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# PRIVATISATION IN AFRICA :
## A CRITICAL ANALYSIS

**by**

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# INTRODUCTION

Privatisation, a critical component of structural adjustment, is so fashionable in the economic vocabulary and programs that an abundant literature flourished on that topic. Recent studies, statements, and publications, including within the World Bank Group and bilateral public and private agencies, give a view of the wide spectrum of privatisation world-wide. This paper focuses on the African privatisation experience, and particularly in the so - called Sub-Saharan countries, and is organised as follows:

1. Firstly, it examines **what** has been the African experience or the record of privatisation to date;
2. Secondly, it addresses the question of **why** and **how** Africa has privatised through a critical assessment analysis; and,
3. Thirdly, it draws the lessons from that experience for **future actions** and suggests from a personal point of view, the next steps that need to be considered.

## I. THE AFRICAN PRIVATISATION EXPERIENCE: THE RECORD TO DATE

**What** has been the African privatisation experience in recent years? Fortunately, this record has been studied very recently by many sources[1]. These sources address, notably, the different aspects of privatisation as follows :

- Volume or numbers of privatisation transactions;
- Geographical distribution and value of transactions;
- Sectoral distribution of transactions;
- The different privatisation methods used;
- The key issues of ownership, control, and exit;
- The impact on public finances or government financial flows;

[1] *African Development Indicators*, 1998/1999, The World Bank ;
Oliver Campbell White and Anita Bhatia, *Privatization in Africa*, The World Bank, 1818 H Street NW, Washington D.C. 20433, U.S.A., April 1998; Paul Bennell , *Privatization in Sub- Saharan Africa: Progress and Prospects during the 1990s*, Working Paper, the Institute of Development Studies, October 1996;Pierre Guislain, *Les Privatisations: un defi strategique, juridique et institutionnel,* Droit/Economie, De Boeck-Wesmael s.a. 3e tirage 1996;
Pierre Guislain, *The Privatization Challenge: A Strategic, Legal, and Institutional Analysis of International Experience.* Regional and Sectoral Study, 1997, The World Bank, Washington D.C.; Christel Fargeas, Privatisations: un etat des lieux des restructurations en Afrique Sub-Saharienne. Marches Tropicaux -2422 - November 20, 1998, Paris, France ;
Muriel Devey, *Bilan des privatisations en Afrique*. Marches Tropicaux - 1907- September 6, 1996.

- The impact on enterprise performance;
- What are the consequences of privatisation for employment including participation, severance pay, end-of-service benefits;
- Foreign Direct Investment ;
- Capital Market Development.

Each of these is discussed below:

## A. VOLUME OR NUMBERS OF PRIVATISATION TRANSACTIONS IN AFRICA

Recent sources, specifically from the World Bank [2], underline the rising trend of privatisation in Africa: the volume or number of transactions (completed deals and those in progress), the geographical distribution and sales values of transactions, and the sectoral distribution of transactions. (Appendix A)

The number of privatisation transactions, translating the acceptance by the government to reduce the size of the public sector in its portfolio, **has jumped to the level of nearly 2,804 by the end of 1997 from less than 200 in year 1990, and a total of 334 for the all period prior 1990**. The record shows a decline in the annual numbers of transactions from 472 in 1995, and 357 in 1996 to only 102 in 1997. Up to 1996, the emphasis was primarily on divesting small and medium size enterprises. **Predictions of increase in the number of privatisation transactions in 1997 did not materialise. In fact, 1998 also, has not witnessed an increase in the number of transactions**.

However, **the *value of transactions* has significantly increased, with attention focusing more and more on *larger enterprises*, including the telecommunications sector**. A 1997 World Bank Report presented by Jean-Louis Sarbib[3], Vice-President for Africa, to a symposium on private sector development, specified that while before 1990 the number of public enterprises restructured totalled 362 (including 16% liquidation), six years later, by the end 1996, this had increased to 2728, with about $2.7 billion in sales value. **By the end of 1997, the sales value was estimated by the World Bank 1998/99 Report to be $4.93 billion with a net increase of $2.2 billion for only 104 additional transactions**. That is an indication of the privatisation of larger size enterprises and the trend may continue in the years to come.

## B. THE GEOGRAPHICAL DISTRIBUTION AND VALUE OF TRANSACTIONS

The ***geographical distribution*** shows that at the beginning of 1990, about a dozen countries in Africa had been involved in privatisation transactions of some kind. In fact, it seems that the French-speaking countries, according to available data, were among the pioneers. Six of them (Benin, the Central African Republic, Guinea, Niger, Senegal and Togo) started between the 1970s and the mid-1980s. We will later see that things did not materialise as programmed for all these countries. By 1993, the number of transactions had doubled, with a second group of countries (Côte d’ Ivoire, The Gambia, Ghana, Kenya, Madagascar, Malawi, Mali, Mozambique, Nigeria, Uganda), implementing simultaneously International Financial Institutions supported programs and public sector restructuring policies. The outcome will be assessed later. The latest group of countries in the divestiture process (Burkina Faso, Tanzania, Zambia, and much later Cameroon, Ethiopia and Chad) brought the number of privatisation transactions in Africa to the level already indicated of over 2,700 by end 1996.

[2] book previously cited, page 68.
[3] quoted by Christel Fargeas, article cited, page 3.

In terms of numbers of transactions, the geographical distribution was not even. **Most of the privatisation activity was concentrated in a few countries**. Of the nearly 2,804 transactions which took place between 1988 and the end of 1997, 1,881 (more than two thirds), were concentrated in Mozambique (549 ), Angola (331) , Ghana ( 219), Zambia (217 ), Kenya (155), Tanzania (124) , Guinea (114 ), Uganda ( 88 ), Madagascar (84) and, Nigeria, the Federal Republic only ( 81 ). In Central and West Africa, only about 25% of public enterprises had been privatised by end of 1995 according to Paul Bennell (including liquidation and other forms of privatisation). In Southern and Eastern Africa, the estimate is that, by end 1996, 739 transactions took place in only two countries: Mozambique and Zambia. The average unit sale value was respectively 0.3 and 0.8, in million of $US, against 2.6 in Nigeria and 2.2 in Ghana. At that time, the sales value of two transactions in South Africa amounted to US$ 762 million. As already indicated the total value was not proportional to the impressive number of transactions because of the typically small size and low value of the enterprises divested. Oliver Campbell-White and Anita Bhatia report that in Mozambique the bulk of privatisation concerned small retail establishments, while in Zambia, the high number of privatisation is the result of dismantling big entities into several small private enterprises**. *So, looking only at the numbers of privatisation transactions, can be misleading*. It is worth examining also their value.**

Statistics from the World Bank 1998/99 Report show that, in value terms, privatisation transactions in Africa, by end 1997, can be classified as follows:

### Ten Top Countries in Sales Value

| Country | Total number of transactions 1993-1997 | Total sales value in US$ million |
|---|---|---|
| South Africa | 7 | 2,209 |
| Ghana | 219 | 555 |
| Côte d' Ivoire | 47 | 357 |
| Senegal | 50 | 262 |
| Nigeria | 81 | 207 |
| Mozambique | 549 | 201 |
| Kenya | 155 | 186 |
| Zambia | 217 | 180 |
| Uganda | 88 | 134 |
| Tanzania | 124 | 132 |

*Source: The World Bank, African Development Indicators 1998/1999, table 10-10 p. 274*

The above table classifies the ten top African countries in terms of sales value of privatisation transactions completed in the period of 1993-1997. South Africa is by far the forerunner with a sales value of US$ 2,209 million for only 7 enterprises privatised, followed by Ghana with $555 million for 219 enterprises (including the giant Ashanti Goldfields). Côte d'Ivoire ranks third with $357 million and 47 transactions. Senegal comes fourth with $262 million for 50 transactions and value-added of nearly $200 million for two transactions completed in 1997. Figures for Nigeria relate only to Federal government operations, with a sales value of $207 million. The case of Mozambique illustrates that the sales value ($201 million ) and the number of transactions ( 549, the highest in Africa ) are not correlated. With Kenya ($186 million), Zambia ($180 million), Uganda ($134 million ), Tanzania ($132 million), East Africa is playing a dynamic role in the privatisation process in Africa. The figures have changed in 1997 and have changed in 1998.

Another interesting indication, **is the distribution of the aggregate sales value in *percentage of G D P* (Gross Domestic Product), *and ratio per capita.*** By end 1996, the World Bank data shows that the **percentage of sales value to GDP** brings some relatively small economies to the forefront of privatisation in Africa. For example Mozambique, with 11.1%, Cape Verde, with 9.9%, Guinea-Bissau and Ghana with 7.2%, a record well above the 1.1% record ratio for all Africa.

In terms of **aggregate sales value per capita**, Cape Verde comes by far in front with $60.3 per capita well before Ghana ($27.2), Gambia ($19.4), Guinea-Bissau ($18.4), Sao Tome and Principe ($18). South Africa ($16.1), and Côte d'Ivoire ($15.9), well above the average $5 per capita for Africa.

The first conclusion to draw from these data on the sales value of privatisation is **that there is no *correlation between the number of deals and the sales value,* related mostly to the size of the enterprise privatised.** Perhaps that fact has also some thing to do with the *sectoral distribution* of privatisation in Africa.

## C. SECTORAL DISTRIBUTION OF PRIVATISATION TRANSACTIONS IN AFRICA

The Word Bank African Development Indicators 1998/1999 show the distribution of privatisation transactions by sector as follows :

**Transactions by Sector 1993-1997**

| Sector | Number of transactions |
|---|---|
| Agriculture, Agro-industry & Fisheries | 509 |
| Financial | 90 |
| Manufacturing & Industry | 701 |
| Services, Tourism & Real Estate | 520 |
| Trade | 232 |
| Other | 529 |

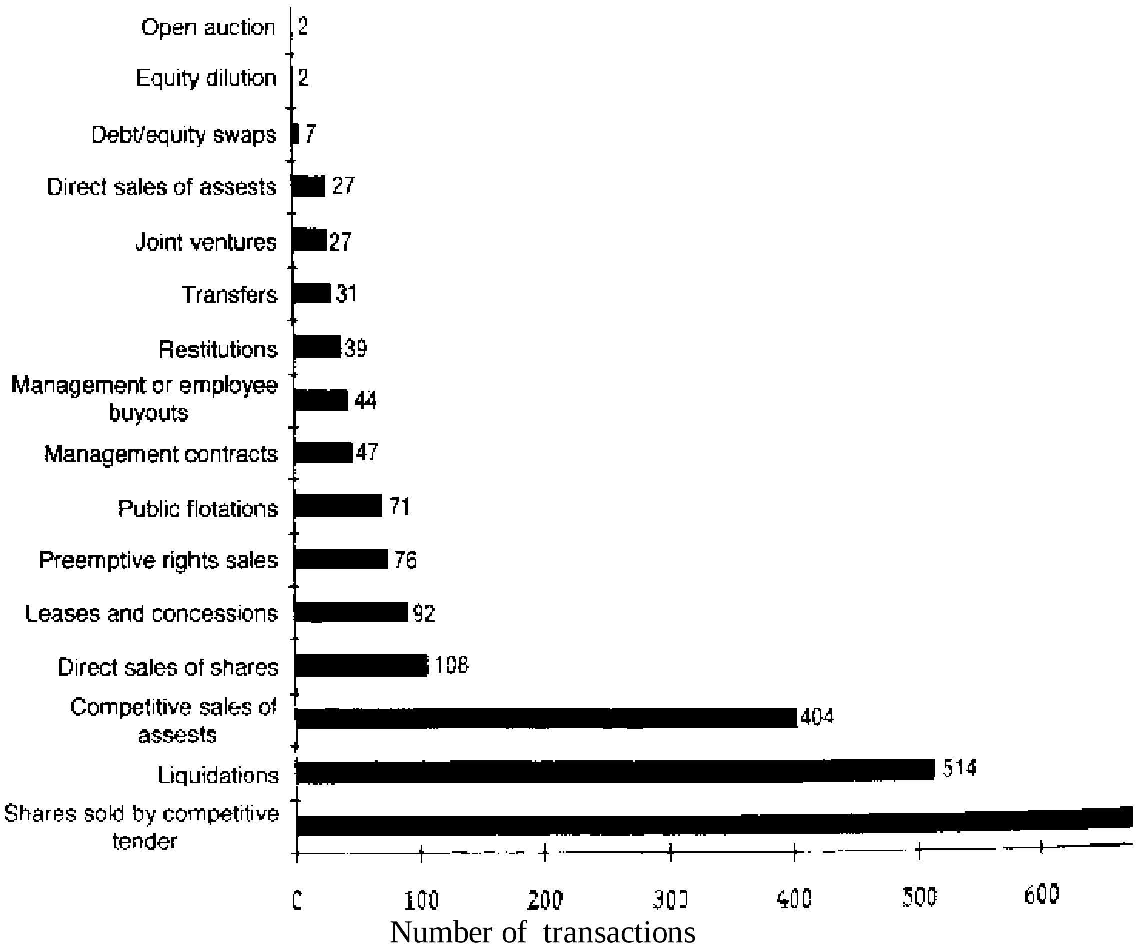
Source :*African Development Indicators 1998/1999, The World Bank, p. 274*

It is obvious from the above table that manufacturing and industrial sectors represented about 27 per cent of reported privatisation's transactions for which a sectoral breakdown was available; enterprises involved in agricultural production, marketing and processing accounted for about 20 per cent and transactions in service industries 21 per cent . **Transactions involving financial restructuring accounted for less than 4 per cent of all transactions at end 1997.** The sectoral distribution has changed in 1998, depending on the *sectoral approach (*mining, infrastructure) and the *methods used* in the privatisation process.

