PRIVATIZATION AND INDIGENOUS OWNERSHIP: EVIDENCE FROM AFRICA

by

J. CRAIG

University of Huddersfield

ABSTRACT*: In recent years, privatization has become common across Africa, reversing the long-term growth in state ownership of business enterprises. Many have interpreted this as entailing the abandonment of the developmental objectives that state enterprises were established to pursue. Others, however, have suggested that the privatization process can itself provide a new means through which the same objectives may be achieved. This article examines the potential for privatization to be used to promote indigenous ownership. This objective was pursued in newly independent states across Africa and today remains an aim of many of the governments undertaking privatization. The article provides a typology of the range of measures that can be employed to promote indigenous ownership in the context of privatization. It examines those used in the Zambian privatization programme, assessing the degree to which they have been successful and the obstacles they have faced. Finally, it concludes with a comparison of the Zambian case with other African experiences.

1 Introduction

Over the last two decades, privatization has become commonplace across Africa. According to World Bank (2001: 259) data, by the end of 1999 3,529 privatization transactions had occurred across Africa with a total value of nearly US$8 billion, and, while some governments are more active than others, in only ten of the fifty-three African countries had no privatization activity been recorded. The doubts prevalent in the early and mid-1990s that African governments would deliver on their

* Résumé en fin d'article; Zusammenfassung am Ende des Artikels; resumen al fin del artículo.
commitments to privatize enterprises have receded, and attention has increasingly focused on the terms on which enterprises have entered the private sector.

The pursuit of privatization has generally been interpreted as entailing the abandonment of existing development objectives by both proponents and opponents alike. In post-colonial Africa, state enterprise was one of the main instruments through which development policy was implemented (Tangri 1999). They provided governments with a very direct means through which they could intervene and were often chosen to fulfil a range of duties such as establishing new industries, providing employment and controlling the prices of basic consumer goods. Critics argued that these practices overburdened state enterprises and ultimately undermined their financial and commercial viability (Nellis and Kiken 1989). Privatization was advocated as a means to free these enterprises from state control, allowing them to drop their costly non-commercial objectives and to respond instead to market signals (Boycko et al. 1996). Opponents of privatization shared many of these expectations, and feared that the sale of state enterprises would entail redundancies, rising prices and the loss of national control of the economy (Pitcher 1996; Harsch 2000).

An alternative approach to privatization is presented by Manzetti (1993), who argued that the adoption of privatization could represent a change in the means rather than the ends of development policy. If state enterprises had been established to promote certain objectives, but consistently failed to achieve them, privatization should not be interpreted as an abandonment of these goals, but of a discredited means to achieve them. Manzetti’s analysis raises a number of interesting research questions. Are the objectives of privatization those which were previously pursued through state enterprises, or has there been a narrowing or reconfiguration of these, and what scope is there for privatization to deliver these objectives?

This paper focuses more narrowly on the potential for government to use privatization as a means to promote indigenization, the transfer of economic power to the local population, which has been common throughout Africa in the post-colonial period. It was promoted through a range of initiatives, including measures that excluded foreign owned enterprises from certain economic sectors, provided new sources of finance to local businesses, and gave preferential treatment to local businesses in public tendering. These initiatives did not always prove to be wholly successful and were subject to a range of constraints (Himbara 1994). Nevertheless, the aspiration to promote
indigenization continues to be widely held in the era of liberalization and privatization. While it is sometimes articulated through objectives such as ‘broadening ownership’ or ‘ensuring distributional equity’, it has also been more forthrightly expressed in the rejection of ‘re-colonization’ through privatization (Bell 1995; Etukudo 1997).

The next section provides a discussion of privatization and also presents a typology of the measures that can be used to promote indigenization. In the following section, some of these methods are examined in the context of the Zambian privatization programme. This is an ambitious programme that has succeeded in privatizing the majority of state enterprises and has been hailed as one of the most successful in Africa (Campbell White and Bhatia 1998). The success and failures of the Zambian programme are examined, before the paper moves on to the concluding section, which places the Zambian experience in a comparative context.

