

1996 WORK PLAN  
OCTOBER 1995 THROUGH JUNE 1996  
ZAMBIA PRIVATIZATION SUPPORT PROJECT

*Measuring Progress Against First Work Plan Period  
Setting Objectives/Outputs for 1996*

Prepared for:  
United States Agency for International Development  
Mission to Zambia

Prepared by:  
Center for Financial Engineering in Development, Inc.  
Washington, DC

in coordination with its subcontractors:  
Deloitte Touche Tohmatsu International  
Washington, DC and Lusaka, Zambia

Eccles Associates  
New York, New York  
Devman Consulting Limited  
Lusaka, Zambia  
Young and Rubicam  
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for the Government of the Republic of Zambia  
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## INTRODUCTION

In February 1994, the Center for Financial Engineering in Development, Inc. in association with its subcontractors Deloitte Touche Tohmatsu International, Eccles Associates, Devman Consulting Limited, and Young & Rubicam (the CFED team, the team, or CFED consultants) began implementation of the United States Agency for International Development's Zambia Privatization Support Project ("ZPSP"), Contract Number 623-0230-C-00-4007-00. The ZPSP is a three-year project with an option to extend through September 1997.

The ZPSP has four objectives:

1. Facilitate the privatization of at least 50 state-owned enterprises (SOEs) by the project completion date of September 1997;
2. Facilitate the completion of transactions through an effective parastatal marketing program;
3. Educate the population on the process and consequences of privatization; and
4. Build local capacity to develop the skills of ZPA staff and to decrease dependency so that ZPA is able to implement and negotiate privatization transactions on its own by the completion of the contract.

During the first eighteen months of the ZPSP, the CFED team made considerable progress toward the completion of these objectives. To set the stage and context for the 1996 work plan, the first section of this work plan details the achievements made, the issues confronted, and comparisons of the team's outputs against those set forth in last year's work plan. Where the team has fallen short of its projected goals, the work plan addresses the reasons for those variances.

The second section of this work plan sets forth the CFED team's goals, strategies, and outputs over the next nine months, taking the project through June 30, 1996.<sup>1</sup> In addition, it discusses other issues relating to the privatization program in which CFED will participate and lend support. It should be noted that this work plan is only a subset of ZPA's overall work strategies. ZPA receives support from the Government of the Republic of Zambia (GRZ) and the international donor community, including the International Bank for Reconstruction and Development (World Bank), the British Overseas Development Agency (ODA), and the German Gesellschaft für Technische Zusammenarbeit (GTZ). Accordingly, this work plan was developed in cooperation and consultation with ZPA and after lengthy discussions, input, and agreement with USAID/Zambia and CFED's Team members from Deloitte Touche Tohmatsu International, Eccles Associates, Devman Consulting, and Young & Rubicam.

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<sup>1</sup> This work plan is only through June 30, 1996, because at this point in time, there are too many uncertainties to plan beyond June 30, 1996, unless certain assumptions are made, which we feel is not constructive at this time.

**1994/1995 OUTCOMES:  
MEASURING PROGRESS AGAINST PROJECT OBJECTIVES  
AND OUTPUT SET FORTH IN THE 1994/1995 WORK PLAN**

**I. ACHIEVE SUCCESSFUL PRIVATIZATION TRANSACTIONS**

Assisting in the implementation of privatization transactions is amongst the key objectives of the Zambia Privatization Support Project. During the first eighteen months of this project, the CFED business analyst/transactional team<sup>2</sup> assisted in the divestiture of 28 business units.<sup>3</sup> While this fell short of the projected 43 business units to be divested, the CFED team made considerable progress in light of difficulties, obstacles, and delays with which they were faced on a daily basis. Below we detail the specific accomplishments achieved during the first work plan period, as well as discuss the difficulties and delays encountered. The latter will explain the variances between what was projected in the first work plan, and what was actually achieved.

**Accomplishments During the Period February 1, 1994 through September 30, 1995**

Since contract inception, the CFED team has been working diligently to meet the high expectations of all stakeholders in the privatization process. In fact, while the original scope of work for the CFED team was to work from an advisory/consulting mandate, the team quickly became immersed in the day-to-day tasks of managing and implementing privatization transactions, functioning for all practical purposes as core line and staff managers in the privatization process. This flexibility and progression was imperative in order to achieve successful transactions for several reasons:

1. ZPA has been severely understaffed in terms of relevant experience and skill levels;
2. the reorganization and restaffing of ZPA as suggested by the management consulting firm of Price Waterhouse was delayed for more than one year, and when it was implemented, it was substantially less in scope than envisaged; and
3. there has been a critical need for experienced leadership and management capability to drive the privatization process forward, and CFED team members have had to fill this vacuum.

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<sup>2</sup> CFED's business analyst team, working within ZPA's Business Analysis Department, is responsible for much more than simply business analysis. For this reason, the term "business analyst" is a misnomer and very misleading; business analysis is only a small fraction of what the CFED team is responsible for in order to drive all steps and stages in the privatization transaction. In fact, the CFED team members function as full service investment bankers, management consultants, and senior project managers, taking a company through all stages of divestiture: developing privatization strategies, preparing companies, investor promotion and advertising, evaluating bids, negotiating and structuring deals, closing deals, etc.

<sup>3</sup> CFED's first work plan incorporated the privatization/divestiture of free-standing business units along with discrete companies. This work plan utilizes the same criteria. For the purpose of this work plan and all reporting required by USAID, CFED defines divestiture as occurring when sales agreements have been signed and/or companies liquidated. It should be noted that various stakeholders have different definitions, and for this reason a comparison between reports may show some variance in terms of number of companies that have been privatized/divested.

Table 1 on the following page charts the CFED team's progress in terms of number of actual privatization transactions, by quarter, over the last eighteen months. Appendix 1 summarizes privatization transactions in terms of actual companies or business units. It should be noted that while the first work plan stipulated a number of key indicators/outputs, many of those indicators are beyond the control of the CFED team. Nonetheless, USAID has determined that CFED must report against them. The true indicator of the CFED team's performance is the number of transactions that have been completed in terms of sales agreements that have been signed.

**TABLE 1**  
**ACHIEVEMENTS IN NUMBER OF PRIVATIZATION TRANSACTIONS**  
**FEBRUARY 1, 1994 through SEPTEMBER 30, 1995**

KEY TASKS IN PRIVATIZATION PROCESS	KEY INDICATORS/OUTPUTS	NUMBER OF COMPANIES IN STAGES OF PRIVATIZATION PROCESS PER QUARTER							Total
		Q2 '94 2-3/94	Q3 '94 4-6/94	Q4 '94 7-9/94	Q1 '95 10-12/94	Q2 '95 1-3/95	Q3 '95 4-6/95	Q4 '95 7-9/95	
1. Assess Companies/Initiate Privatization Studies	Privatization Studies Completed	0	1	30	12	10	14	1	68
2. Initiate Approval Process	Modes of Sale Approved by ZPA Board	0	2	47	16	3	0	0	68
	Modes of Sale Approved by Cabinet	0	0	14	14	38	0	2	68
3. Prepare Companies for Sale/Initiate Divestiture Process	Asset Valuation Completed	0	0	20	8	4	14	26	72
	Companies Offered/Advertised	0	0	3	13	10	21	15	62
	Company Valuation Completed	0	1	1	22	3	16	27	70
	Bid Evaluations Completed	0	1	0	10	11	25	12	59
4. Undertake Negotiations	Commencement of Negotiations Approved by ZPA Board	0	1	4	18	11	13	23	70
	Negotiations Commenced	3	5	3	11	12	15	27	76
5. Conclude Privatization Transactions	Sales Agreement Signed	1	3	1	2	1	3	11	22
	Legal Transfer Completed	1	0	1	0	0	0	11	13
	Privatization Trust Fund Transfer* Completed	0	0	0	1	0	0	2	3
	Liquidation Completed	0	0	0	0	0	0	6	6

\* This refers to number of companies where a percentage of shares has been transferred to PTF for (future) flotation.

## **COLLATERAL PARTICIPATION AND VALUE-ADDED CONTRIBUTIONS TO DATE**

Tantamount to the successes demonstrated in Table 1, the CFED team has participated and added significant value in a variety of other critical activities, further detailed below, that have a direct correlation to the accomplishments that have been shown.<sup>4</sup> It is essential to understand that while many of these activities have been outside the scope of CFED's original statement of work (in terms of both content and quantity), the realities within ZPA and the GRZ -- foreseen and unforeseen challenges, issues, obstacles, and delays -- have made CFED's participation in them a necessity.

These activities have been focussed on "critical path" issues that have been time-critical, time consuming, and management/staff-intensive. In fact, to fully describe each activity would add tens of pages to this work plan. For this reason, we have highlighted only key contributions. It should be noted however, that while the CFED team has contributed to these necessary activities, it has been only one of many players and stakeholders involved in them -- most often working in collaboration with ZPA top management and other donor-funded consultants.

- Improving work planning approach, instituting various systems, organizational and reporting mechanisms.
- Participating in the reorganization of the Business Analysis Department.
- Interviewing prospective technical staff in support of restructuring and restaffing of ZPA.
- Participating in obtaining Cabinet approvals of Tranche 3 and 4 companies.
- Identifying and solving manifold company-specific issues.
- Performing extensive field work in companies and with many interested investors.
- Recommending mechanisms to improve and streamline the privatization process.
- Working with key stakeholders to ensure smooth transitions from outgoing Chief of Party<sup>5</sup> and ZPA Chief Executive(s).
- Developing cooperative/collaborative relationships with various stakeholders, including ZIMCO, GRZ, labor groups, etc.
- Developing investor database to help facilitate future investment in Zambian companies across a broad sector of industries.

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<sup>4</sup> In CFED's first work plan, many of these activities were referenced separate from this component of the project; they were considered more as ancillary objectives, rather than key to achieving successful transactions.

<sup>5</sup> In August 1994, CFED's Chief of Party was dismissed. Despite this, and a continuous period of eight months without an official replacement, the CFED team was able to continue achieving success in project objectives.

- Developing new company questionnaire and survey instruments.
- Participating in the development of accounting and control systems to facilitate financial oversight by ZPA of payments to employees and creditors.
- Developing Management Buy-Out/Employee Stock Ownership strategies and programs.
- Developing Terms of Reference for outside financial service institutions and merchant bankers.
- Contributing to the development of bid evaluation criteria and systems to enhance the quality of the bid evaluation process.
- Supporting and contributing to the development of the USAID-funded Negotiations Skills Workshops conducted by Ms. Marsha Ostrer.
- Developing negotiating strategies and frameworks; preparing, and supporting negotiations
- Drafting policy papers for ZPA Management and Board on subjects such as the following:
  - Valuations -- both asset and earnings
  - Remuneration structure for outside chairman and lawyers
  - Asset stripping
  - Management oversight
- Providing major policy analysis and recommendations for relevant Government Ministries' decisions on the following:
  - Retrenchment
  - Terminal benefits
  - Redundancy
  - ZRA debt
- Initiating the Luminary Series to discuss lessons learned, challenges, and similarities with other countries' privatization programs.
- Developing policy and program recommendations for divestiture of parastatal property/residential housing.
- Planning for public flotation of various company shares.