## D. PRIVATISATION METHODS USED IN AFRICA

Various methods have being used in the privatisation process in Africa. Back to 1994 a team led by Elliott BERG[4] made an evaluation of the methods used at that time in Africa. They found that **liquidation was the method most commonly used. Since then, the World Bank have registered 16 methods of privatisation in Africa by end 1996, with , according to data available at that time, 32 per cent (875 transactions ) involving the *sale of share by competitive tender*. Other methods used, in order of frequency measured by the number of transactions, are*: liquidation* (514), *competitive sales of assets* (404), *direct sales of shares* (108), *leases and concessions* (92), *pre-emption rights sales* (76), *public flotation* (71), *management contracts* (47), *management or employee buyout* (44), *restitution* (39), *transfers to trustee* (26) and *transfer without remuneration* (5), *joint ventures* (27), *direct sales of assets* (27), *debt/ equity* swaps (7), *equity dilution* (2), *open auction* (2), method non specified (323).** See chart below.

**Privatisation Methods Applied in Sub Sahara Africa, 1988 - 1996**




*Source*: Privatisation Agencies, Government Ministries, and the World Bank data, in Oliver Campbell-White and Anita Bhatia, *Privatisation in Africa,* The World Bank, 1998, P.74

[4] Elliot BERG , *Privatization in Sub-Saharan Africa: results, Prospects and New Approaches,* Consultant Report. Development Alternative Inc., 1994 Bethesda, Maryland, USA.

The recent World Bank African Development Indicators 1998/1999( Appendix B) gives the progress in privatisation methods employed ,1988-1997, as follows:

**Divestiture Methods employed , 1988 - 1997**

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| Methods | | Number of Transactions |
|---|---|---|
| *Sales of shares* : | | |
| | 1 Competitive trade or tender | 895 |
| | 2. Direct sale | 101 |
| | 3. Pre-emption Rights | 96 |
| | 4. Public Flotation | 80 |
| *Sales of Assets:* | | |
| | 1 Liquidation | 520 |
| | 2. Competitive sale | 687 |
| | 3. Direct sale | 41 |
| *Other Methods*: | | |
| | 1 Debt/Equity swaps | 9 |
| | 2. Leases | 109 |
| | 3. Joint ventures | 32 |
| | 4. Management/Employee buyout | 44 |
| | 5. Management contracts | 47 |
| | 6. Trustees | 20 |
| | 7. Restitution | 49 |
| | 8. Other | 30 |

Source: *African Development Indicators* 1998/1999, The World Bank, p.275

**Clearly the above table shows that the most common methods used for privatisation in Africa are: competitive sales of shares ( 895) and assets (687), liquidation (520), leases and concessions (109) and direct sale (101).**

Observers from the World Bank and the African Development Bank Group think that "not all sales of shares have been open and transparent ". They underline, in particular, that **the methods to broaden ownership, such as management/employee buyouts, have not been commonly used in Africa**

. These observations will be considered in the second part of this paper, following an examination of the other elements of the record to date, including *changes in Government ownership*.

## E. OWNERSHIP, CONTROL, AND EXIT

The essence of privatisation is **the total or partial transfer of ownership** of State owned enterprise to the private sector: the government exits totally or accepts to lose part of its control by broadening the ownership. With regard to the broadening of ownership of public enterprises to the private sector, information available show that:

1. **Prior to their privatisation, public enterprises involved were State owned for at least 80 percent of their shares;**
2. **Following privatisation the State ownership was reduced to zero in more than 72 per cent of all privatised enterprises;**
3. **The State maintained a majority ownership in only 6 percent of the privatised enterprises;**

**4.10 percent of transactions resulted in minority State ownership.**

The World Bank African Development Indicators 1998/1999, (Table 10-12 ), provide the most recent aggregate data on the progress in privatisation, related to ownership and control changes. Out of total transactions reviewed in Sub- Saharan Africa, the methods used are the followings:

| **Methods Applied** | **Number of Transactions** |
|---|---|
| Transfer of majority ownership to private shareholders | 1,859 |
| Government retention of majority ownership | 166 |
| Government retention of minority interest | 173 |
| Sales of Government minority interest | 233 |
| Total share transactions | 1,101 |
| Total sales of assets | 1,549 |
| Other transactions | 0 |

Source: African Development Indicators 1998/1999 p. 276

*Transfer of majority ownership to private shareholders*( 1,859 transactions ) means that the Government has sold all its shares to the private sector, and a complete privatisation is achieved from the transaction;

- *Government retains majority ownership* , is when the transaction dilutes government ownership and (maybe) control, and Government still holds more than 50 percent of the shares. This method includes share dilution, joint ventures, leases and concessions, and management contracts;

- *Sale of Government minority interest* is when the Government sells off all its minority shares, and full privatisation is then achieved ;

- *Government retains minority interest is* when the Government maintains minority interest , for example for political reasons. This method produces partial privatisation of ownership, but not necessarily of control, joint ventures are such an example;
- *Total share transactions* involve selling enterprise shares through competitive trade or tender, direct sale, pre-emption rights, and public flotation;

- *Total sales of assets* are transactions that eliminate the enterprise completely (Liquidation, Competitive sale, Direct sale)

In some cases, shares remained in the Government ownership with the intention to open to public flotation once the *capital market develops*. For such a purpose, shares in some enterprises in Zambia were held by the privatisation trust. ***Ownership changes are usually a good indicator of the extent to which the government is willing to relinquish its involvement in a particular sector***. Campbell-White and Anita Bathia reviewing the case of ten African countries (Burkina Faso, Kenya, Madagascar , Mozambique, Ghana, Uganda, Nigeria, Benin, Togo, Zambia), indicate an increasing percentage of transactions that reduce the State ownership to zero, as of end 1996, as follows:

1. In Zambia, Togo, and Benin, the government is **willing *to reduce its ownership to zero in* more than 85 percent of the transactions reviewed;** In **Zambia**, the total percentage of firms from which **the government *exited fully*** was an impressive 98 percent;
2. On the contrary, in Burkina Faso, in most cases, the **Government *did not divest fully***, preferring instead to retain an equity interest in more than 60 per cent of the enterprises reviewed.

**3. In** Ghana and Kenya the governments continue **to *retain partial ownership*** of some hotels; and 8 percent of transactions involved sales minority-held interests and did not constitute privatisation in the sense of transfer of ownership control.

**The broadening of ownership to zero for exit or loosening state control remains to be proved in the African privatisation process.** In most cases, the bottom line for *the government is the impact of privatisation on its financial flows.*

## F. IMPACT OF PRIVATISATION ON GOVERNMENT FINANCIAL FLOWS

In theory, privatisation should benefit the government's finances. **An improvement in public finances could occur either by *raising one-off revenue* from the sales of assets and shares or by *reducing the need for operating subsidies and investments capital*.** It is expected that the proceeds of the privatisation transactions will be of some substance and will come in addition to regular government revenue. More importantly**, the new owners or managers are supposed to bring in *capital investment, higher technology and know-how*. The improved enterprise will be the source of *increased taxation product*, directly on new profits and indirectly through the improved turnover and salary distribution.**
By end 1996, it seems, from different sources, that the fruits had not met the expectation raised by the flowers ( translating a French expression). **It has been difficult to assess the impact of privatis**ation on **government financial flows for several reasons** : ***insufficient reporting* on cash received by the government, lack of data, *proceeds diverted* to other entities (holding companies and privatisation** agencies, in many cases**). There is also a general misunderstanding about *who should be responsible for enterprise debts*.** These different constraints have, of course, a bearing on the level of proceeds and their allocation.
***Determining which share of proceeds of privatisation is allocated to the government is difficult***. Few privatisation agencies maintain a rigorous and systematic records of proceeds, specifically when deals involve ***payments in instalments*** which are difficult to track. Beyond that technical constraint, **the notion of proceeds** is understood in vastly different ways. In some instances, proceeds refer **to the *cash* received by the government**. In other instances**, the notion of proceeds includes amounts of *capital* committed by the buyer-investor for rehabilitation and expansion of the privatised enterprise. With those different meanings**, **cross-country comparisons of reported proceeds raised by the government can be misleading. To overcome that difficulty in definitions**, experts use the notion of **sales value** of deals to measure the financial impact of privatisation transactions.

**Such a method, although overstating the cash amount the government actually received, makes possible cross-country comparisons.** For countries, where data is available and somewhat exploitable, the cross-country comparison in terms of sales value as percentage of government revenue appears in the table below:

**Privatised Sales Values as percent of Government Revenue**

| Country | Average annual sales value as per cent of annual revenue over the period of privatisation program |
|---|---|
| Zambia | 6.8 |
| Mozambique | 6.4 |
| Uganda | 6.3 |
| Cape Verde | 5.8 |
| Ghana | 5.5 |
| Tanzania | 4.3 |
| Ethiopia | 3.3 |
| Benin | 3.0 |
| Malawi | 2.2 |
| Kenya | 1.9 |
| Mali | 1.7 |
| Gambia, The | 1.2 |
| Côte d'Ivoire | 1.1 |
| Togo | |
| Source: World Bank data, | In Campbell-White & A. Bhatia, p.81 |

Figures show that by end 1996, in terms of sales value in percentage of government revenue, Zambia, Mozambique and Uganda, Cape Verde and Ghana seem to be more successful in their privatisation process. But, it should be noted that Government **revenue used in the table excluded grants**. Countries **below 1 per cent** were Senegal, South Africa, Nigeria, Madagascar, Guinea-Bissau, Burkina Faso, Burundi, Zimbabwe, Guinea, Niger, and Comoros. **No privatisation sales value data were available for other countries**. Even for some countries listed, data on sales value was incomplete. Anyway, comparisons shown on the above table indicate that **privatisation, by end 1996, *had not had a significant impact on Government finances in most African countries.***

**Another way to give an idea of the impact of privatisation on Government finances is to look at *the sales values in percentage of GDP***? Table below shows the impact of privatisation on government finances in terms of sales values as percentage of GDP.

**Privatisation sales value as percent of GDP**

| Country | Total Sales Value as a Percentage of: Annual Average GDP over period of Privatisation | Total Sales Value as a Percentage of: GDP for 1996 |
|---|---|---|
| Mozambique | 12.8 | 10.5 |
| Ghana | 7.0 | 6.6 |
| Cape Verde | 6.3 | 5.7 |
| Zambia | 4.5 | 4.2 |
| Benin | 3.7 | 2.9 |
| Gambia, The | 3.4 | 2.7 |
| Malawi | 3.3 | 3.8 |
| Tanzania | 3.2 | 3.0 |
| Uganda | 3.2 | 2.3 |
| Togo | 2.9 | 2.5 |
| Kenya | 2.3 | 2.0 |

Source: World Bank data In Campbell-White & A. Bathia, p.82

In percentage of sales value to GDP, Mozambique, Ghana, Cape Verde, the Gambia and Benin were, for the countries with available data, the top five in Africa by end 1996. Although such an affirmation should be taken with some caution**, countries not shown on the table had total reported sales value equivalent to less than 2 percent of GDP, or sales value data was not available to make the** comparison. For the Gambia, Malawi, and Tanzania's GDP, figures are for 1995. Moreover, for some listed countries, data on privatisation sales value was incomplete.

The cross-country comparison under the two methods of sales value as percent of either the Government revenue or the country GDP, suggests that privatisation, up to early 1997, **had no significant impact on Government financial flows in Africa,** with **percentages below 10 for almost** all countries where data was available.

**When using another parameter, *the cumulative sales values per capita*, the conclusion remains broadly the same: officially the impact of privatisation on government finances was insignificant**.

### Total Cumulative Privatisation Sales Per Capita

| Country | US$ |
|---|---|
| Cape Verde | 60.3 |
| Ghana | 25.4 |
| Zambia | 19.7 |
| South Africa | 19.2 |
| Benin | 12.5 |
| Mozambique | 11.9 |
| Côte d'Ivoire | 10.6 |
| Gambia, The | 9.9 |
| Togo | 9.2 |
| Senegal | 8.2 |

Source: World Bank data .In Campbell-White & A. Bhatia, p.82

With a maximum of $60.3 total cumulative sales per capita, analysis using data per capita method illustrates once again that **privatisation has a limited impact on public finances** in Africa. Only Cape Verde seemed to record highly, for historical reasons to be explained later. All in all**, the cumulative *average of $5 per capita* across the continent appears very low.** Despite these conclusions, based on data available, **it is empirically obvious that not all sale proceeds go to the Government**. Depending on the method of privatisation, proceeds are used in a variety of ways:

- They *may remain at the firm level* for investments purpose (Kenya Airways);
- They can be used for *investment in other public enterprises* (Nigeria, Togo);
- They cover, in most cases, the *expenditures of the privatisation agency* and other costs of privatisation transactions (Ghana, Zambia);
- They are used to pay the *enterprise non-government creditors* ( Ghana, Kenya, Madagascar, Uganda, Zambia);
- They cover the *employees severance and end-of- service benefits* (Ghana, Kenya , Uganda, Zambia ); and
- **The government central budget gets a share of the proceeds every where in** countries for which data is available (Benin, Burkina Faso, Kenya , Madagascar, Mozambique, Togo, Zambia). The problem, here, is **about transparency** on which we will elaborate in the second part of this paper.