2 Privatization and indigenization

The term privatization has, and continues to be, subject to a number of competing definitions. At its broadest it has been conceived as constituting measures that are aimed to strengthen the private sector of the economy. In this paper ‘privatization’ is defined more narrowly as any measure by which the ownership of a state enterprise is relinquished by the state. Thus, it covers outright sales of state enterprises as going-concerns or sales of controlling shareholdings in such companies, as well as measures such as the closure and liquidation of enterprises. The definition does not, however, include a range of other actions such as leasing or the granting of management contracts, which affect the operational control rather than the ownership of the assets.

It is important to recognize that even within the restricted definition of privatization that is adopted here, that there are a range of different methods through which enterprises may be sold. In the case of a company wholly owned by the government, the whole interest could be sold privately to a single purchaser or consortium. On the other hand, the shares of the company could be sold through a public offering which would be likely to involve a broader range of smaller investors. The government might also consider if it wishes to privatize the company in its current corporate form, or alternatively, whether it would be preferable to unbundle or split-up the company into a number of constituent units which could be sold separately. In addition to this,
the government may undertake a range of measures to affect the environment in which such sales take place, for example the promotion of financial institutions such as stock exchanges and the creation of competition policy.

To analyse the ways in which these modalities can be used to address indigenization, a distinction can be drawn between measures which we can label facilitative, prescriptive and empowering. Facilitative measures relate to the form in which the enterprise is offered for sale. For example the decision to unbundle a single large company into a number of smaller enterprises may allow potential purchasers with more limited resources to seek its acquisition. A similar situation is apparent in the case of the public sale of shares as opposed to the private sale of the entire enterprise. While the resources to purchase the whole enterprise may be beyond the capacity of most citizens, the opportunity to buy a small shareholding will be open to far more. Prescriptive measures relate to those which either specifically include or exclude certain groups from participating in the privatization programme. An example of such a measure might be the decision of a government selling an enterprise to give first refusal to the management or the employees of that enterprise and only if they chose not to proceed with its acquisition would it then be offered to others. Another measure which could be included within this group would be directed group ownership, in which a group of stakeholders is invited to purchase the enterprise. An example of this is the sale of four Ugandan tea factories which the government chose to sell to the tea growers who supplied them. Finally, empowering measures are designed to assist local investors to participate in the privatization opportunities which are available by ensuring that they have adequate financial capacity. Often these will overlap with other measures which are designed to support and encourage the expansion of local enterprise, such as the establishment of development finance institutions and the creation of local capital markets. Other measures that are specifically related to the privatization process might include special financial facilities for indigenous investors to make payments by instalments rather than in a lump sum.

Despite the differences between each of these approaches, they each seek to overcome the perceived weakness of the local investors, either by making assets or shareholdings available in small units which are more likely to be within their financial and managerial reach; by shielding them from competition with foreign capital which may have greater capacity; or by extending particular assistance to them to compensate for these shortcomings. As might be expected, it

©CIRIEC 2002
has been common to combine a number of these approaches in practice. However, each type of measure can be seen to address these common problems from a different angle, and differentiation between them can be useful for the analysis of their single and combined effectiveness.

3 The Zambian experience

Privatization first appeared on the Zambian government’s policy agenda in 1990 during the Presidency of Kenneth Kaunda. However, it was not until a change of regime in late 1991 that progress towards implementation really got underway. Unlike its predecessor, the new government of President Frederick Chiluba was strongly committed to implementing a programme of neo-liberal economic reform of which privatization was a key component. A new and more comprehensive privatization programme was launched in 1992, which has resulted in the transfer of the majority of state enterprises into private ownership. As shown in Table 1, by the end of August 2001, 119 enterprises out of the original portfolio of 144 had been privatized. Although progress has been most substantial among small and medium sized enterprises, it has not been restricted to these categories, and over 70 per cent of large enterprises have also been privatized.

