a consequence, disinvestment by foreign companies engaged in manufacturing activities has been widespread (see Bennell, 1995).

(b) Government credibility

Investors' assessments of the overall credibility of government economic policies and the privatisation programme in particular is also of critical importance in determining the general saleability of SOEs. Given the much higher levels of government commitment to establishing or further strengthening the 'market economy' coupled with the extreme unlikelihood of renationalisation in the future, privatisation programmes enjoy much higher levels of credibility among investors than in the past. However, major doubts still persist especially where governments have shown little commitment to privatisation until very recently and widespread allegations have been made about the lack of transparency and corruption in the management of the privatisation process. These doubts only tend to be magnified when governments are seen to be offering too many 'sweeteners' to prospective investors. It is equally important that governments are able to show that 'bell-whether sales' of SOEs made during the early stages of privatisation programmes have indeed succeeded in turning them around but genuine 'success stories' of good performance sustained over a relatively long period are still very difficult to find in most countries in SSA (see below). One reason for the slow progress of privatisation programmes in some countries may simply be because such a large proportion of attempted privatisation have not been successful.

(c) Transactions transparency

Lack of transparency in SOE sales transactions has been a major concern among prospective investors in most SSA countries. In part, this can be attributed to weaknesses in the management capabilities of those who have been entrusted to implement privatisation programmes. However, to a large extent, poor transparency has been the direct consequence of opportunistic behaviour by both politicians and bureaucrats eager to cream-off, perhaps for
the last time, sizeable rents from their control of SOEs. A guiding principle of privatisation programmes is that there should be clear, unambiguous criteria laid down for the evaluation of bids by prospective purchasers, and that the tendering process itself should be competitive with full public disclosure of all bids. As mentioned earlier, pre-emptive divestitures are particularly susceptible to the under-valuation of assets and preferential treatment of a particular bidder in return for kickbacks to key politicians and bureaucrats. Equally serious, in some countries, open tendering procedures have been flouted and direct approaches by particular companies have been allowed and even encouraged. Cote d'Ivoire during the last years of the Houphuet-Boigny regime was particularly notorious for this de facto privatisation of the privatisation process. Similarly, in Cameroon, in at least three of the five sales of SOEs that had been completed by 1995, the government clearly favoured a particular investor coupled with serious embezzlement of the sales proceeds by bureaucrats responsible for the privatisation process (see Ejangue, 1996). In Madagascar, there has been "a generalised lack of transparency" (World Bank, 1995:52). Even in the relatively tightly managed privatisation programme in Mozambique, "investors report that they could influence the outcome of the bidding" (World Bank, 1995:74). Up to 80 percent of the points awarded each to each bidder are awarded on the basis of non-price criteria which can seriously obscure the transparency of the tendering process. In Uganda, creating an "atmosphere of transparency has been difficult" (see Muganwa, 1996), especially given the widespread opposition that existed to the privatisation of SOEs during the early years of the programme.

Public flotation divestitures and the sales of assets and shares at public auctions have been less susceptible to rent seeking behaviour by politicians and bureaucrats. Even in a country as notoriously corrupt as Nigeria, the main reliance on public flotations has meant that the opportunities for corruption have been considerably less than where all or most transactions have been by private sales.17

(d) Prospective investor and government valuations

The saleability of a particular SOE depends crucially on the price at which the government is prepared to sell it. A major sticking point in the past has been that governments in SSA have quite understandably wanted, for both financial and political reasons, to maximise the net proceeds of divestitures, and have tended therefore to rely therefore on asset-based valuations. Potential purchasers, on the other hand, have used mainly business-based valuations that calculate the net worth of an enterprise by estimating the likely net profit streams and offsetting these against current liabilities. However, using this latter valuation methodology, many SOEs in SSA have negative net worth and thus governments must be
prepared to virtually give them away if they are to be divested successfully. Not surprisingly, therefore, SOE sales have frequently become bogged by arguments about how assets should be valued. But, as long as governments stick to asset-based valuations, many SOEs will remain unsaleable.

The fact that so many SOEs have such enormous debts also seriously affects their saleability. Again, unless governments are prepared to take over these debts, there is little real prospect of these SOEs being privatised. However, without major financial assistance, most governments in SSA are simply unable to do this. Similarly, in order to made saleable, many SOEs, in particular in the utility and transport sectors must first be comprehensively restructured and modernised which is invariably costly and time consuming and normally requires some form of management or performance contract with private sector operators. Clearly, once the costs of privatisation rise above a certain point, the overall net proceeds from sales transactions will become negative (as they did, for example, early in Uganda's privatisation programme).