Since some portion of privatisation proceeds goes to the firm itself, the question is to what extent *privatisation impacts enterprise performance*?

## G. IMPACT OF PRIVATISATION ON ENTERPRISE PERFORMANCE

This requires pure *micro-economic* analysis to assess how privatised enterprises have performed in the post-privatisation period. Data can be obtained only **through *on-site visits*** (very time consuming and costly), ***interviews, questionnaires, mails,* in most cases. Furthermore, in many instances, there is a *lack of co-operation* due to the reluctance of some firms and officials to reveal financial and operating data**. In addition, there **is *insufficient or lack of post privatisation monitoring*** in many cases.

Nevertheless, where data is provided, mainly by enterprises purchased by foreign investors, the situation can be documented and commented on. The most recent findings suggest that **some investment commitments have been kept** (for example in Benin, Mozambique and Uganda), and that **changes in management and labour practices led to improved enterprise performance and increase in shares prices** (case of Nigeria).

In many cases**, additional investment has resulted in increased capacity production, transfer of technology and know-how, product diversification and expanded markets.** In cases where **additional investment is coupled with changes in management and labour practices, they together resulted in turnover rise, lower operating costs, better financial outcome**. Moreover, many of the managers interviewed **cited the removal of government interference as a major factor in enterprise post-privatisation performance.** Campbell-White and Anita Bathia[5], in the conclusion of the World Bank findings, state that "in firms privatised **through public flotation**, the evidence suggests that privatisation has had a significant positive impact on the firm's financial performance."

This is particularly true in Nigeria[6], where large non-financial enterprises, such as National Oil, African Petroleum, and AIICO have reported robust profits since privatisation. For a share price at privatisation of $190 in 1989, African Petroleum registered a lowest offer of $586 and a highest offer of $1870 in October 1995. Ashaka Cement's share price increased from $120 in 1990 to a lowest offer of $363 and a highest offer of $1015 in October 1995. Aba Textile, during the same period recorded respectively $75 for the price at privatisation, and $358 and $485, the lowest and the highest offers in the stock market.

In Kenya, profits of the Housing Finance Company, privatised, rose by 100 between 1992 and 1993. In Uganda, investment, far exceeded the requirement under a privatisation deal with Shell to invest $10 million over three years: in just two years $13 million was invested. In Benin, the Societe Nationale d'Equipement, privatised in 1988 during the first wave of privatisation in Africa, diversified its activity and now owns a super market and a library. In Ghana, West African Mills rehabilitated and modernised its plants and now exports food products. More importantly, the Tema Steel Company once closed down, and then considered as a failure of past idealist politics, has undergone a major rehabilitation program.

***Changes in management practices coupled with investment*** **have resulted in some spectacular improvements in performance. In Ghana** again, after the acquisition of a majority stake (70 percent from 40 percent) in Unilever Ghana Limited, the company has reported a 50 percent increase in production, without any increase in energy consumption[7]. Likewise SCANCEM, the majority owner of Ghana Cement Company, registered, after additional investment, a significant increase in both its production and profits. Similar success is the case of the Tropical Glass Factory, privatised in 1990, which is now one of the leading producers of bottles of beer in West Africa. In Mali, the Grand Hotel is such a success story that the owner who is Malian is investing part of his profits in a four stars new hotel to meet increasing demand.

***Changes in labour practices and management have led to increase production and profits.*** In Benin**,** after taking over CIMBENIN, the privatised cement company of Benin, SCANCEM of Ghana brought in three appointees to take over key managerial positions: the result was, quick decision making, recruitment and dismissal without official interference, efficient stock management, regular schedule for the maintenance of equipment and machinery [8] . In Benin, changes in labour practices at SONACI, privatised in 1992, resulted in 50 percent increase in profit and production. In fact, the London Economics 1996 reports that a sample of eight firms showed significant post-privatisation improvement in labour practices and conditions.

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[5] Privatization in Africa , book cited, p. 86-87, tables 5.5 and 5.6

[6] Whose privatization agency is led by Dr. Hamza Zayyat, President and Founding member of the African Privatization Network (A P N) based in Accra, GHANA.

[7] Precisely Ghana Unilever's turnover nearly doubled and its gross profit rose almost fourfold, between 1990 and 1993.

[8] Source: London Economics, 1996 ,*The impact of privatization on Labor in Africa,* Report for the World Bank.

It also shows **better and more frequent training opportunities**: SONAEC, a car servicing company, introduced specialised training in automotive engineering and maintenance after privatisation; in Societe Beninoise de Textiles, a flexible workday schedule was introduced and an employee-of-the-month bonus scheme was adopted; in FACS, the airport catering services company, an intensive professional training program was initiated to enable staff to meet the international high performance requirements. As a result, after the job description for each post was known, theft has virtually been eliminated. Rothmans introduced a training exchange program in the privatised Societe Beninoise de tabac et Allumettes; and the working conditions, including hygiene, are much better in the privatised brewery SOBEBRA.
***Evidence from Benin seems to illustrate fairly well how changes in labour practices can contribute to improving the privatised enterprise performance.***

But, **the question remains whether changes in Management and Labour, alone, are sufficient enabling factors for better performance in a privatised enterprise**. Recent deals of ***lease or concession*** in utilities sector make the question even more real. **The power sector in Côte D'Ivoire** and the **urban water supply in Guinea-Conakry**, and **both sectors in Mali**, offer important examples of the few public utilities whose management has been privatised through a lease or concession arrangement. Although operational performance has seemingly improved in the cases of Côte d'Ivoire and Guinea, experts think that "**lack of clarity with regard to some of the contractual obligations, has restricted some of the gains that were expected'**. A World Bank report, 1996 -1, underlines that in Côte d'Ivoire there is a lack of clarity regarding the responsibility for major maintenance and investment in the distribution system and the setting of tariffs. In Guinea, Penelope Brook Cowen [9] found that despite some gains, there are concerns about performance. Over the past few years the water supply hasn't improved and expanded as fast as had been hoped, and unaccounted -for water supply remains high, at 47 percent. In Mali the lease called General Delegation was a complete failure and cancelled at the request of the Government, following the outcry of the consumers and some top Malian technicians.
***Change in Management without investment and a high maintenance contract remains an issue to be thought of and*** *discussed about seriously*. The paper will try to introduce this later, after addressing the problem of *employment* as a consequence of privatisation and the fundamental issues *of foreign direct investment* and *capital market development*.

## H. IMPACT OF PRIVATISATION ON EMPLOYMENT

Facts have demonstrated that privatisation in some cases has improved the levels of production and profits, after additional investment, and changes in management and labour practices. Nevertheless the **fear of job losses** is the stumbling block to privatisation. **Where the government's *power base is in urban centres , Trade -Unions make employment the number one issue* in the privatisation deal. They impose *collective bargaining* and set the levels of *end-of -service benefits and severance pay*. That is the case for most countries in Africa. That becomes more complicated in countries** where labour is *de-unionised*, because the *government's power base is in the rural areas.* Consequently, employees have to negotiate individually, on the case by case basis.

Despite the concern about possible job losses, studies undertaken by World Bank showed that **"*African governments have done very little to track the effects of privatisation on employment*.**"

In view of the lack of data, the World Bank has undertaken a special review on the impact of privatisation on labour in Benin, Burkina Faso, Ghana, Togo and Zambia. That review showed a total job loss during each period of privatisation, of -675 in Benin, -6 in Burkina Faso, -922 in Ghana, -334 in Togo, -412 in Zambia. These losses are *net*, taking into account new recruits, and represent a percentage of employment level at privatisation , respectively of 36.05% in Benin, 6.70% in Burkina Faso, 17.20% in Ghana, 11.58% in Togo, and 6.81% in Zambia. As we can see, **there is *no net gain* in the number of**

[9] Penelope BROOK COWEN, *The Guinea Water Lease-Five Years On: Lessons in Private Sector Participation,* Public Policy for the Private Sector, Special Edition, June 1996, p. 89-92.

**employees, even if with *new recruits* and "*redeployment* ", the quality and efficiency of the overall manpower may have increased.** In any case, the World Bank's review is an indication of the need to **improve the collecting, compiling, analysis, and dissemination of data on the impact of privatisation**, throughout Africa. Perhaps, in the medium and long run, job creation and quality will become more palatable, with increased capital flows through Foreign Direct Investment (FDI).

## I. FOREIGN DIRECT INVESTMENT

The World Bank Development Report 1998/1999[1], shows that the flow of *foreign direct investment* to Sub-Saharan Africa has increased, to $3,271 million in 1996, from $834 million in 1990. However, there is no breakdown to show what is the share resulting from privatisation in the increase. But, previous data from the World Bank[1] indicates that, on the basis of a study in ten countries (Benin, Burkina Faso, Ghana, Kenya, Madagascar, Mozambique, Nigeria, Togo, Uganda, Zambia) the value of FDI from privatisation was, in 1995, $834.6 million or 6 percent of a total of $9,881.2 million in FDI value in those countries. Although the sample may not be very representative, (not including Southern Africa for example), it concurs with a United Nations 1995 Report[2] showing that **privatisation-related flows represented *less than 5 percent* of all foreign investment in Africa. That level is low both in relation to expectations in Africa and in comparison with 43 percent in Eastern Europe and 15 percent in Latin America and the Caribbean.**

Experts from financial institutions expect data for 1997 and 1998 to show a dramatic increase in F D I as privatisation seems to be extending to major enterprises in financial, energy, telecommunications and transport sectors. Meanwhile, Africa needs to mobilise more resources *through capital markets.*

## J. CAPITAL MARKET DEVELOPMENT

It is common belief that privatisation goes hand in hand with capital market development. Africa cannot escape **that universal condition of *mobilisation of national and international savings***. Well aware of that need, governments are providing a strong impetus to the development of capital market. Privatisation of state enterprises through *sales of shares by public offerings* has been one cause of **increase in the number of quoted companies on existing *stock exchanges markets***. Moreover, the need to trade shares has led **to the opening of stock exchanges in many African countries including** Zambia, Tanzania, the Gambia, Ghana, Nigeria, Uganda and Côte d'Ivoire where a regional stock exchange for the CFA Franc countries, in the framework of the West African Economic and Monetary Union, is the process for setting up an antenna in each of the eight member countries. So far, statistics from the International Finance Corporation and the World Bank show that market capitalisation in 1995, was $1925 in Kenya, $1350 million in Nigeria, $2005 million in Ghana, $428 million in Côte D'Ivoire, and $442 million in Zambia. But, out of these totals, the amounts raised from privatisation remain low at the respective levels of $20 million in Kenya, $112 million in Nigeria, $387 million in Ghana, $66 million in Côte d'Ivoire and $9 million in Zambia.

**It is clear that, if there is an increase of privatisation shares trading in the stock exchanges market, that will drain considerable resources in the financial sector, and privatisation programs will become an *important source of fees for financial institutions*, in the form of advisors' fees, accountancy, legal and underwriting costs. More importantly privatisation will be of interest to the *public* at large**

## K. SUMMARY OF FINDINGS ON AFRICAN PRIVATISATION EXPERIENCE

This first part of the paper has summarised the privatisation record to date. The African experience has been considered through data related to the number, the value and distribution of

[1] Oliver Campbell-White & Anita Bhatia, Privatization in Africa, The World Bank, 1998, p. 99-101.
[2] United Nations, *World Investment Report 1995, Transnational Corporations and Competitiveness,* New York, 1995.

transactions geographically and by sector, the methods used, the transfer of ownership, and the impact of privatisation on government financial flows, on the output and profits of the enterprise itself, on employment, on foreign direct investment and capital market development. The task was facilitated by the abundance of literature on the topic. But, most of the data were either unavailable or incomplete and those that were used did not take into account the recent, 1998 development in the field of privatisation. Nevertheless, we will try to assess the African experience on the basis of our findings. **What** was privatisation in Africa should be explained by asking **why** Africans started privatising in the first place with an ambiguous record, and **how** they privatised ? In the light of lessons learnt, the paper will address the fundamental question of **what is next** for future action .

## II. CRITICAL ANALYSIS OF AFRICAN PRIVATISATION

Available data through 1996, has shown that:

- **the African experience of privatisation is on the rise in terms of the number of transactions**;
- **there is no correlation between the values and the number of transactions**;
- **the geographical and sectoral distribution of transactions is heterogeneous**;
- **the methods used for privatisation transactions are as many as sixteen, with an overwhelming predominance of sales of shares by competitive tender, followed by direct sale of assets, including the impressive number of liquidation**;
- **the broadening of ownership by transfer of control from the State to the private sector is very limited**;
- **the impact of privatisation on the government financial flows and the privatised enterprise performance is not evident during the period under review;**
- **the sensitive issue of employment does not seem to have been handled properly thus far**;
- **flows of foreign direct investment related to privatisation are not convincing yet;**
- **capital market development is promising but still in its infancy**.

Such is the finding of facts on **what** has happened or what has been the state of the African privatisation experience so far. Now, we will try to find out **why** there is such a record in Africa, and will attempt to give a tentative explanation of **how** Africans have privatised.

Against this background, this section of the paper will address the question of what account for the mixed privatisation record in Africa.

### A. WHY DOES AFRICA HAVE SUCH A QUESTIONABLE PRIVATISATION RECORD ?

To answer that question, we have to go, beyond the available and exploitable data for cross-country comparisons, to field sources: country officials, as well as staff and documents from the bilateral and multinational financial and development agencies and institutions.

Why has Africa experienced the kind of record demonstrated by the statistics ? Why have African governments privatised? These questions **raise the fundamental issues of responsibility for privatisation in Africa and the degree of Government commitment to it**.