The only exception to this pattern of privatization is among enterprises unclassified by size, a category which consisted of strategic and utility enterprise. The only enterprise within this category that has been privatized is the state copper mining enterprise, Zambia Consolidated Copper Mines (ZCCM) (Craig 2001). However, the significance of this level of progress should not be underestimated. ZCCM was an enterprise of great economic as well as

<table>
<thead>
<tr>
<th>Size of state enterprise</th>
<th>Number of enterprises in original portfolio</th>
<th>Number of enterprises privatized</th>
<th>Number of remaining state enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size unclassified</td>
<td>9</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Large enterprise</td>
<td>27</td>
<td>19</td>
<td>8</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>27</td>
<td>25</td>
<td>2</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>81</td>
<td>74</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>144</td>
<td>119</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Compiled from ZPA (various), Times of Zambia (various), The Post (various), and Reuters (various).

©CIRIEC 2002
symbolic importance, accounting for around ten per cent of gross domestic product and three-quarters of all foreign exchange earnings. It can be concluded, therefore, that while some enterprises remain within state ownership, the overall level of privatization has been substantial and has affected the core sectors of the economy.

To provide for the implementation of the programme, legislation was passed in 1992 to create the Zambian Privatisation Agency (ZPA) which was given a wide range of duties covering both the design and the implementation of the policy. This legislation has attracted international attention, and has been praised for creating the ZPA as an independent agency with extensive powers to execute sales (Campbell White and Bhatia 1998). While there is much truth in this characterization, it should also be recognized that the governance of the ZPA has been the subject of local criticism and that the agency did require government ratification for its actions in a number of key areas (Craig 2000).

In the context of indigenization, the framework established for the privatization programme may be analysed under the headings of facilitative, prescriptive and empowering measures introduced earlier. First, in terms of facilitative measures, the legislation allowed the ZPA great flexibility in designing the method through which enterprises would be privatized. While outlining a range of possible methods, the legislation permitted the ZPA to employ any method that it considered appropriate. In addition, the agency was given the authority to restructure enterprises before sale, which allowed it to unbundle larger companies into constituent units. Therefore, the legislation provided significant scope for the methods of sale to be adopted which suited indigenous investors.

Second, although no general restrictions were placed on the participation of foreign investors in the programme, the Act included a number of provisions which could be utilized for this purpose. Firstly, it specified that bids should be evaluated not only on the basis of the price that was offered, but also with reference to the characteristics of the bidder, including their nationality. While this was only one of a number of factors that had to be considered by the ZPA, it nevertheless provided scope for a degree of preference to be given to local bidders. Secondly the flexibility in method of sale also allowed some scope for prescription through the adoption of methods such as management and employee buy-outs and directed group ownership. Finally, the Act provided for the establishment of a Privatisation Trust Fund. The fund was to act as a warehouse for
shares in newly privatized enterprises, which would be sold on to Zambian citizens.

Third, the Act also made provision for empowering Zambian citizens by enabling them to receive preferential treatment in the privatization process through a number of mechanisms. Small batches of shares could be made available to Zambian citizens at a discount, with further bonus shares issued to those who retained them for the longer term. While these arrangements were focused on public sales, a further concession allowed citizens to make payments for either packages of shares or whole enterprises by instalments, rather than making the full payment at the time of sale.

Assessing the commitment of a number of African countries to broadening ownership through privatization, Campbell White and Bhatia (1998: 113) rated the commitment of the Zambian government as ‘high’. However, indigenization was not by any means the only, or even primary, aim of the Zambian programme. Like other countries in the region, it also pursued privatization to improve public finances, promote competition and market efficiency, encourage new foreign investment and to demonstrate to donors a commitment to reform. Foreign investors, for example, were encouraged to participate in the privatization programme through access to the beneficial terms o¡ered through Zambia’s investment legislation, the provisions of which were subsequently made more attractive (Ngenda 1994).