The privatisation process can itself further undermine the saleability of SOEs, especially where they are already in a parlous state. For example, in Mozambique, "in an effort to demonstrate commitment to the privatisation program, the government announces early on in the process which companies are to be privatised. Once the announcement is made it is difficult for the enterprises in question to do business. Credit dries up,...and foreign customers or reluctant to enter into contractual arrangements with such firms" (World Bank, 1995:69). As a result "operations are rendered virtually impossible" (ibid.).

Evidence on the saleability of SOEs is difficult to find and what does exist tends to be incomplete and fragmentary. However, what little is available does suggest that saleability has become the single most serious obstacle in most privatisation programmes. The high level of re-divestitures in Ghana has already been mentioned. In Nigeria, 35 out of the 95 SOEs that were eventually included in the privatisation programme had still not be sold by mid-1994. In Uganda, "offers for SOEs have only been between one-tenth and one-third of official valuations" (Muganwa,1996:7) and in Kenya, the privatisation programme continues to be seriously jeopardised because "too many companies on offer are unmarketable" (EIU,1995:13). Since the start of the privatisation programme in Tanzania, "there have been many unsuccessful tenders" (PSRC, 1996:8). At the end of 1995, 26 SOEs were reported as being 're-advertised'. The sale of most SOEs in Guinea was due mainly to the massive undervaluation of assets by government auditors.

For Mozambique, data are available on the government reference values (based on fixed assets only) and agreed sales values for SOEs divested during 1994 and 1995. Total proceeds
from the sale of 49 enterprises actually exceeded their combined reference values. However, nearly 40 percent of the enterprises were sold for less than 75 percent of their reference values, and these enterprises (which included two breweries and a cement factory) were also the most attractive investments on offer.

Finally, in Zambia, while progress during the first two years of its privatisation programme in 1992 and 1993 was very slow, there has been a marked acceleration in the number of sales since then mainly because asset-based valuations have been largely dispensed with for most divestitures and the whole process has become increasingly 'bidder-driven'. It appears that this is also happening in Mozambique.

6. POST-PRIVATISATION PERFORMANCE

In view of the rapidly growing importance of privatisation in the overall process of economic reform in SSA, remarkably little information is available on the post-privatisation performance of erstwhile SOEs. It is clearly the case, however, that no SSA country can be singled out as a very successful privatiser in the same way as, for example, Chile has been in South America. Sporadic references can be found in the mainly grey literature on the success of individual divestitures but these amount to no more than 20 enterprises for the continent as a whole and are little more than casual observations rather than rigorous evaluations.

Among the early group of privatisers in SSA (which therefore, have had the most opportunity to demonstrate the pay-offs from privatisation), Senegal is the only country where research has been undertaken on the post-privatisation performance of SOEs as a whole. Senegal was included as one of the nine case study countries in the World Bank's 1995 research study 'Bureaucrats in Business'. With respect to all five of the study's performance indicators (net operating surplus and profits before taxes as a percentage of sales revenue, real variable costs, total factor productivity and savings minus investment as a percentage of GDP), the collective performance of SOEs in Senegal deteriorated after privatisation. A recent World Bank report also concluded that, with the exception of SONATEL, the national telecommunications company, "there seems to be no major improvement in the financial situation of public enterprises under performance contract" (World Bank, 1996:11).

In Togo, the deep-seated political and related economic crisis of the early 1990s effectively de-railed the country's privatisation programme. With real GDP falling by over one-third between 1991 and 1994, SOEs privatised during the 1980s were almost all badly affected. In 1993 alone, manufacturing output fell by 42 percent. Similarly in Niger, of the 50 relatively
large industrial enterprises that existed in 1986, there were no more than 15 in 1994 (EIU, 1996). Virtually nothing is known about the outcomes of the privatisation programme in the other two early privatisers, namely Benin and Guinea. In the case of Guinea, however, the privatisation programme was so poorly managed (in particular, with respect to the identification of competent entrepreneurs who subsequently bought SOEs) that it seems unlikely that, in the context of the deepening economic crisis in that country, most privatisations have been successful.