**Difficulties/Delays Encountered During the Period February 1, 1994 - September 30, 1995**

While the CFED team did achieve extraordinary levels of success given the challenges faced, certain achievements fell below those projected in the first work plan, most notably in the areas of closing deals and concluding transactions. Table 2 quantifies these variances. The relatively minor variances between projected and actual performance are a function of the following reasons and causes:

- Long delays in valuations -- due to a variety of factors outside CFED or ZPA control.
- Significant shortfalls in ZPA skill/experience levels and consequent needs for training and recruitment.
- Negotiation stage of process far more time and staff intensive than anticipated.
- Closure stage between sales agreement and legal completion far more time consuming and staff- intensive than anticipated.
- Massive office support system bottlenecks and breakdown: telephone, computer networks, photocopying -- including a total unretrievable loss of all data (company-specific files) on the central server of ZPA's computer network (further discussed in Section IV).
- Resource shortfalls needed for comprehensive investor promotion.
- Limited investment (absorptive) capacity of the Zambian financial markets.
- Complicated and politically-loaded external debt issues.
- Complicated and politically-loaded land policy issues.
- Numerous bureaucratic and organizational title deed issues.
- Complicated and politically-loaded employment and retrenchment policy issues.
- Confused/misinformed perceptions of market values versus valuations.
- Previous delays in obtaining ZPA Board approvals to commence negotiations.
- Previous ad hoc and diffused quality control process of ZPA.
- Factional government and ZIMCO politics.
- Lack of available bridge financing to cover cashflow gaps in divestiture process.
- Previous slow and unpredictable ZPA Management and Board processes.
- Previous turnover of CFED Chief of Party and ZPA Director; prolonged absence of Technical and Planning Directors.
- Problems and inadequacies of Management Buy-Outs.
- Volatile and politically sensitive situation of the Trading Sector.

- Previous ineffective allocation of resources, i.e. lack of priorities regarding large and small companies.
- Serious resource shortfalls in ZPA budget and cash availability.
- Unfunded pension and terminal benefits in most companies.
- Complications arising from “technical privatization” procedures.
- Lack of sufficient venture capital and long term financing facilities to properly capitalize companies.
- Severe company decline/asset stripping with no commensurate investigative/legal countermeasures.

**TABLE 2**  
**ACTUAL ACHIEVEMENTS IN NUMBERS OF PRIVATIZATION TRANSACTIONS**  
**VERSUS PROJECTED ACHIEVEMENTS**

KEY TASKS IN PRIVATIZATION PROCESS	KEY INDICATORS/OUTPUTS	ACHIEVEMENTS VERSUS PROJECTIONS		
		Total Achievements	Projections	Variance
1. Assess Companies/Initiate Privatization Studies	Privatization Studies Completed	68	65	3
2. Initiate Approval Process	Modes of Sale Approved by ZPA Board	68	66	2
	Modes of Sale Approved by Cabinet	68	66	2
3. Prepare Companies for Sale/Initiate Divestiture Process	Asset Valuation Completed	72	59	13
	Companies Offered/Advertised	62	41	21
	Company Valuation Completed	70	53	17
	Bid Evaluations Completed	59	41	18
4. Undertake Negotiations	Commencement of Negotiations Approved by ZPA Board	70	58	12
	Negotiations Commenced	76	61	15
5. Conclude Privatization Transactions	Sales Agreement Signed	22	37	(15)
	Legal Transfer Completed	13	15	(2)
	Privatization Trust Fund Transfer Completed*	3	1	2
	Liquidation Completed	6	6	0

\* This refers to numbers of companies where a percentage of shares has been transferred to PTF for (future) flotation.

## II. FACILITATE THE COMPLETION OF PRIVATIZATION TRANSACTIONS THROUGH AN EFFECTIVE PARASTATAL MARKETING PROGRAM

A resourceful parastatal marketing campaign is a central component of Zambia's privatization program. During the past eighteen months, the CFED team's parastatal marketing campaign has evolved into a two-pronged approach of *investment promotion* and *company-specific marketing*, geared toward three identified investor markets: domestic, regional, and international. In CFED's first work plan, it was projected that specific, discrete deliverables would be achieved in each distinct market. While this has been the case in some instances, the manner in which the marketing program has evolved makes it difficult to report against such market-distinct deliverables. For this reason, this section will detail the progress made in the two-pronged approach areas. It will be demonstrated that the CFED team has made significant progress, considerably penetrating its targeted markets.

### Investment Promotion Campaign

The CFED team has developed a variety of activities, using different fora, designed to attract regional and international investors to Zambia who are prepared to provide the leadership, capital, and strategic skills necessary in a successful privatization program. The fora used include high profile print medium, international conferences, personal contacts, international trade shows, investor group presentations, and commercial sections of foreign missions. Specific accomplishments in this area include:

- Fortune Magazine Zambia Special Supplement. This supplement included a two page editorial overview of the privatization program from the perspective of the Agency's Chief Executive. Also included was a one page marketing advertisement which highlighted sector investment opportunities in the country. To date more than 740 inquiries from potential investors around the world have been received.
- Financial Times Survey Zambia. The survey provided a multi-page snapshot of the country and included both editorial and advertorial sections on the privatization program.
- Business Strategy International. Investment focused advertisements were taken in two separate editions of the magazine. An additional editorial page was negotiated for "a message from" the Agency's Chief Executive.
- Investment Opportunities Conference, Lusaka 1996. A conference focused on investment opportunities in Zambia is now planned for Spring, 1996. Appropriate conference sponsors were pursued in Spring/Summer 1995 resulting in a short list of two potential candidates, Financial Times and Euromoney. A final determination will be made by the Agency's Chief Executive shortly. Private sector funding support for this activity has been raised by CFED's Chief of Party.
- International Investment Promotion Conference Opportunities. Appropriate individuals have represented Zambian investment opportunities in the following venues:

*Africa Trade and Investment Opportunities (London, U.K.)*

*World Economic Forum (Johannesburg, South Africa)*  
*Southern Africa Investment Summit (Johannesburg, South Africa)*  
*Southern Africa Development Corporation (Johannesburg, South Africa)*  
*Made in the USA Trade and Investment Forum (Johannesburg, South Africa)*  
*Emerging Markets CEO Roundtable (New York, USA)*

- Zambia Privatisation Agency Marketing Brochure. A tri-fold marketing brochure was developed for ZPA to be used in marketing individual companies as well as the complete portfolio of parastatal investment opportunities. The brochure has been used extensively in presentations made by various Cabinet Ministers and other government officials, and is often used in presenting documents, etc. to various parties because of the condensed country profile printed on the inside covers.
- Investor Group Presentations. Individually tailored presentations were made to a large and diverse number of investor groups.

### **Company-Specific Marketing Campaign**

In an effort to attract investment in specific parastatals, the CFED team has created, developed and placed print advertisements in all three of its target markets: domestic, regional, and international. Table 3 shows the specific companies that have been advertised during the first work plan period and the markets where those advertisements have appeared. In addition, the CFED team accomplished the following

- Public Flotation of Chilanga Cement. Designed and implemented a country-wide marketing campaign for the public flotation of Chilanga Cement shares.
- Company Marketing Profiles. Profiles of every parastatal company in the divestiture sequence plan were produced. The profiles provide a “snapshot” of the company and its financial picture and are used as a component part of the Marketing Brochure or independently as appropriate.
- In-Country Investor Visits. Table 4 provides a representative accounting of visits during the period.
- Targeted Investor Marketing. Identified investors and investor groups were presented with marketing materials on companies for sale. Such investors included individuals, institutions, companies, commercial sections of foreign missions in Zambia, Zambia Foreign Missions abroad, various chambers of commerce, and through conference participation.

### **Other Activities to Support Marketing Efforts**

To further support the efforts listed above, the CFED team has had to participate in a variety of other activities, some of which have been outside the original scope of work for the team, but necessary nonetheless. Specific activities have included:

- Solicitation of marketing funds from the World Bank to support international advertisement costs. Such funding requirements will exceed US\$350,000.
- Solicitation of private sector funding to support *1996 Investment Opportunities Conference*. Such funding requirements stand at GB£150,000.

**TABLE 3**  
**MARKET DISTRIBUTION OF COMPANY-SPECIFIC ADVERTISEMENTS**

	Zambia	South Africa	Zimbabwe	Regional	India	UK	US	International
Amalgamated Milling	x							
Blue Lagoon National Park	x	x	x			x		
Chichele Lodge	x	x	x			x		
Choma Milling	x	x				x		
Dairy Produce Board	x	x						
Elephant Head Hotel	x							
Intercontinental Travel	x							
International Catering Services	x	x	x	Kenya				
Kabwe Industrial Fabrics	x	x						
Kafue National Park Sites	x	x	x			x		
Kakoma Dairy Farm	x							
Kasaba Bay Lodge	x	x	x			x		
Kasama Mill	x	x	x					
Kawambwa Tea	x	x			x	x		
La Hacienda Hotel	x							
Lake Hotel	x	x	x			x		
Lint Company of Zambia	x							
Lochinvar Lodge	x	x	x			x		
Lower Zambezi National Park*	x	x	x			x		
Lusaka Engineering Co.	x	x	x					
Lyambai Hotel	x							
Memaco Farms	x							
Mfuwe Lodge	x	x	x			x		
MIL Sawmilling & Joinery	x	x	x					
Mongu Mill	x	x	x					
Mosi-oa-Tunya National Park	x	x	x			x		
Mulungushi Traveller	x							
Mundawanga Zoo & Botanical Gardens	x	x	x			x	x	

	Zambia	South Africa	Zimbabwe	Regional	India	UK	US	International
Nchanga Farms	x	x	x			x	x	Germany Hong Kong
Ndola Milling	x	x				x		
NIEC Farms	x							
Nkamba Bay Lodge	x	x	x			x		
Norgroup Plastics	x	x	x	Botswana Kenya				
Northern Breweries	x	x	x			x		
Pamodzi Hotel	x	x	x			x		
Premium Oil	x	x	x		x	x		
Rainbow Lodge	x	x	x			x		
ROP	x	x	x		x	x		
South Luangwa National Park	x	x	x			x		
State Farms	x							
Supa Baking Company	x							
Trade Sector*	x	x	x		x			
Zambia Ceramics	x	x	x					
Zambia Clay	x	x						
Zambia Coffee	x	x			x	x		
Zambia Cold Storage	x	x	x					
Zambia Horticultural Products	x	x	x	x		x		Italy Israel
Zambia Pork Products	x							
Zambia Steel and Building Supplies	x							
ZamCargo	x	x	x		x	x		

\*represents multiple company advertisements including City Radio & Refrigeration Supplies, Consumer Buying Corp., National Drug Co., National Home Stores, NIEC Agency, NIEC Overseas, Mwaiseni Stores.