Overall, the privatization programme does appear to have achieved some success in promoting indigenization, with seventy per cent of sales reported to have been to Zambian citizens (Business Day 9/6/1999). However, these sales appear to have been concentrated among the smaller enterprises and unbundled units of larger companies. In only one case was a large or medium enterprise privatized intact and acquired by Zambian investors. However, any attempt to assemble comprehensive data on who purchased which assets during the course of the privatization programme confronts a number of problems. While the fate of the larger enterprises can generally be tracked through a variety of sources, that of smaller enterprises, unbundled units and the assets of liquidated companies can be more difficult to follow. In addition, the identity of the purchaser may not always be easy to discern, a point that has been raised locally in connection with a number of transactions. An alternative approach is to begin with an examination of the method of sale adopted for each enterprise. Such an analysis provides a useful overview of the extent to which measures to promote indigenization have been pursued and allows for the
exploration of the role of facilitative, prescriptive and empowering measures of indigenization.

Table 2 categorizes the enterprises that have been privatized according to the method through which this has been achieved. Overall, most enterprises were privatized intact as going concerns, and in most cases this was achieved through a private sale. The balance between different methods of sale varies considerably between the different categories of enterprise. For example, among enterprises classified as large or medium sized, unbundling has been as least as common as the privatization of enterprises in their pre-existing form.

Particularly striking is the absence of any instances of the public sale of the majority shareholding in any enterprise. In the early stages of the programme it was expected that around ten enterprises would be sold through this method. There are a number of reasons why this target has not as yet been achieved, but perhaps one of the most significant has been where an existing minority shareholder has held pre-emptive rights to any shares sold by the government. Typically, these situations arose where the state enterprise was either established as a joint venture between the Zambian state and a foreign enterprise, or was the legacy of Zambia's fifty-one per cent nationalization formula from the late 1960s.

However, during the privatization programme of the 1990s, these rights constituted a material constraint as the ZPA had to reach agreement with the minority shareholders over the terms of the

<table>
<thead>
<tr>
<th>Method of privatization</th>
<th>Size unclassified</th>
<th>Large enterprises</th>
<th>Medium enterprises</th>
<th>Small enterprises</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Privatized intact</td>
<td>–</td>
<td>7</td>
<td>10</td>
<td>54</td>
<td>71</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public sale</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Private sale</td>
<td>–</td>
<td>7</td>
<td>10</td>
<td>42</td>
<td>59</td>
</tr>
<tr>
<td>Designated MBO</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Returned to previous owner</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Unbundled</td>
<td>1</td>
<td>7</td>
<td>10</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Liquidated</td>
<td>–</td>
<td>5</td>
<td>5</td>
<td>17</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>19</td>
<td>25</td>
<td>74</td>
<td>119</td>
</tr>
</tbody>
</table>

Source: Compiled from ZPA (various), Times of Zambia (various), The Post (various), and Reuters (various).

Note: Classifications reflect the judgements of the author and not necessarily the classifications of the ZPA. Although unbundling is not in itself a form of divestiture, the difficulties involved in tracing the resulting assets have led to its treatment as such in this section.
privatizations. In these circumstance, the ZPA commonly sought to negotiate an agreement in which provision was made for a minority interest in the enterprise to be sold through a public sale to Zambian citizens and financial institutions.

Chilanga Cement was the first large-scale enterprise to be divested in the Zambian programme. The enterprise had, effectively, a monopoly position. It was the only cement producer in Zambia and was protected from external competition by the high transportation costs. Chilanga Cement also had a good record of profitability and met many of the criteria outlined by the ZPA for an enterprise which could be privatized through a public sale.

However, Chilanga was not wholly owned by the Zambian government. While they held nearly sixty per cent of the shares, significant minority interests were held by CDC and Anglo American. An existing agreement between the shareholders, however, provided for CDC and Anglo American to exercise pre-emptive rights over the sale of any of the equity held by the Zambian state. When Chilanga Cement was announced as a candidate for privatization, CDC, in consultation with Anglo American, chose to exercise those rights and entered into negotiations with the ZPA to acquire a majority holding. In October 1994 agreement was reached; this gave a controlling interest in the company to CDC, but also transferred 27.4% of the equity to the Privatisation Trust Fund, to be offered for sale to Zambian citizens and financial institutions. The flotation of the company on the Lusaka Stock Exchange was successfully completed in May 1995.