The government commitment can be measured by using ten main indicators:

1. **publication of government‘s policies and programs**;
2. **legislation support** (including laws on bankruptcy, land, investment) **and a functioning court system**;
3. **a privatisation agency empowered with the legal authority necessary to carry out the job**;

4. **a privatisation agency with adequate resources to carry out the job;**
5. **visible executive support from the Head of state to the senior Ministers**;
6. **positive action by the Government and the privatisation agency to eliminate constraints, such** as holding companies;
7. **willingness by the Government to divest fully, as evidenced by the full privatisation methods**;
8. **steps taken to make the investment environment conducive to privatisation**;
9. **the level of dialogue between the Government, stakeholders, and private sector in general;**
10. **public opinion regarding Government commitment**.

These indicators can be used to gauge **both *commitment and transparency*** of the African privatisation experience. But, we will try **not to follow a ten commandments type of assessment, since *different elements can have different weighting in different countries and for different enterprises in specific*** *circumstances*. Moreover, all the **conditions set theoretically can be there and yet the privatisation process may not work as expected**. Therefore, any assessment should, in our modest opinion, start by an ***ex- post evaluation of the objectives*** **and the *results expected* compared to *those realised*. To do so, some *performance criteria* need to be set**. They cannot be **only *quantitative***, but instead, they should also constitute **some *benchmarks*, limited in number, and , universal enough to allow international expertise and evaluation to confirm and reinforce the national assessment**. A system that is ***transparent*** **enough to national and foreign stakeholders is essential.**

Drawing from the most recent literature and our field facts finding, we will ask ourselves why African governments have accepted to privatise, and for **what** objectives and expectations they did privatise. Then, we will examine the conditions of privatisation, and **how** African governments have implemented their programs of privatisation. Finally, a preliminary assessment will be attempted.

### B. WHY AFRICANS HAVE ACCEPTED TO PRIVATISE?

What is the motivation of the Government when it decides to privatise, to reduce the size of its ownership ,and curtail the degree of its control on State property ? The objectives for African privatisation are conceived , designed and programmed in **the national policy framework**, or as democracy and structural adjustment programs they **are inspired if not imposed by external forces**.

The **political will** of African governments to privatise appears in the objectives officially stated. Those **objective**s are usually to:

1. **Raise additional revenue for the State**;
2. **Promote economic efficiency ; but maintain or increase the level of employment** .
3. **Reduce government involvement in economic management**, (the divestiture or “degagement de l’Etat”); **and broaden ownership to the private sector**;
4. **Introduce competition through economic liberalisation**; and
5. **Develop the nation’s capital markets and attract national and foreign capital flows**.

## C. RAISING ADDITIONAL REVENUE FOR THE STATE

We have seen with the sample of countries selected by Oliver Campbell-White and Anita Bhatia in their study that the impact of privatisation on Government financial flows, up to end 1996, was not substantial. In terms of sales value in percentage of the Government revenue, in percentage of G D P or in per capita G D P, the quantitative measurement of the objective to raise the Government revenue did not seem very positive. **Government central budget revenue benefited from less than a 7 percent increase in privatisation proceeds**, with only **an average of 1 percent increase for all Africa**. In **percentage of G D P, sales value were below 13 % for all the privatisation period up to end 1996, with an average 2% for the Region.** The **per capita measurement in US$ showed a maximum of**

**about $60 and an average of $5 for all Sub-Saharan Africa. These quantitative performance criteria led to the conclusion that up to 1997**, **privatisation had no significant impact on Government financial flows in Africa. Therefore,** ***the objective to raise Government revenue has not been met.*** **Such a** conclusion needs to be **nuanced ,** on both historical and technical grounds.

**Historically**, African governments started the divestiture process on their own in the mid 80s , with the objective to improve their financial situation, by reducing the fiscal burden of some public enterprises, called State Owned Enterprises (S O Es ). They classified the enterprises in three categories: ***the strategic viable and non viable, the non strategic viable, the non strategic non viable.*** The decision **was made to address each category on a case by case basis, in the interest of the country.** During **that** period**, the world privatisation was "taboo**", **liquidation, rehabilitation**, had become two key words. So, during **that period 1982-1991**, what is classified as privatisation was, **in reality, massive** ***liquidation***, and **hesitant** ***rehabilitation***. That explains why in the aggregate data on privatisation transactions in Africa, liquidation, considered as a method of privatisation, comes third after competitive sales of shares and of assets. Therefore, the financial impact was limited in terms of cash money received by the Government. The world ***proceeds*** of privatisation, used by the quasi totality of experts was ambiguous, and misled for a long time on the measurement of public divestiture's impact on public finance. Its replacement by the **term** ***sales value***, which is helpful in cases of real privatisation transactions, is also of limited significance, in these operations of liquidation and rehabilitation. Thus, it is understandable that during all the period prior 1991, what was called by euphemism privatisation "avant la lettre", did not have significant impact on Government financial *inflow.* In other words, the impact was limited in cash money for the Government.

**Technically**, data is scarce and that which is available is not always complete and exploitable.

In light of the historical and technical considerations, the impact of privatisation in Africa up to 1996, can be assessed as follows:

1. **On a cash basis, government revenue was not significantly raised**;
2. **Tangible results were achieved, notably in cleaning up the financial situation of the public sector**;
3. **The partial payment of the debt through a system of cross compensation** ;
4. **The elimination (in case of liquidation ) and reduction ( in rehabilitation cases )of subsidies to enterprises.**
5. **All in all the government benefited from** ***financial relief rather than from cash money***.

Of course, it is understandable that cumulative and aggregate data region wide over a long period could not reflect such a reality. It takes a lot of energy and money to disentangle data related to an evolving phenomenon which started from **liquidation** to **divestiture** or **rehabilitation** before appearing under its real and actual name of **privatisation.** That also explains why the pioneering countries, most of them francophone, were more or less disappointing in the speed of their privatisation process, by end of 1996, and also, for the insignificant impact of privatisation on their public finances. Muriel Devay[1]explains that, in Burkina Faso, for example, some of the **winners in the bidding did not have enough money of their** own, nor the ability to borrow, despite the preferential terms offered to them. Consequently, they could not pay the Government for the total sales value of shares or assets of its enterprises. Of course, the Government had difficulty in getting the rest of its money. Therefore, the Government lost part of the expected financial benefit of the transaction, because **of the failure of the new owners to fulfil their financial obligations**. But, it is also true that the **overestimation of assets did not permit sales value to reimburse the outstanding debt.**

[1] Muriel Devay, article already cited, in Marches Tropicaux, Sep. 1996.

It seems that **privatisation transactions in the years after 1991 started to be more and more successful for several** reasons. First, after the fall of Berlin Wall and the end of the Cold War, **a shameless wave of democracy and liberalisation enveloped the whole world**. Then, **the pressures from abroad came to reinforce that trend**. **On the political side,** the French President made it clear to the African Heads of State, in **La Baule**, in 1990, that his country's support and friendship will be linked to the progress of democracy in their respective countries. More importantly, **on the economic side**, **candidates to structural adjustment programs supported by the Bretton Woods Institutions and the bilateral donors Community,** became common all over the world and notably in Africa. Privatisation accompanying those programs became fashionable instead of taboo. **With the multiparty system, the diversity in parliaments elected in competitive ballots and with the free press and the booming of the civil society, the management of public affairs became more transparent**.

The **divestiture** process called **"degagement de l'Etat" became an integral element of the Government program of restructuring and modernising the public and semi-public sectors.** The main objective, proclaimed loudly with an accent of sincerity, was once again to reduce the State enterprises' burden on public finances. Privatisation became the key word and the glorious way not only **to relieve the government finances of public and semi-public sectors deficits and debts, but also to attract the national savings and more significantly, foreign savings**. Financial flows will address not only the **fiscal policy which regards taxation and investments, but also the external position of the country reflected in the balance of payments**. It is obvious that a **new approach to the evaluation of the impact of privatisation on government financial flows is warranted.**

Beyond the Government, **the effects of privatisation is widespread in all of national life**. Cuts in taxes on personal income and wealth make the Government popular. Competitive bids, public offers for sales of shares and assets, are regulated with international involvement. Estimation of assets and shares are done more realistically to market values. Selection of bidders is publicly and internationally monitored. Rules and regulations of auctions, public flotation, management/employee buyouts, joint ventures and other methods of privatisation are known. They are explained to stakeholders by advisors in national privatisation agencies, by international consultants, including the World Bank Group, notably the I F C (International Finance Corporation) and M I G A (Multilateral Investment Guaranty Agency), with their network of updated information on privatisationlink and IPAnet on lines and their publications including "Private Sector" revue.

**With the openness and transparency of the system through the parliaments, the free press, and the civil society control, the proceeds are allocated to productive sectors in order to develop a competitive economy, led by a dynamic private sector.** In mobilising national and international savings for investments, the system generates additional flows of funds. Ultimately, public savings through budget surpluses will be allocated to the financing of basic investments in infrastructure, including education, health and the servicing of public debt.

*The expected impact of privatisation on government financial flows should be measured against the improvement in the economic growth, in job creation and in political and social stability*. Nevertheless, the Government expects to receive some proceeds in *cash money*. Muriel Devay[1] gives the example of Côte d'Ivoire where the amount of proceeds from sales expected by the Government in period 1995/96, was estimated at CFA 30 billion. The Government of Cameroon also had line-itemised CFA 30 billion of proceeds in its budget in 1995/96. While in Togo, the amount expected during the same period was CFA 6.5 billion. The most recent data from the World Bank African Development Indicators 1998/99 shows that by end 1997, Côte d'Ivoire obtained $357 million or more than CFA 180 billion cumulative sales value and Togo about CFA 35 billion. Both countries multiplied by nearly 6 their results compared to expectations. Cameroon was well behind its target with zero realisation.

**But Africa, in general , made a *qualitative improvement in its sales value in 1997*, with a total amount of $ 4,930 million against 2, 700 million, end 1996. Despite this upward trend, Africa lags well behind the other regions in the world.**

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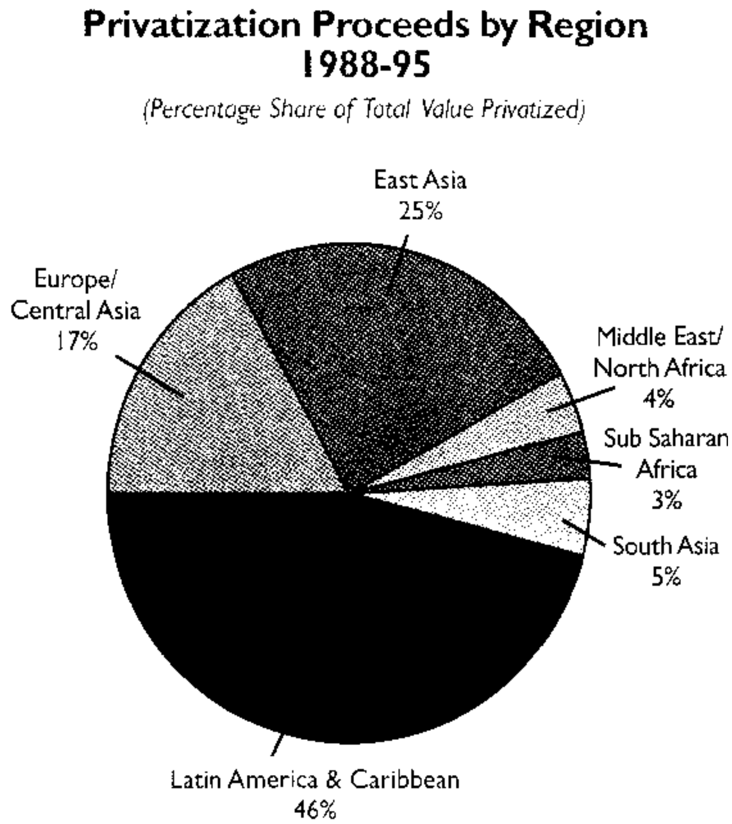
[1] in Marches Tropicaux, Sept. 1996.

The Word Bank data[1] covering 88 countries that sold $135 billion worth of assets for 3,801 transactions between 1988 and 1995, shows that ***Sub-Saharan Africa's proceeds are only 3 percent* of total value privatised in the world.,** behind the Middle-East and North Africa ( 4% ), South Asia ( 5% ), Europe/Central Asia ( 17% ),East Asia ( 25% ), Latin America and the Caribbean ( 46% ) as reflected by the figure below:

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Source: World Bank, Privatisation Database (corrected)

[1] Mary M. Shirley, *Trends in privatization,* article in Economic Reform Today, number one ,1998, Center for International Private Enterprise ( C I P E ),an affiliate of the US Chamber of Commerce, Washington DC, USA, p. 9

It is clear that the ***African share of proceeds in the world privatisation*** process is by far the smallest. Between 1988 and 1995 in terms of average value of privatisation as percentage of GDP, it was, **for the 88 countries about 0.5%, and for Africa 0.1 %.**

Moreover**, the average value of a transaction for the entire group of 88 countries was $35 million. For Africa, most privatised enterprises, up to 1997**, **were worth less than $100, 000**[1]. By way of comparison *the average value of an individual transaction*, in the period 1988-1995, was $68 million for Latin America and the Caribbean, $110 million for East Asia, and $11 million for Europe and Central Asia.