**TABLE 4**  
**ILLUSTRATIVE LIST OF SITE/IN-COUNTRY INVESTOR VISITS**

Market		Interested Investor	
<b>Regional</b>	<b>Botswana</b>	Hartley's Safaris	
		Sunset Lodge (Francistown)	
		Walford Meadows	
	<b>Ghana</b>	Wienco Shana Ltd.	
	<b>Malawi</b>	People's Trading Centre	
	<b>South Africa</b>	Beomm Corporate Solutions	JE Bishop
		Bonnita	Keyter Jordan Consortium
		Cape Splendour Tours (Pretoria)	Lasher Tools
		Chairmaie Brogan	Metro Cash & Carry Ltd.
		Clark Cotton	MP Standev
		Delmas Milling	PEP Stores
		Dieter Maurer	Premier Foods
		FEDICS Group	Premier Pharmaceuticals
		Food Corporation	Premier Portland Cement
		Fruit Dispatch Company	Shoprite Checkers
		Fraser Fule	Sianga Malumo
		Holiday Inn/Sun International	Sunset Lodge
	<b>Zimbabwe</b>	All Elton	
		Delta Corporation	
		John Dabbs & Company	
Megapak of Zimbabwe			
Tate & Lyle			
T Lane			
Trevor C. Juul (Harare)			
Unilever			
Wilderness Gate			
Z- Spar			
Zimbabwe Sugar Refineries			

Market	Interested Investor
International	Finland KLI EC
	Germany Contraf-Nicotex Tobacco Floco Hold Trade Engineering GMBH Rekford Luft (Frankfurt)
	India Bhor Group of Industries (Bombay) Gremacht Tea & Estates Ltd Hemant Jalan Luxmi Tea Company (Calcutta) Sanjeeta Enterprises (Assam)
	Italy Incar/Piacenza
	Netherlands Duncan Gilbey and Matheson BV Herbo Herbergis
	United Kingdom BDO Hospitality Consulting CDC Commonwealth Development Corporation Contiki E. Wulfohn (London) Lonrho McLane International Plantation & General Investments PLC Rex Resorts Timecoded Transcription Co. Tate & Lyle
	United States Africa-America Group (New York City) ARK Properties, Inc. (Chicago)
	Yugoslavia Energo Pojekt

### **Difficulties Encountered During the Period February 1, 1994 — September 30, 1995**

While the CFED Team has made demonstrable progress in its parastatal marketing efforts, it has experienced a number of difficulties, obstacles and delays, which are summarized below.

- Organizational and Operational Difficulties within ZPA.
- Dysfunctional departmental management through January 1995. Manager's agenda for himself overrode the priorities of ZPA Management and ZPA Board causing constant conflict between the department and ZPA Director's office.
- Lack of initiative/proactive posture by previous Director. This was corrected to a large degree by the Acting Director and has been completely turned around by the current Chief Executive.
- Shortage of ZPA Public Relations staff.
- Cumbersome and pointless approval processes for advertising which was only overcome in March, 1995.
- Total lack of journalistic integrity and factual reporting in Zambia Press, resulting in constant dissemination of misinformation about ZPA, the privatization program, donor-funded consultants, etc. in the print media.
- Funding shortfalls.
- Logistical difficulties.
- Too many competing constituencies where ZPA public image and presence is concerned.
- Conflicting opinions amongst the various stakeholders (perceived and/or actual) with regards to how to achieve the P.R. and Marketing objectives for the Agency.
- Dilution of time available from P.R. Advisor also serving as Chief of Party.
- Lack of source of information for international conferences targeting investment opportunities in emerging markets.
- Certain fora deemed inappropriate to target investors, such as trade shows, etc.

### III. EDUCATE THE POPULATION ON THE PROCESS AND CONSEQUENCES OF PRIVATIZATION

Public education and image campaigns are critical to building a base of confidence and support for both ZPA and the privatization program in general. Given the diverse demographics of the population and the widely varying levels of understanding of the concept of privatization in Zambia, the CFED team has had to mount a concerted campaign designed to reach wide segments of the general population, educate them on the consequences of privatization, and enhance the image of ZPA among the Zambian people. The following specific programs have been created, developed, and implemented by the CFED team.

- **World Bank Radio Programs.** These radio programs, funded by the World Bank, are used as a vehicle for dissemination of information about privatization in Zambia to the larger Zambian population, with a special focus on the rural population. They are aired in English and vernacular languages in a series of three thirteen week modules.
- **ZPA Informational Brochures.** These brochures focus on privatization topics, including privatization, valuation, social impact, and public flotation and are available in seven vernacular languages and English. They were designed to provide an elementary overview of the aforementioned topics while addressing some frequently asked questions about each
- **ZPA Marketing Brochure.** This brochure is used in tandem with various marketing communication materials as appropriate. Presently the brochure is being extensively used with parastatal company marketing profiles. The brochure is used extensively by the Ministry of Commerce, Trade & Industry and is also used to respond to investor inquiries.
- **ZPA Media Campaign.** This campaign has been done in two phases. Phase I of the campaign served to educate the Zambian population on the privatization program through a series of sixty second television advertisements which appeared on a regular basis on the Zambia television network and radio. Simultaneously, a print media campaign was launched to parallel the television and radio advertisements. Phase II of the campaign commenced after the launching of Phase I and focused on improving the image of ZPA and privatization. Phase II used television, radio, and print media in a similar fashion to Phase I. Both phases were targeted to the larger Zambian community and were not intended for the more sophisticated Zambian.
- **Essay Competition.** This program was designed for students at all educational levels (primary, secondary, college, university). It addressed the privatization process by encouraging critical analysis of the issues surrounding privatization. All essays were judged and students who wrote the superior essays received cash prizes.
- **ZPA Forum.** This Forum series provides a quarterly opportunity for the business, government, press, religious, and donor/diplomatic communities, to be brought up to date on the privatization program. The format begins with an address (usually by the Chief Executive of ZPA) which is followed by a lengthy question and answer period where a panel of authorities (ZPA Board members, Ministers, etc.) are available to respond to any

question from the audience.

- **ZPA Seminars for Officials of the GRZ.** This is a series of seminars targeted toward members of the Government of Zambia to inform and educate them on privatization issues.
- **ZPA Talk Shows.** ZPA will be appearing on popular Zambian radio and television talk shows to educate the listeners and viewers on issues surrounding privatization and to provide the audiences with opportunities to ask questions.
- **ZPA Press Briefings.** ZPA conducts a series of press briefings once every month to disseminate information to the public on the status of privatization.
- **T.V. Drama.** Zambia's favorite nighttime television program "Play Circle" focused one episode on the social impact/redundancy consequences of privatization. ZPA designed the skit and some of its employees even acted in the episode.
- **ZPA Television Programs.** These are used to address timely issues relating to the privatization program and ZPA activities. The programs follow the evening news, are 30 minutes each, and run in thirteen week modules.
- **Public Service Announcements.** ZPA sponsors ongoing public service announcements in both English and the vernacular languages. Topics/themes are taken from the parallel TV program topic/theme.

#### **Difficulties Encountered During the Period February 1, 1994 — September 30, 1995**

Several programs that were originally planned were terminated for the following reasons:

- **Zambia Challenge TV Programs.** One TV program actually occurred. However, Zambia National Broadcasting Company (ZNBC) and Zambia Information Service (ZIS) failed to come through with promised support for future program development and airing.
- **Zambia International Trade Fair & Lusaka Agricultural and Commercial Show.** ZPA participated in both fairs in 1994, but it was decided that these were not appropriate activities for the limited marketing resources available to the project.
- **ZPA Documentary Video.** USAID did not produce the requisite funding for this costly activity.
- **Social Debates.** It was determined that there is adequate opportunity for debate on privatization through any number of public venues and that ZPA resources would be better used on other activities.
- **Z Magazine.** ZPA did in fact appear once in Z Magazine. ZIS did not come through with anticipated support for continuing visibility.

It should be noted that ZPA Chief Executive has determined that the Agency should not be responsible for Zambian public opinion on privatization. Moreover, funding limitations are inconsistent with the expectations of many key stakeholders regarding public education activities undertaken by ZPA.

#### **IV. BUILD LOCAL CAPACITY TO DEVELOP THE SKILLS OF ZPA STAFF AND TO DECREASE DEPENDENCY SO THAT ZPA IS ABLE TO IMPLEMENT AND NEGOTIATE PRIVATIZATION TRANSACTIONS ON ITS OWN BY THE COMPLETION OF THE CONTRACT**

Building local capacity within ZPA and gradually reducing ZPA's dependency on foreign technical assistance is essential if ZPA is to develop the capability to implement, promote, and negotiate privatization transactions on its own. During the past eighteen months, the CFED team has implemented two major strategies designed to build ZPA's capacity. These strategies are *Technical and Promotional Skills Training* and *Enhanced Technical Capacity*.

##### **Technical and Promotional Skills Training**

In order to improve the technical and promotional skills of ZPA staff, the CFED team has undertaken two types of training: (1) on-the-job training; and (2) formalized skills training, through in-country training and third-country/U.S. tours, conferences, and workshops.

##### **ON-THE-JOB TRAINING**

This strategy incorporates on-the-job ZPA staff development training at the individual, team, and systems/process levels, which is oriented toward multiple dimensions of technical, operational, administrative, managerial, and professional development. It cannot be overstated just how much real training and capacity building takes place all day, every day on a role modelling and coaching basis.

At the individual level, the CFED team spent considerable time coaching their Zambian counterparts and staff members on such issues as the importance of project management, work planning, setting objectives, meeting deadlines, and reporting on progress. In addition, the team mentored the Zambian staff on topics of relevance, such as asset and company valuations, strategic analysis of companies, negotiation frameworks and strategies, cultivating and working with investors, and closing requirements.

At the team level, the CFED consultants worked with their respective teams to instill the concepts of team planning, teamwork, and team accountability. This was achieved through routine meetings designed to organize workloads, monitor progress, identify problems, develop alternative strategies, and continuously drive the transactions forward.

At the systems/process level, the CFED team developed a series of systems and process improvements which form the basis of a practical project/privatization management information system. This system effectively enables ZPA staff and management to (1) plan and track companies through the sequence of steps toward a transaction; (2) track progress and performances versus planned progress, identifying critical factors, assessing risks, defining alternative strategies, and highlighting needs for specialized technical assistance; and (3) project over the next twelve months the key tasks and outputs to be accomplished.

On several occasions, the CFED team held semi-formal on-the-job seminars designed to further enhance working relationships among ZPA and CFED team members, review skills required to

prepare companies for privatization, and provide the participants with a forum to share their privatization cases/experiences with their peers and discuss problems, proposed solutions, lessons learned, etc. While it was originally envisaged that the CFED team would hold these semi-formal on-the-job seminars on a bi-weekly or monthly basis, the workload of the team members and ZPA staff interfered with this target. Notwithstanding, the informal on-the-job training described above resulted in tangible improvements (albeit difficult to quantify) in the standards of work and professional attitudes of ZPA staff members, although the degree of improvements has been distributed unevenly among individuals.

## **FORMALIZED SKILLS TRAINING**

### **IN-COUNTRY TRAINING**

This strategy incorporates formal in-country training to provide the professional staff of ZPA with skills related to the management of privatization and facilitating transactions. The key objectives of the formal training are as follows:

- Promote a better understanding of the privatization process and general management preparedness
- Enhance the technical knowledge and skills for the optimal performance of required duties, minimizing human resource constraints.
- Foster positive attitudes and greater momentum due to the broader understanding of management and privatization principles.
- Participate in the formulations and solutions to business problems, particularly as they relate to privatization.
- Provide key stakeholders with a better understanding of privatization so that they can effectively participate in the process.

To meet these objectives, the CFED team developed a comprehensive, formal training program based on assessments of the areas of skill deficiencies of ZPA staff and other key stakeholders in the privatization process. CFED's original program was revised numerous times as objectives, preferences, and realities within ZPA changed (further detailed below). After a delay of nearly one year, a modified, and greatly abbreviated version of CFED's original program, was offered to ZPA professional staff only. The program offered was titled the Professional Development Series (PDS) and was conducted July 10, 1995 through August 26, 1995. At the time ZPA and USAID approved the commencement of the PDS, it was envisaged by USAID, ZPA, and CFED that the PDS would be the first of a two-phase training program; the second phase to start during the first or second quarter of 1996.