As noted earlier, Mali embarked on a major privatisation programme in 1988. According to the World Bank, among the 14 SOEs that had been sold by 1993, results were "mixed". In particular, the programme was too hastily implemented and none of the SOEs underwent internal restructuring before being privatised. They had therefore to contend with the "old problems of weak management, obsolete technology, and inadequate working capital" but in a new, competitive economic environment (see World Bank, 1995:9).

Evidence on enterprise performance among the countries that embarked on privatisation from the late 1980s onwards is equally patchy and anecdotal. And, as discussed earlier, the large majority of SOEs among this group of later privatisers were not sold until after 1993 so it is still too early to assess meaningfully their performance. Ghana was the other African country included in the Bank's 'Bureaucrats in Business' study. While there was a sizeable improvement in the financial performance of enterprises post-privatisation (due mainly to "reduced overstaffing through layoffs" (World Bank, 1995:58)), real variable costs were still higher, and there was virtually no change in the size of the savings-investment deficit.

With the slow pace of sales divestitures (at least up until the early 1990s), it has been argued that there should be greater reliance on non-asset privatisations, most notably leases, and management and performance contracts where the state effectively relinquishes full control of the enterprise to a private sector operator (see Berg, 1996). Up until recently, however, this type of full blown non-asset privatisation has been relatively rare in SSA. Instead, governments have typically attempted to reform SOEs by giving them greater managerial autonomy but have still maintained overall control. In general, these attempts to restructure SOEs as part of public sector reform programmes have not been successful. The World Bank itself has concluded that:

"with a few notable exceptions, performance contracts and other attempts to boost the efficiency of enterprises remaining under state control have failed....Making a performance contract work may require conditions that seldom exist. Both parties must be committed. Some recapitalization is usually part of the restructuring programme, And there must be
enforceable targets, incentives for success, and censure or financial punishment for failure. Lacking these essentials, governments and enterprises have often disregarded carefully negotiated contract provisions" (IBRD, 1994:108).

In Ghana, for example, "only four of the eleven firms with performance contracts reached the negotiated targets, because of lack of financial discipline and performance accountability" (ibid:108). In Cameroon, the performance of nine out of the 13 enterprises that had performance contracts signed between 1990 and 1995 remained the same or deteriorated with respect to all three (economic, financial and managerial) performance criteria. Given the inability of the state to provide the very significant financial resources needed to restructure these enterprises, "it is no surprise that most of the performance contracts could not be carried after they were signed" (Ejangue, 1996:5). In Nigeria, performance contracts were first signed only in 1992 but "anecdotal but broad evidence suggests that, in most cases, "commercialisation" is still an elusive goal" (IBRD, 1996:73). According to the Nigerian Government's own Technical Committee on Privatisation and Privatization, the main reason for this has been because "nothing has changed in the relationships between the Supervising Ministries and the commercialised enterprises under their charge" (TCPC, 1993).

7. FUTURE PROSPECTS

While privatisation in SSA will continue to be constrained by the same political and economic factors discussed above, for a number of important reasons, the pace of the privatisation process is likely to continue to accelerate, possibly quite dramatically, over the next five years. Firstly, there are strong indications that the number and size of sales transactions in 1996 will be considerably larger than the record levels reached in 1995. For 1996 and 1997, privatisation strategies have been or are currently being prepared for over 800 enterprises in 17 countries for which information is available (see Table 10).

Secondly, major new privatisation programmes have been recently launched (or re-activated) or are currently in an advanced state of preparation in over 15 countries in SSA. This includes countries where privatisation had stalled (Cameroon, Madagascar), countries such as Central African Republic, Cote d'Ivoire, Malawi, Niger, Senegal, and Uganda that have made limited progress with privatisation during the last 10-15 years, and countries where privatisation is being embarked upon seriously for the first time (Congo, Djibouti, Eritrea, Ethiopia, Lesotho, Mauritius, South Africa, Swaziland, Zimbabwe). By the end of 1997, there will only be a tiny minority of countries in SSA that will not have fully fledged privatisation
programmes. Information on all on-going and scheduled programmes is incomplete, but a conservative estimate is that at least 1500 more SOEs will be privatised by the end of 1999.