**In sum, the Government's first objective is to raise its revenue, not only in cash value for the central budget, but also through savings on previous subsidies and other expenditures related to privatised enterprises. The additional public saving permits better allocation of resources for economic growth, led by the private sector, and employment opportunities conducive to political and social stability.**

## D. PROMOTING ECONOMIC EFFICIENCY AND EMPLOYMENT IN PRIVATISED ENTERPRISE

Here, we are in the heart of the objective of privatisation. What is at stake, in the African opinion in general, is less the transfer of ownership from the State to the private sector than the hope through privatisation to **attain *efficient management***. That means **higher output, more investment, higher profits, higher employment, lower leverage and higher dividends**. [2]

To achieve these goals two major questions need to be answered:

- **Do privatised enterprises improve their performance in terms of profitability, efficiency and investment** ?
- **What is the social impact for consumers and employees ?**

Several studies have tried to address these two questions.

First , **the 1994 *Galal and others study*[3] assessing the welfare gains and losses resulting from the privatisation of twelve companies operating** in non competitive markets, was limited to only four countries: Chile, Malaysia, Mexico, and the United Kingdom. They reported net gains in eleven of the twelve cases, and found no cases in which the workers showed an overall loss from privatisation. But, as Galal and his companions themselves pointed out, their sample was small and unrepresentative of the universe of privatised firms in developing countries. Therefore, apart the methodological experience and the hope that positive answers can be given to our two major questions about efficiency and employment, their findings should not be generalised.

[1] See Campbell-White and Bhatia, table 4.4 , p. 72

[2] Narjess Boubakri and Jean-Claude Cosset, *Privatization in Developing Countries, An analysis of the performance of newly privatized firms*, in Private Sector, December 1998, the World Bank Group. p.37-40.

[3] Ahmed Galal, Leroy Jones, Pankaj Tandon, and Ingo Voselsang, 1994, *Welfare Consequences of Selling Public Enterprise :An Empirical Analysis,* New York: Oxford University Press.

Second, **the *1994 M N R*[1] *study* covered** a much larger sample than the Galal team, comparing the pre- and post- privatisation financial and operating performance of sixty one firms, in eighteen countries, from 1961 to 1990. They also found strong evidence that after privatisation the sample enterprises became more profitable, increased their real sales, and investment spending , reduced their debt levels, increased dividend payments, and more surprising and significant, increased employment. Tests by partitioning the data into smaller sub -samples confirmed their findings. But, here too, the conclusions should not be generalised. Only one out of three was a developing country.

The third study **by *Narjess Boubakri and Jean Claude Cosset*[2] covers seventy-nine newly privatised firms, head -quartered in twenty-one developing countries that** experienced full or partial privatisation during the period 1980 - 1992. This study published in the December 1998 issue of the World Bank Group magazine Private Sector[3], tries to complete the pioneering studies done previously. The sample is well diversified, with wide geographical dispersion, and different levels of country development (low-income economies, lower-middle-income economies, upper-middle- income economies ). The sample enterprises are in different industries and market structure (competitive, non competitive) vary in size. Boubakri and Cosset, in their study, seek to determine whether privatisation is truly desirable in developing countries and whether the performance of newly privatised firms *lives up to the expectations of governments and development agencies*. In particular, they try to determine whether privatised enterprises increase their *profitability*, their operating *efficiency*, their *capital* expenditures and their *output*. They also examine the impact of privatisation on *employment*, *capital structure, dividends distribution policies*. To achieve those objectives, the methodology used by the two authors is the *before-after method*, comparing the performance indicators of the sample of firms for the three years before divestiture and three years after divestiture. The study results are summarised in table below:

**POST PRIVATISATION PERFORMANCE : KEY RESULTS FOR 79 COMPANIES PRIVATISED IN 21 DEVELOPING COUNTRIES 1980-1992**

| Indicator | Average change (percent ) |
|---|---|
| **Profitability** | +124 |
| Return on Sales | |
| **Efficiency** | +25 |
| Real Sales per Employee | |
| **Investment** | +126 |
| Capital Expenditure / Sales | |
| **Output** | +25 |
| Real Sales ( adjusted by C P I ) | |

1 William Megginson, Robert C. Nash, and Mathias van Randenborgh, 1994, *The Financial and Operating Performance of Newly Privatized Firms: An Empirical Analysis* .Journal of Finance 49: 403-52.

2 Already cited.

3 In fact, it is based on a longer article by the authors, "*The Financial and Operating Performance of Newly Privatized Firms: Evidence from Developing Countries* ," Journal of Finance 53, June 1998: 1081-1110

Boubakri and Cosset are respectively at Ecole des Hautes Etudes Commerciales, Montreal, Canada, and University of Laval, Quebec, Canada.

| | |
|---|---|
| **Total Employment** | +1.3 |
| **Leverage** Debt/ Total Assets | - 5 |
| **Dividend payout** Dividends / Sales | +44 |

Source: Narjess Boukari and Jean Claude Cosset, *The Financial and Operating Performance of Newly Privatised Firms: Evidence from Developing Countries, 1998, in WilIiam l. Megginson,,The Impact of Privatisation,* Economic Report Today, 1998, number one, CIPE, p.12

Note: This table is a combination of two different tables from the same source, by O. B. Makalou. Efficiency and Output are index values, where the value during year of privatisation is defined as 100. Employment is in absolute numbers.

Although the period under review (1980 - 1992) is only the very beginning of privatisation in Africa, **the results tested are generally irrelevant for most African countries**. The authors themselves concluded that "the study found evidence of weaker improvements in the performance of firms in low-income and lower-middle-income" countries. Needless to add that those countries are mostly in Africa. But, the methodology used by Boubakri and Cosset is innovative in its scope, and technically challenging for further updated research, specifically on firms privatised in Africa. The study also concludes that ownership seems to matter. Privatisation brings in private owners who place a greater emphasis on profit goals and carry out new investments that increase output and employment

## E. BROADENING OWNERSHIP AND THE DEGAGEMENT DE L' ETAT

In the first part of this paper, we stated that the essence of privatisation is the total or partial transfer of the ownership of a State Owned Enterprise ( SOE ) to the private sector. The change in ownership may be one of the most difficult decisions to be taken by any government. It is about **Power**. Generally, **power sharing is difficult**. To voluntarily relinquish the State ownership on the " **Jewels of the Crown**", the State property ( le patrimoine de la Nation ) is "**selling the family silver**" to foreigners, and concentrating economic power in their hands, including enterprise closures, layoffs, orphaning of social assets ," les acquis du peuple". The hearts and minds of management and employees of the enterprise to privatise are difficult to capture. There are myriad political fears[1]. Indeed the total or partial transfer of public wealth to the private sector, called privatisation, is political in its aims and in its impediments.

African governments, like those in other regions of the world, were attracted at first by the ***economic benefits of privatisation***. These benefits include **the increase in the level of their financial flows and the efficiency in the economic management through competitive industry which supplies consumers quality goods and services at low prices or tariffs, additional investment, new technologies, know how, extended markets, and effective corporate governance**. Therefore, we have seen their preference for the sale of shares and assets, notably, liquidation. Although the central budget of

[1] Wilfried E. Kaffenberger, 1995, preface , *Privatization, Principles and Practice* , International Finance Corporation( I F C ) , a member of the World Bank Group, Lessons of Experience Series.

the government was not always the sole beneficiary of the proceeds, **the result was globally positive on the political and even social level**. The Government was then more or less convinced that it was implementing its own political agenda, with the foreign assistance most of the time. The cost of such privatisation was acceptable, as a sale of assets, specifically liquidation, does not involve necessarily transfer of ownership to the private sector. Anyway, the government remains generally in control.

The real privatisation, in the IFC' s definition, implies not any transfer of ownership or control from the public to the private sector, but "would require that the transfer be enough to give the private operators or owners *substantive independent power*." This does not always mean the transfer of majority ownership. The Government sells all its shares to the private sector and a complete and real privatisation is achieved. We know that, by end 1997, the bulk of African privatisation transactions (1,859 out total 2,954 ) are in the form of *transfer of majority ownership to private shareholders*. There also is full privatisation in case *of sale of Government minority interest* (233 transactions ), and of course when there is a *sale of assets(* 1549 transactions )through liquidation( 520 ), a competitive sale ( 687 ) and a direct sale (41 ). In case of a *sale of shares* ( 1101 transactions ), through competitive tender (895 ), a direct sale (101 ), pre-emption rights (96 ) and public flotation (80 ), can be achieved full or partial privatisation

But, the Government may, in some instances, ***decide to retain majority ownership,* through methods like share dilution, joint ventures, leases, and management contracts. Then, the Government still holds the majority of more than 50** percent of shares, despite the dilution of its ownership and perhaps its control on the privatised enterprise. Sometimes, the Government will decide *to* ***retain the minority interest*, for political or whatever reasons. In that case, there is partial privatisation of ownership not necessarily of control. Joint ventures** are typical of that kind of transaction.

Truly, we have seen in case studies in the first part of this paper that change of ownership has been achieved by **reducing to zero the public ownership in more than 72 percent of privatised enterprises. The State majority ownership remained only in 6 percent** of total privatisation transactions. Nevertheless **Africa has not succeeded in mobilising national and foreign capital through capital markets and foreign direct investment as have done other regions in the World.**

We have already shown **the rise in capital markets building in Africa**, with stock exchanges spreading all over the continent, specifically in Southern and French-Speaking countries. Even where there is no stock exchanges market transactions permit to mobilise foreign and domestic savings in passing ownership of an SOE to ***targeted foreign* investors**, and to **a large *number of small shareholders***.

***Management and employees buyout* consisting of a sale of shares to workers is another means of** " elsewhere in **democratising" the ownership of capital which seems to have been successfully implemented the developing and post-communist countries**. Although the broadening of ownership is politically and socially popular and can in some cases create emulation among management and employees for better productivity in the privatised enterprise, **it may not provide the new blood of investment, know how, new products and the extension of markets needed. Africans have not practised that method in an extensive manner**, so far ( 44 transactions during the period of 1988-1997 ).[1] However, **it would be interesting to experience a *voucher program* by auctioning off SOEs directly to the ordinary citizens, but not giving them the exclusive rights ( and means ) to purchase shares.**

**Broadening the ownership should not mean transforming an SOE into a kind of co-operative or mutual organisation. Competition is needed** in the process of privatisation. The extent to which *Government is willing to broaden ownership is the determinant of the new buyer*. **The choice of buyer determines the best method of privatisation.** Broadly speaking, the available buyers are other

[1] For an overview of mass privatization see William L. Megginson's article "the impact of privatization", Economic Reform Today, number one 1998, CIPE, Washington DC, pp. 11-15.

corporations, domestic and foreign professional investors, including financial institutions, the management and work force, and the public at large. The sale can be structured to attract any or all of these buyers.[1]

It is possible to summarise the reasons why Africa has privatised as follows :

1. **To improve the financial position of the government by cleaning up subsidies, debt services and other expenditures of State Owned Enterprises, on one hand, and by raising additional revenue for the government central budget, on another hand**;
2. **To promote economic efficiency through liberalisation and structural reforms, but maintain or increase in the level of employment, and quality of services to the consumers ;**
3. **To broaden the ownership of SOE s to the private sector , including national and foreign investors and the public at large, the *development of capital markets* and *incentives to attract Foreign Direct Investment.***

To address the issue of implementation of the political will of African Governments , this section of the paper will review how Africa has privatised?

## III - HOW HAS AFRICA PRIVATISED?

We already know what happened in the privatisation process in Africa: the rise in the number and value of transactions, the sectoral and geographical distribution, the methods utilised, the broadening of ownership, the impact on the public finances, the economic efficiency and enterprises performance, the development of capital markets, and the rise in the level of foreign direct investments.

Here, we will try to introduce the issue *of commitment* of the Government to privatisation through *the transparency* of policy and programs implementation of the objectives publicly stated: the reduction in the size of the public enterprise sector, the level and quality of employment, the privatised enterprise performance and private sector investment.

## A. COMMITMENT OF AFRICAN GOVERNMENTS TO PRIVATISATION

African governments have taken most of the measures which demonstrate their commitment to implementing the program of privatisation. First of all, **they devised a program, prepared the legal framework, set up the institutional environment, notably the privatisation agencies, selected what the IFC calls the scoring "firsts" enterprises** and sectors, identified the stakeholders and the methods to use, and established **dialogue to seek national consensus on the program**. **Theoretically, the conditions of a successful privatisation process are there**.

**Now, *privatisation laws and their amendments are available everywhere*.** After Pierre Guislain's remarkable listing of all countries' laws world-wide, including the African countries, the World Bank Group, with its publications, notably the magazine Private Sector, IPAnet, Privatisationlink, the recent articles in the French journal Marches Tropicaux, and development agencies (Commonwealth, French Development Agencies ), and private sources, seem to provide complete, and updated information on what MIGA calls the" hot news".

With the setting up of the *privatisation agencies* in almost all African countries, the institutional framework also seems to be in place.

[1] Madsen Pirie, *Policy making and Privatization: Ten Lessons from Experience,* article in Economic Reform Today, number one, 1998, C I P E , Washington DC. Dr. Pirie is the President of the London-based policy think tank Adam Smith Institute.