The courses included in PDS were hand-picked by the new Chief Executive of ZPA. Participants for each course were selected by CFED with support from the Chief Executive of ZPA. The PDS included the following courses:<sup>6</sup>

- Overview of the Privatization Process
- Leadership, Team-Building and Management Decision-Making

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<sup>6</sup> Detailed descriptions of these courses can be found in CFED's Training Plan.

- Business Analysis
- Public Relations in the Privatization Process
- Marketing Management
- Information Systems/Computer Training
- Financial Restructuring and Preparing the Firm for Privatization
- Privatization Methodologies

During the implementation of the PDS, the CFED team measured the effectiveness of the program through bi-weekly participant assessments. Overall, CFED's PDS received high marks, particularly in the areas of course content (relative to work and interests) and transferability of the ideas and information to participants' work at ZPA. The participants were particularly interested in, and based on the assessments of CFED's faculty, in need of, acquiring more skills in financial analysis, management, and information systems/computers. Criticisms of the PDS dealt with the issues of program timing, scheduling, and location -- issues that were beyond the control of CFED as they were dictated by ZPA and USAID (discussed in detail below).

#### U.S./THIRD COUNTRY TOURS, CONFERENCES, SEMINARS

This strategy, as envisaged in the Project Paper, incorporates promotional tours and conferences, as well as instructional conferences and seminars in both the U.S. and third countries. During the past eighteen months, CFED has facilitated and sponsored the attendance of a number of ZPA staff to these conferences/seminars. The promotional tours and conferences which have been attended by ZPA staff are detailed in the Parastatal Marketing Campaign portion of this work plan (see page 11; and Table 4 for an illustrative list of marketing calls made to and by potential investors/purchasers)

During the past eighteen months, CFED has sponsored the participation of a number of ZPA professional staff in instructional conferences. These include the following:

- *Communicating in Southern Africa (International Advertising Association/Africa Congress)*. Judy Munjoma, ZPA's Senior Public Relations Officer attended this conference in Johannesburg, South Africa to learn about topics such as (1) breaking through cultural barriers in communication; (2) selling and promoting new ideas/products in creative ways; (3) managing change through the tool of communication; (4) using research in communication; (5) developing different methodologies and translation strategies in communication to affect results; and (6) why advertising is necessary and dynamic.
- *Capital Markets: Development and Regulation (International Law Institute)*. Mudford Mwandenga, Legal Counsel of ZPA's Legal and Regulatory Department attended this conference in Washington, DC to learn about topics such as (1) what are financial markets; (2) role of financial markets' participants; (3) development of money and capital markets; (4) privatization and financial markets development; (5) setting the legal and regulatory infrastructure; (6) new financial instruments; and (7) regulation of capital markets.

- *Legal Issues in Implementing and Monitoring Privatization (International Law Institute).* Daniel Sichombo, Senior Legal Officer of ZPA's Legal and Regulatory Department attended this conference in Washington, DC to learn about topics such as (1) regulatory and legislative environment in privatization; (2) divestiture and the state-owned enterprise; (3) conditions and consequences of transfer; (4) management contract and leasing; (5) build-operate-own and build-operate-transfer projects; and (6) comparison of privatization statutes.

In addition to these conferences, members of ZPA professional staff have attended instructional conferences funded by other donor agencies, such as the GTZ. CFED has attempted to coordinate attendance so that training/conferences for ZPA personnel planned/funded by another donor does not duplicate that which CFED is funding.

#### **DIFFICULTIES ENCOUNTERED DURING THE PERIOD FEBRUARY 1, 1994 - SEPTEMBER 30, 1995**

In attempting to build capacity of ZPA staff through technical and promotional skills training, the greatest difficulties encountered include the following:

1. demanding results-oriented targets and heavy on-going work loads of CFED team and ZPA staff have prevented more systemic, semi-formal on-the-job training as had been envisaged in CFED's first work plan;
2. reorganization of ZPA delayed the launching of CFED's in-country formalized skills training program, and ultimately changed the scope of CFED's originally suggested program.

The latter of these two requires further discussion.

In projecting the type and scope of the formal skills training program to be offered by CFED during the first work plan period, CFED stated that several key assumptions were being made. These included (1) the support of ZPA Management; (2) the availability of ZPA staff for such training; and (3) USAID funding (or approvals to fund certain aspects of the program). During the work plan period, all three of these were called into question at one time or another, greatly impacting the training program that was ultimately provided by CFED.

Since shortly after project inception, a reorganization of ZPA had been imminent, based on a USAID-funded ZPA Restructuring Study undertaken by the management consulting firm Price Waterhouse. The study assessed the existing capacity of ZPA and suggested ways to improve the efficiency and effectiveness of the Agency. USAID/Zambia accepted the findings of Price Waterhouse in a modified form, and ZPA was to have commenced restructuring by the Fall of 1994. For this reason, the development and implementation of CFED's formal skills training program, originally scheduled to occur within the first few months of project inception, was delayed. Both USAID and CFED were concerned about expending money for training an Agency that would soon be reorganized and presumably have a different makeup.

In reality, a reorganization of ZPA did not commence until the spring of 1995; and the reorganization that did take place was substantially less in scope than what Price Waterhouse had

proposed. Only a few staff were reorganized either within or out of ZPA. The result was that after a one year delay, CFED received the approval to hold a formal skills training program for many staff who had been actively participating in the privatization process for over one year.

The training program that was ultimately approved by USAID and the new Chief Executive of ZPA, however, was remarkably different than originally envisaged by CFED. Because of the workload of ZPA staff at the time of the scheduled training, and a resulting perceived lack of commitment by ZPA Management as to the value of this training, CFED was forced to work within parameters that proved to be a real obstacle.

- While the CFED team had done assessments in mid-1994, as to the general areas of skill deficiencies within ZPA, it did not have any assessments of specific knowledge levels of ZPA staff who would be attending the different training courses. Notwithstanding, USAID refused to allow CFED to conduct its own assessments of ZPA staff, stating that the tests developed and administered by Price Waterhouse the previous year were going to be re-administered to ZPA staff by its new Chief Executive. USAID felt that the results of those tests would be sufficient for CFED to assess the knowledge levels of ZPA staff and accordingly, develop the curriculum of the training program. In reality, those tests were never re-administered. At the last minute CFED did receive the authority to administer a brief questionnaire, culled from the Price Waterhouse tests, to ZPA's professional staff. However, the reliance on another contractor's tests, which were designed for reasons other than training, combined with the fact that they were administered only at the last minute, proved to be very problematic.
- CFED's original training program was stretched over several months to ensure sufficient coverage of each course so that participants could become proficient in the course materials. The program that was mandated by ZPA condensed the program (eight courses) into six weeks only. As a result, courses that require a minimum of forty hours or more coverage, were condensed into very abbreviated sessions (as few as ten to fifteen hours of coverage).
- The program schedule, mandated by the Chief Executive of ZPA, incorporated late afternoon through early evening sessions (16:30 - 19:30), Tuesday through Friday, and Saturday sessions (9:00 - 15:00). This training schedule was intensive and required extra effort on the part of ZPA staff to rearrange their schedules. Moreover, participants were not given any reprieve from their normal work loads. As a result, many participants were fatigued during the training courses, which delayed progress, while others made a choice not to attend the training in order to complete their normal work loads.
- Participant attendance fluctuated, ranging from 11 to 22 depending on the number of people who were required to be trained. It was evident that participants did not understand, through the Chief Executive of ZPA, that attendance was mandatory. Even after the Chief Executive sent a memo to the staff explaining that training was mandatory, select individuals still did not attend the courses consistently. This could be attributed to the fact that (1) some participants felt they had to choose between attending the training course and completing work expected of them; and (2) some participants felt they had been privatizing companies for several years and did not need any training.

## **Enhanced Technical Capacity**

The introduction of a state-of-the-art local area network (LAN) at the offices of ZPA was designed to increase the effectiveness and efficiency of ZPA staff. As originally envisaged, a sophisticated, comprehensive Information Management Network and System (IMS) would provide ZPA with the mechanisms necessary to manage the large quantity of data and information generated in the privatization process, and enable managers and leaders to have fingertip access to mission critical information for monitoring and decision making purposes.

Over the past eighteen months, CFED has procured, installed, tested and configured the hardware and software network at ZPA. Currently, nearly every desk at ZPA is equipped with a network-integrated computer.

In addition, CFED, led by its Information Systems Specialist, designed and began the construction of a data management system. However, due to a number of obstacles beyond CFED's control (detailed below), the data management system has never evolved passed the construction phase.

### **DIFFICULTIES ENCOUNTERED DURING THE PERIOD FEBRUARY 1, 1994 - SEPTEMBER 30, 1995**

- Since early on in the project, CFED's Information Systems Specialist has reported repeatedly that ZPA's Information Systems (IS) Department is inadequately staffed. ZPA's Manager of Information Systems alone is not enough to manage the network, train the users, maintain a data management system, and handle the day-to-day problems and challenges of administrating all of the aspects of ZPA's IMS. Numerous suggestions were made to restructure the organization of ZPA's IS Department, adding two additional local staff (to bring the total in the department to three) to assist in training and network management. However, these suggestions were never implemented.<sup>7</sup> In addition, it was suggested that USAID approve the posting of an IMS consultant at ZPA for a period of six to eight months to assist in the construction, implementation, and management of the IMS -- transferring his expertise to ZPA's Manager of the IS Department. USAID never approved this proposal. As a result of these staff issues, progress at ZPA has been impeded. Repeated network problems and failures, including the most recent catastrophe where everything on the network was lost due to human error,<sup>8</sup> proves this point time and again.
- ZPA Management has not taken a proactive stance with regards to implementing the IMS. Due to heavy work loads, implementation of the IMS has been sacrificed so as not to interrupt results-oriented targets. Those people who had been selected to alpha test the initial data management system did not do so. As a result, implementation of the system

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In early October 1995 (after the completion of the first work plan period), ZPA's IS Department increased by one with the hiring of a systems assistant to ZPA's Manager of the IS Department..

<sup>8</sup> As had been cautioned time and again by CFED's Information Specialist, the failure of ZPA's Information Systems Manager to routinely backup the network server files resulted in the irretrievable loss of all network data when human error erased the entire system from the network server. The magnitude and implications of this loss have yet to be fully understood by ZPA Management.

came to a halt. Without support and pressure from Management, implementation of the IMS will never become a reality .

- As described in detail above, the computer training done as part of CFED's formal skills training program was condensed in too short of a time frame. As a result, the materials taught were very basic; much more training needs to be done in order to fully realize the potential of ZPA's IMS. Interestingly, there was great interest on the part of ZPA staff to expand the computer training.

**1995/1996 WORK PLAN:  
PROJECT OBJECTIVES AND OUTPUT  
ENVISAGED FOR THE 1996 WORK PLAN PERIOD**

**I. ACHIEVE SUCCESSFUL PRIVATIZATION TRANSACTIONS**

The CFED team's primary objective is to assist ZPA in privatizing companies as quickly and successfully as possible given the challenges, constraints, realities, and complexities faced in Zambia. The overall project goal, as stated in the ZPSP Project Paper, is to privatize a minimum of 50 companies by the Project Completion Date of September 1997. During the course of its 1995/1996 Work Plan, CFED will see realization of that goal, as set forth below. In addition, the CFED team will continue to add significant value in a variety of other critical activities that are central to the success of the ZPSP.