Thirdly, opportunities for greater participation by Africans could expand considerably. PTFs, investment funds and similar schemes are already being established in a number of countries, (including Ghana, Senegal, Tanzania, and Uganda) as are new stock exchanges (Malawi, Tanzania, Uganda, Zambia) or expansion of existing stock exchanges to cover wider geographical areas (most notably, the Abidjan stock exchange for francophone West Africa). Increased ownership involvement of Africans in SOE divestitures will significantly reduce political opposition to privatisation, reduce dependence on foreign investors, and generally improve the saleability of SOEs, in particular the largest ones in the utilities and transport sectors. Management and employee buy-outs could also increase appreciably.

Fourthly, more governments are beginning to take concrete steps to privatise the largest SOEs that account for the bulk of public assets in most SSA countries. Rapid progress is already being made in the utilities sector in francophone West Africa. Similarly, the new Accelerated Divestiture Programme in Ghana includes the State Insurance Corporation, State Housing Corporation, Ghana Telecommunications Company and a major timber company. Where governments are still reluctant to sell 'strategic' SOEs (as in Kenya for example), it is still intended that the management of most of these enterprises will be effectively privatised through the use of performance contracts and leases.

Fifthly, the World Bank, IMF, and most of the major aid agencies are significantly increasing the pressure on governments to privatise, and wherever possible sell, most SOEs within the next five years. Consequently, meeting privatisation targets is becoming an increasingly central feature of the performance requirements specified in World Bank and other donor-supported economic reform programmes. At the same time, the level of donor support for private sector or enterprise development programmes has increased considerably. Technical assistance for privatisation units is a major priority, and resources are also being made to pump prime PTFs and other types of investment funds. Increasingly, the management of the privatisation programmes is itself being privatised as local and international consultants are contracted to prepare SOEs for sale. This will considerably reduce the bureaucratic delays that have been such a common feature of privatisation programmes in the past in SSA.

And finally, with increased political commitment coupled with greater donor pressure, the privatisation process in SSA is likely to become increasingly bidder-driven. Asking/references prices set by government for SOE divestitures will therefore, fall quite appreciably
and may become increasingly irrelevant as governments seek to attain privatisation targets. Clearly, if this happens, SOEs will become increasingly more saleable.
REFERENCES


UNIDO, Private Sector Development and Privatization in Developing Countries: Trends, Policies and Prospects (Vienna:UNIDO, 1994).


NOTES

1. Another 217 transactions were reported by Candoy-Sekse as being "planned". It is clear however that in some countries, many of these were never undertaken. The survey recorded that only 71 (32.7 percent) of these enterprises were subsequently privatised (57 sales, 8 liquidations, and 6 non-asset divestitures).

2. Sales transactions of less than US$50,000 were excluded by Sader from his privatisation data base (which does not include liquidations and non-asset transactions).

3. Sales of assets (often by auction) also occur when SOEs are liquidated. Distinguishing therefore, between liquidations and this type of sale is often difficult.

4. Despite strenuous efforts, it was not possible to obtain detailed primary data on sales transactions from four francophone countries- Benin, Guinea, Mali, and Togo- that have had active privatisation programmes. There was no alternative, therefore, but to rely on the two World Bank data sets and the 1993-1995 update for these countries.

5. The Privatization International Yearbook and monthly magazine are useful sources of background information for a limited number of countries in SSA. The African Research Bulletin also gives information on privatisation programmes as a whole as well as progress made in privatising mainly larger enterprises.

6. A particular problem is ascertaining precisely the nature of management and performance contracts established between governments and individual SOEs. In some countries (eg. Cameroon, Nigeria), most performance contracts have been with existing managements of SOEs whereas in other countries (eg Cote d'Ivoire, Guinea, Senegal), private sector contractors have been brought in.

7. This is also the case in Tanzania.

8. In particular, the Commonwealth Development Corporation and Cargills.

9. The World Bank has reported that the total value of SOE transactions was US$3.2 billion between 1988 and 1992 (See World Bank, 1995). An important reason why this figure is higher is that some enterprises have been included in the Sader data base and the subsequent World Bank up-date that are not privatisations in the true sense of the term. A notable example is the Hartley Platinum Mine in Zimbabwe valued at US$250 million.

10. In some countries, long delays in selling SOEs has seriously depressed the overall value of privatisation proceeds, especially when measured in foreign currency. In Ghana, for example, the GIHOC Paper Conversion Company was originally sold for C1250 million in 1990 (US$3.83 million at prevailing exchange rates). However, this sale fell through and the company was re-advertised. A buyer was eventually found in 1994. The cedi sale price was unchanged but by then the US dollar equivalent value was only US$1.3 million and only 10 percent was paid up front. In the context of rapidly depreciating currencies, foreign buyers clearly have a definite incentive to delay final payment for privatised SOEs. With high
inflation, the same is also true for domestic debtors. In Nigeria, for example, just in the 12-month period to June 1994, the government lost 32 percent of its expected receipts in purchasing power.