Within the **African Privatisation Network (APN**), grouping all national Agencies of the Region, an effort is underway to strengthen Africa's capability in the field of privatisation. The World Bank Group, the African Development Group, the U N Economic Commission for Africa, UNIDO and bilateral official and private agencies, have started and are expected to intensify their technical and financial support to APN and the different national agencies. **Otherwise, those responsible for the privatisation will lack focus, expertise, stability and objectivity. Their reliance on the privatisation proceeds is dangerous for themselves and for the system** itself. The Government should earmark sufficient resources to be allocated to privatisation agencies to allow them to fulfil their duty in a professional and independent manner. **The agency status should be clearly defined**. Its relations with the members of the Government, including its supervisor, with the offices of the President and the Prime Minister, with the Legislative and the Judiciary, with the national Economic Operators, the media, and the international Community should also be determined. The nomination, promotion, and dismissal of senior staff of the agency should be decided at the highest level (the Council of Ministers), so that the Head of State and senior Ministers be involved. This way any decision related to the design, the preparation, the implementation of the strategic, sectoral or individual program of privatisation will be of the public domain. The agency should be able to seek national and international expertise without any political interference. Of course, the final decision to privatise belongs to the Government.

Once a *legal and institutional framework* is in place, most governments in Africa have inserted their privatisation program in the *structural adjustment programs* supported generally by the Bretton Woods Institutions and the international community. That ***macroeconomic framework*** **may have, in many instances, given the impression that privatisation is imposed on the country authorities, and is a *top down* operation**. That may explain why **the Governments in Africa, so far, seem to observe some reticence, even resistance to implementing their own privatisation program.**

**Their fears are justified by the criticism from opposition parties, the free press and the management and employees of the enterprise to be privatised. Privatisation is political "hot potato".** African governments understand that with the *African renaissance* and the constraints of the democratic process, the top bottom policy belongs to history. That explains the pace of privatisation in Africa after 1990. For privatisation programs to gain momentum, early transactions had to succeed. We have seen that privatisation started in Africa with the easy candidates first: the loss makers, the heavily indebted, the already closed down, all those classified as good for liquidation and not representing a strategic interest for the country or the rulers. Gradually Africans have realised that accommodating *political objectives* and overcoming what the IFC[1] calls *political impediments*, have economic costs in low prices, in reduced competition for the sale, in lost access to the markets and in continued inefficiency after privatisation. With the technical and financial support of the national and international advisory bodies, African governments are now rationalising the privatisation timing and sequencing, from State ownership to Private ownership, step by step. They are strengthening their *bargaining power* in competitive market, within and outside the country. In that process the National Privatisation Agency ( NPA) should play a key role, and be prepared and equipped to that effect.

In the last two years, **Africa has accomplished qualitative leap-frogs in the fields of economic management and implementing the privatisation program. In** 1997 **total sales value has increased by about $ 2,2 billion, with only 102 privatisation transactions against 357 in 1996. Some individual country performances deserve to be mentioned**. Benin with $63 million sales value for 46 transaction average more than $1 million per unit. Côte d' Ivoire, with only one additional sale in 1997, accumulated $357 million against $123.1 million at end of 1996. The number of transactions in the Democratic Republic of Congo jumped from 22 in 1996 to 61 in 1997. Ghana scored $555 million in sales value in 1997 from $417.3 million in 1996. Mozambique with one operation in 1997 realised $21.3 million, showing the shift to larger size of privatised firms. Senegal seems to have resume a strong privatisation trend, with additional sales revenue of $197 million for only 2 transactions completed in 1997. South Africa with three sales in 1997 cashed nearly $ 1.5 billion ( exactly $1,447.3 million ). Zambia kept the pace with an increase in number of transactions from 191 to 217 and sales value from $146.3 million to

[1] In *Privatization: Principles and Practices*, already, cited and my conversation with IFC staff, mainly David Donalson and Warren Weinstein, one of the authors of the manual.

$180 million. A notable progress is made by Zimbabwe earning $112 million for three transactions in 1997.

These big performers and others not mentioned in 1997 may have done more and better in 1998. Any way the World Bank 1998 Report indicates **that financial sector reform is critical to Africa's development and competitiveness.** At the end of fiscal 1998, thirty financial sector activities were underway in the Region, with a loan portfolio of $397 million. The Report continues that privatisation and restructuring projects supported by the Bank are underway in Ghana, Togo, and Uganda.

Another favourable achievement is **the increase in *private capital flows* to Africa**. Long-term private capital flows to the Region have increased from $4 billion in 1996 to $8 billion in 1997. Although this remains a fraction of the $256 billion to developing countries, and that the impact of privatisation cannot be traced, it is obvious that Africa is on the road of betterment.

**The *macroeconomic framework* has been improving during the last three years**. The Bank's 1997 Annual Report was optimistic about the Region's recovery. This is reinforced by the fiscal 1998 results. In 1997, economic growth for Sub Saharan Africa was estimated at around 4.6% compared to 4.5% in 1996 and 3.3% in 1995. Last year 21 countries ( out of a total 48 ) had a GDP growth rate of 5% or more and at least 38 had positive GDP per capita growth rates.

This economic performance was combined with increased political openness to create a greater opportunity for development. Africa's leaders met development institutions, with the participation of the World Bank 's President, in Kampala and Dakar in January and in June 1998 respectively, to address the different development needs of their countries and to strive for what is considered as an African renaissance. Democracy is in progress despite the **re-emergence of the one party culture** in most countries.

Although nobody can deny African governments' commitment to reshape the role of the State through privatisation, the question remains of whether the process is transparent enough to convince the citizens and attract investors.

## B. HOW TRANSPARENT IS THE PRIVATISATION PROCESS IN AFRICA?

Building transparency into the privatisation process should be a top priority for all policy makers undertaking the effort. That is how begins a commentary of the London-based policy think tank Adam Smith on "The Privatisation Manual - A Simple Guide to Privatising State-Own Enterprises Using the Tender Method " by John Francies with S. J. Masty[1].

**Transparency** is defined by the authors as the **requirement that all investors have access to the same information during the privatisation process.** Was that requirement respected in Africa? Usually people are suspicious that the information does not circulate the same way for all bidders. Here, many talk about corruption, collusion, pressure and unfairness. Most governments try to ensure transparency to a greater or lesser degree in order to maintain public support for their privatisation programs. Generally at the highest level leaders should be concerned about transparency and corruption.

As Africa takes charge, many of its leaders have recognised the stranglehold that corruption has on their development effort, confirms the World Bank 1998 Annual Report. In 1997, at the invitation of their Heads of State, President Robert McNamara and Executive Secretary Ambassador Ahmedou Ould Abdallah of the Global Coalition for Africa visited six African countries (Benin, Ethiopia, Malawi, Mali, Tanzania, and Uganda ) to have open discussions on transparency and corruption. These countries, now, have requested help from the Bank to establish national anticorruption programs, and in many cases, according to the Annual Report, the Economic Development Institute of the Bank in its integrity programs is supporting these efforts.

[1] In Economic Reform Today, number one, 1998, CIPE, p. 34-36.

But, it is not always easy, even with the best of intentions, to observe transparency in all instances. For example, a transparency requirement is clearly **not compatible with management/employees** buyouts. In some cases**, most governments retain the right to reject bids without any explanation**. They may turn down the highest bidder for several reasons (for example they do not know him, he is inexperienced or suspect of not being capable to carry out his commitments or to be a rubber stamp) and select someone with more industrial experience or who has long -term investment plans for the firm. In such a case the Government clearly tries to defend consumers and workers best interests, even if that is short-sighted.

Sometimes, in international bids, political interference based on common language, monetary links, established and proven relations, leads the Government to believe that it must play its role of protector of the national interest. But, in so doing, the government jeopardises its own objective and could threaten the entire privatisation process for years to come. For the Adam Smith Institute, *attempts* ***at, even, defining transparency are usually inadequate because it means something different to everyone*****. Who can clear such a vague, confused and confusing notion?**

In this part of our paper, we tried to assess the African experience of privatisation in relation to the objectives of governments, and how they implemented those objectives. We found out that African, after the period of massive liquidation and sell out of relatively small or medium enterprise, are, since 1990, and specifically these last two years, have embarked on more substantive sales in the best interests of consumers-taxpayers, workers, investors and the State. **Constraints remain, notably, the lack of transparency.** We will try to suggest some elements of solutions to overcome those constraints, and to establish more transparency in the system.

## IV. THE FUTURE OF PRIVATISATION IN AFRICA

Here, we will try to draw lessons from the experience of privatisation in Africa to make recommendations on how to operate in the future, in terms of political commitment, donor support, and the new direction of African privatisation.

### A. THE POLITICAL COMMITMENT

African leaders have demonstrated in recent years, with two important summit meetings in 1998, in Kampala ( January ) and Dakar ( June **), that economic management is the key to the success of their political agenda**. To achieve **their goals of economic growth, and political and social stability, in a democratic society and free press, they have undertaken macroeconomic policies and structural reforms,** with the global positive result recognised by their citizens and the international community. But, they are aware of the challenges that lay ahead. Many of them have begun **to reshape the role of the State** "by **improving capacity to manage resources, ensuring deliver of social services and infrastructure, and creating attractive business environments."**[1]

Departing from their initial cautious approach to deeper reforms, many African countries are engaged in major privatisation programs. They no longer have the fear to privatise the so-called strategic enterprises. **All enterprises in all sectors are eligible for timely privatisation**. We have seen that in the last two years the average unit privatised enterprise has a much higher sale value than in past years. Heavyweight firms are being privatised in all sectors**: transportation** (railway, airlines, ports, airports,

[1] The World Bank Annual Report 1998

roads ), **financial ( **banks restructuring **),** **energy** ( electricity, water, petroleum, gas), **agriculture** (cocoa, coffee, cotton, timber, palm trees , sugar canes… ), **agroindustry** ( textiles, fruit juice) **manufacturing (** which is largest in sectoral distribution ), **telecommunications** ( the most promising) , **mining** ( in exponential progress ) and **tourism** ( hotels , crafts, environment). In most of these sectors, the State ownership majority has ranged between 51% to 100% of shares**. Privatisation methods used are more sophisticated**. **Concessions, leases, management contracts, joint ventures, BOTs( Build, Operate and Transfer )and BOOs ( Build, Operate and Own**) are placing Africa in the front line of developing countries' privatisation scheme.

Africans are determined to meet successfully the challenges of the globalisation of the world economy for the millennium. In that respect, a striking feature of the meeting of the Economic Committee of the Global Coalition for Africa ( GCA ) in Gaborone, in 1998, was **the consensus among all players**, **governments, donors, and the private sector, on the need for a stable business and macroeconomic environment, as well as a performing financial sector**. There is, now, a greater recognition that the private sector has a significant role to play in assisting Africa to reach the sustainable growth rates that will begin to make a difference to people's welfare.

## B. THE INTERNATIONAL COMMUNITY INVOLVEMENT

The international community is assisting Africa in its plea for sound economic management conducive to reducing poverty through economic growth, trade and investment, in a peaceful and stable democratic society. The structural adjustment programs supported by the International Monetary Fund, the World Bank Group, the African Development Bank Group, the United Nations and its affiliates, the European Community and bilateral development Agencies, are preparing Africa, after taking charge to move forward.

**The Gateway initiative, in Ghana**, provided concrete ways in which the private sector can be supported. Developed during fiscal year 1998, with **the technical support of Japanese and other trusts funds, the project is designed to provide serviced land for exporters, which includes easy access** to a **port**. The site will be privately owned and managed.
**The Wet African Enterprise Network (WAEN**), representing some 350 businesses in West Africa, has been successful in pushing for trade policy reform and investment between countries in the sub-region .The World Bank, which has been supporting the WAEN, during the last five years, sought, in fiscal year 1998, support from the Development Grant Facility (DGF ) to help WAEN to achieve full independence, and extend the initiative to eastern and southern Africa.

As mentioned before in the second part of this paper, to promote privatisation in Africa, the **Bank and MIGA** created a specialised window within *IPAnet*, MIGA's Internet-based marketplace for investment opportunities, to launch *Privatisation Link*, profiling investment opportunities arising from privatisation. In 1998, MIGA supported private investment by issuing *guarantees* totalling $126 million covering projects in Angola, Cape Verde, Equatorial Guinea, Kenya, Mozambique, and Uganda. They facilitated $2.3 billion in foreign direct investment in these countries. **Within the World Bank Group IFC** plays a very special role in the privatisation process world-wide. Its most recent involvement in Africa as **advisor, broker and catalyst buyer is essential in the privatisation of infrastructure sector. Bilateral agencies also are strongly involved in the privatisation process**. The German DSE/ KFW, the French Agency for Development (AFD ), USAID/ OPIC, and CDC ( Commonwealth Development Corporation) are well known among others. In Africa, the African Development Bank[1] and the West African Development Bank (B OAD) are organised to support technically, financially, and politically member countries privatisation programs. With the preconditions of the political will and donors support fulfilled, African privatisation is heading to a new level in size and quality.

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[1] I learnt a lot from the solid team of ADB staff in our meetings , November, 1998, at their Headquarters in Abidjan.