The ‘Chilanga model’ of a private sale of the majority of a controlling interest to existing shareholders with pre-emptive rights, with provision for a public sale of a minority shareholding, proved to be a popular formula. Overall, such arrangements were the basis for the privatization agreements for five of the seven large enterprises and four of the ten medium enterprises that were sold intact. However, the completion of these arrangements has encountered a number of problems. Following the successful sale of shares in Chilanga Cement, the programme of sales was suspended late 1995 after an offer of shares in Rothmans was undersubscribed. The process resumed with the successful offer of shares in Zambia Sugar in 1996 and the even more popular flotation of shares in Zambia Breweries in June 1997. However, the low demand for National Breweries shares in March 1998 brought a renewed suspension to the programme.

Underlying this stop–go approach are a range of factors. For example, the Zambian Securities and Exchange Commission among others complained that the minimum number of shares for which
application could be made has been set at too high a level for many Zambians to participate, a problem which has been aggravated by the absence of collective investment vehicles such as unit trusts (The Post 15/8/1996; 5/11/1997). These served not only to exclude a number of potential investors, but also to restrict the pool of savings that the sale could tap into. However, even with such arrangements in place, the potential for participation is limited by the high levels of poverty in Zambia. As the Government of Zambia (2001: 19) noted, increased levels of poverty and unemployment have left few households with the surplus income for investment.

In addition, there are also underlying limitations in the ‘Chilanga model’ as a method of indigenization. While it does offer a valuable personal investment opportunity for those who can acquire the shares, it provides little basis for the acquisition of indigenous control of the company. If the trading price of the shares rises, then those who have bought shares may be tempted to sell them for a quick profit, and if wider prescriptive ownership restrictions are not in place, this may result in the acquisition of the shares by foreign portfolio investors. Indeed, in cases where companies are taken over, the regulations of the Lusaka Stock Exchange require that the offer is extended to all shareholders, opening the possibility that the level of indigenous ownership might decline still further. The potential for such scenarios has emerged in recent years, with terms for the takeovers of Chilanga Cement, National Breweries and Zambia Sugar (Times of Zambia 1/3/2001).

As noted earlier, unbundling also featured prominently in the Zambian privatization programme and provided a potential method through which indigenous acquisitions could be facilitated. However, the ZPA faced a number of constraints in the application of this method. Firstly, the degree to which the unbundling of an enterprise could be achieved depended partly upon its degree of internal integration. Generally, this had limited unbundling to companies that were horizontally diversified, in sectors such as hotelling, farming and trading. The rights of existing minority shareholders have also proved to be a constraint on the ZPA. In the milling sector, for example, it was planned to unbundle the four state milling companies into fifteen separate enterprises. This was achieved in all but one case, where the minority shareholder opposed the scheme and the company was privatized intact.

One potential problem with unbundling is that the government may secure buyers for the most profitable assets, but be left with those which are less attractive. In the case of the large enterprise, Zambia
Breweries, the minority shareholder, Anglo American, accepted ZPA proposals to split the company in two, with the Lusaka Brewery retaining the name Zambia Breweries and the leading product brand names, while the Ndola brewery took the name Northern Breweries. While the new Zambia Breweries was sold to Anglo American and South African Breweries in 1994, it was a further two years before a buyer could be found for Northern Breweries. Subsequently, Northern Breweries experienced difficulties in maintaining commercial viability, and was finally sold to Zambia Breweries in 1999 to prevent its closure (*The Post* 2/2/1999).

While the discussion has so far concentrated on facilitative measures, some prescriptive measures were also employed in the privatization programme. As outlined in Table 2, six enterprises were privatized through prescribed management or employee buy-outs. This related to an initiative launched in 1994, in which the ZPA took the initiative in offering a number of enterprises directly to their management. These consisted of a mixture of small enterprises and unbundled units of larger companies and some of them had previously been unsuccessfully offered for competitive sale. The success of the initiative was limited, and of the fourteen small sized enterprises offered, only six were finally sold to their management. At the time of the initiative a number of objections had been raised and it was not subsequently repeated. However, these sales were not the only management buy-outs that were completed during the course of the privatization programme, and a number of other agreements have been completed through competitive private sale.