11. Five sectors accounted for 154 (85.1 percent) of these US$1.0+ million transactions, namely agriculture (14 transactions), mining (4), manufacturing (103), hotels and tourism (20), and financial services (17). Within the manufacturing sector, four industries dominated namely, food processing (23), alcoholic beverages (11), textiles (8), and cement and non-metallic products (20).

12. Out of these, there was a total of 35 (9.3 percent) management and/or worker buy-outs.

13. Information on the foreign exchange component was not available for approximately 10 percent of all transactions.

14. Among the 178 largest sales transactions (ie. of US$ 1.0+ million), the state maintained minority shareholdings in 39 enterprises, and majority shareholdings in another 4. In some countries (eg Cote d'Ivoire), this is seen as a temporary measure until such a time that the remaining publically owned shares can be sold to private individuals and organisations.

15. The principal stallers have been the military regimes in Gambia, Nigeria and Sierra Leone where privatisation programmes have been effectively suspended, and in Madagascar, Cameroon, and Zaire.

16. While almost all donors are strongly in favour of privatisation as a general objective, they do not always support specific privatisations. For example, in 1996, Norwegian and Japanese donor agencies opposed the sale of two SOEs in Tanzania because they had spent significant resources in modernising these enterprises and objected to them to be sold 'on the cheap' to companies from other countries.

17. Nonetheless, concerns about the transparency of some SOE divestitures still arose in Nigeria.

18. In particular, one would have thought that the World Bank would be eager to support the case for comprehensive privatisation with case studies and other research that focuses on 'success stories'.

19. These include breweries in Benin, Ghana, and Tanzania, insurance and petroleum distribution companies in Nigeria, a large textile mill in Niger (at least up until the late 1980s), and a agricultural machinery company in Mozambique.

20. The most well known and successful examples of non-asset privatisations are the electricity and water companies operated by mainly French contractors under affermage arrangements in francophone West Africa.
Table 1: SOEs privatised by country and region, 1980-1995

<table>
<thead>
<tr>
<th>Country</th>
<th>Total SOEs mid-1980s</th>
<th>Programme started</th>
<th>Divestitures</th>
<th>Other</th>
<th>Total known privatizations</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Sales</td>
<td>Liquidations</td>
<td>Total</td>
</tr>
<tr>
<td>WEST AFRICA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benin</td>
<td>120</td>
<td>1985</td>
<td>..</td>
<td>..</td>
<td>95</td>
</tr>
<tr>
<td>Burkina Faso</td>
<td>100</td>
<td>1991</td>
<td>16</td>
<td>..</td>
<td>16</td>
</tr>
<tr>
<td>Cameroon</td>
<td>171</td>
<td>1990</td>
<td>5</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Cape Verde</td>
<td>..</td>
<td>..</td>
<td>..</td>
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<td>Central African Republic</td>
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<td>-</td>
<td>5</td>
<td>10</td>
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<td>..</td>
<td>-</td>
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<tr>
<td>Cote d'Ivoire</td>
<td>150</td>
<td>1987</td>
<td>56</td>
<td>..</td>
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<td>Congo</td>
<td>75</td>
<td>-</td>
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<td>17</td>
<td>-</td>
<td>3</td>
<td>..</td>
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<td>1987</td>
<td>4</td>
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<tr>
<td>Ghana</td>
<td>300+</td>
<td>1988</td>
<td>112</td>
<td>42</td>
<td>154</td>
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<tr>
<td>Guinea</td>
<td>200</td>
<td>1985</td>
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<td>..</td>
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<td>Sao Tome &amp; Principe</td>
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<td>1978</td>
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<tr>
<td>Sierra Leone</td>
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<td>1994</td>
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<tr>
<td>Togo</td>
<td>72</td>
<td>1985</td>
<td>11</td>
<td>11</td>
<td>22</td>
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<td><strong>Sub-Total</strong></td>
<td><strong>3305</strong></td>
<td><strong>363</strong></td>
<td><strong>127</strong></td>
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<td><strong>752</strong></td>
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Table 2: Number of sales transactions over time

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<th>91</th>
<th>92</th>
<th>93</th>
<th>94</th>
<th>95</th>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benin</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>0</td>
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All countries 227 4 77 39 57 84 93 142 161 657

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a. 1980-1994 only
b. Includes only larger-scale privatisation undertaken by TRE.
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Notes: Only countries with more than US$4million recorded sales included.

