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PRIVATISATION AND INDIGENOUS OWNERSHIP: EVIDENCE FROM AFRICA

INTRODUCTION

Over the last two decades, privatisation has become commonplace across Africa. According to World Bank (2001: 259) data, by the end of 1999 3,529 privatisation 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 privatisation activity been recorded. The doubts prevalent in the early and mid-1990s, that African governments would deliver on their commitments to privatise enterprises have receded, and attention has increasingly focused on the terms on which enterprises have entered the private sector.

The pursuit of privatisation has generally been interpreted as entailing the abandonment of existing development objectives by both proponents and opponents alike. In post colonial Africa, state enterprise were 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 over-burdened state enterprises and ultimately undermined their financial and commercial viability (Nellis and Kikeri 1989). Privatisation 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 privatisation 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 privatisation is presented by Manzetti (1993), who argued that the adoption of privatisation could represent, a change in the means rather than the ends of development policy.[1] If state enterprises had been established to promote certain objectives, but consistently failed to achieve them, privatisation should not be interpreted as a 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 privatisation those which were previously pursued through state enterprises, or has there been a narrowing or reconfiguration of these, and what scope is there for privatisation to deliver these objectives?

This paper focuses more narrowly on the potential for the government to use privatisation as a means to promote indigenisation. Indigenisation refers to the transfer of economic power to the local population and 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 (Adedeji, 1981: Himbara 1994). Nevertheless, the aspiration to promote indigenisation continues to be widely held in the era of liberalisation and privatisation and 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-colonisation’ through privatisation (Bell 1995; Etukudo 1997).

Section One provides a discussion of privatisation and presents a typology of the measures that can be used to promote indigenisation. In Section Two, some of these methods are examined in the context of the Zambian privatisation programme. This is an ambitious programme that has succeeded in privatising 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 Three, which places the Zambian experience in a comparative context.

PRIVATISATION AND INDIGENISATION

The term privatisation 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 ‘privatisation’ 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 recognise that even within the restricted definition of privatisation that is adopted here, that there are a range of different methods through which enterprises may be sold[2]. 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 privatise the company in its current corporate form, or alternatively, whether it would be preferable to unbundle or split-up the company up 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 indigenisation, a distinction can be drawn between measures which we can label facilitative, prescriptive and empowering. Each will be reviewed in turn.

- Facilitative. These 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. These measures relate to those who are which either specifically include or exclude certain groups from participating in the privatisation programme. An example of such as 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.

- Empowering. These measures are designed to assist local investors to participate in the privatisation 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 privatisation 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 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.

THE ZAMBIAN EXPERIENCE

Privatisation 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 privatisation was a key component. A new and more comprehensive privatisation 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 privatised.[3] Although progress has been most substantial among small and medium sized enterprises, it has not been restricted to these categories, and over 70 percent of large enterprises have also been privatised.

Table 1. The Extent of Privatisation in Zambia (1992 to August 2001)

Size of State Enterprise	Number of Enterprises in Original Portfolio	Number of Enterprises Privatised	Number of Remaining State Enterprises
Size Unclassified	9	1	8
Large Enterprise	27	19	8
Medium Enterprise	27	25	2
Small Enterprise	81	74	7
Total.	144	119	25

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

The only exception to this pattern of privatisation is among enterprises unclassified by size, a category which consisted of strategic and utility enterprise. The only enterprise within this category that has been privatised 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 symbolic importance, accounting for around ten percent 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 privatisation 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.[4] 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 characterisation, it should also be recognised 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 indigenisation, the framework established for the privatisation programme may be analysed under the headings of facilitative, prescriptive and empowering measures introduced earlier.

- Facilitative. The legislation allowed the ZPA great flexibility in designing the method through which enterprises would be privatised. 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.
- Prescriptive. 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 utilised 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 privatised enterprises, which would be sold-on to Zambian citizens.[5]
- Empowering. The Act also made provision for Zambian citizens to receive preferential treatment in the privatisation 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 privatisation, Campbell White and Bhatia (1998:113) rated the commitment of the Zambian government as ‘high’. However, indigenisation was not by any means the only, or even primary aim of the Zambian programme. Like other countries in the region, it also pursued privatisation 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 participate in the privatisation programme through access to the beneficial terms offered though Zambia's investment legislation, the provisions of which were subsequently made more attractive (Ngenda 1994).

Overall, the privatisation programme does appear to have achieved some success in promoting indigenisation, 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 privatised intact acquired by Zambian investors. However, any attempt to assemble comprehensive data on who purchased which assets during the course of the privatisation 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.[6] 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 indigenisation have been pursued and allows for the exploration of the role of facilitative, prescriptive and empowering measures of indigenisation.

Table 2 categorises the enterprises that have been privatised according to the method through which this has been achieved. Overall, most enterprises were privatised 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 privatisation of enterprises in their pre-existing form.