**A. Companies/Business Units Included in 1995/1996 Work Plan**

During the nine months covered by this Work Plan, the Team will work toward divesting an additional 62 business units.<sup>9</sup> The team's goals and projections through June 1996, as set forth more specifically in Table 5, attempt to take into account both the history of foreseeable/unforeseeable and controllable/uncontrollable sources of delay in privatization and the need for capacity building. However, as other circumstances/delays occur and as new conditionalities, targets, and deadlines are set, the Team's work schedule and projects will have to be adjusted accordingly.<sup>10</sup>

**B. Support for Public Flotation and Zambian Participation/Mass Privatization**

CFED will support ZPA's effort to promote public flotation and Zambian participation in the private ownership of companies. CFED team members will assist in identifying those companies most appropriate for public flotation and where Zambian participation can be supported. Upon identifying such candidates they will try to ensure that public flotation with an appropriate level of Zambian participation is incorporated at the start of the privatization process in modes of sale to be approved by ZPA Board and Cabinet.

CFED will seek to support and participate, where necessary, in ZPA's effort to conduct any direct company flotations. The team will assist in promoting the development of public flotations by ZPA directly, or in conjunction with the Privatization Trust Fund ("PTF") and the Lusaka Stock Exchange ("LuSE"). CFED will participate in meetings and liaise with both the PTF and LuSE as required to support public flotations sponsored by ZPA.

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<sup>9</sup> CFED's work plan incorporated the privatization/divestiture of free-standing business units along with discrete companies. For the purpose of this work plan and all reporting required by USAID, CFED defines divestiture as occurring when sales agreements have been signed and/or companies liquidated.

<sup>10</sup> An example of this is the fact that Cabinet has not yet formally approved the next group of companies (Tranche 4) for ZPA action.

CFED will support ZPA in its efforts to develop and implement mass privatization schemes appropriate to Zambia and designed to increase share ownership among the Zambian people.

### **C. Parastatal Residential Property Divestiture<sup>11</sup>**

CFED will support ZPA's efforts to obtain the best solution for all parties involved in the divestiture of housing from newly privatized companies. Specific objectives include:

- Assist policy development for housing.
- Define the extent of SOE housing.
- Achieve an operating mandate on the modes for privatizing housing of the SOEs under ZPA control.
- Identify and/or create private sector capacity to deal with long-term issues that will require several years to resolve, and turn over to private sector the responsibility and authority for those issues.
- Assure all participants that the issues will be dealt with fairly, taking into account the reasonable aspirations of all parties.
- Determine which houses will remain with the companies and which can be sold, and actively pursue a rapid resolution of disagreements with this determination.
- Create a monitoring capacity within ZPA and/or government to follow up on compliance of housing privatization agreements.
- Identify or create a generally accepted means of clearing the titles of houses.
- Expand individual family ownership to the apartment units as well as the single-family houses.

Initial efforts will focus on providing guidance to policy makers before they have taken irrevocable decisions. Part of this initial effort will be to prepare an inventory of all housing in the SOEs and to devise a methodology for classifying the houses into various categories according to the ease with which they can be sold. Not all housing can or should be sold to the sitting tenants. The CFED effort will assist ZPA in identifying the houses that should stay with the companies, and to determine the methodologies to follow so that these houses are valued and included in the assets to be transferred to the newly privatized companies.

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<sup>11</sup> In response to CFED's Residential Property Study conducted in March 1995, where CFED analyzed the issues surrounding divestiture of SOE housing and recommended modalities for divestiture and/or management of SOE residential property, ZPA requested and USAID approved the posting of a long-term residential property specialist to implement the recommendations. This specialist will provide assistance in this area, as well as assist in the privatization of business units in the tourism sector and other commercial units that can be considered primarily property sales.

During the period in which the housing policy decisions are being formulated and considered, CFED's approach will be to encourage an active analysis of all of the underlying issues and then to assist in the implementation of the resulting policies. The day-to-day project implementation activities in this area will depend on GRZ policies which are still to be determined.

The specific activities to be undertaken can only be set once it is clear exactly what is to be done, and the timetable for completing those activities can only be set once the resources are identified and acquired that will allow implementation to take place in the required time frame. For the purposes of this work plan, we will assume that actions can and will be taken within the timeframe of the next nine months, but that not all activities will be concluded within that period. Specific activities will include the following:

- Conduct Housing Inventory Study (in progress) This will establish the context, but it is now apparent that not enough detailed information is being received to permit implementation based on the data received. A major effort must be mounted to complete the study and gather only essential information.
- Prepare rational analysis of the financial potential for housing divestiture. Housing debate up to now has been on sweeping pronouncements advocating discounts for sitting tenants, sometimes coupled with the hint of low interest loans or a short repayment period.
- Design alternative sales schemes that include innovative ways of valuing the houses and incorporate the principles of fairness and transparency into the process. This may include sales terms for the houses that must remain in companies.
- Identify potential buyer clientele. Most arguments so far have suggested that the first right of refusal be offered to sitting tenants, and if they are unable or unwilling to buy then the houses could be offered for sale to the general public. A variation has been to include some or all of the value of the houses as a contribution to some retrenchment package for those former employees who will receive little or perhaps nothing else when the companies are privatized. No effort has gone into the implications of removing families who are unwilling or unable to buy.
- Propose alternative property management arrangements that will require private sector involvement immediately, thereby reducing the need for ZPA to create a new administration for property management. At the same time these arrangements will strengthen the private sector. This can be applied to the apartments by assisting in the creation of Common Ownership Associations under the new Common Household Schemes Act.
- Determine the effective demand and capacity of the housing market to absorb a large influx of properties for sale in a short period. The effective demand will depend on the terms and conditions of sale, the target clientele, and the alternatives that are presented at the time of sale.

A special unit within ZPA to handle housing issues should be named as soon as possible. This unit will initially be the present Team 4, which will continue to handle the privatization of the

companies in its portfolio, with the addition of a reduced number of new companies. This continuation of effort is needed due to the large number of companies to be privatized and the limited ZPA resources available to be applied to their privatization. It will also keep the team members productively occupied with company work in the interim while the implementation details are worked out for the housing privatization activities to be undertaken by ZPA. The team will be expanded to include other ZPA personnel specializing in real estate transactions.

Until now, the emphasis has been to require the fastest possible payment of the maximum sales price, with significant discounts going to sitting tenants and others closely associated with the companies being privatized. The approach has been to consider the housing as a nagging problem that is presumed to be amenable to a short-term solution, and not as a potential part of the solution to a larger issue. It is unlikely that a single short-term solution is available that will be acceptable to a broad constituency. The only consensus so far has been that the sitting tenants in general have very little money available to pay for the houses, and Government expects to receive a lot of money for the houses, if not from the sitting tenants then from their replacements in the general public. There seems to be little or no overlap in what would be an acceptable price range to the sitting tenant buyers compared to the immediate price expectations of the seller, while there is no assurance that potential buyers from the general public would offer more money following the removal of the sitting tenants. The only common ground seems to be for the houses to be almost given away at a fraction of their potential value.

Rather than trying to go directly at the problem, a better approach will be to explore the aspirations of both sides and make every effort to expand the common ground between them. In the process we expect to find partial solutions to specific situations.

During the process, there will be a number of obstacles specific to the parastatal housing divestiture that must be overcome. These include the following:

- The lack of clear property title (or even ANY title at all in some cases) seems to be a general problem, and will affect all modes of divestiture. Many situations involve a single title for many houses on a single site.
- Apartment units represent about 20% of all SOE housing, but up until now there has been no specific law dealing with common ownership of housing. A new housing law is being considered by government and it is said to include common ownership, but this law has not been reviewed. As part of the initial stage of the work plan the new law will be studied and its implications for the privatization project will be presented to ZPA management.
- Lack of information on economic capacity of sitting tenants to assume financial obligations of home ownership and possible repayment of a loan after making a significant down payment.
- Inadequate property valuations that may not reflect market conditions. Valuers may have used a replacement cost approach which is useful for a rental property landlord's insurance purposes but does not consider capacity to pay of potential buyers. In addition, valuations are often several years old and do not reflect inflation and current market trends. Aside

from the uncertain valuation methods, the valuers' fee may be based on how much the property is appraised for, which would result in appraisals that are higher than if the fee were based on a fixed scale.

It will clearly be necessary to conduct on-site inspections to verify the housing reported in the Housing Inventory Study, and this will also be compared with any housing information that may be in the business privatization files held by ZPA.

Several companies have already been privatized and the new owners have been made to understand that the housing did not go with the deal. However, the houses are still in the possession of the employees, the titles of the houses are not any different than they were before privatization (with all the problems that implies), and the companies are apparently still managing the units. Among the first activities will be to review the sale terms and conditions of all such companies and determine the number and disposition of all housing that was included.

The present context of housing in Zambia almost completely excludes long-term financing as a way of making houses affordable. CFED will explore potential ways of mobilizing long-term capital, financing terms, loan administration, and other housing finance activities for the purchasers of the housing in the companies being privatized.

#### **D. Expediting the Privatization Process**

In order to maximize the number of successful privatization transactions, it is critical that the privatization process be as streamlined and expeditious as possible. Working with ZPA Management and other stakeholders, the CFED Team will identify bottlenecks and opportunities in the privatization process and implement recommendations to expedite the process and improve its efficacy and results

Specific tasks in which the CFED team will participate and lend support include:

- Helping to Develop a Divestiture Strategy. In coordination with ZPA Management, SOEs in Tranche 4 and beyond will be assessed for the most effective mode of divestiture based on the market and other characteristics of each enterprise. Modes of sale will be defined on a priority basis based on the ease and speed at which the enterprise can be privatized. Companies that have the greatest potential will be identified and selectively pursued and prepared for divestiture.

The selection of companies for future Tranches will be based on the objectives and strategies of the Government of Zambia and other key stakeholders. Technical inputs will be provided in the decision making process with the focus on developing an expeditious program for divestiture and donor conditionalities.

Specific outputs from this task will include revised divestiture strategies and priorities on a rolling forward basis to optimize the possibilities at the time.

- Continuing Review of Government Policies. Relevant policy matters will be explored with the Government through ZPA Management to facilitate the privatization process. Specific

outputs include policy recommendations affecting specific transactions such as land transfer, external debt, debt/equity swaps, redundancy and retirement policies, real estate and housing, and Zambia Revenue Authority taxation/revenue collection policies.

- Ongoing Review of the Privatization Act. Contribute to ZPA reviews of the Privatization Act to identify specific bottlenecks which slow down the process. Specific outputs include presenting to the appropriate authorities, in coordination with ZPA, the constraints and recommendations identified with a view to obtain amendments to the Act.
- Continuing Efforts to Streamline the Privatization Process. The internal procedures, documents and systems adopted by ZPA from data collection through to the privatization of a company will be reviewed with a view to help identify, develop, design, and implement enhanced procedures and streamline the internal transactions process.
- Continuing Efforts to Streamline the Valuation Process. The CFED team will work in conjunction with ZPA Management to streamline the valuation process and to educate key stakeholders. Specific outputs include (1) facilitation of the process of obtaining funding to make payments to Valuers; (2) increased data base of Valuers to expeditiously and effectively undertake asset valuations; (3) continued support for reform on remuneration of Valuers; and (4) increased level of understanding of the concept of valuation aimed to facilitate the decision making process with respect to privatization of companies.
- Monitoring Activities Outside of ZPA Control. The CFED team will monitor, on a company specific basis, activities that are outside ZPA's control and that affect the privatization process with a view to (1) bring them to the attention of appropriate officials for their consideration, and (2) minimize bureaucratic delays within the Government hierarchy.
- Continuing Support of ZPA Chief Executive in ZPA Management/Board Effectiveness. The role of ZPA Board and the effectiveness of working relationships with ZPA Management is essential to timely and effective privatization. The Chief of Party and CFED team will proactively support the leadership of ZPA in this cause.