.. Not available.
a Up to end of 1994 only.
b Larger companies only under jurisdiction of UTRE.
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Table 7: Number and value of transactions by size category, 1988-1995

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| **MANUFACTURING**            |        |            |           |           |            |             |     |       |
| Number                       | 19     | 143        | 58        | 72        | 16         | 11          | 3   | 322   |
| %                            | 5.9    | 44.4       | 18.0      | 22.4      | 4.9        | 3.4         | 0.9 | 100.0 |
| Value                        | 0.6    | 29.1       | 40.2      | 143.4     | 106.1      | 221.2       | 687.0 | 1227.6 |
| %                            | 0.04   | 2.4        | 3.3       | 11.7      | 8.6        | 18.0        | 55.9 | 100.0 |
Table 8: Type of sale of SOE shares and assets in main privatising countries, 1988-1995

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<td>0</td>
<td>6</td>
<td>0</td>
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<td>All countries</td>
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<td>49</td>
<td>71</td>
<td>70</td>
<td>9</td>
<td>44</td>
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<td>%</td>
<td>5.4</td>
<td>64.2</td>
<td>6.1</td>
<td>8.9</td>
<td>8.8</td>
<td>1.1</td>
<td>5.5</td>
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<td>0.1</td>
<td>0.3</td>
<td>0.05</td>
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<td>0.1</td>
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<td>0.8</td>
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<td>1.0</td>
<td>26.8</td>
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<td>429.1</td>
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* Up to end 1994 only.
Table 9: Impact of privatization on employment in SOEs in Zambia

<table>
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<tr>
<th>Enterprise</th>
<th>Employees</th>
<th>At privatization</th>
<th>Reported redundancies</th>
<th>% change from 1992</th>
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<tr>
<td></td>
<td>1992</td>
<td>a</td>
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<tr>
<td>ASE</td>
<td>185</td>
<td>145</td>
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<td>Autocare</td>
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<td>Chilanga Cement</td>
<td>883</td>
<td>822</td>
<td>0</td>
<td>- 6.9</td>
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<tr>
<td>Coolwell Systems</td>
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<td>- 13.8</td>
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<tr>
<td>Crushed Store Sales</td>
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<td>0</td>
<td>- 6.6</td>
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<td>Eagle Travel</td>
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<td>119</td>
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<td>General Pharmaceuticals</td>
<td>97</td>
<td>82</td>
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</tr>
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<td>Indeco Milling</td>
<td>569</td>
<td>51</td>
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<td>- 91.0</td>
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<tr>
<td>Monarch</td>
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<td>185</td>
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<td>Mpongwa Development</td>
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<td>Nkwazi Manufacturing</td>
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<td>Poultry processing</td>
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<td>Zambia Breweries</td>
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<tr>
<td>Zambia Consumer Buying</td>
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<td>720</td>
<td>- 88.8</td>
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<td>Zambia Engin &amp; Const</td>
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<td>Zambia Maltings</td>
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<td>Zambia National Wholesale</td>
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<td>Zambia Sugar</td>
<td>5736</td>
<td>'4000+'</td>
<td>0</td>
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<td>Zura Zambia</td>
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<td>19</td>
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</table>

Notes:

a 1993 or 1994

### Table 10: Number of SOE sales transactions planned for 1996-1997

<table>
<thead>
<tr>
<th>Country</th>
<th>Under negotiation</th>
<th>Advertised</th>
<th>Under preparation</th>
<th>Total</th>
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<td><strong>WEST AFRICA</strong></td>
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<td>16</td>
<td>21</td>
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<td>Cote d'Ivoire</td>
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<td>11</td>
<td>18</td>
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<td>Central African Republic</td>
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<td>12</td>
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<td>Sierra Leone</td>
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<td><strong>Sub-total</strong></td>
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<td>Zimbabwe</td>
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<tr>
<td><strong>Sub-total</strong></td>
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<td>225</td>
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<td><strong>Grand Total</strong></td>
<td>73</td>
<td>246</td>
<td>368</td>
<td>830</td>
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