Table 2. Privatisation by Method (1992 to August 2001)

Method of Privatisation	Size Unclassified	Large enterprises	Medium enterprises	Small enterprises	Total.
Privatised Intact	-	7	10	54	71
Of which:					
Public Sale	-	-	-	-	-
Private Sale	-	7	10	42	59
Designated MBO	-	-	-	6	6
Returned to Previous owner.	-	-	-	6	6
Unbundled	1	7	10	3	21
Liquidated	-	5	5	17	27
Total.	1	19	25	74	119

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

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 though 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. Typical, 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 percent nationalisation formula from the late 1960s.[7] However, during the privatisation 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 privatisations. 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 privatised through a public sale. However, Chilanga was not wholly owned by the Zambian government. While they held nearly sixty percent 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 privatisation, 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 which 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 privatisation 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 Zambia Breweries in June 1997. However, the low demand for National Breweries shares in March 1998 brought a renewed suspension to the programme.[8]

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 Zambian Government (2001: 19) noted, increased levels of poverty and unemployment has left few households with the surplus income for investment.

In addition, there are also underlying limitations in the 'Chilanga model' as a method of indigenisation. 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 of 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. Indeed, 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 privatisation 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 privatised 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 Zambian 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 privatisation programme. As outlined in Table 2, six enterprises were privatised 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 privatisation 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 privatisation 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.[9] 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 indigenisation through the privatisation 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.

COMPARATIVE REFLECTIONS AND CONCLUSION

Many of the issues that have been examined in the context of Zambia's privatisation 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 privatisation that have been used, can be discerned from data compiled by the World Bank (2001: 260). This shows that the most common forms of privatisation 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 privatised 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 privatisation across Africa, Harsch (2000) suggests that while most privatisation may have involved local investors, these have tended to be skewed towards smaller enterprises, with foreign investors dominating the purchases of larger enterprises.[10] 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, Tukahebwa (1998) for Uganda and Gibbon (1999) for Tanzania.

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 Ugandan Privatisation Agency, 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 privatisation programmes within broader initiatives which nurture the development of local private enterprise, if indigenisation is to succeed. Indeed research from other regions suggests that privatisation 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 privatisation 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 privatisation transactions (Cook and Kirkpatrick 1995: 15). Such constraints have, therefore, limited scope for measures aimed to promote indigenisation, which must be balanced against a range of other competing objectives.

It is important to recognise, however, that privatisation 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 investors can create controversy over the identity of the buyer. At the heart of this problem is the highly politicised 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 privatisations 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 Cote 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, that this would still have tended to benefit a minority of the population. As Ayiyo 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 under-estimate the degree to which privatisation has provided opportunities for indigenisation. It has been suggested in this paper that these opportunities can be maximised 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 privatisation new opportunities for indigenisation 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 privatised enterprises, the Zambian Competition Commission required that 4 of National Breweries 10 brewery 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 monopolisation of the sector, it also provided a new avenue for indigenisation. In this respect it is important to recognise the process of indigenisation is unlikely to end with the completion of the privatisation process and that there is much which can still be achieved through the active regulation of the post-privatisation environment.

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Notes

[1] While presented as a framework for developing countries in general, Manzetti's analysis was illustrated by a case study of Argentina. For an attempt to employ it within an African context, see Siddiqui (1997).

[2] One of the best accounts of the different methods through which privatisation can be implemented continues to be Vuylsteke (1988). On methods which are particularly directed towards broadening ownership or indigenisation, see Bell (1995), Campbell White and Bhatia (1998, 34-41) and Makonnen (1999).

[3] The ZPA itself measures progress against the privatisation transactions that it has completed. However, such an approach tends to inflate the number of reported privatisations by counting multiple sales when a single company is unbundled. An alternative approach, adopted here, is to evaluate the extent of divestment by reference to the original portfolio of enterprises compiled by the ZPA. This avoids the problem of double counting and provides some measure of the extent to which assets remain in state ownership. By the end of August 2001 the ZPA had recorded 251 privatisation transactions.

[4] A useful summary of the Act is provided by Ngenda (1993), while Fundanga and Mwaba (1997) provide a good review of the main features of the programme.

[5] Munshi (1995) provides a good review of the arrangements for the Zambia Privatisation Trust Fund.

[6] See for example *Institutional Investor* (31 December 1998) and reports concerning the privatisation of Ndola Lime (*Post* 28/8/1998; and *Africa Analysis* 1/5/01)

[7] In addition to the cases of pre-emptive rights, six small enterprises that were nationalised during the 1980s were ordered by the courts to be returned to their previous owners.

[8] Flotations remained suspended until the offer of Pamodzi Hotels in November/December 2001.

[9] SEC (*Annual Report*, 1997). Privatised companies account for 6 out of the 9 companies listed on the Zambian Stock Exchange, and only one company has used the market to raise new capital.

[10] When indigenous investors have participated in the privatisation of larger enterprises, this has usually been through the public flotations of minority interests.