#### **E. Luminary Series**

As part of its effort to assist in expediting the privatization process, CFED will continue the implementation<sup>12</sup> of its Luminary Series, launched in June 1994, with the consultancy of Dr. Rolf Luders, former Minister of Finance and Economy of Chile. The Luminary Series is designed to encourage dialogue among key Zambian decision makers and stakeholders with regard to (1) the privatization of Zambia's most important SOEs, including those in the mining, financial, and media sectors; (2) the specific methods and implementation procedures for privatization/divestiture of SOEs or productive assets of the GRZ; (3) the issues each method is likely to raise and options for dealing with them. The Luminaries will be former/current ministry-level officials who have

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<sup>12</sup> In the event CFED's Project Budget cannot meet the funding requirements for this Series, CFED will attempt to leverage other donor support to fund its costs.

had direct/hands-on involvement in the privatization of his/her government's SOEs and who can speak on both policy and implementation issues.

#### **F. Post-Privatization Monitoring**

CFED will support ZPA in its efforts to develop and implement post-privatization monitoring systems.

#### **G. Re-balancing CFED Team's Role/Responsibility**

As has been previously stated, since project inception, the CFED team has had to work from a senior line manager mandate involved in the day-to-day tasks of managing and implementing privatization transactions in order to achieve successful transactions. This has been due to a number of factors fully described in the first section of this work plan. During the next nine months, the CFED team will attempt to re-balance its role/responsibility so that it is less hands-on, thereby spending more time on capacity building and training.

#### **H. The Zambian Environment and Key Assumptions to Achieving Successful Transactions**

The speed and efficacy of privatization in Zambia is affected by a number of factors external and internal to ZPA. It is important to understand these factors and the impact they have on the Team's ability to achieve successful transactions as quickly and successfully as desired.

##### **EXTERNAL FACTORS**

- A languishing, declining parastatal sector with dissipating assets and business prospects -- devoid of managerial and financial leadership from the former ZIMCO.
- The urgent need of SOEs for large infusions of capital, management, technical, and marketing resources to create competitive vision-driven companies.
- The investor "demand side" of the privatization equation -- the questionable depth and breadth (and limitations) of the Zambian and regional investor marketplace -- and therefore the quantity and quality of investors interested in each particular privatization.
- The importance of successful privatization transactions to resurrect the economy.
- A fragile and volatile political window of opportunity during which to make bold changes.
- Major unresolved policy issues at the government level that delay and/or impede progress on privatization, e.g. land policy, retrenchment/retirement policy, social safety net, investment incentives, ZRA tax liabilities, etc.
- Various agendas and cross-pressures of the coming election year.

## INTERNAL FACTORS

- The privatization program's late start and slow pace during the first three years.
- The critical need for an overall transaction and results orientation, in contrast to a process and functional orientation. This is now changing for the better.
- The importance of "ramping up" ZPA's learning, productivity, and capacity curves.
- The relative inexperience in areas of finance, accounting, and writing skills amongst some technical staff.
- The on-going breakdown and severe limitations of ZPA office support systems (i.e., photocopying, telephones, computer network, etc.). This is gradually improving, with some exceptions, but has nonetheless been a handicap.

## ASSUMPTIONS

CFED's projections under the objective of achieving successful transactions are based on several key assumptions that address the environment and the risks and realities which influence privatization transactions. These assumptions, each in varying degrees, underlie other objectives in this work plan and therefore will not be repeated; only additional assumptions specific to a particular objective will be listed at the end of each section of the plan.

- Valuations. Asset and company valuations will be undertaken in accordance with the time schedules envisaged in the annual work plan. Delayed valuations will adversely impact the pace of the privatization process.
- Government Policies. Policy matters affecting the divestiture of specific companies will be resolved by the Government within reasonable time frames. Some specific examples of such policy matters are listed below:
  - Land policies on a company specific basis
  - External debt policies on a company specific basis
  - Debt equity swap policies on a company specific basis
  - Redundancy and retirement policies vis-a-vis the Employment Act for all state owned enterprises
  - Residential properties/Employee housing.

The above examples are not exhaustive but may be considered to be illustrative only.

- Short Term Technical Assistance. The requirements for short term technical assistance support will be identified, approved, and mobilized. Terms of reference for short term consultants will be developed for different components of the process and the appropriate short term consultants will be identified and engaged to supplement the level of support required to expedite the privatization program and to meet the requirements of the work plan. It is assumed that the requirements for short term technical assistance identified by

the CFED team will be fulfilled.

- Activities Outside of ZPA Control.<sup>13</sup> The activities in the privatization process which are outside the CFED team's control and which affect the privatization process will be dealt with minimal bureaucratic delays in the Government hierarchy. Some specific examples of such activities in the privatization process are:
  - Roster of companies allocated to ZPA for sale
  - Cabinet approval for mode of sale
  - Review of sales agreement by Attorney General's Office
  - Signing of purchase and sales agreement
  - Legal transfers consummated
  - Appointment of ZPA Board members
  - Investor market capacity to provide timely and satisfactory private ownership for divested companies in terms of quality, strategic value, price, terms, and capital committed to build a company's future

The above examples are not exhaustive but may be considered as illustrative only.

- Other Non-Controllable Variables within ZPA. At the Management/Board level, progress will be made toward effective, timely, productive working relationships that help accelerate the pace and efficiency of privatization.
- Staff Productivity. The appropriate training inputs (both informal and semi-formal on-the-job training, and more formalized skills training) to ZPA staff will progressively improve their overall productivity, morale and motivation levels over time. Support systems (copying, word processing, communications, etc) will be improved significantly.

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<sup>13</sup> These and other non-controllable variables have the effect of reducing the degree of control over the sequential stages of privatization as illustrated by Diagram 1.

**TABLE 5**  
**PROJECTED ACHIEVEMENTS IN NUMBER OF PRIVATIZATION TRANSACTIONS**  
**OCTOBER 1, 1995 through JUNE 30, 1996**

KEY TASKS IN PRIVATIZATION PROCESS	KEY INDICATORS/OUTPUTS*	NUMBER OF COMPANIES IN STAGES OF PRIVATIZATION PROCESS PER QUARTER			
		Q1 '96 10-12/95	Q2 '96 1-3/96	Q3 '96 4-6/96	Total
1. Assess Companies/Initiate Privatization Studies	Privatization Studies Completed	3	5	5	13
2. Initiate Approval Process	Modes of Sale Approved by ZPA Board	2	5	5	12
	Modes of Sale Approved by Cabinet	2	5	5	12
3. Prepare Companies for Sale/Initiate Divestiture Process	Asset Valuation Completed	2	0	5	7
	Companies Offered/Advertised	2	0	5	7
	Company Valuation Completed	2	0	5	7
	Bid Evaluations Completed	2	0	5	7
4. Undertake Negotiations	Commencement of Negotiations Approved by ZPA Board	3	0	5	8
	Negotiations Commenced	3	0	5	8
5. Conclude Privatization Transactions	Sales Agreement Signed	21	25	10	56
	Legal Transfer Completed	5	5	10	20
	Privatization Trust Fund Transfer Completed**	0	0	3	3
	Liquidation Completed	0	0	6	6

\*It should be noted that the CFED team has varying degrees of control over these key indicators/outputs, as shown in Diagram 1. Nonetheless, USAID has determined that CFED must report against them.

\*\* This refers to numbers of companies where a percentage of shares has been transferred to PTF for (future) flotation.

**DIAGRAM 1**  
**TRANSACTION STAGES AND TASKS OF THE PRIVATIZATION PROCESS (CRITICAL PATHS)**

<b>Time Line (Degree of CFED Team Control)</b>	
<b>1. Assess Companies/Initiate Privatization Studies</b> Privatization Studies Completed	→ (high)
<b>2. Initiate Approval Process</b> Modes of Sale Approved by ZPA Board Modes of Sale Approved by Cabinet	→ (medium) → (low)
<b>3. Prepare Companies for Sale/Initiate Divestiture Process</b> Asset Valuation Completed Companies Offered/Advertised Company Valuation Completed Bid Evaluations Completed	→ (low) → (medium) → (low) → (high)
<b>4. Undertake Negotiations</b> Commencement of Negotiations Approved by ZPA Board Negotiations Commenced	→ (medium) → (medium)
<b>5. Conclude Privatization Transactions</b> Sales Agreement Signed Legal Transfer Completed Privatization Trust Fund Transfer Completed Liquidation Completed	→ (low) → (low) → (low) → (low)

## II. FACILITATE THE COMPLETION OF PRIVATIZATION TRANSACTIONS THROUGH AN EFFECTIVE PARASTATAL MARKETING PROGRAM

A resourceful parastatal marketing campaign is a central component of Zambia's privatization program. Over the next nine months, the CFED team's parastatal marketing campaign will continue with its two-pronged approach of *investment promotion* and *company-specific marketing*, geared toward three identified investor markets: domestic, regional, and international. However, it must be understood that as at October 1, 1995, only \$160,000 (approximate) remains in the Public Relations and Promotion/Marketing budget line item. Activities referenced in this section will reflect these remaining limited resources.

### Investment Promotion Campaign

The following programs are planned to attract regional and international investors to Zambia:

- 1996 Investment Opportunities Conference. An investment conference is planned for May, 1996, which will be sponsored by either Euromoney or Financial Times. The goals of the conference are to introduce Zambia as a viable destination for emerging market and venture capital investment funds. It is anticipated that between 75-100 delegates will attend. The delegate composition is expected to include: institutional fund managers, corporate investment officers, individual investors, and investment syndicate representatives
- In-Country Investor Visits. Investor visits to Zambia and select parastatal companies will continue to be organized and hosted to put forward the best possible image for Zambia and the parastatal sector.

### Company-Specific Marketing Campaign

Advertisements will be created, developed, and placed to announce the tender period for companies as they are approved for sale. With approximately 30 companies remaining to be privatized,<sup>14</sup> it is expected that by June, 1996, 15-20 of these companies will have been advertised for sale and/or marketed to specific investment audiences.

### ASSUMPTIONS

It should be noted that we have made several key assumptions and observations, listed below, that are critical to achieving the above outlined objectives.

- Funding requirements will be met through CFED's Project Budget and/or leveraged through third party support.<sup>15</sup> Such support is required for instance, for the 1996

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<sup>14</sup> For the purposes of marketing, we are only including the number of companies remaining that have not reached the negotiations stage of privatization.

<sup>15</sup> Although the CFED Chief of Party has been historically successful in obtaining third party support from both the public and private sectors, fund raising and/or leverage of third party financial  
(continued...)

- Investment Opportunities Conference which requires £150,000 in private support.
- Support in the implementation of the above activities remains constant or as anticipated (this refers to support from ZPA, GRZ, USAID, etc.).
- CFED's P.R. Advisor realizes appropriate professional capacity from within the Publicity and Marketing Department of ZPA.
- Companies are produced for marketing by the teams.