Attention has frequently been drawn to the failure of the Zambian financial sector to adequately cater for the medium and longer term financial requirements of local business. This situation has been aggravated during the privatization period, with the pursuit of a tighter monetary policy and the scaling down of the activities of state owned financial institutions, such as the Development Bank of Zambia. In addition, despite the efforts of the Zambian Securities and Exchange Commission, the Lusaka Stock Exchange has played only a minor role in raising finance for local companies and is dominated by former state enterprises. Such difficulties have adversely affected the ability of Zambian entrepreneurs to participate, particularly in the difficult conditions of the structural adjustment.

These problems point to what has perhaps been an imbalance in the Zambian attempts to promote indigenization through the privatization process. While a range of facilitative methods have been pursued, there has been, and remains, inadequate support from
empowering measures to enable a greater participation of indigenous investors in the programme. However, this has not been the only constraint. The existence of pre-emptive rights has reduced the opportunities available for the government and the ZPA to pursue facilitative and prescriptive measures, alongside other factors such as the difficult economic conditions of structural adjustment.

4 Comparative reflections and conclusion

Many of the issues that have been examined in the context of Zambia’s privatization programme are reflected in the experiences of countries across Africa. Although the categories adopted do not match those employed in this paper, a broad comparative picture of the methods of privatization that have been used can be discerned from data compiled by the World Bank (2001: 260). This shows that the most common form of privatization has been the private sales of enterprises, and that this has usually been conducted through a competitive sales process. The liquidation of state enterprises has also been widespread, while cases involving the public sale of shares (including minority flotations) have been less common.

No indication is given of the relative sizes of enterprises which have been privatized through each method or the characteristics of those who have bought them. However, some indication of these patterns are provided by other sources. Reviewing the experience of privatization across Africa, Harsch (2000) suggests that while most privatization may have involved local investors, these have tended to be skewed towards smaller enterprises, with foreign investors dominating the purchases of larger enterprises. Such a picture provides a fairly accurate account of the pattern of sales in Zambia and also appears to be supported by evidence from other cases. Pitcher (1996: 55) reports a similar pattern in Mozambique, as does Stjernfalt (2000: 21) for Ghana and Tukahebwa (1998) for Uganda.

A variety of factors have contributed to the emergence of these patterns. While in Kenya and Ghana the problem of pre-emptive rights held by foreign minority shareholders has been a particularly significant factor, more generally the weakness of the indigenous private sector has limited its ability to acquire enterprises. For example, both Bennell (1997: 1797) and Makonnen (1999: 7) refer to cases in which indigenous investors have defaulted on payments when purchasing enterprises by instalments. Indeed, the frequency of such situations led the Privatisation Agency in Uganda, in 1995, to give
preference to bidders offering a single payment, with detrimental implications for broadening access to ownership. In other cases, the local investors have successfully purchased enterprises but subsequently run into problems related to insufficient levels of working capital.

Such instances point to the need to embed privatization programmes within broader initiatives which nurture the development of local private enterprise, if indigenization is to succeed. Indeed, research from other regions suggests that privatization is most likely to be successful in promoting developmental objectives when it is integrated into a broader policy framework which support these goals (Shin 1990; Rodinelli and Iacono 1996). However, as Mkandawire (1994) and Moshi (1997: 167) have argued, such possibilities have been limited in many African cases where privatization has been implemented in pursuit of structural adjustment programmes agreed with the World Bank and the International Monetary Fund. In this context, the World Bank, itself an advocate of broadening ownership, has been particularly keen to encourage the involvement of foreign investors in privatization transactions (Cook and Kirkpatrick 1995: 15). Such constraints have, therefore, limited scope for measures aimed to promote indigenization, which must be balanced against a range of other competing objectives.