## C. NEW TRENDS FOR THE FUTURE

Africa has definitely taken charge and deeper -level reforms are underway everywhere. Consistent with their political commitments many African government are undertaking comprehensive macro-economic and structural reforms. They have put in place regulatory frameworks with the view of doing fundamental changes needed to improve the privatisation process for the benefit of the whole economy. They decided that the macro-economic reforms that facilitated positive growth for three years in the row must be deepened to **reshape the role of the State and enhance its effectiveness**. Therefore, they are committed to attain their objective by creating an attractive business environment in all sectors, including those sectors formerly classified as strategic and State monopoly. But, "the generally poor performance of State-Owned monopolies, combine with the rapid globalisation of world economies, has brought into sharp focus the economic costs of inadequate infrastructure, and prompted a growing number of developing countries to take active steps to promote competition, private entry, and foreign investment in the sector."[1] That assertion of the Executive Vice-President of the IFC applies to all countries. Margaret Thatcher, former Prime Minister of the Conservative government of Great Britain, who took office in 1979, is widely credited with pioneering and legitimising privatisation as an official State policy[2]. And, the honourable "Iron Lady" did not hesitate to put on the table and the public knowledge her Government intention to privatise BT (British Telecommunications ) and the railroads. It is after the sale of British Telecom in 1984, that the term privatisation was publicised, and many countries launched their own privatisation programs. Ten years later, Frank Sader[1], in a famous study for the World Bank, estimated that in the period 1988-93, around 2,700 State-Owned Enterprises ( SOEs ) have been transferred in private in over 95 countries, in sale yielding $271 billion. Industrialised countries accounted for $175 billion, for only 15 % of transactions, while developing countries received only 35% of total revenue generated for 85 % of total sales. The share in sales value of developing countries was relatively small. Out of that small portion, the bulk of sales value ( 57%) of privatisation transactions took place in Latin America and the Caribbean region, followed Europe and Central Asia, 18.7 %. Therefore, Sub-Saharan Africa region and Middle East and North Africa together had only a minimal share of total privatisation transactions. We have seen that they represented together 7 %, with only 3% for Sub-Saharan Africa.

Regarding infrastructure, IFC figures show that out of a total of $150.1 billion for 361 transactions, the African region scored a of total $1.7 billion for 15 transactions**. Côte d'Ivoire** was the only one in Africa, when, in August 1994, the government signed a nineteen -year agreement to purchase energy from the first private power project in Sub-Saharan Africa. Financing closed five months later (well before 12 to 30 months, in general). The 100 MW plant was generating power by April 1995, achieving 83% availability in its first six months against 80% target. Since then, Africa has been involved in privatisation in telecommunications, the transport sector, in water and electric power, and roads, ports and airports privatisation, and other substantial sales. Up to eighteen African countries were supposed to have partly or totally ***private telecommunications*** by the end of 1998. They will follow success stories from notably Ghana, Senegal and South Africa.

A recent World Bank report[2] shows that, in less than four years, **Ghana** has implemented one of the most ambitious telecommunications reform programs. In 1993, like in most of African countries, the industry was the exclusive domain of Ghana Post and Telecommunications, entirely State-owned and losing money. Telephone density was one main line for every 400 people. The average wait for a telephone line was more than ten years. Service was limited in range and poor in quality. In 1997, Ghana

[1] Jannick Linneback, Executive Vice-President IFC, September, l 996, Preface, *Financing Private Infrastructure*, International Finance Corporation, the World Bank Group, Washington DC, USA.
[2] William L. Mengginson, *The Impact of Privatization*, Economic Reform Today, 1998, CIPE, Washington DC, p.11.
[1] Frank Sader, *Privatizing Public Enterprises and Foreign Investment in Developing Countries, 1988-93, 1995,* Foreign Investment Advisory Service, Occasional Paper 5, IFC, 1995.
[2] World Development Report, *Knowledge for Development, 1998*, p.68.

became the first developing country to introduce privatisation in all areas of services, in all parts of the country. To raise financing, the Government sold its 30 percent stake in Ghana Telecom. Ltd., the company formed in 1995 by splitting *telecommunications from the postal service*, to a consortium of Telekom Malaysia and *local investors*. In 1997 alone, the number of connected fixed lines increased from 90,000 to 120, 000, and Ghana Telecom Ltd 's revenue increased from around $55 million to $75 million. The company plans to provide telephone access to each village in the country, with 225,000 lines in three years, instead of five allowed in the license. To make things even quicker the Government of Ghana has issued national licenses to five *cellular* operating companies. Three were operating at the end of 1997, providing 30 percent of the country telephone lines. In addition, Ghana, now, has *several privately owned Internet service providers*, including one with an aggressive program to provide access to the rural areas through *collaboration with the postal office*. Although the *regulatory capacity* needs to be strengthened to precise the rules of competition, Ghana's model of privatising telecommunication, is being followed by several African countries (Madagascar, Nigeria, Uganda ). Precisely to bring access to the poor, **South Africa's** *multipurpose community information centres* receive two years worth of start-up costs and field technical assistants from the country's Universal Service Agency, established in 1996. A 1997 survey found that 67 percent of these centres had the *telephone*, 31 percent a *computer*, and 8 percent *Internet* access.

In many African countries, the private sector has proved, without the support of the Government as in South Africa, that it is capable of bringing the telephone to even the poorest of the rural areas. **Senegal,** in 1995, had more than 2000 privately owned *telephones centres* each with a *pay phone* and a *fax machine*, multiplying by four times the number of availability just two years before. In 1997, the Government decided to partially privatise SONATEL, the Senegalese national telecommunications company, giving the blocking share of 33.33% to France Cables and Radio (a subsidiary of France Telecom), the State then holding only 34% of shares, employees 10%, the public and institutional investors (including IFC, l' Agence Francaise de Development/Proparco , CCF) 17.66%, and the remaining 5% reserved for an African Economic Operator. Now, SONATEL is making huge profits for better service and is on the West African public offer market , through the regional stock exchanges, to divest totally.

These country cases are only indicative of the *changing competitive environment in telecommunications* in Africa and in the World. Inefficiency and under investment by the State telephone monopolies led to bad service, and little or none for the poor, specifically in the rural areas. Paradoxically, the State ownership monopoly was always legitimised on the ground that only the government cares about serving the poor and the rural areas . Unfortunately, in Sub-Saharan Africa, after more than three decades of State monopolies, there is *only one pay phone for every 5,300 people*, compared with <u>one for every 100 in Singapore</u>. This is a domain in which the market is unlimited and solvable, because even low income people are ready to pay for it instead of travelling several miles to get to the nearest pay phone.

Here again, a note of caution is warranted. **A State monopoly should not be transferred to a private monopoly**. In telecommunications, as in all industries, private ownership and competition go hand in hand. When the State monopoly is privatised without appropriate regulation, a private monopoly can emerge. *Economic rents* may then be transferred from the public sector to the private sector, with , *no gain in efficiency, no lower prices, and no broader and better service*. Finally, consumers and the public at large will not be satisfied, Government may sooner or later be in trouble. That danger is even greater in cases of utilities and transportation which constitute the heavyweights in recent privatisation transactions. In the **Utility Sector**, *the privatisation of **Gabon**'s water and electricity utility* is considered as a "first" in Sub-Saharan Africa[1] deserves to be known as an example for the future. We will trace the different steps during sixteen months, that led to the final *concession contract* in late 1997. This is the interesting case of a country endowed by mother nature, with the highest per capita income of $ 3,500, behind only

[1] The Privatization of Gabon's Water & Electricity Utility : A First in Sub Saharan Africa, I F C , Lessons of Experience , Corporate Finance Services, October 28, 1997, Washington DC.

Mauritius and South Africa. The Electricity and Water Company, known *as S E E G ( Societe des Eaux et Electricite du Gabon* ), despite a management contract concluded earlier with top international specialists of the sector [2] , *well-managed* by efficient management, well-trained by professionals ,was *crippled by the heavy hand of the State*. The Main shareholder with 67% of total shares and the largest client, with 20% of sales, the Government's chronic interference in management matters , including imposing non-professionals as employees, led to a disastrous financial situation, by end -1996, with arrears of about $100 million. Since then, the International Monetary Fund *Enhanced Structural Facility* ( ESAF ) negotiation team had in December 1995, recommended the privatisation of SEEG. The Gabonese authorities, courageously decided to start the process in a orderly manner:

1. The Government specified the *privatisation program* in the 1996 Budget ( Loi des Finances );
2. IBRD was asked its *technical assistance* for setting up a regulatory framework, and IFC became the contractual *Financial Advisor* in February 1996. Significant resources were mobilised, with 6 professionals in privatisation and restructuring, *eminent consultants* ( law firm Klein-Goddard, Paris, Abidjan ; industry specialists Management System Consultants, Paris; tax and accounting advisors Arthur Andersen, Paris) ;
3. Japan Trust Fund provided the *financial support* ;
4. Finally, the Government with the assistance of this exceptional team of advisors, drew the Gantt diagram with the detailed schedule of action.

The Government **objectives** were *primarily financial:*
- To give the State *a relief* of the burden of public infrastructure financing;
- To keep *tariffs as low as possible*;
- To maintain the sector's *financial equilibrium* while passing along to consumers *productivity gains*.

The objectives were also social and politic:
- To stop the political interference and leave the operational management of the utility to professionals;
- To improve and expand the public service through a competitive and transparent process;
- To attract qualified international strategic investors to Gabon;
- To promote public shareholding ;
- And to avoid layoffs and increased unemployment.

Once the objectives clearly known, **the team** made a global evaluation of the country main indicators and of the SEEG performance criteria. After that diagnosis the team turned to **the Strategy** of the privatisation process. ***The main question was: How to attract investors?***

The team in charge of SEEG, identified *the weaknesses* of the case and then designed an attractive scheme to the potential investors.

Among the weak points they underlined were:
- the relatively *small size* of the project , "at the time of other major opportunities world-wide;
- Gabon is known as a *bastion* of *French interests*;
- the challenge of introducing *competition in a monopoly situation* ;
- the long time presence within SEEG of *well-entrenched technical partners*;

and the perception of *high -risk country* for investors.

But they designed a scheme to attract investors against the odds to :
- keep integrated water and electricity in a *single concession* (relative solution to the problem of size);
- limit the concession to the "perimetre" of *cities and administrative towns*;
- ensure the financial equilibrium of the concession through *adequate tariffs*; and,
- restructure SEEG '*S balance sheet* and settle the *State arrears* .

[2] Electricite de France (EDF ), Hydroquebec, Lyonnaise des Eaux.

The privatisation method proposed was to:

- keep the *concession* ( not affermage ), i. e. the *State owns the infrastructure* while the *financial risk* is on the concessionaire;
- make it a performance contract, the obligation for the concessionnaire to *meet future demand*;
- give *proper means* of control to the regulatory authorities ;
- include, about thirty new, unequipped towns in the perimeter.

The team also decided not to propose a concession of more than *20 years duration*. A world-wide *marketing campaign* was launched; direct contact was taken with more than 60 companies and visits to selected targets : USA , UK, Ireland, Spain, Germany, Belgium, and France. To seek out the operators that were best prepared for Gabon, on the basis of *qualification criteria* (sufficient industrial experience in both water and electricity, sound financial base, interdiction of insiders' grouping ) , four groups were prequalified ( Saur International, France, Lyonnaise des Eaux, France, General des Eaux, France/E S B I, Ireland, Tractebel, Belgium ). Three of them were the final bidders, ending a pre-selection process which started with 65 companies contacted, down to 46 which were willing to receive the pre-notification, and further down to 14 recipients of the memorandum of information, among which the four pre-qualified were chosen.

The tender was designed *to meet the Government objectives*:

- Sell all SEEG's shares but one ( *the golden share* ) at their *face value*;
- Require an investment commitment for *modernisation renewals* of $100 million ;
- Inject *fresh capital* of $ 30 million;
- Launch an I P O for 49% of shares ;
- Bid on *tariffs*.

Each step was carried out with an overriding imperative: **transparency** to

- *Spread information* widely and evenly ( consultants' reports, Data Room ) ;
- Set, and adhere to *strict tender rules*;
- Refine and *optimise contracts* through *negotiations in parallel* ;
- Award concession on *one* simple, *quantitative criterion* ( tariffs ) ;
- Make sure that local and international *media* were present at key events.

Finally, *the award* ceremony took place in an orderly and solemn manner, with *public bid deposit*, review of *technical offers* by ad-hoc committee, *public bid opening*, results on the basis of the one simple quantitative criterion, tariff reduction: CGE/ ESBI : 17.25%, Lyonnaise des Eaux:11.51%, and Saur: 5.8%. Clearly, the winner (CGE/ESBI, a French - Irish group ) was awarded the concession . A new *concession contract* was signed together with the *share purchase agreement*[1], the board meeting , the ordinary, extraordinary ,and mixed, general shareholders' meetings. The SEEG's IPO of 49% of shares, planned for October - December 1997, was apparently oversubscribed. This privatisation scheme is exemplary in the way things were conducted: political commitment, international co-operation, transparency. Public offer, and golden share which allow the Government to seat in the board without voting power. It may inspire the many African countries which are trying to privatise the utility sector. But here as in cases of Côte d'Ivoire, Guinea and Mali, described in the first part of this paper, remains the problem of clear determination of the **respective responsibility** of the "concessionnaire", in full charge of management for a long period of time and the State, owner of the basic infrastructure. In the case of SEEG, the Golden Share gives the State two board seats, without voting rights and , yet, a veto power on the sale of shares and significant assets. On the other side, the problem of maintenance and big repairs needs to be addressed.

Another very promising sector is **transportation**, where some success stories are the *privatisation of Kenya Airways*, and the *restructuring of Sitarail* ( the Abidjan -Ouagadougou railways)

[1]The shareholding structure provisions reserved 5% of shares to employees, at market rate, with loan from SEEG.

which is the only railway concession, so far, in Sub-Saharan Africa. It is hoped that these two cases will inspire national air companies and railways across the Region ( for example the Dakar-Bamako, and the TANZAM).