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<sup>15</sup>(...continued)  
support for ZPA is not the responsibility of the CFED team.

### III. EDUCATE THE POPULATION ON THE PROCESS AND CONSEQUENCES OF PRIVATIZATION

Public support for the privatization program is critical to sustaining the program and to attracting investor interest in the parastatals. Social stability throughout the process of economic restructuring can be enhanced through an effective public education and information campaign designed to improve the conceptual understanding and image of privatization. Notwithstanding, barring any significant change to the current budget and preferences of ZPA Management,<sup>16</sup> most public education/information activities currently underway will wind down by early 1996. Such activities include:

- **World Bank Radio Programs.** These radio programs, funded by the World Bank, will continue to be used as a vehicle for dissemination of information about privatization in Zambia to the larger Zambian population, with a special focus on the rural population.
- **ZPA Media Campaign.** Phase II of this campaign will continue focusing on improving the image of ZPA and privatization. Phase II will use television, radio, and print media.
- **ZPA Forums.** This quarterly series will continue providing opportunities for the business, government, press, religious, and donor/diplomatic communities to be brought up to date on the privatization program.
- **ZPA Play Circle Series.** Zambia's favorite night time television program "Play Circle" will focus thirteen episodes on timely issues regarding privatization. ZPA will design the skit and some of its employees will act in the episode.
- **ZPA Television Programs.** These will continue addressing timely issues relating to the privatization program and ZPA activities. The programs will follow the evening news.
- **Public Service Announcements.** ZPA will continue sponsoring public service announcements in both English and the vernacular languages. Topics/themes will be taken from the parallel TV program topic/theme.
- **ZPA Press Briefings.** ZPA will continue conducting a series of press briefings once every month to disseminate information to the public on the status of privatization.

It is hoped that a Privatization Information Center will be established at the Zambia Information Service office which will assume the responsibility of educating and informing the public about the privatization program, its processes and consequences. The establishment of this "remote" center will become more critical as Zambia moves toward the elections in 1996. Privatization and the Structural Adjustment Program are expected to be hotly debated and potentially volatile issues during the campaign period. It is important for the Agency to distance itself from being held responsible for Zambian public opinion about the privatization program.

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<sup>16</sup> As has been stated previously, the Chief Executive of ZPA feels that the Agency should not be responsible for public opinion on privatization.

## **ASSUMPTIONS**

It should be noted that we have made several key assumptions and observations, listed below, that are critical to achieving the above outlined objectives.

- Funding requirements will be met through CFED's Project Budget and/or leveraged through third party support.<sup>17</sup>
- Support in the implementation of the above activities remains constant or as anticipated (this refers to support from ZPA, GRZ, USAID, etc.).
- CFED's P.R. Advisor realizes appropriate professional capacity from within the Publicity and Marketing Department of ZPA.

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<sup>17</sup> Although the CFED Chief of Party has been historically successful in obtaining third party support from both the public and private sectors, fund raising and/or leverage of third party financial support for ZPA is not the responsibility of the CFED team.

#### **IV. BUILD LOCAL CAPACITY TO DEVELOP THE SKILLS OF ZPA STAFF AND TO DECREASE DEPENDENCY SO THAT ZPA IS ABLE TO IMPLEMENT AND NEGOTIATE PRIVATIZATION TRANSACTIONS ON ITS OWN BY THE COMPLETION OF THE CONTRACT**

Building local capacity within ZPA and gradually reducing ZPA's dependency on foreign technical assistance is essential if ZPA is to develop the capability to implement, promote, and negotiate privatization transactions on its own. Over the next nine months, the CFED team will continue implementing its two major strategies designed to build ZPA's capacity. These strategies are *Technical and Promotional Skills Training* and *Enhanced Technical Capacity*.

##### **Technical and Promotional Skills Training**

In order to improve the technical and promotional skills of ZPA staff, the CFED team will continue undertaking two types of training: (1) on-the-job training; and (2) formalized skills training, through in-country training (seminars/workshops) and third-country/U.S. tours, conferences, and workshops.

##### **ON-THE-JOB TRAINING**

A great amount of professional development, training, and systems/process evolution can be accomplished in the course of daily on-the-job tasks and working relationships, both informally and formally. With this in mind, the CFED Team will continue providing personalized coaching, counseling and mentoring of ZPA counterparts, staff, teams, and management, oriented toward multiple dimensions of technical, operational, administrative, managerial, organizational, policy, leadership, and professional development. This type of training will be constant and on-going. The CFED Team will make periodic assessments of work-related skills, attitudes, behavior, knowledge, and progress resulting from on-the-job training.

While it is difficult to develop quantitative baselines and benchmarks to assess progress on such informal training, the CFED Team will also incorporate, when possible, semi-formalized in-house, on-the-job seminars so that ZPA technical teams may share their privatization cases/experiences with their peers and discuss problems, proposed solutions, lessons learned, etc. This will help the Team, as well as others, assess the progress made by ZPA technical staff and determine shortfalls which need to be addressed either through continued on-the-job training, or more formalized training, as described below. In addition, the CFED Team will work with ZPA and USAID in developing additional methods to assess progress (i.e., self-evaluations, formal evaluations, skills testing, etc.).

##### **FORMALIZED SKILLS TRAINING**

##### **IN-COUNTRY TRAINING**

During the next nine months, CFED will implement Phase II of its formal skills training program. The subject matters covered will differ from what was originally envisaged as the Advanced Professional Development Series because ZPA Management's preferences and priorities for such skills training have changed. Key areas of importance are now:

- training new ZPA staff (as the reorganization and restaffing continues) in the subject matters taught in the Professional Development Series (PDS);
- furthering the financial skills of all ZPA staff and enhancing their capabilities to resolve complex financial problems on the computer (both of these continue to be areas of deficiency per the assessment of CFED's PDS faculty);
- exploring appropriate mass privatization schemes as a mode of privatization, designing procedures and systems for such schemes, training ZPA staff on implementation, and training the Zambian public on participation; and
- learning how to finance and structure deals with potential investors (this will complement the *Investment Opportunities Conference* scheduled for Spring 1996).

Given the finite funds of its project, CFED will explore the most cost-effective means to meet these targets, as well as the possibility of leveraging other donor funds.

#### U.S./THIRD COUNTRY TOURS, CONFERENCES, SEMINARS

The CFED team will continue facilitating and sponsoring the attendance by ZPA professional staff and other key stakeholders, as appropriate, to select promotional and instructional conferences and seminars throughout the world. Together with ZPA Management, CFED will determine which conferences/seminars will add the most value to the privatization process. CFED will encourage presentations by those who attend select conferences, in order to spread the information to fellow colleagues. CFED will coordinate attendance so that training/conferences for ZPA personnel planned/funded by other donor agencies does not duplicate that which CFED is funding.

In addition, funding permitted, CFED will facilitate the participation by select ZPA personnel in study tours to countries that have achieved successful privatizations. Such tours will provide opportunities to compare Zambia's privatization program with that of other countries, searching for similarities, identifying challenges, and discussing lessons learned. Such study tours will complement the topics addressed in CFED's Luminary Series.

#### Enhanced Technical Capacity

Although ZPA has a state-of-the art local area network (LAN) system, there is much more that should be done to further improve the effectiveness and efficiency of its staff.

- The network is far from being utilized to its full potential for enhancing productivity and communications for ZPA. Another series of training is needed in order to teach workgroup communication functions, such as group interaction, e-mail, and group scheduling. In addition, advanced techniques for productivity in word processing, spreadsheets, and data management should be taught. The extent to which this training

will be effective will depend on time allowed, location,<sup>18</sup> and the extent to which the management of ZPA will implement these practices in the operations of the Agency.

- Implementation of a data management system is desperately needed at ZPA. Given the recent data loss at ZPA, CFED and ZPA should determine whether to (1) resurrect the testing of the data management system originally designed by CFED's Information Systems Specialist or (2) design a modified data management system to reflect current realities at the Agency. No matter which, a system must be implemented. Additional training will be needed to teach good data management practices to include the design and use of databases for data management and the design and implementation of standard data management techniques.

Over the next nine months, working with ZPA's new Chief Executive and Technical Director, CFED will concentrate on the following activities:

- Designing, constructing, and implementing an IMS that (1) allows ZPA Management to have access to current summary information on companies and the status of those companies in the privatization process and (2) provides ZPA staff and management document management tools to better organize and track documents generated in the privatization process.
- Training (through both on-the-job and formalized skills training) users so that all appropriate staff are fully knowledgeable in the use of the IMS and its tools.

#### ASSUMPTIONS

It should be noted that we have made several key assumptions and observations, listed below, that are critical to achieving the above outlined objectives.

- Funding requirements will be met through CFED's Project Budget and/or leveraged through third party support.
- Support in the implementation of the above activities remains constant or as anticipated (this refers to support from ZPA, GRZ, USAID, etc.).
- ZPA Management takes a proactive stance (with special regards to IMS) and supports CFED in its efforts to design, construct, implement the IMS and train ZPA staff.
- CFED's IMS Specialist and consultant(s) realize appropriate professional capacity and support from within ZPA Information Systems Department.
- Privatization processes and procedures are standardized for all teams so that data and information are recorded and stored in specified locations and specific formats.<sup>19</sup>

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<sup>18</sup> The location of previous computer training (a mid-size empty office within ZPA) was not conducive to training large numbers of staff as was required for maximum efficiency.

<sup>19</sup> This is a critical prerequisite if the data and information system at ZPA is to be a cost-effective investment.

## **A. Project Reporting**

The CFED team, in compliance with the Prime Contract, will provide USAID with the following reports.

- Quarterly Technical/Financial Performance Reports. Within fifteen (15) days of the end of each quarter, CFED will submit to the USAID/Zambia Project Officer and Regional Contracting Officer a report covering the following subjects:
  - ▶ Technical inputs and accomplishments during the previous quarter, oriented toward the objectives of the work plan and discussing any implementation problems and proposed solutions
  - ▶ Financial accounting of contract funds by line item expended during the previous quarter
- Findings/Achievements of Short-Term Technical Consultancies. Within thirty (30) days of the end of each consultancy, CFED will submit to the USAID/Zambia Project Officer a report discussing achievements during the course of the consultancy, problems experienced, and proposed solutions.
- Quarterly Fixed Asset Inventory. Within fifteen (15) days of the end of each quarter, CFED will submit to the USAID/Zambia Project Officer an inventory of all the fixed assets procured under this contract.

## **B. Effective Use of Short-Term Assistance**

Zambia's privatization program is now on a fast-track. Faced with GRZ deadlines and other outside pressure to speed up the privatization process, the CFED team and ZPA staff will need short-term technical assistance to assist in the privatization effort. In addition, the team will need specialized short-term technical assistance when a privatization transaction has a particular complexity or perceived problems/difficulties in the implementation of that transaction (e.g. legal, labor, financial restructuring, foreign investment requirements, industry-specific issues) which cannot be addressed with the available capability in the field.

To address these needs, CFED will draw upon a wide cadre of diverse, specialized short-term technical assistance. Of particular importance will be the availability of these specialists to return to Zambia on an as-needed basis, thereby exploiting knowledge that has been gained previously, avoiding disruption, and maximizing momentum and continuity.