It is important to recognize, however, that privatization transactions which successfully transfer enterprises to local ownership can encounter problems of their own. Indeed, as in the case of the sale of an enterprise to a foreign buyer, the sale of an enterprise to a local investor can create controversy over the identity of the buyer. At the heart of this problem is the highly politicized process of the development of a business class in many African countries (Tangri 1999). Reflecting the historic underdevelopment of this class, the success of its members is often highly dependent on political support and sponsorship. In the case of Uganda, Tangri and Mwenda (2001) detail how a number of privatizations were used to transfer assets to senior political figures and their families on particularly beneficial terms, and similar concerns have been raised in Zambia (Craig 2000), Burkina Faso (Sawadogo 2000) and Côte d’Ivoire (Wilson 1994). In such circumstances, Tangri and Mwenda (2001: 132–33) argue that ‘privatization has promoted the creation of a tiny wealthy class, rather than, as was its expressed objective, “broadening the basis of ownership” among the African population’. While such cases are a cause for concern, it might be suggested that, even if these assets had been transferred with the utmost transparency, this would still have tended to benefit a minority of the population. As Ariyo and Jerome
(1999: 210) observe, the high levels of poverty in much of Africa severely limits the number of households able to participate in such initiatives.

However, such structural problems should not lead us to underestimate the degree to which privatization has provided opportunities for indigenization. It has been suggested in this paper that these opportunities can be maximized through initiatives that include a combination of facilitative, prescriptive and empowering measures, which are implemented within a policy context that is supportive of local business development. Indeed, as Africa moves through the process of privatization, new opportunities for indigenization are likely to emerge. Returning to the Zambian experience, the case of the takeover of National Breweries by Zambia Breweries in 1999 provides an interesting example of this. Although indigenous investors were only directly involved as minority shareholders in each of these privatized enterprises, the Zambian Competition Commission required that four of the ten National Breweries’ plants should be sold to local entrepreneurs (Times of Zambia 30/4/1999). While on the one hand this was intended to guard against the monopolization of the sector, it also provided a new avenue for indigenization. In this respect it is important to recognize that the process of indigenization is unlikely to end with the completion of the privatization process and that there is much which can still be achieved through the active regulation of the post-privatization environment.

REFERENCES


ZAMBIA PRIVATISATION AGENCY, Privatisation Status Report (various issues).

Articles from: The Post (Lusaka), the Times of Zambia (Lusaka), Institutional Investor (New York), CDC Magazine (London), Business Day (Johannesburg), Africa Analysis (London) and Reuters (various).

Privatisation et propriété indigène : Quelques exemples africains

Au cours des récentes années, la privatisation s’est généralisée en Afrique inversant la longue tradition de la propriété publique des entreprises commerciales. Ceci a été interprété par beaucoup comme l’abandon des objectifs de développement que les entreprises publiques avaient pour mission de poursuivre. D’autres, en revanche, ont suggéré que le processus
Privatization and Indigenous Ownership: Evidence from Africa

In the past few years, privatisations have spread all over Africa, reversing a long-lasting trend of state-owned enterprises. Various have interpreted this as a task of the development goals for which state-owned enterprises were founded. Others have maintained that the privatisation process itself can be a new means to achieve such goals. This article investigates the potential of privatisation to promote the property of indigenous people. This goal has been pursued in independent countries of Africa and remains an objective for many governments involved in privatisation processes.

The article provides a typology of various measures that can be used to promote the property of indigenous people in the context of privatisation. It analyses those used in the privatisation programme in Zambia, evaluating their degree of success and the obstacles encountered. As a conclusion, it compares the case of Zambia with other experiences in Africa.
pública de las empresas comerciales. Muchos han interpretado esto como el abandono de los objetivos de desarrollo que las empresas públicas tenían por misión alcanzar. Otros, sin embargo, han sugerido que los procesos de privatización podían proporcionar nuevos medios con los que alcanzar los mismos objetivos. Este artículo examina la capacidad de las privatizaciones para promover el acceso a la propiedad de los indígenas. Este fue un objetivo perseguido por varios Estados africanos tras su independencia y continúa siéndolo para algunos gobiernos comprometidos en procesos de privatización. El artículo proporciona una tipología de un conjunto de medidas susceptibles de ser utilizadas para promover la propiedad indígena en un contexto de privatizaciones. Examina cuáles han sido utilizadas en el programa de privatización de Zambia, evaluando el grado de éxito obtenido y los obstáculos encontrados. Por último, concluye con una comparación entre el caso de Zambia y otras experiencias africanas.