**Kenya Airways** was privatised against the public and media speculation that the process would fail. The government decided to sell 77% of the State owned enterprise to *a broad array of investors*. A strong alliance partner, *KLM Royal Dutch Airlines* purchased 26 % share of the equity. Over 113,000 Kenyans were able to buy 22 percent of the 54 percent sold through *the stock market* for $46.3 million, making it the *largest domestic offer of all times*. The Kenyan Treasury received $70 million from the sales, and saw the government's remaining 23 percent minority stake increase in value. *Employees* received 3 percent of shares through a special program. The company is operating with profit since privatisation. Service standards and reliability have improved dramatically. Moreover, the government was relieved of the financial strain of keeping a money losing company for national pride, at a time it was also struggling to find financing for its program of economic reform and development.

Here again the key factors of success of this first-ever airline privatisation in Africa were:

- the constitution of a *special committee* made up key government and airline officials, to ensure that each step in the process was conducted in the *best interest of the Kenyan public*;
- that the IFC advisory team and Kenya Airways Privatisation Committee adhered to the principle of *strict transparency* at every juncture ;and
- the creation of a structure that enabled the IFC advisory team to produce *business analyses* on important matters ( after consultation with interested parties in government, in the airline's trade unions and among prospective investors), and to have those analyses presented to the highest level of authority in the country by a trusted Kenyan spokesman [1].

Although every case is unique and cannot be replicated, other African airlines may want to know about Kenya Airways privatisation scheme.

**Sitarail** is an example of privatisation in **railways sector**. The Abidjan-Ouagadougou-Kaya railway is a colonial legacy which services have been deteriorating since the 1970s. In 1989, the old company RAN ( Regie des Chemins de Fer Abidjan-Niger ) was replaced by two national entities, the SICF( Societe Ivoirienne des Chemins de Fer) and the SCFB ( Societe des Chemins de Fer du Burkina ) and the split did not bring the improvement expected in management. In 1992, at the request of the governments of Burkina Faso and Côte d'Ivoire, CFD[2] ( Caisse Francaise de Co-operation ) prepared a study on the strategy to follow in the institutional evolution of SICF. On the basis of the study conclusions, the two governments decided to privatise the entire railway. The public tender was awarded to the French group SITARAIL, composed of SAGA and SDV, two companies specialised in transportation. As a result the share distribution was: 67 percent of the total , for privately owned SITARAIL, 16 percent was offered to the public through the Abidjan stock exchange, 3 percent for employees and 15 percent for each of the two States. Total sale value was around $10 million.
A management contract was signed in December, 1994, giving a fifteen-year concession to SITARAIL which will have the exclusivity of management during the first seven years, and can be challenged by other Economic Operators as of the eighth year of exploitation.

The concessionnaire is fully responsible for the marketing and the setting of tariffs., except when public interest is at stake, in which case the Government should pay a compensation.
Here also the States remain owners of all equipment and fixed infrastructure capital that will be managed by two " societes de patrimoine ", in charge of the administrative and financial management of the concession. The concessionnaire was able to define his own employment policy to have an homogeneous and competent team. It seems that the results , so far, are more than respectable. If they are confirmed in

[1] Mike Tiller, *A First for Africa*: *The Privatization of Kenya Airways,* Corporate Finance Services, IFC , and my meeting with David Donalson.

[2] Caisse Francaise de Developpement : les privatisations en Afrique, Paris, 1996.

the years to come, that would mean that beside physical capital, a sound management led by human motivated capital is the key to the enterprise success. All these cases related in telecommunication, in utility, and transportation are the indication of the direction for the future of African privatisation.

## CONCLUSION

A review of the African privatisation experience to end 1997, has shown that the number of transactions was in the rise up to a peak of 472 in 1995, declining gradually, thereafter, to 357 in 1996 and 102 in 1997. Meanwhile, the sales value of privatisation transactions has increased constantly both in total ($ 2.2 billion net increase in 1997) and in average (more than a $1 million in 1997 against $0. 3 million up to end 1996 ). Such divergent evolution demonstrates that there is no correlation between the number and the value of sales. The increase in average unit sale is an indication that Africa is **privatising larger State Owned Enterprises** . The sectoral distribution of transaction shows a move toward substantial sectors of **telecommunications, water and electricity, transportation and also mining** and with some resistance on both governments and some donors, the **agri-business sector.** World-wide revenues from those sectors and manufacturing are the most important with around $65 billion from infrastructure, $31 billion from telecommunications, $37 billion from manufacturing , $25 billion from the primary sector, $20 billion from the power sector at end 1996.
Africa *still has a long way to go*, when compared to the rest of the World. **By the end of 1996, the total privatisation revenue in Africa ($2.7 billion) was a little bit more than 1 percent of world sales of around $26 billion.**[1]

Even among developing countries, Sub-Saharan Africa , in terms of ***foreign exchange raised through privatisation***, with $1.7 billion , was far behind Latin America and the Caribbean( $35 billion), Europe and Central Asia ($16.7 billion ) and East Asia and the Pacific ($13.8 billion ), but before Middle-East and North Africa ($0.6 billion ), and South East Asia ($ 1.6 billion ). But, it is also important to underline the *increasing foreign participation* in the financing of privatisation in Africa. For example the **Foreign Equity Share, which is measurement of the evolution of policy framework, in IFC FDI projects in Africa rose from** 39 percent in 1958-79 to 46 percent in 1980-89, to reach 56 percent in 1990-97, putting Sub-Saharan Africa above all other regions in the world, except East Asia and Pacific ( 57%) [2]. That happened **as the *policy environment became less restrictive* in Africa where *yields are***

[1] Global Development Finance , the World Bank ,1998, p.109
[2] Foreign Direct Investment, IFC, 1997, Lessons of experience number 5,p.69.

***higher*** **than elsewhere in developing countries. As a consequence, the regional distribution of sales value in 1990 -97, has turned in favour of Africa with 14 percent of total world sales compared to 3 percent in 1988-95.**
But, the **increase in foreign participation should interpreted very cautiously**, as it could mean that domestic financing is missing.

**The mobilisation of domestic savings in the privatisation process is essential**. Africa must attract more investment , not only from foreigners but from African themselves: **some 37 percent of African assets are held abroad, according estimates, higher than in any other region of the world.** Capital markets development across the Region is widespread and encouraging. More needs to be done to capture **the public trust** . **Transparency, accountability, democracy and sound economic management are the key factors to attain that goal.**

## APPENDIX A

# 10-10. Summary of privatizations of public enterprises

| | Total no. of trans-actions | Total sales value (US$m) | Transactions completed: Before 1993 | 1993 | 1994 | 1995 | 1996 | 1997 | Transactions by sector: Agric. prod. & process | Financial | Manu-facturing | Services | Trade | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SUB-SAHARAN AFRICA | 2,804 | 4,930 | 1,050 | 194 | 339 | 472 | 357 | 102 | 509 | 90 | 701 | 520 | 232 | 529 |
| excluding South Africa | 2,797 | 2,721 | 1,047 | 194 | 339 | 472 | 356 | 100 | 509 | 90 | 698 | 517 | 232 | 528 |
| excl. S. Africa & Nigeria | 2,716 | 2,514 | 966 | 194 | 339 | 472 | 357 | 102 | 509 | 90 | 679 | 505 | 232 | 525 |
| Angola | 331 | 25 | 36 | 5 | 3 | 5 | .. | .. | 9 | .. | 29 | 9 | 9 | 275 |
| Benin | 46 | 63 | .. | .. | .. | .. | .. | .. | 7 | 1 | 14 | 17 | 5 | 2 |
| Botswana | 1 | 0 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 1 |
| Burkina Faso | 16 | 10 | 8 | 5 | 5 | 3 | .. | .. | 1 | 4 | 7 | 2 | 1 | 1 |
| Burundi | 42 | 11 | 25 | 7 | 1 | .. | 13 | 3 | .. | 4 | 4 | 9 | 2 | 2 |
| Cameroon | 45 | 0 | 8 | .. | 5 | 3 | 23 | 6 | 22 | 3 | 2 | 12 | 1 | 5 |
| Cape Verde | 38 | 24 | 1 | 1 | 10 | 10 | 9 | 8 | 7 | .. | 13 | 14 | 1 | 3 |
| Central African Republic | 26 | 0 | 26 | .. | .. | .. | .. | .. | 6 | 4 | 3 | 9 | .. | 4 |
| Chad | 36 | 0 | .. | .. | 12 | 12 | 10 | 2 | 11 | 5 | 3 | 11 | 2 | 4 |
| Comoros | 4 | 0 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Congo, Dem. Rep. of | 61 | 50 | 2 | .. | .. | 44 | 15 | .. | .. | .. | .. | .. | .. | .. |
| Congo, Rep. of | 21 | 0 | 16 | .. | .. | 2 | 3 | .. | .. | .. | .. | .. | .. | .. |
| Côte d'Ivoire | 47 | 357 | 11 | 3 | 8 | 17 | 10 | 1 | .. | .. | .. | .. | .. | .. |
| Djibouti | 0 | 0 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Equatorial Guinea | 3 | 0 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | 3 |

APPENDIX B

# 10-11. Progress in privatization: divestiture methods employed, 1988-97

| | Sales of shares: Com-petitive trade | Direct Sale | Pre-emption rights | Public flotation | Sale of Assets: Liqui-dation | Compet-itive sale | Direct sale | Other methods: Debt/ Equity swaps | Leases | Joint ventures | Mgmt./ employee buyouts | Mgmt. con-tracts | Trustees | Restit-ution | Other |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SUB-SAHARAN AFRICA | 895 | 101 | 96 | 80 | 520 | 687 | 41 | 9 | 109 | 32 | 44 | 47 | 20 | 49 | 3[illegible] |
| excluding South Africa | 889 | 101 | 96 | 80 | 520 | 687 | 41 | 9 | 109 | 32 | 44 | 47 | 20 | 49 | 3[illegible] |
| excl. S. Africa & Nigeria | 884 | 101 | 96 | 80 | 520 | 687 | 41 | 9 | 109 | 32 | 44 | 47 | 20 | 49 | 3[illegible] |
| Angola | .. | .. | .. | .. | .. | 331 | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Benin | 1 | 2 | .. | .. | 23 | 12 | 3 | .. | 2 | .. | .. | 2 | 1 | .. | .. |
| Botswana | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Burkina Faso | 9 | 3 | .. | .. | 2 | .. | .. | .. | .. | .. | .. | 1 | 1 | .. | .. |
| Burundi | 11 | 3 | .. | .. | 13 | 5 | .. | .. | .. | .. | 1 | 9 | .. | .. | .. |
| Cameroon | 21 | .. | .. | .. | 16 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Cape Verde | 16 | 7 | .. | .. | 6 | 2 | 1 | .. | .. | .. | 6 | .. | .. | .. | .. |
| Central African Republic | .. | .. | .. | .. | 26 | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Chad | 22 | .. | .. | .. | 12 | .. | .. | .. | .. | .. | .. | 2 | .. | .. | .. |
| Comoros | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Congo, Dem. Rep. of | 1 | .. | .. | .. | 15 | .. | .. | .. | .. | .. | .. | 5 | .. | .. | .. |
| Congo, Rep. of | 1 | .. | .. | .. | 53 | .. | .. | .. | .. | .. | .. | 2 | .. | .. | 5 |
| Côte d'Ivoire | 14 | 11 | .. | 10 | .. | 5 | 1 | .. | 3 | 1 | .. | 1 | .. | .. | 1 |
| Djibouti | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |
| Equatorial Guinea | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. | .. |

# 10-12. Progress in privatization: ownership and control changes

| | *Transfer of majority ownership to private shareholders* | *Government retention of majority ownership* | *Government retention of minority interest* | *Sales of minority government interest* | *Total share transaction* | *Total sales of assets* | *Other transactions* | *Total transactions* |
|---|---|---|---|---|---|---|---|---|
| SUB-SAHARAN AFRICA | 1,859 | 166 | 173 | 233 | 1,101 | 1,549 | | 2,954 |
| excluding South Africa | 1,855 | 165 | 173 | 233 | 1,095 | 1,548 | 0 | 2,947 |
| excl. S. Africa & Nigeria | 1,800 | 164 | 173 | 233 | 1,048 | 1,515 | 0 | 2,864 |
| Angola | 56 | .. | .. | .. | 0 | 331 | 0 | 331 |
| Benin | 42 | 2 | 1 | 1 | 3 | 58 | 5 | 66 |
| Botswana | .. | .. | .. | .. | 0 | 0 | 0 | 0 |
| Burkina Faso | 10 | .. | 2 | 6 | 12 | 4 | 2 | 18 |
| Burundi | 31 | .. | 11 | 11 | 14 | 31 | 10 | 55 |
| Cameroon | 45 | .. | .. | .. | 21 | 32 | 0 | 53 |
| Cape Verde | 29 | 2 | 4 | 4 | 23 | 14 | 6 | 43 |
| Central African Republic | 26 | .. | .. | .. | 0 | 52 | 0 | 52 |
| Chad | 12 | 2 | .. | .. | 22 | 24 | 2 | 48 |
| Comoros | .. | .. | .. | .. | 0 | 0 | 0 | 0 |
| Congo, Dem. Rep. of | 16 | 5 | .. | .. | 0 | 0 | 0 | 0 |
| Congo, Rep. of | 60 | 1 | .. | .. | 0 | 0 | 0 | 0 |
| Côte d'Ivoire | 17 | 4 | 12 | 20 | 0 | 0 | 0 | 0 |
| Djibouti | .. | .. | .. | .. | 0 | 0 | 0 | 0 |
| Equatorial Guinea | .. | .. | .. | .. | 0 | 0 | 0 | 0 |