CFED will also do its best to utilize local Zambian talent to fill short-term needs. These local Zambians will be used to perform business analysis and other such functions whenever possible. These local Zambian consultants will be identified with the assistance of ZPA, CFED's local subcontractor's Deloitte & Touche and Devman Consulting, and local business organizations.

**ANNEX 1**  
**COMPANIES PRIVATIZED OR**  
**IN ADVANCED STAGES OF PRIVATIZATION PROCESS**  
**PROJECT INCEPTION THROUGH SEPTEMBER 30, 1995**

<b>KEY INDICATOR</b>	<b>COMPANY NAME</b>	
<b>COMPANIES OFFERED/ ADVERTISED</b>	Amalgamated Milling Blue Lagoon National Park Chichele Lodge Chico Milling Choma Milling City Radio & Refrig. Supplies Consumer Buying Corp Crushed Stone Sales Ltd. Dairy Produce Board Elephants Head Hotel InterContinental Travel International Catering Svcs. Kabwe Industrial Fabrics Ltd. Kafue National Park Kapiri Glass Products Ltd. Kasaba Bay Lodge Kasama Mill Kawambwa Tea La Hacienda Hotel Lake Hotels Ltd Lint Co. Of Zambia Ltd. Lochimvar Lodge Lower Zambezi National Park Luangwa Mill Lusaka Engineering Co. Ltd Lyambar Hotel Mansa Mill Memaco Farms Mfuwe Lodge Mill. Sawmilling & Joinery Mkushi Mill	Mongu Mill Mosi-O-Tanya National Park Mulungushi Traveler Mundawanga Zoo & Botanical Gardens Mwaiseni Stores Limited National Drug Co. Ltd. National Home Stores Ltd. Ndola Mill Nchanga Farms NIEC Farms NIEC Overseas NIEC Agencies Nkamba Bay Lodge Nkwazi Manufacturing NorGroup Plastics Ltd. Northern Breweries Ltd. Pamodzi Hotel Premium Oil Industries. Ltd. Rainbow Lodge ROP Limited South Luangwa National Park Supa Baking Zam Cargo Holdings Ltd. Zambia Horticultural Products Zambia National Wholesale & Marketing Zambia Cold Storage Corp. Zambia Ceramics Zambia Clay Industries Zambia Coffee Zambia Pork Products Zambia Steel & Building Supplies

KEY INDICATOR	COMPANY NAME	
<p><b>COMPANIES WHERE NEGOTIATION COMMENCED/ COMPLETED</b></p>	<p>Agip (Zambia) Ltd. BP Zambia Ltd. Chichele Lodge Chico Milling Chilanga Cement Ltd. Chilongolo Dairy City Radio &amp; Refrig. Supplies Cleanwell Dry Cleaners Consolidated Tyre Service Consumer Buying Corp. Crushed Stone Sales Ltd. Dairy Produce Board Duncan Gilbey &amp; Matheson Ltd. EC Milling Elephants Head Hotel Ghirardi Milling Kabwe Industrial Fabrics Ltd. Kacholola Hotel Katironda Ltd. Kafue Textiles Ltd. Kapiri Glass Products Ltd. Kasaba Bay Lodge Kasama Mill La Hacienda Hotel Lake Hotels Ltd. Lint Co. Of Zambia Ltd. Lochinvar Lodge Luangwa Mill Lusaka Engineering Co. Ltd. Lyambai Hotel Mansa Hotel Mansa Mill Mfuwe Lodge MIL Engineering &amp; Tooling MIL Construction MIL Sawmilling &amp; Joinery Mkushi Mill Monarch Zambia Ltd.</p>	<p>Mongu Mill Mpongwe Development Co. Mulungushi Traveler Mwaiseni Stores Ltd. Mwinilunga Canneries Ltd. National Home Stores Ltd. National Tobacco Co. Ltd. National Milling Co. Ltd. National Breweries Ltd. National Drum &amp; Can Co. National Drug Co. Ltd. NIEC Overseas NIEC Agencies NIEC Farms Nkamba Bay Lodge Nkwazi Manufacturing Co. NorGroup Plastics Ltd. Northern Breweries Ltd. Pamodzi Hotel Premium Oil Industries Ltd. Rainbow Lodge Robinhood Products ROP Limited Rycus Heavy Haulage Savoy Hotel Simmental Stud Ranch ZAL Elevators Zambia National Wholesale &amp; Marketing Zambia Breweries Ltd. Zambia Sugar Co. Ltd. Zambia Hotel Properties Ltd. Zambia Seed Co. Ltd. Zambia Cold Storage Corp. Zambia Clay Industries Ltd. Zambia Ceramics ZamCargo Holding Ltd. ZAMEFA ZECCO</p>
<p><b>SALES AGREEMENTS SIGNED</b> (During CFED Project)</p>	<p>Chaanda Farm Chilanga Cement Ltd Chilongolo Dairy Consolidated Tyre Services Crushed Stone Sales Ltd. General Pharmaceuticals Ltd. Hartley Farm Holding Farm Kasama Mill Luangwa Mill Mansa Mill</p>	<p>Mkushi Mill Monarch Zambia Ltd Mongu Mill Mpongwe Development Co. National Drum &amp; Can Co. Ltd. Simmental Stud Ranch Zambia Clay Industries Ltd. Zambia Breweries Ltd. Zambia Sugar Co. Ltd. Zambia Maltings ZECCO</p>

<b>KEY INDICATOR</b>	<b>COMPANY NAME</b>	
<b>SALES AGREEMENTS SIGNED</b> (Prior to CFED Project)	AFE Ltd. Auto Care Ltd. Coolwell Systems Eagle Travel Ltd.	Nanga Farms Ltd. Poultry Processing Co. Ltd. Prime Marble Products Ltd. Zuva Zambia Ltd.
<b>LEGAL TRANSFERS COMPLETED</b>	AFE Ltd. Auto Care Ltd. Cape Kachese Chilanga Cement Ltd. Coolwell Systems General Pharmaceuticals Ltd. Mpende Fisheries	Nanga Farms Ltd. PC Sichulva Prime Marble Products Ltd. Zambia Breweries Ltd. Zambia Sugar Zuva Zambia Ltd.
<b>TRANSFERS TO PTF</b>	Chilanga Cement Rothmans Zambia Ltd.	Zambia Breweries
<b>COMPANIES LIQUIDATED</b>	Africa Bound Ltd. Buildwell Construction Mufuhira Hotel	Redirection Placement Zambia Housing Development Fund Zambia National Shipping Line

**ANNEX 2**  
**KEY INDICATORS SUMMARY (CUMULATIVE)**

➡ CFED Project Period

Key Indicator	Unit	Base	1993/1994 Prior to CFED Project Period (a)	ZPSP Targets  (b)	Total CFED Progress as of 9/30/95  (c)	Total ZPA Progress as of 9/30/95  (a+c)
Short-term person months <sup>1</sup>	C/PM	0	0	156	47	--
Long-term person months <sup>2</sup>	C/PM	0	0	180	90	--
ZPA professionals on staff	N°	0	38	45	--	39
Training plan reviewed	Y/N	None	None	Yr/y	--	--
Person-weeks training received by ZPA staff (formal)	C/PM	0	10 <sup>3</sup>	280	17 <sup>4</sup>	27
Media items released <sup>5</sup> (exclusive of company sales press releases)	Items/Yr	0	8	100	195	203
N° of companies reviewed environmentally	C/Cos	0	31	40	0 <sup>6</sup>	31
N° of companies where market studies completed	C/Cos	0	32	100	68	100

Key Indicator	Unit	Base	1993/1994 Prior to CFED Project Period (a)	ZPSP Targets  (b)	Total CFED Progress as of 9/30/95  (c)	Total ZPA Progress as of 9/30/95  (a+c)
N° of companies having method of sale approved by ZPA Board	C/Cos	0	36	100	68	104
N° of companies having method of sale approved by the Cabinet	C/Cos	0	36	100	68	104
N° of companies/units offered for bids	C/Cos	0	19	90	62	81
N° of companies having Board approve start of negotiations	C/Cos	0	23	90	70	93
N° of companies where negotiations commenced	C/Cos	0	23	75	76	99
N° of companies where sales agreement signed	C/Cos	0	9	50-75	22	31
N° of companies where legal transfer has occurred	Cos	0	3	50-75	13	16
N° of companies being dissolved or liquidated	Cos	0	0	5	6	6

For the purposes of this summary, we have defined long-term consultants as the technical consultants only (Richard Morgan, James Joseph, Steve Weddle, David Brunell, Gene Hovey (through severance payments)).

\* For the purposes of this summary, we have defined short-term consultants as all short-term technical consultants excluding those personnel who are billable elsewhere, i.e., Mike Woodford is "home office." Charlie Jenkins and his staff have also been excluded since their time was originally budgeted for "Devman home office."

\* This is only an estimate. To our knowledge, ZPA staff, either as a whole or individually, have participated in the following training programs before CFED's contract period or outside of CFED's contract:

Programme on Privatization, June 1992

Privatization Strategies & Techniques, May 1993

Publicity and Communications, September 1993

Privatization Implementation and Management, November 1993

Legal Aspects of Employment and Industrial Relations, November 1993

Computer Training (Windows, Lotus, WordPerfect), May 1994

Public Utilities Regulation, June 1994

Public Sector Reform in Africa, June 1994

\* The number here includes (1) two one-week negotiation training seminars held by Marsha Ostrer in October 1994 and additional two one-week seminars held by her in February 1995. Both were done through a separate, direct contract with USAID, although the administrative and logistical expenses for the October seminars were paid from CFED's Prime Contract budget; (2) 8 weeks of in-country formalized skills training; and (3) 5 weeks of third country/U.S. seminars.

\* This has been left as zero because the environmental studies are done by PH Associates, a separate contractor to USAID under the ZPSP.

**ANNEX 3  
PROJECTED BUDGET**

Because CFED's Project Budget is not itemized in the same manner in which this work plan is formatted, it is difficult to project the funds that will be expended to achieve each project objective during the work plan period. For this reason, we are projecting only the total funds that will be expended, per Project Budget line item category, based on the funds remaining as of October 1, 1995.

Budgetary Line Item	Cumulative Costs through 9/30/95	Budget Amount	Remaining Budget	Projected Expenditures Oct. 1995-June 1996
Salaries/Wages				
Home Office	95,108	148,463	53,355	32,013
Field Office (l-t)	236,645	675,909	439,264	263,559
Field Office (s-t)	345,891	463,938	118,047	70,828
Subtotal	677,644	1,288,310	610,666	366,400
Indirect Costs	934,624	1,762,943	828,319	496,992
Subcontracts	1,435,001	3,207,197	1,772,196	1,063,318
Participant Training	207,283	585,755	378,472	302,778
Commodities*	723,629	1,029,056	305,427	274,884
Travel and Transportation	106,068	241,162	135,094	81,056
Per Diem	149,637	329,865	180,228	108,137
Allowances	87,685	154,711	67,026	40,216
Other Direct Costs	129,495	224,781	95,286	57,172
Subtotal	4,451,066	8,823,780	4,372,714	2,790,953
G&A	1,037,543	2,056,823	1,019,280	650,571
Subtotal Cost	5,488,609	10,880,603	5,391,994	3,441,524
Fixed Fee	302,231	507,134	204,903	181,587
Total Estimated Cost	5,790,838	11,387,737	5,596,897	3,623,111

\* This line item includes funds for public relations campaigns (objectives II & III), and computer equipment (objective IV -- Enhancing Technical Capacity).